

**Agency Budget Comparison**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	134.97	140.14	134.22	139.39	140.14	139.39	(0.75)	(0.54%)
Personal Services	9,656,006	11,214,831	10,406,346	10,499,612	20,870,837	20,905,958	35,121	0.17%
Operating Expenses	2,707,982	3,305,252	3,839,107	3,607,578	6,013,234	7,446,685	1,433,451	23.84%
Equipment & Intangible Assets	60,495	89,505	75,000	50,000	150,000	125,000	(25,000)	(16.67%)
Transfers	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$12,424,483</b>	<b>\$14,609,588</b>	<b>\$14,320,453</b>	<b>\$14,157,190</b>	<b>\$27,034,071</b>	<b>\$28,477,643</b>	<b>\$1,443,572</b>	<b>5.34%</b>
General Fund	10,271,712	12,309,086	11,799,235	12,152,408	22,580,798	23,951,643	1,370,845	6.07%
State Special	2,152,771	2,300,502	2,521,218	2,004,782	4,453,273	4,526,000	72,727	1.63%
<b>Total Funds</b>	<b>\$12,424,483</b>	<b>\$14,609,588</b>	<b>\$14,320,453</b>	<b>\$14,157,190</b>	<b>\$27,034,071</b>	<b>\$28,477,643</b>	<b>\$1,443,572</b>	<b>5.34%</b>

**Agency Description**

The mission of the legislature is to exercise the legislative power of state government vested in the legislature by the Constitution of the State of Montana. The mission of the Legislative Branch, i.e., the consolidated legislative agency, is to provide the administrative structure to support accomplishment of the mission of the legislature.

**Agency Highlights**

<b>Legislative Branch Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ Operating expense increases include:                             <ul style="list-style-type: none"> <li>● Present law adjustments for cyclical adjustments related to the 2015 Legislative Session</li> <li>● Information technology cost increases of \$225,000</li> <li>● Continued enhancements of Television MT, \$275,000</li> <li>● Funding of \$160,000 general fund over the biennium for participation in the capitol complex security plan (in the future, it is thought that the executive branch agencies will share this cost)</li> </ul> </li> <li>◆ Personal service increases include:                             <ul style="list-style-type: none"> <li>● Present law adjustments in the Legislative Audit Division related to vacancies in FY 2012, partially offset by a reduction of funding for 0.75 FTE</li> <li>● \$173,468 to bring branch-wide staff up to 87.0% of market pay, which is in line with the executive branch</li> </ul> </li> <li>◆ Partially offsetting personal service increases is a vacancy savings rate of 2%</li> <li>◆ All appropriations of the branch are biennial</li> </ul>

**Summary of Legislative Action**

The legislature approved the Legislative Branch budget with an increase of \$1.4 million, or 5.3%, over the 2013 biennium. A portion of the increase in operating expenses results from information technology upgrades to cover the costs of hardware and software replacement. This funding corresponds with a project in the Long-Range Information Technology Program (HB 10) that will replace and update many of the branch legacy information technology systems. The appropriation included in HB 10 will impact the branch information technology division, since much of the

associated work will be done in-house. Operating expenses also increase with the inclusion of contracted service costs for increased security for the capitol complex.

The personal service budget for the branch includes present law adjustments that will fund the branch workforce with a vacancy savings reduction of 2%. Language allowing the branch to allocate the vacancy savings among the divisions is seen in the “Language and Statutory Authority” section of this report. The branch received a one-time-only increase in personal service costs that is intended to bring staff up to 87.0% of market. This increase would bring branch staff compensation to a level more consistent with the executive branch.

The table does not include pay increases associated with HB 13, the state pay plan. HB 13 provides branch wide appropriations, which may be allocated among the divisions for pay rate and health benefit increases. The appropriations for the Legislative Branch are shown in the adjacent figure.

Legislative Branch Pay Plan Appropriations (HB 13)		
2015 Biennium		
Funding Source	FY 2014	FY 2015
General Fund	\$397,735	\$808,775
State Special Revenue	<u>52,500</u>	<u>142,820</u>
Total	<u>\$450,235</u>	<u>\$951,595</u>

In addition to the appropriations shown above, this legislation provides \$100,000 in general fund for the 2015 biennium to be used when retirement costs exceed agency resources or other contingencies arise. With the impacts of HB 13, the branch personal services budget for the 2015 biennium will be \$22.4 million, an increase of 7.4% from the 2013 biennium. The legislation also requires the branch to report to the Legislative Finance Committee and the Legislative Fiscal Analyst, in an electronic format, on the implementation of pay increases and the impacts on lower pay bands on December 31, 2013 and December 31, 2014. For a discussion of the pay plan, see Volume 1 of the 2015 Biennium Fiscal Report.

*Boilerplate*

The boilerplate section in HB 2 includes the following language:

“It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium.”

The administrative committees of the branch typically do not recommend the division budgets include vacancy savings, and in the 2015 biennium request, no vacancy savings in addition to the reduction in decision packages were budgeted. As a result, the Legislative Branch is considered to be exempt from the boilerplate language.

**Agency Discussion**

The budget of the Legislative Branch functions is presented in HB 2 as a biennial budget due to the cyclical nature of the legislative sessions and the many costs associated therein. Many of the costs of the Legislative Branch are incurred in non-base years, as the sessions are held in the second year of the biennium, while budgets are prepared from the even-numbered base years. The cyclical nature of the legislature leads to multiple adjustments in the branch budget.

HB 1 contains the costs associated with the activities of the legislative session and is not included as a component of the HB 2 budget. From the total appropriations of \$9.2 million provided in HB 1, \$8.7 million is for the operation of the 63rd legislature and the costs of preparing for the 64th legislature. The legislation also provides \$579,617 specifically provided for the preparation activities of the 64th Legislative Session. The appropriations fund the salaries and per-diem of the members of the 63rd Legislature and the costs of temporary staff and operational costs related to the session. From those appropriations, \$586,699 is directed to the operations of Legislative Services (program 22-“Feed-Bill” program) in FY 2013 through FY 2015 and an additional \$16,500 for FY 2015. The funding will be used for session related activities that include:

- Bill printing & distribution
- Legislative publications (printing of Session Laws, Rule Books, certain LFD publications)
- Legislative information office

- Legislative telephones
- Legislator technology allowance
- Session start-up costs

**Funding**

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Legislative Branch Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$23,951,643	\$0	\$0	\$23,951,643	84.1%
State Special Total	4,526,000	-	-	4,526,000	15.9%
Federal Special Total	-	-	-	-	0.0%
Proprietary Total	-	-	-	-	0.0%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
<b>Total All Funds</b>	<b>\$28,477,643</b>	<b>\$0</b>	<b>\$0</b>	<b>\$28,477,643</b>	
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>		

The Legislative Branch is mainly funded with general fund. State special revenues are derived from:

- A percentage of the fees charged to lobbyists, which supports the state broadcasting service (TVMT)
- Sales of the Montana Codes Annotated, which supports the preparation; publication; and distribution of the MCA
- Audit fees charged to state agencies, which support the activities of the Legislative Audit Division

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	10,271,712	10,271,712	20,543,424	85.77%	12,424,483	12,424,483	24,848,966	87.26%
Statewide PL Adjustments	736,657	1,041,525	1,778,182	7.42%	1,106,033	1,215,886	2,321,919	8.15%
Other PL Adjustments	531,854	598,489	1,130,343	4.72%	573,823	319,222	893,045	3.14%
New Proposals	259,012	240,682	499,694	2.09%	216,114	197,599	413,713	1.45%
<b>Total Budget</b>	<b>\$11,799,235</b>	<b>\$12,152,408</b>	<b>\$23,951,643</b>		<b>\$14,320,453</b>	<b>\$14,157,190</b>	<b>\$28,477,643</b>	

**Other Legislation**

**HB 1** – This legislation includes total appropriations of \$9.2 million for the operation of the 63rd legislature and the costs of preparing for the 64<sup>th</sup> legislature. The appropriations fund the salaries and per-diem of the members of the 63<sup>rd</sup> Legislature, the costs of temporary staff, and operational costs related to the session.

**HB 10** – This legislation includes an appropriation of \$6,146,000 of general fund to the Legislative Branch for a major enterprise-level business system replacement project to upgrade multiple aging systems, including process design, MCA/annotations, LAWS database, editor system, HB 2 automation, engrossing and enrolling, and the MCA online system, all used to support the legislative session and related post-session publication processes.

**HB 13** – The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches and the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium. For more information of the impacts of this legislation on the Legislative Branch, see the “Summary of Legislative Action” section of this report.

**Interim Study Resolutions** –18 interim study bills and resolutions were passed by the legislature and approved by the Governor. The Legislative Council will determine which the studies should be undertaken and which statutory or interim committee will complete the study. The resolution number and short title are as follows:

- HB 609 Study hunting and fishing licensing
- HJ 1 Study structure and duties of office of comm of political practices
- HJ 2 Study state/local gov electronic records management
- HJ 16 Study state-operated public institutions
- HJ 17 Study resolution on state pay plans
- HJ 25 Study workers' compensation and subrogation, other issues
- HJ 26 Study water ditch/canal easement restatement process options
- HJ 30 Study benefits for veterans
- SJ 3 Study the Board Pardons and Parole
- SJ 4 Study Virginia City, Nevada City, and Reeder's Alley
- SJ 6 Study the impacts of Montana's renewable portfolio standard
- SJ 14 Study local government election procedures
- SJ 15 Study public land management
- SJ 20 Study prescription drug abuse
- SJ 22 Study family law procedure alternatives
- SJ 23 Study the tax appeal process
- SJ 24 Study military training applicability to civilian jobs
- SJ 26 Study commerce corridors along Montana highways

**Executive Budget Comparison**

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg – Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg – Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	134.97	134.97	134.22	(0.75)	140.14	139.39	(0.75)	
Personal Services	9,656,006	10,615,555	10,406,346	(209,209)	10,710,158	10,499,612	(210,546)	(419,755)
Operating Expenses	2,707,982	3,757,535	3,839,107	81,572	3,526,011	3,607,578	81,567	163,139
Equipment & Intangible Assets	60,495	75,000	75,000	0	50,000	50,000	0	0
Transfers	0	0	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$12,424,483</b>	<b>\$14,448,090</b>	<b>\$14,320,453</b>	<b>(\$127,637)</b>	<b>\$14,286,169</b>	<b>\$14,157,190</b>	<b>(\$128,979)</b>	<b>(\$256,616)</b>
General Fund	10,271,712	11,883,974	11,799,235	(84,739)	12,238,304	12,152,408	(85,896)	(170,635)
State/Other Special	2,152,771	2,564,116	2,521,218	(42,898)	2,047,865	2,004,782	(43,083)	(85,981)
<b>Total Funds</b>	<b>\$12,424,483</b>	<b>\$14,448,090</b>	<b>\$14,320,453</b>	<b>(\$127,637)</b>	<b>\$14,286,169</b>	<b>\$14,157,190</b>	<b>(\$128,979)</b>	<b>(\$256,616)</b>

The budget was approved with a net biennial reduction of \$256,616 from the requested budget. Changes included:

- A reduction of \$419,755 with the adoption of an additional 2% in vacancy savings, including \$333,714 in general fund and \$85,981 state special revenue funds
- A biennial increase of \$160,000 for branch participation in capitol complex security

- A biennial increase of \$3,139 for the legislative changes to the statewide present law adjustments
- The removal of funding for 0.75 FTE in accordance with the intention of the Legislative Audit Division

**Language and Statutory Authority**

The legislature included the following language in HB 2.

"Legislative Services includes a reduction in general fund of \$166,311 in fiscal year 2014 and \$167,463 in fiscal year 2015 and state special revenue of \$42,898 in fiscal year 2014 and \$43,083 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans."

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	59.00	64.17	59.00	64.17	64.17	64.17	0.00	0.00%
Personal Services	4,591,142	5,029,041	4,658,508	4,783,018	9,620,183	9,441,526	(178,657)	(1.86%)
Operating Expenses	2,040,402	2,551,849	3,025,199	2,840,367	4,592,251	5,865,566	1,273,315	27.73%
Equipment & Intangible Assets	60,495	89,505	75,000	50,000	150,000	125,000	(25,000)	(16.67%)
Transfers	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$6,692,039</b>	<b>\$7,670,395</b>	<b>\$7,758,707</b>	<b>\$7,673,385</b>	<b>\$14,362,434</b>	<b>\$15,432,092</b>	<b>\$1,069,658</b>	<b>7.45%</b>
General Fund	5,905,206	7,308,112	6,916,678	7,351,175	13,213,318	14,267,853	1,054,535	7.98%
State Special	786,833	362,283	842,029	322,210	1,149,116	1,164,239	15,123	1.32%
<b>Total Funds</b>	<b>\$6,692,039</b>	<b>\$7,670,395</b>	<b>\$7,758,707</b>	<b>\$7,673,385</b>	<b>\$14,362,434</b>	<b>\$15,432,092</b>	<b>\$1,069,658</b>	<b>7.45%</b>

**Program Description**

The Legislative Services Division provides objective research, reference, legal, technical, information technology, and business services to the House, Senate, and other divisions of the Legislative Branch. Division services include: 1) bill and amendment drafting, preparation of bills for introduction, and engrossing and enrolling bills; 2) publication of legislative documents of record; 3) provision of legislative research and reference services; 4) legal counseling on legislative matters and agency legal support; 5) personnel and business services; 6) planning, installation, and maintenance of agency information technology; 7) legislative committee staffing and support; 8) preparation, publication, and distribution of the Montana Code Annotated text and annotations; 9) review of the text of proposed ballot measures; 10) broadcasting of state government and public policy events; and 11) provision of legislative information to the public. The Legislative Council provides policy guidance to the Legislative Services Division.

**Program Highlights**

<b>Legislative Services Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The budget increases primarily due to present law adjustments, which include:                             <ul style="list-style-type: none"> <li>● Cyclical operations adjustments for session related costs</li> <li>● Increased information technology costs and maintenance for the LAWS system</li> <li>● Participation in subscription services for Federal Funds Information for the States</li> <li>● Participation in the capitol complex security plan (in the future, it is thought that the executive branch agencies will share this cost)</li> </ul> </li> <li>◆ The legislature approved appropriations for the ongoing costs of technology upgrades and market pay adjustments</li> <li>◆ The budget includes a net reduction in the cyclical costs of production of the Montana Code Annotated</li> <li>◆ Personal services are reduced by vacancy savings of 2%, which can be allocated across the branch divisions</li> </ul>

**Program Narrative**

The Legislative Services Division, the largest division of the branch, oversees many of the tasks and activities related to the functions of the branch. Included in the program are the facility and maintenance; information technology; finance, payroll, and human services; legal; legislative research; and library functions. The activities of Legislative Services fall under the oversight of the Legislative Council, one of the three administrative committees of the branch.

The budget for this division was approved with an increase of \$1.1 million from the 2013 biennium. Increases provided in the personal services budget are offset by an additional 2% vacancy savings for the entire branch that was applied to this division but will be allocated among all divisions.. The budget also includes an appropriation of \$160,000 for participation in security enhancements to the capitol complex security plan. The division will provide funding for the entire cost of the enhancements in the 2015 biennium, but in the future it is expected that the executive branch agencies will participate in the associated costs.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Legislative Branch Funding by Source of Authority 2015 Biennium Budget - Legislative Services Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$14,267,853	\$0	\$0	\$14,267,853	92.5%		
State Special Total	\$1,164,239	\$0	\$0	\$1,164,239	7.5%		
02800 Reimbursable Activities	\$1,087,714	\$0	\$0	\$1,087,714	7.0%		
02985 State Government Broadcasting	\$76,525	\$0	\$0	\$76,525	0.5%		
Total All Funds	\$15,432,092	\$0	\$0	\$15,432,092	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The Legislative Services Division is mainly funded by general fund. State special revenue funding is derived from a percentage of lobbyist fees and supports the costs associated with the state broadcasting service (TVMT). Additionally, state special revenues derived from the sales of the Montana Codes Annotated support the preparation, publication, and distribution of the codes.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	5,905,206	5,905,206	11,810,412	82.78%	6,692,039	6,692,039	13,384,078	86.73%
Statewide PL Adjustments	292,678	697,686	990,364	6.94%	343,063	551,798	894,861	5.80%
Other PL Adjustments	459,782	507,601	967,383	6.78%	507,491	231,949	739,440	4.79%
New Proposals	259,012	240,682	499,694	3.50%	216,114	197,599	413,713	2.68%
<b>Total Budget</b>	<b>\$6,916,678</b>	<b>\$7,351,175</b>	<b>\$14,267,853</b>		<b>\$7,758,707</b>	<b>\$7,673,385</b>	<b>\$15,432,092</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					218,752					286,777
Inflation/Deflation					265					483
Fixed Costs					124,046					264,538
<b>Total Statewide Present Law Adjustments</b>		<b>\$292,678</b>	<b>\$50,385</b>	<b>\$0</b>	<b>\$343,063</b>		<b>\$697,686</b>	<b>(\$145,888)</b>	<b>\$0</b>	<b>\$551,798</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(292,678)	(50,385)	0	(343,063)	0.00	(697,686)	145,888	0	(551,798)
DP 51 - Adjustment for Statewide Personal Services	0.00	193,032	25,720	0	218,752	0.00	253,059	33,718	0	286,777
DP 52 - Adjustment for Statewide Operations	0.00	111,267	14,616	0	125,883	0.00	235,428	31,160	0	266,588
DP 53 - Base Funding Switch	0.00	(10,049)	10,049	0	0	0.00	210,766	(210,766)	0	0
DP 20001 - LSD Cyclical & Operational Adjustments	0.00	448,210	47,709	0	495,919	0.00	496,034	(275,652)	0	220,382
DP 20002 - Leg Branch FFIS Professional Resources	0.00	10,000	0	0	10,000	0.00	10,000	0	0	10,000
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$459,782</b>	<b>\$47,709</b>	<b>\$0</b>	<b>\$507,491</b>	<b>0.00</b>	<b>\$507,601</b>	<b>(\$275,652)</b>	<b>\$0</b>	<b>\$231,949</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$752,460</b>	<b>\$98,094</b>	<b>\$0</b>	<b>\$850,554</b>	<b>0.00</b>	<b>\$1,205,287</b>	<b>(\$421,540)</b>	<b>\$0</b>	<b>\$783,747</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee. The fixed cost changes related to this agency are reflected in this decision package.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 20001 - LSD Cyclical & Operational Adjustments - The legislature approved adjustments from base including: 1) re-establishment of the Legislative Council’s discretionary fund of \$45,000 for emerging issues that was not expended in the base year; 2) cyclical adjustments for travel related to participation in organizational activities not expended in the base year (NCSL, CSG, etc.); 3) a rate adjustment for an increase in personal car mileage; 4) an increase in the cost of organizational dues above base expenditures; and 5) a decrease of \$60,599 for the Districting and Apportionment Commission, which completes its decennial work at the end of FY 2013.

DP 20002 - Leg Branch FFIS Professional Resources - The legislature approved this proposal that adds budget authority for participation in subscription services for Federal Funds Information for the States. This subscription provides up-to-date information regarding the status of federal funding, grants, and other research material not available elsewhere. The subscription will be managed through the Legislative Reference Center for the Branch.



**New Proposals**

Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 54 - Additional Vacancy Savings										
20	0.00	(166,311)	(42,898)	0	(209,209)	0.00	(167,463)	(43,083)	0	(210,546)
DP 20003 - LSD Television MT Phase II OTO/RST										
20	0.00	175,000	0	0	175,000	0.00	100,000	0	0	100,000
DP 20004 - LSD Info Technology Upgrade, Replacements OTO/RST										
20	0.00	112,500	0	0	112,500	0.00	112,500	0	0	112,500
DP 20005 - Leg. Branch Discretionary Market Adjustments										
20	0.00	57,823	0	0	57,823	0.00	115,645	0	0	115,645
DP 20021 - Particip.-Capitol Cmplx. Security (OTO/RST/BIEN)										
20	0.00	80,000	0	0	80,000	0.00	80,000	0	0	80,000
<b>Total</b>	<b>0.00</b>	<b>\$259,012</b>	<b>(\$42,898)</b>	<b>\$0</b>	<b>\$216,114</b>	<b>0.00</b>	<b>\$240,682</b>	<b>(\$43,083)</b>	<b>\$0</b>	<b>\$197,599</b>

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs.

DP 20003 - LSD Television MT Phase II OTO/RST - The legislature approved this proposal for TVMT, Phase II- Replacement, upgrade, and maintenance of Television MT infrastructure to allow the Media Center to complete a high-definition upgrade as time and budget allow. Phase I (completed in October, 2012) began the replacement and upgrade of 11-year old equipment in the Senate, a compatible workstation, and one House committee room. This Phase II infrastructure upgrade will allow the future support and replacement of new high-definition workstations and cameras as necessary. The funding is designated one-time-only and is restricted for the use for this purpose only.

DP 20004 - LSD Info Technology Upgrade, Replacements OTO/RST - The legislature approved a proposal to cover costs for hardware and software replacement, training, and consulting and professional services in information technology for the Legislative Branch, including maintenance of the LAWS system, that have been deferred and are not expected to be recurring costs. The funding is designated one-time-only and is restricted for this purpose only.

DP 20005 - Leg. Branch Discretionary Market Adjustments - The legislature approved this proposal that is designed to raise the average target market ratio of the Legislative Branch employees equal to that of the Executive Branch (87%) at the end of FY 2012. These funds will be used by the division managers to work toward achieving target market ratios for employees who are significantly below entry or market and who have acceptable performance appraisals. The total cost for the Legislative Branch is \$173,468 general fund. The funds are attached to this division for administrative purposes and will be distributed among the divisions as necessary in FY 2014 and FY 2015.

DP 20021 - Particip.-Capitol Cmplx. Security (OTO/RST/BIEN) - The legislature approved the Legislative Branch participation in the capitol complex security plan. The branch participation is funded with general fund, is one-time-only, and is restricted to this purpose.

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	0.97	0.97	0.97	0.97	0.97	0.97	0.00	0.00%
Personal Services	93,257	80,661	97,264	67,221	173,918	164,485	(9,433)	(5.42%)
Operating Expenses	477,176	450,736	585,892	506,003	927,912	1,091,895	163,983	17.67%
Transfers	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$570,433</b>	<b>\$531,397</b>	<b>\$683,156</b>	<b>\$573,224</b>	<b>\$1,101,830</b>	<b>\$1,256,380</b>	<b>\$154,550</b>	<b>14.03%</b>
General Fund	570,433	531,397	683,156	573,224	1,101,830	1,256,380	154,550	14.03%
<b>Total Funds</b>	<b>\$570,433</b>	<b>\$531,397</b>	<b>\$683,156</b>	<b>\$573,224</b>	<b>\$1,101,830</b>	<b>\$1,256,380</b>	<b>\$154,550</b>	<b>14.03%</b>

**Program Description**

The Legislative Committees and Activities Program supports the activities of standing and interim legislative committees that are conducted during the interim between legislative sessions. Program expenditures support: 1) interim study activities as defined in 5-5-202 through 5-5-217, MCA; 2) cooperative interstate, international and intergovernmental activities as outlined in 5-11-303 through 5-11-305, MCA; and 3) other legislative activities for which appropriations are made.

**Program Highlights**

<b>Legislative Committees &amp; Activities Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The budget will increase from the 2013 biennium primarily due to present law adjustments, which include an increase in costs for the emerging issues discretionary fund</li> <li>◆ Increases are offset with a reduction of base costs associated with the completion of work by the Districting and Apportionment Commission</li> </ul>

**Program Narrative**

The budget for the Legislative Committees and Activities Division includes the costs of the Legislative Council, one of the three administrative committees of the branch, and the costs of the Environmental Quality Committee. This budget also funds the costs of the interim committees of the legislature, but does not include the budgets for Legislative Finance Committee or the Legislative Audit Committee. The interim committees are statutorily set in 5-5-202, MCA and include:

- Economic affairs committee
- Education and local government committee
- Children, families, health, and human services committee
- Law and justice committee
- Energy and telecommunications committee
- Revenue and transportation committee
- State administration and veterans' affairs committee

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Legislative Branch Funding by Source of Authority 2015 Biennium Budget - Legis. Committees & Activities							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,256,380	\$0	\$0	\$1,256,380	100.0%		
Total All Funds	\$1,256,380	\$0	\$0	\$1,256,380	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

Legislative Committees and Activities is entirely funded with general fund.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	570,433	570,433	1,140,866	90.81%	570,433	570,433	1,140,866	90.81%
Statewide PL Adjustments	38,181	(60,120)	(21,939)	(1.75%)	38,181	(60,120)	(21,939)	(1.75%)
Other PL Adjustments	74,542	62,911	137,453	10.94%	74,542	62,911	137,453	10.94%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$683,156</b>	<b>\$573,224</b>	<b>\$1,256,380</b>		<b>\$683,156</b>	<b>\$573,224</b>	<b>\$1,256,380</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					38,192					(60,222)
Inflation/Deflation					(11)					102
<b>Total Statewide Present Law Adjustments</b>		<b>\$38,181</b>	<b>\$0</b>	<b>\$0</b>	<b>\$38,181</b>		<b>(\$60,120)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$60,120)</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(38,181)	0	0	(38,181)	0.00	60,120	0	0	60,120
DP 51 - Adjustment for Statewide Personal Services	0.00	38,192	0	0	38,192	0.00	(60,222)	0	0	(60,222)
DP 52 - Adjustment for Statewide Operations	0.00	(11)	0	0	(11)	0.00	102	0	0	102
DP 21001 - Interim Comm., Activities Cyclical & Operational	0.00	60,917	0	0	60,917	0.00	53,826	0	0	53,826
DP 21002 - Interim Committees Additional Meetings	0.00	13,625	0	0	13,625	0.00	9,085	0	0	9,085
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$74,542</b>	<b>\$0</b>	<b>\$0</b>	<b>\$74,542</b>	<b>0.00</b>	<b>\$62,911</b>	<b>\$0</b>	<b>\$0</b>	<b>\$62,911</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$112,723</b>	<b>\$0</b>	<b>\$0</b>	<b>\$112,723</b>	<b>0.00</b>	<b>\$2,791</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,791</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 21001 - Interim Comm., Activities Cyclical & Operational - The legislature approved adjustments from base including: re-establishment of the Legislative Council's discretionary fund of \$45,000 for emerging issues that was not expended in the base year; cyclical adjustment for travel related to participation in organizational activities not expended in the base year (NCSL, CSG, etc.); rate adjustment for increase in personal car mileage; increase in cost of organizational dues above base expenditures; and a decrease of \$60,599 for the Districting & Apportionment Commission which completed its decennial work at the end of FY2013.

DP 21002 - Interim Committees Additional Meetings - The legislature approved this proposal that includes personal services and operational costs related to adjustments of certain interim committee work schedules as each committee deems necessary.

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	20.50	20.50	20.50	20.50	20.50	20.50	0.00	0.00%
Personal Services	1,700,358	1,738,464	1,805,868	1,803,141	3,438,822	3,609,009	170,187	4.95%
Operating Expenses	38,651	79,699	43,064	87,140	118,350	130,204	11,854	10.02%
Transfers	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$1,739,009</b>	<b>\$1,818,163</b>	<b>\$1,848,932</b>	<b>\$1,890,281</b>	<b>\$3,557,172</b>	<b>\$3,739,213</b>	<b>\$182,041</b>	<b>5.12%</b>
General Fund	1,739,009	1,818,163	1,848,932	1,890,281	3,557,172	3,739,213	182,041	5.12%
State Special	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$1,739,009</b>	<b>\$1,818,163</b>	<b>\$1,848,932</b>	<b>\$1,890,281</b>	<b>\$3,557,172</b>	<b>\$3,739,213</b>	<b>\$182,041</b>	<b>5.12%</b>

**Program Description**

The Legislative Fiscal Division provides the legislature with objective fiscal information and analysis relevant to Montana public policy and budget determination. Division services include: 1) fiscal analysis of state government and the furnishing of information bearing upon the financial matters of the state; 2) identification of ways to effect economy and efficiency in state government; 3) estimation of revenue and analysis of tax policy; 4) analysis of the executive budget; 5) compiling and analyzing fiscal information for legislators and legislative committees; and 6) staffing and support for legislative committees, including the preparation and processing of the appropriation bills for the legislative, judicial, and executive agencies. The Legislative Finance Committee provides guidance to the Legislative Fiscal Division.

**Program Highlights**

<b>Fiscal Analysis &amp; Review Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The increase in the budget is primarily related to:                             <ul style="list-style-type: none"> <li>• The growth in personal services is related to statewide present law adjustments</li> <li>• Approximately \$7,000 in added funds for the travel of the interim Legislative Finance Committee, because members of the 2011-2012 committee lived in closer proximity to the capitol and to provide out-of-town meetings</li> <li>• \$45,000 for cyclical adjustments related to session costs</li> </ul> </li> </ul>

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Legislative Branch Funding by Source of Authority 2015 Biennium Budget - Fiscal Analysis & Review							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$3,739,213	\$0	\$0	\$3,739,213	100.0%		
Total All Funds	\$3,739,213	\$0	\$0	\$3,739,213	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The division is funded entirely with general fund.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,739,009	1,739,009	3,478,018	93.01%	1,739,009	1,739,009	3,478,018	93.01%
Statewide PL Adjustments	105,966	103,303	209,269	5.60%	105,966	103,303	209,269	5.60%
Other PL Adjustments	3,957	47,969	51,926	1.39%	3,957	47,969	51,926	1.39%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$1,848,932</b>	<b>\$1,890,281</b>	<b>\$3,739,213</b>		<b>\$1,848,932</b>	<b>\$1,890,281</b>	<b>\$3,739,213</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					105,510					102,783
Inflation/Deflation					(22)					20
Fixed Costs					478					500
<b>Total Statewide Present Law Adjustments</b>		<b>\$105,966</b>	<b>\$0</b>	<b>\$0</b>	<b>\$105,966</b>		<b>\$103,303</b>	<b>\$0</b>	<b>\$0</b>	<b>\$103,303</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(105,966)	0	0	(105,966)	0.00	(103,303)	0	0	(103,303)
DP 51 - Adjustment for Statewide Personal Services	0.00	105,510	0	0	105,510	0.00	102,783	0	0	102,783
DP 52 - Adjustment for Statewide Operations	0.00	456	0	0	456	0.00	520	0	0	520
DP 27001 - LFD Cyclical Operations	0.00	0	0	0	0	0.00	45,000	0	0	45,000
DP 27002 - Legislative Finance Committee - Travel	0.00	3,957	0	0	3,957	0.00	2,969	0	0	2,969
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$3,957</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,957</b>	<b>0.00</b>	<b>\$47,969</b>	<b>\$0</b>	<b>\$0</b>	<b>\$47,969</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$109,923</b>	<b>\$0</b>	<b>\$0</b>	<b>\$109,923</b>	<b>0.00</b>	<b>\$151,272</b>	<b>\$0</b>	<b>\$0</b>	<b>\$151,272</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 27001 - LFD Cyclical Operations - The legislature approved this proposal that increases the FY 2015 budget by \$45,000 general fund in the categories of printing, photocopy, and other office operations due to cyclical legislative session costs that are not captured in the base year. This is the same amount approved in the previous two biennia, and is not an increase when comparing biennium to biennium.

DP 27002 - Legislative Finance Committee - Travel - The legislature approved this proposal that increases the travel budget of the Legislative Finance Committee to account for a wider geographical disbursement of members. During the 2013 biennium, members were not geographically disbursed, resulting in lower than normal travel costs. In addition, this decision package provides additional funds to hold committee or subcommittee meetings outside of Helena.

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	54.50	54.50	53.75	53.75	54.50	53.75	(0.75)	(1.38%)
Personal Services	3,271,249	4,366,665	3,844,706	3,846,232	7,637,914	7,690,938	53,024	0.69%
Operating Expenses	151,753	222,968	184,952	174,068	374,721	359,020	(15,701)	(4.19%)
Transfers	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$3,423,002</b>	<b>\$4,589,633</b>	<b>\$4,029,658</b>	<b>\$4,020,300</b>	<b>\$8,012,635</b>	<b>\$8,049,958</b>	<b>\$37,323</b>	<b>0.47%</b>
General Fund	2,057,064	2,651,414	2,350,469	2,337,728	4,708,478	4,688,197	(20,281)	(0.43%)
State Special	1,365,938	1,938,219	1,679,189	1,682,572	3,304,157	3,361,761	57,604	1.74%
<b>Total Funds</b>	<b>\$3,423,002</b>	<b>\$4,589,633</b>	<b>\$4,029,658</b>	<b>\$4,020,300</b>	<b>\$8,012,635</b>	<b>\$8,049,958</b>	<b>\$37,323</b>	<b>0.47%</b>

**Program Description**

The Legislative Audit Division (LAD) conducts independent audits and provides factual and objective information to the legislative and executive managers of the public trust. Division services include: 1) conducting and reporting of biennial financial-compliance audits, performance audits, information systems audits, and special audits of state agency operations; 2) reporting of violation of penal statutes, instances of misfeasance, malfeasance, or nonfeasance, and shortages discovered in an audit that are covered by surety; 3) auditing records of entities under contract with the state; and 4) assisting the legislature, its committees, and its members by providing information related to the fiscal affairs of state government. The Legislative Auditor consults with the Legislative Audit Committee.

**Program Highlights**

Audit & Examination Division Major Budget Highlights
<ul style="list-style-type: none"> <li>◆ The legislature approved a budget that is principally unchanged from the 2013 biennium</li> <li>◆ Adjustments to the budget include:                             <ul style="list-style-type: none"> <li>• \$1.2 million in statewide personal services adjustments related to vacancies in the base year</li> <li>• A reduction in funding for 0.75 FTE due to the reorganization of administrative functions</li> </ul> </li> </ul>

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.



Total Legislative Branch Funding by Source of Authority 2015 Biennium Budget - Audit & Examination							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$4,688,197	\$0	\$0	\$4,688,197	58.2%		
State Special Total	\$3,361,761	\$0	\$0	\$3,361,761	41.8%		
02042 Legislative Audit	\$3,361,761	\$0	\$0	\$3,361,761	41.8%		
Total All Funds	\$8,049,958	\$0	\$0	\$8,049,958	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

This division is funded with a combination of general fund and state special revenue. The state special revenue funds are generated through a charge to agencies of a billing rate calculated in accordance with federal regulations for audit services.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	2,057,064	2,057,064	4,114,128	87.76%	3,423,002	3,423,002	6,846,004	85.04%
Statewide PL Adjustments	299,832	300,656	600,488	12.81%	618,823	620,905	1,239,728	15.40%
Other PL Adjustments	(6,427)	(19,992)	(26,419)	(0.56%)	(12,167)	(23,607)	(35,774)	(0.44%)
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$2,350,469</b>	<b>\$2,337,728</b>	<b>\$4,688,197</b>		<b>\$4,029,658</b>	<b>\$4,020,300</b>	<b>\$8,049,958</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					617,124					618,590
Inflation/Deflation					(126)					(30)
Fixed Costs					1,825					2,345
<b>Total Statewide Present Law Adjustments</b>		<b>\$299,832</b>	<b>\$318,991</b>	<b>\$0</b>	<b>\$618,823</b>		<b>\$300,656</b>	<b>\$320,249</b>	<b>\$0</b>	<b>\$620,905</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(299,832)	(318,991)	0	(618,823)	0.00	(300,656)	(320,249)	0	(620,905)
DP 51 - Adjustment for Statewide Personal Services	0.00	370,863	246,261	0	617,124	0.00	371,744	246,846	0	618,590
DP 52 - Adjustment for Statewide Operations	0.00	1,021	678	0	1,699	0.00	1,391	924	0	2,315
DP 53 - Base Funding Switch	0.00	(72,052)	72,052	0	0	0.00	(72,479)	72,479	0	0
DP 28001 - LAD Cyclical Program Operations	0.00	18,900	12,600	0	31,500	0.00	5,300	14,700	0	20,000
DP 28002 - LAD Personal Services Reduction	(0.75)	(25,327)	(18,340)	0	(43,667)	(0.75)	(25,292)	(18,315)	0	(43,607)
<b>Total Other Present Law Adjustments</b>	<b>(0.75)</b>	<b>(\$6,427)</b>	<b>(\$5,740)</b>	<b>\$0</b>	<b>(\$12,167)</b>	<b>(0.75)</b>	<b>(\$19,992)</b>	<b>(\$3,615)</b>	<b>\$0</b>	<b>(\$23,607)</b>
<b>Grand Total All Present Law Adjustments</b>	<b>(0.75)</b>	<b>\$293,405</b>	<b>\$313,251</b>	<b>\$0</b>	<b>\$606,656</b>	<b>(0.75)</b>	<b>\$280,664</b>	<b>\$316,634</b>	<b>\$0</b>	<b>\$597,298</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 28001 - LAD Cyclical Program Operations - The legislature approved this proposal that includes changes from the adjusted base for cyclical costs associated with a Peer Review required by Governmental Auditing Standards, Legislative Branch audit, auditor travel, and contract services for the potential use of actuarial expertise on the division's audits of the retirement systems, Montana State Fund, and health care benefits.

DP 28002 - LAD Personal Services Reduction - The legislature approved this proposal that reduces FTE by 0.75 to reflect a reorganization in the administrative functions of LAD.

**Agency Budget Comparison**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	5.54	5.54	5.54	5.54	5.54	5.54	0.00	0.00%
Personal Services	434,691	574,618	594,605	594,540	1,009,309	1,189,145	179,836	17.82%
Operating Expenses	659,525	818,702	1,039,719	1,053,776	1,478,227	2,093,495	615,268	41.62%
<b>Total Costs</b>	<b>\$1,094,216</b>	<b>\$1,393,320</b>	<b>\$1,634,324</b>	<b>\$1,648,316</b>	<b>\$2,487,536</b>	<b>\$3,282,640</b>	<b>\$795,104</b>	<b>31.96%</b>
State Special	1,094,216	1,393,320	1,634,324	1,648,316	2,487,536	3,282,640	795,104	31.96%
<b>Total Funds</b>	<b>\$1,094,216</b>	<b>\$1,393,320</b>	<b>\$1,634,324</b>	<b>\$1,648,316</b>	<b>\$2,487,536</b>	<b>\$3,282,640</b>	<b>\$795,104</b>	<b>31.96%</b>

**Agency Description**

Agency Mission: The Consumer Counsel represents state-wide consumer interests in hearings before the Public Service Commission and like agencies. On behalf of the public of Montana, the counsel may initiate, intervene, and participate in appropriate proceedings before state or federal courts or administrative agencies. The Montana Consumer Counsel is part of the legislative branch and is overseen by the Legislative Consumer Committee. The Consumer Counsel is provided for by Article XIII, Section 2 of the Montana Constitution, and is governed by Title 5, Chapter 15, and Title 69, Chapters 1 and 2, MCA.

**Agency Highlights**

<b>Montana Consumer Counsel Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ Personal services increases are primarily due to vacancy savings in the base year</li> <li>◆ Employee pay raises of HB 13, not included in the budget tables, add a total of \$87,210 in personal service appropriations to the budget</li> <li>◆ The increase in operating expenses results primarily from increases in consulting and professional costs that were lower than average in the base                             <ul style="list-style-type: none"> <li>• Increases approved by the legislature will bring the consulting and professional services budget up to the five year average</li> </ul> </li> <li>◆ The Consumer Counsel budget includes \$250,000/FY for unanticipated caseload contingencies                             <ul style="list-style-type: none"> <li>• The appropriation is one-time-only and restricted to allow continued legislative review of the associated expenditures</li> <li>• There were no expenditures related to the FY 2012 caseload contingency appropriation</li> </ul> </li> </ul>

**Summary of Legislative Action**

The Montana Consumer Counsel budget increases by almost 32% due to two main factors: 1) fully funding positions in the 2015 biennium when the agency experienced an 8.1% vacancy savings in the base year; and 2) funding of \$500,000 for an unanticipated caseload contingency.

The legislature passed HB 13, which provided appropriations to increase personal services in agencies. Due to the lump sum nature of the pay plan in the executive agencies and the allowances provided to the executive branch in distributing the appropriations, HB 13 budget increases were not included in the various budget tables of this report. However, HB

13 did provide appropriations specific to the consumer counsel that provide \$18,922 in FY 2014 and \$51,293 in FY 2015, from state special revenue, for employee pay rate and healthcare benefit increases. The total increase in personal service costs are \$250,051 in the 2015 biennium.

**Agency Discussion**

The most significant cost component in the budget of this agency is consulting and professional costs. In the 2015 biennium, 56.7% of the total appropriation is for contracted consulting services. This statistic includes the appropriations for caseload contingencies. The counsel makes use of consulting services to provide the analysis for cases for which the counsel is preparing to intervene. The consulting costs vary given the number and complexity of interventions, and over the past decade the contracted service costs have ranged between \$352,684 in FY 2010 and \$957,740 in FY 2008. In the base year, expenditures for contracted services were lower than average, of \$529,118 and resulted in a significant increase of 41.6% to operating expenses.

**Executive Budget Comparison**

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg - Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg - Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	5.54	5.54	5.54	0.00	5.54	5.54	0.00	
Personal Services	434,691	594,605	594,605	0	594,540	594,540	0	0
Operating Expenses	659,525	1,039,677	1,039,719	42	1,053,734	1,053,776	42	84
<b>Total Costs</b>	<b>\$1,094,216</b>	<b>\$1,634,282</b>	<b>\$1,634,324</b>	<b>\$42</b>	<b>\$1,648,274</b>	<b>\$1,648,316</b>	<b>\$42</b>	<b>\$84</b>
State/Other Special	1,094,216	1,634,282	1,634,324	42	1,648,274	1,648,316	42	84
<b>Total Funds</b>	<b>\$1,094,216</b>	<b>\$1,634,282</b>	<b>\$1,634,324</b>	<b>\$42</b>	<b>\$1,648,274</b>	<b>\$1,648,316</b>	<b>\$42</b>	<b>\$84</b>

The budget was approved as originally requested by the agency, except for an increase of \$42 per fiscal year for the legislative changes to the statewide present law adjustments.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Consumer Council Funding by Source of Authority 2015 Biennium Budget - Administration Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total		\$3,282,640	\$0	\$0	\$3,282,640	100.0%	
02801 Dep Rev Consumer Cncl Tax		\$3,282,640	\$0	\$0	\$3,282,640	100.0%	
<b>Total All Funds</b>		<b>\$3,282,640</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,282,640</b>	<b>100.0%</b>	
<b>Percent - Total All Sources</b>		<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>			

The Montana Consumer Counsel is funded by a constitutionally earmarked tax that is levied on all regulated entities under the jurisdiction of the Public Service Commission. The funding formula is specified in 69-1-223 and 224, MCA. Each year the Department of Revenue determines the total gross operating revenue generated by all regulated activities within the state for the previous fiscal year. The Department of Revenue then computes the percentage tax necessary to

yield an amount equal to the current appropriation, with no excess funds. If collection of excess revenue occurs, the amount charged to the regulated utilities for the following year is reduced.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	1,094,216	1,094,216	2,188,432	66.67%
Statewide PL Adjustments	0	0	0	0.00%	159,262	159,309	318,571	9.70%
Other PL Adjustments	0	0	0	0.00%	130,846	144,791	275,637	8.40%
New Proposals	0	0	0	0.00%	250,000	250,000	500,000	15.23%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$1,634,324</b>	<b>\$1,648,316</b>	<b>\$3,282,640</b>	

**Other Legislation**

**HB 13** - The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches and the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium. For more information of the impact of HB 13 to the Consumer Counsel, see the “Summary of Legislative Action” section of this report.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

	Fiscal 2014				Fiscal 2015					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					159,914					159,849
Inflation/Deflation					14					32
Fixed Costs					(666)					(572)
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$159,262</b>	<b>\$0</b>	<b>\$159,262</b>		<b>\$0</b>	<b>\$159,309</b>	<b>\$0</b>	<b>\$159,309</b>
DP 1 - Present Law Base Adjustment	0.00	0	130,804	0	130,804	0.00	0	144,749	0	144,749
DP 50 - Initial Motion to FY 2012 Base	0.00	0	(159,262)	0	(159,262)	0.00	0	(159,309)	0	(159,309)
DP 51 - Adjustment for Statewide Personal Services	0.00	0	159,914	0	159,914	0.00	0	159,849	0	159,849
DP 52 - Adjustment for Statewide Operations	0.00	0	(610)	0	(610)	0.00	0	(498)	0	(498)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$130,846</b>	<b>\$0</b>	<b>\$130,846</b>	<b>0.00</b>	<b>\$0</b>	<b>\$144,791</b>	<b>\$0</b>	<b>\$144,791</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$290,108</b>	<b>\$0</b>	<b>\$290,108</b>	<b>0.00</b>	<b>\$0</b>	<b>\$304,100</b>	<b>\$0</b>	<b>\$304,100</b>

**DP 1 - Present Law Base Adjustment** - The legislature approved adjustments to increase funding to address anticipated costs in the agency, primarily in contracted services. This adjustment would bring contracted service costs up to the five year expenditure average.

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

**New Proposals**

New Proposals										
Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2 - Unanticipated Caseload Contingency (OTO/RST)										
01	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$250,000</b>	<b>\$0</b>	<b>\$250,000</b>	<b>0.00</b>	<b>\$0</b>	<b>\$250,000</b>	<b>\$0</b>	<b>\$250,000</b>

DP 2 - Unanticipated Caseload Contingency (OTO/RST) - The legislature approved a one-time-only appropriation for caseload contingencies. The amount added is to fund consulting costs for difficult cases where the consumer counsel is required to intervene. Funds were provided as one-time-only and were restricted to this purpose.

### Agency Budget Comparison

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	58.07	58.07	60.07	60.07	58.07	60.07	2.00	3.44%
Estimated Impact of HB 2*			(1.19)	(1.19)		(1.19)	(1.19)	
<b>Net Estimated FTE*</b>			<b>58.88</b>	<b>58.88</b>		<b>58.88</b>	<b>(0.81)</b>	
Personal Services	4,223,496	4,325,707	4,586,759	4,598,256	8,549,203	9,185,015	635,812	7.44%
Operating Expenses	1,278,172	1,592,220	1,523,469	1,398,513	2,870,392	2,921,982	51,590	1.80%
Transfers	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$5,501,668</b>	<b>\$5,917,927</b>	<b>\$6,110,228</b>	<b>\$5,996,769</b>	<b>\$11,419,595</b>	<b>\$12,106,997</b>	<b>\$687,402</b>	<b>6.02%</b>
General Fund	5,490,551	5,906,804	6,101,819	5,988,423	11,397,355	12,090,242	692,887	6.08%
State Special	11,117	11,123	8,409	8,346	22,240	16,755	(5,485)	(24.66%)
Federal Special	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$5,501,668</b>	<b>\$5,917,927</b>	<b>\$6,110,228</b>	<b>\$5,996,769</b>	<b>\$11,419,595</b>	<b>\$12,106,997</b>	<b>\$687,402</b>	<b>6.02%</b>

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

### Agency Description

The Governor's Office oversees the activities of the executive branch of Montana state government, consistent with statutory and constitutional mandates.

The Office of the Governor exists under authority granted in Article VI of the Montana Constitution. The Governor has constitutional and statutory authority to administer the affairs of the State of Montana. The Governor appoints all military and civil officers of the state whose appointments are provided for by statute or the constitution, grants reprieves and pardons, and serves on various boards and commissions. The Governor approves or vetoes legislation, reports to the legislature on the condition of the state, and submits a biennial executive budget. The Governor also represents the state in relations with other governments and the public.

The Governor's office is comprised of the following programs:

- The Executive Office
- The Executive Residence Operations
- The Air Transportation Program
- The Office of Budget and Program Planning
- The Coordinator of Indian Affairs
- The Centralized Services Division
- The Lieutenant Governor's Office
- The Citizens' Advocate Office
- The Mental Disabilities Board of Visitors

The Mental Health Ombudsman is housed within the Mental Disabilities Board of Visitors program.

**Agency Highlights**

<b>Governor’s Office Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>◆ The Governor’s Office budget is appropriated at \$12.1 million for the 2015 biennium, a total increase of 6.0% from the 2013 biennium primarily due to:                             <ul style="list-style-type: none"> <li>• A transfer of the Energy Promotion and Development Division to the Office of Economic Development</li> <li>• Statewide present law personal service adjustments of \$627,874</li> </ul> </li> <li>◆ Personal service increases are offset by reductions of \$178,918 with the additional 2% of vacancy savings</li> </ul>	

**Summary of Legislative Action**

The legislature appropriated a biennium to biennium increase of 6.0% in the Governor’s Office. The primary reason for the increase is the transfer of the duties of the Energy Promotion and Development Division, currently a function of the Department of Commerce, to the Office of Economic Development in the Executive Office Program. For more information on the program transfer, refer to the Executive Office Program section of this report. In another change from past practices, the legislature appropriated the five-year computer equipment replacement request in the centralized services program as a base expenditure. As in most agencies, the legislature imposed an additional 2% of vacancy savings on the Governor’s Office budget, providing a general fund savings of \$178,918. The reduction, budgeted in the Executive Office program, includes language that allows the agency to allocate the reduction among programs as needed. The included language may be seen in the “Language and Statutory Authority” section of this report. Finally, the legislature made appropriations in two bills, HB 13 and HB 410, that will impact the operations of the Governor’s Office.

The legislature provided lump sum appropriations in the pay plan bill, HB 13. The pay plan requires the executive branch to allocate the appropriation for employee pay rate increases and increases in healthcare benefits across the agencies in the branch. With oversight of the functions of the executive branch, the Governor’s office will be tasked with allocating the appropriations to the agencies. The appropriations included in HB 13 are as follows:

Executive Branch Pay Plan Appropriations (HB 13) 2015 Biennium		
Funding Source	FY 2014	FY 2015
General Fund	\$9,060,825	\$20,939,617
State Special Revenue	7,918,525	19,036,495
Federal Special Revenue	5,737,675	14,600,371
Proprietary	<u>2,049,016</u>	<u>5,265,622</u>
Total	<u>\$24,766,041</u>	<u>\$59,842,105</u>

The legislation also requires agencies to report in electronic format to the Legislative Finance Committee and the Legislative Fiscal Analyst on the implementation of pay increases and the impacts on lower pay bands on December 31, 2013 and December 31, 2014. This function will be administered in the Office of Budget and Program Planning. For a further discussion of the pay plan, see Volume 1 of the 2015 Biennium Fiscal Report.

The legislature provided an appropriation of \$7.5 million in general fund to the Governor’s Office in SB 410. The legislation tasks the Governor’s Office with allocating the appropriation among nine agencies for agency operations. This function will be administered in the Office of Budget and Program Planning.

*Boilerplate*

The boilerplate section in HB 2 includes the following language:

“It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of



FTE is the level that will be used to calculate personal services funding in the next biennium.”

The Legislative Fiscal Division has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 1.19 for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

**Funding**

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Governor's Office Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$12,090,242	\$0	\$0	\$12,090,242	99.9%
State Special Total	16,755	-	-	16,755	0.1%
Federal Special Total	-	-	-	-	0.0%
Proprietary Total	-	-	-	-	0.0%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
<b>Total All Funds</b>	<b>\$12,106,997</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,106,997</b>	
Percent - Total All Sources	100.0%	0.0%	0.0%		

The Governor’s Office budget is funded primarily with general fund. Of the total agency funding, 0.1% is state special revenue that supports services in the Citizen’s Advocate Program.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	5,490,551	5,490,551	10,981,102	90.83%	5,501,668	5,501,668	11,003,336	90.88%
Statewide PL Adjustments	372,682	324,887	697,569	5.77%	369,974	322,116	692,090	5.72%
Other PL Adjustments	94,233	16,742	110,975	0.92%	94,233	16,742	110,975	0.92%
New Proposals	144,353	156,243	300,596	2.49%	144,353	156,243	300,596	2.48%
<b>Total Budget</b>	<b>\$6,101,819</b>	<b>\$5,988,423</b>	<b>\$12,090,242</b>		<b>\$6,110,228</b>	<b>\$5,996,769</b>	<b>\$12,106,997</b>	

**Other Legislation**

**HB 3** - The legislature provided an appropriation of \$276,061 from the general fund in the supplemental bill, HB 3, for exempt staff payouts in the Governor’s Office. This appropriation, good only in FY 2013, will provide the authority needed to make the payouts of annual leave, sick leave, and compensatory time for qualifying exempt staff of the previous Governor.

**HB 13** - The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches as well as the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium. For more information on the

impacts to the Governor’s Office operations from this legislation refer to the “Summary of Legislative Action” section of this report.

**HB 580** – This legislation provides funding of \$75,000 per biennium for the 2013 and 2015 biennia for the greater sage-grouse habitat conservation advisory council, established in Executive Order No. 2-2013. The council would propose policies, actions, and strategies to lessen the potential for listing the sage-grouse under the Endangered Species Act of 1973. Recommendations are expected to be delivered to the Governor by January 31, 2014.

**SB 410** –This bill includes a one-time-only biennial appropriation of \$7.5 million general fund to the Governor’s Office. The funding can be transferred at the Governor’s discretion in the 2015 biennium to the following departments for operations costs:

- Governor’s Office
- Public Health and Human Services
- Natural Resources and Conservation
- Environmental Quality
- Administration
- Commerce
- Revenue
- Corrections
- Labor and Industry

Any funds transferred are one-time-only and consequently will not be part of the FY 2014 budget base. For more information on the impacts to the Governor’s Office operations from this legislation refer to the “Summary of Legislative Action” section of this report.

**Executive Budget Comparison**

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg – Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg – Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	58.07	58.07	60.07	2.00	58.07	60.07	2.00	
Estimated Impact of HB 2*			(1.19)	(1.19)		(1.19)	(1.19)	
<b>Net Estimated FTE*</b>			<b>58.88</b>	<b>(0.81)</b>		<b>58.88</b>	<b>(0.81)</b>	
Personal Services	4,223,496	4,544,347	4,586,759	42,412	4,555,633	4,598,256	42,623	85,035
Operating Expenses	1,278,172	1,464,675	1,523,469	58,794	1,340,669	1,398,513	57,844	116,638
Transfers	0	0	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$5,501,668</b>	<b>\$6,009,022</b>	<b>\$6,110,228</b>	<b>\$101,206</b>	<b>\$5,896,302</b>	<b>\$5,996,769</b>	<b>\$100,467</b>	<b>\$201,673</b>
General Fund	5,490,551	6,000,613	6,101,819	101,206	5,887,956	5,988,423	100,467	201,673
State/Other Special	11,117	8,409	8,409	0	8,346	8,346	0	0
Federal Special	0	0	0	0	0	0	0	0
<b>Total Funds</b>	<b>\$5,501,668</b>	<b>\$6,009,022</b>	<b>\$6,110,228</b>	<b>\$101,206</b>	<b>\$5,896,302</b>	<b>\$5,996,769</b>	<b>\$100,467</b>	<b>\$201,673</b>

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

General fund support of this agency is a net biennium increase of \$201,673 from the executive proposal. The changes to the biennial budget include:

- Transfer of 2.00 FTE and associated expenses of the Energy Promotion and Development Division in the Department of Commerce to the Office of Economic Development - \$390,350 in personal services and operating expenses
- Reduction of a biennial total \$178,918 of general fund with the adoption of an additional 2% of vacancy savings
- Rejection of two proposals for upgrades to new motor vehicle leases – (\$10,006)

- Fixed cost adjustments - \$935
- Rejection of the Professional Development Center request - (\$688)

**Language and Statutory Authority**

The legislature included the following language in HB 2.

"Executive Office Program includes a reduction in general fund of \$89,342 in fiscal year 2014 and \$89,575 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans."

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	20.63	20.63	22.63	22.63	20.63	22.63	2.00	9.69%
Personal Services	1,586,727	1,601,945	1,714,042	1,719,299	3,188,672	3,433,341	244,669	7.67%
Operating Expenses	736,645	984,210	822,384	819,516	1,720,855	1,641,900	(78,955)	(4.59%)
Transfers	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$2,323,372</b>	<b>\$2,586,155</b>	<b>\$2,536,426</b>	<b>\$2,538,815</b>	<b>\$4,909,527</b>	<b>\$5,075,241</b>	<b>\$165,714</b>	<b>3.38%</b>
General Fund	2,323,372	2,586,155	2,536,426	2,538,815	4,909,527	5,075,241	165,714	3.38%
State Special	0	0	0	0	0	0	0	n/a
Federal Special	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$2,323,372</b>	<b>\$2,586,155</b>	<b>\$2,536,426</b>	<b>\$2,538,815</b>	<b>\$4,909,527</b>	<b>\$5,075,241</b>	<b>\$165,714</b>	<b>3.38%</b>

**Program Description**

The Executive Office Program aids the Governor in overseeing and coordinating the activities of the Executive Branch of Montana state government. The program provides administrative, legal, and press support for the Office of the Governor. The Executive Office Program also administers programs with special impact on the citizens and governmental concerns of Montana. Special programs include the Office of Economic Development, which was created to strengthen the foundations of the state's business environment and diversify and expand existing economic endeavors to achieve long-term economic stability.

**Program Highlights**

<b>Executive Office Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The Executive Office Program budget is an increase of \$165,714 from the previous biennium primarily due to a transfer of the Energy Promotion and Development Division to the Office of Economic Development, with total personal service and operating expenses of \$390,350, including 2.00 FTE</li> <li>◆ Personal service increases are offset by reductions of \$178,918 from the additional 2% of vacancy savings that can be allocated across all programs</li> </ul>

**Program Narrative**

The legislature appropriated the Executive Office Program budget at an overall increase of 3.4%. The change is primarily related to a transfer of the functions of the Energy Promotion and Development Division, currently a function of the Department of Commerce, to the Office of Economic Development in the Executive Office Program. In transferring the program, the legislature reduced the number of staff assigned to this function from 5.00 FTE to 2.00 FTE, with a corresponding reduction in operating costs. The addition of FTE in the Governor's Office will bring the number of staff in the Office of Economic Development up to 7.63 FTE. The legislature made this change with the goal of gaining efficiencies and savings by having the two economic development programs combined in a single office. More information on this action may be found in the Department of Commerce section of this report.

The Executive Office Program also includes the budget reduction associated with the additional 2% vacancy savings adopted by the legislature. The added vacancy savings related to the Governor’s Office budget provided a general fund savings of \$178,918 in the 2015 biennium. Language included in HB 2 allows the agency to allocate the reduction across the programs in the Governor’s Office.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Governor's Office Funding by Source of Authority 2015 Biennium Budget - Executive Office Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriatio	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$5,075,241	\$0	\$0	\$5,075,241	100.0%		
Total All Funds	\$5,075,241	\$0	\$0	\$5,075,241	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The Executive Office Program is entirely funded with general fund.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	2,323,372	2,323,372	4,646,744	91.56%	2,323,372	2,323,372	4,646,744	91.56%
Statewide PL Adjustments	106,790	109,340	216,130	4.26%	106,790	109,340	216,130	4.26%
Other PL Adjustments	468	467	935	0.02%	468	467	935	0.02%
New Proposals	105,796	105,636	211,432	4.17%	105,796	105,636	211,432	4.17%
<b>Total Budget</b>	<b>\$2,536,426</b>	<b>\$2,538,815</b>	<b>\$5,075,241</b>		<b>\$2,536,426</b>	<b>\$2,538,815</b>	<b>\$5,075,241</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
Personal Services					150,436					156,359
Vacancy Savings					(64,112)					(64,348)
Inflation/Deflation					(185)					102
Fixed Costs					20,651					17,227
<b>Total Statewide Present Law Adjustments</b>		<b>\$106,790</b>	<b>\$0</b>	<b>\$0</b>	<b>\$106,790</b>		<b>\$109,340</b>	<b>\$0</b>	<b>\$0</b>	<b>\$109,340</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(106,790)	0	0	(106,790)	0.00	(109,340)	0	0	(109,340)
DP 51 - Adjustment for Statewide Personal Services	0.00	86,324	0	0	86,324	0.00	92,011	0	0	92,011
DP 52 - Adjustment for Statewide Operations	0.00	20,934	0	0	20,934	0.00	17,796	0	0	17,796
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$468</b>	<b>\$0</b>	<b>\$0</b>	<b>\$468</b>	<b>0.00</b>	<b>\$467</b>	<b>\$0</b>	<b>\$0</b>	<b>\$467</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$107,258</b>	<b>\$0</b>	<b>\$0</b>	<b>\$107,258</b>	<b>0.00</b>	<b>\$109,807</b>	<b>\$0</b>	<b>\$0</b>	<b>\$109,807</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

**New Proposals**

Program	-----Fiscal 2014-----					-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 54 - Additional Vacancy Savings	01	0.00	(89,342)	0	0	(89,342)	0.00	(89,576)	0	0	(89,576)
DP 120 - Energy Promotion and Development	01	2.00	195,138	0	0	195,138	2.00	195,212	0	0	195,212
<b>Total</b>	<b>2.00</b>	<b>\$105,796</b>	<b>\$0</b>	<b>\$0</b>	<b>\$105,796</b>	<b>2.00</b>	<b>\$105,636</b>	<b>\$0</b>	<b>\$0</b>	<b>\$105,636</b>	

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs.

DP 120 - Energy Promotion and Development - The legislature transferred 2.00 FTE and related operating expenses from the Energy Promotion and Development Division in the Department of Commerce to the Office of Economic Development. The legislature then eliminated the remainder of the funding in the Department of Commerce. For a further discussion, see the narrative for that agency.

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	1.50	1.50	1.50	1.50	1.50	1.50	0.00	0.00%
Personal Services	76,168	57,451	73,547	74,748	133,619	148,295	14,676	10.98%
Operating Expenses	55,926	50,167	55,926	55,926	106,093	111,852	5,759	5.43%
<b>Total Costs</b>	<b>\$132,094</b>	<b>\$107,618</b>	<b>\$129,473</b>	<b>\$130,674</b>	<b>\$239,712</b>	<b>\$260,147</b>	<b>\$20,435</b>	<b>8.52%</b>
General Fund	132,094	107,618	129,473	130,674	239,712	260,147	20,435	8.52%
<b>Total Funds</b>	<b>\$132,094</b>	<b>\$107,618</b>	<b>\$129,473</b>	<b>\$130,674</b>	<b>\$239,712</b>	<b>\$260,147</b>	<b>\$20,435</b>	<b>8.52%</b>

**Program Description**

The Governor's Residence Operations Program provides for the day-to-day operations of the official state Executive Residence.

**Program Highlights**

Executive Residence Operations Major Budget Highlights	
◆	The 8.5% budgetary increase in the Executive Residence Operations program amounts to \$20,435 and is primarily due to: <ul style="list-style-type: none"> <li>• Increased repairs and maintenance costs occurring in the base year</li> <li>• Increases to the pay rates of the staff</li> </ul>

**Program Narrative**

The legislature approved an 8.5% budget increase in the Executive Residence Operations program. The increased budget can be tied to higher than anticipated base year expenditures for maintenance projects at the executive residence, primarily for safety purposes (gates, fences, hedges). Additionally, personal service costs will increase as a result of raises given to the 1.50 FTE in the base year.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Governor's Office Funding by Source of Authority 2015 Biennium Budget - Executive Residence Operations							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$260,147	\$0	\$0	\$260,147	100.0%		
Total All Funds	\$260,147	\$0	\$0	\$260,147	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The Executive Residence Operations program is entirely funded with general fund.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	132,094	132,094	264,188	101.55%	132,094	132,094	264,188	101.55%
Statewide PL Adjustments	(2,621)	(1,420)	(4,041)	(1.55%)	(2,621)	(1,420)	(4,041)	(1.55%)
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$129,473</b>	<b>\$130,674</b>	<b>\$260,147</b>		<b>\$129,473</b>	<b>\$130,674</b>	<b>\$260,147</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(1,037)					(453)
Vacancy Savings					(3,005)					(3,029)
Inflation/Deflation					961					1,704
Fixed Costs					460					358
<b>Total Statewide Present Law Adjustments</b>										
		<b>(\$2,621)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$2,621)</b>		<b>(\$1,420)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$1,420)</b>
DP 50 - Initial Motion to FY 2012 Base										
	0.00	2,621	0	0	2,621	0.00	1,420	0	0	1,420
DP 51 - Adjustment for Statewide Personal Services										
	0.00	(4,042)	0	0	(4,042)	0.00	(3,482)	0	0	(3,482)
DP 52 - Adjustment for Statewide Operations										
	0.00	1,421	0	0	1,421	0.00	2,062	0	0	2,062
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>(\$2,621)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$2,621)</b>	<b>0.00</b>	<b>(\$1,420)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$1,420)</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.



**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	1.50	1.50	1.50	1.50	1.50	1.50	0.00	0.00%
Personal Services	93,971	119,417	117,762	117,593	213,388	235,355	21,967	10.29%
Operating Expenses	128,768	202,156	216,614	128,056	330,924	344,670	13,746	4.15%
<b>Total Costs</b>	<b>\$222,739</b>	<b>\$321,573</b>	<b>\$334,376</b>	<b>\$245,649</b>	<b>\$544,312</b>	<b>\$580,025</b>	<b>\$35,713</b>	<b>6.56%</b>
General Fund	222,739	321,554	334,376	245,649	544,293	580,025	35,732	6.56%
State Special	0	19	0	0	19	0	(19)	(100.00%)
<b>Total Funds</b>	<b>\$222,739</b>	<b>\$321,573</b>	<b>\$334,376</b>	<b>\$245,649</b>	<b>\$544,312</b>	<b>\$580,025</b>	<b>\$35,713</b>	<b>6.56%</b>

**Program Description**

The Air Transportation Program provides the Governor with air transportation.

**Program Highlights**

<b>Air Transportation Program Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>◆ The legislature provided a budget increase in the Air Transportation Program that was due to:                             <ul style="list-style-type: none"> <li>• Approval of one-time-only funding of airplane maintenance</li> <li>• Full funding of a vacant position and a raise provided in the base year</li> </ul> </li> </ul>	

**Program Narrative**

The legislature approved 2015 biennium budget increases of 6.6% in the Air Transportation Program when compared to the 2013 biennium budget. In the base year, maintenance of the executive aircraft was 55% lower than the historic levels of expenditure. The legislature approved a one-time-only appropriation of \$90,000 in general fund that increases the maintenance funding to an amount closer to average maintenance expenditures. Personal service costs will increase by 10.3%, which primarily results from a raise provided to one member of the staff in the base year.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Governor's Office Funding by Source of Authority 2015 Biennium Budget - Air Transportation Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$580,025	\$0	\$0	\$580,025	100.0%		
Total All Funds	\$580,025	\$0	\$0	\$580,025	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The Air Transportation Program is entirely funded with general fund.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	222,739	222,739	445,478	76.80%	222,739	222,739	445,478	76.80%
Statewide PL Adjustments	21,637	22,910	44,547	7.68%	21,637	22,910	44,547	7.68%
Other PL Adjustments	90,000	0	90,000	15.52%	90,000	0	90,000	15.52%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$334,376</b>	<b>\$245,649</b>	<b>\$580,025</b>		<b>\$334,376</b>	<b>\$245,649</b>	<b>\$580,025</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					28,698					28,522
Vacancy Savings					(4,907)					(4,900)
Inflation/Deflation					(5,711)					(3,860)
Fixed Costs					3,557					3,148
<b>Total Statewide Present Law Adjustments</b>					<b>\$21,637</b>		<b>\$22,910</b>	<b>\$0</b>	<b>\$0</b>	<b>\$22,910</b>
DP 1 - Airplane Maintenance Expenses - OTO	0.00	90,000	0	0	90,000	0.00	0	0	0	0
DP 50 - Initial Motion to FY 2012 Base	0.00	(21,637)	0	0	(21,637)	0.00	(22,910)	0	0	(22,910)
DP 51 - Adjustment for Statewide Personal Services	0.00	23,791	0	0	23,791	0.00	23,622	0	0	23,622
DP 52 - Adjustment for Statewide Operations	0.00	(2,154)	0	0	(2,154)	0.00	(712)	0	0	(712)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$90,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$90,000</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$111,637</b>	<b>\$0</b>	<b>\$0</b>	<b>\$111,637</b>	<b>0.00</b>	<b>\$22,910</b>	<b>\$0</b>	<b>\$0</b>	<b>\$22,910</b>

DP 1 - Airplane Maintenance Expenses - OTO - The legislature approved one-time-only funding to address anticipated expenses in accordance with FAA requirements for the executive airplane.

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	18.00	18.00	18.00	18.00	18.00	18.00	0.00	0.00%
Personal Services	1,256,263	1,406,015	1,454,600	1,455,111	2,662,278	2,909,711	247,433	9.29%
Operating Expenses	202,598	171,968	215,552	209,091	374,566	424,643	50,077	13.37%
<b>Total Costs</b>	<b>\$1,458,861</b>	<b>\$1,577,983</b>	<b>\$1,670,152</b>	<b>\$1,664,202</b>	<b>\$3,036,844</b>	<b>\$3,334,354</b>	<b>\$297,510</b>	<b>9.80%</b>
General Fund	1,458,861	1,577,983	1,670,152	1,664,202	3,036,844	3,334,354	297,510	9.80%
<b>Total Funds</b>	<b>\$1,458,861</b>	<b>\$1,577,983</b>	<b>\$1,670,152</b>	<b>\$1,664,202</b>	<b>\$3,036,844</b>	<b>\$3,334,354</b>	<b>\$297,510</b>	<b>9.80%</b>

**Program Description**

The Office of Budget and Program Planning (OBPP) assists the Governor in preparing the Governor's Executive Budget and administering the state government budget. In addition, the OBPP prepares and monitors revenue estimates and collections, prepares and publishes fiscal notes on proposed legislation and initiatives, and acts as approving authority for operational plan changes, program transfers, and budget amendments in the Executive Branch, in accordance with Title 17, Chapter 7, MCA. The OBPP acts as the lead Executive Branch agency for compliance with the federal Single Audit Act.

**Program Highlights**

<b>Office of Budget and Program Planning Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ Personal services increase by 9.29% primarily due to:                             <ul style="list-style-type: none"> <li>● Raises provided to non-management staff in the base year</li> <li>● Funding for two positions that were unfilled in FY 2012</li> </ul> </li> <li>◆ Operating expenses were increased in the base year due to higher costs for office supplies and increased information technology services fees</li> <li>◆ The program will facilitate the allocation of appropriations from the pay plan and the budget increases included in SB 410</li> </ul>

**Program Narrative**

The legislature approved a budget for OBPP with personal service increases of 9.3% from the 2013 biennium. The increases result from the two unfilled positions in the base year, coupled with raises provided to staff in March 2012. In addition, operating expenses were increased in the base year to cover the costs of office supplies and fixed costs of the State Information Technology Services Division, and that increase was approved to carry through to the 2015 biennium.

In the 2015 biennium, OBPP will be required to allocate lump sums from the pay plan (HB 13) and specific budget increases (SB 410) among agencies in the executive branch. In the case of the HB 13 pay plan, the program will be required to allocate the provided appropriation given criteria established in the legislation, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium. SB 410 provides a one-time-only biennial appropriation of \$7.5 million, which may be allocated at the Governor's discretion, for operating costs to the following agencies:

- Governor's Office
- Public Health and Human Services
- Natural Resources and Conservation

- o Environmental Quality
- o Administration
- o Commerce
- o Revenue
- o Corrections
- o Labor and Industry

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Governor's Office Funding by Source of Authority 2015 Biennium Budget - Ofc Budget & Program Planning							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$3,334,354	\$0	\$0	\$3,334,354	100.0%		
Total All Funds	\$3,334,354	\$0	\$0	\$3,334,354	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The Office of Budget and Program Planning is entirely funded with general fund.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,458,861	1,458,861	2,917,722	87.50%	1,458,861	1,458,861	2,917,722	87.50%
Statewide PL Adjustments	209,620	191,160	400,780	12.02%	209,620	191,160	400,780	12.02%
Other PL Adjustments	1,671	14,181	15,852	0.48%	1,671	14,181	15,852	0.48%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$1,670,152</b>	<b>\$1,664,202</b>	<b>\$3,334,354</b>		<b>\$1,670,152</b>	<b>\$1,664,202</b>	<b>\$3,334,354</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	Fiscal 2014				Fiscal 2015					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					258,946					259,477
Vacancy Savings					(60,609)					(60,629)
Inflation/Deflation					(36)					(23)
Fixed Costs					11,319					(7,665)
<b>Total Statewide Present Law Adjustments</b>		<b>\$209,620</b>	<b>\$0</b>	<b>\$0</b>	<b>\$209,620</b>		<b>\$191,160</b>	<b>\$0</b>	<b>\$0</b>	<b>\$191,160</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(209,620)	0	0	(209,620)	0.00	(191,160)	0	0	(191,160)
DP 51 - Adjustment for Statewide Personal Services	0.00	198,337	0	0	198,337	0.00	198,848	0	0	198,848
DP 52 - Adjustment for Statewide Operations	0.00	11,283	0	0	11,283	0.00	(7,688)	0	0	(7,688)
DP 103 - Global Insight Contract and Session Costs	0.00	1,671	0	0	1,671	0.00	14,181	0	0	14,181
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$1,671</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,671</b>	<b>0.00</b>	<b>\$14,181</b>	<b>\$0</b>	<b>\$0</b>	<b>\$14,181</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$211,291</b>	<b>\$0</b>	<b>\$0</b>	<b>\$211,291</b>	<b>0.00</b>	<b>\$205,341</b>	<b>\$0</b>	<b>\$0</b>	<b>\$205,341</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 103 - Global Insight Contract and Session Costs - The legislature approved increased funding for subscription and publication costs. In FY 2013 OBPP will enter into a new contract for the subscription to Global Insight (GI), an economic data service, on behalf of the Legislative Fiscal Division, Department of Transportation, and themselves. The appropriation anticipates a cost increase under a new contract of 5% each year. This decision package also includes a cyclical adjustment in FY 2015 to cover the increased costs related to the preparation and publication of the executive budget.

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	2.00	2.00	2.00	2.00	2.00	2.00	0.00	0.00%
Personal Services	154,974	146,635	154,366	154,128	301,609	308,494	6,885	2.28%
Operating Expenses	17,408	25,820	19,258	19,068	43,228	38,326	(4,902)	(11.34%)
<b>Total Costs</b>	<b>\$172,382</b>	<b>\$172,455</b>	<b>\$173,624</b>	<b>\$173,196</b>	<b>\$344,837</b>	<b>\$346,820</b>	<b>\$1,983</b>	<b>0.58%</b>
General Fund	172,382	172,455	173,624	173,196	344,837	346,820	1,983	0.58%
<b>Total Funds</b>	<b>\$172,382</b>	<b>\$172,455</b>	<b>\$173,624</b>	<b>\$173,196</b>	<b>\$344,837</b>	<b>\$346,820</b>	<b>\$1,983</b>	<b>0.58%</b>

**Program Description**

The Coordinator of Indian Affairs Program serves as the Governor's liaison with state Indian tribes, provides information and policy support on issues confronting the Indians of Montana, and advises and makes recommendations on these issues to the Legislative and Executive Branches. The coordinator also serves the Montana congressional delegation as an advisor and intermediary in the field of Indian affairs and acts as spokesperson for representative Native American organizations and groups, both public and private, whenever that support is requested. The program is mandated by 2-15-217 and 90-11-101, MCA.

**Program Highlights**

Coordinator of Indian Affairs Major Budget Highlights	
◆	The legislature approved the budget as requested, which is essentially unchanged from the 2013 biennium budget

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Governor's Office Funding by Source of Authority 2015 Biennium Budget - Office Of Indian Affairs							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$346,820	\$0	\$0	\$346,820	100.0%		
Total All Funds	\$346,820	\$0	\$0	\$346,820	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The Office of Indian Affairs office is entirely funded with general fund.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	172,382	172,382	344,764	99.41%	172,382	172,382	344,764	99.41%
Statewide PL Adjustments	1,242	814	2,056	0.59%	1,242	814	2,056	0.59%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$173,624</b>	<b>\$173,196</b>	<b>\$346,820</b>		<b>\$173,624</b>	<b>\$173,196</b>	<b>\$346,820</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					5,824					5,576
Vacancy Savings					(6,432)					(6,422)
Inflation/Deflation					(33)					(19)
Fixed Costs					1,883					1,679
<b>Total Statewide Present Law Adjustments</b>		<b>\$1,242</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,242</b>		<b>\$814</b>	<b>\$0</b>	<b>\$0</b>	<b>\$814</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(1,242)	0	0	(1,242)	0.00	(814)	0	0	(814)
DP 51 - Adjustment for Statewide Personal Services	0.00	(608)	0	0	(608)	0.00	(846)	0	0	(846)
DP 52 - Adjustment for Statewide Operations	0.00	1,850	0	0	1,850	0.00	1,660	0	0	1,660
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$1,242</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,242</b>	<b>0.00</b>	<b>\$814</b>	<b>\$0</b>	<b>\$0</b>	<b>\$814</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	4.00	4.00	4.00	4.00	4.00	4.00	0.00	0.00%
Personal Services	290,508	278,634	303,945	304,042	569,142	607,987	38,845	6.83%
Operating Expenses	52,696	51,057	105,899	79,377	103,753	185,276	81,523	78.57%
<b>Total Costs</b>	<b>\$343,204</b>	<b>\$329,691</b>	<b>\$409,844</b>	<b>\$383,419</b>	<b>\$672,895</b>	<b>\$793,263</b>	<b>\$120,368</b>	<b>17.89%</b>
General Fund	343,204	329,691	409,844	383,419	672,895	793,263	120,368	17.89%
<b>Total Funds</b>	<b>\$343,204</b>	<b>\$329,691</b>	<b>\$409,844</b>	<b>\$383,419</b>	<b>\$672,895</b>	<b>\$793,263</b>	<b>\$120,368</b>	<b>17.89%</b>

**Program Description**

The Centralized Services Program provides business services to all programs within the Governor's Office. Services include payroll and personnel, accounting, central asset management and computer replacement, data processing, and budget preparation and monitoring for the entire office.

**Program Highlights**

<b>The Centralized Services Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ Budget increases in the 2015 biennium result primarily from:                             <ul style="list-style-type: none"> <li>• Moving the computer replacement schedule into the base</li> <li>• Present law adjustments for personal services, driven by raises provided in the 2013 biennium</li> </ul> </li> </ul>

**Program Narrative**

The legislature approved the budget for the Centralized Services Division in the 2015 biennium with an increase of 17.9% from the 2013 biennium. Over half of the budgetary increase results from the approval of computer replacement funding. Computer replacement in the Governor’s Office is managed in the program on a five-year revolving schedule, and in past biennia the funding for the scheduled replacements has been made one-time-only. In the 2015 biennium, the funding will become a base expenditure. The legislature also provided present law increases, including the increases for personal services that were driven by raises given to the staff in the 2013 biennium.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.



Total Governor's Office Funding by Source of Authority 2015 Biennium Budget - Centralized Services Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$793,263	\$0	\$0	\$793,263	100.0%		
Total All Funds	\$793,263	\$0	\$0	\$793,263	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The Centralized Services Program is entirely funded with general fund.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	343,204	343,204	686,408	86.53%	343,204	343,204	686,408	86.53%
Statewide PL Adjustments	40,640	2,165	42,805	5.40%	40,640	2,165	42,805	5.40%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	26,000	38,050	64,050	8.07%	26,000	38,050	64,050	8.07%
<b>Total Budget</b>	<b>\$409,844</b>	<b>\$383,419</b>	<b>\$793,263</b>		<b>\$409,844</b>	<b>\$383,419</b>	<b>\$793,263</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					26,102					26,203
Vacancy Savings					(12,665)					(12,669)
Inflation/Deflation					3					5
Fixed Costs					27,200					(11,374)
<b>Total Statewide Present Law Adjustments</b>		<b>\$40,640</b>	<b>\$0</b>	<b>\$0</b>	<b>\$40,640</b>		<b>\$2,165</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,165</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(40,640)	0	0	(40,640)	0.00	(2,165)	0	0	(2,165)
DP 51 - Adjustment for Statewide Personal Services	0.00	13,437	0	0	13,437	0.00	13,534	0	0	13,534
DP 52 - Adjustment for Statewide Operations	0.00	27,203	0	0	27,203	0.00	(11,369)	0	0	(11,369)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$40,640</b>	<b>\$0</b>	<b>\$0</b>	<b>\$40,640</b>	<b>0.00</b>	<b>\$2,165</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,165</b>

P 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

**New Proposals**

New Proposals										
Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 102 - Computer Equipment Replacement										
06	0.00	26,000	0	0	26,000	0.00	38,050	0	0	38,050
<b>Total</b>	<b>0.00</b>	<b>\$26,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$26,000</b>	<b>0.00</b>	<b>\$38,050</b>	<b>\$0</b>	<b>\$0</b>	<b>\$38,050</b>

DP 102 - Computer Equipment Replacement - The legislature approved replacement costs for the computer equipment used within the Governor's Office but not included in the base budget. The program has implemented a five year replacement schedule for such equipment and will be continued as a base expenditure in future years.

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	3.94	3.94	3.94	3.94	3.94	3.94	0.00	0.00%
Personal Services	316,309	302,244	316,603	320,858	618,553	637,461	18,908	3.06%
Operating Expenses	20,188	23,021	19,927	19,924	43,209	39,851	(3,358)	(7.77%)
<b>Total Costs</b>	<b>\$336,497</b>	<b>\$325,265</b>	<b>\$336,530</b>	<b>\$340,782</b>	<b>\$661,762</b>	<b>\$677,312</b>	<b>\$15,550</b>	<b>2.35%</b>
General Fund	336,497	325,265	336,530	340,782	661,762	677,312	15,550	2.35%
<b>Total Funds</b>	<b>\$336,497</b>	<b>\$325,265</b>	<b>\$336,530</b>	<b>\$340,782</b>	<b>\$661,762</b>	<b>\$677,312</b>	<b>\$15,550</b>	<b>2.35%</b>

**Program Description**

The Office of the Lieutenant Governor is responsible for carrying out duties prescribed by statute established by Article VI, Section 4 of the Montana Constitution, as well as those delegated by the Governor. Statutory authority is Title 2, Chapter 15, part 3, MCA.

**Program Highlights**

<b>Office of the Lieutenant Governor Major Budget Highlights</b>
◆ Budget increases in personal services contained in the statewide present law adjustments are driven by raises provided in the 2013 biennium

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Governor's Office Funding by Source of Authority 2015 Biennium Budget - Lieutenant Governor'S Office							
Funds	Non- Budgeted HB 2	Statutory Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$677,312	\$0	\$0	\$677,312	100.0%		
Total All Funds	\$677,312	\$0	\$0	\$677,312	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The Office of the Lieutenant Governor's is entirely funded with general fund.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	336,497	336,497	672,994	99.36%	336,497	336,497	672,994	99.36%
Statewide PL Adjustments	33	4,285	4,318	0.64%	33	4,285	4,318	0.64%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$336,530</b>	<b>\$340,782</b>	<b>\$677,312</b>		<b>\$336,530</b>	<b>\$340,782</b>	<b>\$677,312</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					8,941					13,374
Vacancy Savings					(8,647)					(8,825)
Inflation/Deflation					(220)					(148)
Fixed Costs					(41)					(116)
<b>Total Statewide Present Law Adjustments</b>		<b>\$33</b>	<b>\$0</b>	<b>\$0</b>	<b>\$33</b>		<b>\$4,285</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,285</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(33)	0	0	(33)	0.00	(4,285)	0	0	(4,285)
DP 51 - Adjustment for Statewide Personal Services	0.00	294	0	0	294	0.00	4,549	0	0	4,549
DP 52 - Adjustment for Statewide Operations	0.00	(261)	0	0	(261)	0.00	(264)	0	0	(264)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$33</b>	<b>\$0</b>	<b>\$0</b>	<b>\$33</b>	<b>0.00</b>	<b>\$4,285</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,285</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	1.50	1.50	1.50	1.50	1.50	1.50	0.00	0.00%
Personal Services	93,318	89,200	94,764	94,631	182,518	189,395	6,877	3.77%
Operating Expenses	8,381	10,394	8,409	8,346	18,775	16,755	(2,020)	(10.76%)
<b>Total Costs</b>	<b>\$101,699</b>	<b>\$99,594</b>	<b>\$103,173</b>	<b>\$102,977</b>	<b>\$201,293</b>	<b>\$206,150</b>	<b>\$4,857</b>	<b>2.41%</b>
General Fund	90,582	88,490	94,764	94,631	179,072	189,395	10,323	5.76%
State Special	11,117	11,104	8,409	8,346	22,221	16,755	(5,466)	(24.60%)
<b>Total Funds</b>	<b>\$101,699</b>	<b>\$99,594</b>	<b>\$103,173</b>	<b>\$102,977</b>	<b>\$201,293</b>	<b>\$206,150</b>	<b>\$4,857</b>	<b>2.41%</b>

**Program Description**

The Citizens' Advocate Office exists to provide access to state government for Montana citizens. The office provides information to citizens and functions as a referral service for public comments, suggestions, and requests for information. The office provides a toll-free number to the public.

**Program Highlights**

<b>Citizens' Advocate Office Major Budget Highlights</b>
◆ The legislature approved the budget for the Citizen's Advocate Office with a slight biennial increase related to statewide present law adjustments

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Governor's Office Funding by Source of Authority 2015 Biennium Budget - Citizens' Advocate Office							
Funds	Non-Budgeted HB 2	Statutory Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$189,395	\$0	\$0	\$189,395	91.9%		
State Special Total	\$16,755	\$0	\$0	\$16,755	8.1%		
02253 Citizen's Advocate State Special Revenue	\$16,755	\$0	\$0	\$16,755	8.1%		
<b>Total All Funds</b>	<b>\$206,150</b>	<b>\$0</b>	<b>\$0</b>	<b>\$206,150</b>	<b>100.0%</b>		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The Citizens' Advocate Office is funded primarily with general fund. A small amount of state special funds, collected through charges by the Citizens' Advocate to the Department of Public Health and Human Services (DPHHS) for the telephone calls that the office handles on behalf of DPHHS, also supports the program.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	90,582	90,582	181,164	95.65%	101,699	101,699	203,398	98.67%
Statewide PL Adjustments	4,182	4,049	8,231	4.35%	1,474	1,278	2,752	1.33%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$94,764</b>	<b>\$94,631</b>	<b>\$189,395</b>		<b>\$103,173</b>	<b>\$102,977</b>	<b>\$206,150</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					5,395					5,256
Vacancy Savings					(3,949)					(3,943)
Fixed Costs					28					(35)
<b>Total Statewide Present Law Adjustments</b>		<b>\$4,182</b>	<b>(\$2,708)</b>	<b>\$0</b>	<b>\$1,474</b>		<b>\$4,049</b>	<b>(\$2,771)</b>	<b>\$0</b>	<b>\$1,278</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(4,182)	2,708	0	(1,474)	0.00	(4,049)	2,771	0	(1,278)
DP 51 - Adjustment for Statewide Personal Services	0.00	1,288	158	0	1,446	0.00	1,169	144	0	1,313
DP 52 - Adjustment for Statewide Operations	0.00	25	3	0	28	0.00	(31)	(4)	0	(35)
DP 53 - Base Funding Switch	0.00	2,869	(2,869)	0	0	0.00	2,911	(2,911)	0	0
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$4,182</b>	<b>(\$2,708)</b>	<b>\$0</b>	<b>\$1,474</b>	<b>0.00</b>	<b>\$4,049</b>	<b>(\$2,771)</b>	<b>\$0</b>	<b>\$1,278</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	5.00	5.00	5.00	5.00	5.00	5.00	0.00	0.00%
Personal Services	355,258	324,166	357,130	357,846	679,424	714,976	35,552	5.23%
Operating Expenses	55,562	73,427	59,500	59,209	128,989	118,709	(10,280)	(7.97%)
<b>Total Costs</b>	<b>\$410,820</b>	<b>\$397,593</b>	<b>\$416,630</b>	<b>\$417,055</b>	<b>\$808,413</b>	<b>\$833,685</b>	<b>\$25,272</b>	<b>3.13%</b>
General Fund	410,820	397,593	416,630	417,055	808,413	833,685	25,272	3.13%
<b>Total Funds</b>	<b>\$410,820</b>	<b>\$397,593</b>	<b>\$416,630</b>	<b>\$417,055</b>	<b>\$808,413</b>	<b>\$833,685</b>	<b>\$25,272</b>	<b>3.13%</b>

**Program Description**

The Mental Disabilities Board of Visitors is charged with formally reviewing patient care and assisting people who have complaints about services at Montana's licensed mental health centers, community hospital psychiatric units, children's residential treatment programs, and at the state facilities that serve people with mental illnesses and developmental disabilities. The board provides legal services to patients at Montana State Hospital. The Governor appoints six board members who represent recipients of services and their families, and the mental health and developmental disability professions. The board employs administrative and legal staff and contracts with mental health and developmental disability professionals to carry out its responsibilities for patient representation and facility review. The Mental Disabilities Board of Visitors Program was created by the Developmental Disabilities Act of 1975 and the Mental Commitment and Treatment Act of 1975 and exists as a state mandate.

The Mental Health Ombudsman is statutorily directed to "represent the interests of individuals with regard to need for public mental health services". The office functions with 1.5 FTE responding to statewide requests for service. The Office of the Ombudsman was created by the legislature in 1999 and is appointed by the Governor for a four year term.

**Program Highlights**

<b>Mental Disabilities Board of Visitors</b>	
<b>Major Budget Highlights</b>	
◆	The 2015 biennium budget for the Mental Disabilities Board of Visitors is a 3.1% increase from the 2013 biennium primarily due to full funding of 2.00 paralegal FTE, vacant in the base year
◆	Reductions in statewide present law adjustments are offset by an appropriation for a leased vehicle in the program

**Program Narrative**

The legislature approved the budget for the Mental Disabilities Board of Visitors budget with an increase by 3.1% from the 2013 biennium budget. The increase in personal services includes an appropriation to fully fund two paralegal positions that were vacant in the base year. Additionally, the legislature approved the requested change from daily rentals of vehicles to a program leased vehicle, which is expected to provide savings in future years.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Governor's Office Funding by Source of Authority 2015 Biennium Budget - Mental Disabilities Bd Visitrs							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$833,685	\$0	\$0	\$833,685	100.0%		
Total All Funds	\$833,685	\$0	\$0	\$833,685	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The Mental Disabilities Board of Visitors is entirely funded with general fund.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	410,820	410,820	821,640	98.56%	410,820	410,820	821,640	98.56%
Statewide PL Adjustments	(8,841)	(8,416)	(17,257)	(2.07%)	(8,841)	(8,416)	(17,257)	(2.07%)
Other PL Adjustments	2,094	2,094	4,188	0.50%	2,094	2,094	4,188	0.50%
New Proposals	12,557	12,557	25,114	3.01%	12,557	12,557	25,114	3.01%
<b>Total Budget</b>	<b>\$416,630</b>	<b>\$417,055</b>	<b>\$833,685</b>		<b>\$416,630</b>	<b>\$417,055</b>	<b>\$833,685</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					3,673					4,417
Vacancy Savings					(14,358)					(14,386)
Inflation/Deflation					(93)					(59)
Fixed Costs					1,937					1,612
<b>Total Statewide Present Law Adjustments</b>		<b>(\$8,841)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$8,841)</b>		<b>(\$8,416)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$8,416)</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	8,841	0	0	8,841	0.00	8,416	0	0	8,416
DP 51 - Adjustment for Statewide Personal Services	0.00	(10,685)	0	0	(10,685)	0.00	(9,969)	0	0	(9,969)
DP 52 - Adjustment for Statewide Operations	0.00	1,844	0	0	1,844	0.00	1,553	0	0	1,553
DP 104 - Motor Pool Leased Vehicle	0.00	2,094	0	0	2,094	0.00	2,094	0	0	2,094
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$2,094</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,094</b>	<b>0.00</b>	<b>\$2,094</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,094</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>(\$6,747)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$6,747)</b>	<b>0.00</b>	<b>(\$6,322)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$6,322)</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.



DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 104 - Motor Pool Leased Vehicle - The legislature approved and funded the acquisition of a small leased vehicle from the state motor pool for use by the staff of the Board of Visitors. This appropriation will reduce or eliminate the need for daily vehicles in the future and reduce costs.

**New Proposals**

New Proposals											
Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----					
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 2001 - Board of Visitors Pay Discrepancy	20	0.00	12,557	0	0	12,557	0.00	12,557	0	0	12,557
<b>Total</b>	<b>0.00</b>	<b>\$12,557</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,557</b>	<b>0.00</b>	<b>\$12,557</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,557</b>	

DP 2001 - Board of Visitors Pay Discrepancy - The legislature approved an adjustment in personal service costs. The increase fully funds two paralegal positions that were partially vacant in FY 2012 and a position reclassification.

**Agency Budget Comparison**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n/a
Personal Services	0	0	48,000	48,000	0	96,000	96,000	n/a
Operating Expenses	0	0	60,000	60,000	0	120,000	120,000	n/a
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Grants	0	0	20,000	20,000	0	40,000	40,000	n/a
Debt Service	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$128,000</b>	<b>\$128,000</b>	<b>\$0</b>	<b>\$256,000</b>	<b>\$256,000</b>	<b>n/a</b>
General Fund	0	0	0	0	0	0	0	n/a
Federal Special	0	0	128,000	128,000	0	256,000	256,000	n/a
Other	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$128,000</b>	<b>\$128,000</b>	<b>\$0</b>	<b>\$256,000</b>	<b>\$256,000</b>	<b>n/a</b>

**Agency Description**

Agency Mission: It is the mission of the Secretary of State to improve services to Montana’s voters, business community, and governmental agencies through open communications, effective use of technology, and transparent accountability.

The Secretary of State’s Office:

- Interprets state election laws and oversees statewide, federal, legislative, Public Service Commission, district court judge, and ballot issue elections
- Maintains the official records of the executive branch and the acts of the legislature
- Reviews, maintains, and distributes public-interest records of businesses and nonprofit organizations
- Files administrative rules adopted by state departments, boards, and agencies
- Attests to the Governor’s signature on executive orders, proclamations, resolutions, extradition papers, and appointments
- Preserves the state seal
- Files and maintains records of secured financial transactions, such as liens
- Serves on the state Board of Land Commissioners and the Board of Examiners
- Commissions notaries public

The Secretary of State’s Office consists of one program, the Business and Government Services Program, which provides all the functions of the office.

**Agency Highlights**

<b>Secretary of State’s Office Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The legislature included the proprietary operations of the SOS in HB 2, including 55.25 FTE, personal services of \$6.2 million, and operating costs of \$2.95 million. The Governor line item vetoed the proprietary funds from HB 2</li> <li>◆ The legislature also provided proprietary funding for operating costs associated with the Statewide Voter Registration System (SVRS)</li> <li>◆ Help America Vote Act funding of \$256,000 was approved to support various election functions of the office</li> </ul>

**Summary of Legislative Action**

Since the 1993 Legislature enacted HB 549, the majority of the operations of the Secretary of State’s Office have been funded through proprietary funds and as such have not been included in the legislative review process conducted as part of its budget deliberations. The legislature increased its oversight over the operations of the Secretary of State by including the proprietary funding of the office in HB 2 and designating its uses over the 2015 biennium. The funding provides for the following major functions:

- o Election administration
- o Registration and document filing of Montana businesses
- o Publication and distribution of administrative rules
- o Records management of public documents generated by state and local government
- o Centralized services for the Secretary of State’s Office

The legislature used the 2013 Biennium Report on Internal Service and Enterprise Funds for the business and government services account in the enterprise fund as submitted by the SOS to determine the level of funding, the number of FTE, and the costs for personal services, operating expenses, equipment and intangible assets, grants, and debt service.

In addition, the legislature provided support for the statewide voter registration system (SVRS) through appropriation of proprietary funding. The legislature restricted the funding to support for 1.00 FTE and operational costs of the statewide voter file that was mandated by the federal Help America Vote Act of 2002. The funding was restricted due to legislative concern that the costs for the SVRS would be passed onto the counties.

Governor Bullock line item vetoed the proprietary funding for the Secretary of State’s Office prior to signing House Bill 2, stating that the authority was redundant. At the time of this writing a legislative poll is being conducted to determine if the legislature will override the Governor’s veto. The agency’s budget tables in the Fiscal Analysis reflect the veto and as such do not include the proprietary funding appropriated in HB 2 by the legislature.

**Executive Budget Comparison**

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg – Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg – Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	0.00	1.00	0.00	(1.00)	1.00	0.00	(1.00)	
Personal Services	0	59,376	48,000	(11,376)	59,374	48,000	(11,374)	(22,750)
Operating Expenses	0	1,104,253	60,000	(1,044,253)	594,655	60,000	(534,655)	(1,578,908)
Equipment & Intangible Assets	0	40,000	0	(40,000)	40,000	0	(40,000)	(80,000)
Grants	0	0	20,000	20,000	0	20,000	20,000	40,000
Debt Service	0	0	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$0</b>	<b>\$1,203,629</b>	<b>\$128,000</b>	<b>(\$1,075,629)</b>	<b>\$694,029</b>	<b>\$128,000</b>	<b>(\$566,029)</b>	<b>(\$1,641,658)</b>
General Fund	0	690,629	0	(690,629)	694,029	0	(694,029)	(1,384,658)
Federal Special	0	513,000	128,000	(385,000)	0	128,000	128,000	(257,000)
Proprietary	0	0	0	0	0	0	0	0
<b>Total Funds</b>	<b>\$0</b>	<b>\$1,203,629</b>	<b>\$128,000</b>	<b>(\$1,075,629)</b>	<b>\$694,029</b>	<b>\$128,000</b>	<b>(\$566,029)</b>	<b>(\$1,641,658)</b>

The legislature switched funding for the Statewide Voter Registration System (SVRS) from the general fund to the proprietary fund. The legislature also reduced authority for federal Help America Vote Act funds from \$513,000 over the biennium to \$256,000 over the biennium to align appropriation authority with the costs associated with the program.

**Funding**

The following table shows funding, by source of authority for the 2015 biennium as adopted by the legislature.

Total Secretary Of State's Office Funding by Source of Authority 2015 Biennium Budget - Business & Government Services							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
Federal Special Total	\$256,000	\$0	\$0	\$256,000	2.7%		
03715 Elections Federal Grant	\$256,000	\$0	\$0	\$256,000	2.7%		
Proprietary Total	\$0	\$9,209,343	\$0	\$9,209,343	97.3%		
06053 Sec. Of St. Business Services	\$0	\$9,209,343	\$0	\$9,209,343	97.3%		
Total All Funds	\$256,000	\$9,209,343	\$0	\$9,465,343	100.0%		
<b>Percent - Total All Sources</b>	<b>2.7%</b>	<b>97.3%</b>	<b>0.0%</b>				

The operations of the Secretary of State’s Office are primarily funded with proprietary funds derived from fees for services, document sales, and other fess established in statute.

The legislature provided \$1.4 million in proprietary funding to support the statewide voter registration system. The executive had requested general fund for this purpose.

In recent years, the federal Help America Vote Act of 2002 (HAVA) has provided federal special revenues for election reform initiatives. Since expenditure of HAVA interest funds in the base were designated as one-time-only, these expenditures were removed from the base and no base exists. Interest accrued on deposit of HAVA funds remains unspent and funding from these funds was approved for the 2015 biennium.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	0	0	0	0.00%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	128,000	128,000	256,000	100.00%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$128,000</b>	<b>\$128,000</b>	<b>\$256,000</b>	

As discussed in the Agency Discussion narrative, HAVA funding was designated as one-time-only for FY 2012, resulting in a new proposal request to reinstate federal funding for the 2015 biennium.

**Other Legislation**

HB 10 – The legislature appropriated \$4.078 million in long range information technology project funds to the Secretary of State. The funding provides for Phase 2 of the information management system for the SOS.

**New Proposals**

New Proposals										
Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1503 - HAVA Interest (Biennial) OTO										
01	0.00	0	0	128,000	128,000	0.00	0	0	128,000	128,000
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$128,000</b>	<b>\$128,000</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$128,000</b>	<b>\$128,000</b>

DP 1503 - HAVA Interest (Biennial) OTO - The legislature approved spending authority for cumulative interest earnings from the Help America Vote Act grant. Authority would be used for related expenses and grants to counties to continue to comply with the act.

**Agency Budget Comparison**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	6.00	6.00	7.00	7.00	6.00	7.00	1.00	16.67%
Personal Services	263,000	306,626	385,271	384,934	569,626	770,205	200,579	35.21%
Operating Expenses	216,605	260,402	202,855	171,473	477,007	374,328	(102,679)	(21.53%)
<b>Total Costs</b>	<b>\$479,605</b>	<b>\$567,028</b>	<b>\$588,126</b>	<b>\$556,407</b>	<b>\$1,046,633</b>	<b>\$1,144,533</b>	<b>\$97,900</b>	<b>9.35%</b>
General Fund	479,605	567,028	588,126	556,407	1,046,633	1,144,533	97,900	9.35%
<b>Total Funds</b>	<b>\$479,605</b>	<b>\$567,028</b>	<b>\$588,126</b>	<b>\$556,407</b>	<b>\$1,046,633</b>	<b>\$1,144,533</b>	<b>\$97,900</b>	<b>9.35%</b>

**Agency Description**

Agency Mission: To monitor and to enforce, in a fair and impartial manner: campaign practices and campaign finance disclosure; lobbying disclosure; business interest disclosure of statewide and state district candidates, elected state officials, and state department directors, ethical standards of conduct for legislators, public officers, and state employees, and to investigate legitimate complaints that arise concerning any of the foregoing.

The Commissioner of Political Practices (COPP) has responsibilities that were defined by a legislative initiative in 1980 requiring disclosure of acts by lobbyists and business interests of elected officials. COPP also has responsibility for the ethical standards of conduct for legislators, public officers, and state employees pursuant to Title 2, Chapter 2, MCA.

**Agency Highlights**

<b>Commissioner of Political Practices Major Budget Highlights</b>	
◆	The legislature changed the provision of legal services by eliminating contracted legal services and adding a one-time-only in-house legal counsel <ul style="list-style-type: none"> <li>• The overall cost difference is a reduction of \$27,000 in general fund over the biennium</li> <li>• Anticipated efficiencies for the position include reducing the backlog of decisions on outstanding complaints, reduced time to issue decisions, and settlement of pending lawsuits</li> </ul>

**Summary of Legislative Action**

The legislature provided funding that is 9.4% greater when compared to funding provided for the 2013 biennium. To address an increasing workload related to complaint investigations and pending lawsuits the legislature provided an in-house counsel on a one-time-only basis. The funding for the new position was provided by reducing funding for contracted services with the Department of Justice and increasing personal services. The overall impact of the change was a reduction in general fund of \$27,000 over the biennium.

The legislature included monitoring requirements within SJR 33 for the in-house legal counsel, including progress on:

- Increases in the number of investigation and decisions issued
- Reductions in the time to resolve complaints
- Reductions in the time to provide decisions

In addition, the legislature recommended that the Joint Appropriations Subcommittee on General Government of the 2015 Legislature receive a report on the progress during its budget deliberations.

The legislature also approved funding for the COPP to move from its current location to one with additional office and file space. The one-time-only general fund appropriation provides for both moving and set-up costs in the new location.

**Executive Budget Comparison**

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg - Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg - Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	6.00	7.00	7.00	0.00	7.00	7.00	0.00	
Personal Services	263,000	385,271	385,271	0	384,934	384,934	0	0
Operating Expenses	216,605	202,255	202,855	600	170,872	171,473	601	1,201
<b>Total Costs</b>	<b>\$479,605</b>	<b>\$587,526</b>	<b>\$588,126</b>	<b>\$600</b>	<b>\$555,806</b>	<b>\$556,407</b>	<b>\$601</b>	<b>\$1,201</b>
General Fund	479,605	587,526	588,126	600	555,806	556,407	601	1,201
<b>Total Funds</b>	<b>\$479,605</b>	<b>\$587,526</b>	<b>\$588,126</b>	<b>\$600</b>	<b>\$555,806</b>	<b>\$556,407</b>	<b>\$601</b>	<b>\$1,201</b>

Changes from the executive proposal include:

- o Increases for general liability premiums
- o Decreases for fixed costs related to the statewide accounting, budgeting, and human resources system
- o Rejection of a proposal to change the methodology for funding state employee training. Under the approved rates, training costs for the Office of the Commissioner of Political Practices are increased by \$551 each year of the biennium

**Funding**

The following table shows agency funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Comm Of Political Practices Funding by Source of Authority 2015 Biennium Budget - Administration							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,144,533	\$0	\$0	\$1,144,533	100.0%		
Total All Funds	\$1,144,533	\$0	\$0	\$1,144,533	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The Office of the Commissioner of Political Practices (COPP) is funded entirely with general fund appropriated in HB 2. A small amount of revenue is generated from nominal fees for printing and distribution, as well as civil fines for violation of campaign laws. Both are deposited into the general fund. In addition, COPP collects a \$150 lobbyist filing fee that is also deposited into the general fund. Of this amount, \$100 is transferred to a state special revenue account for appropriation to the Legislative Services Division to support the state broadcasting system TVMT. The lobbyist license expires at the end of each odd numbered year, just before the start of the legislative session.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	479,605	479,605	959,210	83.81%	479,605	479,605	959,210	83.81%
Statewide PL Adjustments	87,339	79,064	166,403	14.54%	87,339	79,064	166,403	14.54%
Other PL Adjustments	49	50	99	0.01%	49	50	99	0.01%
New Proposals	21,133	(2,312)	18,821	1.64%	21,133	(2,312)	18,821	1.64%
<b>Total Budget</b>	<b>\$588,126</b>	<b>\$556,407</b>	<b>\$1,144,533</b>		<b>\$588,126</b>	<b>\$556,407</b>	<b>\$1,144,533</b>	

Statewide present law adjustments for the COPP included increases for personal services, fixed costs, and inflation, which were the majority of the changes to the budget.

**Other Legislation**

HB 10 – The legislature appropriated \$0.502 million in long range information technology project funds to the Commissioner of Political Practices. The funding provides for campaign reporting service/database rewrite for the COPP.

HB 13 – The legislature approved funding for a pay plan for state employees. For employees of the executive branch, the calculation is based upon a 3% increase beginning October 1, 2013 (FY 2014) and again on July 1, 2014 (FY 2015), as well as a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium. Allocation of the funds is left to the executive branch.

SB 392 – The legislature approved increasing the authority of the Commissioner of Political Practices to enforce laws pertaining to anonymous election materials and requiring notification of the complainant and the candidate or the political committee if the complaint has merit. The estimated cost to the COPP of the implementing the bill is \$7,500 in FY 2014 and \$5,000 in FY 2015. The legislature did not provide additional funding for COPP to implement the act.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					50,768					50,476
Inflation/Deflation					76					153
Fixed Costs					36,495					28,435
<b>Total Statewide Present Law Adjustments</b>		<b>\$87,339</b>	<b>\$0</b>	<b>\$0</b>	<b>\$87,339</b>		<b>\$79,064</b>	<b>\$0</b>	<b>\$0</b>	<b>\$79,064</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(87,339)	0	0	(87,339)	0.00	(79,064)	0	0	(79,064)
DP 51 - Adjustment for Statewide Personal Services	0.00	50,768	0	0	50,768	0.00	50,476	0	0	50,476
DP 52 - Adjustment for Statewide Operations	0.00	36,620	0	0	36,620	0.00	28,638	0	0	28,638
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$49</b>	<b>\$0</b>	<b>\$0</b>	<b>\$49</b>	<b>0.00</b>	<b>\$50</b>	<b>\$0</b>	<b>\$0</b>	<b>\$50</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$87,388</b>	<b>\$0</b>	<b>\$0</b>	<b>\$87,388</b>	<b>0.00</b>	<b>\$79,114</b>	<b>\$0</b>	<b>\$0</b>	<b>\$79,114</b>



DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

**New Proposals**

New Proposals										
Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Agency Legal Counsel - OTO										
01	1.00	(13,497)	0	0	(13,497)	1.00	(13,542)	0	0	(13,542)
DP 3 - Change in Agency Location OTO										
01	0.00	34,630	0	0	34,630	0.00	11,230	0	0	11,230
<b>Total</b>	<b>1.00</b>	<b>\$21,133</b>	<b>\$0</b>	<b>\$0</b>	<b>\$21,133</b>	<b>1.00</b>	<b>(\$2,312)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$2,312)</b>

DP 1 - Agency Legal Counsel - OTO - The legislature eliminated \$85,000 in contracted services that had been used to provide for contract services for an attorney within the Department of Justice. The legislature used the funding for 1.00 FTE for a Legal Counsel. COPP receives numerous complaints each year requiring a significant amount of time to resolve. The contracted attorney from the Department of Justice can't keep up with the investigator. Currently there are 31 cases on the complaint docket. Sixteen cases have been fully investigated and are ready for a decision. In addition to the complaint docket COPP has seven pending lawsuits.

The legislature also recommended that the Legislative Finance Committee monitor progress by the agency legal counsel including:

- o Increases in the number of investigation and decisions issued
- o Reductions in the time to resolve complaints
- o Reduction in the time to provide decisions

In addition, the legislature recommended that the Joint Appropriations Subcommittee on General Government receive a report on the progress during its budget deliberations for the 2015 Legislature.

DP 3 - Change in Agency Location OTO - The legislature approved one-time-only funding to move the office in FY 2014. COPP will move to a larger location that will accommodate 7.00 FTE and filing space, as well as the temporary staff employed during the busy election season to assist with scanning and filing documents.

**Agency Budget Comparison**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	85.80	85.80	87.80	87.80	85.80	87.80	2.00	2.33%
Estimated Impact of HB 2*			(3.03)	(3.03)		(3.03)	(3.03)	
<b>Net Estimated FTE*</b>			<b>84.77</b>	<b>84.77</b>		<b>84.77</b>	<b>(1.03)</b>	
Personal Services	5,163,890	5,228,420	5,814,197	5,788,266	10,392,310	11,602,463	1,210,153	11.64%
Operating Expenses	2,452,750	2,256,566	3,583,604	3,333,398	4,709,316	6,917,002	2,207,686	46.88%
Equipment & Intangible Assets	8,695	13,751	8,695	8,695	22,446	17,390	(5,056)	(22.53%)
Benefits & Claims	10,448,099	10,678,166	10,004,758	10,004,758	21,126,265	20,009,516	(1,116,749)	(5.29%)
Transfers	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$18,073,434</b>	<b>\$18,176,903</b>	<b>\$19,411,254</b>	<b>\$19,135,117</b>	<b>\$36,250,337</b>	<b>\$38,546,371</b>	<b>\$2,296,034</b>	<b>6.33%</b>
General Fund	0	0	1,646,660	6,763,375	0	8,410,035	8,410,035	n/a
State Special	18,073,434	18,176,903	17,764,594	12,371,742	36,250,337	30,136,336	(6,114,001)	(16.87%)
Federal Special	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$18,073,434</b>	<b>\$18,176,903</b>	<b>\$19,411,254</b>	<b>\$19,135,117</b>	<b>\$36,250,337</b>	<b>\$38,546,371</b>	<b>\$2,296,034</b>	<b>6.33%</b>

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

**Agency Description**

The mission of the State Auditor's Office is to assure compliance with the Montana insurance and securities laws, promote captive insurance formations, administer the Insure Montana program, and assist consumers with complaints involving the securities and insurance industries.

**Agency Highlights**

State Auditor's Office Major Budget Highlights
<ul style="list-style-type: none"> <li>◆ The 2015 biennium appropriation for the State Auditor's Office is \$2.3 million and 2.00 FTE higher than the 2013 biennium budget due to:                             <ul style="list-style-type: none"> <li>• \$1.0 million for increased costs and anticipated workloads to examine both insurance companies and securities firms</li> <li>• \$0.8 million in statewide present law adjustments to fully fund positions and fixed cost and inflationary increases</li> <li>• \$0.7 million to upgrade and maintain information technology systems</li> <li>• \$0.4 million for continuation of 1.00 FTE funded from a one-time appropriation in the 2013 biennium and for 1.00 new information technology FTE</li> <li>• \$0.2 million for market pay adjustments in the 2015 biennium</li> </ul> </li> <li>◆ The one-time \$8.4 million general fund appropriation provides about 40% of the funds needed to continue the Insure Montana program through the 2015 biennium and is offset by a reduction in state special revenue support for the program</li> <li>◆ Total cost increases are partially offset by a net of \$0.9 million in state special revenue reductions for the Insure Montana program and by \$0.2 million in additional vacancy savings</li> </ul>

**Summary of Legislative Action**

The legislative 2015 biennium appropriation is \$2.3 million higher than the 2013 biennium largely due to a combination of approval of requests from the Commissioner of Securities and Insurance (CSI) and some offsetting reductions in present law proposals. The legislature provided one-time funding from the general fund, insurance fee state special revenue, and the health and Medicaid initiative state special revenue account to continue the Insure Montana program for two years. The executive budget had eliminated the program effective January 1, 2014 in anticipation of the startup of insurance exchanges and due to a significant shortfall in the health and Medicaid initiatives state special revenue account that historically supported the program. Since the general fund was used to cover a shortfall in state special revenue, there was not an overall increase in funding due to this legislative decision. Other significant changes approved by the legislature are listed in the Major Budget Highlights table and discussed in greater detail in the division appropriation narratives.

*Boilerplate*

The boilerplate section in HB 2 includes the following language:

“It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium.”

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 3.03 FTE for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

**Funding**

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Total State Auditor's Office Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$8,410,035	\$0	\$58,177,683	\$66,587,718	68.8%
State Special Total	30,136,336	-	27,500	30,163,836	31.2%
Federal Special Total	-	-	-	-	0.0%
Proprietary Total	-	-	-	-	0.0%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
<b>Total All Funds</b>	<b><u>\$38,546,371</u></b>	<b><u>\$0</u></b>	<b><u>\$58,205,183</u></b>	<b><u>\$96,751,554</u></b>	
Percent - Total All Sources	39.8%	0.0%	60.2%		

The State Auditor’s Office is funded from general fund and state special revenue. General fund is appropriated on a one-time basis to continue funding for the Insure Montana program for the 2015 biennium.

State special revenue sources are:

- Fees paid by insurance companies and security firms for insurance and security oversight
- Tobacco tax revenues from the health and Medicaid initiatives account for Insure Montana
- Tobacco settlement funds the state high risk pool (Montana Comprehensive Health Association)

Some of the fee revenue collected by the office is transferred to the general fund via a statutory appropriation, while revenue remaining in selected state special revenue accounts is transferred to the general fund at fiscal yearend.

The SAO received some federal grant funds that are not ongoing in the 2015 biennium.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	18,073,434	18,073,434	36,146,868	93.78%
Statewide PL Adjustments	0	0	0	0.00%	417,122	382,547	799,669	2.07%
Other PL Adjustments	0	0	0	0.00%	774,641	787,128	1,561,769	4.05%
New Proposals	1,646,660	6,763,375	8,410,035	100.00%	146,057	(107,992)	38,065	0.10%
<b>Total Budget</b>	<b>\$1,646,660</b>	<b>\$6,763,375</b>	<b>\$8,410,035</b>		<b>\$19,411,254</b>	<b>\$19,135,117</b>	<b>\$38,546,371</b>	

The majority of the legislative budget supports continuation of present law services. New proposals, including the addition of general fund to continue the Insure Montana program, contribute less than 1% of the total 2015 biennium budget. The increase in the general fund support for the Insure Montana program is offset by reductions in state special revenue, netting to less than \$40,000 in total funds over the biennium.

**Other Legislation**

HB 13 – The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches and the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

HB 48 – This bill requires eligibility for premium assistance provided by the Insure Montana program to be based on household income rather than an individual employee’s salary and limits premium assistance to households earning no more than 400% of the federal poverty level (about \$94,000 for a family of 4 in 2013).

HB 81 – This bill provides for a temporary diversion of 4.5% from securities fees collected by the CSI. The bill directed that a portion of securities fees be deposited in a securities restitution assistance fund rather than the general fund. Money from the state special revenue fund is statutorily appropriated to pay compensation to victims of securities fraud. It is estimated that the allocation will provide about \$272,500 each year of the 2015 biennium. The fund terminates June 30, 2017.

HB 87 – This bill requires insurers to file health insurance rates with the State Auditor’s Office and provide documentation supporting the development of the rates. The CSI is required to review rate filings for each health insurance insurer and consider whether the proposed premium rate is excessive, inadequate, unjustified, or unfairly discriminatory and provide a notice of deficiencies if any are found to exist. The SAO will need to contract with actuaries to perform the duties prescribed in HB 87. The bill includes an appropriation of \$204,000 from insurance fee state special revenue each year of the biennium.

**HB 250** – This bill requires the State Auditor to implement and manage a training and certification program for persons to become certified as a navigator on the new health insurance exchange that will be operational January 1, 2014. Persons must pay an application fee of \$100 to become certified and a biennial renewal fee of \$50 to maintain certification. The fiscal note for HB 250 estimated that fee revenue would be \$2,575 in FY 2014 and \$5,000 in FY 2015. The legislature did not appropriate additional funds to implement this bill.

**SB 223** – This bill requires that the Montana Comprehensive Health Association (MCHA) board of directors develop a plan to terminate the MCHA due to changes in the federal Affordable Care Act that will allow for coverage on the federal individual health insurance exchange. Individuals who currently participate in MCHA due to inability to obtain health insurance in the private market will be eligible for coverage in the federal exchange. Additionally, low income individuals will have access to premium and co-pay assistance. The termination plan is subject to the review and approval of the CSI and to the review of the Interim Committee on Economic Affairs. The fiscal note for SB 223 anticipates that the MCA will need the full appropriation in FY 2014 (\$946,455) and most of the FY 2015 appropriation to pay incurred but not reported insurance claims. The fiscal note estimated that \$325,000 of the \$943,696 FY 2015 appropriation would not be expended.

**Executive Budget Comparison**

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg – Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg – Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	85.80	83.80	87.80	4.00	79.80	87.80	8.00	
Estimated Impact of HB 2*			(3.03)	(3.03)		(3.03)	(3.03)	
<b>Net Estimated FTE*</b>			<b>84.77</b>	<b>0.97</b>		<b>84.77</b>	<b>4.97</b>	
Personal Services	5,163,890	5,414,590	5,814,197	399,607	5,214,565	5,788,266	573,701	973,308
Operating Expenses	2,452,750	3,504,568	3,583,604	79,036	3,628,028	3,333,398	(294,630)	(215,594)
Equipment & Intangible Assets	8,695	7,994	8,695	701	7,994	8,695	701	1,402
Benefits & Claims	10,448,099	5,686,832	10,004,758	4,317,926	925,563	10,004,758	9,079,195	13,397,121
Transfers	0	0	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$18,073,434</b>	<b>\$14,613,984</b>	<b>\$19,411,254</b>	<b>\$4,797,270</b>	<b>\$9,776,150</b>	<b>\$19,135,117</b>	<b>\$9,358,967</b>	<b>\$14,156,237</b>
General Fund	0	0	1,646,660	1,646,660	0	6,763,375	6,763,375	8,410,035
State/Other Special	18,073,434	14,613,984	17,764,594	3,150,610	9,776,150	12,371,742	2,595,592	5,746,202
Federal Special	0	0	0	0	0	0	0	0
<b>Total Funds</b>	<b>\$18,073,434</b>	<b>\$14,613,984</b>	<b>\$19,411,254</b>	<b>\$4,797,270</b>	<b>\$9,776,150</b>	<b>\$19,135,117</b>	<b>\$9,358,967</b>	<b>\$14,156,237</b>

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

The 2015 biennium legislative appropriation is \$14.2 million higher, including funding for 8.00 FTE in FY 2015, than the executive budget request primarily due to approval for one-time appropriations to continue funding for the Insure Montana program through the 2015 biennium. The executive budget removed funding for the program effective January 1, 2014. Other changes net to very little difference between the executive request and legislative appropriation.

Historically the Insure Montana program has been funded from tobacco tax deposited in the health and Medicaid initiatives state special revenue account. However, the ongoing appropriations from the account exceed ongoing revenues. In addition, the impact that the implementation of the Patient Protection and Affordable Care Act (ACA) will have on the Insure Montana program is uncertain. Therefore, the legislature opted to continue funding for Insure Montana for another biennium to evaluate the effect of ACA during the next session, and appropriated general fund to do so since the state special revenue account did not have sufficient revenue.

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	16.80	16.80	17.80	17.80	16.80	17.80	1.00	5.95%
Personal Services	1,002,552	1,013,391	1,106,925	1,106,918	2,015,943	2,213,843	197,900	9.82%
Operating Expenses	213,439	204,282	750,285	492,710	417,721	1,242,995	825,274	197.57%
Equipment & Intangible Assets	1,683	2,800	1,683	1,683	4,483	3,366	(1,117)	(24.92%)
<b>Total Costs</b>	<b>\$1,217,674</b>	<b>\$1,220,473</b>	<b>\$1,858,893</b>	<b>\$1,601,311</b>	<b>\$2,438,147</b>	<b>\$3,460,204</b>	<b>\$1,022,057</b>	<b>41.92%</b>
State Special	1,217,674	1,220,473	1,858,893	1,601,311	2,438,147	3,460,204	1,022,057	41.92%
<b>Total Funds</b>	<b>\$1,217,674</b>	<b>\$1,220,473</b>	<b>\$1,858,893</b>	<b>\$1,601,311</b>	<b>\$2,438,147</b>	<b>\$3,460,204</b>	<b>\$1,022,057</b>	<b>41.92%</b>

**Program Description**

The Central Management Division is responsible for the administrative, personnel, budgeting, and accounting functions for the State Auditor's Office. The division also provides support to the Commissioner in fulfilling the duties as a member of the Land Board and Crop Hail Insurance Board.

**Program Highlights**

<b>Centralized Services Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The Central Management Division 2015 biennium appropriation is about \$1.0 million higher than the 2013 biennium</li> <li>◆ The legislature approved the State Auditor's requests for:                             <ul style="list-style-type: none"> <li>• \$727,000 state special revenue to upgrade and maintain computer systems</li> <li>• \$184,000 for an information technology manager position</li> <li>• \$68,000 state special revenue for training for information technology and financial staff</li> </ul> </li> <li>◆ Increases are partially offset by an additional 2% vacancy savings of about \$220,000 that can be allocated across all programs</li> </ul>

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total State Auditor's Office Funding by Source of Authority 2015 Biennium Budget - Central Management							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$3,460,204	\$0	\$0	\$3,460,204	100.0%		
02235 Insurance Fee Account	\$2,797,606	\$0	\$0	\$2,797,606	80.9%		
02283 Securities Fee Account	\$662,598	\$0	\$0	\$662,598	19.1%		
Total All Funds	\$3,460,204	\$0	\$0	\$3,460,204	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The Central Management function is funded entirely by state special revenue from fees paid by insurance companies and security firms.

**Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	1,217,674	1,217,674	2,435,348	70.38%
Statewide PL Adjustments	0	0	0	0.00%	125,992	118,186	244,178	7.06%
Other PL Adjustments	0	0	0	0.00%	33,915	38,188	72,103	2.08%
New Proposals	0	0	0	0.00%	481,312	227,263	708,575	20.48%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$1,858,893</b>	<b>\$1,601,311</b>	<b>\$3,460,204</b>	

The majority of the 2015 biennium appropriation funds continuation of present law services. New proposals fund budget increases requested by the Office of the State Auditor for information technology (IT) systems replacement, an IT manager FTE, and pay adjustments implemented in FY 2013 to move most positions to 85% of the market midpoint.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					153,554					153,853
Vacancy Savings					(41,808)					(41,818)
Inflation/Deflation					4					56
Fixed Costs					14,242					6,095
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$125,992</b>	<b>\$0</b>	<b>\$125,992</b>		<b>\$0</b>	<b>\$118,186</b>	<b>\$0</b>	<b>\$118,186</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	0	(125,992)	0	(125,992)	0.00	0	(118,186)	0	(118,186)
DP 51 - Adjustment for Statewide Personal Services	0.00	0	111,746	0	111,746	0.00	0	112,035	0	112,035
DP 52 - Adjustment for Statewide Operations	0.00	0	14,246	0	14,246	0.00	0	6,151	0	6,151
DP 1001 - Rent	0.00	0	0	0	0	0.00	0	4,273	0	4,273
DP 1004 - Elected Official Continuing Ed Central Management	0.00	0	33,915	0	33,915	0.00	0	33,915	0	33,915
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$33,915</b>	<b>\$0</b>	<b>\$33,915</b>	<b>0.00</b>	<b>\$0</b>	<b>\$38,188</b>	<b>\$0</b>	<b>\$38,188</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$159,907</b>	<b>\$0</b>	<b>\$159,907</b>	<b>0.00</b>	<b>\$0</b>	<b>\$156,374</b>	<b>\$0</b>	<b>\$156,374</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government Joint Appropriations Subcommittee.

DP 1001 - Rent - This adjustment adds state special revenue for increased office rent. The current lease does not include inflationary adjustments for rent. When the lease expires the agency anticipates a 5% increase on January 2015 for the last half of FY 2015.

DP 1004 - Elected Official Continuing Ed Central Management - The legislature approved the CSI request for an appropriation to fund continuing education for employees. The appropriation is restricted and one-time only.

**New Proposals**

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 54 - Additional Vacancy Savings											
01	0.00	0	(110,069)	0	(110,069)	0.00	0	(110,218)	0	(110,218)	
DP 1005 - Elected Official - IT Systems Replacement											
01	0.00	0	490,646	0	490,646	0.00	0	236,746	0	236,746	
DP 1006 - Elected Official - Market Adjustments											
01	0.00	0	8,735	0	8,735	0.00	0	8,735	0	8,735	
DP 1010 - Elected Official - IT Manager											
01	1.00	0	92,000	0	92,000	1.00	0	92,000	0	92,000	
<b>Total</b>	<b>1.00</b>	<b>\$0</b>	<b>\$481,312</b>	<b>\$0</b>	<b>\$481,312</b>	<b>1.00</b>	<b>\$0</b>	<b>\$227,263</b>	<b>\$0</b>	<b>\$227,263</b>	



DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs.

DP 1005 - Elected Official - IT Systems Replacement - The legislature approved the CSI request for funds to replace the central application and scanning systems used to support insurance and securities regulation. The funding supports replacement of equipment and implementation of new software. The appropriation includes both ongoing and one-time costs. The ongoing portion of the appropriation is about \$237,000 annually.

DP 1006 - Elected Official - Market Adjustments - The legislature approved funding for pay adjustments implemented in FY 2013 by the State Auditor to bring most staff up to 85% of the market midpoint. The adjustments are funded from a combination of insurance and security fee state special revenue.

DP 1010 - Elected Official - IT Manager - The legislature approved the State Auditor's request for funding for an information technology manager. The position is funded from state special revenue from insurance and securities fees.

### **Language and Statutory Authority**

The legislature included the following language in HB 2.

"Central Management includes a reduction in state special revenue of \$110,069 in fiscal year 2014 and \$110,218 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans."

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	58.00	58.00	58.00	58.00	58.00	58.00	0.00	0.00%
Personal Services	3,542,103	3,528,621	3,852,295	3,826,496	7,070,724	7,678,791	608,067	8.60%
Operating Expenses	2,032,708	1,786,288	2,551,587	2,561,539	3,818,996	5,113,126	1,294,130	33.89%
Equipment & Intangible Assets	5,810	9,057	5,810	5,810	14,867	11,620	(3,247)	(21.84%)
Benefits & Claims	10,448,099	10,678,166	10,004,758	10,004,758	21,126,265	20,009,516	(1,116,749)	(5.29%)
Transfers	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$16,028,720</b>	<b>\$16,002,132</b>	<b>\$16,414,450</b>	<b>\$16,398,603</b>	<b>\$32,030,852</b>	<b>\$32,813,053</b>	<b>\$782,201</b>	<b>2.44%</b>
General Fund	0	0	1,646,660	6,763,375	0	8,410,035	8,410,035	n/a
State Special	16,028,720	16,002,132	14,767,790	9,635,228	32,030,852	24,403,018	(7,627,834)	(23.81%)
Federal Special	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$16,028,720</b>	<b>\$16,002,132</b>	<b>\$16,414,450</b>	<b>\$16,398,603</b>	<b>\$32,030,852</b>	<b>\$32,813,053</b>	<b>\$782,201</b>	<b>2.44%</b>

**Program Description**

The Insurance Division regulates the insurance industry in Montana. The Policyholder Services Unit is responsible for resolving insurance consumer inquiries and complaints involving agents, coverage, and companies. The Examinations Bureau is responsible for monitoring the financial solvency of insurance companies, collecting premium taxes and company fees, and auditing insurance company annual statements. Also housed in this bureau is the Captive Insurance program, which promotes and regulates captive insurers in the state. Captive insurance companies (captives) are formed and wholly owned by the businesses, associations, and groups that they insure. Captives are formed as risk management tools and as alternatives to the traditional insurance market. Captive insurers domiciled in Montana provide insurance to rural hospitals, nursing homes, doctors, commercial trucking companies, contractors, and others. The legislature passed enacting legislation in 2001.

The Rates Bureau and the Forms Bureau are responsible for reviewing form filings and rate filings to ensure compliance with the applicable insurance code. The Licensing Bureau is responsible for licensing and providing continuing education to insurance agents, agencies, and adjusters. The Insure Montana Bureau administers the Small Business Health Insurance Purchasing Pool and the Tax Credit program. The Legal Unit, which serves both the Insurance and Securities Divisions, provides legal support to the divisions. The Investigations unit, which is under the Legal Unit, reviews code and rule violations, including possible criminal violations, and recommends referral of cases to county attorneys for prosecution.

**Program Highlights**

<b>Insurance Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The Insurance Division 2015 biennium budget is about \$782,000 greater than the 2013 biennium due to:                             <ul style="list-style-type: none"> <li>• \$672,000 for financial and market conduct examinations of insurance companies as statutorily required</li> <li>• \$279,000 for statewide present law adjustments to fully fund positions and for fixed cost and inflationary increases</li> <li>• \$190,000 for pay increases granted in FY 2013 to move pay for most positions up to 85% of the market midpoint</li> <li>• \$125,000 for an additional FTE for supervision and regulation of captive insurance companies, which was approved as a one-time appropriation</li> </ul> </li> <li>◆ A \$8.4 million one-time general fund appropriation continues the Insure Montana program for the 2015 biennium, but is about \$887,000 less than the shortfall in state special revenue funding for the program</li> </ul>

**Program Narrative**

The Insurance Division 2015 biennium budget is about \$780,000 greater than the 2013 biennium budget and major changes are noted in the Highlights Table. The most significant legislative decision was to add one-time funding to continue the Insure Montana program. The Governor’s budget eliminated Insure Montana due to insufficient funds in the health and Medicaid initiatives state special revenue account and the belief that implementation of the Affordable Care Act and the health insurance exchange effective January 1, 2014 would take the place of the program.

The legislature concluded that employees could not purchase health insurance on the individual health insurance exchange if insurance continued to be offered through their employer and it was affordable, meaning that a policy for the employee only cost less than 9.5% of household income. Due to these considerations and other changes in the insurance market, the legislature opted to continue the program for another biennium. The legislature added \$8.4 million general fund and \$6.0 million in insurance fee state special revenue to offset the reduction in health and Medicaid state special revenue that has traditionally funded the program. The 2015 Legislature would need to add funds to continue Insure Montana in the 2017 biennium since it is funded from one-time appropriations.

Appropriation increases are partially offset by an \$887,000 reduction in the total appropriated for the Insure Montana program compared to the 2013 biennium budget.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total State Auditor's Office Funding by Source of Authority 2015 Biennium Budget - Insurance							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$8,410,035	\$0	\$0	\$8,410,035	25.6%		
State Special Total	\$24,403,018	\$0	\$0	\$24,403,018	74.4%		
02235 Insurance Fee Account	\$17,034,258	\$0	\$0	\$17,034,258	51.9%		
02528 Captive Account	\$358,137	\$0	\$0	\$358,137	1.1%		
02770 Health Insurance Tax Credits	\$1,498,190	\$0	\$0	\$1,498,190	4.6%		
02789 6901-chip/mcha Tobacco Sett Fd	\$1,890,151	\$0	\$0	\$1,890,151	5.8%		
Total All Funds	\$32,813,053	\$0	\$0	\$32,813,053	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The Insurance Division is funded with primarily with state special revenue. A one-time appropriation of \$8.4 million general fund supports continuation of the Insure Montana program through the end of the 2015 biennium.

State special revenue sources support the following functions:

- o Insurance licensure fees, examination fees, and penalties, which fund program functions related to insurance regulation, including a one-time \$6.0 million appropriation to continue the Insure Montana program through FY 2015
- o Health and Medicaid initiatives (tobacco taxes), which fund the Insure Montana program
- o Tobacco settlement revenues, which support premium subsidies for the state high risk insurance pool through the Montana Comprehensive Health Association (MCHA)

**Montana Comprehensive Health Association**

The Montana Legislature created the MCHA in 1985 to provide access to health insurance benefits to Montana residents who were otherwise considered uninsurable due to medical conditions. MCHA operations are funded through the premiums paid by those insured in the program and through assessments on all disability (accident and health) benefit policies written in the state of Montana. MCHA also receives an allocation from the tobacco settlement revenue - about \$925,000 in FY 2012. The legislature passed SB 223, which requires development and approval of a plan to terminate MCHA since persons receiving insurance through MCHA will be eligible to purchase insurance through the individual health insurance exchanges that will be implemented January 1, 2014. Low income individuals will be eligible for premium and co pay assistance through the exchanges.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	16,028,720	16,028,720	32,057,440	97.70%
Statewide PL Adjustments	0	0	0	0.00%	150,102	128,948	279,050	0.85%
Other PL Adjustments	0	0	0	0.00%	583,615	588,922	1,172,537	3.57%
New Proposals	1,646,660	6,763,375	8,410,035	100.00%	(347,987)	(347,987)	(695,974)	(2.12%)
<b>Total Budget</b>	<b>\$1,646,660</b>	<b>\$6,763,375</b>	<b>\$8,410,035</b>		<b>\$16,414,450</b>	<b>\$16,398,603</b>	<b>\$32,813,053</b>	

The majority of funds support base budget costs. A new proposal to continue Insure Montana through the end of the 2015 biennium is partly funded from a one-time appropriation of general fund and insurance state special revenue.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					245,798					252,827
Vacancy Savings					(151,513)					(151,801)
Inflation/Deflation					985					2,210
Fixed Costs					54,832					25,712
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$150,102</b>	<b>\$0</b>	<b>\$150,102</b>		<b>\$0</b>	<b>\$128,948</b>	<b>\$0</b>	<b>\$128,948</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	0	(150,102)	0	(150,102)	0.00	0	(128,948)	0	(128,948)
DP 51 - Adjustment for Statewide Personal Services	0.00	0	94,285	0	94,285	0.00	0	101,026	0	101,026
DP 52 - Adjustment for Statewide Operations	0.00	0	55,817	0	55,817	0.00	0	27,922	0	27,922
DP 3004 - Actuarial Review	0.00	0	75,000	0	75,000	0.00	0	75,000	0	75,000
DP 3005 - Traditional Insurance In-House Exams (RST/OTO)	0.00	0	10,185	0	10,185	0.00	0	10,185	0	10,185
DP 3006 - Elected Official - Captive Insurance FTE (OTO)	0.00	0	64,736	0	64,736	0.00	0	60,091	0	60,091
DP 3007 - In-House Captives Insurance Exams	0.00	0	16,890	0	16,890	0.00	0	16,890	0	16,890
DP 3008 - Captive Regulatory and Supervision (RST/OTO)	0.00	0	85,000	0	85,000	0.00	0	95,000	0	95,000
DP 3009 - Biennial Financial Exams (BIENNIAL/RST/OTO)	0.00	0	186,604	0	186,604	0.00	0	186,604	0	186,604
DP 3010 - Elected Official-Cont. Ed Market Conduct (RST/OTO)	0.00	0	18,800	0	18,800	0.00	0	11,900	0	11,900
DP 3011 - In-house Market Conduct Exams (RST/OTO)	0.00	0	26,400	0	26,400	0.00	0	18,500	0	18,500
DP 3012 - Biennial Market Conduct Exams (BIENNIAL/RST/OTO)	0.00	0	100,000	0	100,000	0.00	0	100,000	0	100,000
DP 3013 - Rent	0.00	0	0	0	0	0.00	0	14,752	0	14,752
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$583,615</b>	<b>\$0</b>	<b>\$583,615</b>	<b>0.00</b>	<b>\$0</b>	<b>\$588,922</b>	<b>\$0</b>	<b>\$588,922</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$733,717</b>	<b>\$0</b>	<b>\$733,717</b>	<b>0.00</b>	<b>\$0</b>	<b>\$717,870</b>	<b>\$0</b>	<b>\$717,870</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government Joint Appropriations Subcommittee.

DP 3004 - Actuarial Review - This appropriation funds the implementation of HB 334 passed by the 2011 Legislature, which requires the financial and compliance audit and rate review of the State Fund. The CSI must report any concerns or recommendations based on the review to the Governor, the Legislative Audit Committee, and the Economic Affairs Interim Committee (EAIC).

This is a new responsibility, but the legislature did not allocate any additional funds or FTE for the actuarial review of the rates and reserves. The agency currently employs one full time property and casualty actuary, but due to the

position's heavy workload, the CSI actuary is unable to conduct the review as required by the law. Estimates obtained for the reviews are about \$75,000 to contract with an independent actuary to review the rates and reserves of the State Fund. For the 2012 report to the EAIC, the CSI contracted with an independent consulting actuary to do the actuarial reviews, but the CSI contractor could only conduct a partial review due to the limited funds available. Base expenditures were \$10,000.

DP 3005 - Traditional Insurance In-House Exams (RST/OTO) - The legislature added insurance license fee state special revenue each fiscal year for insurance examinations by division staff. This funding will support 3 farm mutual exams, which will require 2 examiners. Additionally, for contracted exams it may be necessary for the examiner supervising contract examiners to make periodic field visits.

The appropriation also funds training to ensure examiners are accredited for performing exams. This request supports 3 employees' attendance at the National Association of Insurance Commissioners (NAIC) Financial summit and the Society of Financial Examiners (SOFE) and 1 employee attendance at 3 NAIC national meetings and 2 other NAIC related trainings.

The appropriation is restricted for these uses and was designated as one-time.

DP 3006 - Elected Official - Captive Insurance FTE (OTO) - The legislature approved the CSI's request to fund an FTE for administration of the captive insurance program as a one-time appropriation. The FTE was approved based on a projected increase in the number of captive insurance companies in Montana.

DP 3007 - In-House Captives Insurance Exams - The legislature appropriated insurance premium tax state special revenue for examination of captive firms performed by division staff. The cost of the exam is reimbursed by the companies being examined. Base level expenditures totaled \$3,410.

In each year of the 2015 biennium, 20 pure captive exams and 4 risk retention group exams will be completed. Each risk retention group exam requires a two week period of travel by an in-house examiner. For the pure exams, funds support 5 week long trips out of state and 10 in-state, week long trips.

DP 3008 - Captive Regulatory and Supervision (RST/OTO) - This appropriation funds promotion and administration of the captive insurance industry. This program is funded with 5% of the premium tax and all fees and assessments received by the commissioner. The appropriation is restricted and one-time only.

DP 3009 - Biennial Financial Exams (BIENNIAL/RST/OTO) - The legislature approved a biennial, restricted, one-time appropriation for examination of insurance companies. These expenditures are reimbursed by the companies examined.

According to MCA 33-1-401, "The commissioner shall examine the affairs, transactions, accounts, records, and assets of each authorized insurer as often as the commissioner considers advisable. The commissioner shall examine each authorized insurer not less frequently than every 5 years."

DP 3010 - Elected Official-Cont. Ed Market Conduct (RST/OTO) - The legislature approved the CSI request for an appropriation to fund continuing education for employees who perform market conduct examinations of insurance companies. The appropriation is restricted and one-time only.

DP 3011 - In-house Market Conduct Exams (RST/OTO) - The legislature approved a restricted, one-time appropriation for increased costs of in-house expenses related to market conduct exams during the 2015 biennium.

DP 3012 - Biennial Market Conduct Exams (BIENNIAL/RST/OTO) - The legislature appropriated insurance fee state special revenue for contracted services to perform insurance company market conduct examinations. The cost of the exam is billed to the companies being examined. This adjustment funds anticipated cost increases, is restricted, and authorized for the 2015 biennium only.

DP 3013 - Rent - This adjustment adds state special revenue for increased office rent. The current lease does not include inflationary adjustments for rent. When the lease expires the agency anticipates a 5% increase on January 2015 for the last half of FY 2015.

**New Proposals**

Program	FTE	Fiscal 2014				Fiscal 2015				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3016 - Elected Official Market Adjustment										
03	0.00	0	95,354	0	95,354	0.00	0	95,354	0	95,354
DP 30140 - Insure Montana Bridge (RST/OTO)										
03	0.00	1,646,660	(2,090,001)	0	(443,341)	0.00	6,763,375	(7,206,716)	0	(443,341)
<b>Total</b>	<b>0.00</b>	<b>\$1,646,660</b>	<b>(\$1,994,647)</b>	<b>\$0</b>	<b>(\$347,987)</b>	<b>0.00</b>	<b>\$6,763,375</b>	<b>(\$7,111,362)</b>	<b>\$0</b>	<b>(\$347,987)</b>

DP 3016 - Elected Official Market Adjustment - The legislature approved funding for pay adjustments implemented in FY 2013 by the CSI to bring most staff up to 85% of the market midpoint. The adjustments are funded from a combination of insurance and security fee state special revenue.

DP 30140 - Insure Montana Bridge (RST/OTO) - The State Auditor’s Office operates the Insure Montana program, which offers health insurance premium subsidies and tax credits to employers offering health insurance to employees. This adjustment removes Insure Montana from the base budget and funds it as a one-time-only, restricted, biennial appropriation from three sources:

- o \$8,410,035 general fund
- o \$6,000,000 insurance fee state special revenue
- o \$5,120,473 state special revenue from tobacco taxes allocated to the health and Medicaid Initiatives account

The net impact of the new proposal lowers the existing appropriation for the program by \$433,341 each year. The appropriation amount was determined based on changes enacted in HB 48. HB 48 requires eligibility for premium assistance to be based on household income rather than an individual employee’s salary and limits premium assistance to households earning no more than 400% of the federal poverty level (about \$94,000 for a family of 4 in 2013).

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	11.00	11.00	12.00	12.00	11.00	12.00	1.00	9.09%
Personal Services	619,235	686,408	854,977	854,852	1,305,643	1,709,829	404,186	30.96%
Operating Expenses	206,603	265,996	281,732	279,149	472,599	560,881	88,282	18.68%
Equipment & Intangible Assets	1,202	1,894	1,202	1,202	3,096	2,404	(692)	(22.35%)
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$827,040</b>	<b>\$954,298</b>	<b>\$1,137,911</b>	<b>\$1,135,203</b>	<b>\$1,781,338</b>	<b>\$2,273,114</b>	<b>\$491,776</b>	<b>27.61%</b>
State Special	827,040	954,298	1,137,911	1,135,203	1,781,338	2,273,114	491,776	27.61%
<b>Total Funds</b>	<b>\$827,040</b>	<b>\$954,298</b>	<b>\$1,137,911</b>	<b>\$1,135,203</b>	<b>\$1,781,338</b>	<b>\$2,273,114</b>	<b>\$491,776</b>	<b>27.61%</b>

**Program Description**

The Securities Division is responsible for the administration and enforcement of the Securities Act of Montana and, in particular, for the registration of securities issuers, salespeople, broker-dealers, investment advisers, investment adviser representatives and multi-level marketing companies. The division is also responsible for the investigation of unregistered and fraudulent securities transactions. The division has sole jurisdiction for investment advisor firms with assets of under \$100 million. The division investigates securities code and rule violations, including possible criminal violations, takes appropriate administrative action, and refers criminal cases to either federal authorities or county attorneys for prosecution.

**Program Highlights**

<b>Securities Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The 2015 biennium appropriation is about \$500,000 greater than the 2013 biennium due primarily to:                             <ul style="list-style-type: none"> <li>• Continuation of funding for an FTE that was supported by a one-time appropriation removed from the 2013 biennium budget</li> <li>• Increases in contracted services to examine securities firms in accordance with 30-10-304, MCA</li> </ul> </li> </ul>

**Program Narrative**

The 2015 biennium Securities Division appropriation increases about \$500,000 over the 2013 biennium, including funding to continue an FTE funded from a one-time appropriation. Budget increases are due to:

- Fully funding positions
- Continued funding for 1.00 FTE originally funded from a one-time appropriation that was removed from base budget expenditures
- Pay increases granted during the 2013 biennium
- Contracted services for examinations of security firms

The legislature passed HB 81, which provides for a temporary diversion of 4.5% from securities fees collected by the CSI. The bill directed that a portion of securities fees be deposited in a securities restitution assistance fund rather than the general fund. Money from the state special revenue fund is statutorily appropriated to pay compensation to victims of securities fraud.



**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total State Auditor's Office Funding by Source of Authority 2015 Biennium Budget - Securities							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$2,273,114	\$0	\$27,500	\$2,300,614	100.0%		
02091 Security Restitution Fund	\$0	\$0	\$27,500	\$27,500	1.2%	30-10-100	Pass Thru
02283 Securities Fee Account	\$2,273,114	\$0	\$0	\$2,273,114	98.8%		
Total All Funds	\$2,273,114	\$0	\$27,500	\$2,300,614	100.0%		
<b>Percent - Total All Sources</b>	<b>98.8%</b>	<b>0.0%</b>	<b>1.2%</b>				

The Securities Division is funded entirely from state special revenue derived from charges to the securities industry for:

- Filing portfolio notices
- Examining issuers, broker-dealers, or investment advisers as part of registration

Other fees related to the securities industry and collected by the SAO, such as registration of securities, are deposited to the general fund. Excess revenue in the state special revenue account that funds program administration is transferred to the general fund at fiscal yearend.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Budget Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Budget Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	827,040	827,040	1,654,080	72.77%
Statewide PL Adjustments	0	0	0	0.00%	141,028	135,413	276,441	12.16%
Other PL Adjustments	0	0	0	0.00%	157,111	160,018	317,129	13.95%
New Proposals	0	0	0	0.00%	12,732	12,732	25,464	1.12%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$1,137,911</b>	<b>\$1,135,203</b>	<b>\$2,273,114</b>	

The majority of the 2015 biennium budget supports continuation of current level services.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					162,152					162,175
Vacancy Savings					(31,253)					(31,256)
Inflation/Deflation					38					220
Fixed Costs					10,091					4,274
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$141,028</b>	<b>\$0</b>	<b>\$141,028</b>		<b>\$0</b>	<b>\$135,413</b>	<b>\$0</b>	<b>\$135,413</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	0	(141,028)	0	(141,028)	0.00	0	(135,413)	0	(135,413)
DP 51 - Adjustment for Statewide Personal Services	0.00	0	130,899	0	130,899	0.00	0	130,919	0	130,919
DP 52 - Adjustment for Statewide Operations	0.00	0	10,129	0	10,129	0.00	0	4,494	0	4,494
DP 4002 - Biennial Contract Exams (BIENNIAL/RST)	0.00	0	65,000	0	65,000	0.00	0	65,000	0	65,000
DP 4003 - Securities Division Legal FTE	1.00	0	92,111	0	92,111	1.00	0	91,966	0	91,966
DP 4004 - Rent	0.00	0	0	0	0	0.00	0	3,052	0	3,052
<b>Total Other Present Law Adjustments</b>	<b>1.00</b>	<b>\$0</b>	<b>\$157,111</b>	<b>\$0</b>	<b>\$157,111</b>	<b>1.00</b>	<b>\$0</b>	<b>\$160,018</b>	<b>\$0</b>	<b>\$160,018</b>
<b>Grand Total All Present Law Adjustments</b>	<b>1.00</b>	<b>\$0</b>	<b>\$298,139</b>	<b>\$0</b>	<b>\$298,139</b>	<b>1.00</b>	<b>\$0</b>	<b>\$295,431</b>	<b>\$0</b>	<b>\$295,431</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government Joint Appropriations Subcommittee.

DP 4002 - Biennial Contract Exams (BIENNIAL/RST) - This adjustment adds \$65,000 each fiscal year to contract for examination of broker-dealer firms, broker-dealer firm branch offices, and investment advisor firms. The costs of these exams are reimbursed by the company being examined.

This funding will support 15 examinations of broker-dealer and investment advisory firms annually. On average, an examination involves about 30 hours of field work and 90 hours of analysis.

DP 4003 - Securities Division Legal FTE - This appropriation funds continuation of a legal FTE supported from a one-time appropriation in the last legislative session. The funding for the FTE was made ongoing.

DP 4004 - Rent - This adjustment adds state special revenue for increased office rent. The current lease does not include inflationary adjustments for rent. When the lease expires the agency anticipates a 5% increase on January 2015 for the last half of FY 2015.

**New Proposals**

New Proposals										
Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4006 - Elected Official Market Adjustments										
04	0.00	0	12,732	0	12,732	0.00	0	12,732	0	12,732
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$12,732</b>	<b>\$0</b>	<b>\$12,732</b>	<b>0.00</b>	<b>\$0</b>	<b>\$12,732</b>	<b>\$0</b>	<b>\$12,732</b>

DP 4006 - Elected Official Market Adjustments - The legislature approved funding for pay adjustments implemented in FY 2013 by the State Auditor to bring most staff up to 85% of the market midpoint. The adjustments are supported by state special revenue from security fees.

### Agency Budget Comparison

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	659.28	659.28	675.28	675.28	659.28	675.28	16.00	2.43%
Estimated Impact of HB 2*			(27.43)	(27.43)		(27.43)	(27.43)	
<b>Net Estimated FTE*</b>			<b>647.85</b>	<b>647.85</b>		<b>647.85</b>	<b>(11.43)</b>	
Personal Services	36,246,957	36,629,023	37,802,731	37,709,956	72,875,980	75,512,687	2,636,707	3.62%
Operating Expenses	15,200,024	14,788,745	16,294,499	16,000,853	29,988,769	32,295,352	2,306,583	7.69%
Equipment & Intangible Assets	143,765	330,978	79,646	55,604	474,743	135,250	(339,493)	(71.51%)
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	0	0	31,925	31,925	0	63,850	63,850	n/a
<b>Total Costs</b>	<b>\$51,590,746</b>	<b>\$51,748,746</b>	<b>\$54,208,801</b>	<b>\$53,798,338</b>	<b>\$103,339,492</b>	<b>\$108,007,139</b>	<b>\$4,667,647</b>	<b>4.52%</b>
General Fund	47,663,801	47,756,729	49,784,214	49,598,991	95,420,530	99,383,205	3,962,675	4.15%
State Special	1,015,571	1,028,900	1,152,311	1,152,725	2,044,471	2,305,036	260,565	12.74%
Federal Special	256,608	271,218	248,447	247,312	527,826	495,759	(32,067)	(6.08%)
Other	2,654,766	2,691,899	3,023,829	2,799,310	5,346,665	5,823,139	476,474	8.91%
<b>Total Funds</b>	<b>\$51,590,746</b>	<b>\$51,748,746</b>	<b>\$54,208,801</b>	<b>\$53,798,338</b>	<b>\$103,339,492</b>	<b>\$108,007,139</b>	<b>\$4,667,647</b>	<b>4.52%</b>

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

### Agency Description

Mission Statement: The quality of life for all Montanans is better because we excel at public service and effective administration of the tax and liquor laws. We do this by ensuring that revenues intended by the legislature to be raised are collected to serve Montanans, advancing equity and integrity in taxation, providing innovative and respectful service, protecting the public health and safety and achieving efficiency in liquor administration, and improving public understanding of Montana's revenue system.

The Department of Revenue collects revenue from and enforces regulations for 38 Montana taxes and fees to achieve equity and integrity, while protecting taxpayer rights and information; values all property as accurately as possible and supervises Montana's property tax system; administers liquor laws to protect public health and safety; receives abandoned property and seeks to return it to its rightful Montana owners; administers unlocatable mineral trusts; informs and advises the Governor, the legislature, and the public on tax trends and issues; and cooperates with local, state, tribal, and federal governments to advance the public interest under the law.

The Department of Revenues is comprised of the following programs:

- Director's Office supports the agency's director and is composed of the following four functional units:
  - Legal Services supervises the overall legal efforts of the department, which includes rules, policies, bankruptcy, disclosure officer, and the Office of Dispute Resolution
  - Tax, Policy and Research is responsible for the preparation of legislative fiscal notes that affect revenue, the analysis of legislative proposals affecting the department, and department economic data and tax compliance analysis
  - Human Resources manages the personnel activities of the department - the office includes three functional units for human resources, payroll and benefits, and education and training
  - Executive Office provides budget analysis, public relations, and administrative support for the department
- Information Management and Technology Division has two main functions:
  - Provides application development and support services, as well as network services in the areas of data, desktop, information security, and help desk support
  - Processes tax returns and payments for the department and for state agencies
- Liquor Control Division administers the state's alcoholic beverage code, which governs the control, sale, and distribution of alcoholic beverages. The division includes liquor distribution and liquor licensing

- Citizen Services and Resource Management Division provides service to:
  - Montana citizens, businesses, and nonresident taxpayers through a call center, forms design, and other taxpayer services
  - Other divisions of the department in the areas of accounting, purchasing, and facilities and asset management
  - Administers the Unclaimed Property Program to return unclaimed property (lost money and other properties) to its rightful owners
  - Collects delinquent state taxes
  - Collects bad debts for state and local agencies, courts, and the university system through a proprietary funded program
- Business and Income Taxes Division oversees audits and verifies compliance with Montana tax law for all state taxes and completes appraisals and assessments of industrial and centrally assessed property
- Property Assessment Division is responsible for the valuation and assessment of real and personal property throughout the state for property tax purposes

**Agency Highlights**

<b>Department of Revenue Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The budget for the department increases by 4.5% due to four primary adjustments:                             <ul style="list-style-type: none"> <li>• The addition of 16.00 FTE and related operating expenses, including \$225,000 (OTO) for postage required during the upcoming property tax reappraisal cycle</li> <li>• The elimination of \$190,000 from language appropriation and its inclusion as standard HB 2 appropriation, with no change in total costs</li> <li>• \$259,687 in rent increases in county property assessment offices</li> <li>• \$1.0 million increase in GenTax maintenance and development costs</li> </ul> </li> <li>◆ These increases are partially offset with the adoption of an additional 2% vacancy savings</li> </ul>

**Summary of Legislative Action**

The legislature approved a budget for the Department of Revenue (DOR) with a total funds increase of 4.5% over the 2013 biennium. The most significant change in the budget is the addition of 16.00 FTE, which includes:

- 4.00 FTE in the Information Management and Technology Division
- 2.00 FTE in the Liquor Control Division
- 5.00 FTE in the Business and Income Taxes Division (temporary and modified made permanent)
- 5.00 FTE in the Property Assessment Division (one-time-only)

The personal services cost for the 16 FTE is \$2.7 million. Personal service increases are partially offset by an additional 2% vacancy savings, imposed by the legislature, providing savings in the DOR of \$1.5 million over the biennium. The vacancy savings reductions are established in the Director’s Office and the Business and Income Taxes programs and language allows DOR to allocate the reductions across programs as needed. The tables included in this report do not contain the personal service cost impacts of HB 13, the employee pay plan. The legislation provides a lump sum distribution for all executive branch agencies and allows the Governor’s Office the discretion to allocate the appropriation with consideration of the provisions of the bill, so it is not known what the cost will be for DOR. For more information on HB 13, see the “Other Legislation” section of this report.

The legislature also passed SB 410, which provides an appropriation of \$7.5 million to the Governor's Office. The appropriation may be distributed among certain agencies should budget shortfalls manifest. The DOR is included in the list of agencies that could receive added appropriations from the legislation. For more information on SB 410, see the "Other Legislation" section of this report.

### *Boilerplate*

The boilerplate section in HB 2 includes the following language:

"It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium."

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 27.43 for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

### **Agency Discussion**

The DOR administers the tax collection and compliance functions for most state taxes. Additionally, the department values all property in the state, regulates the sale and distribution of alcoholic beverages in the state, and administers the abandoned property program. To accomplish these activities, the department supports a staff of 375.28 FTE, costing 70.0% of the total budget. The largest cost change in the DOR budget is the addition of 17.00 FTE, which the legislature approved to achieve the following goals:

- Enabling additional E-filing
- Reducing temporary staffing needs at the liquor warehouse
- Continuing tobacco tax and unclaimed property compliance activities
- Providing staff for the upcoming appraisal cycle

Information technology (IT) is another significant cost driver in DOR, impacting most aspects of the department's work product. In the 2015 biennium, HB 2 budget included two of the department's IT initiatives. The first initiative, with a cost of \$1.0 million, increases the budget for maintenance associated with the functional expansion of the GENTAX system. This funding will allow the department to maintain the system at the necessary level of support and maintenance. The legislature also provided \$44,400 in appropriations for a "web-based portal for one-stop licensing". The system upgrade will provide a variety of online and electronic services for citizens, local governments, and the state. These services include functionality that ensure the security and accuracy of the data resulting in better service and timely tax collections. Another agency IT initiative that addresses issues related to the security of the department's electronic data is included in HB 10, the Long-Range Information Technology Program bill. The appropriation of \$2.0 million appropriated to the Department of Administration and co-administered by DOR will be used to prevent potential security gaps in state IT systems and networks, to eliminate access to confidential information kept in the system.

### **Funding**

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department Of Revenue Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$99,653,333	\$0	\$234,511,665	\$334,164,998	58.2%
State Special Total	2,305,036	-	231,264,506	233,569,542	40.7%
Federal Special Total	495,759	-	-	495,759	0.1%
Proprietary Total	5,823,139	368,700	-	6,191,839	1.1%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
<b>Total All Funds</b>	<b>\$108,277,267</b>	<b>\$368,700</b>	<b>\$465,776,171</b>	<b>\$574,422,138</b>	
Percent - Total All Sources	18.8%	0.1%	81.1%		

The department is primarily funded with general fund. Proprietary funds support the operation of the Liquor Control Division and other divisions that support liquor control functions or the staff of the Liquor Control Division. State special revenue supports:

- o Tobacco tax compliance activities under the Tobacco Master Settlement Agreement
- o Appraisal, assessment, and taxation processes
- o Administration of the unclaimed property program
- o Administrative costs associated with billing and collecting hail insurance premiums and livestock per capita fees, noting that with the passage of SB 162, DOR will only receive hail insurance premiums fees through January 1, 2014 (see “Other Legislation” section for more information on SB 162)

State special revenue from the property valuation improvement fund is used for increasing the efficiency of the property appraisal, assessment, and taxation process through improvements in technology and administration. Federal special revenue supports federal mineral royalty audits.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	47,663,801	47,663,801	95,327,602	95.92%	51,590,746	51,590,746	103,181,492	95.53%
Statewide PL Adjustments	1,005,558	823,183	1,828,741	1.84%	1,034,660	847,754	1,882,414	1.74%
Other PL Adjustments	558,251	610,121	1,168,372	1.18%	1,078,060	909,255	1,987,315	1.84%
New Proposals	556,604	501,886	1,058,490	1.07%	505,335	450,583	955,918	0.89%
<b>Total Budget</b>	<b>\$49,784,214</b>	<b>\$49,598,991</b>	<b>\$99,383,205</b>		<b>\$54,208,801</b>	<b>\$53,798,338</b>	<b>\$108,007,139</b>	

**Other Legislation**

**HB 10** – This legislation provides an appropriation of \$2 million of general fund for the Department of Administration (DOA) to expand and enhance measures to address potential security gaps in state information technology systems and networks and to prevent hackers from gaining access to confidential information. The project will be jointly administered by the department and the DOA.

**HB 13** - The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches as well as the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but

stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

HB 19 – This legislation revises several provisions relating to interest and penalties for late tax payments, late filing, not filing a return, and filing a false return. The implementation of this legislation for changes to the penalty and interest calculations in the department's data processing system would be done by the vendor or by department employees, at a cost estimated by the department at \$24,600 in each year of the 2015 biennium. Funding for these costs was not included in HB 2. This legislation was vetoed by the Governor and at the time of this writing a veto override poll has been sent to legislators.

HB 66 – This legislation would allow the department to issue a notice of levy for collection of delinquent taxes and receive a levy against state tax refunds electronically. The costs of implementing electronic notification are estimated by the department to be \$24,600 in each year of the biennium. Funding for these costs was not included in HB 2.

HB 402 – This legislation creates a direct shipment endorsement for wineries licensed or registered, creates sell and shipment limitations for personal use, and eliminates certain connoisseur's licenses. Implementation costs were estimated by the department to be \$24,600 in FY 2014 for modifications to the computer system, adding a direct shipment endorsement attributed to both foreign and domestic winery accounts, modifying existing forms and letters for both foreign and domestic winery accounts, verifying payment processing and revenue accounting, and system implementation costs. Funding for this cost was not included in HB 2.

HB 509 – This legislation directs the collection of 9-1-1 fees and the remittance of quarterly collections for deposit in the 9-1-1 accounts. The bill also provides compensation for the collection of the fees. The department estimated that implementation of this legislation would increase contracted services costs by \$33,000 for processing and programing modifications and form changes in the department's integrated tax system in FY 2014. Funding for this cost was not included in HB 2. This legislation was vetoed by the Governor and at the time of this writing a veto override poll has been sent to legislators.

HB 524 – This legislation will expand the number of retail licensees selling beer or wine for off-premise consumption. The department estimated that implementation of these changes would require 1.00 FTE to process the increase in applications and renewals, with total personal service and operating costs of \$60,522 in FY 2014 (includes  $\frac{3}{4}$  year FTE and one-time-only operating costs) and \$57,578 in FY 2015. Funding for these costs was not included in HB 2.

SB 96 – This legislation reduces the taxes assessed on class eight business equipment and provides reimbursements to the university system, local governments, local schools, and tax increment financing districts (TIFs) for reductions in property tax revenue. The department estimated costs of implementing this legislation in the property assessment system as \$16,405 in FY 2014. Funding for this cost was not included in HB 2.

SB 117 – This legislation expands the Family Education Savings Account exemption to include deposits to out-of-state accounts. The department estimated implementation costs of \$32,000 in FY 2014 for form development and changes to the data capture and processing systems. Funding for this cost was not included in HB 2.

SB 162 – This legislation transfers the administrative responsibilities of collecting hail insurance fees from the DOR to the Department of Agriculture. There are costs to the department with this transition. However, the department will no longer be entitled to the 2% of the fees collected for administering the program, reducing state special revenues to the department. While the department will no longer receive the fee revenue, the administrative costs of the department will be eliminated. The impacts of this legislation were not included in HB 2.

SB 280 – This legislation allows owners of property to enter into mediation with the department. The department estimated implementation of this legislation would have operating expenses of \$21,916 in FY 2014 and \$92,488 in FY 2015. Funding for these costs were not included in HB 2.



**SB 410** –This bill includes a one-time-only biennial appropriation of \$7.5 million general fund to the Governor’s Office. The funding can be transferred at the Governor’s discretion in the 2015 biennium to the following departments for operations costs:

- Governor’s Office
- Public Health and Human Services
- Natural Resources and Conservation
- Environmental Quality
- Administration
- Commerce
- Revenue
- Corrections
- Labor and Industry

Any funds transferred are one-time-only and consequently will not be part of the FY 2014 budget base.

**Executive Budget Comparison**

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg – Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg – Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	659.28	679.28	675.28	(4.00)	679.28	675.28	(4.00)	
Estimated Impact of HB 2*			(27.43)	(27.43)		(27.43)	(27.43)	
<b>Net Estimated FTE*</b>			<b>647.85</b>	<b>(31.43)</b>		<b>647.85</b>	<b>(31.43)</b>	
Personal Services	36,246,957	38,587,736	37,802,731	(785,005)	38,685,265	37,709,956	(975,309)	(1,760,314)
Operating Expenses	15,200,024	16,405,769	16,294,499	(111,270)	16,080,258	16,000,853	(79,405)	(190,675)
Equipment & Intangible Assets	143,765	79,646	79,646	0	55,604	55,604	0	0
Transfers	0	0	0	0	0	0	0	0
Debt Service	0	31,925	31,925	0	31,925	31,925	0	0
<b>Total Costs</b>	<b>\$51,590,746</b>	<b>\$55,105,076</b>	<b>\$54,208,801</b>	<b>(\$896,275)</b>	<b>\$54,853,052</b>	<b>\$53,798,338</b>	<b>(\$1,054,714)</b>	<b>(\$1,950,989)</b>
General Fund	47,663,801	50,818,750	49,784,214	(1,034,536)	50,601,932	49,598,991	(1,002,941)	(2,037,477)
State/Other Special	1,015,571	1,160,893	1,152,311	(8,582)	1,161,312	1,152,725	(8,587)	(17,169)
Federal Special	256,608	252,611	248,447	(4,164)	251,479	247,312	(4,167)	(8,331)
Proprietary	2,654,766	2,872,822	3,023,829	151,007	2,838,329	2,799,310	(39,019)	111,988
<b>Total Funds</b>	<b>\$51,590,746</b>	<b>\$55,105,076</b>	<b>\$54,208,801</b>	<b>(\$896,275)</b>	<b>\$54,853,052</b>	<b>\$53,798,338</b>	<b>(\$1,054,714)</b>	<b>(\$1,950,989)</b>

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

Total funding in this agency is a net biennium reduction of \$2.0 million from the executive proposal in both total and general fund. The changes to the biennial budget include:

- Reduction of funding for 3.00 FTE from agency requests – (\$310,409)
- Reductions of a biennium total \$1.5 million with the adoption of an additional 2% vacancy savings
- Removal of two items from language appropriations for ongoing expenses in the Liquor Control Division and their inclusion in a standard appropriation - \$190,000 (does not increase actual costs)
- Fixed cost adjustments - \$1,425
- Rejection of the Professional Development Center request - (\$17,952)
- A reduction in the Director’s Office was made by the legislature to fund a pilot project for the review active exempt property records in the Property Assessment Division (the reduction to the Director’s Office included the elimination of a one-time-only FTE request, \$163,656, and a reduction from the base budget, \$106,472). Funding for the pilot project was subsequently vetoed by the Governor creating a budget reduction – (\$270,128)

**Language and Statutory Authority**

The legislature included the following language in HB 2.

"Director's Office includes a reduction in general fund of \$720,405 in fiscal year 2014 and \$720,965 in fiscal year 2015, state special revenue of \$8,582 in fiscal year 2014 and \$8,587 in fiscal year 2015, and proprietary funds of \$38,523 in fiscal year 2014 and \$38,549 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans."

"Business and Income Taxes Division includes a reduction in federal special revenue of \$4,164 in fiscal year 2014 and \$4,167 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans."

### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	49.48	49.48	49.48	49.48	49.48	49.48	0.00	0.00%
Personal Services	3,795,101	3,834,541	3,149,512	3,223,130	7,629,642	6,372,642	(1,257,000)	(16.48%)
Operating Expenses	1,916,159	1,715,098	1,830,912	1,667,705	3,631,257	3,498,617	(132,640)	(3.65%)
<b>Total Costs</b>	<b>\$5,711,260</b>	<b>\$5,549,639</b>	<b>\$4,980,424</b>	<b>\$4,890,835</b>	<b>\$11,260,899</b>	<b>\$9,871,259</b>	<b>(\$1,389,640)</b>	<b>(12.34%)</b>
General Fund	5,490,203	5,326,317	4,798,009	4,708,337	10,816,520	9,506,346	(1,310,174)	(12.11%)
State Special	106,257	107,607	105,554	105,384	213,864	210,938	(2,926)	(1.37%)
Federal Special	1,000	1,000	1,000	0	2,000	1,000	(1,000)	(50.00%)
Other	113,800	114,715	75,861	77,114	228,515	152,975	(75,540)	(33.06%)
<b>Total Funds</b>	<b>\$5,711,260</b>	<b>\$5,549,639</b>	<b>\$4,980,424</b>	<b>\$4,890,835</b>	<b>\$11,260,899</b>	<b>\$9,871,259</b>	<b>(\$1,389,640)</b>	<b>(12.34%)</b>

### Program Description

The Director's Office is responsible for overall efficient and effective management of the department to support and ensure success of the revenue collections and property valuation responsibilities of the operating divisions. To achieve this, the Director's Office is composed of four primary sections.

The Executive Office is responsible for the general guidance and management of the agency. This office assists the director with administrative functions and communication to the public, other agencies, and elected officials and includes the Office of Taxpayer Assistance established by law.

The Legal Services Office is responsible for the overall legal efforts of the department including legal representation before various courts, legislation development and review, filing bankruptcy claims, and developing policy and administrative rules. This office oversees the Security and Disclosure Office that is responsible for ensuring that all taxpayer information is secure. The office also oversees the Office of Dispute Resolution, established by law, which reviews, facilitates, and resolves taxpayer disputes internally through a variety of means including hearings and mediation.

Tax Policy and Research provides accurate and timely information for the director to advise the Governor, the legislature, and Montana citizens including the compilation of basic tax data and the publication of the Biennial Report and other documents; conducts tax, economic and compliance studies; prepares legislative fiscal notes that affect revenue; provides analysis of legislative proposals affecting the department; and provides department economic and compliance data analysis.

Human Resources and Organizational Development is responsible for the human resources, payroll and benefits, and education and training functions of the department.

**Program Highlights**

<b>Directors Office Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>◆ The budget for the Directors Office budget is decreased by \$1.4 million primarily due to two factors:                             <ul style="list-style-type: none"> <li>• An additional 2% vacancy savings of \$1.5 million, with language that allows the division to allocate the vacancy savings across all divisions</li> <li>• A reduction that the legislature intended to support a pilot project in the Property Assessment Division, but was subsequently line-item vetoed by the Governor</li> </ul> </li> <li>◆ The added vacancy savings is partially offset by personal services statewide present law adjustment increases resulting from raises provided in FY 2012</li> </ul>	

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Revenue Funding by Source of Authority 2015 Biennium Budget - Directors Office							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
<b>General Fund</b>	\$9,506,346	\$0	\$234,511,665	\$244,018,011	99.9%	15-1-121 15-1-218	Pass Thru Direct
<b>State Special Total</b>	\$210,938	\$0	\$0	\$210,938	0.1%		
02790 6901-statewide Tobacco Sttlmnt	\$210,938	\$0	\$0	\$210,938	0.1%		
<b>Federal Special Total</b>	\$1,000	\$0	\$0	\$1,000	0.0%		
03928 Royalty Audit - Nrct	\$1,000	\$0	\$0	\$1,000	0.0%		
<b>Proprietary Total</b>	\$152,975	\$0	\$0	\$152,975	0.1%		
06005 Liquor Division	\$152,975	\$0	\$0	\$152,975	0.1%		
<b>Total All Funds</b>	\$9,871,259	\$0	\$234,511,665	\$244,382,924	100.0%		
<b>Percent - Total All Sources</b>	<b>4.0%</b>	<b>0.0%</b>	<b>96.0%</b>				

Funding for the program comes primarily from the general fund. State special revenue from tobacco settlement funds supports the dedicated attorney that supports tobacco tax compliance activities. Federal mineral royalty audit special revenue funds a portion of the legislative audit fixed cost allocation for the agency. The proprietary funding is from a direct appropriation of the Liquor Control Division proprietary fund and is for the Liquor Control Division share of Director's Office support costs. The allocation is calculated as a percentage of the program's budget. Liquor Control Division proprietary funds are an indirect use of general fund since net liquor revenues are deposited in the general fund after operating costs are deducted.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	5,490,203	5,490,203	10,980,406	115.51%	5,711,260	5,711,260	11,422,520	115.71%
Statewide PL Adjustments	201,553	24,230	225,783	2.38%	210,016	32,807	242,823	2.46%
Other PL Adjustments	(111,000)	(41,000)	(152,000)	(1.60%)	(111,000)	(41,000)	(152,000)	(1.54%)
New Proposals	(782,747)	(765,096)	(1,547,843)	(16.28%)	(829,852)	(812,232)	(1,642,084)	(16.64%)
<b>Total Budget</b>	<b>\$4,798,009</b>	<b>\$4,708,337</b>	<b>\$9,506,346</b>		<b>\$4,980,424</b>	<b>\$4,890,835</b>	<b>\$9,871,259</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					285,135					289,511
Vacancy Savings					(163,213)					(163,381)
Inflation/Deflation					(5)					86
Fixed Costs					88,099					(93,409)
<b>Total Statewide Present Law Adjustments</b>		<b>\$201,553</b>	<b>\$7,879</b>	<b>\$0</b>	<b>\$210,016*</b>		<b>\$24,230</b>	<b>\$7,714</b>	<b>(\$1,000)</b>	<b>\$32,807*</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(201,553)	(7,879)	0	(210,016)*	0.00	(24,230)	(7,714)	1,000	(32,807)*
DP 51 - Adjustment for Statewide Personal Services	0.00	117,204	2,268	21	121,922*	0.00	121,248	2,347	22	126,130*
DP 52 - Adjustment for Statewide Operations	0.00	84,685	1,639	15	88,094*	0.00	(89,711)	(1,736)	(16)	(93,323)*
DP 53 - Base Funding Switch	0.00	(336)	3,972	(36)	0*	0.00	(7,307)	7,103	(1,006)	0*
DP 102 - Overtime Pay for Timely Fiscal Notes (OTO/RST)	0.00	0	0	0	0	0.00	70,000	0	0	70,000
DP 103 - Adjust for Operating Plan Change	0.00	(111,000)	0	0	(111,000)	0.00	(111,000)	0	0	(111,000)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>(\$111,000)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$111,000)*</b>	<b>0.00</b>	<b>(\$41,000)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$41,000)*</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$90,553</b>	<b>\$7,879</b>	<b>\$0</b>	<b>\$99,016*</b>	<b>0.00</b>	<b>(\$16,770)</b>	<b>\$7,714</b>	<b>(\$1,000)</b>	<b>(\$8,193)*</b>

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

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 102 - Overtime Pay for Timely Fiscal Notes (OTO/RST) - The legislature approved a general fund appropriation for overtime in the Tax Policy and Research Office (TPR) to prepare fiscal notes for the 2015 Legislature. Funding is one-time-only and is restricted only for this purpose.

DP 103 - Adjust for Operating Plan Change - The legislature approved a reduction of general fund in the base budget. In the base year, the department moved personal services budget authority into the Director's Office operating expense budget to pay department expenditures. To maintain the base budget at the level appropriated by the last legislature, this amount was removed from the division's base budget.

**New Proposals**

New Proposals										
Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 54 - Additional Vacancy Savings										
01	0.00	(720,406)	(8,582)	0	(767,511)*	0.00	(720,965)	(8,587)	0	(768,101)*
DP 104 - Review of Exempt Property Records (OTO/RST)										
01	0.00	(62,341)	0	0	(62,341)	0.00	(44,131)	0	0	(44,131)
<b>Total</b>	<b>0.00</b>	<b>(\$782,747)</b>	<b>(\$8,582)</b>	<b>\$0</b>	<b>(\$829,852)*</b>	<b>0.00</b>	<b>(\$765,096)</b>	<b>(\$8,587)</b>	<b>\$0</b>	<b>(\$812,232)*</b>

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

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs. The federal funds portion of this additional vacancy savings is in DP 54 in the Business and Income Taxes Division.

DP 104 - Review of Exempt Property Records (OTO/RST) – This reduction in appropriations was included to partially fund a pilot project in the Property Assessment Division for the review of active exempt property records. The Governor made a line-item veto of the project in the Property Assessment Division, leaving only the reduction in this division.

### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	86.75	86.75	90.75	90.75	86.75	90.75	4.00	4.61%
Personal Services	4,481,208	4,347,984	4,921,722	4,928,267	8,829,192	9,849,989	1,020,797	11.56%
Operating Expenses	6,889,877	6,722,512	7,684,674	7,409,681	13,612,389	15,094,355	1,481,966	10.89%
Equipment & Intangible Assets	25,050	238,120	25,050	25,050	263,170	50,100	(213,070)	(80.96%)
<b>Total Costs</b>	<b>\$11,396,135</b>	<b>\$11,308,616</b>	<b>\$12,631,446</b>	<b>\$12,362,998</b>	<b>\$22,704,751</b>	<b>\$24,994,444</b>	<b>\$2,289,693</b>	<b>10.08%</b>
General Fund	11,134,395	11,046,759	12,252,915	11,989,905	22,181,154	24,242,820	2,061,666	9.29%
State Special	124,805	124,804	124,804	124,804	249,609	249,608	(1)	0.00%
Other	136,935	137,053	253,727	248,289	273,988	502,016	228,028	83.23%
<b>Total Funds</b>	<b>\$11,396,135</b>	<b>\$11,308,616</b>	<b>\$12,631,446</b>	<b>\$12,362,998</b>	<b>\$22,704,751</b>	<b>\$24,994,444</b>	<b>\$2,289,693</b>	<b>10.08%</b>

### Program Description

The Information Management and Technology Division serves as the operational foundation for the department's business units. Refunds and other key services for taxpayers, tax compliance collections, valuation of property, and the certification of property values to local governments all depend on the operation of this division. The division's deposits of over \$1.7 billion dollars in annual taxpayer payments enhance the state's investment earnings and ensure the fiscal integrity of the state. These services are provided while ensuring the security and protection of confidential taxpayer information, facilitating the department's mission to serve the citizens of Montana in a fair and equitable manner.

### Program Highlights

<b>Information Management and Technology Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The \$2.3 million budget increase in this division is primarily due to: <ul style="list-style-type: none"> <li>• 4.00 new FTE to expand electronic services for property and other taxes</li> <li>• Personal services statewide present law adjustments primarily from raises provided in FY 2012</li> <li>• Vendor contracts and new information technology funding</li> </ul> </li> </ul>

### Program Narrative

The legislature approved a budget increase of \$2.3 million, which primarily resulted from:

- The addition of 4.00 FTE with total costs of \$857,567 to expand electronic services for property taxes and other non-individual income taxes
  - Development and contracting costs, one-time-only, of \$304,790
  - Personal service costs of \$498,641
  - Ongoing operating expenses of \$54,136
- Statewide personal service present law adjustments, a net increase of \$388,932, which are driven by raises provided in the base year
- Funding of \$1.0 million for expanded vendor support maintenance activities for the GenTax system, because the system functionality has increased over time

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Revenue Funding by Source of Authority 2015 Biennium Budget - Information Management & Technology Div							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$24,242,820	\$0	\$0	\$24,242,820	97.0%		
State Special Total	\$249,608	\$0	\$0	\$249,608	1.0%		
02088 Ssr Administrative Funds	\$249,608	\$0	\$0	\$249,608	1.0%		
Proprietary Total	\$502,016	\$0	\$0	\$502,016	2.0%		
06005 Liquor Division	\$502,016	\$0	\$0	\$502,016	2.0%		
Total All Funds	\$24,994,444	\$0	\$0	\$24,994,444	100.0%		
Percent - Total All Sources	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The Information Management and Technology Division is primarily funded with general fund. State special revenue funds support of the administration of hail insurance premiums, the livestock per capita fee, and the lodging facilities tax. SB 162 redirects the administration of the hail insurance premiums to the Department of Agriculture beginning January 1, 2014. As a result, the division will no longer receive the administrative hail insurance premiums fees associated with its oversight. The proprietary funding is from a direct appropriation of Liquor Control Division proprietary fund and is for the Liquor Control Division share of division support costs. The allocation is a percentage of the program's budget. Liquor Control Division proprietary funds are an indirect use of general fund since net liquor revenues are deposited in the general fund after operating costs are deducted.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	11,134,395	11,134,395	22,268,790	91.86%	11,396,135	11,396,135	22,792,270	91.19%
Statewide PL Adjustments	19,556	43,539	63,095	0.26%	136,347	154,892	291,239	1.17%
Other PL Adjustments	517,601	535,767	1,053,368	4.35%	517,601	535,767	1,053,368	4.21%
New Proposals	581,363	276,204	857,567	3.54%	581,363	276,204	857,567	3.43%
<b>Total Budget</b>	<b>\$12,252,915</b>	<b>\$11,989,905</b>	<b>\$24,242,820</b>		<b>\$12,631,446</b>	<b>\$12,362,998</b>	<b>\$24,994,444</b>	



### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					385,689					392,889
Vacancy Savings					(194,680)					(194,966)
Inflation/Deflation					20,669					37,478
Fixed Costs					(75,331)					(80,509)
<b>Total Statewide Present Law Adjustments</b>		<b>\$19,556</b>	<b>(\$1)</b>	<b>\$0</b>	<b>\$136,347*</b>		<b>\$43,539</b>	<b>(\$1)</b>	<b>\$0</b>	<b>\$154,892*</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(19,556)	1	0	(136,347)*	0.00	(43,539)	1	0	(154,892)*
DP 51 - Adjustment for Statewide Personal Services	0.00	186,622	2,092	0	191,009*	0.00	193,377	2,168	0	197,923*
DP 52 - Adjustment for Statewide Operations	0.00	(53,406)	(599)	0	(54,662)*	0.00	(42,043)	(471)	0	(43,031)*
DP 53 - Base Funding Switch	0.00	(113,660)	(1,494)	0	0*	0.00	(107,795)	(1,698)	0	0*
DP 201 - Ongoing System Mainten. and Support Increase (RST)	0.00	500,000	0	0	500,000	0.00	500,000	0	0	500,000
DP 205 - Rent and Parking	0.00	17,601	0	0	17,601	0.00	35,767	0	0	35,767
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$517,601</b>	<b>\$0</b>	<b>\$0</b>	<b>\$517,601*</b>	<b>0.00</b>	<b>\$535,767</b>	<b>\$0</b>	<b>\$0</b>	<b>\$535,767*</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$537,157</b>	<b>(\$1)</b>	<b>\$0</b>	<b>\$653,948*</b>	<b>0.00</b>	<b>\$579,306</b>	<b>(\$1)</b>	<b>\$0</b>	<b>\$690,659*</b>

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

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 201 - Ongoing System Mainten. and Support Increase (RST) - The legislature approved an increase in general fund to support maintenance activities for the GenTax system. The increase will support increased costs of vendor maintenance. Funding was designated as restricted only for this purpose.

DP 205 - Rent and Parking - The legislature approved a general fund increase for the 2015 biennium to pay for contractual rent increases for existing lease obligations and increases in rates for downtown parking.

**New Proposals**

New Proposals										
Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 203 - Enhance E-Services for Property and State Taxes										
02	4.00	581,363	0	0	581,363	4.00	276,204	0	0	276,204
<b>Total</b>	<b>4.00</b>	<b>\$581,363</b>	<b>\$0</b>	<b>\$0</b>	<b>\$581,363</b>	<b>4.00</b>	<b>\$276,204</b>	<b>\$0</b>	<b>\$0</b>	<b>\$276,204</b>

DP 203 - Enhance E-Services for Property and State Taxes - The legislature approved a general fund appropriation to expand electronic services for property taxes and other non-individual income taxes, while ensuring the security and accuracy of the data. This package will provide 4.00 FTE for the program. This decision package includes ongoing personal service costs and operating expenses. The legislature designated a portion of the operations costs, \$304,790 for the development of the E-services, as one-time-only.

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	29.75	29.75	31.75	31.75	29.75	31.75	2.00	6.72%
Personal Services	1,667,801	1,805,120	2,031,730	1,842,737	3,472,921	3,874,467	401,546	11.56%
Operating Expenses	593,584	565,096	539,129	532,114	1,158,680	1,071,243	(87,437)	(7.55%)
Equipment & Intangible Assets	99,461	26,700	54,596	30,554	126,161	85,150	(41,011)	(32.51%)
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	0	0	31,925	31,925	0	63,850	63,850	n/a
<b>Total Costs</b>	<b>\$2,360,846</b>	<b>\$2,396,916</b>	<b>\$2,657,380</b>	<b>\$2,437,330</b>	<b>\$4,757,762</b>	<b>\$5,094,710</b>	<b>\$336,948</b>	<b>7.08%</b>
Other	2,360,846	2,396,916	2,657,380	2,437,330	4,757,762	5,094,710	336,948	7.08%
<b>Total Funds</b>	<b>\$2,360,846</b>	<b>\$2,396,916</b>	<b>\$2,657,380</b>	<b>\$2,437,330</b>	<b>\$4,757,762</b>	<b>\$5,094,710</b>	<b>\$336,948</b>	<b>7.08%</b>

**Program Description**

The Liquor Control Division provides effective and efficient administration of the Montana alcoholic beverage code with an emphasis on customer service and public safety. This is accomplished by applying uniform and fair regulations while ensuring an orderly system for the convenient distribution and responsible consumption of alcoholic beverages. The division consists of the Liquor Distribution Bureau, which maintains a regulated channel of distribution to fulfill the public demand for distilled spirits and fortified wine through agency liquor stores; and the Liquor Licensing Bureau, which protects the welfare and safety of the public by regulating liquor licensing laws in a uniform and fair manner.

**Program Highlights**

<b>Liquor Control Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The Liquor Control Division is increased of 7.1% from the 2013 biennium budget, primarily due to:                             <ul style="list-style-type: none"> <li>● The addition of 2.00 FTE for an increase in production capacity</li> <li>● Present law adjustments for personal services</li> <li>● Overtime and temporary employee costs</li> </ul> </li> <li>◆ All spending from the Liquor Control proprietary fund is an indirect use of general fund</li> <li>◆ Language is included for the purchase and freight costs of liquor for the state</li> </ul>

**Program Narrative**

The Liquor Control Division is a budgeted proprietary program. The program is budgeted by the legislature because profits from the operations of the program are deposited into the general fund. Consequently, expenditures of the program will impact the amount of profits available for transfer. In the 2015 biennium, the program budget increases by 7.8% from the 2013 biennium. Increases are primarily related to:

- The addition of 2.00 FTE at an overall (personal services and operating expense) cost of \$255,902
- Statewide present law personal service adjustments totaling \$134,461
- Approval of temporary services pay, overtime pay, and the provision of funding for retirement payouts with a cost of \$190,000, which are items not included in the base expenditures

The budget includes a language appropriation for up to \$254.0 million in the 2015 biennium for purchase of liquor and the associated freight costs, along with the administrative costs of the distribution of the profits and taxes. The full text of the appropriation may be seen in the “Language and Statutory Appropriation” section of this report.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Revenue Funding by Source of Authority 2015 Biennium Budget - Liquor Control Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
Proprietary Total	\$5,094,710	\$0	\$0	\$5,094,710	100.0%		
06005 Liquor Division	\$5,094,710	\$0	\$0	\$5,094,710	100.0%		
Total All Funds	\$5,094,710	\$0	\$0	\$5,094,710	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The division is funded with a direct appropriation of Liquor Control Division proprietary funds. Net revenues from liquor sales are transferred to the general fund after operating costs are deducted from gross revenues. Consequently, any proposals funded through this program are an indirect use of state general fund.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	2,360,846	2,360,846	4,721,692	92.68%
Statewide PL Adjustments	0	0	0	0.00%	65,219	65,427	130,646	2.56%
Other PL Adjustments	0	0	0	0.00%	231,315	11,057	242,372	4.76%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$2,657,380</b>	<b>\$2,437,330</b>	<b>\$5,094,710</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					138,920					140,130
Vacancy Savings					(72,271)					(72,318)
Inflation/Deflation					902					1,799
Fixed Costs					(2,332)					(4,184)
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$65,219*</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$65,427*</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	0	0	0	(65,219)*	0.00	0	0	0	(65,427)*
DP 51 - Adjustment for Statewide Personal Services	0.00	0	0	0	66,649*	0.00	0	0	0	67,812*
DP 52 - Adjustment for Statewide Operations	0.00	0	0	0	(1,430)*	0.00	0	0	0	(2,385)*
DP 301 - Production Capacity Increase	2.00	0	0	0	143,080*	2.00	0	0	0	112,822*
DP 304 - Adjust for Operating Plan Change	0.00	0	0	0	(101,765)*	0.00	0	0	0	(101,765)*
DP 305 - Personal Services-Termination Payout (BIEN/RST)	0.00	0	0	0	60,000*	0.00	0	0	0	0
DP 306 - Personal Services-Temp and Overtime (BIEN/RST)	0.00	0	0	0	130,000*	0.00	0	0	0	0
<b>Total Other Present Law Adjustments</b>	<b>2.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$231,315*</b>	<b>2.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$11,057*</b>
<b>Grand Total All Present Law Adjustments</b>	<b>2.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$296,534*</b>	<b>2.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$76,484*</b>

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

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 301 - Production Capacity Increase - The legislature approved an increase in proprietary revenue to meet the growing liquor case volume demand. This appropriation funds the personal service and operating costs of 2.00 permanent FTE. In the base year FY 2012, temporary employees were used to meet the demand.

DP 304 - Adjust for Operating Plan Change - The legislature approved a reduction of base operating expenses for the 2015 biennium. In the base year FY 2012, the division moved personal services budget authority into the operating expense and equipment budget to pay for expenditures. To maintain the base budget at the appropriated level, this amount was removed from the base budget.

DP 305 - Personal Services-Termination Payout (BIEN/RST) - The legislature approved funding for payouts of accrued leave balances in the event of staff terminations. Funding was designated biennial and restricted to be used only for this purpose.

DP 306 - Personal Services-Temp and Overtime (BIEN/RST) - The legislature approved funding for overtime pay and costs to hire additional temporary employees to maintain statutory service levels to agency liquor stores in the event that demand increases. Funding was designated biennial and restricted to be used only for this purpose.

**Language and Statutory Authority**

The legislature approved the following language for inclusion in HB 2.

"Liquor Control Division proprietary funds necessary to maintain adequate inventories, pay freight charges, and transfer profits and taxes to appropriate accounts are appropriated from the liquor enterprise fund (06005) to the department in the amounts not to exceed \$124 million in fiscal year 2014 and \$130 million in fiscal year 2015."

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	53.50	53.50	53.50	53.50	53.50	53.50	0.00	0.00%
Personal Services	2,764,229	2,841,483	2,871,996	2,871,907	5,605,712	5,743,903	138,191	2.47%
Operating Expenses	765,677	817,160	814,160	785,843	1,582,837	1,600,003	17,166	1.08%
Equipment & Intangible Assets	19,254	0	0	0	19,254	0	(19,254)	(100.00%)
<b>Total Costs</b>	<b>\$3,549,160</b>	<b>\$3,658,643</b>	<b>\$3,686,156</b>	<b>\$3,657,750</b>	<b>\$7,207,803</b>	<b>\$7,343,906</b>	<b>\$136,103</b>	<b>1.89%</b>
General Fund	3,318,565	3,428,167	3,437,457	3,409,050	6,746,732	6,846,507	99,775	1.48%
State Special	187,410	187,261	211,838	212,123	374,671	423,961	49,290	13.16%
Other	43,185	43,215	36,861	36,577	86,400	73,438	(12,962)	(15.00%)
<b>Total Funds</b>	<b>\$3,549,160</b>	<b>\$3,658,643</b>	<b>\$3,686,156</b>	<b>\$3,657,750</b>	<b>\$7,207,803</b>	<b>\$7,343,906</b>	<b>\$136,103</b>	<b>1.89%</b>

**Program Description**

The Citizen Services and Resource Management Division focuses on providing services to citizens, including the advancement of free electronic filing, and support services to the other divisions of the department. The division integrates the department's accounting, purchasing, safety and security, and statewide facility functions through the Financial and Asset Management Bureau. This bureau ensures state tax collections and department expenses are properly accounted for, supports the efficient and safe operation of department facilities, and conducts disaster and emergency preparedness and continuity of government activities. The division's Citizen Services Bureau assists taxpayers by answering questions through the department's call center, coordinates the one-stop business licensing program to create efficiencies and reduced costs to businesses, returns unclaimed property that has been remitted to the state to the rightful owners, and strives to create tax forms and instructions that are thorough and understandable. The Accounts Receivable and Collection Bureau establishes payment plans or initiates collections using legal actions to resolve delinquent tax liabilities. They provide collection services to other state and local agencies for recovery of bad debts. The bureau includes the Bankruptcy Unit responsible for filing and recoveries of debt through bankruptcy proceedings.

**Program Highlights**

<b>Citizen Services &amp; Resource Management Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The budget for the 2015 biennium will increase by 1.9% from the 2013 biennium budget primarily due to statewide present law adjustments for personal services</li> <li>◆ Operating expenses include the development and maintenance of web-based business licensing</li> <li>◆ The legislature approved a 5% fee on successful collections in the proprietary Collections Services Program</li> </ul>

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Revenue Funding by Source of Authority 2015 Biennium Budget - Citizen Services & Resource Mgmt							
Funds	Non-		Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
	HB 2	Budgeted Proprietary					
General Fund	\$6,846,507	\$0	\$0	\$6,846,507	2.9%		
State Special Total	\$423,961	\$0	\$231,254,506	\$231,678,467	96.9%		
02008 Tobacco And Cig. Tribal Agree.	\$0	\$0	\$9,520,274	\$9,520,274	4.0%	18-11-112	Pass Thru
02025 Unclaimed Property	\$307,864	\$0	\$0	\$307,864	0.1%		
02083 Oil & Gas Local Assistance	\$0	\$0	\$10,000,000	\$10,000,000	4.2%	15-37-117	Pass Thru
02088 Ssr Administrative Funds	\$116,097	\$0	\$0	\$116,097	0.0%		
02168 Mt Oil Production Tax	\$0	\$0	\$197,054,000	\$197,054,000	82.5%	15-36-332	Pass Thru
02169 Bentonite Production Tax	\$0	\$0	\$4,800,000	\$4,800,000	2.0%	15-39-110	Pass Thru
02511 Oil, Gas, And Coal Natural Res	\$0	\$0	\$9,000,000	\$9,000,000	3.8%	15-36-332	Pass Thru
02966 Tribal Agreement - Alcohol	\$0	\$0	\$880,232	\$880,232	0.4%	18-11-112	Pass Thru
Proprietary Total	\$73,438	\$368,700	\$0	\$442,138	0.2%		
06005 Liquor Division	\$73,438	\$0	\$0	\$73,438	0.0%		
06554 Csc Collection Services	\$0	\$368,700	\$0	\$368,700	0.2%		
Total All Funds	\$7,343,906	\$368,700	\$231,254,506	\$238,967,112	100.0%		
<b>Percent - Total All Sources</b>	<b>3.1%</b>	<b>0.2%</b>	<b>96.8%</b>				

In HB 2, the Citizen Services and Resource Management Division is funded primarily by the general fund. State special revenue funds the division’s administration of hail insurance premiums and livestock per capita fee, and for support of the unclaimed property program. SB 162 redirects the administration of the hail insurance premiums to the Department of Agriculture beginning January 1, 2014. As a result, the division will no longer receive the administrative hail insurance premiums fees associated with its oversight. The finances of the Collections Services Program are not shown in the HB 2 tables because it is funded with proprietary funds. The Collections Services Program is discussed in the Proprietary Rates section. As seen in the figure above, the Citizen Services and Resource Management program is also responsible for the statutorily appropriated distributions of various tax revenues to local and tribal governments.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	3,318,565	3,318,565	6,637,130	96.94%	3,549,160	3,549,160	7,098,320	96.66%
Statewide PL Adjustments	105,246	98,239	203,485	2.97%	123,350	116,344	239,694	3.26%
Other PL Adjustments	13,646	(7,754)	5,892	0.09%	13,646	(7,754)	5,892	0.08%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$3,437,457</b>	<b>\$3,409,050</b>	<b>\$6,846,507</b>		<b>\$3,686,156</b>	<b>\$3,657,750</b>	<b>\$7,343,906</b>	



### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					227,432					227,344
Vacancy Savings					(119,665)					(119,666)
Inflation/Deflation					86					159
Fixed Costs					15,497					8,507
<b>Total Statewide Present Law Adjustments</b>		<b>\$105,246</b>	<b>\$24,428</b>	<b>\$0</b>	<b>\$123,350*</b>		<b>\$98,239</b>	<b>\$24,713</b>	<b>\$0</b>	<b>\$116,344*</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(105,246)	(24,428)	0	(123,350)*	0.00	(98,239)	(24,713)	0	(116,344)*
DP 51 - Adjustment for Statewide Personal Services	0.00	100,766	5,690	0	107,767*	0.00	100,682	5,686	0	107,678*
DP 52 - Adjustment for Statewide Operations	0.00	14,570	823	0	15,583*	0.00	8,104	457	0	8,666*
DP 53 - Base Funding Switch	0.00	(10,090)	17,915	0	0*	0.00	(10,547)	18,570	0	0*
DP 501 - Web-Based App Portal-1-Stop Licensing (RST)	0.00	32,900	0	0	Oper	0.00	11,500	0	0	11,500
DP 502 - Adjust for Operating Plan Change	0.00	(19,254)	0	0	(19,254)	0.00	(19,254)	0	0	(19,254)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$13,646</b>	<b>\$0</b>	<b>\$0</b>	<b>\$13,646*</b>	<b>0.00</b>	<b>(\$7,754)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$7,754)*</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$118,892</b>	<b>\$24,428</b>	<b>\$0</b>	<b>\$136,996*</b>	<b>0.00</b>	<b>\$90,485</b>	<b>\$24,713</b>	<b>\$0</b>	<b>\$108,590*</b>

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

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 501 - Web-Based App Portal-1-Stop Licensing (RST) - The legislature approved an increase in general fund appropriation authority to fund the development and maintenance of a secure web-based application that will allow businesses to apply for licenses in coordination with the internet application One-Stop Licensing Program. \$21,400 of the funding in FY 2014 is designated as one time only and the funding is restricted only for this purpose.

DP 502 - Adjust for Operating Plan Change - The legislature approved a reduction in the general funded equipment budgetary base. In FY 2012 the division utilized budget authority to invest in an upgraded telephone. To maintain the base budget at the level appropriated by the last legislature, this amount was removed from the division's base budget.

### Proprietary Rates

#### Proprietary Program Description

Montana law authorizes the Department of Revenue to assist other agencies in the collection of delinquent accounts. The department retains a percentage of these collections for the costs of assistance in conjunction with 17-4-103 (3)(a), MCA.

The department established the Collections Services Program to administer its statutory responsibilities under Title 17, chapter 4, MCA. There are 3.50 FTE allocated to this program. This program supports the centralized debt collection function for the state of Montana.

### **Proprietary Revenues and Expenses**

#### *Expenses*

Significant costs for the program are for:

- Personal services for 3.50 FTE, \$316,331 or 85.7% of total costs for the biennium
- Operating costs are \$52,609 with 51.4% of these costs due to:
  - Fixed cost items (rent, insurance, SABHRS fees, etc.), \$17,048
  - Postage and mailing costs, \$10,005

#### *Revenues*

The revenues for the program are derived through commissions made on successful collections. In the 2015 biennium, total revenues are estimated to be \$150,000 per fiscal year.

### **Proprietary Rate Explanation**

The legislature approved a maximum commission rate of 5% for the 2015 biennium. Exempted from this rate is collection of overpaid child support payments made to custodial parents or collection of delinquent child support payments from noncustodial parents. Commissions associated with child support payments are charged against a separate general fund appropriation designated by the legislature in a prior legislative session.

### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	133.45	133.45	138.45	138.45	133.45	138.45	5.00	3.75%
Personal Services	8,139,328	7,978,456	8,274,916	8,279,297	16,117,784	16,554,213	436,429	2.71%
Operating Expenses	1,313,986	1,517,250	1,497,682	1,472,324	2,831,236	2,970,006	138,770	4.90%
<b>Total Costs</b>	<b>\$9,453,314</b>	<b>\$9,495,706</b>	<b>\$9,772,598</b>	<b>\$9,751,621</b>	<b>\$18,949,020</b>	<b>\$19,524,219</b>	<b>\$575,199</b>	<b>3.04%</b>
General Fund	8,653,778	8,680,288	8,868,207	8,847,066	17,334,066	17,715,273	381,207	2.20%
State Special	543,928	545,200	656,944	657,243	1,089,128	1,314,187	225,059	20.66%
Federal Special	255,608	270,218	247,447	247,312	525,826	494,759	(31,067)	(5.91%)
Other	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$9,453,314</b>	<b>\$9,495,706</b>	<b>\$9,772,598</b>	<b>\$9,751,621</b>	<b>\$18,949,020</b>	<b>\$19,524,219</b>	<b>\$575,199</b>	<b>3.04%</b>

### Program Description

The Business and Income Taxes Division is responsible for ensuring that Montana citizens and businesses pay the appropriate amount of taxes. This is done by providing tax expertise and ensuring tax compliance for 38 of Montana's taxes and fees. The tax types include but are not limited to corporation license, natural resource, withholding, individual income, lodging facilities, cigarette, contractor's gross receipts, and telecommunications taxes. The tax types account for approximately \$1.5 billion of state revenue. The division also values all industrial and centrally assessed property in the state which generates over \$350 million in state and local revenue annually. Some of the duties associated with the division's tax administration responsibilities include: tax expertise, taxpayer education, auditing, identification of non-compliant taxpayers, property appraisals, and overall program management and compliance.

### Program Highlights

<b>Business and Income Taxes Division</b>	
<b>Major Budget Highlights</b>	
◆	The increase in the Business and Income Taxes Division budget is primarily due to: <ul style="list-style-type: none"> <li>• The addition of 5.00 FTE, which would replace temporary or modified positions with permanent positions in the Tobacco and Unclaimed Property Compliance Programs</li> </ul>
◆	Operating expense increases are related to: <ul style="list-style-type: none"> <li>• Increases in fixed costs</li> <li>• Funding for the increase cost of cigarette tax stamps</li> </ul>
◆	Federal funds are reduced by an additional 2% vacancy savings

### Program Narrative

The legislature approved the addition of 5.00 FTE for tax compliance purposes. The new FTE will cost \$576,571 in the 2015 biennium and are funded with state special revenue. The additional staff are not a new cost to the agency since the program has utilized temporary or modified staff for at least three biennia. The personal services budget is reduced by \$8,331 from the additional 2% vacancy savings attributed to federal special revenue.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Revenue Funding by Source of Authority 2015 Biennium Budget - Business And Income Taxes Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$17,715,273	\$0	\$0	\$17,715,273	90.7%		
State Special Total	\$1,314,187	\$0	\$10,000	\$1,324,187	6.8%		
02025 Unclaimed Property	\$622,613	\$0	\$0	\$622,613	3.2%		
02110 Accommodation Tax Admin	\$282,135	\$0	\$0	\$282,135	1.4%		
02293 Film Production Credit	\$0	\$0	\$10,000	\$10,000	0.1%	15-31-906	Direct
02790 6901-statewide Tobacco Sttlmnt	\$409,439	\$0	\$0	\$409,439	2.1%		
Federal Special Total	\$494,759	\$0	\$0	\$494,759	2.5%		
03928 Royalty Audit - Nrct	\$494,759	\$0	\$0	\$494,759	2.5%		
Total All Funds	\$19,524,219	\$0	\$10,000	\$19,534,219	100.0%		
Percent - Total All Sources	99.9%	0.0%	0.1%				

The Business and Income Taxes Division is primarily funded with general fund, with some state special revenue and federal special revenue. State special revenue comes from the unclaimed property fund for program support and tobacco settlement funds that support tobacco tax compliance activities. Other state special revenue includes the accommodations tax and funds expenses for administering the tax. Federal special revenue comes from reimbursements for performing mineral royalty audits.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	8,653,778	8,653,778	17,307,556	97.70%	9,453,314	9,453,314	18,906,628	96.84%
Statewide PL Adjustments	211,311	190,170	401,481	2.27%	31,836	11,279	43,115	0.22%
Other PL Adjustments	0	0	0	0.00%	288,494	288,077	576,571	2.95%
New Proposals	3,118	3,118	6,236	0.04%	(1,046)	(1,049)	(2,095)	(0.01%)
<b>Total Budget</b>	<b>\$8,868,207</b>	<b>\$8,847,066</b>	<b>\$17,715,273</b>		<b>\$9,772,598</b>	<b>\$9,751,621</b>	<b>\$19,524,219</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					189,449					194,445
Vacancy Savings					(333,157)					(333,352)
Inflation/Deflation					(2,042)					(1,296)
Fixed Costs					177,586					151,482
<b>Total Statewide Present Law Adjustments</b>		<b>\$211,311</b>	<b>(\$175,478)</b>	<b>(\$3,997)</b>	<b>\$31,836</b>		<b>\$190,170</b>	<b>(\$174,762)</b>	<b>(\$4,129)</b>	<b>\$11,279</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(211,311)	175,478	3,997	(31,836)	0.00	(190,170)	174,762	4,129	(11,279)
DP 51 - Adjustment for Statewide Personal Services	0.00	(131,554)	(8,268)	(3,886)	(143,708)	0.00	(127,160)	(7,991)	(3,756)	(138,907)
DP 52 - Adjustment for Statewide Operations	0.00	160,696	10,101	4,747	175,544	0.00	137,484	8,641	4,061	150,186
DP 53 - Base Funding Switch	0.00	182,169	(177,311)	(4,858)	0	0.00	179,846	(175,412)	(4,434)	0
DP 701 - Tobacco Tax Compliance Program (RST)	3.00	0	179,876	0	179,876	3.00	0	179,609	0	179,609
DP 702 - Unclaimed Property Compliance Program (RST)	2.00	0	108,618	0	108,618	2.00	0	108,468	0	108,468
<b>Total Other Present Law Adjustments</b>	<b>5.00</b>	<b>\$0</b>	<b>\$288,494</b>	<b>\$0</b>	<b>\$288,494</b>	<b>5.00</b>	<b>\$0</b>	<b>\$288,077</b>	<b>\$0</b>	<b>\$288,077</b>
<b>Grand Total All Present Law Adjustments</b>	<b>5.00</b>	<b>\$211,311</b>	<b>\$113,016</b>	<b>(\$3,997)</b>	<b>\$320,330</b>	<b>5.00</b>	<b>\$190,170</b>	<b>\$113,315</b>	<b>(\$4,129)</b>	<b>\$299,356</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 701 - Tobacco Tax Compliance Program (RST) - The legislature approved 3.00 permanent FTE in the 2015 biennium to continue the Tobacco Tax Compliance Program. Funding was designated as restricted only for this purpose.

DP 702 - Unclaimed Property Compliance Program (RST) - The legislature approved an increase in state special revenue appropriation authority and 2.00 FTE in the 2015 biennium due to the changing nature and workload increases of the Unclaimed Property Program. Funding was designated as restricted only for this purpose.

**New Proposals**

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 54 - Additional Vacancy Savings											
07	0.00	0	0	(4,164)	(4,164)	0.00	0	0	(4,167)	(4,167)	
DP 704 - Funding the Purchase of Cigarette Tax Stamps											
07	0.00	3,118	0	0	3,118	0.00	3,118	0	0	3,118	
<b>Total</b>	<b>0.00</b>	<b>\$3,118</b>	<b>\$0</b>	<b>(\$4,164)</b>	<b>(\$1,046)</b>	<b>0.00</b>	<b>\$3,118</b>	<b>\$0</b>	<b>(\$4,167)</b>	<b>(\$1,049)</b>	

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs. The general fund and state special revenue portion of the reduction is included in DP 54 in the Director’s office.

DP 704 - Funding the Purchase of Cigarette Tax Stamps - The legislature approved an increase in general fund authority to fund a 40%, or \$0.30/1,000 stamps, increase in cigarette tax stamps. The appropriation increases general fund support of tax stamps.

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	306.35	306.35	311.35	311.35	306.35	311.35	5.00	1.63%
Personal Services	15,399,290	15,821,439	16,552,855	16,564,618	31,220,729	33,117,473	1,896,744	6.08%
Operating Expenses	3,720,741	3,451,629	3,927,942	4,133,186	7,172,370	8,061,128	888,758	12.39%
Equipment & Intangible Assets	0	66,158	0	0	66,158	0	(66,158)	(100.00%)
<b>Total Costs</b>	<b>\$19,120,031</b>	<b>\$19,339,226</b>	<b>\$20,480,797</b>	<b>\$20,697,804</b>	<b>\$38,459,257</b>	<b>\$41,178,601</b>	<b>\$2,719,344</b>	<b>7.07%</b>
General Fund	19,066,860	19,275,198	20,427,626	20,644,633	38,342,058	41,072,259	2,730,201	7.12%
State Special	53,171	64,028	53,171	53,171	117,199	106,342	(10,857)	(9.26%)
<b>Total Funds</b>	<b>\$19,120,031</b>	<b>\$19,339,226</b>	<b>\$20,480,797</b>	<b>\$20,697,804</b>	<b>\$38,459,257</b>	<b>\$41,178,601</b>	<b>\$2,719,344</b>	<b>7.07%</b>

**Program Description**

The Property Assessment Division administers the state's real and personal property tax laws. It accomplishes this through uniform and equitable valuation and assessment regulations for residential, commercial, agricultural, forestland, and business equipment property. The division discovers, appraises, and assesses real and personal property for the local governing bodies that include about 1,200 levy districts and another 1,200 individual taxing jurisdictions. The division provides tax billing information to the local county treasurers for their generation of more than a half million tax bills and \$1 billion in taxes for all classes of property. The division consists of the Central Office Bureau and four regions. The Central Office Bureau provides technical and administrative support to the department's local office staff in each of the four regions. The department's local office staff provides the property taxpayers with information and assistance.

**Program Highlights**

<b>Property Assessment Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ Personal service costs increase by \$1.9 million or 6.1% primarily due to:                             <ul style="list-style-type: none"> <li>• A one-time-only appropriation adding 5.00 FTE for workload increases related to the 2015 appraisal cycle</li> <li>• Raises given to staff in FY 2012 that drive the increase in statewide present law adjustments</li> </ul> </li> <li>◆ Operating expenses increase primarily due to:                             <ul style="list-style-type: none"> <li>• Rent increases for the county offices, \$259,687</li> <li>• Postage for property reappraisal notices, \$225,000</li> </ul> </li> </ul>

**Program Narrative**

The Property Assessment Division is gearing up for the next appraisal cycle, which will begin in FY 2015. For this reason, the legislature provided an additional 5.00 FTE for the division to accomplish the associated appraisal functions. The new FTE are provided on a one-time-only basis and will have a general fund personal services cost of \$1.4 million in the biennium. Operating costs associated with the 5.00 FTE are \$334,595 and include \$225,000 in FY 2015 to fund the postage on appraisal notices.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Revenue Funding by Source of Authority 2015 Biennium Budget - Property Assessment Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$41,072,259	\$0	\$0	\$41,072,259	99.7%		
State Special Total	\$106,342	\$0	\$0	\$106,342	0.3%		
02088 Ssr Administrative Funds	\$106,342	\$0	\$0	\$106,342	0.3%		
Total All Funds	\$41,178,601	\$0	\$0	\$41,178,601	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

Funding for the Property Assessment Division is primarily from general fund, with state special support from the administration of hail insurance premiums and the livestock per capita fee. SB 162 redirects the administration of the hail insurance premiums to the Department of Agriculture beginning January 1, 2014. As a result, the division will no longer receive the administrative hail insurance premiums fees associated with its oversight.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	19,066,860	19,066,860	38,133,720	92.85%	19,120,031	19,120,031	38,240,062	92.86%
Statewide PL Adjustments	467,892	467,005	934,897	2.28%	467,892	467,005	934,897	2.27%
Other PL Adjustments	138,004	123,108	261,112	0.64%	138,004	123,108	261,112	0.63%
New Proposals	754,870	987,660	1,742,530	4.24%	754,870	987,660	1,742,530	4.23%
<b>Total Budget</b>	<b>\$20,427,626</b>	<b>\$20,644,633</b>	<b>\$41,072,259</b>		<b>\$20,480,797</b>	<b>\$20,697,804</b>	<b>\$41,178,601</b>	



**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,109,819					1,122,355
Vacancy Savings					(660,364)					(660,852)
Inflation/Deflation					(27,601)					(16,552)
Fixed Costs					46,038					22,054
<b>Total Statewide Present Law Adjustments</b>		<b>\$467,892</b>	<b>\$0</b>	<b>\$0</b>	<b>\$467,892</b>		<b>\$467,005</b>	<b>\$0</b>	<b>\$0</b>	<b>\$467,005</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(467,892)	0	0	(467,892)	0.00	(467,005)	0	0	(467,005)
DP 51 - Adjustment for Statewide Personal Services	0.00	448,205	1,250	0	449,455	0.00	460,220	1,283	0	461,503
DP 52 - Adjustment for Statewide Operations	0.00	19,041	51	0	19,092	0.00	6,257	15	0	6,272
DP 53 - Base Funding Switch	0.00	1,301	(1,301)	0	0	0.00	1,298	(1,298)	0	0
DP 801 - Rent	0.00	137,349	0	0	137,349	0.00	122,338	0	0	122,338
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$138,004</b>	<b>\$0</b>	<b>\$0</b>	<b>\$138,004</b>	<b>0.00</b>	<b>\$123,108</b>	<b>\$0</b>	<b>\$0</b>	<b>\$123,108</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$605,896</b>	<b>\$0</b>	<b>\$0</b>	<b>\$605,896</b>	<b>0.00</b>	<b>\$590,113</b>	<b>\$0</b>	<b>\$0</b>	<b>\$590,113</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee. The fixed cost changes related to this agency are reflected in this decision package.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 801 - Rent - The legislature approved a general fund appropriation in the 2015 biennium to pay for rent increases and building costs for division office space. Statute allows counties to charge rates for space in county facilities equal to the rental rates charged by the Department of Administration.

**New Proposals**

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 802 - 6-Year Reappraisal Cycle Needs (OTO/RST)	08	5.00	754,870	0	0	754,870	5.00	987,660	0	0	987,660
<b>Total</b>		<b>5.00</b>	<b>\$754,870</b>	<b>\$0</b>	<b>\$0</b>	<b>\$754,870</b>	<b>5.00</b>	<b>\$987,660</b>	<b>\$0</b>	<b>\$0</b>	<b>\$987,660</b>

DP 802 - 6-Year Reappraisal Cycle Needs (OTO/RST) - The legislature approved an increase in general fund and 5.00 temporary FTE for the 2015 required statewide appraisal cycle. The new FTE will address workload increases.

Additional personal services funds are provided to decrease the required vacancies during the reappraisal biennium and additional printing and postage monies will pay for the increase in assessment notices required during the reappraisal biennium. This appropriation is restricted and one-time-only.

### Agency Budget Comparison

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	151.63	151.63	149.13	149.13	151.63	149.13	(2.50)	(1.65%)
Estimated Impact of HB 2*			(6.22)	(6.22)		(6.22)	(6.22)	
<b>Net Estimated FTE*</b>			<b>142.91</b>	<b>142.91</b>		<b>142.91</b>	<b>(8.72)</b>	
Personal Services	9,462,117	9,956,483	10,047,001	10,052,768	19,418,600	20,099,769	681,169	3.51%
Operating Expenses	9,343,096	9,109,048	8,026,411	7,801,103	18,452,144	15,827,514	(2,624,630)	(14.22%)
Equipment & Intangible Assets	19,500	42,077	19,500	19,500	61,577	39,000	(22,577)	(36.66%)
Local Assistance	32,228	42,206	32,228	32,228	74,434	64,456	(9,978)	(13.41%)
Grants	0	0	0	0	0	0	0	n/a
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	761,110	1,160,559	0	0	1,921,669	0	(1,921,669)	(100.00%)
Debt Service	122,027	85,827	89,977	89,977	207,854	179,954	(27,900)	(13.42%)
<b>Total Costs</b>	<b>\$19,740,078</b>	<b>\$20,396,200</b>	<b>\$18,215,117</b>	<b>\$17,995,576</b>	<b>\$40,136,278</b>	<b>\$36,210,693</b>	<b>(\$3,925,585)</b>	<b>(9.78%)</b>
General Fund	5,776,947	6,132,662	6,292,860	6,185,621	11,909,609	12,478,481	568,872	4.78%
State Special	6,430,943	6,883,075	5,978,176	5,976,271	13,314,018	11,954,447	(1,359,571)	(10.21%)
Federal Special	17,530	42,043	947,530	947,499	59,573	1,895,029	1,835,456	3,081.02%
Other	7,514,658	7,338,420	4,996,551	4,886,185	14,853,078	9,882,736	(4,970,342)	(33.46%)
<b>Total Funds</b>	<b>\$19,740,078</b>	<b>\$20,396,200</b>	<b>\$18,215,117</b>	<b>\$17,995,576</b>	<b>\$40,136,278</b>	<b>\$36,210,693</b>	<b>(\$3,925,585)</b>	<b>(9.78%)</b>

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

### Agency Description

Agency Mission - The Department of Administration's mission is to serve, satisfy, and support our customers.

The Department of Administration provides support services for state agencies in the following areas:

- Accounting, financial reporting, and warrant writing
- Audit review, enforcement and technical assistance for local governments
- State treasury services
- State-bonded indebtedness administration
- Capitol complex grounds and building maintenance and security
- Duplicating, mail, and messenger services
- Procurement and surplus property administration
- Information systems development, telecommunications, 9-1-1 program management, data processing, and public safety radio communications
- Human resource management, workforce development and labor relations
- State financial institution oversight and regulation
- Insurance coverage and risk management programs
- Tort Claims Act administration
- Long-Range Building Program
- State employee group benefits
- Workers compensation management

The following boards and commissions are attached to the department for administrative purposes only:

- Board of Examiners
- Burial Preservation Board
- Information Technology Board
- Public Defender Commission
- Public Employees' Retirement Board
- State Banking Board

- State Board of County Printing
- State Compensation Insurance Fund Board
- State Tax Appeal Board
- Teachers' Retirement System Board

### Agency Highlights

<b>Department of Administration Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ About 4% of the agency's budget in appropriated in HB 2</li> <li>◆ State special revenue declines are due to the transfer of responsibilities for the Montana Land Information Act to the Montana State Library</li> <li>◆ Federal revenue increases by \$1.9 million for a FirstNet planning grant to the State Information Technology Services Division</li> <li>◆ Proprietary funds decrease due to a change in the budgeting of lottery vendor fees. The legislature provided a statutory appropriation for the fees and eliminated the HB 2 appropriation</li> <li>◆ The legislature increased insurance rates for general liability insurance as a result of a \$43.0 million court ordered settlement to victims of asbestos in Libby</li> <li>◆ The legislature eliminated a number of vacant positions within various proprietary funds throughout the department</li> </ul>

### Agency Discussion

The Department of Administration sets statewide policies for and provides services to state agencies for accounting and treasury functions, human resources, group health insurance benefits, procurement, state tort defense and self-insurance, and information technology services. For most agencies in Helena, the agency serves as the landlord for state-owned buildings and provides for grounds maintenance. Generally, statewide policy functions are supported by general fund while the service functions are supported by proprietary funds derived by charging fees for services. The department also administers the following functions:

- Montana State Lottery
- Banking and financial institution oversight and regulation
- State Tax Appeal Board
- Architecture and engineering dealing with the administration of the state Long-range Building Program and the major maintenance and repair projects of state owned buildings

### Summary of Legislative Action

The budget for the Department of Administration decreases \$3.9 million in 2015 biennium when compared to the 2013 biennium due to:

- Reduction of proprietary funding for the Montana State Lottery of \$5.8 million
- Transfer of the Montana Land Information Act responsibilities to the Montana State Library
- Additional federal authority provided for the FirstNet planning grant for public safety responders
- Statewide present law adjustments for personal services
- Additional vacancy savings of 2% applied to HB 2 positions

The legislature included the administrative costs of the State Employee Group Health Care Plan in HB 2 as required by statute. The Governor line item vetoed the appropriation including:

- Personal services funding of \$2.6 million supporting 19.64 FTE
- Operating expenses of \$12.2 million
  - \$4.7 million for consulting and professional services

- \$3.8 million for third party administrator fees for managed care plans

The Governor line item vetoed the funding prior to signing HB 2 stating that the state contribution to the plan is statutorily established and reviewed in the pay plan. The veto language also references language included in HB 2 that states:

*Because state employee benefit plans require a large number of individual contributions for a variety of benefit options, because the portion of the contributions paid by the state is statutorily established in 2-18-703, and because the employee and retiree-paid portion of those contributions must be adjusted from time to time to meet the requirements of 2-18-812(1) to maintain state employee group benefit plans on an actuarially sound basis, the legislature defines “rates and fees” for state employee programs to mean the state contribution toward employee group benefits provided for in 2-18-703 and the employee contribution toward group benefits to meet the requirements of 2-18-812(1)*

Neither the statutes referenced in the message nor the language shown above appear to address the requirement to include administrative costs for the SEGBP from temporary appropriations (included in HB 2).

*Bill to Implement Provisions of HB 2*

The legislature approved SB 410 to implement HB 2, including provisions to transfer the \$0.5 million of the central stores account fund balance to the general fund. The purpose of the transfer was in part to provide funding for the:

- Human Rights Bureau within the Department of Labor and Industry
- Traumatic brain injury services provided by the Department of Public Health and Human Services

*Boilerplate*

The boilerplate section in HB 2 includes the following language:

“It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium.”

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 6.22 FTE for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

**Funding**

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$12,478,481	\$0	\$75,058,880	\$87,537,361	10.8%
State Special Total	11,954,447	-	50,329,752	62,284,199	7.7%
Federal Special Total	1,895,029	-	41,214,186	43,109,215	5.3%
Proprietary Total	9,882,736	538,408,836	69,489,296	617,780,868	76.1%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	779,052	779,052	0.1%
<b>Total All Funds</b>	<b>\$36,210,693</b>	<b>\$538,408,836</b>	<b>\$236,871,166</b>	<b>\$811,490,695</b>	
Percent - Total All Sources	4.5%	66.3%	29.2%		

Overall 93.7% of the funding for the Department of Administration is not budgeted through HB 2 but provided as either non-budgeted proprietary funding or as a statutory appropriation.

Within HB 2, general fund supports the Board of County Printing and the Burial Preservation Board, and provides partial support for the State Accounting Division, General Services Division including facilities maintenance functions for common areas, and the State Human Resources Division.

State special revenues include:

- Assessments, application fees, and examination fees paid by the regulated financial institutions
- Fees imposed on a per month per access line basis for each telephone subscriber in the state using either land lines or wireless services that support 911 services throughout Montana
- Funds transferred from the long-range building capital projects fund for administrative expenses in support of the state Long-Range Building Program

Proprietary funds in HB 2 are appropriated to the Montana State Lottery Division (lottery). Profits from the lottery are deposited into the state’s general fund. As such, the legislature had made a policy decision to appropriate the funds for the lottery so that it can more closely examine the costs of its operations. The increased legislative oversight helps ensure the lottery continues to maximize general fund transfers.

The remaining proprietary funds, over half a billion, are non-budgeted. The legislature examined proposed rates for internal service funds in this agency as part of its consideration of HB 2. The internal service funds make up the majority of the proprietary funds in this agency. Proprietary funds are discussed in detail in the narrative sections of each program.

Statutory appropriations approved for the agency are discussed in detail in the narrative sections of the programs.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	5,776,947	5,776,947	11,553,894	92.59%	19,740,078	19,740,078	39,480,156	109.03%
Statewide PL Adjustments	602,216	495,833	1,098,049	8.80%	1,132,809	915,434	2,048,243	5.66%
Other PL Adjustments	(4,155)	(4,962)	(9,117)	(0.07%)	462,957	460,639	923,596	2.55%
New Proposals	(82,148)	(82,197)	(164,345)	(1.32%)	(3,120,727)	(3,120,575)	(6,241,302)	(17.24%)
<b>Total Budget</b>	<b>\$6,292,860</b>	<b>\$6,185,621</b>	<b>\$12,478,481</b>		<b>\$18,215,117</b>	<b>\$17,995,576</b>	<b>\$36,210,693</b>	

Statewide present law adjustments provide for about 6% of the increases for the Department of Administration. About \$1.9 million of the increase is related to personal service adjustments and the remainder includes adjustments for fixed costs and inflation/deflation included in the operating expenses. Other present law adjustments include:

- Burial Board funding
- Increases for the Director’s Office, which is assessed to the other divisions as department indirect costs
- One-time-only request for lottery terminals

New proposals provide for the majority of the changes in the budget for the Department of Administration. The legislature approved a request to transfer the responsibilities for the Montana Land Information Act to the Montana State Library. The legislature appropriated the administrative expenses of the SEGBP in HB 2 as required by statute and provided federal funds for the FirstNet Planning Grant. These are offset by reductions for additional vacancy savings and elimination of contract lottery fees from HB 2.

**Other Legislation**

**HB 3** – The legislature provided \$13.4 million in general fund as a supplemental appropriation for the state’s self-insurance fund. In FY 2012, the fund was used to pay \$26.8 million as part of a court ordered settlement with the victims of asbestos in Libby. The supplemental funding restores reserves for several of the insurance risks and reduces an unfunded liability for general liability insurance to an estimated (\$7.1) million at the end of the 2015 biennium.

**HB 10** – The legislature appropriated \$6.0 million in long range information technology project funds to the Department of Administration. The funding provides for the following projects:

- Public safety communications system maintenance and operations - \$3.0 million
- Statewide data protection - \$2.0 million
- Electronic records management/electronic content management matching grants - \$1.0 million

In addition, the bill also provides DOA with \$350,000 in proprietary fund authority for a computerized maintenance management system.

**HB 13** – The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches and the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

**HB 20** – The legislature approved statutorily appropriating the costs for lottery vendor fees beginning in FY 2014. The legislature removed \$5.8 million in operating costs for the Montana State Lottery as a result of the change.

**HB 38** – The legislature approved transferring the responsibilities for the Montana Land Information Act from the State Information Technology Services Division (SITSD) to the Montana State Library. As part of this change, the legislature also approved a reduction in HB 2 in funding for SITSD of \$1.9 million over the biennium including personal services that had supported 2.50 FTE.

**SB 410** – This bill includes a one-time-only biennial appropriation of \$7.5 million general fund to the Governor’s Office. The funding can be transferred at the Governor’s discretion in the 2015 biennium to the following departments for operations costs:

- Governor’s Office
- Public Health and Human Services
- Natural Resources and Conservation
- Environmental Quality
- Administration
- Commerce
- Revenue
- Corrections
- Labor and Industry

Any funds transferred are one-time-only and consequently will not be part of the FY 2014 budget base.

**Executive Budget Comparison**

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg - Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg - Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	151.63	149.13	149.13	0.00	149.13	149.13	0.00	
Estimated Impact of HB 2*			(6.22)	(6.22)		(6.22)	(6.22)	
<b>Net Estimated FTE*</b>			<b>142.91</b>	<b>(6.22)</b>		<b>142.91</b>	<b>(6.22)</b>	
Personal Services	9,462,117	10,172,697	10,047,001	(125,696)	10,178,582	10,052,768	(125,814)	(251,510)
Operating Expenses	9,343,096	10,146,647	8,026,411	(2,120,236)	9,921,337	7,801,103	(2,120,234)	(4,240,470)
Equipment & Intangible Assets	19,500	19,500	19,500	0	19,500	19,500	0	0
Local Assistance	32,228	32,228	32,228	0	32,228	32,228	0	0
Grants	0	0	0	0	0	0	0	0
Benefits & Claims	0	0	0	0	0	0	0	0
Transfers	761,110	0	0	0	0	0	0	0
Debt Service	122,027	89,977	89,977	0	89,977	89,977	0	0
<b>Total Costs</b>	<b>\$19,740,078</b>	<b>\$20,461,049</b>	<b>\$18,215,117</b>	<b>(\$2,245,932)</b>	<b>\$20,241,624</b>	<b>\$17,995,576</b>	<b>(\$2,246,048)</b>	<b>(\$4,491,980)</b>
General Fund	5,776,947	6,353,651	6,292,860	(60,791)	6,246,461	6,185,621	(60,840)	(121,631)
State/Other Special	6,430,943	6,072,276	5,978,176	(94,100)	6,070,416	5,976,271	(94,145)	(188,245)
Federal Special	17,530	17,530	947,530	930,000	17,500	947,499	929,999	1,859,999
Capital Projects	0	0	0	0	0	0	0	0
Proprietary	7,514,658	8,017,592	4,996,551	(3,021,041)	7,907,247	4,886,185	(3,021,062)	(6,042,103)
<b>Total Funds</b>	<b>\$19,740,078</b>	<b>\$20,461,049</b>	<b>\$18,215,117</b>	<b>(\$2,245,932)</b>	<b>\$20,241,624</b>	<b>\$17,995,576</b>	<b>(\$2,246,048)</b>	<b>(\$4,491,980)</b>

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

The legislative budget for HB 2 changes when compared to the executive due to two major changes; 1) additional federal funds to support a FirstNet Planning Grant to plan for the use and integration of existing systems with the nationwide public safety broadband network, and 2) reduction of \$5.8 million in proprietary funding supporting the Montana State Lottery due to the passage and approval of HB 20. These changes are partially offset by a reduction for an additional 2% vacancy savings for the positions funded in HB 2.

*Changes in Proprietary Rates from the Executive*

The legislature reduced authority for proprietary rates by 1.2% overall for the Statewide Accounting, Budgeting and Human Resources Program (SABHRS) by eliminating funding for a computer specialist position. The legislature increased rates for general liability insurance premiums by \$525,000 each year of the biennium for the state's self-insurance program. In FY 2012 the Risk Management and Tort Defense Division experienced as "lifetime legacy shock-loss" of \$26.8 million due to a settlement for Montana asbestos victims. Finally, the legislature rejected an executive proposal to change the method of charging for state employee training from a tuition based methodology to a charge per state employee.

**Language and Statutory Authority**

The legislature included the following language in HB 2.

"If House Bill No. 38 is not passed and approved State Information Technology Services Division is increased by \$943,612 in FY 2014 and \$943,342 in FY 2015 in state special revenue."



"Employee Benefits Program – Because state employee benefit plans require a large number of individual contributions for a variety of benefit options, because the portion of the contributions paid by the state is statutorily established in 2-18-703, and because the employee and retiree-paid portion of those contributions must be adjusted from time to time to meet the requirements of 2-18-812(1) to maintain state employee group benefit plans on an actuarially sound basis, the legislature defines “rates and fees” for state employee programs to mean the state contribution toward employee group benefits provided for in 2-18-703 and the employee contribution toward group benefits necessary to meet the requirements of 2-18-812(1). "

"State Accounting Division includes a reduction in general fund of \$82,148 in fiscal year 2014 and \$82,197 in fiscal year 2015, federal special revenue of \$1 in fiscal year 2014 and \$38,310 in fiscal year 2015. Banking and Financial Division includes a reduction in state special revenue of \$95,259 in fiscal year 2014 and \$95,306 in fiscal year 2015. The reductions are the equivalent of an additional 2% vacancy savings. The agency may allocate these reductions in funding among programs when developing 2015 biennium operating plans."

### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	1.00	1.00	1.00	1.00	1.00	1.00	0.00	0.00%
Personal Services	60,356	61,572	58,779	58,713	121,928	117,492	(4,436)	(3.64%)
Operating Expenses	53,551	41,038	69,493	12,053	94,589	81,546	(13,043)	(13.79%)
Local Assistance	16,464	37,133	16,464	16,464	53,597	32,928	(20,669)	(38.56%)
Transfers	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$130,371</b>	<b>\$139,743</b>	<b>\$144,736</b>	<b>\$87,230</b>	<b>\$270,114</b>	<b>\$231,966</b>	<b>(\$38,148)</b>	<b>(14.12%)</b>
General Fund	113,907	102,033	128,272	70,796	215,940	199,068	(16,872)	(7.81%)
State Special	0	577	0	0	577	0	(577)	(100.00%)
Federal Special	16,464	37,133	16,464	16,434	53,597	32,898	(20,699)	(38.62%)
Other	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$130,371</b>	<b>\$139,743</b>	<b>\$144,736</b>	<b>\$87,230</b>	<b>\$270,114</b>	<b>\$231,966</b>	<b>(\$38,148)</b>	<b>(14.12%)</b>

### Program Description

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

### Program Highlights

<b>Director's Office Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ Overall costs for the division in HB 2 are reduced due to changes included in statewide present law adjustments</li> <li>◆ Proprietary rates approved for the 2015 biennium generate higher revenues to support an additional 5.18 FTE</li> </ul>

### Program Narrative

The Director's Office costs decrease between the 2013 and 2015 biennia due to reductions included in:

- Statewide present law adjustments for legislative audit costs
- Personal service costs for employee benefits that are lower in the 2015 biennium

### Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - Director'S Office							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$199,068	\$0	\$70,674,796	\$70,873,864	51.3%	17-7-502	Direct
						19-3-319	Pass Thru
						19-20-604	Pass Thru
						19-20-607	Pass Thru
State Special Total	\$0	\$0	\$21,978,022	\$21,978,022	15.9%		
02858 Mineral Impact	\$0	\$0	\$21,978,022	\$21,978,022	15.9%	17-3-241	Pass Thru
Federal Special Total	\$32,898	\$0	\$41,214,186	\$41,247,084	29.8%		
03095 Taylor Grazing Act Dist.	\$0	\$0	\$240,712	\$240,712	0.2%	17-3-222	Pass Thru
03369 Flood Control Payments	\$32,898	\$0	\$0	\$32,898	0.0%		
03425 Forest Reserve Shared Revenue	\$0	\$0	\$40,973,474	\$40,973,474	29.6%	17-3-212	Pass Thru
Proprietary Total	\$0	\$3,360,882	\$0	\$3,360,882	2.4%		
06534 Management Services	\$0	\$3,360,882	\$0	\$3,360,882	2.4%		
Other Total	\$0	\$0	\$779,052	\$779,052	0.6%		
05008 Capitol Building Sr	\$0	\$0	\$779,052	\$779,052	0.6%	17-7-502	Direct
Total All Funds	\$231,966	\$3,360,882	\$134,646,056	\$138,238,904	100.0%		
<b>Percent - Total All Sources</b>	<b>0.2%</b>	<b>2.4%</b>	<b>97.4%</b>				

The majority of the office functions are funded with proprietary funds. These funds are considered and approved as rates charged to other divisions in the agency and are discussed in the "Proprietary Rates" section of the narrative.

Within HB 2 general fund provides funding for the office's support of:

- o Board of County Printing
- o Burial Preservation Board
- o General management and legal support for statewide functions

Federal special revenue funds administration functions that support the allocation of federal flood control payments.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	113,907	113,907	227,814	114.44%	130,371	130,371	260,742	112.41%
Statewide PL Adjustments	7,354	(50,123)	(42,769)	(21.48%)	7,354	(50,153)	(42,799)	(18.45%)
Other PL Adjustments	7,011	7,012	14,023	7.04%	7,011	7,012	14,023	6.05%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$128,272</b>	<b>\$70,796</b>	<b>\$199,068</b>		<b>\$144,736</b>	<b>\$87,230</b>	<b>\$231,966</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					872					804
Vacancy Savings					(2,449)					(2,447)
Inflation/Deflation					7					14
Fixed Costs					8,924					(48,524)
<b>Total Statewide Present Law Adjustments</b>		<b>\$7,354</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,354</b>		<b>(\$50,123)</b>	<b>\$0</b>	<b>(\$30)</b>	<b>(\$50,153)</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(7,354)	0	0	(7,354)	0.00	50,123	0	30	50,153
DP 51 - Adjustment for Statewide Personal Services	0.00	(1,577)	0	0	(1,577)	0.00	(1,642)	0	(1)	(1,643)
DP 52 - Adjustment for Statewide Operations	0.00	8,942	0	0	8,942	0.00	(48,469)	0	(29)	(48,498)
DP 101 - Burial Board	0.00	7,000	0	0	7,000	0.00	7,000	0	0	7,000
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$7,011</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,011</b>	<b>0.00</b>	<b>\$7,012</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,012</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$14,365</b>	<b>\$0</b>	<b>\$0</b>	<b>\$14,365</b>	<b>0.00</b>	<b>(\$43,111)</b>	<b>\$0</b>	<b>(\$30)</b>	<b>(\$43,141)</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 101 - Burial Board - The legislature provided a one-time-only appropriation of \$7,000 general fund for each year of the 2015 biennium to cover costs associated with repatriation hearings. There was no need for repatriation hearings in FY 2012, and as such the base budget did not include funding for them. Funding approved anticipates one repatriation hearing each fiscal year with costs for a hearing examiner and travel for members.

### Proprietary Rates

The Director's Office provides management services to other divisions within the agency. Costs of providing the services are charged to the divisions and used to support the activities within the office.

### Proprietary Program Description

The Director's Office provides services in the areas of legal, human resources, and financial management to other divisions of the agency and agencies and boards attached to the agency for administrative purposes. The Office of Legal Services advises the divisions on legal matters. The Office of Human Resources processes payroll; assists with recruitment, selection and orientation of new employees; classifies positions; and develops human resource policies for the department. The Office of Finance and Budget prepares and presents the biennial budget, processes budget change documents, monitors approved budgets for compliance with state law and legislative intent, and provides accounting assistance. Additionally, the Director's Office provides IT management and project management services.

## Proprietary Revenues and Expenses

### Proprietary Program Narrative

#### Expenses

Significant costs included in the 2015 biennium budget include:

- Personal services of \$1.45 million supporting 19.51 FTE over the 2015 biennium. This is an increase of 5.18 FTE and \$320,500 in personal service costs from those included in the rates in FY 2012. New positions include:
  - 1.50 FTE - Human Resource Specialists
  - 1.00 FTE - Paralegal Assistant
  - 0.68 FTE – Budget Analyst
  - 1.00 FTE – Auditor
  - 1.00 FTE – Project Facilitation Specialist
  
- Operating costs of \$227,000 supporting:
  - Consulting and professional services - \$26,500
  - ITSD services - \$38,500
  - Office space rent - \$33,200
  - Computers - \$15,800
  - Indirect costs - \$15,800

#### Revenues

All divisions of the agency and other agencies and boards designed in statute as being administratively attached to the agency use the services provided by the programs included in the Director's Office. Administratively attached agencies or boards with staff to perform the provided functions do not use some of the services and are not charged a fee.

The revenues for this program are allocated in three ways: 1) the human resource function based on an annual amount per FTE served; 2) the legal unit costs based on a time-use study; and 3) the remaining portion on the proportional size of the division, board, or agency's budget to the total of all served. The program charges and budgeted within each division budget are shown in Figure 1.

Figure 1

Department of Administration Director's Office Administrative Charges to Programs								
Division	FY 2014				FY 2015			
	HB 2	Non-budgeted Proprietary	Total	% of Total	HB 2	Non-budgeted Proprietary	Total	% of Total
State Accounting Division	\$30,236	\$93,391	\$123,627	8.49%	\$30,012	\$92,730	\$122,742	8.49%
Architecture and Engineering Division	47,703	0	47,703	3.28%	47,405	0	47,405	3.28%
General Services Division	20,064	195,430	215,494	14.80%	19,924	195,957	215,881	14.93%
State Information Technology Services Division	8,582	582,267	590,849	40.59%	8,481	576,553	585,034	40.47%
Banking and Financial Division	79,723	0	79,723	5.48%	79,166	0	79,166	5.48%
Montana State Lottery	60,796	0	60,796	4.18%	60,218	0	60,218	4.17%
Healthcare and Benefits Division	25,674	61,757	87,431	6.01%	25,674	61,229	86,903	6.01%
State Human Resources Division	30,617	105,903	136,520	9.38%	30,327	105,328	135,655	9.38%
Risk Management and Tort Defense Division	0	100,166	100,166	6.88%	0	99,136	99,136	6.86%
State Tax Appeal Board	13,443	0	13,443	0.92%	13,349	0	13,349	0.92%
Total Administrative Charges to DOA Divisions	<u>\$316,838</u>	<u>\$1,138,914</u>	<u>\$1,455,752</u>	<u>100.00%</u>	<u>\$314,556</u>	<u>\$1,130,933</u>	<u>\$1,445,489</u>	<u>100.00%</u>

As shown, the State Information Technology Division pays almost half of the costs of the Director's Office, followed by the General Services Division and the State Human Resources Division.

**Proprietary Rate Explanation**

For the 2015 biennium the legislature approved the rates as shown below. The rate is determined by estimating the amount of revenue necessary to cover all personal services and operation costs and to maintain a sufficient working capital balance.

**Figure 2**

Department of Administration Director's Office Approved Rate for Director's Office				
Fee/Rate	Actual FY 2012	Budgeted FY 2013	Budgeted FY 2014	Budgeted FY 2015
Human resources portion of program (annually per FTE)	\$633	\$570	\$606	\$603
Remaining portion of the program (fixed amount for allocation)	\$1,009,516	\$902,951	\$1,269,878	\$1,269,231

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	18.67	18.67	18.67	18.67	18.67	18.67	0.00	0.00%
Personal Services	1,082,891	1,105,372	1,065,407	1,064,394	2,188,263	2,129,801	(58,462)	(2.67%)
Operating Expenses	236,172	273,572	250,704	249,733	509,744	500,437	(9,307)	(1.83%)
<b>Total Costs</b>	<b>\$1,319,063</b>	<b>\$1,378,944</b>	<b>\$1,316,111</b>	<b>\$1,314,127</b>	<b>\$2,698,007</b>	<b>\$2,630,238</b>	<b>(\$67,769)</b>	<b>(2.51%)</b>
General Fund	1,269,360	1,325,274	1,298,230	1,296,348	2,594,634	2,594,578	(56)	0.00%
Federal Special	1,066	4,910	1,066	1,065	5,976	2,131	(3,845)	(64.34%)
Other	48,637	48,760	16,815	16,714	97,397	33,529	(63,868)	(65.57%)
<b>Total Funds</b>	<b>\$1,319,063</b>	<b>\$1,378,944</b>	<b>\$1,316,111</b>	<b>\$1,314,127</b>	<b>\$2,698,007</b>	<b>\$2,630,238</b>	<b>(\$67,769)</b>	<b>(2.51%)</b>

### Program Description

The State Accounting Division consists of several programs/activities funded from the general, federal special, and proprietary funds. The State Accounting Division is made up of the:

- State Accounting Bureau
- Local Government Services Bureau
- Treasury Unit
- Social Security Administrator

The State Accounting Bureau:

- Is the process owner of the financial portion of the Statewide Budgeting, Accounting and Human Resource Systems (SABHRS):
- Establishes state accounting policies and procedures;
- Administers the federal Cash Management Improvement Act
- Prepares and negotiates the Statewide Cost Allocation Plan (SWCAP)
- Prepares the state Comprehensive Annual Financial Report (CAFR)
- Provides accounting assistance and training to state agencies

Local Government Services Bureau provides technical assistance and training to local government accounting and financial personnel. The bureau maintains and publishes the local government Budgetary, Accounting and Reporting System (BARS) chart of accounts and the county collection and accounting manuals. The Treasury Unit provides the central banking function for state agencies, reconciles the state bank accounts, and insures the collateralization of these bank accounts is maintained at the proper level. The State Social Security Administrator manages the Social Security Act Section 218 program for the State of Montana, including interpreting its provisions and insuring proper application of Social Security coverage to all State and political subdivision employees. The Administrator provides education and outreach to local governments to support them in this function.

## Program Highlights

State Accounting Division Major Budget Highlights
<ul style="list-style-type: none"> <li>◆ The majority of the funding in this program is from non-budgeted proprietary funds that do not show on the HB 2 tables</li> <li>◆ General fund support changes due to: <ul style="list-style-type: none"> <li>• Increases included in the statewide present law adjustments</li> <li>• Increased general fund costs for 1.00 FTE transferred from other divisions to create a social security administrator</li> <li>• Reductions for additional vacancy savings</li> </ul> </li> </ul>

## Program Narrative

General fund support for the program remains static between biennia due to:

- Increased personal service costs supported by general fund. In FY 2012 the agency transferred:
  - 0.51 FTE and \$40,000 general fund annually in personal services from the State Human Resource Division
  - 0.49 FTE and \$20,000 general fund annually in personal services from the Director's Office
- Increased vacancy savings of 2% included for all positions budgeted in HB 2, which reduced support for the division by \$240,900 over the biennium including a reduction in general fund of \$164,300

The division used the additional FTE to create a regulatory program manager position within the accounting bureau for the state social security administrator. The legislature provided costs of the position in the 2015 biennium that are \$45,000 in general fund above the transferred authority.

A portion of the increase in personal services was offset by the application of an additional 2% vacancy savings for the department. The calculated reduction in general fund and proprietary funds was included in the State Accounting Division. However, the legislature included language that allows the department to allocate the reduction across the various divisions. This means that the amount of the reduction allocated to the State Accounting Division will be changed when the department establishes its operating plan budgets at the beginning of the fiscal year.

## Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.



Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - State Accounting Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$2,594,578	\$0	\$4,118,056	\$6,712,634	40.1%	17-6-101	Direct
Federal Special Total	\$2,131	\$0	\$0	\$2,131	0.0%		
03320 Cmia Funds	\$2,131	\$0	\$0	\$2,131	0.0%		
Proprietary Total	\$33,529	\$9,997,447	\$0	\$10,030,976	59.9%		
06042 Single Audit Review - Hb328	\$0	\$822,697	\$0	\$822,697	4.9%		
06511 Sabhrs Services Bureau	\$0	\$7,665,673	\$0	\$7,665,673	45.8%		
06527 Investment Division	\$33,529	\$0	\$0	\$33,529	0.2%		
06564 Warrant Writing	\$0	\$1,509,077	\$0	\$1,509,077	9.0%		
Total All Funds	\$2,630,238	\$9,997,447	\$4,118,056	\$16,745,741	100.0%		
<b>Percent - Total All Sources</b>	<b>15.7%</b>	<b>59.7%</b>	<b>24.6%</b>				

*House Bill 2*

General fund in the program supports development of statewide accounting standards, treasury functions, and accounting assistance for local governments. Proprietary funding in HB 2 is a direct appropriation from the Board of Investments proprietary fund for services the Treasury Unit provides to the board. Federal support for cash management services declined 78% from budget projections for federal Cash Management Improvement Act funds that are deposited into the general fund.

*Proprietary Funding*

The majority of the office functions are funded with proprietary funds. These funds are considered and approved as rates charged to other divisions in the agency and are discussed in the “Proprietary Rates” section of the narrative.

*Statutory Appropriations*

About a quarter of the funding in the State Accounting Division is statutorily appropriated for use by the state treasurer. The state treasurer may contract with a financial institution to provide general depository banking services. The cost of contracting for banking services is statutorily appropriated, as provided in 17-7-502, MCA, from the general fund.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,269,360	1,269,360	2,538,720	97.85%	1,319,063	1,319,063	2,638,126	100.30%
Statewide PL Adjustments	107,427	105,823	213,250	8.22%	113,894	112,210	226,104	8.60%
Other PL Adjustments	3,591	3,362	6,953	0.27%	3,591	3,362	6,953	0.26%
New Proposals	(82,148)	(82,197)	(164,345)	(6.33%)	(120,437)	(120,508)	(240,945)	(9.16%)
<b>Total Budget</b>	<b>\$1,298,230</b>	<b>\$1,296,348</b>	<b>\$2,594,578</b>		<b>\$1,316,111</b>	<b>\$1,314,127</b>	<b>\$2,630,238</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					152,366					151,381
Vacancy Savings					(49,413)					(49,370)
Inflation/Deflation					80					223
Fixed Costs					10,861					9,976
<b>Total Statewide Present Law Adjustments</b>		<b>\$107,427</b>	<b>\$0</b>	<b>\$0</b>	<b>\$113,894*</b>		<b>\$105,823</b>	<b>\$0</b>	<b>\$0</b>	<b>\$112,210*</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(107,427)	0	0	(113,894)*	0.00	(105,823)	0	0	(112,210)*
DP 51 - Adjustment for Statewide Personal Services	0.00	97,031	0	0	102,953*	0.00	96,106	0	0	102,012*
DP 52 - Adjustment for Statewide Operations	0.00	10,621	0	0	11,166*	0.00	9,937	0	0	10,418*
DP 102 - Allocate department indirect/admin costs	0.00	3,366	0	0	3,366	0.00	3,142	0	0	3,142
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$3,591</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,591*</b>	<b>0.00</b>	<b>\$3,362</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,362*</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$111,018</b>	<b>\$0</b>	<b>\$0</b>	<b>\$117,485*</b>	<b>0.00</b>	<b>\$109,185</b>	<b>\$0</b>	<b>\$0</b>	<b>\$115,572*</b>

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

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 102 - Allocate department indirect/admin costs - The legislature included an increase of \$3,366 in FY 2014 and \$3,142 in FY 2015 for the division's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions in the Director's Office in the approved rates.

**New Proposals**

New Proposals										
	-----Fiscal 2014-----					-----Fiscal 2015-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 54 - Additional Vacancy Savings										
03	0.00	(82,148)	0	0	(120,437)*	0.00	(82,197)	0	(1)	(120,508)*
<b>Total</b>	<b>0.00</b>	<b>(\$82,148)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$120,437)*</b>	<b>0.00</b>	<b>(\$82,197)</b>	<b>\$0</b>	<b>(\$1)</b>	<b>(\$120,508)*</b>

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

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs.

## Proprietary Rates

The State Accounting Division provides the following functions with proprietary funds:

- Statewide Accounting, Budgeting, and Human Resource Program (SABHRS)
- Warrant Writer Program
- Local Government Audit and Reporting Program

These programs are described separately along with a discussion of program expenses, revenues, and rates being requested to finance each program.

## Statewide Accounting, Budgeting, and Human Resources Program - 06511

### *Program Description*

The Statewide Accounting, Budgeting and Human Resource Finance and Budget Bureau (SFAB) is responsible for operational support and maintenance of the enterprise financial and budget development information systems. Budget development business processes are supported by the Montana Budget, Analysis, and Reporting System (MBARS) modules. MBARS supports the executive planning process (EPP), long range building program, general budget building process, narrative publications, and budget implementation.

### *Proprietary Program Narrative*

#### Expenses

Significant costs for the program include:

- Personal services costs of \$2.6 million over the biennium to support 17.00 FTE
- Operating costs of \$5.0 million including:
  - \$3.2 million for computer costs
  - \$1.2 million for State Information Technology Services Division (SITSD) services such as application and server hosting

#### Revenues

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

- Costs to operate the program
- Maintaining a reasonable working capital balance, 60 working days

These components factor into the maximum allocation of costs in a rate that is approved by the legislature.

The program costs are allocated based on an agency's proportionate share of journal lines to the total journal lines of all agencies:

- 87% for financial system journal lines
- 13% for MBARS journal lines

Budget authority to pay the SABHRS allocation is a fixed cost in each agencies' budget and equals the revenues included in the proprietary rates for this program.

### *Proprietary Rates*

For the 2015 biennium the rates adopted by the legislature are shown on the following page. The rates charged in the base year are shown for comparison purposes. The legislature adopted rates that were 1.2% lower than the rates proposed by the executive by reducing funding for a computer security specialist position that had been vacant since 5/8/2010.

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

Department of Administration State Accounting Division SABHRS				
	Actual FYE 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
SABHRS Services Fee	\$2,961,333	\$3,554,526	\$3,689,397	\$3,346,369
Working Capital	\$505,849	\$505,849	\$505,849	\$505,849
*Note: This analysis does not include OBEP expenses.				

**Warrant Writer Program - 06564**

*Program Description*

The department provides the check writing and automatic-deposit services for most state agencies through the Warrant Writer Program. The program produces and processes these payments and tracks them on SABHRS. The program generates, tracks, and reconciles each warrant. Warrant printing is provided by Print and Mail Services within the General Services Division. The services the program offers include direct deposit, warrant consolidation, stopping of payments, warrant cancellations, emergency warrants, duplicate warrants, warrant certification, warrant research, vendor file maintenance, and federal 1099-MISC processing.

*Program Narrative*

Expenses

Significant costs for the program include:

- o Personal services costs of \$0.4 million over the biennium to support 5.33 FTE
- o Operating costs of \$1.1 million including:
  - o \$0.6 million for mailing costs
  - o \$0.3 million for printing costs

Revenues

As the service is mandated by statute, no alternative exists for state agencies that need checks processed and funds transferred to vendors electronically if they use the state accounting system. Revenues are derived from monthly billings based on actual warrants issued.

Budget authority to pay the costs is a fixed cost item in agencies' budgets. The statewide fixed cost in the executive budget is \$450,000 lower for the 2015 biennium than the funding approved by the 2013 Legislature. All fees, except the duplicate payment processing, decreased for fiscal years 2014 and 2015. This results from savings generated by a move of the printing processes to the Print and Mail function in the General Services Division and the continued increase in the use of electronic payments by the agencies.

*Proprietary Rates*

For the 2015 biennium the rates adopted by the legislature are shown in the table. The rates charged in the base year are shown for comparison purposes.

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

Department of Administration State Accounting Division Warrant Writer Program				
	Actual FYE 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
Fee Group A				
Mailer	\$0.74392	\$0.74464	\$0.67693	\$0.67112
Non-Mailer	0.28392	0.28464	0.24493	0.24912
Emergency	14.11292	14.11364	9.88544	9.88963
Duplicates	3.35417	3.35489	7.08394	7.08812
Externals				
Externals - Payroll	0.20512	0.21239	0.18730	0.19149
Externals - Universities	0.13859	0.13907	0.12394	0.12260
Direct Deposit				
Direct Deposit - Mailer	0.81859	0.82907	0.70654	0.69520
Direct Deposit - No Advice Printed	0.13859	0.13907	0.12394	0.12260
Unemployment Insurance				
Mailer - Print Only	0.14533	0.14557	0.12099	0.12652
Direct Deposit - No Advice Printed	0.04769	0.04785	0.03618	0.03614
Fiscal Year End Working Capital	\$41,320	\$52,291	\$58,208	\$56,466
Note: This analysis does not include OPEB expenses.				

**Local Government Audit and Reporting Program - 06042***Program Description*

The Audit Review program is responsible for administering the provisions of the Montana Single Audit Act, which specifies the audit requirements for about 900 Montana local government entities. The work of the Audit Review Program is mandated primarily in 2-7-5, MCA. The program reviews financial reports and enters selected data into a statewide data base and notifies state agencies of audit findings related to financial assistance programs that they administer. The program also maintains a roster of independent auditors authorized to conduct local government audits.

Additionally this program provides technical accounting and reporting assistance to local governments and the other staff within the bureau on an as needed basis.

*Program Narrative*Expenses

Significant costs for the program include:

- Personal services costs of \$0.6 million over the biennium to support 5.00 FTE
- Operating costs of \$0.2 million including:
  - \$60,200 for office rent
  - \$26,600 for indirect costs paid for management services provided by the Director's Office

Revenues

Fees include a:

- Report filing fee based upon costs incurred by the department for administering the Audit Review Program. All local government entities that are required to submit audits pay the filing fee
- Financial review fee collected from local governments that are required to submit financial reviews
- Roster fee collected from certified public accountants for inclusion on a roster of independent auditors who are authorized to audit local government entities in Montana.
- Late payment penalty incurred when a local government entity fails to file a report as required
- Fine for failure to file audits or reports as required

The program also may receive reimbursement for audited entities for costs to contract for special audits as requested.

*Proprietary Rates*

Funding for the program is with enterprise type proprietary funds. As such, the legislature does not approve rates or appropriate funds for this proprietary funded program. The fees shown on the following page are adopted in the Administrative Rules of Montana or required in statute.

Department of Administration State Accounting Division Local Government Audit and Reporting Program				
	Actual FY 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
Variable fee, as follows:				
Major Fee: Local Government Report Filing Fee				
Annual revenues less than \$200,000	\$0	\$0	\$0	\$0
Annual revenues equal to or greater than \$200,000, but less than \$500,000	0	0	0	0
Annual revenues equal to or greater than \$500,000, but less than \$1,000,000	435	435	435	435
Annual revenues equal to or greater than \$1,000,000, but less than \$1,500,000	635	635	635	635
Annual revenues equal to or greater than \$1,500,000, but less than \$2,500,000	760	760	760	760
Annual revenues equal to or greater than \$2,500,000, but less than \$5,000,000	845	845	845	845
Annual revenues equal to or greater than \$5,000,000, but less than \$10,000,000	890	890	890	890
Annual revenues are equal to or greater than \$10,000,000, but less than \$50,000,000	965	965	965	965
Annual revenues are equal to or greater than \$50,000,000	1,000	1,000	1,000	1,000
Minor Fee: Auditor Roster Fee				
Annual Fee	\$100	\$100	\$100	\$100
Working Capital (November)	\$366,738	\$342,942	\$324,781	\$307,170
<u>Note:</u> Because of the timing of revenue collections, the low point on working capital for this fund is November of each year.				
*Note: This analysis does not include OPEB expenses.				

Due to concerns that the fees charged to local governments were not commensurate with costs of administering the program the Joint Appropriations Subcommittee on General Government recommended that the Legislative Finance Committee monitor progress by the State Accounting Division in lowering the fees for the Local Government and Reporting Program including:

- o Reduction of excess fund balance in the related proprietary fund
- o Fees commensurate with the costs of operating the program

The subcommittee also recommended that a report on the progress be provided to the 2015 Joint Appropriations Subcommittee on General Government.

### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	17.00	17.00	17.00	17.00	17.00	17.00	0.00	0.00%
Personal Services	1,295,638	1,305,035	1,332,445	1,332,830	2,600,673	2,665,275	64,602	2.48%
Operating Expenses	580,784	576,549	530,682	529,875	1,157,333	1,060,557	(96,776)	(8.36%)
Transfers	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$1,876,422</b>	<b>\$1,881,584</b>	<b>\$1,863,127</b>	<b>\$1,862,705</b>	<b>\$3,758,006</b>	<b>\$3,725,832</b>	<b>(\$32,174)</b>	<b>(0.86%)</b>
State Special	1,876,422	1,881,584	1,863,127	1,862,705	3,758,006	3,725,832	(32,174)	(0.86%)
Other	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$1,876,422</b>	<b>\$1,881,584</b>	<b>\$1,863,127</b>	<b>\$1,862,705</b>	<b>\$3,758,006</b>	<b>\$3,725,832</b>	<b>(\$32,174)</b>	<b>(0.86%)</b>

### Program Description

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

### Program Highlights

<b>Architecture &amp; Engineering Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ Reductions in operating expenses funded with state special revenue costs are due to changes in the statewide indirect costs allocated to the program</li> </ul>

### Program Narrative

Biennial changes between 2013 biennium and 2015 biennium result from changes to the state indirect costs allocated to the program. Costs for state indirect costs are reduced by \$194,400 over the 2015 biennium, offsetting increases for other operating costs and overall reducing operating expenses in the 2015 biennium.

### Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - Architecture & Engineering Pgm							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$3,725,832	\$0	\$0	\$3,725,832	100.0%		
02030 Arch & Engin Construction	\$3,725,832	\$0	\$0	\$3,725,832	100.0%		
Total All Funds	\$3,725,832	\$0	\$0	\$3,725,832	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The Architecture and Engineering Program is funded with funds transferred from the long-range building capital projects fund to a state special revenue account established for administrative expenses in support of the state Long-range Building Program.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	1,876,422	1,876,422	3,752,844	100.72%
Statewide PL Adjustments	0	0	0	0.00%	(23,719)	(23,838)	(47,557)	(1.28%)
Other PL Adjustments	0	0	0	0.00%	10,424	10,121	20,545	0.55%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$1,863,127</b>	<b>\$1,862,705</b>	<b>\$3,725,832</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					92,326					92,726
Vacancy Savings					(55,519)					(55,534)
Inflation/Deflation					(1,055)					(546)
Fixed Costs					(59,471)					(60,484)
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>(\$23,719)</b>	<b>\$0</b>	<b>(\$23,719)</b>		<b>\$0</b>	<b>(\$23,838)</b>	<b>\$0</b>	<b>(\$23,838)</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	0	23,719	0	23,719	0.00	0	23,838	0	23,838
DP 51 - Adjustment for Statewide Personal Services	0.00	0	36,807	0	36,807	0.00	0	37,192	0	37,192
DP 52 - Adjustment for Statewide Operations	0.00	0	(60,321)	0	(60,321)	0.00	0	(60,830)	0	(60,830)
DP 102 - Allocate Department Indirect/Admin Costs	0.00	0	10,219	0	10,219	0.00	0	9,921	0	9,921
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$10,424</b>	<b>\$0</b>	<b>\$10,424</b>	<b>0.00</b>	<b>\$0</b>	<b>\$10,121</b>	<b>\$0</b>	<b>\$10,121</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>(\$13,295)</b>	<b>\$0</b>	<b>(\$13,295)</b>	<b>0.00</b>	<b>\$0</b>	<b>(\$13,717)</b>	<b>\$0</b>	<b>(\$13,717)</b>



DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 102 - Allocate Department Indirect/Admin Costs - The legislature approved funding the division's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	11.25	11.25	11.25	11.25	11.25	11.25	0.00	0.00%
Personal Services	631,242	668,361	681,346	681,031	1,299,603	1,362,377	62,774	4.83%
Operating Expenses	1,339,564	1,337,919	1,384,957	1,337,116	2,677,483	2,722,073	44,590	1.67%
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	32,050	0	0	0	32,050	0	(32,050)	(100.00%)
<b>Total Costs</b>	<b>\$2,002,856</b>	<b>\$2,006,280</b>	<b>\$2,066,303</b>	<b>\$2,018,147</b>	<b>\$4,009,136</b>	<b>\$4,084,450</b>	<b>\$75,314</b>	<b>1.88%</b>
General Fund	1,949,942	1,953,234	2,004,122	1,956,166	3,903,176	3,960,288	57,112	1.46%
State Special	52,914	53,046	62,181	61,981	105,960	124,162	18,202	17.18%
Other	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$2,002,856</b>	<b>\$2,006,280</b>	<b>\$2,066,303</b>	<b>\$2,018,147</b>	<b>\$4,009,136</b>	<b>\$4,084,450</b>	<b>\$75,314</b>	<b>1.88%</b>

**Program Description**

The General Services Division is composed of four bureaus responsible for providing certain internal services to government agencies and the public.

The Facilities Management Bureau manages the following services for state agencies in the capitol complex and several state-owned buildings in the Helena area either directly or through the administration of service contracts: repair, maintenance, construction, energy consumption, disaster response and recovery, space allocation, lease negotiation, security, janitorial, recycling, pest control, grounds maintenance, and garbage collection.

The State Procurement Bureau procures or supervises the procurement of all supplies and services, and provides technical assistance to government agencies and the public to ensure compliance with the Montana Procurement Act. The bureau also manages the state's energy procurement, vehicle fueling and procurement card programs.

The Print and Mail Services Bureau provides print and mail services to state agencies. Services include internal and external (contracted) printing, photocopy pool services, mail preparation, central mail operations, and inter-agency (deadhead) mail. The bureau also operates the United States post office in the Capitol and provides two quick copy locations on the Capitol Complex.

The Property and Supply Bureau manages the central stores program and the state and federal surplus property programs.

**Program Highlights**

<b>General Services Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ Non-budgeted proprietary funds provide over 90% of the support for the program</li> <li>◆ Increases to personal services and operating expenses are made as part of the statewide present law adjustments</li> <li>◆ Debt service is reduced due to a reduction in general fund supporting an installment purchase associated with the OPI building lease</li> <li>◆ \$1.2 million in general fund annually supporting the common areas was removed from the base budget and provided as a one-time-only appropriation</li> <li>◆ The legislature eliminated 3.00 FTE supported by proprietary rates</li> </ul>

## Program Narrative

### *HB 2*

Support for the program included in HB 2 increased when comparing the 2015 biennium to the 2013 biennium due to:

- Personal service increases of about \$100,000 over the 2015 biennium contained in the statewide present law adjustments
- Fixed costs adjustments of \$37,000 over the 2015 biennium

Beginning in the 2009 biennium, the Facilities Management Bureau began charging common areas of three state buildings rent and maintenance fees to fund the related operations and maintenance costs. The common areas include:

- Hallways and bathrooms in the Capitol Building
- Office space for the Senate and House of Representatives in the Capitol Building
- Governor's Mansion
- Public display areas in the Montana Historical Society Museum
- Office space in the Montana Historical Society Museum

This funding was included as part of the division's base budget in the 2015 biennium. The legislature provided \$1.2 million in general fund each year of the biennium for the maintenance of the common areas. However, the funding was removed from the base budget and included as a one-time-only appropriation. For the 2017 biennium, the division will need to request funding for the maintenance of the common areas as a new decision package outlining the uses of the funding in the 2015 biennium and justifying the need for the level of funding in the 2017 biennium.

### *Proprietary funding*

The legislature eliminated funding for a number of positions previously approved as part of proprietary rates, including:

- 0.23 FTE – short term worker
- 1.00 FTE – mail clerk
- 0.77 FTE – accounting technician
- 1.00 FTE – accountant

Also eliminated was \$0.2 million in proprietary funding supporting the positions.

The legislature also approved the elimination of the Central Stores Program as recommended by the Legislative Audit Division. The legislature eliminated 7.00 FTE and \$9.2 million in proprietary funding was reduced in the rate approved by the legislature. In addition, the legislature transferred \$0.5 million in fund balance from the central stores account to the general fund as the elimination of the program also reduced the need for a fund balance to provide for working capital.

## Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - General Services Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$3,960,288	\$0	\$266,028	\$4,226,316	9.3%	17-3-106	Direct
State Special Total	\$124,162	\$0	\$0	\$124,162	0.3%		
02211 Procurement Special Revenue	\$124,162	\$0	\$0	\$124,162	0.3%		
Proprietary Total	\$0	\$41,007,058	\$0	\$41,007,058	90.4%		
06066 Surplus Property	\$0	\$1,001,068	\$0	\$1,001,068	2.2%		
06528 Rent And Maintenance	\$0	\$18,193,467	\$0	\$18,193,467	40.1%		
06530 Print & Mail Services	\$0	\$21,669,609	\$0	\$21,669,609	47.8%		
06531 Central Stores	\$0	\$142,914	\$0	\$142,914	0.3%		
Total All Funds	\$4,084,450	\$41,007,058	\$266,028	\$45,357,536	100.0%		
<b>Percent - Total All Sources</b>	<b>9.0%</b>	<b>90.4%</b>	<b>0.6%</b>				

*HB 2 Funding*

General fund provides funding for the State Procurement Bureau and about 11.5% of the total costs for the Facilities Management Bureau. General fund supports facilities maintenance functions for common areas of the Capitol Building, office space for the Senate and House of Representatives, Governor’s mansion, public display areas in the Historical Society Museum, and some office space in the museum building.

State special revenues from procurement rebates fund a portion of the procurement functions that provide the fueling and procurement card operations.

*Proprietary Funds*

The majority of the office functions are funded with proprietary funds. These funds are considered and approved as rates charged to other divisions in the agency and are discussed in the “Proprietary Rates” section of the narrative.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,949,942	1,949,942	3,899,884	98.47%	2,002,856	2,002,856	4,005,712	98.07%
Statewide PL Adjustments	83,130	35,308	118,438	2.99%	92,446	44,433	136,879	3.35%
Other PL Adjustments	(28,950)	(29,084)	(58,034)	(1.47%)	(28,999)	(29,142)	(58,141)	(1.42%)
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$2,004,122</b>	<b>\$1,956,166</b>	<b>\$3,960,288</b>		<b>\$2,066,303</b>	<b>\$2,018,147</b>	<b>\$4,084,450</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					78,492					78,166
Vacancy Savings					(28,388)					(28,377)
Inflation/Deflation					64					119
Fixed Costs					42,278					(5,475)
<b>Total Statewide Present Law Adjustments</b>		<b>\$83,130</b>	<b>\$9,316</b>	<b>\$0</b>	<b>\$92,446</b>		<b>\$35,308</b>	<b>\$9,125</b>	<b>\$0</b>	<b>\$44,433</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(83,130)	(9,316)	0	(92,446)	0.00	(35,308)	(9,125)	0	(44,433)
DP 51 - Adjustment for Statewide Personal Services	0.00	44,301	5,803	0	50,104	0.00	44,056	5,733	0	49,789
DP 52 - Adjustment for Statewide Operations	0.00	38,956	3,521	0	42,477	0.00	(8,624)	3,400	0	(5,224)
DP 102 - Allocate Department Indirect/Admin Costs	0.00	2,973	(57)	0	2,916	0.00	2,842	(66)	0	2,776
DP 606 - Eliminate General Fund Installment Purchase Budget	0.00	(32,050)	0	0	(32,050)	0.00	(32,050)	0	0	(32,050)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>(\$28,950)</b>	<b>(\$49)</b>	<b>\$0</b>	<b>(\$28,999)</b>	<b>0.00</b>	<b>(\$29,084)</b>	<b>(\$58)</b>	<b>\$0</b>	<b>(\$29,142)</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$54,180</b>	<b>\$9,267</b>	<b>\$0</b>	<b>\$63,447</b>	<b>0.00</b>	<b>\$6,224</b>	<b>\$9,067</b>	<b>\$0</b>	<b>\$15,291</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 102 - Allocate Department Indirect/Admin Costs - The legislature included funding for indirect/administrative costs for services provided by proprietary funded centralized service functions in the Director’s Office.

DP 606 - Eliminate General Fund Installment Purchase Budget - The legislature reduced general fund for the installment purchase associated with the OPI building lease that was completed June 30, 2012.

**New Proposals**

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 613 - Facilities Management for Common Areas (OTO)	06	0.00	0	0	0	0	0.00	0	0	0	0
<b>Total</b>		<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

DP 613 - Facilities Management for Common Areas (OTO) - The legislature provided a one-time-only appropriation to support maintenance and repair projects for the common areas of state buildings in the capitol complex of \$1.2 million for each year of the biennium. The common areas include office spaces for the House of Representatives and Senate,

Governor's Mansion, public display areas in the Historical Society Museum, and some office space in the museum building. This funding was previously considered part of the base budget resulting in no change to the budget overall.

### **Proprietary Rates**

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

- Facilities Management (Rent and Maintenance)
- Print Services
- Mail Services
- Surplus Property
- Central Stores

These programs are described in the following pages along with a discussion of each program's revenues, expenditures, and rates being requested to finance the program.

### **Facilities Management Bureau - 06528**

#### *Program Description*

Rent and maintenance is managed by the Facilities Management Bureau, which is the custodian of all state property and grounds in the state capitol area. The state capitol area is the geographic area within a 10-mile radius of the state capitol. Services include providing facilities management assistance, including repair, maintenance, and construction services to state agencies in the Helena area and providing statewide leasing assistance to agencies to negotiate co-location of agencies when procuring leased space for field offices. The bureau also manages the office waste paper products recycling program in the Helena area. The program services all agencies and units within state government.

#### *Program Narrative*

#### Expenses

Significant costs for the program in the 2015 biennium include:

- Personal services for 35.05 FTE are \$3.9 million
- Operating costs are \$13.1 million
  - Janitorial services - \$2.5 million
  - Caretaker services - \$2.6 million
  - Electricity - \$2.8 million
  - Natural gas - \$0.6 million
  - Building and grounds maintenance and repair - \$0.8 million

#### Revenues

All agencies occupying office space in a state-owned building on the capitol complex pay rent to the program. Separate rental rates are established for office and storage space and for the grounds. In addition to rent payments, agencies pay a percentage of the costs for non-routine maintenance projects. These fees are charged at different rates depending on whether bureau or contracted employees are used to complete the project. The revenues from fees are budgeted in the following percentages:

- 92% - Square footage rental rate for office and warehouse space billed to agencies occupying space in state owned buildings controlled by the Department of Administration
- 5% - Grounds maintenance
- 2% - Construction and handyman services. These services are outside the scope of rent and include remodeling, relocating offices, repair and maintenance, and construction services
- 1% - Recycling

*Proprietary Rates*

For the 2015 biennium the legislature adopted the following rates. The rates charged in the base year are shown for comparison purposes.

Department of Administration General Services Division Facilities Management				
	Actual FYE 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
Office Rent (per sq. ft.)	\$8.412	\$8.460	\$8.434	\$8.217
Storage Rent (per sq. ft.)	4.844	4.876	4.625	4.637
Project Management (In-house)	15%	15%	15%	15%
Project Management (Contracted)	5%	5%	5%	5%
Grounds Maintenance (per sq. ft.)	0.494	0.494	0.491	0.049

Rent is based on square feet occupied and is assessed each agency in the buildings controlled by the Department of Administration. The rates are established to cover the cost of personal services, operating expenses including maintenance and equipment. Grounds maintenance charges are also based on square feet of office space occupied in buildings controlled by the Department of Administration. Again, the rates are established to cover the cost of personal services, operating expenses including maintenance, and equipment replacement.

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

**Print & Mail Services Bureau (Fund 06530)**

*Program Description*

The Print & Mail Services Bureau provides printing and mail services to all agencies within state government. The bureau has seven components: 1) internal printing; 2) external (contracted) printing; 3) photocopy pool; 4) mail preparation; 5) central mail operations; 6) inter-agency (deadhead mail); and 7) a postal station in the Capitol. All printing or purchasing of printing is requested through Print & Mail Services, which determines the most cost effective method of project completion. Approximately 67 % of printing expenditures are procured through commercial vendors.

The Postal Contract Station provides mail services to the public.

*Program Narrative*

Expenses

Significant costs for the program are for:

- o Personal services for 34.80 FTE at a biennial cost of \$3.0 million
- o Operating expenses of \$17.9 million over the 2015 biennium:
  - o Postage and mailing, \$8.4 million
  - o Printing, \$5.6 million
  - o Direct materials for printing, \$0.9 million

Revenues

All agencies in Helena use the services of this program depending upon their printing and mail needs. Printing revenue is based on the actual type and volume of printing provided and mail services is based on agency specified service frequency. Revenue is received in the following percentages:

- o Internal Printing - 16.45%
- o External (contracted) printing - 26.72%
- o Photocopy Pool - 4.94%
- o Mail Preparation - 6.60%
- o Central Mail Operations - 42.00%
- o Inter-agency (Deadhead Mail) - 2.91%
- o Postal Contract Station (\$3,248 monthly from the U.S. Postal Service for operation of the Capitol Post Office) 38%

*Proprietary Rates*

For the 2015 biennium the legislature adopted the following rates as shown below. The rates charged in the base year are shown for comparison purposes.

Department of Administration General Services Division Print and Mail Services				
Fee group and fees	FY 2012	FY 2013	FY 2014	FY 2015
Internal Printing				
Impression Cost				
1-20	\$0.0762	\$0.0762	\$0.0800	\$0.0800
21-100	0.0336	0.0336	0.0360	0.0360
101-1000	0.0193	0.0193	0.0200	0.0200
1001-5000	0.0078	0.0078	0.0080	0.0080
5000+	0.0039	0.0039	0.0040	0.0040
Color Copy				
8 1/2 x 11	0.2500	0.2500	0.2500	0.2500
11 x 17	0.5000	0.5000	0.5000	0.5000
Ink				
Black per Sheet	0.0002	0.0002	0.0002	0.0002
Color	15.0000	15.0000	15.0000	15.0000
Special Mix	25.0000	25.0000	25.0000	25.0000
Large format color per ft.	12.7000	12.7000	12.7000	12.7000
Collating machine	0.0072	0.0072	0.0080	0.0080
Collating hand	0.6000	0.6000	0.6000	0.6000
Stapling hand	0.0180	0.0180	0.0180	0.0180
Stapling In-line	0.0120	0.0120	0.0120	0.0120
Saddle Stitch	0.0360	0.0360	0.0360	0.0360
Folding (base + per sheet)	12.00 + .006	12.00 + .006	12.00 + .006	12.00 + .006
Folding Rt Angle (base + per sheet)	12.00 + .006	12.00 + .006	12.00 + .006	12.00 + .006
Folding In-line	0.0360	0.0360	0.0360	0.0360
Punching Standard 3-hole	0.0012	0.0012	0.0012	0.0012
Punching Nonstandard (base + per sheet)	3.60 + .0012	3.60 + .0012	3.60 + .0012	3.60 + .0012
Cutting	0.6600	0.6600	0.6600	0.6600
Padding	0.0024	0.0024	0.0024	0.0024
Scoring, perf, numb (setup + duplicating rate)	6.00 + Dup Rate	6.00 + Dup Rate	6.00 + Dup Rate	6.00 + Dup Rate
Perfect Binding (setup + per sheet)	18.00 + .66	18.00 + .66	18.00 + .66	18.00 + .66
Spiral Binding	0.6900	0.6900	0.6900	0.6900
Laminating				
8 1/2 x 11	0.5700	0.5700	0.5700	0.5700
11 x 17	0.8500	0.8500	0.8500	0.8500
Tape Binding	0.6000	0.6000	0.6000	0.6000
Tabs	0.6000	0.6000	0.6000	0.6000
Transparencies	0.6000	0.6000	0.6000	0.6000
Shrink Wrapping	0.3000	0.3000	0.3000	0.3000
Hand work Production	0.6000	0.6000	0.6000	0.6000
Overtime	22.1500	22.1500	24.0000	24.0000
Desktop	46.3600	46.3600	50.0000	50.0000
Scan	9.5200	9.5200	9.5200	9.5200
Proof	0.2500	0.2500	0.2500	0.2500



Continued Rates - Print and Mail - Printing Rates				
Fee group and fees	FY 2012	FY 2013	FY 2014	FY 2015
Programming	\$45.4600	\$45.4600	\$50.0000	\$50.0000
File Transfer	22.7300	22.7300	25.0000	25.0000
Variable Data	0.0090	0.0090	0.0200	0.0200
Mainframe printing	0.0690	0.0690	0.0690	0.0690
CD Duplicating	1.7500	1.7500	1.7500	1.7500
DVD Duplication	3.5000	3.5000	3.5000	3.5000
CTP Plates				
8 1/2 x 11	9.2000	9.2000	9.2000	9.2000
11 x 17	10.3500	10.3500	10.3500	10.3500
External Printing (% markup on invoice)	6.73%	6.73%	6.73%	6.73%
Photocopy Pool (% markup on invoice)	15.90%	15.90%	15.90%	15.90%
Inventory (% markup on invoice)	0.00%	0.00%	15.00%	15.00%
Mail Preparation				
Tabbing	0.0210	0.0210	0.0210	0.0210
Labeling	0.0210	0.0210	0.0210	0.0210
Ink Jet	0.0340	0.0340	0.0340	0.0340
Inserting	0.0300	0.0300	0.0300	0.0300
Winsort	0.0620	0.0620	0.0690	0.0690
Permit mailings	0.0620	0.0620	0.0690	0.0690
Mail Operations				
Machinable	0.0430	0.0430	0.0430	0.0430
Nonmachinable	0.0800	0.0800	0.1000	0.1000
Seal Only	0.0200	0.0200	0.0200	0.0200
Postcards	0.0490	0.0490	0.0600	0.0600
Certified Mail	0.6140	0.6140	0.6140	0.6140
Registered Mail	0.6140	0.6140	0.6140	0.6140
International Mail	0.4000	0.4000	0.5000	0.5000
Flats	0.1100	0.1100	0.1400	0.1400
Priority	0.6140	0.6140	0.6140	0.6140
Express Mail	0.6140	0.6140	0.6140	0.6140
USPS Parcels	0.4000	0.4000	0.5000	0.5000
Insured Mail	0.6140	0.6140	0.6140	0.6140
Media Mail	0.3070	0.3070	0.3070	0.3070
Standard Mail	0.2000	0.2000	0.2000	0.2000
Postage Due	0.0610	0.0610	0.0610	0.0610
Fee Due	0.0610	0.0610	0.0610	0.0610
Tapes	0.2450	0.2450	0.2450	0.2450
Express Services	0.5000	0.5000	0.5000	0.5000
Interagency Mail - annually	\$297,657	\$297,657	\$314,750	\$314,750
Postal Contract (Capitol) - annually	\$38,976	\$38,976	\$38,976	\$38,976

Print and Mail Services has over 100 rates used to provide services to agencies. Overall volume of services is projected to remain constant. Direct and administrative overhead is allocated to each program. Costs are recovered by charging for each unit of service provided. External printing and the photocopy pool recover costs by charging a percentage markup on the invoice for the printing job and/or photocopier. Each rate includes personal services costs, operating costs, and administrative overhead.

**Central Stores Program (Fund 06531)***Program Description*

The Central Stores program contracts with a large warehouse distribution center to provide on-line ordering for office supplies. The program also develops standard specifications and procedures, warehouses and delivers commonly used office supplies, paper products, and janitorial supplies to all state agencies and participating local governments. 18-4-221, MCA, requires the Department of Administration to procure or supervise the procurement of all supplies and services needed by the state. Customers include all agencies and units within state government, and participating local governments.

18-4-302(3), MCA, requires state agencies to use Central Stores unless an alternate supplier's publicly advertised price, established catalog price, or discount price offered to the agency is less than the price offered by the Central Stores program if the office supply conforms in all material respects to the terms, conditions, and quality offered by the Central Stores Program. Local governments and University System employees are provided optional use of central stores.

*Program Narrative*

The Legislative Audit Division (LAD) examined the central stores function with the objectives of:

- Determining if the processes in place for office supply acquisition obtain products at the lowest available price
- Evaluating management of the office supply acquisition processes

The audit determined that the state may be able to generate savings and shorten delivery time by eliminating the products sold directly through the central stores function. To ensure that the contractor for the function complies with contract requirements the audit also concluded that the bureau should periodically review contractor performance. According to the auditors, the department has recently added a position with the capacity to complete such work.

The audit recommended that the Department of Administration:

- Seek a statewide contract for office supplies that features direct delivery of products from a vendor to the ordering agency
- Include the office supplies currently sold through Central Stores in a new direct delivery statewide contract for online ordering of office supplies
- Establish a process to coincide with contractor reporting periods to review the office supply contractor's performance in comparison to contract terms and conditions

The legislature eliminated 7.0 FTE and \$9.2 million from the program to implement the audit division recommendation. It is the legislature's intent that the Department of Administration develop contracts separately for coarse paper, janitorial supplies, and food service disposables in addition to the statewide contract for office supplies, and that the 2% rate apply to all contracts.

Expenses

Significant costs for the program are for:

- Personal services support of \$105,200 for 1.0 FTE to monitor the contract
- Operating costs of \$38,000 for office space and related costs of the contract administrator

Revenues

The costs associated with contract administration would be assessed a rate of 2.0% generating \$95,600 each year of the biennium.

*Proprietary Rates*

For the 2015 biennium the following rates are proposed by the executive are shown on the following page. The rates charged in the base year are shown for comparison purposes.

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

**Surplus Property Program - 06066**

*Program Description*

The Property & Supply Bureau operates the surplus property program to administer the sale of surplus property no longer needed by agencies. This property is distributed to state agencies or other eligible organizations. The program sells property through on-line auction, fixed price warehouse sales, public auction and garage sales. The surplus property program services include extending the life of state property by providing a mechanism to transfer surplus property between agencies, providing accountability in the disposal of surplus state property, providing agencies with a surplus equipment pick up service, and providing a screening service to locate federal surplus property for state and local agencies.

Department of Administration General Services Division Central Stores Program				
	Actual FY 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
Fee Group A	-	-	-	-
Central Stores Supplies	20%	20%	2%	2%
Central Stores was provided a maximum mark up of 2%				

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

### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	9.50	9.50	7.00	7.00	9.50	7.00	(2.50)	(26.32%)
Personal Services	585,595	544,641	620,011	623,188	1,130,236	1,243,199	112,963	9.99%
Operating Expenses	174,109	240,701	1,151,652	1,150,845	414,810	2,302,497	1,887,687	455.07%
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Grants	0	0	0	0	0	0	0	n/a
Transfers	761,110	1,160,559	0	0	1,921,669	0	(1,921,669)	(100.00%)
<b>Total Costs</b>	<b>\$1,520,814</b>	<b>\$1,945,901</b>	<b>\$1,771,663</b>	<b>\$1,774,033</b>	<b>\$3,466,715</b>	<b>\$3,545,696</b>	<b>\$78,981</b>	<b>2.28%</b>
General Fund	404,563	422,323	458,554	460,823	826,886	919,377	92,491	11.19%
State Special	1,116,251	1,523,578	383,109	383,210	2,639,829	766,319	(1,873,510)	(70.97%)
Federal Special	0	0	930,000	930,000	0	1,860,000	1,860,000	n/a
<b>Total Funds</b>	<b>\$1,520,814</b>	<b>\$1,945,901</b>	<b>\$1,771,663</b>	<b>\$1,774,033</b>	<b>\$3,466,715</b>	<b>\$3,545,696</b>	<b>\$78,981</b>	<b>2.28%</b>

### Program Description

State Information Technology Services Division (SITSD) is a proprietary program that manages central computing and telecommunications services for state government. SITSD provides central mainframe and mid-tier computer services, and manages the statewide data network SummitNet, used by all agencies located throughout the state. SITSD provides local and long distance telephone network services used by all agencies, including the university system, and manages the state's video network. SITSD coordinates electronic government services for the state, and manages the state's Internet presence mt.gov. SITSD also manages the Security and Continuity and Information Technology (IT) PM Enterprise Offices.

The division manages the Public Safety Services Office that includes the state's 911 and public safety radio programs. These programs are funded by state special and federal special funds and general fund.

Through the office of the Chief Information Officer, the division develops the Statewide Strategic IT Plan, coordinates information technology for the state, and reviews and approves IT acquisitions. The division also provides statewide IT training, and establishes hardware, software, and consulting services contracts used by agencies.

### Program Highlights

<b>State Information Technology Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The majority of the funding in this program is proprietary funds</li> <li>◆ State special revenues and transfers are reduced due to passage and approval of HB 38, which transferred responsibilities for the Montana Land Information Act to the Montana State Library (MSL). In FY 2012 the State Information Technology Division transferred funding to MSL but statutorily was responsible for the program</li> </ul>

### Program Narrative

State special revenues decline significantly in the program due to the legislature transferring responsibilities and funding for the Montana Land Information Act, including 2.50 FTE, to the Montana State Library as part of HB 38. This reduced funding in this program by \$1.9 million over the biennium.

In addition, the legislature increased federal funding authority \$1.9 million for a FirstNet Planning Grant included in the Middle Class Tax Relief and Job Creation Act of 2012. The funding supports the establishment of a nationwide interoperable public safety communications network to resolve the communications challenges faced by emergency responders. The funding is to be used to identify, plan, and implement a secure, reliable, and dedicated network for emergency responders to communicate during an emergency.

Other increases for the 2015 biennium were approved as part of the statewide present law adjustments including:

- o \$257,000 for personal service adjustments
- o \$257,000 for fixed costs adjustments

## Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - State Information Technology Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$919,377	\$0	\$0	\$919,377	0.9%		
State Special Total	\$766,319	\$0	\$27,451,730	\$28,218,049	26.4%		
02105 Basic 9-1-1 Emrgncy Phone Prog	\$0	\$0	\$6,572,348	\$6,572,348	6.1%	10-4-301	Direct
02397 Enhanced 9-1-1 Emerg Tel Pgm	\$0	\$0	\$6,559,230	\$6,559,230	6.1%	10-4-301	Direct
02594 Basic 911 Emerg Phone Program	\$766,319	\$0	\$0	\$766,319	0.7%		
02993 Wireless 911	\$0	\$0	\$6,582,980	\$6,582,980	6.2%	10-4-301	Direct
02994 Wireless 911 Providers	\$0	\$0	\$7,737,172	\$7,737,172	7.2%	10-4-301	Direct
Federal Special Total	\$1,860,000	\$0	\$0	\$1,860,000	1.7%		
03485 Firstnet Planning Grant	\$1,860,000	\$0	\$0	\$1,860,000	1.7%		
Proprietary Total	\$0	\$75,904,410	\$0	\$75,904,410	71.0%		
06522 Isd Proprietary	\$0	\$75,904,410	\$0	\$75,904,410	71.0%		
Total All Funds	\$3,545,696	\$75,904,410	\$27,451,730	\$106,901,836	100.0%		
<b>Percent - Total All Sources</b>	<b>3.3%</b>	<b>71.0%</b>	<b>25.7%</b>				

### House Bill 2 Funding

General fund provides funding for the administration of the Public Safety Services Office. State special revenues in the program provide support for the administrative costs related to 911 services. Fees are imposed on a per month per access line basis for each telephone subscriber in the state using either land lines or wireless services. Federal funds are provided to support a federal FirstNet Planning Grant.

### Statutory Appropriations

The majority of the state special revenue funding in the division is statutorily appropriated for 911 services. 911 surcharges are collected by the state and statutorily appropriated for distribution to counties and telecommunications providers.

### Proprietary Funding

The majority of the office functions are funded with proprietary funds. These funds are considered and approved as rates charged to other agencies and divisions within this agency and are discussed in the "Proprietary Rates" section of the narrative.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	404,563	404,563	809,126	88.01%	1,520,814	1,520,814	3,041,628	85.78%
Statewide PL Adjustments	49,399	51,722	101,121	11.00%	255,879	258,080	513,959	14.50%
Other PL Adjustments	4,592	4,538	9,130	0.99%	8,582	8,481	17,063	0.48%
New Proposals	0	0	0	0.00%	(13,612)	(13,342)	(26,954)	(0.76%)
<b>Total Budget</b>	<b>\$458,554</b>	<b>\$460,823</b>	<b>\$919,377</b>		<b>\$1,771,663</b>	<b>\$1,774,033</b>	<b>\$3,545,696</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					156,607					159,635
Vacancy Savings					(29,689)					(29,810)
Inflation/Deflation					(86)					(59)
Fixed Costs					129,047					128,314
<b>Total Statewide Present Law Adjustments</b>		<b>\$49,399</b>	<b>\$206,480</b>	<b>\$0</b>	<b>\$255,879</b>		<b>\$51,722</b>	<b>\$206,358</b>	<b>\$0</b>	<b>\$258,080</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(49,399)	(206,480)	0	(255,879)	0.00	(51,722)	(206,358)	0	(258,080)
DP 51 - Adjustment for Statewide Personal Services	0.00	(45,458)	172,376	0	126,918	0.00	(43,153)	172,978	0	129,825
DP 52 - Adjustment for Statewide Operations	0.00	94,857	34,104	0	128,961	0.00	94,875	33,380	0	128,255
DP 102 - Allocate Department Indirect/Admin Costs	0.00	4,592	3,990	0	8,582	0.00	4,538	3,943	0	8,481
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$4,592</b>	<b>\$3,990</b>	<b>\$0</b>	<b>\$8,582</b>	<b>0.00</b>	<b>\$4,538</b>	<b>\$3,943</b>	<b>\$0</b>	<b>\$8,481</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$53,991</b>	<b>\$210,470</b>	<b>\$0</b>	<b>\$264,461</b>	<b>0.00</b>	<b>\$56,260</b>	<b>\$210,301</b>	<b>\$0</b>	<b>\$266,561</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 102 - Allocate Department Indirect/Admin Costs - The legislature funded the division's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

**New Proposals**

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 703 - Montana Land Information Act - Housekeeping (HB 38)											
07	(2.50)	0	(943,612)	0	(943,612)	(2.50)	0	(943,342)	0	(943,342)	
DP 711 - FirstNet Planning Grant - (Biennial/Restricted)											
07	0.00	0	0	930,000	930,000	0.00	0	0	930,000	930,000	
<b>Total</b>	<b>(2.50)</b>	<b>\$0</b>	<b>(\$943,612)</b>	<b>\$930,000</b>	<b>(\$13,612)</b>	<b>(2.50)</b>	<b>\$0</b>	<b>(\$943,342)</b>	<b>\$930,000</b>	<b>(\$13,342)</b>	

DP 703 - Montana Land Information Act - Housekeeping (HB 38) - The legislature approved reducing 2.50 permanent FTE and eliminating \$1.8 million in state special revenue in the 2015 biennium. The legislature confirmed a recommendation prepared by the Geographic Information System (GIS) Task Force to finalize the transfer of the Base Map Service Center and administration of the Montana Land Information Act from the Department of Administration to the Montana State Library.

DP 711 - FirstNet Planning Grant - (Biennial/Restricted) - The legislature provided \$1.86 million in federal special revenue to provide support for the FirstNet Planning Grant Program. The grant supports the planning process for a specific frequency for emergency responders. The legislature's intent is that the state's FirstNet planning efforts include substantive participation from private telecommunication network providers, both wireline and wireless, and that the developed plan seeks to maximize the use of existing private telecommunications infrastructure.

**Proprietary Rates***Program Description*

The State Information Technology Services Division manages information technology services for state government. Responsibilities of the division include:

- Hosting services, which includes servers, storage, web sites, applications, and enterprise email
- Systems development services incorporating development for applications, web applications, and GIS application development
- Communications and connectivity services for local and long-distance voice services, design and development of telephone equipment and voice applications, Internet access, data network services, and video conferencing services
- Operations support providing for imaging scanning, content management, application printing, systems operations, tape management, local area network (LAN) administration
- Enterprise services that include the following:
  - Statewide Continuity Planning
  - Information System Risk Management
  - Enterprise Security and Computing Systems Monitoring
- Montana Information Technology Act (MITA) oversight of IT activities:
  - IT strategic planning and agency IT plan approval
  - IT policy, standards and procedures
- State Chief Information Officer and Geographic Information Officer activities, Enterprise IT Councils, Advisory Groups and Conference Support, Enterprise-wide IT procurement and contract management, IT training coordination, mt.gov and MINE portal development and website hosting
- Enterprise application hosting - Citrix and Oracle
- Public Safety Services:
  - 9-1-1 program
  - Interoperability Montana (IM) public safety radio program
  - Montana broadband program
- State of MT Data Center

Expenses

Significant costs for the program are for:

- Personal services costs of \$29.0 million for 188.50 FTE
- Operating costs of \$43.55 million including:
  - \$13.6 million in software programs
  - \$2.3 million in IT vendor services
  - \$3.4 million in computer hardware
  - \$7.6 million in converged traffic
  - \$3.0 million in computer maintenance
- Equipment costs for computers and terminals \$3.3 million

Revenues

Funding for SITSD is from charges to state agencies through the fixed cost process for server and application hosting, and data/network services. The majority of SITSD's budget is funded through proprietary funds.

Budget authority to pay the SITSD allocation is a fixed cost item in each agency's budget. The statewide fixed cost in the budget for SITSD is \$1.2 million higher in FY 2014 and \$1.5 million higher in FY 2015. A portion of the increase is related to using the billed invoice rates, with the remaining increase due to projected increases in services or the rates charged by SITSD for the rates.

The figure shows costs for SITSD services budgeted for state agencies.

SITSD uses a methodology to identify and allocate the full cost of each separate service it offers to the users of that service. This is known as the Full-Cost Transparency Model (FTM) and has been in place since the 2011 biennium. During FY 2012 SITSD defined about 200 services, allocated costs and staff time to each service, and estimated units of service provided to each agency. Rates are based on a detailed allocation of expenditures and staff time to each service. SITSD also implemented a staff time tracking system to refine the accuracy of staff time allocation. Because SITSD continues to refine the model for the services and the costs to provide them, the allocation of costs to the various state agencies is changed from those allocated in the 2013 biennium.

Proprietary Rates

For the 2015 biennium the legislature approved SITSD charging various rates in order to maintain a 30-day working capital. By approving the working capital rate the legislature allows SITSD to charge establish the rates for its customers. SITSD is allowed to set and change the level of the rates throughout the interim.

Department of Administration State Information Technology Services Division State Agency Costs			
State Agency	FY 2014	FY 2015	2015 Biennium
Legislative Branch	\$508,039	\$681,232	\$1,189,271
Consumer Counsel	17,681	17,681	35,362
Judicial Branch	1,789,096	1,789,096	3,578,192
Governor's Office	196,326	196,326	392,652
Secretary of State's Office	339,851	339,851	679,702
Commissioner of Political Practices	74,040	74,040	148,080
State Auditor's Office	249,880	250,610	500,490
Office of Public Instruction	424,291	424,291	848,582
Department of Justice	3,715,779	3,753,111	7,468,890
Board of Crime Control	78,535	78,535	157,070
Public Service Commission	62,980	62,980	125,960
Board of Public Education	13,115	13,115	26,230
Commissioner of Higher Education	72,363	72,363	144,726
Montana University Systems	884,361	884,361	1,768,722
School for the Deaf and Blind	37,294	37,294	74,588
Montana Arts Council	36,819	36,819	73,638
Montana Library Commission	352,374	352,374	704,748
Montana Historical Society	157,641	157,641	315,282
Department of Fish, Wildlife, and Parks	1,355,555	1,355,555	2,711,110
Department of Environmental Quality	1,120,594	1,120,594	2,241,188
Department of Transportation	4,068,389	3,949,492	8,017,881
Department of Livestock	187,626	187,626	375,252
Department of Natural Resources and Conservation	1,550,822	1,550,822	3,101,644
Department of Revenue	2,477,344	2,477,344	4,954,688
Department of Administration	2,862,260	2,862,260	5,724,520
Office of the Public Defender	657,284	657,284	1,314,568
Montana State Fund	411,945	411,945	823,890
Montana Public Employee Retirement System	333,169	333,169	666,338
Teachers' Retirement System	57,384	57,384	114,768
Department of Agriculture	254,153	254,153	508,306
Department of Corrections	1,717,856	1,717,856	3,435,712
Department of Commerce	568,801	568,801	1,137,602
Department of Labor and Industry	3,693,184	3,872,586	7,565,770
Department of Military Affairs	121,553	121,553	243,106
Department of Public Health and Human Services	7,583,631	7,557,176	15,140,807
	\$38,032,015	38,277,320	76,309,335



### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	37.00	37.00	37.00	37.00	37.00	37.00	0.00	0.00%
Personal Services	2,464,400	2,704,811	2,650,564	2,651,864	5,169,211	5,302,428	133,217	2.58%
Operating Expenses	920,956	719,479	1,019,195	1,016,511	1,640,435	2,035,706	395,271	24.10%
<b>Total Costs</b>	<b>\$3,385,356</b>	<b>\$3,424,290</b>	<b>\$3,669,759</b>	<b>\$3,668,375</b>	<b>\$6,809,646</b>	<b>\$7,338,134</b>	<b>\$528,488</b>	<b>7.76%</b>
State Special	3,385,356	3,424,290	3,669,759	3,668,375	6,809,646	7,338,134	528,488	7.76%
<b>Total Funds</b>	<b>\$3,385,356</b>	<b>\$3,424,290</b>	<b>\$3,669,759</b>	<b>\$3,668,375</b>	<b>\$6,809,646</b>	<b>\$7,338,134</b>	<b>\$528,488</b>	<b>7.76%</b>

### Program Description

The Banking and Financial Division licenses, supervises, regulates, and examines financial institutions doing business in Montana. Those institutions include:

- Banks and trust companies
- Credit unions
- Consumer finance companies
- Sales finance companies
- Deferred deposit lender
- Escrow companies

The division also licenses and examines mortgage brokers and broker branch offices, mortgage lenders and lender branch offices, mortgage servicers and mortgage servicer branch offices, and mortgage loan originators.

The safety and soundness of Montana state chartered banks and credit unions, which hold over \$25 billion in assets as of July, 2012, is supervised by the division. Supervision of regulated financial institutions is accomplished primarily through examinations. Banks are statutorily required to be examined at least once every 24 months. Credit unions are examined at least once in every 18-month intervals. Consumer loan, mortgage broker, deferred deposit loan, title loan companies, escrow companies, and sales finance companies may be examined at any time.

The examinations investigate the methods of operation and review compliance with state and federal financial and banking laws. The supervision assures the protection of bank and credit union depositors and determines whether the institutions are operating in a safe and sound manner. The division examines mortgage brokers and loan originators to assure disclosures are provided to Montana borrowers in accordance with federal and state laws. In addition, the division provides a consumer complaint process to the general public to assist with the resolution of complaints against the financial institutions under its regulation.

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

**Program Highlights**

<b>Banking and Financial Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The division is solely funded through state special revenues from fees paid by regulated financial institutions</li> <li>◆ Statewide present law adjustments for the division increase personal services due to high turnover of bank examiner positions</li> </ul>

**Program Narrative**

Personal services increase between biennia due to high turnover in the division during FY 2012. In FY 2012, 32.4% of the division’s 37 positions were vacant at least 21.7% of the year. According to the division, significant recruitment and retention problems exist within the division due in part to the pay freeze. Other issues related to staff retention include:

- Significant travel associated with examinations
- Workplace conditions as bank examiners may generate concern and anxiety among the bank employees being examined

The division has several measures in place to address the issue including:

- Career tracks for bank examiners
- Alternate work schedules
- Compensation based on the number of nights an individual is on the road

A portion of the increase in personal services was offset by the application of an additional 2% vacancy savings for the department. The reduction calculated for state special revenue funds was included in the Banking and Financial Division. However, the legislature included language that allows the department to allocate the reduction across the various divisions. This means that the amount of the reduction allocated to Banking and Financial Division will be changed when the department establishes its operating plan budgets at the beginning of the fiscal year.

Operating costs increase mainly due to ongoing support and maintenance costs for a new database purchased in FY 2012. A portion of the additional costs were included in the base budget. The database has ongoing support features including data synchronization with the federally mandated National Mortgage Licensing System. The legislature approved an additional \$184,000 for the associated costs over the 2015 biennium.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - Banking And Financial Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$7,338,134	\$0	\$0	\$7,338,134	100.0%		
02077 Financial Institutions Div	\$7,338,134	\$0	\$0	\$7,338,134	100.0%		
Total All Funds	\$7,338,134	\$0	\$0	\$7,338,134	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The division is funded solely by state special revenues generated from assessments, application fees, and examination fees paid by the regulated financial institutions.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	3,385,356	3,385,356	6,770,712	92.27%
Statewide PL Adjustments	0	0	0	0.00%	280,742	279,971	560,713	7.64%
Other PL Adjustments	0	0	0	0.00%	6,920	6,354	13,274	0.18%
New Proposals	0	0	0	0.00%	(3,259)	(3,306)	(6,565)	(0.09%)
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$3,669,759</b>	<b>\$3,668,375</b>	<b>\$7,338,134</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					395,822					397,226
Vacancy Savings					(114,399)					(114,456)
Inflation/Deflation					(1,831)					(1,091)
Fixed Costs					1,150					(1,708)
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$280,742</b>	<b>\$0</b>	<b>\$280,742</b>		<b>\$0</b>	<b>\$279,971</b>	<b>\$0</b>	<b>\$279,971</b>
DP 50 - Initial Motion for FY 2012 Base	0.00	0	(280,742)	0	(280,742)	0.00	0	(279,971)	0	(279,971)
DP 51 - Adjustment for Statewide Personal Services	0.00	0	281,423	0	281,423	0.00	0	282,770	0	282,770
DP 52 - Adjustment for Statewide Operations	0.00	0	(192)	0	(192)	0.00	0	(2,319)	0	(2,319)
DP 102 - Allocate Department Indirect/Admin Costs	0.00	0	6,431	0	6,431	0.00	0	5,874	0	5,874
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$6,920</b>	<b>\$0</b>	<b>\$6,920</b>	<b>0.00</b>	<b>\$0</b>	<b>\$6,354</b>	<b>\$0</b>	<b>\$6,354</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$287,662</b>	<b>\$0</b>	<b>\$287,662</b>	<b>0.00</b>	<b>\$0</b>	<b>\$286,325</b>	<b>\$0</b>	<b>\$286,325</b>

DP 50 - Initial Motion for FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 102 - Allocate Department Indirect/Admin Costs - The legislature funded the department’s indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

**New Proposals**

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 54 - Additional Vacancy Savings											
14	0.00	0	(95,259)	0	(95,259)	0.00	0	(95,306)	0	(95,306)	
DP 1401 - Licensing and Enforcement System Maintenance											
14	0.00	0	92,000	0	92,000	0.00	0	92,000	0	92,000	
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>(\$3,259)</b>	<b>\$0</b>	<b>(\$3,259)</b>	<b>0.00</b>	<b>\$0</b>	<b>(\$3,306)</b>	<b>\$0</b>	<b>(\$3,306)</b>	

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs.

DP 1401 - Licensing and Enforcement System Maintenance - The legislature approved the Banking and Financial Division request for \$184,000 for the 2015 biennium for ongoing support, maintenance, and hosting of the COTS database. The division's current fee structure supports this project and no fee increases are anticipated. Cost savings would be recognized by improved efficiency, improved communication with customers, and increased security of sensitive documents. The project is part of the overall department's IT strategic plan.

### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	31.50	31.50	31.50	31.50	31.50	31.50	0.00	0.00%
Personal Services	1,791,766	1,800,905	1,794,578	1,795,998	3,592,671	3,590,576	(2,095)	(0.06%)
Operating Expenses	5,564,778	5,360,851	3,075,681	2,963,996	10,925,629	6,039,677	(4,885,952)	(44.72%)
Equipment & Intangible Assets	19,500	42,077	19,500	19,500	61,577	39,000	(22,577)	(36.66%)
Debt Service	89,977	85,827	89,977	89,977	175,804	179,954	4,150	2.36%
<b>Total Costs</b>	<b>\$7,466,021</b>	<b>\$7,289,660</b>	<b>\$4,979,736</b>	<b>\$4,869,471</b>	<b>\$14,755,681</b>	<b>\$9,849,207</b>	<b>(\$4,906,474)</b>	<b>(33.25%)</b>
State Special	0	0	0	0	0	0	0	n/a
Other	7,466,021	7,289,660	4,979,736	4,869,471	14,755,681	9,849,207	(4,906,474)	(33.25%)
<b>Total Funds</b>	<b>\$7,466,021</b>	<b>\$7,289,660</b>	<b>\$4,979,736</b>	<b>\$4,869,471</b>	<b>\$14,755,681</b>	<b>\$9,849,207</b>	<b>(\$4,906,474)</b>	<b>(33.25%)</b>

### Program Description

The Montana State Lottery (lottery) was created in November 1986 by a referendum vote of the people of Montana. The general purpose is to allow lottery games in which players purchase from the State, through the administration of the lottery, a chance to win a prize. A five-member Lottery Commission, appointed by the Governor, sets policy and oversees program activities and procedures.

Lottery's operations are accounted for in an enterprise fund type. The lottery receives no funding from the State of Montana but rather generates money for the state general fund. Lottery is required to transfer its net revenue to the general fund on a quarterly basis.

The Montana State Lottery is attached to the Department of Administration for administrative purposes only.

### Program Highlights

<b>Montana State Lottery Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The legislature approved \$0.5 million in one-time-only funding to lease lottery equipment in FY 2014</li> <li>◆ \$2.9 million annually was eliminated from the HB 2 budget due to the passage and approval of HB 20, which provided a statutory appropriation for lottery vendor fees</li> </ul>

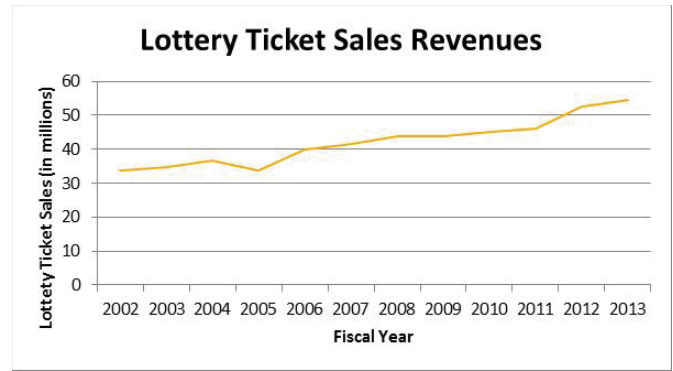
### Program Narrative

In FY 2012 the Montana State Lottery transferred \$500,000 in state lottery enterprise fund authority from FY 2013 to FY 2012. The transfer was needed due to:

- Increased lottery sales and a corresponding increase in vendor fees, which are 5.8% of every dollar in lottery sales
- Increased instant (scratch) ticket stock to provide for game sales in June 2012

The legislature approved a supplemental appropriation to increase FY 2013 proprietary appropriations for the Montana State Lottery by \$2.0 million. The increased funding provided for increased lottery sales and increases in vendor fees in FY 2013.

The figure shows the lottery ticket sales between FY 2002 and FY 2013. Generally sales of lottery tickets have maintained a steady increase, requiring supplemental appropriations for vendor fees in both the 2011 and 2013 biennia. To address ongoing issues with increased lottery ticket sales requiring supplemental appropriations due to increased operating costs associated with vendor fees, the legislature passed HB 20. The bill statutorily appropriates the vendor fees rather than including them as part of HB 2. As a result, the legislature also decreased the operating costs of the lottery that were included in HB 2 by \$2.98 million each year of the biennium.



The figure below shows general fund deposits from lottery profits over the last five years. The lottery deposited \$13.0 million of net revenues into the general fund in FY 2012, which was a 23.0% increase from the previous year. During the period of the Great Recession, the profits declined, not rebounding until FY 2012. Part of the reason for the significant increase in FY 2012 was the national publicity surrounding the large jackpot for one of the MegaMillions lottery games. However, lottery ticket sales have continued at a higher pace than forecasted since.

Department of Administration Montana State Lottery Profits to the General Fund		
Fiscal Year	Actual	% Change
FY 2008	\$11,029,000	
FY 2009	10,136,000	-8.10%
FY 2010	10,631,000	4.88%
FY 2011	10,611,000	-0.19%
FY 2012	13,061,000	23.09%

FY 2013 lottery sales revenues are on track to exceed FY 2012 revenues by about \$3.0 million.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - Montana State Lottery							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
Proprietary Total	\$9,849,207	\$0	\$69,489,296	\$79,338,503	100.0%		
06001 State Lottery Fund	\$9,849,207	\$0	\$69,489,296	\$79,338,503	100.0%	23-7-402	Direct
Total All Funds	\$9,849,207	\$0	\$69,489,296	\$79,338,503	100.0%		
<b>Percent - Total All Sources</b>	<b>12.4%</b>	<b>0.0%</b>	<b>87.6%</b>				

*House Bill 2 Funding*

The lottery is funded entirely with proprietary funds derived from lottery game revenues. Net revenues of the lottery are by state law transferred to the general fund. Therefore, the lottery is indirectly funded with general fund and by law its funding for operations must be appropriated by the legislature.

*Statutory Appropriations*

About 80% of the funding for the lottery is statutorily appropriated for lottery prizes and commissions paid to lottery ticket or chance sales agents. In FY 2012 the operating costs for these expenditures increased more than 15% due to increased lottery ticket sales. The legislature adopted and the Governor approved HB 20, which provides that lottery contract fees are statutorily appropriated rather than included in HB 2. The change reduced the proprietary funding

included in HB 2 for the program by \$5.9 million over the 2015 biennium. This funding is now included in the legislative budget as part of the statutory appropriations for the program.

### Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	7,466,021	7,466,021	14,932,042	151.61%
Statewide PL Adjustments	0	0	0	0.00%	51,307	(58,372)	(7,065)	(0.07%)
Other PL Adjustments	0	0	0	0.00%	445,827	445,241	891,068	9.05%
New Proposals	0	0	0	0.00%	(2,983,419)	(2,983,419)	(5,966,838)	(60.58%)
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$4,979,736</b>	<b>\$4,869,471</b>	<b>\$9,849,207</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					77,541					79,021
Vacancy Savings					(74,729)					(74,789)
Inflation/Deflation					(2,771)					(1,321)
Fixed Costs					51,266					(61,283)
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$51,307*</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$58,372)*</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	0	0	0	(51,307)*	0.00	0	0	0	58,372*
DP 51 - Adjustment for Statewide Personal Services	0.00	0	0	0	2,812*	0.00	0	0	0	4,232*
DP 52 - Adjustment for Statewide Operations	0.00	0	0	0	48,874*	0.00	0	0	0	(62,233)*
DP 102 - Allocate Department Indirect/Admin Costs	0.00	0	0	0	(2,552)*	0.00	0	0	0	(3,130)*
DP 1501 - Montana Lottery Coronis MP Terminals(OTO)	0.00	0	0	0	448,000*	0.00	0	0	0	448,000*
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$445,827*</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$445,241*</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$497,134*</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$386,869*</b>

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

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 102 - Allocate Department Indirect/Admin Costs - The legislature funded the department's indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

DP 1501 - Montana Lottery Coronis MP Terminals(OTO) - The legislature provided a one-time-only appropriation of \$896,000 to lease 150 additional Coronis MP Terminals for the 2015 biennium. The lottery will acquire the terminals from its gaming contractor, Intralot, under an operating lease. Increasing the availability of these terminals allows for greater access to terminals to increase sales and net proceeds.

**New Proposals**

New Proposals										
Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1502 - Reduce Lottery Vendor Fees - HB 20										
15	0.00	0	0	0	(2,983,419)*	0.00	0	0	0	(2,983,419)*
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$2,983,419)*</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$2,983,419)*</b>

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

DP 1502 - Reduce Lottery Vendor Fees - HB 20 - The legislature approved reductions for operating expenses due to the passage and approval of HB 20, which statutorily appropriates lottery contractor fees previously included in the FY 2012 base budget for the Montana State Lottery.



### Program Description

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

Employee benefits are governed by 2-18-701 et seq., 2-18-801 et seq., 2-18-1101 et seq., 2-18-1301 et seq., and 33-2-712, MCA. The Montana Safety Culture Act as it applies to state government is found in 39-71-1501 et seq.

### Program Highlights

<b>Health Care &amp; Benefits Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The Health Care and Benefits Division is entirely funded with proprietary funds</li> <li>◆ The legislature included administrative costs of the state employee benefit plan in HB 2 as required by statute, however the Governor line-time vetoed the funding</li> <li>◆ The legislature approved increases of 10% each year of the biennium to the state share contributions in HB 13. The employer state share partially funds the cost of the state employee group health care</li> </ul>

### Program Narrative

Statute requires that the administrative costs of the State Employee Group Benefit Plan (SEGBP) be included in HB 2. The legislature approved including personal service costs to support 19.64 FTE, operating expenses associated with administration, and benefit and claims costs for the wellness programs offered by the plan in HB 2. Operating expenses include:

- \$4.7 million over the biennium for consulting and professional services
- \$3.8 million over the biennium for third party administrator fees for managed care plans

The legislature approved increased personal services for 6.00 FTE that were added in FY 2012 including:

- Computer Supervisor – 1.00 FTE
- Computer Support Specialist – 1.00 FTE
- Benefit Technician – 2.00 FTE
- Accounting Technician – 1.00 FTE
- Public Relations Specialist – 1.00 FTE

In previous biennia, under a memorandum of understanding the division paid the salaries and benefits of 4.00 FTE to the State Human Resources Division (SHRD) and the individuals worked for the Health Care and Benefits Division. As part of the transfer the legislature approved a decrease in operating costs. The reimbursements to the SHRD were recorded as operating costs by HCBP. The other two positions were transferred from the General Services Division.

Governor Bullock line-itemed vetoed the inclusion of the funding in the bill stating that language included in HB 2 addressing the state share of employee benefits was sufficient to meet the statutory requirements to include the administrative costs of the SEGBP as temporary appropriations.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - Health Care & Benefits Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
Proprietary Total	\$0	\$374,069,986	\$0	\$374,069,986	100.0%		
06027 Flexible Spending Funds	\$0	\$14,523,400	\$0	\$14,523,400	3.9%		
06559 Group Benefits Claims A/c	\$0	\$359,000,559	\$0	\$359,000,559	96.0%		
06575 Workers' Comp Management	\$0	\$546,027	\$0	\$546,027	0.1%		
Total All Funds	\$0	\$374,069,986	\$0	\$374,069,986	100.0%		
<b>Percent - Total All Sources</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0.0%</b>				

As shown above, the division is entirely funded from proprietary funds. The various accounts provide for two programs and a third function within the division:

- Health Care Benefits Bureau provides oversight and administrative functions for the state employee group benefit plan, including administration of health, dental, life insurance, and flexible spending accounts. It is funded from the Group Benefits Claims A/c, an account used for the administrative costs of the bureau and benefit and claim costs
- Workers' Compensation Management Bureau is the central resource for state agencies in working to:
  - Enhance worker safety
  - Provide for loss-prevention
  - Develop and provide return-to-work programs
  - Coordinate workers' compensation coverage and policy management issues
- Flexible spending funds account for employee deductions for flexible spending, including medical and child care

**Proprietary Rates**

*Proprietary Program Description*

The Healthcare and Benefits Division manages two proprietary programs:

- Health care benefits for employees, which includes the state's health and other benefit insurance plans, and contract administration of the flexible spending accounts
- Management of the state agency workers' compensation insurance

The 2013 biennium budget for the three proprietary funds supporting these programs are shown on the following page.

Department of Administration Health Care and Benefits Division Proprietary Program Costs - Non HB 2					
Program/Costs	Actual FY 2012	Estimated FY 2013	Budgeted FY 2014	Budgeted FY 2015	% of Total
<u>Health Care Administration</u>					
FTE	19.64	13.87	19.64	19.64	
Personal Services	\$1,329,567	\$964,753	\$1,315,575	\$1,318,363	0.70%
Operating Costs	<u>1,009,068</u>	<u>1,675,407</u>	<u>1,119,550</u>	<u>1,111,350</u>	<u>0.60%</u>
Subtotal Health Care Administration	2,338,635	2,640,160	2,435,125	2,429,713	1.30%
<u>Employee Benefits Program</u>					
Personal Services	0	0	0	0	0.00%
Operating Costs	5,904,551	6,752,440	6,159,551	6,159,551	3.29%
Other Benefits*	4,395,437	1,849,171	4,395,437	4,395,437	2.35%
Medical Services and Dental Benefits	110,154,328	131,091,948	121,345,575	128,357,950	66.75%
Precription Benefits	<u>26,963,676</u>	<u>30,288,788</u>	<u>38,154,922</u>	<u>45,167,298</u>	<u>22.27%</u>
Subtotal Employee Benefits Program	147,417,992	169,982,347	170,055,485	184,080,236	94.67%
<u>Flexible Spending Accounts</u>					
Personal Services	0	0	0	0	0.00%
Operating Expenses	138,515	175,482	138,515	138,515	0.07%
Reimbursements to Plan Members	<u>7,123,185</u>	<u>8,396,323</u>	<u>7,123,185</u>	<u>7,123,185</u>	<u>3.81%</u>
Subtotal Flexible Spending Account Expenses	7,261,700	8,571,805	7,261,700	7,261,700	3.88%
<u>Workers' Compensation Management</u>					
Personal Services	255,636	213,899	235,842	236,389	0.13%
Operating Costs	<u>31,528</u>	<u>200,697</u>	<u>36,945</u>	<u>36,851</u>	<u>0.02%</u>
Subtotal Workers' Compensation Mangement	287,164	414,596	272,787	273,240	0.15%
Total Operating Expenses - Non HB 2	<u>\$157,305,491</u>	<u>\$181,608,908</u>	<u>\$180,025,097</u>	<u>\$194,044,889</u>	<u>100.00%</u>
* Other benefits include vision care, long term care, long term disability, life insurance, and general benefits					

The budget for the Employee Benefits Program is about 95% of the 2015 biennium budget. The majority of the costs are medical, dental, and prescription services for plan members. The flexible spending accounts program is about 4% of the total with the majority of the expenses related to employee reimbursements for child care costs and medical cost reimbursements. The Workers' Compensation Management Program coordinates state agency workers' compensation coverage and policy management issues.

### Employee Benefits Program - 06559

#### Program Description

The Health Care and Benefits Bureau manages the following:

- State employee group benefit health plan
- State employee sick leave fund
- Employee assistance services
- Health promotion
- Voluntary employee benefit health care expense trust

Prior to the 2015 biennium budget, the administrative costs of the program were not included in HB 2. The legislature included the costs in the appropriations bill as required by statute. However, the Governor removed the appropriations from HB 2 by a line-item veto.

### *Program Narrative*

#### Expenses

Significant costs for the program include:

- \$341.8 million in benefits and claims over the 2015 biennium including:
  - \$247.3 million for projected medical and dental claims – an increase of 10.27% above the FY 2012 base amount in FY 2014 and 16.7% in FY 2015
  - \$83.3 million for projected prescription drug payments – an increase of 41.5% above the FY 2012 base amount in FY 2014 and 67.5% in FY 2015

Primary cost drivers for both medical and dental claims and prescription drug payments are projected costs and service utilization. The projected budget anticipates cost increases of \$58.8 million over the biennium for medical and prescription drug cost and utilization increases compared to the FY 2012 base budget of \$141.5 million. By comparison the projected budget increase for the 2013 biennium was \$57.8 million over the biennium compared to a base budget of \$101.4 million.

Higher costs in the base year were driven by higher incurred medical payments. Measurements related to medical costs for the 2012 plan year include:

- Medical expenses per eligible participant were 0.2% lower when compared to 2011 plan year
- Prescription costs were 11.0% higher when compared to the 2011 plan year
- Dental claims were 2.0% higher when compared to the 2011 plan year
- Medical paid claims loss ratio of 88.2% compared to 84.0% for the 2011 plan year for active employees. A loss ratio is the amount of health care costs incurred during the year compared to the amount of premium
- Medical paid claims loss for retirees included:
  - Early retirees medical paid loss ratio of 156.0% compared to 147.6% a year ago
  - Retirees eligible for Medicare medical paid loss ratio of 80.6% compare to 72.6% a year ago

#### Revenues

The State Employee Group Benefit Plan is self-insured, and as such is responsible for medical costs incurred by its members. The health plan is funded by the state (employer share) and premium payments by members. As a component of employee compensation, the state contribution amount is a subject of collective bargaining and is negotiated as part of the overall pay package for state employees. The state share in the 2013 biennium was \$733 per month and is established in 2-18-703(2), MCA. HB 13 included increases of 10% per year for the employer share of the health plan increasing the per month allotment to:

- \$806 per month per employee in FY 2014
- \$887 per month per employee in FY 2015

The figure below shows the estimated premium revenues for the State Employee Group Benefit Plan and the various revenue sources.

Department of Administration Health Care and Benefits Division Estimated Premium Revenues				
	FY 2014 (in millions)	% of total Revenues	FY 2015 (in millions)	% of total Revenues
State Share Included In HB 2	\$121.0	73.3%	\$121.0	69.14%
State Share Included in HB 13	5.5	3.3%	14.9	8.51%
Additional Employee Premiums and Investment	38.5	23.3%	39.1	22.34%
Estimated Premium Revenues	\$165.0	100.0%	\$175.0	100.00%

As shown, plan revenues from premiums are estimated at \$165.0 million in FY 2014 and \$175.0 million in FY 2015. The state share for the state employee group health plan is budgeted at \$121.0 million in both FY 2014 and FY 2015 in HB 2 and provides the majority of the funding for the program. HB 13 includes an additional \$5.5 million in FY 2014 and \$14.9 million in FY 2015 for anticipated premium increases, with the remainder primarily from additional premiums paid by members including retirees and investment income.

#### *Proprietary Rates*

For the 2015 biennium, the following rates are included in HB 13 and are shown below. The rates charged in the base year are shown for comparison purposes.

Department of Administration Health Care and Benefits Division				
	Actual FY 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
Fee Group A				
State share per employee per month	\$733	\$733	\$806	\$887
Rates are established to maintain adequate actuarial reserves. Actual state share rates are set for each calendar year as opposed to a fiscal year. This table shows the average monthly state share rate for each fiscal year as required in statute.				

The rates shown above are the state contribution for each state employee each month. The rates are contained in the pay plan (HB 13) and are include in statute. The various premium costs for the program are not limited through the legislative process but are determined by the division based on actuarial estimates of the claims costs for each insurance type. Any difference between the state contribution and actual costs are made up by employee premiums and investment income. As the plan year for the state employee health insurance is a calendar year, the revenues for the plans are a combination of premiums from two plan years.

#### **Workers' Compensation Management Program – 06575**

##### *Program Description*

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

*Program Narrative*

Expenses

Significant costs for the program are for:

- o Personal services of \$472,231 over the biennium
- o Operating costs of \$73,796 over the biennium

Revenues

The workers' compensation management program fees are composed of a fixed cost rate allocated to each state agency based on the average number of payroll warrants issued each pay period. The rate in HB 2 is \$0.82 for each payroll warrant in FY 2014 and FY 2015.

*Proprietary Rates*

For the 2015 biennium the following rates were adopted by the legislature as shown below. The rates charged in the 2013 biennium are shown for comparison purposes.

Department of Administration Health Care and Benefits Bureau Workers' Compensation Management Program				
	Actual FY 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
Fee Group A				
Administrative Fee (per payroll warrant per pay period)	\$1.09	\$1.08	\$0.82	\$0.82
Program rates have been established to maintain a 60-day working capital. The rates are to be paid by state agencies and are based on a projected number of payroll warrants to be issued.				
Note: This analysis does not include OPEB expenses.				

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

**Flexible Spending Account Program – 06027**

*Program Description*

The Flexible Spending Account Program allows employees to defer part of their gross pay into an account for reimbursement of qualified:

- o Medical expenses
- o Childcare expenses

*Program Narrative*

HCBD contracts to administer a flexible spending account program for state employees, who can set aside a certain amount of their pay into accounts for costs throughout the year. The “set aside” funds are withdrawn from employee pay prior to assessment of taxes, effectively lowering employee taxable pay. Employees must submit claims for allowable expenses to use funds deposited into the accounts. Employees forfeit any unspent funds.

Federal rules govern the use of and the amount that can be contributed to flexible spending accounts. The current contribution maximums are \$2,500 per year for medical and \$5,000 per year for dependent care.

Expenses

Significant costs for the program are for the administration contract.

Revenues

The flexible spending account program is funded from an administrative fee of \$2.26 per month on each account. The fee was waived in the 2013 biennium. At times the flexible spending account program has accumulated additional funds due to forfeited funds. In the 2013 biennium the program used the additional funds to waive the monthly \$2.26 fee charged to participants.

*Proprietary Rates*

For the 2015 biennium the legislature adopted the rates as shown below. The rates charged in the base year are shown for comparison purposes.

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

Department of Administration Health Care and Benefits Division Flexible Spending Account Program				
	Actual FY 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
Fee Group A				
Administrative Fee (per member per month)	\$0.00	\$0.00	\$2.26	\$2.26
Administrative fees charged and collected from plan participants are determined through the competitive bid process as part of the selection of a plan administrator.				

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	18.21	18.21	18.21	18.21	18.21	18.21	0.00	0.00%
Personal Services	1,165,887	1,315,245	1,380,827	1,380,997	2,481,132	2,761,824	280,692	11.31%
Operating Expenses	396,099	470,211	456,570	454,172	866,310	910,742	44,432	5.13%
<b>Total Costs</b>	<b>\$1,561,986</b>	<b>\$1,785,456</b>	<b>\$1,837,397</b>	<b>\$1,835,169</b>	<b>\$3,347,442</b>	<b>\$3,672,566</b>	<b>\$325,124</b>	<b>9.71%</b>
General Fund	1,561,986	1,785,456	1,837,397	1,835,169	3,347,442	3,672,566	325,124	9.71%
<b>Total Funds</b>	<b>\$1,561,986</b>	<b>\$1,785,456</b>	<b>\$1,837,397</b>	<b>\$1,835,169</b>	<b>\$3,347,442</b>	<b>\$3,672,566</b>	<b>\$325,124</b>	<b>9.71%</b>

**Program Description**

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

- o Human Resources Policy and Programs (HRPP) Bureau. The bureau establishes the human resource rules, policies and standards for Montana’s executive branch
- o Office of Labor Relations, representing the governor’s office in all matters relating to collective bargaining
- o Professional Development Center (PDC), offering training and other professional development services to Montana state government and other organizations
- o Human Resources Information Services Bureau, supplying payroll and other HR information systems for all branches of state government

**Program Highlights**

<b>State Human Resources Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The majority of the funding for this program is from non-budgeted proprietary funds that are included in the proprietary rate section of HB 2</li> <li>◆ Personal services cost increases are included as part of statewide present law adjustments</li> <li>◆ The legislature did not approve a proposal to change the funding mechanism for the Professional Development Center, retaining a tuition cost per student per class revenue methodology</li> </ul>

**Program Narrative**

As shown in the funding table about a third of the SHRD budget is provided through general fund appropriated in HB 2, including the budgets for the:

- o Human Resources Policy Program
- o State Office of Labor Relations

The majority of the increases included in the 2015 biennium budget impact personal services. The personal services budget increases 11.31% as shown in the budget comparison table when compared to the 2013 biennium and includes the following changes:

- o Reclassification of one position
- o Salary increases, including longevity and broadband pay adjustments
- o Vacancy savings rate of 12.86% compared to a budgeted rate of 4%
- o Transfer of 0.51 FTE to the State Accounting Division



The legislature approved the changes through adoption of the statewide present law adjustments.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - State Human Resources Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$3,672,566	\$0	\$0	\$3,672,566	33.4%		
Proprietary Total	\$0	\$7,307,168	\$0	\$7,307,168	66.6%		
06525 Intergovernmental Training	\$0	\$777,202	\$0	\$777,202	7.1%		
06563 Payroll Fund	\$0	\$6,529,966	\$0	\$6,529,966	59.5%		
Total All Funds	\$3,672,566	\$7,307,168	\$0	\$10,979,734	100.0%		
<b>Percent - Total All Sources</b>	<b>33.4%</b>	<b>66.6%</b>	<b>0.0%</b>				

*HB 2*

General fund supports the operations of Human Resources Policy Program and the State Office of Labor Relations.

*Proprietary Funding*

The majority of the division budget is supported by proprietary funds that fund two programs:

- o Professional Development Center (PDC)
- o Human Resource Information Services (HRIS) bureau

The PDC is supported through fees in the form of tuition paid by state agencies that enroll employees in the various classes provided by PDC and fees for other services offered by the PDC. The HRIS bureau is funded through a fee charged state agencies for each employee payroll processed in a pay period. Both of these funds are considered and approved as rates charged to other state agencies and are discussed in the “Proprietary Rates” section of the narrative.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,561,986	1,561,986	3,123,972	85.06%	1,561,986	1,561,986	3,123,972	85.06%
Statewide PL Adjustments	269,199	267,266	536,465	14.61%	269,199	267,266	536,465	14.61%
Other PL Adjustments	6,212	5,917	12,129	0.33%	6,212	5,917	12,129	0.33%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$1,837,397</b>	<b>\$1,835,169</b>	<b>\$3,672,566</b>		<b>\$1,837,397</b>	<b>\$1,835,169</b>	<b>\$3,672,566</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					272,473					272,651
Vacancy Savings					(57,533)					(57,541)
Inflation/Deflation					77					239
Fixed Costs					54,182					51,917
<b>Total Statewide Present Law Adjustments</b>		<b>\$269,199</b>	<b>\$0</b>	<b>\$0</b>	<b>\$269,199</b>		<b>\$267,266</b>	<b>\$0</b>	<b>\$0</b>	<b>\$267,266</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(269,199)	0	0	(269,199)	0.00	(267,266)	0	0	(267,266)
DP 51 - Adjustment for Statewide Personal Services	0.00	214,940	0	0	214,940	0.00	215,110	0	0	215,110
DP 52 - Adjustment for Statewide Operations	0.00	54,478	0	0	54,478	0.00	52,370	0	0	52,370
DP 102 - Allocate department indirect/admin costs	0.00	5,993	0	0	5,993	0.00	5,703	0	0	5,703
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$6,212</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,212</b>	<b>0.00</b>	<b>\$5,917</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,917</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$275,411</b>	<b>\$0</b>	<b>\$0</b>	<b>\$275,411</b>	<b>0.00</b>	<b>\$273,183</b>	<b>\$0</b>	<b>\$0</b>	<b>\$273,183</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 102 - Allocate department indirect/admin costs - The legislature funded the division's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

**Proprietary Rates**

The State Human Resources Division provides the following programs funded through proprietary rates:

- Professional Developmental Center, which trains state employees
- Human Resource Information Services, including payroll and benefits eligibility processing

**Professional Development Center/Training Program - 06525***Program Description*

The Professional Development Center (PDC) program provides training and related services throughout locations in Montana. The PDC offers training directed toward improving state practices, meeting state and federal regulations, and providing professional services such as facilitation, mediation, or curriculum design.

*Program Narrative*

The legislature rejected a proposal by the executive to change the methodology used to fund the PDC. The executive proposed to charge each agency budget an annual per employee charge rather than base the revenues on enrollment fees for the various classes offered to employees. Instead the legislature elected to continue tuition rates established for the 2013 biennium as the proprietary rate used to provide for the expenses of the program.

Expenses

Significant costs for the program are for:

- o Personal services of \$0.4 million over the biennium
- o Operating costs of almost \$0.3 million over the biennium

Revenues

In the 2015 biennium, two sources of revenue cover the personal services and operating expenses for the PDC:

- o Open-enrollment fees, which is a per-person tuition charged for attendance. Tuition rates are based on two factors: 1) projected attendance; and 2) competitive pricing. Tuition rates for the 2013 biennium were based on the proportion of fixed and personal services costs to the overall anticipated program cost. The amount per person varies by length of the course and number of people attending from a single agency.
- o Contract fees, which is a flat fee charged for providing a service. The amount per service varies by length of the service and number of services arranged in a single contract.

*Proprietary Rates*

For the 2015 biennium the rates approved by the legislature are shown below. The rates charged in the base year are shown for comparison purposes and reflect the legislature’s decision to use the FY 2013 tuition rates to fund the program in the 2015 biennium.

Department of Administration State Human Resource Division Professional Development Center				
	Actual FY 12	Projected FY 13	Projected FY 14	Projected FY 15
Fee Group A				
Training Services per hour				
Open Enrollment Courses				
Two-Day Course (per participant)	\$187.00	\$190.00	\$190.00	\$190.00
One-Day Course (per participant)	120.00	123.00	123.00	123.00
Half-Day Course (per participant)	93.00	95.00	95.00	95.00
Eight-Day Management Series (per participant)	565.00	570.00	570.00	570.00
Six-Day Management Series (per participant)	465.00	440.00	440.00	440.00
Four-Day Administrative Assistant Series (per participant)	330.00	333.00	333.00	333.00
Contract Courses				
Full Day Training (flat fee)	825.00	830.00	830.00	830.00
Half Day Training (flat fee)	\$565.00	\$570.00	\$570.00	\$570.00
The Training Program determines rates by analyzing its billable staff hours, overhead costs, and variable costs which are directly associated with providing a specific training service. Service fees include an allocation of total overhead costs based on an estimate of total billable hours during the year. Rates are established to build up to a 60-day working capital.				
Note: This analysis does not include OPEB expenses.				

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

**HRIS Bureau - 06563**

*Program Description*

The Human Resources Information Services (HRIS) operates the payroll, benefits, and human resources system of the State Accounting Budgeting and Human Resources (SABHRS). SABHRS is used to process, distribute, report, and account for payroll, benefits and associated withholding and deductions for over 13,500 state employees in the executive, legislative, and judicial branches. The bureau establishes and maintains standards, processes, and procedures to be followed by state agencies in preparing and submitting payroll, benefits, and related HR data into the system. The system operated by the bureau provides information and processing in support of division and statewide functions and programs including employee benefits (group insurance, FSA, deferred compensation, and pension) classification, pay, labor relations, policy, and training.

*Program Narrative*

During FY 2012 the State Human Resource Division transferred 4.0 FTE to the Health Care and Benefits Division (HCBD) and 0.68 FTE to the Director’s Office. The 4.0 FTE that were transferred to the HCBD had previously worked for HCDB under a memorandum of understanding. The result of the transfer is that the expenses for personal services included in the HRIS Bureau have decreased by \$244,500 a year.

Expenses

Significant costs for the program are for:

- o Personal services of \$3.3 million over the biennium for 23.29 FTE
- o Operating costs of \$3.2 million over the biennium including a \$29,200 increase for projected license and maintenance fee increases for SABHRS-HR software

Revenues

The revenues are collected from two sources: 1) central payroll processing fees are assessed to each agency based on the average number of paychecks processed during the prior two fiscal years; and 2) costs associated with processing the benefit eligibility elections for the 35,000 plan members are collected from the Health Care and Benefits Division.

*Proprietary Rates*

For the 2015 biennium the rates approved by the legislature are shown below. The rates charged in the base year are shown for comparison purposes.

Department of Administration State Human Resources Division Human Resource Information Services				
	Actual FY 12	Projected FY 13	Projected FY 14	Projected FY 15
Fee Group A				
HRIS fees (per employee processed per	\$8.06	\$8.10	\$8.13	\$8.15
Health Resources Information Services (HRIS) rates have been established under the authority of 2-18-401, MCA, and 2-18-403, MCA. Projected HRIS expenditures anticipated for the 2013 biennium are distributed as a fixed cost fee to the Health Care Benefits Division for services rendered by HRIS to support benefit operations associated with managing the state's payroll system; and as a fixed cost rate to state agencies based on an estimated average number of payroll warrants/advice per pay period per agency. The agencies' payroll warrant/advice counts are based upon FY 2011 and FY 2012 data.				
Note: This analysis does not include OPEB expenses.				

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

### Program Description

The Risk Management & Tort Defense Division administers a comprehensive plan of property/casualty insurance protection on behalf of state government. The division purchases commercial insurance, where cost-effective, to cover catastrophic losses above high deductibles. State risks that are currently insured through commercial insurance carriers include aircraft, airports, boilers & machinery, bonds (various), crime, fine art, property, professional liability, and miscellaneous. The state self-insures most commercial insurance risks under \$500,000 per occurrence as well as auto, general liability, inland marine (i.e. property in-transit), mobile/specialized equipment, and foster care risks. The division also provides consultative services that include training, inspections, program reviews, contract administration, claims administration, and legal defense to prevent or minimize the adverse effects of physical or financial loss. The division investigates, evaluates, and resolves tort claims (i.e. personal injury or property damage to third parties) and coordinates the adjudication and settlement of other claims involving property damage. This division operates under the authority of §2-9-101 through §2-9-305, MCA.

### Program Highlights

<b>Risk Management &amp; Tort Defense Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The division is solely funded through proprietary funds generated through state agencies and the Montana University System premium payments</li> <li>◆ The legislature increased insurance costs to state agencies by \$2.8 million each year of the biennium or 24.1 %</li> <li>◆ The legislature approved \$13.4 million in the supplemental bill (HB 3) to replenish the fund following payments awarded as part of a settlement in the Libby asbestos lawsuit</li> </ul>

### Program Narrative

The state of Montana self-insures for risks including automobile, aviation, general liability, and property. State agencies and the Montana University System pay premiums to the Risk Management and Tort Defense Division (division). General liability claims include settlements of lawsuits in which the state is found at fault. In September 2011 Judge Sherlock approved a \$43.0 million settlement with the victims in Libby who had been impacted by asbestos. \$26.8 million of the settlement was paid from the State Property/Casualty Insurance Fund (fund).

The effect the settlement payment of \$26.8 million for Montana asbestos victims had on the fund was that it:

- Eliminated reserves for all insurance risks for FY 2012, not only general liability but automobile, aviation, and property
- Reduced assets in the account to \$3.5 million at the end of FY 2012
- Created an unfunded liability of (\$17.1) million at FYE 2012

In addition a large hail storm in Bozeman resulted in high property claims for the state buildings in the area, most notably the campus of the Montana State University.

Premium amounts for state agencies are determined based on the predicted costs of losses the state may incur as a result of claims and the costs for operating the division. Payments for claims and the operational expenses incurred by the division are expended from the fund. In addition, reserves for each insurance risk are maintained within the fund. Reserves are used for higher than anticipated claims costs or loss adjustment expenses and for incurred but not yet reported claims. The legislature approved \$13.4 million in general fund in the supplemental bill (HB 3) to pay a portion of the state's settlement costs on the Libby asbestos case. The funding will be deposited into the proprietary fund and used to:

- Restore reserves for automobile, aviation, and property risks
- Reduce the unfunded liability for general liability to an estimated (\$7.1) million at FYE 2015

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - Risk Management & Tort Defense							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$0	\$0	\$900,000	\$900,000	3.3%		
02098 Insurance Proceeds - State B	\$0	\$0	\$900,000	\$900,000	3.3%	2-17-105	Direct
Proprietary Total	\$0	\$26,761,885	\$0	\$26,761,885	96.7%		
06532 Agency Insurance Int. Svc.	\$0	\$26,761,885	\$0	\$26,761,885	96.7%		
Total All Funds	\$0	\$26,761,885	\$900,000	\$27,661,885	100.0%		
<b>Percent - Total All Sources</b>	<b>0.0%</b>	<b>96.7%</b>	<b>3.3%</b>				

It should be noted that the \$13.4 million in general fund approved in HB 3 is not included in the table.

*Proprietary Funding*

The majority of the division budget is supported by proprietary funds that are derived from premium assessments on insurance risks paid by state agencies and the Montana University System. These funds are considered and approved as rates charges to other state agencies and are discussed in the “Proprietary Rates” section of the narrative.

*Statutory Appropriations*

Less than 4% of the division’s funding is derived from statutory appropriations for the receipts of insurance reimbursements on state agency buildings.

**Proprietary Rates**

**Agency Insurance Internal Service - 06532**

*Program Description*

The Risk Management and Tort Defense Division administers a comprehensive plan of property and casualty insurance protection on behalf of state government.

*Program Narrative*

In September 2011 Judge Sherlock approved a \$43.0 million settlement with victims in Libby who had been impacted by asbestos. \$26.8 million of the settlement was paid from the State Property/Casualty Insurance Fund (fund). The payment resulted in an unfunded liability within the fund of (\$17.1) million and eliminated reserves for all four insurance risks within the program.

The legislature approved a two-step process to reduce the unfunded liability and establish reserves for the various risks:

- o Increased premium rates for state agencies’ general liability insurance by 20% compared to those charged in the 2013 biennium
- o Included \$13.4 million in general fund in HB 3 as a supplemental appropriation

The effect of the process is that reserves for automobile, aviation, and property insurance risks will be reestablished to the level prior to the settlement payment. For general liability, given the increased premium revenues and establishment of reserves for the other risks, the unfunded liability for the program is estimated to be (\$7.1) million at the end of FY 2015.

Expenses

Significant costs for the program are for:

- o Personal services of \$2.4 million for 17.00 FTE over the biennium
- o Operating expenses of \$11.8 million over the biennium including
  - o \$5.6 million for commercial insurance
  - o \$3.4 million for legal fees and court costs
  - o \$0.5 million for application development of computer systems
- o Benefits and claims costs estimated at \$11.5 million over the biennium

Payments for claims and the operational expenses incurred by the division are expended from the fund. In addition, reserves for each insurance risk are maintained within the fund. Reserves are used for higher than anticipated claim costs or loss adjustment expenses and for incurred but not yet reported claims.

Revenues

Montana self-insures its insurance risks for automobile, aviation, general liability, and property via this program so all state agencies pay insurance premiums to the Risk Management and Tort Defense Division. Depending on the type of property owned or on the agency’s claims history, insurance premiums paid by agencies can vary.

Premium amounts for state agencies are determined based on the predicted costs of losses the state may incur as a result of claims and the costs for operating the division. Budget authority to pay insurance premiums is a fixed cost item in the agencies’ budgets. The statewide fixed cost in the legislative budget increases from the 2013 biennium due to an increase in all insurance risks.

The legislature approved rate increases insurance costs to state agencies by \$2.8 million each year of the biennium or 24.1 %. Increases by risk are shown in the figure.

Department of Administration Risk Management and Tort Defense Division Changes to Premium Costs for State Agencies		
Insurance Risk	FY 2014	FY 2015
Auto/Comp/Collision	\$217,153	\$217,153
Aviation	(42,490)	(42,490)
General Liability	1,350,000	1,350,000
Property/Miscellaneous	<u>1,306,980</u>	<u>1,306,980</u>
Total Increase	<u>\$2,831,643</u>	<u>\$2,831,643</u>

Premiums for the 2015 biennium are apportioned based upon exposure and uniform reductions in loss experience as follows:

- o Automobile - comprised of two separate components: 1) comprehensive and collision based upon total values of reported vehicles; and 2) auto liability premium based upon agency losses and the number of vehicles reported
- o Aviation - allocated to those agencies that have aircraft based upon charges from commercial insurance carriers for each aircraft, depending on the year, make, model, and value of the aircraft. Airport premium is apportioned to those agencies that have airports based upon the number of airports
- o General Liability - comprised of commercial coverage, which is based on commercial coverage negotiated with commercial insurance carriers and self-insured
- o Property - allocated to each agency based on its percentage of reported exposures (e.g. building replacement cost values, boilers and machinery, etc.).

*Proprietary Rates*

For the 2015 biennium the rates adopted by the legislature are shown on the following page. The rates charged in the base year are shown for comparison purposes.

Department of Administration Risk Management and Tort Defense Division				
	Actual FYE 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
Premium				
Auto/Comp/Collision	\$1,031,347	\$1,037,665	\$1,248,500	\$1,248,500
Aviation	212,451	212,451	169,961	169,961
General Liability	6,750,000	6,750,000	8,100,000	8,100,000
Property/Miscellaneous	<u>3,733,020</u>	<u>3,783,090</u>	<u>5,040,000</u>	<u>5,040,000</u>
Total	<u>\$11,726,818</u>	<u>\$11,783,206</u>	<u>\$14,558,461</u>	<u>\$14,558,461</u>

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.



**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	7.50	7.50	7.50	7.50	7.50	7.50	0.00	0.00%
Personal Services	384,342	450,541	463,044	463,753	834,883	926,797	91,914	11.01%
Operating Expenses	77,083	88,728	87,477	86,802	165,811	174,279	8,468	5.11%
Local Assistance	15,764	5,073	15,764	15,764	20,837	31,528	10,691	51.31%
<b>Total Costs</b>	<b>\$477,189</b>	<b>\$544,342</b>	<b>\$566,285</b>	<b>\$566,319</b>	<b>\$1,021,531</b>	<b>\$1,132,604</b>	<b>\$111,073</b>	<b>10.87%</b>
General Fund	477,189	544,342	566,285	566,319	1,021,531	1,132,604	111,073	10.87%
<b>Total Funds</b>	<b>\$477,189</b>	<b>\$544,342</b>	<b>\$566,285</b>	<b>\$566,319</b>	<b>\$1,021,531</b>	<b>\$1,132,604</b>	<b>\$111,073</b>	<b>10.87%</b>

**Program Description**

The State Tax Appeal Board, established by Article VIII, Section 7, of the Montana Constitution and 15-2-101, MCA, provides a tax appeal system for all actions of the Department of Revenue. It hears appeals from decisions of the 56 county tax appeal boards, primarily involving residential and commercial property valuation, and takes original jurisdiction in matters involving income taxes, corporate taxes, severance taxes, centrally-assessed property and new industry property, motor fuels taxes, vehicle taxes, and cabin site leases. The board travels throughout the state to hear appeals from decisions of the county tax appeal boards and to conduct informational meetings for the various county tax appeal boards. The State Tax Appeal Board directs the county tax appeal board secretaries, who are state employees, and pays their salaries and employee benefits from its personal services appropriation. The board also reviews and pays the expenses, including employee benefits, of those county tax appeal board secretaries who are county employees. In addition, the board pays the clerical-related expenses for all 56 county tax appeal boards, including supplies, postage and copies, but excluding office equipment.

**Program Highlights**

State Tax Appeal Board Major Budget Highlights	
◆	The increase is due to statewide present law adjustments

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - State Tax Appeal Board							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,132,604	\$0	\$0	\$1,132,604	100.0%		
Total All Funds	\$1,132,604	\$0	\$0	\$1,132,604	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The board is fully funded with general fund. General fund also provides support for travel expenses, compensation, and all other incidental expenses of county tax appeal boards, except that counties fund office and equipment expenses of their respective county boards.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	477,189	477,189	954,378	84.26%	477,189	477,189	954,378	84.26%
Statewide PL Adjustments	85,707	85,837	171,544	15.15%	85,707	85,837	171,544	15.15%
Other PL Adjustments	3,389	3,293	6,682	0.59%	3,389	3,293	6,682	0.59%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$566,285</b>	<b>\$566,319</b>	<b>\$1,132,604</b>		<b>\$566,285</b>	<b>\$566,319</b>	<b>\$1,132,604</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					97,976					98,715
Vacancy Savings					(19,274)					(19,304)
Inflation/Deflation					29					63
Fixed Costs					6,976					6,363
<b>Total Statewide Present Law Adjustments</b>		<b>\$85,707</b>	<b>\$0</b>	<b>\$0</b>	<b>\$85,707</b>		<b>\$85,837</b>	<b>\$0</b>	<b>\$0</b>	<b>\$85,837</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(85,707)	0	0	(85,707)	0.00	(85,837)	0	0	(85,837)
DP 51 - Adjustment for Statewide Personal Services	0.00	78,702	0	0	78,702	0.00	79,411	0	0	79,411
DP 52 - Adjustment for Statewide Operations	0.00	7,095	0	0	7,095	0.00	6,514	0	0	6,514
DP 102 - Allocate Department Indirect/Admin Costs	0.00	3,299	0	0	3,299	0.00	3,205	0	0	3,205
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$3,389</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,389</b>	<b>0.00</b>	<b>\$3,293</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,293</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$89,096</b>	<b>\$0</b>	<b>\$0</b>	<b>\$89,096</b>	<b>0.00</b>	<b>\$89,130</b>	<b>\$0</b>	<b>\$0</b>	<b>\$89,130</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 102 - Allocate Department Indirect/Admin Costs - The legislature funded the division's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

### Agency Budget Comparison

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	52.00	52.00	49.00	49.00	52.00	49.00	(3.00)	(5.77%)
Estimated Impact of HB 2*			(2.13)	(2.13)		(2.13)	(2.13)	
<b>Net Estimated FTE*</b>			<b>46.87</b>	<b>46.87</b>		<b>46.87</b>	<b>(5.13)</b>	
Personal Services	2,934,154	3,330,923	3,335,321	3,334,984	6,265,077	6,670,305	405,228	6.47%
Operating Expenses	3,753,374	6,998,401	6,947,031	7,114,590	10,751,775	14,061,621	3,309,846	30.78%
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Grants	10,039,832	17,837,755	20,729,505	19,351,870	27,877,587	40,081,375	12,203,788	43.78%
Benefits & Claims	183,921	0	358,921	358,921	183,921	717,842	533,921	290.30%
<b>Total Costs</b>	<b>\$16,911,281</b>	<b>\$28,167,079</b>	<b>\$31,370,778</b>	<b>\$30,160,365</b>	<b>\$45,078,360</b>	<b>\$61,531,143</b>	<b>\$16,452,783</b>	<b>36.50%</b>
General Fund	3,166,889	3,204,433	6,461,219	5,460,749	6,371,322	11,921,968	5,550,646	87.12%
State Special	3,556,214	8,193,567	7,331,881	6,903,918	11,749,781	14,235,799	2,486,018	21.16%
Federal Special	10,188,178	16,769,079	17,577,678	17,795,698	26,957,257	35,373,376	8,416,119	31.22%
<b>Total Funds</b>	<b>\$16,911,281</b>	<b>\$28,167,079</b>	<b>\$31,370,778</b>	<b>\$30,160,365</b>	<b>\$45,078,360</b>	<b>\$61,531,143</b>	<b>\$16,452,783</b>	<b>36.50%</b>

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

### Agency Description

Agency Mission: The Department of Commerce through its employees, community partners, public outreach, and media contacts enhances economic prosperity in Montana; fosters community lead diversification and sustainability of a growing economy; maintains and improves our infrastructure, housing and facilities; and promotes and enhances Montana's positive national and international image. The Department of Commerce will enhance and sustain a healthy economy so Montana businesses, communities, and people can prosper.

The Department is composed of nine major divisions as follows:

#### Business Resources Division

- Board of Research and Commercialization Technology
- State Tribal Economic Development Commission
- Regional Development Bureau
- Census and Economic Information Center
- Trade and International Relations Bureau
- Small Business Development Center Bureau

#### Montana Promotion Division

- Tourism Marketing and Promotion
- Film Marketing and Promotion
- Tourism Development and Education
- Industry Services and Operations

#### Energy Promotion & Development Division

#### Community Development Division

- Community Development Block Grant Program
- Community Technical Assistance Program
- Treasure State Endowment Program
- Neighborhood Stabilization Program

- Coal Board
- Hard Rock Mining Impact Board

Montana Facility Finance Authority

Housing Division

- Board of Housing
- Housing Assistance Bureau

Board of Investments

Montana Heritage Commission

Director’s Office

- Offices of Accounting and Budget, Legal Affairs, Human Resources, Information Technology, and Public Information
- Quality Schools Program
- Montana Council on Developmental Disabilities

The Department of Commerce encompasses a number of programs that provide grant administration, federal program administration, state initiatives, and investment services in order to diversify and expand the state’s economic base through business creation, expansion, and retention and improvement of infrastructure, housing, and facilities.

**Agency Highlights**

<b>Department of Commerce Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The overall budget increases 36.5% or \$16.5 million, including \$5.6 million in general fund. Increased general fund is primarily due to the net of three factors:                             <ul style="list-style-type: none"> <li>● A new Native Language Preservation Program</li> <li>● Continued funding of economic development programs that had been funded as one-time-only in previous biennia</li> <li>● Elimination in this agency of the Energy and Promotion Development Division (a portion was transferred to the Governor’s Office)</li> </ul> </li> <li>◆ Federal grant funding increases \$8.4 million including:                             <ul style="list-style-type: none"> <li>● Community Development Block Grants</li> <li>● Emergency Home Loan Program</li> <li>● Home grants</li> <li>● Board of Housing Foreclosure Mitigation</li> </ul> </li> </ul>

**Summary of Legislative Action**

The department receives an overall increase of \$16.5 million in the 2015 biennium when compared to the 2013 biennium. \$2.8 million of the increase in general fund is due to continued funding of programs that have been funded as one-time-only for several biennia. These are not included in the base budget, but are included in appropriation authority for the next biennium. Another \$2.0 million of the increase is for a one-time-only appropriation for the Native Language Preservation Program.

The Energy Promotion and Development Division is not funded, resulting in general fund reduction of \$1.0 million. The legislature did provide funding for personal services supporting 2.0 FTE and associated operating expenses to the Office of Economic Development in the Governor's Office. The purpose of the funding was to provide resources for economic development of energy resources within the Governor's Office.

The Main Street Program is not funded, resulting in general fund savings of \$0.3 million. Because this program had been previously funded as one-time-only neither the funding nor the associated 1.0 FTE appear in the 2013 biennium figure in the main table on the previous page.

The personal services budget for the 2015 biennium increases due to:

- An overall vacancy savings rate of 5.66% compared to a budgeted 4% vacancy rate
- Annualization of broadband pay increases that were granted throughout FY 2012

Operating expenses increases include \$3.5 million in additional support for loans made through the various programs in the Business Resource Division. Grants increase between biennia in part due to reinstatement of Indian Country Economic Development Program and the Primary Business Sector Training Program.

#### *Committee Bills Recommended by the Joint Appropriations Subcommittee on General Government*

The Joint Appropriation Subcommittee on General Government requested and the legislature approved two committee bills related to the Department of Commerce:

- HB 15 School Facilities and Technology Account – the legislature amended HB 15 to include prioritization of the distributions made from the account to ensure that debt service support for school construction projects and statutory appropriations for the technology fund are paid for first if funding from the account is not sufficient for all projected uses. The Governor line item vetoed the changes, referring to the changes as “riders”. As of this writing a veto override poll has been sent to legislators.
- SB 236 Coal severance tax allocations to the Coal Board – the legislature approved continuing the coal severance tax allocation at 5.8% rather than reduce it to 2.9% after September 2013. The Governor vetoed the bill, and as of this writing a poll is being conducted to determine if the legislature will override the Governor's veto.

#### *Boilerplate*

The boilerplate section in HB 2 includes the following language:

“It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium.”

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 2.13 for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

#### **Funding**

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department Of Commerce Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non- Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$11,921,968	\$0	\$9,499,862	\$21,421,830	8.4%
State Special Total	14,235,799	-	65,111,667	79,347,466	31.3%
Federal Special Total	35,373,376	-	2,140,402	37,513,778	14.8%
Proprietary Total	-	112,311,794	2,939,462	115,251,256	45.5%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	<u>\$61,531,143</u>	<u>\$112,311,794</u>	<u>\$79,691,393</u>	<u>\$253,534,330</u>	
Percent - Total All Sources	24.3%	44.3%	31.4%		

More than 75% of the overall funding for the Department of Commerce is not budgeted through HB 2 but provided as either non-budgeted proprietary funding or as a statutory appropriation. Within HB 2, the legislature restored two programs that were funded with one-time-only general fund appropriations by the 2011 Legislature. Per state statute, one-time-only appropriations are excluded from the base expenditures for biennial budget projections. The legislature restored the programs as listed below but maintained them as one-time-only appropriations:

- Primary Business Sector Training - \$2.8 million for the 2015 biennium with \$1.2 million general fund and \$1.6 million state special revenue funds
- Tribal Economic Development - \$1.6 million general fund for the 2015 biennium

General fund also supports the Census and Economic Information Center, Regional Development Bureau, trade and international relations activities, Entrepreneur Development Program /NxLevel, Native Language Preservation Program, and the Made in Montana program; and provides match for the federal Community Development Block Grant. \$9.5 million of general fund is transferred to the Research and Commercialization Program and statutorily appropriated as state special revenue.

State special revenues provided in HB 2 support the Primary Business Sector Training Program, the Microbusiness Loan Program, the Coal Board, the Hard Rock Mining Board, and quality school project administrative costs. Statutory appropriations support the Montana Promotion Division, research and commercialization, the Treasure State Endowment Program, the Distressed Wood Products Program, the quality school project grants and the Montana Heritage Commission. The Montana Heritage Commission is funded with several statutory appropriations including \$400,000 in lodging use facility taxes received each year, a portion of light vehicle registrations, and revenues generated by Virginia and Nevada cities as well as Reeder's Alley. The funding supports 12.00 FTE and the operational costs of operating the historic properties.

Federal special revenues include the Community Development Block Grant, Small Business Development Centers, and various programs for housing.

A significant portion of the funding for the agency is non-budgeted proprietary funding. Proprietary funds are discussed in detail in the narrative sections of each program.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	3,166,889	3,166,889	6,333,778	53.13%	16,911,281	16,911,281	33,822,562	54.97%
Statewide PL Adjustments	362,802	358,993	721,795	6.05%	738,472	685,937	1,424,409	2.31%
Other PL Adjustments	5,969	10,185	16,154	0.14%	9,658,066	9,501,583	19,159,649	31.14%
New Proposals	2,925,559	1,924,682	4,850,241	40.68%	4,062,959	3,061,564	7,124,523	11.58%
<b>Total Budget</b>	<b>\$6,461,219</b>	<b>\$5,460,749</b>	<b>\$11,921,968</b>		<b>\$31,370,778</b>	<b>\$30,160,365</b>	<b>\$61,531,143</b>	

The majority of the changes in the budget were contained in other present law adjustments including cost adjustments for grant administration and federal grants to other entities. New proposals include funding of Indian County Economic Development Grants, primary business sector training, biomedical research grants, and matching funding for the Montana Small Business Innovation Research Program and the Small Business Technology Program.

**Other Legislation**

**HB 11** – This bill appropriates \$33.98 million in funding over the biennium to support the Treasure State Endowment Program (TSEP). TSEP provides funding for local government infrastructure projects.

**HB 13** – The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches as well as the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

**HB 218** – This bill authorized the Department of Commerce to issue grants to assist local governments with infrastructure and other needs as a result of oil and gas impacts. The grants are supported through the establishment and appropriation of oil and gas impact account using general fund and federal mineral leasing revenues as the funding source. The Governor vetoed the bill, and as of this writing a poll is being conducted to determine if the legislature will override the Governor's veto.

**SB 136** – This bill increases the amount of fund available from the permanent coal tax trust fund for the Montana Veterans' Home Loan Mortgage Program by an additional \$15 million. The Board of Housing administers the loan program.

**SB 410** – This bill includes a one-time-only biennial appropriation of \$7.5 million general fund to the Governor's Office. The funding can be transferred at the Governor's discretion in the 2015 biennium to the following departments for operations costs:

- Governor's Office
- Public Health and Human Services
- Natural Resources and Conservation
- Environmental Quality
- Administration
- Commerce
- Revenue
- Corrections
- Labor and Industry

Any funds transferred are one-time-only and consequently will not be part of the FY 2014 budget base.

**Executive Budget Comparison**

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg – Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg – Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	52.00	56.50	49.00	(7.50)	56.50	49.00	(7.50)	
Estimated Impact of HB 2*			(2.13)	(2.13)		(2.13)	(2.13)	
<b>Net Estimated FTE*</b>			<b>46.87</b>	<b>(9.63)</b>		<b>46.87</b>	<b>(9.63)</b>	
Personal Services	2,934,154	3,906,085	3,335,321	(570,764)	3,906,222	3,334,984	(571,238)	(1,142,002)
Operating Expenses	3,753,374	7,059,324	6,947,031	(112,293)	7,227,876	7,114,590	(113,286)	(225,579)
Equipment & Intangible Assets	0	0	0	0	0	0	0	0
Grants	10,039,832	19,304,505	20,729,505	1,425,000	17,926,870	19,351,870	1,425,000	2,850,000
Benefits & Claims	183,921	358,921	358,921	0	358,921	358,921	0	0
<b>Total Costs</b>	<b>\$16,911,281</b>	<b>\$30,628,835</b>	<b>\$31,370,778</b>	<b>\$741,943</b>	<b>\$29,419,889</b>	<b>\$30,160,365</b>	<b>\$740,476</b>	<b>\$1,482,419</b>
General Fund	3,166,889	6,859,281	6,461,219	(398,062)	5,859,717	5,460,749	(398,968)	(797,030)
State/Other Special	3,556,214	6,162,775	7,331,881	1,169,106	5,735,329	6,903,918	1,168,589	2,337,695
Federal Special	10,188,178	17,606,779	17,577,678	(29,101)	17,824,843	17,795,698	(29,145)	(58,246)
<b>Total Funds</b>	<b>\$16,911,281</b>	<b>\$30,628,835</b>	<b>\$31,370,778</b>	<b>\$741,943</b>	<b>\$29,419,889</b>	<b>\$30,160,365</b>	<b>\$740,476</b>	<b>\$1,482,419</b>

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

The legislature made the following adjustments that differed from the executive request:

- o Increased funding for the primary business sector training program by \$0.4 million each year of the biennium and provided \$0.6 million in general fund and \$0.8 million from the Employment Security Account in the state special revenue fund to support the program
- o Provided \$0.1 million over the biennium to support the Montana Manufacturing Extension Center at MSU-Bozeman
- o Provided \$2.0 million over the biennium to support the Native Language Preservation Program, which will be administered by the State-Tribal Economic Development Commission
- o Eliminated funding for the Energy Promotion and Development Division. General fund of \$0.5 million each year of the biennium provided for personal services supporting 5.00 FTE and operating expenses of the program
- o Did not provide \$0.3 million in general fund for the Main Street Program as proposed by the executive
- o Switched funding for the administrative costs of the Quality Schools Program from general fund to the School Facility and Technology Account
- o Required an additional vacancy savings of 2% applied to HB 2 positions

**Language and Statutory Authority**

The legislature included the following language in HB 2.

"Business Resources Division includes a reduction in general fund of \$23,145 in fiscal year 2014 and \$23,155 in fiscal year 2015, state special revenue of \$14,536 in fiscal year 2014 and \$14,503 in fiscal year 2015, and federal special revenue of \$30,866 in fiscal year 2014 and \$30,883 in FY 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans."



### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	20.84	20.84	22.84	22.84	20.84	22.84	2.00	9.60%
Personal Services	1,174,751	1,438,014	1,559,390	1,559,988	2,612,765	3,119,378	506,613	19.39%
Operating Expenses	2,417,014	4,333,439	4,331,822	4,544,472	6,750,453	8,876,294	2,125,841	31.49%
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Grants	941,092	3,348,507	6,779,625	5,779,951	4,289,599	12,559,576	8,269,977	192.79%
<b>Total Costs</b>	<b>\$4,532,857</b>	<b>\$9,119,960</b>	<b>\$12,670,837</b>	<b>\$11,884,411</b>	<b>\$13,652,817</b>	<b>\$24,555,248</b>	<b>\$10,902,431</b>	<b>79.85%</b>
General Fund	1,844,043	1,861,084	5,758,968	4,758,880	3,705,127	10,517,848	6,812,721	183.87%
State Special	1,064,998	2,204,807	2,983,248	2,982,853	3,269,805	5,966,101	2,696,296	82.46%
Federal Special	1,623,816	5,054,069	3,928,621	4,142,678	6,677,885	8,071,299	1,393,414	20.87%
<b>Total Funds</b>	<b>\$4,532,857</b>	<b>\$9,119,960</b>	<b>\$12,670,837</b>	<b>\$11,884,411</b>	<b>\$13,652,817</b>	<b>\$24,555,248</b>	<b>\$10,902,431</b>	<b>79.85%</b>

### Program Description

The Business Resources Division (BRD) is comprised of a variety of programs aimed at improving, enhancing, and diversifying Montana's economic and business climate. Working closely with the private sector, the Governor's Office, the legislature, economic and community development partners, other department divisions, state agencies, and federal and private programs, the division strives to enhance the economic base of Montana through business creation, expansion, and retention efforts.

### Program Highlights

<b>Business Resources Division Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>◆ General fund increases mainly due to:               <ul style="list-style-type: none"> <li>• Continued funding of programs that have been funded as one-time-only in previous biennia including Indian county economic development and primary business sector training and new proposals</li> </ul> </li> <li>◆ New proposals include:               <ul style="list-style-type: none"> <li>• Montana Small Business Innovation Research Program (SBIR) and the Small Business Technology Transfer Program (STTR) matching fund</li> <li>• Biomedical Research Grants</li> <li>• Native American native language preservation</li> </ul> </li> </ul>	

### Program Discussion

Personal services changes are due to increases and partially offsetting decreases, including:

- Broadband pay adjustments
- Restoring vacancies from an overall vacancy savings rate in the base year of 23.3% compared to a budgeted 4% rate in the 2015 biennium
- Additional vacancy savings of 2% for HB 2 positions recorded in BRD's budget. The legislature granted the agency authority to allocate the reduction among all HB 2 programs within the agency
- Changes in the level of support for eliminated and additional FTE including:
  - 1.00 FTE for the Indian Country Economic Development Program
  - 2.00 FTE for the Primary Business Sector Training Program

- 0.50 FTE for the Small Business Innovation Research Program (SBIR) and the Small Business Technology Transfer Program (STTR)
- (1.50) FTE reduction for vacant positions that are no longer funded in this budget

Operating costs increase due to adjustments to costs for administrative expenses such as loans for community development block grants and increased appropriation authority for federal grants.

General fund for the program increases significantly due in part to restoration of one-time-only funding for:

- Economic development for tribal businesses - \$1.6 million
- Primary business sector grants for new and existing Montana businesses to train new employees - \$1.2 million

In addition, the legislature approved \$0.75 million for match funding for the federal SBIR/STTR programs, \$1.0 million to provide grants for biomedical research, \$2.0 million to support a Native American language preservation program, and \$0.1 million for a grant to the Montana Manufacturing Extension Center at MSU-Bozeman.

State special revenues increases are related to administrative cost adjustments and use of the Employment Security Account to support the Primary Business Sector Training Program. Federal revenues increase due to additional support for the various federal grant programs within the division.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Commerce Funding by Source of Authority 2015 Biennium Budget - Business Resources Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$10,517,848	\$0	\$9,499,862	\$20,017,710	38.9%		
State Special Total	\$5,966,101	\$0	\$15,265,748	\$21,231,849	41.3%		
02090 Business Asst-private	\$180,017	\$0	\$0	\$180,017	0.3%		
02094 Distressed Wood Match	\$0	\$0	\$24,030	\$24,030	0.0%	90-1-504	Direct
02100 Distressed Wood State	\$0	\$0	\$999,532	\$999,532	1.9%	90-1-50	Direct
02116 Accommodation Tax Account	\$0	\$0	\$300,000	\$300,000	0.6%	15-65-121	Direct
02210 Microbusiness Admin Acct	\$203,797	\$0	\$0	\$203,797	0.4%		
02212 Microbusiness Loan Acct	\$3,972,191	\$0	\$0	\$3,972,191	7.7%		
02258 Employment Security Account	\$1,600,000	\$0	\$0	\$1,600,000	3.1%		
02557 Research & Commercialization	\$0	\$0	\$7,300,000	\$7,300,000	14.2%	90-3-1003	Direct
02563 Nat'l Dev. Cncl Training Funds	\$90	\$0	\$0	\$90	0.0%		
02771 Economic Development Trust Fund	\$0	\$0	\$6,642,186	\$6,642,186	12.9%	90-1-205	Direct
02848 Sbdc Private Revenue Nonfed	\$10,006	\$0	\$0	\$10,006	0.0%		
Federal Special Total	\$8,071,299	\$0	\$2,140,402	\$10,211,701	19.8%		
03059 Community Development Block	\$5,211,065	\$0	\$0	\$5,211,065	10.1%		
03061 Eda Revolving Loan Fund	\$801,020	\$0	\$0	\$801,020	1.6%		
03092 Distressed Woods Federal	\$0	\$0	\$2,140,402	\$2,140,402	4.2%	90-1-504	Direct
03207 Small Business Dev. Centers	\$1,473,098	\$0	\$0	\$1,473,098	2.9%		
03233 Instep/epscor Funds	\$50,018	\$0	\$0	\$50,018	0.1%		
03932 Cdbg Rlf	\$536,098	\$0	\$0	\$536,098	1.0%		
Total All Funds	\$24,555,248	\$0	\$26,906,012	\$51,461,260	100.0%		
<b>Percent - Total All Sources</b>	<b>47.7%</b>	<b>0.0%</b>	<b>52.3%</b>				

*HB 2 Funding*

General fund supports a number of functions including technology and biomedical research programs, the Montana Capital Investment Board, the Census and Economic Information Center, tribal economic development, the Made in Montana program, regional development programs, and international relations programs. The general fund increase is primarily due to continued funding for economic development programs that had been designated as one-time-only in the previous biennia.

State special revenues include authority for loans made through the Small Business Development Center to micro-business development centers.

Federal special revenues are mainly comprised of federal funding for community development block grants.

*Statutory Appropriations*

Over half of the funding in the Business Resource Division is statutorily appropriated, including general fund of \$7.3 million for the research and commercialization account. The state special revenue funds in the research and commercialization account are also statutorily appropriated resulting in the same funds being appropriated twice. HB 18, a bill requested by the Legislative Finance Committee to transfer the general fund to the state special revenue fund rather than appropriate it in accordance with state accounting policy, was passed by the legislature but vetoed by the Governor.

Additional general fund is statutorily provided for business and economic development programs. Other state special revenues include funding for the Distressed Wood Products Program and the economic development trust fund account that receives interest and income from the coal tax trust.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,844,043	1,844,043	3,688,086	35.07%	4,532,857	4,532,857	9,065,714	36.92%
Statewide PL Adjustments	150,022	148,460	298,482	2.84%	358,752	352,039	710,791	2.89%
Other PL Adjustments	(36,952)	(35,468)	(72,420)	(0.69%)	3,222,775	3,443,056	6,665,831	27.15%
New Proposals	3,801,855	2,801,845	6,603,700	62.79%	4,556,453	3,556,459	8,112,912	33.04%
<b>Total Budget</b>	<b>\$5,758,968</b>	<b>\$4,758,880</b>	<b>\$10,517,848</b>		<b>\$12,670,837</b>	<b>\$11,884,411</b>	<b>\$24,555,248</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
Personal Services					412,665					413,434
Vacancy Savings					(63,483)					(63,516)
Inflation/Deflation					(236)					(46)
Fixed Costs					9,806					2,167
<b>Total Statewide Present Law Adjustments</b>		<b>\$150,022</b>	<b>\$26,650</b>	<b>\$182,080</b>	<b>\$358,752</b>		<b>\$148,460</b>	<b>\$25,994</b>	<b>\$177,585</b>	<b>\$352,039</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(150,022)	(26,650)	(182,080)	(358,752)	0.00	(148,460)	(25,994)	(177,585)	(352,039)
DP 51 - Adjustment for Statewide Personal Services	0.00	142,053	82,040	125,089	349,182	0.00	142,353	82,213	125,354	349,920
DP 52 - Adjustment for Statewide Operations	0.00	5,167	2,985	4,551	12,703	0.00	2,107	1,220	1,853	5,180
DP 53 - Base Funding Switch	0.00	4,076	(57,639)	53,563	0	0.00	5,245	(56,719)	51,474	0
DP 5103 - BRD Administrative Costs Adjustments - HB 2	0.00	(38,226)	1,105,400	552,468	1,619,642	0.00	(36,713)	1,105,644	771,064	1,839,995
DP 5104 - BRD Federal Grants Adjustments - HB 2	0.00	0	0	1,600,000	1,600,000	0.00	0	0	1,600,000	1,600,000
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>(\$36,952)</b>	<b>\$1,106,136</b>	<b>\$2,153,591</b>	<b>\$3,222,775</b>	<b>0.00</b>	<b>(\$35,468)</b>	<b>\$1,106,364</b>	<b>\$2,372,160</b>	<b>\$3,443,056</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$113,070</b>	<b>\$1,132,786</b>	<b>\$2,335,671</b>	<b>\$3,581,527</b>	<b>0.00</b>	<b>\$112,992</b>	<b>\$1,132,358</b>	<b>\$2,549,745</b>	<b>\$3,795,095</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resources and Transportations subcommittees.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 5103 - BRD Administrative Costs Adjustments - HB 2 - The legislature provided additional funding for ongoing expenses on grants received by the Business Resources Division. Included in the adjustment are contracts with three eastern Montana Certified Regional Development Corporations (CRDC) to provide a plan for impacts of energy development in eastern Montana, per diem for the Economic Development Advisory Council board members, costs for recording revolving loans, and costs associated with adjusting ongoing federal appropriations for grants received by the Business Resources Division. State special revenue support is provided from the microbusiness loan account.

DP 5104 - BRD Federal Grants Adjustments - HB 2 - The legislature adopted additional federal appropriations for grants received by the Business Resources Division to match estimated available federal funds for the 2015 biennium for federally funded programs.

**New Proposals**

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 54 - Additional Vacancy Savings											
51	0.00	(23,145)	(14,536)	(30,866)	(68,547)	0.00	(23,155)	(14,503)	(30,883)	(68,541)	
DP 5101 - BRD Indian Country Economic Development (OTO)											
51	1.00	800,000	0	0	800,000	1.00	800,000	0	0	800,000	
DP 5102 - BRD Primary Business Sector Training (Biennial/OTO)											
51	2.00	600,000	800,000	0	1,400,000	2.00	600,000	800,000	0	1,400,000	
DP 5106 - Montana SBIR/STTR Program (Restricted/Biennial)											
51	0.50	375,000	0	0	375,000	0.50	375,000	0	0	375,000	
DP 5107 - BRD - Biomedical Research Grant (Biennial/ OTO)											
51	0.00	1,000,000	0	0	1,000,000	0.00	0	0	0	0	
DP 5108 - MSU-Bozeman-Mt Manufacturing Extensn Ctr (Rst/OTO)											
51	0.00	50,000	0	0	50,000	0.00	50,000	0	0	50,000	
DP 5109 - Eliminate Funding for Vacant FTE/ Increase Operati											
51	(1.50)	0	0	0	0	(1.50)	0	0	0	0	
DP 5110 - Native Language Preservation (Rsted/Biennial/OTO)											
51	0.00	1,000,000	0	0	1,000,000	0.00	1,000,000	0	0	1,000,000	
<b>Total</b>	<b>2.00</b>	<b>\$3,801,855</b>	<b>\$785,464</b>	<b>(\$30,866)</b>	<b>\$4,556,453</b>	<b>2.00</b>	<b>\$2,801,845</b>	<b>\$785,497</b>	<b>(\$30,883)</b>	<b>\$3,556,459</b>	

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs.

DP 5101 - BRD Indian Country Economic Development (OTO) - The legislature provided support for the Tribal Economic Development Program, which provides resources to existing and new tribal businesses to expand operations and facilities, and train and employ new workers. The Tribal Economic Development Program assists by helping tribal members in Montana get hired into permanent full-time jobs, start their own businesses, and improve their economic circumstance.

*The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.*

Justification - One of the greatest economic development challenges that Montana faces is capitalizing on or creating opportunities for job creation and economic prosperity on Montana's Indian Reservations and with non-reservation tribal members.

According to the 2010 Census, there were 62,555 self-identified American Indians in Montana, or about 6.3% of the total population. Approximately 38,354 American Indians, or about 61.3%, lived on one of the seven reservations in the state. The Blackfeet and the Flathead reservations were the largest, with 8,944 and 7,042 American Indian residents, respectively. Rocky Boy's (3,221) and the Fort Belknap (2,704) reservations had the smallest number of American Indians residents.

Based upon the methodology used, the unemployment rate for Reservations in Montana has historically ranged from 15% to 30% using the Bureau of Labor Statistics methodology; and from 25% to 75% using Bureau of Indian Affairs methodology. Whichever methodology is used, these rates are considerably higher than the rest of the state, even in an economic downturn.

According to 1999 Census Bureau statistics, an estimated 30.6% of families are below the poverty level on reservations in Montana. A more recent 2008 survey of poverty in school districts (whose boundaries are on the reservations) estimate American Indian children ages 5-17 in families in poverty at:

- 0.5% of the families in school districts with boundaries on the Blackfeet reservation live in poverty of which 76.6% are Blackfeet families
- 27.5% of the families in school districts with boundaries on the Crow reservation live in poverty of which 82.9% are Crow families
- 21.2% of the families in school districts with boundaries on Flathead reservation live in poverty of which 23.6% are Confederated Salish & Kootenai Tribes families
- 28% of the families in school districts with boundaries on the Fort Belknap reservation live in poverty of which 59.8% are Fort Belknap Indian Community families
- 28.2% of the families in school districts with boundaries on the Fort Peck reservation live in poverty of which 48% are Fort Peck Assiniboine & Sioux families
- 33.5% of the families in school districts with boundaries on the Northern Cheyenne reservation live in poverty of which 63% are Northern Cheyenne families
- 22% of the families in school districts with boundaries on the Rocky Boy reservation live in poverty of which 42.8% are Chippewa Cree families

**Project Outcomes** - The goals of this program are to attract new and existing business investment on reservations in Montana. This new investment is in the form of business development, workforce training, tribal entrepreneurial training, feasibility studies and economic development needs surveys, start-up and expansion funds for tribal member-owned businesses, and other tribal priority business development projects.

**Performance Criteria** - Success of the ICED investment will be measured by tracking:

- Number of jobs created, retained, and/or trained through the project
- Number of tribal member businesses created or expanded through grant funding
- Number of tribal members enrolling in and graduating from Indianpreneurship training
- Amount of leveraged and matched funds
- Number of projects that meet or exceed their proposed goals

**Milestones** - Since the Montana Department of Commerce has been operating the Indian Country Economic Development Program since 2006, the key activities of the program have become well-established. An application process and guidelines have been developed and refined. The grant review committee has been established and has met to adopt the guidelines and to review and make grant awards. Contracts with the current grantees are in place.

**FTE** - The work is being performed by existing staff for the Montana Department of Commerce.

**Funding** - General fund is requested for this program. The Indian Country Economic Development Program is designed to promote progress in business and employment opportunities in Montana's reservation communities. The grant review committee may award grants to tribal governments and individual small business tribal members for proposals that start or expand businesses, assess business feasibility and needs, provide entrepreneurial and other necessary business training, or other projects that will have a systemic effect on the economic development opportunities for a specified reservation. A tribal government proposal is encouraged to provide a match of \$1 for every \$1 awarded. Match includes:

- Direct project-related costs such as new equipment, fixed assets, and buildings
- In-kind tribal government and administrative time dedicated to proposal development
- For individual tribal member businesses, the business owner must provide a 1:1 match including firm loan commitments and collateral (cash or in-kind)

**Obstacles** - The proposal has been implemented and is working efficiently since 2006.

Risk - Failing to renew the Indian Country Economic Development Program would reverse the measurable progress that has been made in developing economies of reservation communities. If the proposal is not adopted, the economies on Montana's Indian reservations will continue to lag behind the rest of Montana's economy. The elimination of economic development opportunities in tribal communities may cause the tribes to be more vulnerable to the current economic downturn. The economic status quo could result in increasing poverty and unemployment rates.

DP 5102 - BRD Primary Business Sector Training (Biennial/OTO) - The legislature provided funding for the Primary Sector Business Training Program to provide grant funds to new and existing Montana businesses to train new employees. The funding provided includes \$0.6 million in general fund each year and \$0.8 million in state special revenue from the Employment Security Account in the state special revenue fund. A seven member grant review committee consisting of both public and private members reviews application and allocates funding through the Department of Commerce.

*The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.*

Justification - The Primary Sector Business Training Program provides grant funds to new and existing Montana businesses to train employees in new jobs. This economic development tool is a catalyst for creating new, good jobs in Montana that pay benefits. Montana continues to struggle with low wages and under-trained workers.

The Primary Sector Business Training Program is needed to:

- Provide an essential incentive for new businesses to locate to Montana. State-supported worker training programs are among the incentives most important to expanding or relocating businesses
- Provide existing businesses with essential support to train employees in new jobs that allows them to expand their business in Montana without needing to leave the state

Project Outcomes - The goals of this program are:

- Attract new investment in Montana by providing support to train new employees in new jobs as a major incentive to relocate
- Assist new and existing businesses in creating new jobs that pay a minimum of the average weekly wage that meets or exceeds the lesser of 170% of Montana's current minimum wage or the current average weekly wage of the county

Performance Criteria – The following will be tracked and reported to measure success:

- Creation of eligible new jobs and the hiring of employees for those jobs
- Salaries of trainees and changes to salaries through the project
- Summaries of the training program as planned and as delivered
- Amount expended for training in a new job

Milestones - Since the Montana Department of Commerce has been operating the Primary Sector Business Training Program for the last four biennia, the key activities of the program have already been completed. There is an application process and guidelines that have been developed. A grant review committee has been established and has met to review and make grant awards. Contracts with current grantees are in place. Staff is continuing to work with potential applicants informing them that additional funding is being requested for the program that would be available at the beginning of the new biennium.

FTE - The work is being performed by existing staff of the Montana Department of Commerce.

Funding – General fund is requested for this program. The Primary Sector Business Workforce Training Act is designed to encourage the creation of good-paying jobs in primary sector businesses. The division may award workforce training grants to primary sector businesses that provide education or skills-based training to employees in new jobs. To be

potentially eligible for a grant, an applicant shall demonstrate that at least 50% of the applicant's sales will be from outside of Montana or that the applicant is a manufacturing company with 50% of its sales from companies that have 50% of their sales outside of Montana and shall meet at least one of various established criteria. The maximum grant award is \$5,000 for each full-time new job and \$2,500 for each part-time new job. The business is required to provide a match of at least \$1 for every \$3 awarded. The grant award may only be used for direct costs associated with education or skills-based training for employees in new jobs.

Obstacles - The proposal has been implemented and is working well.

Risk – The risks if the program is not funded are:

- Loss of incentives to attract new business enterprises to Montana
- Loss of a competitive recruitment and retention tool that almost all other states employ placing Montana at a disadvantage for expanded jobs and businesses
- Montana workers will not receive training in new production methods on state of the art equipment and will not accrue skills that could benefit them throughout their working life

DP 5106 - Montana SBIR/STTR Program (Restricted/Biennial) - The legislature provided a biennial appropriation of \$750,000 to fund the existing Montana SBIR/STTR program. The funding will be used to provide matching funds to businesses that have been awarded federal grants to conduct feasibility research or to develop commercially viable innovations based on the research.

DP 5107 - BRD - Biomedical Research Grant (Biennial/ OTO) - The legislature approved a biennial appropriation of one-time-only funding to provide grant funding to support biomedical research. The funding may be used to expand, renovate, and purchase equipment for biomedical research or to expand infrastructure.

DP 5108 - MSU-Bozeman-Mt Manufacturing Extensn Ctr (Rst/OTO) - The legislature approved funding a grant to the Montana Manufacturing Extension Center at MSU-Bozeman.

DP 5109 - Eliminate Funding for Vacant FTE/ Increase Operati - During FY 2012 the program used the funding provided by personal services vacancies to provide for operational costs. In calculating administrative cost adjustments included in DP 5103, the program included reductions for the operational costs related to the funding generated by the vacancies. The legislature removed funding for 1.50 FTE that were vacant in FY 2012 reducing personal services. The legislature further increased funding for operating expenses for the program.

DP 5110 - Native Language Preservation (Rst/Biennial/OTO) - The legislature provided \$1.0 million in general fund each year of the biennium for a pilot program to preserve Native American languages of the various tribes in Montana. As part of the project, native speakers fluent in the Native American languages will be recorded and written materials developed to allow younger generations of the various tribes and others to develop language skills for the various Native American languages. The funding is designated as one-time-only so that the project results may be reported to the next legislature and other funding sources for ongoing projects identified. The State-Tribal Economic Development Commission is to administer the program.



**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
Operating Expenses	173,344	770,192	786,229	750,000	943,536	1,536,229	592,693	62.82%
<b>Total Costs</b>	<b>\$173,344</b>	<b>\$770,192</b>	<b>\$786,229</b>	<b>\$750,000</b>	<b>\$943,536</b>	<b>\$1,536,229</b>	<b>\$592,693</b>	<b>62.82%</b>
State Special	173,344	770,192	786,229	750,000	943,536	1,536,229	592,693	62.82%
<b>Total Funds</b>	<b>\$173,344</b>	<b>\$770,192</b>	<b>\$786,229</b>	<b>\$750,000</b>	<b>\$943,536</b>	<b>\$1,536,229</b>	<b>\$592,693</b>	<b>62.82%</b>

**Program Description**

The Montana Promotion Division strives to strengthen Montana’s economy through increased visitor travel, visitor expenditures, and film production in the state. The division is responsible for implementing and promoting a positive brand image for Montana as a vacation destination and works to ensure brand consistency amongst its marketing and promotional efforts. The division focuses on attracting high value, low impact geotraveler visitors who contribute to Montana’s economic and social prosperity while respecting and appreciating Montana’s authentic natural and cultural assets. This program goal is accomplished through various marketing efforts, networking with the state’s public and private sector tourism and recreation industry and agencies, along with education and development assistance. The division works to project a positive image of the state through consumer advertising, electronic marketing, public relations efforts, international and domestic group travel marketing, printing and distribution of literature, staffing support and training of professional travel counselors, assisting in the development of tourism infrastructure and marketing to motion picture and television production companies. The division provides training and assistance to the Montana tourism industry, administers, and distributes event marketing and infrastructure grants and oversees expenditures of six regional non-profit corporations and the twelve qualified convention and visitors bureaus.

**Program Highlights**

<b>Montana Promotion Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ Over 96% of the Montana Promotion Division budget, including 28.50 FTE, is supported by statutory appropriations not reflected in HB 2</li> <li>◆ The increase of 62.8% from the 2013 biennium is due to statewide present law adjustments and an increase in private funds authority</li> </ul>

**Program Narrative**

The legislature approved increasing the HB 2 budget for private funds for the Montana Promotion Division to the historical level of \$750,000 each year of the biennium, resulting in the increase of 63% compared to that of the 2013 biennium.

The vast majority of the support for this program is provided through statutory appropriations of lodging use facility taxes, commonly referred to as accommodations taxes. The table below shows the accommodations tax allocations and estimated distributions including those to the Department of Commerce.

Department of Commerce Lodging Facilities Use Taxes						
	Distribution Basis	Actual FY 2012	Forecast FY 2013	Forecast FY 2014	Forecast FY 2015	Biennial Change
Accommodations Tax Receipts		\$37,724,000	\$40,389,000	\$42,831,000	\$45,424,000	12.98%
Distributions						
General Fund	3% tax	15,606,000	17,309,000	18,356,000	19,467,000	14.91%
Department of Revenue - Administration	Reimburse	136,000	136,000	141,000	141,000	3.68%
Montana Heritage Preservation & Development	Fixed	400,000	400,000	400,000	400,000	0.00%
Montana University System	2.5% of net	539,550	563,600	598,350	635,400	11.84%
Montana Historical Society						
Sites and Signs	1.0% of net	215,820	225,440	239,340	254,160	11.84%
Historical Interpretation	2.6% of net	561,132	586,144	622,284	660,816	11.84%
Fish Wildlife & Parks	6.5% of net	1,402,830	1,465,360	1,555,710	1,652,040	11.84%
Department of Commerce						
Department Use	64.9% of net	14,006,718	14,631,056	15,533,166	16,494,984	11.84%
Distribution to Regions and Cities	22.5% of net	4,855,950	5,072,400	5,385,150	5,718,600	11.84%
Total Distributions		\$37,724,000	\$40,389,000	\$42,831,000	\$45,424,000	12.98%

As shown, the vast majority of the funding is allocated to the agency for promotion of tourism and allocation to the various tourism regions throughout Montana. The funding for the Montana Promotion Division increases by 11.84% when compared to the 2013 biennium. The division statutory budget for these resources includes:

- o \$3.9 million in personal services supporting 28.50 FTE
- o \$28.1 million in operating costs
- o \$12.0 million in local assistance
- o \$2.2 million in grants

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Commerce Funding by Source of Authority 2015 Biennium Budget - Montana Promotion Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$1,536,229	\$0	\$46,264,823	\$47,801,052	100.0%		
02116 Accommodation Tax Account	\$35,279	\$0	\$34,184,468	\$34,219,747	71.6%		
02154 Mt Promotion-private	\$1,500,950	\$0	\$0	\$1,500,950	3.1%		
02254 Regional Accommodation Tax	\$0	\$0	\$11,968,355	\$11,968,355	25.0%		
02271 L&c Bicentennial Plate Fund	\$0	\$0	\$110,000	\$110,000	0.2%		
02293 Film Production Credit	\$0	\$0	\$2,000	\$2,000	0.0%		
Total All Funds	\$1,536,229	\$0	\$46,264,823	\$47,801,052	100.0%		
<b>Percent - Total All Sources</b>	<b>3.2%</b>	<b>0.0%</b>	<b>96.8%</b>				

The Montana Promotion Division is funded entirely with state special revenues. The primary funding source is a portion of the statutorily appropriated 4% accommodations tax.

**HB 2**

The portion of the division’s budget that is considered by the legislature in HB 2 is less than 4% of the division’s total budget for the 2015 biennium. \$750,000 each year is from private contributions to joint private/state targeted advertising

campaigns. The remaining funding is appropriated from a portion of the 4% Montana lodging facility use tax for legislative audit costs.

*Statutory Appropriations*

The majority of the lodging facility use taxes are statutorily appropriated to the division.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	173,344	173,344	346,688	22.57%
Statewide PL Adjustments	0	0	0	0.00%	27,143	(9,062)	18,081	1.18%
Other PL Adjustments	0	0	0	0.00%	585,742	585,718	1,171,460	76.26%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$786,229</b>	<b>\$750,000</b>	<b>\$1,536,229</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Inflation/Deflation					30					54
Fixed Costs					27,113					(9,116)
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$27,143</b>	<b>\$0</b>	<b>\$27,143</b>		<b>\$0</b>	<b>(\$9,062)</b>	<b>\$0</b>	<b>(\$9,062)</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	0	(27,143)	0	(27,143)	0.00	0	9,062	0	9,062
DP 52 - Adjustment for Statewide Operations	0.00	0	27,143	0	27,143	0.00	0	(9,062)	0	(9,062)
DP 5201 - MPD Private funds & Audit Adjustments (Restricted)	0.00	0	585,742	0	585,742	0.00	0	585,718	0	585,718
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$585,742</b>	<b>\$0</b>	<b>\$585,742</b>	<b>0.00</b>	<b>\$0</b>	<b>\$585,718</b>	<b>\$0</b>	<b>\$585,718</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$612,885</b>	<b>\$0</b>	<b>\$612,885</b>	<b>0.00</b>	<b>\$0</b>	<b>\$576,656</b>	<b>\$0</b>	<b>\$576,656</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resources and Transportations subcommittees.

DP 5201 - MPD Private funds & Audit Adjustments (Restricted) - The legislature approved increasing the HB 2 private funds appropriation to \$750,000 each year.

### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	5.00	5.00	0.00	0.00	5.00	0.00	(5.00)	(100.00%)
Personal Services	264,501	332,393	0	0	596,894	0	(596,894)	(100.00%)
Operating Expenses	184,859	122,607	0	0	307,466	0	(307,466)	(100.00%)
<b>Total Costs</b>	<b>\$449,360</b>	<b>\$455,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$904,360</b>	<b>\$0</b>	<b>(\$904,360)</b>	<b>(100.00%)</b>
General Fund	449,360	455,000	0	0	904,360	0	(904,360)	(100.00%)
<b>Total Funds</b>	<b>\$449,360</b>	<b>\$455,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$904,360</b>	<b>\$0</b>	<b>(\$904,360)</b>	<b>(100.00%)</b>

### Program Description

The Energy Promotion and Development Division (EPDD) was created in 2007 as a result of the state's commitment to 'clean and green' energy development in Montana. EPDD staff conducts the analysis of complex energy issues, balancing the interests of both private developers with those of the public sector, and prepares and delivers written and oral communications that seek to resolve conflicts and achieve resolutions to problems that can delay or prevent energy development projects. The goal of this work is to create jobs and increase the tax base statewide by facilitating the development of clean and responsible energy projects in Montana.

### Program Highlights

Energy Promotion and Development Division Major Budget Highlights	
◆	The legislature eliminated the Energy Promotion and Development Division and transferred 2.00 FTE and some functions to the Governor's Office

### Program Discussion

The legislature eliminated the Energy Promotion and Development Division and related general fund, including personal services support of \$0.7 million over the biennium for 5.00 FTE and operating costs of \$0.3 million. The legislature made a policy decision to instead provide personal services for 2.00 FTE and related operating costs to the Governor's Office of Economic Development, electing to have a single agency responsible for overseeing public policy related to the development of the energy economy within Montana.

### Funding

The legislature did not provide an appropriation for this program. The program was initially proposed to be funded entirely with general fund.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	449,360	449,360	898,720	0.00%	449,360	449,360	898,720	0.00%
Statewide PL Adjustments	66,852	67,623	134,475	0.00%	66,852	67,623	134,475	0.00%
Other PL Adjustments	(22,718)	(22,088)	(44,806)	0.00%	(22,718)	(22,088)	(44,806)	0.00%
New Proposals	(493,494)	(494,895)	(988,389)	0.00%	(493,494)	(494,895)	(988,389)	0.00%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					81,201					81,960
Vacancy Savings					(13,828)					(13,858)
Inflation/Deflation					(70)					(28)
Fixed Costs					(451)					(451)
<b>Total Statewide Present Law Adjustments</b>		<b>\$66,852</b>	<b>\$0</b>	<b>\$0</b>	<b>\$66,852</b>		<b>\$67,623</b>	<b>\$0</b>	<b>\$0</b>	<b>\$67,623</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(66,852)	0	0	(66,852)	0.00	(67,623)	0	0	(67,623)
DP 51 - Adjustment for Statewide Personal Services	0.00	67,373	0	0	67,373	0.00	68,102	0	0	68,102
DP 52 - Adjustment for Statewide Operations	0.00	(521)	0	0	(521)	0.00	(479)	0	0	(479)
DP 5501 - EPDD Administrative Cost Adjustments	0.00	(22,718)	0	0	(22,718)	0.00	(22,088)	0	0	(22,088)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>(\$22,718)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$22,718)</b>	<b>0.00</b>	<b>(\$22,088)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$22,088)</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$44,134</b>	<b>\$0</b>	<b>\$0</b>	<b>\$44,134</b>	<b>0.00</b>	<b>\$45,535</b>	<b>\$0</b>	<b>\$0</b>	<b>\$45,535</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resources and Transportations subcommittees.

DP 5501 - EPDD Administrative Cost Adjustments - The legislature included increases for rent and agency indirect costs offset by reductions in contracted services. The adjustments are based upon anticipated costs in the next biennium.

**New Proposals**

New Proposals										
	-----Fiscal 2014-----					-----Fiscal 2015-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 5502 - Elimination of Funding - Energy Promotion/Dev Div										
55	(5.00)	(493,494)	0	0	(493,494)	(5.00)	(494,895)	0	0	(494,895)
<b>Total</b>	<b>(5.00)</b>	<b>(\$493,494)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$493,494)</b>	<b>(5.00)</b>	<b>(\$494,895)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$494,895)</b>

DP 5502 - Elimination of Funding - Energy Promotion/Dev Div - The legislature approved eliminating funding for the division, including personal services supporting 5.0 FTE and operating expenses.

### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	20.33	20.33	20.33	20.33	20.33	20.33	0.00	0.00%
Personal Services	1,163,894	1,251,502	1,420,415	1,419,250	2,415,396	2,839,665	424,269	17.57%
Operating Expenses	582,250	674,823	775,006	761,865	1,257,073	1,536,871	279,798	22.26%
Grants	4,661,752	9,639,248	7,223,954	6,845,993	14,301,000	14,069,947	(231,053)	(1.62%)
<b>Total Costs</b>	<b>\$6,407,896</b>	<b>\$11,565,573</b>	<b>\$9,419,375</b>	<b>\$9,027,108</b>	<b>\$17,973,469</b>	<b>\$18,446,483</b>	<b>\$473,014</b>	<b>2.63%</b>
General Fund	873,486	888,349	702,251	701,869	1,761,835	1,404,120	(357,715)	(20.30%)
State Special	2,317,872	5,192,768	3,412,404	3,021,065	7,510,640	6,433,469	(1,077,171)	(14.34%)
Federal Special	3,216,538	5,484,456	5,304,720	5,304,174	8,700,994	10,608,894	1,907,900	21.93%
<b>Total Funds</b>	<b>\$6,407,896</b>	<b>\$11,565,573</b>	<b>\$9,419,375</b>	<b>\$9,027,108</b>	<b>\$17,973,469</b>	<b>\$18,446,483</b>	<b>\$473,014</b>	<b>2.63%</b>

### Program Description

The Community Development Division (CDD) administers four programs directly:

- Community Development Block Grant Program (CDBG);
- Community Technical Assistance Program (CTAP);
- Neighborhood Stabilization Program (NSP - Budget Amendment); and
- Treasure State Endowment Program (TSEP).

Two citizen boards appointed by the Governor, Montana Coal Board and Montana Hard Rock Mining Impact Board, are attached to CDD for administrative purposes. The division provides office facilities, staff, and administrative support for the two boards.

### Program Highlights

<b>Community Development Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ Funding for the division increases between the two biennia primarily due to increases in federal funding and increased costs associated with the Hard Rock Mining Impact Board and the Coal Board</li> <li>◆ State special revenue funds decrease between the two biennia due a reduction in funding to the Coal Board. The funding goes from 5.8% of coal severance tax revenues to 2.9% in the 2015 biennium per statute. The legislature approved SB 236 to extend the 5.8% allocation. However, the Governor vetoed the bill. As of this writing a veto override poll had been sent to legislators.</li> </ul>

### Program Discussion

Personal services increases are due to two factors:

- Broadband pay increases granted in FY 2012 that are annualized in the 2015 biennium
- A vacancy rate of 6.3% in FY 2012 compared to the legislatively established 4%

Operating expenses increases are mainly for additional support for consulting and professional services, printing, computers, postage, dues and indirect administrative costs. In addition, the division was provided an additional \$100,000 in general operating costs for a statutorily required reserve account for the Hard Rock Mining Board.

## Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Commerce Funding by Source of Authority 2015 Biennium Budget - Community Development Division							
Funds	HB 2	Non- Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,404,120	\$0	\$0	\$1,404,120	7.1%		
State Special Total	\$6,433,469	\$0	\$1,200,000	\$7,633,469	38.9%		
02049 Hard Rock Mining	\$404,794	\$0	\$1,200,000	\$1,604,794	8.2%	90-6-331	Pass Thru
02218 School Facility Imprvmt Acct	\$765,070	\$0	\$0	\$765,070	3.9%		
02270 Treasure State Endowment	\$1,128,671	\$0	\$0	\$1,128,671	5.7%		
02445 Coal Board	\$4,134,934	\$0	\$0	\$4,134,934	21.0%		
Federal Special Total	\$10,608,894	\$0	\$0	\$10,608,894	54.0%		
03059 Community Development Block	\$10,608,894	\$0	\$0	\$10,608,894	54.0%		
Total All Funds	\$18,446,483	\$0	\$1,200,000	\$19,646,483	100.0%		
<b>Percent - Total All Sources</b>	<b>93.9%</b>	<b>0.0%</b>	<b>6.1%</b>				

### General fund:

- Provides matching funds for the Community Development Block Grant (CDBG)
- Wholly supports the Community Technical Assistance Program

State special revenues are dominated by grant funding for Coal Board programs that fund governmental services that are a direct consequence of an increase or decrease of coal development or as the result of an increase or decrease in the consumption of coal by a coal-using energy complex. The table shows the coal natural resource account and the decreasing revenues as a result of the reduced percentage of coal tax severance taxes that are allocated to the coal board.

Department of Commerce Coal Natural Resource Account				
	FY 2012	FY 2013	FY 2014	FY 2015
Beginning Fund Balance	\$1,268,242	\$2,541,164	\$1,288,545	\$1,125,545
Revenues				
Coal Severance Taxes	3,059,129	3,181,000	2,099,000	1,749,000
Total Revenues				
Expenditures				
Administration	105,958	102,379	113,614	102,575
Grants	<u>1,586,184</u>	<u>4,331,240</u>	<u>2,148,386</u>	<u>1,770,425</u>
Total Expenditures	1,692,142	4,433,619	2,262,000	1,873,000
Adjustments	(94,065)			
Ending Fund Balance	<u>\$2,541,164</u>	<u>\$1,288,545</u>	<u>\$1,125,545</u>	<u>\$1,001,545</u>

As shown, the biennial funding for the coal board grants is significantly reduced as a result of the change, from \$5.9 million to \$3.9 million in the 2015 biennium. The legislature approved SB 236, a Joint Appropriation Subcommittee on General Government committee bill to continue funding for the Coal Board at 5.9% of the coal severance tax rather than allow a reduction to 2.9% of the taxes scheduled after September 2013 to occur. The Governor vetoed the bill. A poll to determine if the legislature wished to override the Governor's veto is in process.



The legislature switched the funding of the Quality Schools Grant Program from general fund to state special revenues from the School Facility and Technology Account.

### Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	873,486	873,486	1,746,972	124.42%	6,407,896	6,407,896	12,815,792	69.48%
Statewide PL Adjustments	145,928	142,910	288,838	20.57%	257,115	250,112	507,227	2.75%
Other PL Adjustments	65,639	67,741	133,380	9.50%	2,754,364	2,369,100	5,123,464	27.77%
New Proposals	(382,802)	(382,268)	(765,070)	(54.49%)	0	0	0	0.00%
<b>Total Budget</b>	<b>\$702,251</b>	<b>\$701,869</b>	<b>\$1,404,120</b>		<b>\$9,419,375</b>	<b>\$9,027,108</b>	<b>\$18,446,483</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					309,137					307,918
Vacancy Savings					(58,855)					(58,801)
Inflation/Deflation					(205)					(28)
Fixed Costs					7,038					1,023
<b>Total Statewide Present Law Adjustments</b>		<b>\$145,928</b>	<b>\$27,732</b>	<b>\$83,455</b>	<b>\$257,115</b>		<b>\$142,910</b>	<b>\$24,514</b>	<b>\$82,688</b>	<b>\$250,112</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(145,928)	(27,732)	(83,455)	(257,115)	0.00	(142,910)	(24,514)	(82,688)	(250,112)
DP 51 - Adjustment for Statewide Personal Services	0.00	147,166	25,608	77,508	250,282	0.00	145,166	24,746	79,205	249,117
DP 52 - Adjustment for Statewide Operations	0.00	0	2,124	4,709	6,833	0.00	0	(232)	1,227	995
DP 53 - Base Funding Switch	0.00	(1,238)	0	1,238	0	0.00	(2,256)	0	2,256	0
DP 6002 - CDD Administrative Costs Adjustments - HB 2	0.00	65,639	683,998	4,727	754,364	0.00	67,741	296,411	4,948	369,100
DP 6003 - CDD Federal Grants Adjustments - HB 2	0.00	0	0	2,000,000	2,000,000	0.00	0	0	2,000,000	2,000,000
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$65,639</b>	<b>\$683,998</b>	<b>\$2,004,727</b>	<b>\$2,754,364</b>	<b>0.00</b>	<b>\$67,741</b>	<b>\$296,411</b>	<b>\$2,004,948</b>	<b>\$2,369,100</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$211,567</b>	<b>\$711,730</b>	<b>\$2,088,182</b>	<b>\$3,011,479</b>	<b>0.00</b>	<b>\$210,651</b>	<b>\$320,925</b>	<b>\$2,087,636</b>	<b>\$2,619,212</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resources and Transportations subcommittees.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 6002 - CDD Administrative Costs Adjustments - HB 2 - The legislature funded per diem for the Hard Rock Mining Impact Board and Coal Board. In addition, the legislature approved authority to establish a \$100,000 reserve account for the Hard Rock Mining Impact Board. Additional costs include consulting services for a designation study for allocation of Coal Board grants, publication costs, computer equipment, public notice, and printing costs.

DP 6003 - CDD Federal Grants Adjustments - HB 2 - The legislature provided federal appropriations for grants received by the Community Development Division to match estimated federal funds for the 2015 biennium.

**New Proposals**

New Proposals											
Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----					
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 6005 - Quality Schools Funding Switch	60	0.00	(382,802)	382,802	0	0	0.00	(382,268)	382,268	0	0
<b>Total</b>	<b>0.00</b>	<b>(\$382,802)</b>	<b>\$382,802</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>(\$382,268)</b>	<b>\$382,268</b>	<b>\$0</b>	<b>\$0</b>	

DP 6005 - Quality Schools Funding Switch - The legislature approved a funding switch for the administrative costs of the quality school grant program, reducing general fund and increasing state special revenue support from the school facility and technology account.

**Program Description**

The Facility Finance Authority was created by the 1983 Legislature to assist health care and related facilities in containing future health care costs by offering debt financing or refinancing at low-cost, tax-exempt interest rates for buildings and capital equipment. The legislature extended eligible facilities to include community pre-release centers and for-profit manufacturing facilities. Cost savings are shared with consumers in the form of lower fees. The ability to issue industrial development revenue bonds for small manufacturing facilities was added in the 61<sup>st</sup> Legislative Session, effective July 1, 2009.

The Facility Finance Authority is funded entirely by proprietary funds (enterprise accounting entities 06012 and 06015) with revenues collected from interest, fees, and charges from participating institutions.

The authority is primarily mandated in Title 90, Chapter 7 and Title 2, Chapter 15, MCA.

**Facility Finance Authority (06012 and 06015)**

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

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Commerce Funding by Source of Authority 2015 Biennium Budget - Facility Finance Authority							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
Proprietary Total	\$0	\$1,130,689	\$0	\$1,130,689	100.0%		
06015 Facilities Finance Authority	\$0	\$1,130,689	\$0	\$1,130,689	100.0%		
Total All Funds	\$0	\$1,130,689	\$0	\$1,130,689	100.0%		
<b>Percent - Total All Sources</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0.0%</b>				

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

### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	5.83	5.83	5.83	5.83	5.83	5.83	0.00	0.00%
Personal Services	331,008	309,014	355,516	355,746	640,022	711,262	71,240	11.13%
Operating Expenses	395,907	1,097,340	1,053,974	1,058,253	1,493,247	2,112,227	618,980	41.45%
Grants	4,175,926	4,250,000	6,175,926	6,175,926	8,425,926	12,351,852	3,925,926	46.59%
Benefits & Claims	183,921	0	358,921	358,921	183,921	717,842	533,921	290.30%
<b>Total Costs</b>	<b>\$5,086,762</b>	<b>\$5,656,354</b>	<b>\$7,944,337</b>	<b>\$7,948,846</b>	<b>\$10,743,116</b>	<b>\$15,893,183</b>	<b>\$5,150,067</b>	<b>47.94%</b>
State Special	0	25,800	150,000	150,000	25,800	300,000	274,200	1,062.79%
Federal Special	5,086,762	5,630,554	7,794,337	7,798,846	10,717,316	15,593,183	4,875,867	45.50%
<b>Total Funds</b>	<b>\$5,086,762</b>	<b>\$5,656,354</b>	<b>\$7,944,337</b>	<b>\$7,948,846</b>	<b>\$10,743,116</b>	<b>\$15,893,183</b>	<b>\$5,150,067</b>	<b>47.94%</b>

### Program Description

The Housing Division established on July 1, 1995, consolidated housing programs within the Department of Commerce into one division. The division includes the Housing and Urban Development (HUD) HOME Investment Partnerships program, the HUD Tenant Based and Project Based Section 8 Housing programs, and the Board of Housing and its programs.

Housing Division responsibilities are mandated primarily in Title 2, Chapter 15; Title 90, Chapter 1, and Chapter 6, MCA; 24 CFR 91, and 92; 24 CFR 5, 792, 813, 887, 982, and 984; and the Governor's Executive Order 27-81.

### Program Highlights

<b>Housing Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The budget increases by 47.9% compared to the 2013 biennium mainly due to \$4.8 million in anticipated federal grants for Housing and Urban Development HOME Investment Partnerships</li> <li>◆ Non-budgeted proprietary funds support 85.9% of the program. These are enterprise funds in which the legislature has no rate setting action</li> </ul>

### Program Discussion

The majority of the increases between the 2013 and 2015 biennia are the result of additional federal grant authority. The legislature approved increases include additional funding for:

- HUD Comprehensive Counseling
- Emergency Homeowner's Loan Program
- Home Grants
- BOH Foreclosure Mitigation

Operating cost increases include additional authority for consulting and professional services above that provided in the 2013 biennium. Benefits and claims increase due to additional support for services provided by the Section 8 Shelter Care Plus Program.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Commerce Funding by Source of Authority 2015 Biennium Budget - Housing Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$300,000	\$0	\$0	\$300,000	0.3%		
02575 Mobile Home Revolving Loan Fund	\$300,000	\$0	\$0	\$300,000	0.3%		
Federal Special Total	\$15,593,183	\$0	\$0	\$15,593,183	13.8%		
03110 Hud Comprehensive Counseling	\$549,999	\$0	\$0	\$549,999	0.5%		
03144 Shelter Plus Care - Hud	\$750,000	\$0	\$0	\$750,000	0.7%		
03282 Emergency Homeowners Loan Prog	\$500,000	\$0	\$0	\$500,000	0.4%		
03300 Home Grants	\$13,243,183	\$0	\$0	\$13,243,183	11.7%		
03945 Boh Forclosure Mitigation	\$550,001	\$0	\$0	\$550,001	0.5%		
Proprietary Total	\$0	\$96,890,001	\$0	\$96,890,001	85.9%		
06030 Boh Financial Program Fund	\$0	\$8,931,985	\$0	\$8,931,985	7.9%		
06074 Sec 8 Project Based	\$0	\$42,038,850	\$0	\$42,038,850	37.3%		
06075 Hud Section 8 Housing Program	\$0	\$42,105,490	\$0	\$42,105,490	37.3%		
06078 Affordable House Revolving Ln	\$0	\$20,000	\$0	\$20,000	0.0%		
06079 Revolving Loan Fund - Tanf	\$0	\$20,000	\$0	\$20,000	0.0%		
06085 Section 8 Mod Rehab	\$0	\$3,753,676	\$0	\$3,753,676	3.3%		
Total All Funds	\$15,893,183	\$96,890,001	\$0	\$112,783,184	100.0%		
<b>Percent - Total All Sources</b>	<b>14.1%</b>	<b>85.9%</b>	<b>0.0%</b>				

The majority of the funds supporting the activities of the Housing Division are proprietary funds. The Board of Housing is funded by six enterprise funds with revenues derived from an administrative charge applied to projects and mortgages financed. Under the Montana Housing Act of 1975, the board does not receive any general fund, and is completely self-supporting.

The programs funded through HB 2 are the Housing and Urban Development HOME Investment Partnerships Program and Montana’ Manufactured Home Replacement Program (MHR). The HUD HOME program is an annual categorical federal grant from HUD. Grant funds are distributed, using a competitive process, to successful local governments and Community Housing Development Organizations with an allowed amount being held back at the state level to administer the program. MHR provided loans to remodel manufactured homes. The 2015 biennium includes funding in the event that any prior loans are repaid and funding can be re-loaned.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	5,086,762	5,086,762	10,173,524	64.01%
Statewide PL Adjustments	0	0	0	0.00%	28,610	25,225	53,835	0.34%
Other PL Adjustments	0	0	0	0.00%	2,828,965	2,836,859	5,665,824	35.65%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$7,944,337</b>	<b>\$7,948,846</b>	<b>\$15,893,183</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					37,919					38,159
Vacancy Savings					(14,757)					(14,767)
Inflation/Deflation					1					39
Fixed Costs					5,447					1,794
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$0</b>	<b>\$28,610</b>	<b>\$28,610</b>		<b>\$0</b>	<b>\$0</b>	<b>\$25,225</b>	<b>\$25,225</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	0	0	(28,610)	(28,610)	0.00	0	0	(25,225)	(25,225)
DP 51 - Adjustment for Statewide Personal Services	0.00	0	0	23,162	23,162	0.00	0	0	23,392	23,392
DP 52 - Adjustment for Statewide Operations	0.00	0	0	5,448	5,448	0.00	0	0	1,833	1,833
DP 7401 - HD Administrative Costs Adjustments - HB 2	0.00	0	150,000	53,965	203,965	0.00	0	150,000	61,859	211,859
DP 7402 - HD Federal Grants Adjustments - HB 2	0.00	0	0	2,625,000	2,625,000	0.00	0	0	2,625,000	2,625,000
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$150,000</b>	<b>\$2,678,965</b>	<b>\$2,828,965</b>	<b>0.00</b>	<b>\$0</b>	<b>\$150,000</b>	<b>\$2,686,859</b>	<b>\$2,836,859</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$150,000</b>	<b>\$2,707,575</b>	<b>\$2,857,575</b>	<b>0.00</b>	<b>\$0</b>	<b>\$150,000</b>	<b>\$2,712,084</b>	<b>\$2,862,084</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resources and Transportations subcommittees.

DP 7401 - HD Administrative Costs Adjustments - HB 2 - The legislature provided authority to annualize the cost of maintenance fees for HOME programs, lease agreements, and indirect costs to the Director's Office.

DP 7402 - HD Federal Grants Adjustments - HB 2 - The legislature approved federal appropriation authority for grants received by the Housing Assistance Bureau's HOME Program to match estimated federal funds for the 2015 biennium.

### Proprietary Rates

#### Proprietary Program Description

The Montana Housing Act of 1975 created the Montana Board of Housing (board). The board is an agency of the state and operates within the Department of Commerce for administrative purposes. The board provides direction to the agency staff for its programs that include the Homeownership Program, Multifamily Loan Programs, Low Income Housing Tax Credit Program, Housing Montana Fund, and the Reverse Annuity Mortgage (RAM) Program. The Board of Housing is funded by four enterprise funds with revenues derived from an administrative charge applied to projects and mortgages financed.

The Project Based Section 8 (PBS8) Program is the HUD contract administrator for low-income rental properties HUD subsidizes throughout the state. The program provides rental assistance to projects at fixed locations instead of the

tenants. Landlords perform administrative tasks at the local level. The agency performs annual property reviews, oversees property management, and makes rent subsidy payments to owners. The agency earns fees from HUD under a performance-based contract for the tasks performed. The Project Based Section 8 program is funded with revenues derived from a performance based Annual Contribution Contract with HUD.

**Board of Housing – (Funds 06030, 06031, 06078, and 06079)**

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

**Section 8 Housing – (Funds 06074,06075, and 06085)**

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

### Program Description

The Board of Investments (board) manages the Unified Investment Program mandated by Article VIII, Section 13 of the Montana Constitution. Statute grants the board sole authority to invest state funds. The board also invests local government funds at their discretion. The board currently manages an investment portfolio with a market value of approximately \$12.0 billion. The board manages the portfolio under the "prudent expert principle."

To provide for diversification and reduced risk, the board manages several investment pools in which funds of similar types are invested. The board manages seven investment pools, which operate like mutual funds.

- Retirement Funds Bond Pool
- Trust Funds Bond Pool
- Short Term Investment Pool
- Montana Domestic Stock Pool
- Montana International Equity Pool
- Montana Private Equity Pool
- Montana Real Estate Pool

Annual audited financial statements are prepared for each investment pool. Investments not managed in pools are included in an "all other funds" financial statement. The board also issues tax-exempt bonds and lends the proceeds to eligible government agencies for a variety of purposes.

Section 17-6-305, MCA, authorizes the board to invest 25% of the Permanent Coal Tax Trust Fund to assist Montana's economic development. This "In-State Investment Program" makes business loans from the trust fund in participation with financial institutions. The board lends trust fund monies to local governments to fund infrastructure that will serve job-creating businesses locating in the government's jurisdiction. The board also lends low-interest monies funded from the trust fund to value-added type businesses creating jobs. Throughout FY 2010, the board purchased Montana residential mortgages with pension funds as part of the In-State Investment Program.

The board sells tax-exempt bonds and lends the proceeds to eligible governments for a variety of projects. Loan terms range from one to 15 years and short-term loans to finance cash flow deficits or bridge financing are also available.

### *Program Narrative*

#### Expenses

Overall the program costs increase over 27% between FY 2012 and the 2015 biennium. The figure below shows the increases in costs and related funding. The funding shows both the proprietary funds and the statutorily appropriated industrial revenue bonds and related debt service payments.

Department of Commerce Board of Investments					
	FY 2012	FY 2014	% Change	FY 2015	% Change
FTE	32.00	32.00	0.00	32.00	0.00
Personal Services	\$2,661,343	\$3,059,481	14.96%	\$3,060,044	14.98%
Operating Costs	2,063,528	2,342,587	13.52%	2,305,946	11.75%
Debt Service	<u>742,110</u>	<u>1,343,162</u>	80.99%	<u>1,592,800</u>	<u>114.63%</u>
Total Costs	<u>\$5,466,981</u>	<u>\$6,745,230</u>	23.38%	<u>\$6,958,790</u>	27.29%
Funding					
Industrial Revenue Bonds	1,046,529	1,829,132	74.78%	2,059,258	96.77%
Investment Division	<u>4,420,452</u>	<u>4,916,098</u>	<u>11.21%</u>	<u>4,899,532</u>	<u>10.84%</u>
Total Funding	<u>\$5,466,981</u>	<u>\$6,745,230</u>	23.38%	<u>\$6,958,790</u>	27.29%



Significant increased costs for personal services include:

- o Refunding of 4.00 FTE that were vacant all of FY 2012; 3.00 FTE have been vacant since at least FY 2010 with 1.00 FTE vacant since FY 2007
- o Additional funding for 5.00 FTE that were vacant a portion of the year
- o Broadband pay increases granted in FY 2012 but annualized in the 2015 biennium

Increases associated with operating costs include:

- o Consulting and professional services
- o Legal fees and court costs
- o Data network services
- o Rent
- o Indirect administrative costs

Revenues

Nearly all bond program revenues are generated by the difference between interest rates on bonds sold and the interest rate charged on loans to borrowers. Since these revenues are only received from the trustee on an annual basis, a 270 day fund balance is required to provide adequate funding for the bond program between draws. Remaining revenues are received monthly from the board’s contract with the Montana Facility Finance Authority.

Nearly all investment program revenues are generated from charges to each account that the board invests. The revenue objective of the investment program is to fairly assess the costs of operations while maintaining a reasonable and prudent 60 day working capital reserve.

*Proprietary Rates*

For the 2015 biennium the following rates are proposed by the executive. The rates charged in the base year are shown for comparison purposes. The Board of Investments recovers its costs from the entities that use its services. Typically, this has been done by requesting a maximum level of expenditures similar to what occurs in HB 2 and setting the fee at that level. This process has been utilized since the passage of HB 576 in 1995 and this methodology is continued in the 2015 biennium.

Department of Commerce Board of Investments Proprietary Rates				
	Actual FYE 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
BOI Administrative Fee Rate	\$4,831,041	\$4,831,041	\$5,109,144	\$5,234,796
Allocation Methodology: The revenue objective of the Board of Investments is to assess the costs of operations to each portfolio the Board invests while attempting to maintain a reasonable and prudent 60 day working capital reserve.				

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

**Program Description**

The 1997 Montana Legislature established the Montana Heritage Preservation and Development Commission (MHC) to acquire and manage historic properties for the State of Montana. The legislation approved the purchase of the historic sites in Virginia City and Nevada City including 250 buildings, 160 acres of land, hundreds of thousands of artifacts, and a tourist railroad. The Montana Board of Land Commissioners later approved the acquisition of historic Reeder’s Alley in Helena on November 19, 2001 via a private donation. The Pioneer Cabin at the base of Reeder’s Alley, was also acquired through private donation from the Last Chance Gulch Restoration Association on June 19, 2006. Today, MHC manages these sites to generate revenue for its own operations that includes building leases for private businesses, visitor services, historic preservation, collections management and public education.

**Program Highlights**

<b>Montana Heritage Commission Major Budget Highlights</b>	
◆	100% of the Montana Heritage Commission is funded with statutory appropriations including 12.00 FTE

**Program Discussion**

The statutorily appropriated program budget includes:

- \$1.3 million in personal services supporting 12.00 FTE
- \$1.0 million in operating costs

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Commerce Funding by Source of Authority 2015 Biennium Budget - Montana Heritage Commission							
Funds	HB 2	Non- Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$0	\$0	\$2,381,096	\$2,381,096	100.0%		
02102 Mt Heritage Pres & Development	\$0	\$0	\$2,381,096	\$2,381,096	100.0%		
Total All Funds	\$0	\$0	\$2,381,096	\$2,381,096	100.0%		
<b>Percent - Total All Sources</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>				

As shown, the Montana Heritage Commission is entirely funded with statutorily appropriated funding. As shown on the table in the Montana Promotion Division narrative in this department, the funding from the accommodations tax is fixed at \$400,000 each year of the biennium. The rest of the funding includes revenues from Virginia and Nevada Cities and Reeder’s Alley as well as funding from light vehicle registrations.

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
Grants	261,062	600,000	550,000	550,000	861,062	1,100,000	238,938	27.75%
<b>Total Costs</b>	<b>\$261,062</b>	<b>\$600,000</b>	<b>\$550,000</b>	<b>\$550,000</b>	<b>\$861,062</b>	<b>\$1,100,000</b>	<b>\$238,938</b>	<b>27.75%</b>
Federal Special	261,062	600,000	550,000	550,000	861,062	1,100,000	238,938	27.75%
<b>Total Funds</b>	<b>\$261,062</b>	<b>\$600,000</b>	<b>\$550,000</b>	<b>\$550,000</b>	<b>\$861,062</b>	<b>\$1,100,000</b>	<b>\$238,938</b>	<b>27.75%</b>

**Program Description**

The Director’s Office provides overall leadership, communication, and management support to the Department of Commerce staff, programs, bureaus, divisions and administratively attached boards. The office provides executive, administrative, legal, and policy direction along with offering problem-solving guidance. The office keeps abreast of department related issues and acts in a public relations and informational capacity. The office works closely with economic and community development organizations, businesses, communities, governmental entities, elected officials and the public to diversify and expand the state’s economic base. The office acts as the liaison with private business, local governments, administratively attached boards, public and private interest groups, the legislature, Indian tribes, individuals, other governmental agencies, and the Governor’s Office.

The Director’s Office also provides internal support to Department of Commerce staff, programs, bureaus, divisions and administratively attached boards. Services are provided by the Offices of Accounting and Budget, Legal Affairs, Human Resources, Information Technology, and Public Information.

The Montana Council on Developmental Disabilities is a citizen based advocacy group. Its members, appointed by the Governor, work to provide increased independence, integration and productivity for persons with developmental disabilities.

**Program Highlights**

<b>Director’s Office Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ 76.2% of the Director’s Office, including 19.00 FTE, is funded with proprietary funds that are not included in HB 2</li> <li>◆ The HB 2 budget increases 27.7% due to projected increases in federal funds supporting the Montana Council on Developmental Disabilities</li> </ul>

**Program Discussion**

The program budget comparison table reflects funding only for the Developmental Disabilities Planning and Advisory Council (DDPAC), which is the only portion of this program for which the appropriation is made in HB 2. The federal Developmental Disabilities Assistance and Bill of Rights Act of 2000 requires each state to designate a state agency to administer the federal funds as long as the designated state agency does not provide or pay for services for individuals with developmental disabilities.

Since FY 2005 the department has had a contract with the Montana Council on Developmental Disabilities (MCDD), a nonprofit corporation that carries out the responsibilities of DDPAC. DDPAC still remains administratively attached to

the nonprofit under the terms and conditions of the contract. Projected increases in the federal funds are the only change shown for the 2015 biennium.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Commerce Funding by Source of Authority 2015 Biennium Budget - Director'S Office							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
Federal Special Total	\$1,100,000	\$0	\$0	\$1,100,000	23.8%		
03441 Ddpac - Dev Disabled Council	\$1,100,000	\$0	\$0	\$1,100,000	23.8%		
Proprietary Total	\$0	\$3,526,546	\$0	\$3,526,546	76.2%		
06542 Commerce Centralized Services	\$0	\$3,526,546	\$0	\$3,526,546	76.2%		
Total All Funds	\$1,100,000	\$3,526,546	\$0	\$4,626,546	100.0%		
<b>Percent - Total All Sources</b>	<b>23.8%</b>	<b>76.2%</b>	<b>0.0%</b>				

The Director’s Office is funded by an internal service proprietary fund from indirect costs charged to all agency programs. For further discussion of the proprietary funded portion of this program refer to the “Proprietary Rates” section.

The Montana Council on Developmental Disabilities is entirely funded with federal special revenues.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	261,062	261,062	522,124	47.47%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	0	0	0	0.00%	288,938	288,938	577,876	52.53%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$550,000</b>	<b>\$550,000</b>	<b>\$1,100,000</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	Fiscal 2014					Fiscal 2015				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
<b>Total Statewide Present Law Adjustments</b>		\$0		\$0	\$0		\$0		\$0	\$0
DP 8101 - DO Federal Grants Adjustments - HB 2	0.00	0	0	288,938	288,938	0.00	0	0	288,938	288,938
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$288,938</b>	<b>\$288,938</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$288,938</b>	<b>\$288,938</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$288,938</b>	<b>\$288,938</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$288,938</b>	<b>\$288,938</b>

DP 8101 - DO Federal Grants Adjustments - HB 2 - The legislature included increases in federal appropriations for grants received by the Director's Office to match estimated available federal funds for the 2015 biennium for the Montana Council on Developmental Disabilities.

**Proprietary Rates**

**Proprietary Program Description**

The Director's Office provides overall leadership, communication, and management support to the Department of Commerce staff, programs, bureaus, divisions and administratively attached boards. Services are provided by the Office of Accounting and Budget, Legal Affairs, Human Resources, Information Technology, and Public Information.

*Program Narrative*

Overall, costs for the program increase by almost 14% when compared to the FY 2012 base. The majority of the increases are in personal service costs which are about 15.5% higher when compared to FY 2012. The figure below shows the changes in personal service and operating costs when compared to the FY 2012 base amounts.

Department of Commerce Director's Office					
	FY 2012	FY 2014	% Increase	FY 2015	% Increase
Personal Services	\$1,322,134	\$1,526,685	15.47%	\$1,527,824	15.56%
Operating Costs	224,995	232,560	3.36%	234,311	4.14%
	<u>\$1,547,129</u>	<u>\$1,759,245</u>	13.71%	<u>\$1,762,135</u>	13.90%

The increases are included as part of the proposals related to administrative cost adjustments. The figure below shows the increased costs for the Director's Office that are apportioned to each of the programs.

Expenses

Significant costs for the program include:

- o Personal service increases that are almost entirely due to the annualization of broadband pay increases granted in the last half of FY 2012
- o Operating costs, which include increased costs for SITSD charges and rent

Department of Commerce Director's Office Increases in Administrative Costs		
Division	FY 2014	FY 2015
Business Resources Division	\$93,251	\$93,482
Montana Promotion Division	64,347	64,928
Energy Division	14,367	14,473
Community Development Division	56,870	56,700
Facility Finance Authority	8,895	8,883
Housing Division	11,080	11,114
Board of Investments	103,616	103,698
Montana Heritage Commission	40,259	40,449
<b>Total Increases</b>	<b>\$392,685</b>	<b>\$393,727</b>

Revenues

The Director's Office is funded by revenues from charges allocated to all divisions, bureaus, and programs supported by the division's indirect cost plan. Indirect costs are allocated to supported programs based upon federally calculated and legislatively approved indirect cost rates applied to actual personal services expenditures.

**Proprietary Rate Explanation**

For the 2015 biennium the following rates were approved by the legislature are shown on the next page.

Department of Commerce Director's Office Proprietary Rates				
	Actual FYE 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
Director's Office Rate	12.95%	12.95%	14.65%	14.65%

The Director's Office calculates a federal indirect cost rate on an annual basis. This rate is a fixed rate for federally funded programs. This rate is then applied against actual federally funded personal services expenditures within the department.

The federally calculated rate requires that a carry-forward amount be built into the rate. This carry-forward amount represents the amount the Director's Office under-recovered or over-recovered in a given fiscal year. This computation compares what was originally calculated to what actually occurred. The difference is then carried forward into the following year's rate.

The indirect cost rate is determined based on guidelines prescribed by the federal government. The rate approved by the legislature is considered a cap; therefore, the department cannot impose a rate higher than what has been approved by the legislature. However, the annually calculated federal rate may be slightly lower.

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

### Agency Budget Comparison

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	756.58	756.58	751.58	751.58	756.58	751.58	(5.00)	(0.66%)
Estimated Impact of HB 2*			(31.44)	(31.44)			(31.44)	
<b>Net Estimated FTE*</b>			<b>720.14</b>	<b>720.14</b>		<b>720.14</b>	<b>(36.44)</b>	
Personal Services	40,122,529	42,222,224	42,238,374	42,288,058	82,344,753	84,526,432	2,181,679	2.65%
Operating Expenses	21,438,114	23,569,354	22,905,751	23,017,418	45,007,468	45,923,169	915,701	2.03%
Equipment & Intangible Assets	122,027	274,234	436,602	398,986	396,261	835,588	439,327	110.87%
Grants	11,535,458	11,779,098	11,565,453	11,565,525	23,314,556	23,130,978	(183,578)	(0.79%)
Benefits & Claims	91,464	74,840	91,464	91,464	166,304	182,928	16,624	10.00%
Transfers	484,630	357,757	454,199	454,199	842,387	908,398	66,011	7.84%
Debt Service	3,889	3,775	13,103	13,103	7,664	26,206	18,542	241.94%
<b>Total Costs</b>	<b>\$73,798,111</b>	<b>\$78,281,282</b>	<b>\$77,704,946</b>	<b>\$77,828,753</b>	<b>\$152,079,393</b>	<b>\$155,533,699</b>	<b>\$3,454,306</b>	<b>2.27%</b>
General Fund	1,474,826	1,483,665	1,285,371	1,311,124	2,958,491	2,596,495	(361,996)	(12.24%)
State Special	38,439,794	41,914,681	39,886,165	39,872,879	80,354,475	79,759,044	(595,431)	(0.74%)
Federal Special	33,823,455	34,794,419	36,533,410	36,644,750	68,617,874	73,178,160	4,560,286	6.65%
Other	60,036	88,517	0	0	148,553	0	(148,553)	(100.00%)
<b>Total Funds</b>	<b>\$73,798,111</b>	<b>\$78,281,282</b>	<b>\$77,704,946</b>	<b>\$77,828,753</b>	<b>\$152,079,393</b>	<b>\$155,533,699</b>	<b>\$3,454,306</b>	<b>2.27%</b>

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

### Agency Description

Agency Mission: The purpose of the Department of Labor and Industry is to promote the well-being of Montana's workers, employers, and citizens, and to uphold their rights and responsibilities.

The Department of Labor and Industry (DOLI) has a number of functions. In part, the department:

- Serves as an employment agency, provides job training to assist individuals in preparing for and finding jobs, and assists employers in finding workers
- Oversees federal and state training and apprenticeship programs
- Conducts research and collects employment statistics
- Administers the unemployment insurance program and disburses state unemployment benefits
- Enforces state and federal labor standards, anti-discrimination laws, and state and federal safety-occupational health laws
- Provides adjudicative services in labor-management disputes
- Licenses, inspects, tests, and certifies all weighing or measuring devices used in making commercial transactions in the State of Montana
- Provides administrative and clerical services to the 40 professional boards and occupational licensing programs authorized by state statutes
- Establishes and enforces minimum building codes
- Administers the federal AmeriCorps, Campus Corps, and Volunteer Montana programs through the Office of Community Services
- Oversees and regulates the Montana Workers' Compensation system

Organizationally, the department is divided into five divisions: 1) Workforce Services; 2) Unemployment Insurance; 3) Commissioner's Office/Centralized Services; 4) Employment Relations; and 5) Business Standards. The Office of Community Services, Workers' Compensation Court, Board of Personnel Appeals, and Board of Labor Appeals are administratively attached. Under statute the Human Rights Commission is allocated to the Department of Labor and Industry for administrative purposes.

## Agency Highlights

<b>Department of Labor and Industry Major Budget Highlights</b>
◆ 2015 biennium budget increases mainly due to increased personal services costs for vacant positions and broadband pay increase

## Summary of Legislative Action

As shown in the agency budget comparison, the budget for DOLI increases 2.3% when compared to the 2013 biennium. Overall, the number of FTE supported in HB 2 declined by 5.00. The reduction was due to the net of two actions. The legislature:

- 1) Moved the Office of Legal Services within the Commissioner's Office from HB 2 to a proprietary fund, which reduced the FTE in HB 2 by 8.00; and
- 2) Approved personal service costs to support an additional 3.00 FTE within the Business Standards Division to eliminate contracts for the Medical Impairment Program and to provide the services within the division.

As a result, state special revenue appropriation authority for the division was reduced by \$151,800.

The majority of the increases in the budget are included as personal services. Changes adopted by the legislature included:

- Refunding of vacancy savings, minus 6%
- Annualization of broadband pay plan increases
- Funding statutorily required increases for longevity
- Personal service costs for the Medical Impairment Program

Operating costs for the agency increase by almost \$1.0 million between the two biennia. The majority of the increases are due to increased support for the operational costs of the Business Standards Division.

General fund for the agency declines as a result of a funding shift for the Human Rights Bureau. The legislature approved an additional \$0.5 million in federal funds for the bureau to reduce the amount of fund balance available to support the program, decreasing general fund by the same amount. State special revenue reductions are mainly due to the elimination of state special revenue for the Incumbent Worker Training Program included as part of the Governor's line item veto of HB 2. Federal revenues increase due to:

- \$1.0 million in increased support for the AmeriCorp grant supporting the Office of Community Services
- \$1.4 million in support for statewide present law adjustments which were supported by state special revenues in the FY 2012 base budget
- \$0.5 million for the Human Right Bureau switched from general fund

## *Bills to Implement Provisions of HB 2*

The Joint Appropriation Subcommittee on General Government requested committee bills (HB 627 and HB 591) to implement provisions of HB 2:

- 1) HB 591 increased fees for licenses of weighing devices to provide the Weights and Measures Bureau with additional state special revenues so that the bureau is able to replace outdated equipment and to update the metrology laboratory.
- 2) HB 627 failed to pass the legislature. It would have:
  - Expanded the uses of the employment security account (ESA) to include the Jobs for Montana Graduates Program (JMG) and to add career guidance and academic counseling programs to help student make decisions relating to career preparation as part of the research and analysis functions of the department. Funding for these programs remains in HB 2, and legislative legal staff states that statute likely allows



continued use of these funds for these purposes. HB 627 also expanded the uses of the funding to the Department of Commerce to support the New Worker Training Program.

- o Created a worker training and economic development account in the state special revenue fund. The purpose of the fund was to provide a source of revenue to fund the costs that the state incurs in programs for incumbent worker training. The Governor line item vetoed the \$1.3 million state special revenue appropriation for the Incumbent Worker Training Program in HB 2.

*Boilerplate*

The boilerplate section in HB 2 includes the following language:

“It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium.”

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 31.44 FTE for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

**Funding**

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department Of Labor & Industry Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$2,596,495	\$0	\$0	\$2,596,495	0.6%
State Special Total	79,759,044	-	1,528,454	81,287,498	17.3%
Federal Special Total	73,178,160	-	-	73,178,160	15.6%
Proprietary Total	-	312,976,127	-	312,976,127	66.6%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
<b>Total All Funds</b>	<b>\$155,533,699</b>	<b>\$312,976,127</b>	<b>\$1,528,454</b>	<b>\$470,038,280</b>	
Percent - Total All Sources	33.1%	66.6%	0.3%		

The majority of the funding for the department is non-budgeted proprietary funding for unemployment benefits. State special revenue funds include the employment security account, individual accounts for each professional licensing board or program, and the uninsured employers fund. General fund supports activities within the Workforce Services Division and the Employment Relations Division.

The employment security account provides support to four of the agency’s divisions. Figure 1 shows the amount of funding provided to each division, the impacts of the additional vacancy savings of 2%, and the maximum potential impacts of HB 13.

Figure 3

Department of Labor and Industry Economic Security Account Including Potential HB 13 Impacts				
Revenues, Expenditures, Fund Balance	Actual FY 2012	Budgeted FY 2013	Budgeted FY 2014	Budgeted FY 2015
Beginning Fund Balance	\$9,428,160	\$9,508,080	\$5,376,414	\$119,026
Revenues				
Contributions/Premiums	14,994,621	15,427,000	15,942,000	16,475,000
BOI Investment Earnings	<u>34,701</u>	<u>24,396</u>	<u>5,000</u>	<u>5,000</u>
Total Revenues	15,029,323	15,451,396	15,947,000	16,480,000
Expenditures				
Department of Labor and Industry				
Workforce Services Division	9,886,884	10,619,281	9,058,064	9,058,117
Unemployment Insurance Division	3,389,198	3,667,627	3,777,656	3,777,656
Commissioner's Office	247,219	1,314,120	179,072	179,069
Employment Relations Division	1,435,729	1,482,034	1,507,401	1,507,433
House Bill 13 Impacts*	0	0	218,131	471,522
House Bill 2 Additional Vacancy Savings**	0	0	(135,936)	(136,124)
Department of Commerce				
Business Resources Division	<u>0</u>	<u>0</u>	<u>800,000</u>	<u>800,000</u>
Total Expenditures	14,959,031	17,083,062	15,404,388	15,657,673
Adjustments	9,628			
Ending Fund Balance	<u>\$9,508,080</u>	<u>\$7,876,414</u>	<u>\$5,919,026</u>	<u>\$941,353</u>
Unemployment Insurance Tax Modernization	0	2,500,000	5,800,000	700,000
Ending Fund Balance with IT project	<u>\$9,508,080</u>	<u>\$5,376,414</u>	<u>\$119,026</u>	<u>\$241,353</u>
* Calculated using funding percentages utilized to establish amounts in HB 13				
** Calculated using MBARS pay plan percentages				

The 2009 Legislature approved the unemployment tax modernization information technology project in HB 10 using \$16.7 million in employment security revenue bonding authority and \$3.0 million in federal revenues. The funding was approved as a long range IT project. As a long range IT project, the appropriation authority for the employment security revenue bonds does not revert at the end of the biennium but is continued until the bonds are issued and the project is completed or the legislature removes the authority through legislation. The agency recently issued a request for proposal on the project and is in the process of finalizing an agreement. The effects of issuing revenue bonds are also shown in the table. In addition, the legislature provided \$1.6 million of funding from this account for primary business sector training provided by the Department of Commerce.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,474,826	1,474,826	2,949,652	113.60%	73,798,111	73,798,111	147,596,222	94.90%
Statewide PL Adjustments	54,997	55,880	110,877	4.27%	3,953,858	4,150,267	8,104,125	5.21%
Other PL Adjustments	4,056	4,079	8,135	0.31%	1,443,616	1,490,841	2,934,457	1.89%
New Proposals	(248,508)	(223,661)	(472,169)	(18.18%)	(1,490,639)	(1,610,466)	(3,101,105)	(1.99%)
<b>Total Budget</b>	<b>\$1,285,371</b>	<b>\$1,311,124</b>	<b>\$2,596,495</b>		<b>\$77,704,946</b>	<b>\$77,828,753</b>	<b>\$155,533,699</b>	

The statewide present law adjustments provide for personal service adjustments including:

- Full funding of all positions, minus 4% vacancy savings
- Annualization of broadband pay plan increases
- Funding statutorily required increases for longevity

The adjustments also include increases for both fixed costs such as State Information Technology Services Division and rent adjustments, and decreases for gasoline.

Other present law adjustments include an additional \$1.1 million in federal authority for the AmeriCorp grant supporting the Office of Community Services and \$0.8 million in state special authority for operating costs associated with the Business Services Division.

Reductions approved as new proposals include:

- \$1.8 million in additional vacancy savings for the agency
- \$1.3 million of state special revenue appropriations for the Incumbent Worker Training Program vetoed by the Governor
- \$1.7 million in support for legal services within the Commissioner's Office that were switched to nonbudgeted proprietary funds with revenue generated through a rate charged to the various divisions within DOLI. This reduction was partially offset by increases within each division's budget for the costs of the proprietarily funded legal services of \$1.1 million in total funds

**Other Legislation**

**HB 13** – The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches as well as the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

**HB 363** – This bill allows the Board of Realty Regulation to hire its own staff rather than have the division provide administrative, clerical and compliance support to the board. The Governor vetoed the bill. The Secretary of State's Office is polling the legislature to determine if the legislature will override the Governor's veto.

**HB 591** – This bill increases licensing fees for weighing devices that support costs of the program within the Business Standards Division.

**SB 410** – This bill includes a one-time-only biennial appropriation of \$7.5 million general fund to the Governor's Office. The funding can be transferred at the Governor's discretion in the 2015 biennium to the following departments for operations costs:

- Governor's Office

- Public Health and Human Services
- Natural Resources and Conservation
- Environmental Quality
- Administration
- Commerce
- Revenue
- Corrections
- Labor and Industry

Any funds transferred are one-time-only and consequently will not be part of the FY 2014 budget base.

In addition, the bill contained a one-time-only appropriation of \$2.0 million general fund for the Department of Labor and Industry. The funding is to be transferred to the Department of Labor and Industry Operations Account within the state special revenue fund. The statutorily appropriated funds are to fund various operations costs of the department.

**Executive Budget Comparison**

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg - Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg - Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	756.58	752.58	751.58	(1.00)	752.58	751.58	(1.00)	
Estimated Impact of HB 2*			(31.44)	(31.44)		(31.44)	(31.44)	
<b>Net Estimated FTE*</b>			<b>720.14</b>	<b>(32.44)</b>		<b>720.14</b>	<b>(32.44)</b>	
Personal Services	40,122,529	43,265,007	42,238,374	(1,026,633)	43,309,143	42,288,058	(1,021,085)	(2,047,718)
Operating Expenses	21,438,114	22,921,975	22,905,751	(16,224)	23,040,631	23,017,418	(23,213)	(39,437)
Equipment & Intangible Assets	122,027	436,602	436,602	0	398,986	398,986	0	0
Grants	11,535,458	12,228,606	11,565,453	(663,153)	12,228,678	11,565,525	(663,153)	(1,326,306)
Benefits & Claims	91,464	91,464	91,464	0	91,464	91,464	0	0
Transfers	484,630	454,199	454,199	0	454,199	454,199	0	0
Debt Service	3,889	13,103	13,103	0	13,103	13,103	0	0
<b>Total Costs</b>	<b>\$73,798,111</b>	<b>\$79,410,956</b>	<b>\$77,704,946</b>	<b>(\$1,706,010)</b>	<b>\$79,536,204</b>	<b>\$77,828,753</b>	<b>(\$1,707,451)</b>	<b>(\$3,413,461)</b>
General Fund	1,474,826	2,646,492	1,285,371	(1,361,121)	2,647,416	1,311,124	(1,336,292)	(2,697,413)
State/Other Special	38,439,794	40,097,044	39,886,165	(210,879)	40,056,805	39,872,879	(183,926)	(394,805)
Federal Special	33,823,455	36,667,420	36,533,410	(134,010)	36,831,983	36,644,750	(187,233)	(321,243)
Proprietary	60,036	0	0	0	0	0	0	0
<b>Total Funds</b>	<b>\$73,798,111</b>	<b>\$79,410,956</b>	<b>\$77,704,946</b>	<b>(\$1,706,010)</b>	<b>\$79,536,204</b>	<b>\$77,828,753</b>	<b>(\$1,707,451)</b>	<b>(\$3,413,461)</b>

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

The legislature did not approve a request to switch \$1.6 million from the employment security account to the general fund for the Jobs for Montana Graduates Program and career guidance and academic counseling programs, which are functions within the Research and Analysis Bureau. Instead, the Joint Appropriation Subcommittee on General Government requested that provisions be added to a bill to implement provisions of HB 2 to clarify that the employment security account may be used for these purposes. As discussed earlier in the narrative, HB 627 did not pass the legislature.

The legislature approved an executive request to provide for the purchase of equipment and update the metrology laboratory within the Business Services Division. However, the legislature passed HB 591 discussed above to increase the fees paid for licensing of weighing devices and appropriated the additional state special revenue funds for the request rather than use general fund.

The legislature approved a funding switch within the state special revenue fund for incumbent worker training, eliminating support from the employment security account and providing support from the worker training and economic development account. The legislature also approved a one-time-only funding switch for the Human Rights Bureau, using \$500,000 of available funding from federal reimbursements for investigations conducted by the office instead of general fund.

The legislature did not approve a request to add \$100,000 in general fund for personal services funding for 1.0 FTE for a grants coordinator to provide oversight for the AmeriCorps Grants.

The legislature approved additional vacancy savings of 2% for positions funded in HB 2 reducing personal service costs by \$1.8 million over the biennium including \$0.9 million in state special revenue and \$0.9 million of federal revenue.

**Language and Statutory Authority**

The legislature included the following language in HB 2.

"Weights and Measures Equipment (Restricted/Biennial) is contingent upon the passage and approval of House Bill No. 591."

"Employment Relations Division includes a reduction in state special revenue of \$520,391 in fiscal year 2014 and \$493,141 in fiscal year 2015 and federal special revenue of \$388,035 in fiscal year 2014 and \$416,258 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans."

### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	293.95	293.95	293.95	293.95	293.95	293.95	0.00	0.00%
Personal Services	14,375,781	15,812,593	15,822,482	15,849,426	30,188,374	31,671,908	1,483,534	4.91%
Operating Expenses	6,255,553	6,520,131	6,891,046	6,880,398	12,775,684	13,771,444	995,760	7.79%
Equipment & Intangible Assets	9,209	50,261	9,209	9,209	59,470	18,418	(41,052)	(69.03%)
Grants	9,031,994	9,319,862	8,483,517	8,483,517	18,351,856	16,967,034	(1,384,822)	(7.55%)
Transfers	333,399	171,867	333,399	333,399	505,266	666,798	161,532	31.97%
Debt Service	3,889	0	13,103	13,103	3,889	26,206	22,317	573.85%
<b>Total Costs</b>	<b>\$30,009,825</b>	<b>\$31,874,714</b>	<b>\$31,552,756</b>	<b>\$31,569,052</b>	<b>\$61,884,539</b>	<b>\$63,121,808</b>	<b>\$1,237,269</b>	<b>2.00%</b>
General Fund	0	0	3,246	3,246	0	6,492	6,492	n/a
State Special	9,558,551	10,684,411	9,141,677	9,141,879	20,242,962	18,283,556	(1,959,406)	(9.68%)
Federal Special	20,451,274	21,190,303	22,407,833	22,423,927	41,641,577	44,831,760	3,190,183	7.66%
<b>Total Funds</b>	<b>\$30,009,825</b>	<b>\$31,874,714</b>	<b>\$31,552,756</b>	<b>\$31,569,052</b>	<b>\$61,884,539</b>	<b>\$63,121,808</b>	<b>\$1,237,269</b>	<b>2.00%</b>

### Program Description

The Workforce Services Division (WSD) operates as a gateway to government services including:

- Retraining and reemployment services for laid-off workers
- Employment and training services for people transitioning from welfare to work
- Employment services for youth, veterans, seasonal/migrant farm workers, and general job seekers

WSD operates four bureaus including:

- Job Service Operations Bureau which coordinates and guides the delivery of workforce development services to communities through a network of 25 Job Service Centers across the state.
- 21st Century Workforce Technology, Apprenticeship & Training Bureau administers the Apprenticeship and Training Program, Jobs for Montana Graduates, Incumbent Worker Training Program, and the State Workforce Investment Board (SWIB).
- Statewide Workforce Programs and Oversight Bureau performs oversight, regulatory, fiscal, tracking, registration, and support functions statewide for both state and federal programs such as the State Displaced Homemaker Program, Employee Protection Act, Workforce Investment Act (WIA), Trade Adjustment Assistance (TAA) and MontanaWorks.
- Research and Analysis Bureau works in partnership with the US Department of Labor to provide labor market information that is used at the national and state level by businesses, policy makers, and educators. The bureau also provides career resources for use by educators, students, workforce development agencies, and job seekers.

**Program Highlights**

<b>Workforce Services Division Major Budget Highlights</b>	
◆	Costs increases in personal services are due to: <ul style="list-style-type: none"> <li>• Fully funding positions that had experienced a vacancy rate in the base year above the 2015 biennium budgeted rate of 4%</li> <li>• Increases for broadband pay adjustments</li> </ul>
◆	Operating expenses increases are for: <ul style="list-style-type: none"> <li>• Reinstating building maintenance costs transferred to the Department of Administration</li> <li>• Fixed costs, including information technology and rent</li> </ul>
◆	Funding for the Incumbent Worker Training Program is eliminated in HB 2
◆	General fund is reduced \$0.5 million due to a funding shift to federal funds for the Human Rights Bureau

**Program Narrative**

The figure below shows the legislative budgets for each program within the division for the 2015 biennium.

Department of Labor and Industry Work Force Services Division 2015 Biennium Budget					
	Job Service Operations	Statewide Workforce Prms and Oversight	21st Century Workforce Tech Appren	Research & Analysis	2015 Biennium Total
FTE	246.35	10.62	16.12	20.86	293.95
<b>Costs</b>					
Personal Services	\$25,755,628	\$1,443,709	\$1,782,331	\$2,690,240	\$31,671,908
Operating Costs	10,879,585	617,052	800,557	1,474,250	13,771,444
Equipment and Intangible Assets	18,418	0	0	0	18,418
Grants	8,103,170	8,579,864	284,000	0	16,967,034
Transfers	350,042	316,756	0	0	666,798
Debt Service	<u>26,206</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>26,206</u>
<b>Total Costs</b>	<b><u>\$45,133,049</u></b>	<b><u>\$10,957,381</u></b>	<b><u>\$2,866,888</u></b>	<b><u>\$4,164,490</u></b>	<b><u>\$63,121,808</u></b>
<b>Funding</b>					
General Fund	\$0	\$0	\$0	\$6,492	\$6,492
State Special Revenue	14,226,411	516,768	2,303,761	1,236,616	18,283,556
Federal Special Revenue	<u>30,906,638</u>	<u>10,440,613</u>	<u>563,127</u>	<u>2,921,382</u>	<u>44,831,760</u>
<b>Total Funding</b>	<b><u>\$45,133,049</u></b>	<b><u>\$10,957,381</u></b>	<b><u>\$2,866,888</u></b>	<b><u>\$4,164,490</u></b>	<b><u>\$63,121,808</u></b>

The majority of the funding is budgeted for job service operations that support job service offices around Montana. Changes to the budget include an increase of \$2.8 million in personal services when compared to the FY 2012 base budget as part of the changes made in the statewide present law adjustments. The bureau experienced a significant level of vacancies during the base year with an overall rate of 9.1%. The legislature approved refunding the vacancies, including full funding for the 26.5 FTE or 10.7% of the positions that were open at the time the budget was established.

Other increases approved by the legislature in personal services include:

- Broadband pay increases granted throughout FY 2012 that are annualized for the 2015 biennium
- Statutorily required longevity increases

Operating expenses increase due to:

- o State Information Technology Services Division fixed costs - \$0.7 million
- o Increased costs for building maintenance by the amount transferred to the Architecture and Engineering Division for maintenance on the Helena Job Service Office - \$0.5 million

The majority of the increases are supported by additional federal funds. State special revenues decline due to a funding shift from state special revenues to federal funds that is contained in the statewide present law adjustments.

The legislature provided \$1.3 million in funding from the worker training and economic development account in the state special revenue fund to support the Incumbent Worker Training Program. The statutory authority for the funding and the transfer mechanism to establish the funding for the account was included in HB 627, which failed to pass the legislature. The Governor then eliminated the appropriation through a line item veto. In addition, the legislature provided \$2.0 million in state special revenue from a general fund transfer for the operations of the Department of Labor and Industry. The division could either fund the program utilizing \$1.3 million of the funding provided in SB 410 or eliminate the program.

HB 627 also included amendments to statute that authorized further uses of the employment security account, including funding the Jobs for Montana Graduates Program and a portion of the Research and Analysis Bureau functions. The 2011 Legislature appropriated funds for these programs from the employment security account without changing the statute. The 2013 Legislature continued funding the programs from the employment security account at \$1.7 million over the biennium but included the uses in HB 627, which failed to pass. Legislative legal staff states that statute likely allows continued use of these funds for these purposes.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Labor & Industry Funding by Source of Authority 2015 Biennium Budget - Work Force Services Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$6,492	\$0	\$0	\$6,492	0.0%		
State Special Total	\$18,283,556	\$0	\$0	\$18,283,556	29.0%		
02258 Employment Security Account	\$18,116,181	\$0	\$0	\$18,116,181	28.7%		
02455 Workers' Comp Regulation	\$167,375	\$0	\$0	\$167,375	0.3%		
Federal Special Total	\$44,831,760	\$0	\$0	\$44,831,760	71.0%		
03124 Employment Trng Grants	\$17,397,438	\$0	\$0	\$17,397,438	27.5%		
03128 L & I Federal Funding	\$522,596	\$0	\$0	\$522,596	0.8%		
03131 Osha Stat Prgm Fed.st Sdy	\$171,363	\$0	\$0	\$171,363	0.3%		
03194 Research/analysis Crn	\$1,506,559	\$0	\$0	\$1,506,559	2.4%		
03197 Wsd-dept Of Education Grant	\$2,395,480	\$0	\$0	\$2,395,480	3.8%		
03297 Labor And Industry Veteran Gra	\$1,100,000	\$0	\$0	\$1,100,000	1.7%		
03682 Wagner Peyser	\$10,374,508	\$0	\$0	\$10,374,508	16.4%		
03692 Alien Labor Certification(alc)	\$173,654	\$0	\$0	\$173,654	0.3%		
03693 Wrk Opportunities Tx Crdt/wotc	\$201,101	\$0	\$0	\$201,101	0.3%		
03694 Trade Adjustment Assist/nafta	\$10,972,601	\$0	\$0	\$10,972,601	17.4%		
03954 Ui Administrative Grants	\$16,460	\$0	\$0	\$16,460	0.0%		
Proprietary Total	\$0	\$31,600	\$0	\$31,600	0.1%		
06051 Montana Career Info System	\$0	\$31,600	\$0	\$31,600	0.1%		
Total All Funds	\$63,121,808	\$31,600	\$0	\$63,153,408	100.0%		
<b>Percent - Total All Sources</b>	<b>99.9%</b>	<b>0.1%</b>	<b>0.0%</b>				



*HB 2 Funding*

The majority of the state special revenue funding is from the employment security account. The revenue for this account is generated from an administrative assessment against the payroll of Montana employers. Statute enumerates the uses of the fund, including the operating expenses of the job service offices.

Approximately 70% of the total funding for the Workforce Services Division is from federal special revenue. Nearly 90% of this funding is from three federal programs: 1) Wagner-Peyser Act; 2) Workforce Investment Act; and 3) Trade Adjustment Assistance Program (Trade Act of 1974). The uses and requirements for these funds are determined by the federal agencies granting the funding.

*Proprietary Funds*

The proprietary funding is considered and approved as rates charged to entities participating in the Montana Career Information System and are discussed in the “Proprietary Rates” section of the narrative.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	30,009,825	30,009,825	60,019,650	95.09%
Statewide PL Adjustments	0	0	0	0.00%	1,891,414	1,908,178	3,799,592	6.02%
Other PL Adjustments	3,246	3,246	6,492	100.00%	276,220	276,261	552,481	0.88%
New Proposals	0	0	0	0.00%	(624,703)	(625,212)	(1,249,915)	(1.98%)
<b>Total Budget</b>	<b>\$3,246</b>	<b>\$3,246</b>	<b>\$6,492</b>		<b>\$31,552,756</b>	<b>\$31,569,052</b>	<b>\$63,121,808</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					2,176,931					2,198,181
Vacancy Savings					(662,024)					(662,851)
Inflation/Deflation					(11,269)					(5,172)
Fixed Costs					387,776					378,020
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>(\$51,282)</b>	<b>\$1,942,696</b>	<b>\$1,891,414</b>		<b>\$0</b>	<b>(\$50,612)</b>	<b>\$1,958,790</b>	<b>\$1,908,178</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	0	51,282	(1,942,696)	(1,891,414)	0.00	0	50,612	(1,958,790)	(1,908,178)
DP 51 - Adjustment for Statewide Personal Services	0.00	0	511,632	1,003,275	1,514,907	0.00	0	518,920	1,016,410	1,535,330
DP 52 - Adjustment for Statewide Operations	0.00	0	137,586	241,785	379,371	0.00	0	136,452	239,301	375,753
DP 53 - Base Funding Switch	0.00	0	(697,636)	697,636	0	0.00	0	(703,079)	703,079	0
DP 104 - WSD Rent Adjustment	0.00	3,246	11,633	13,863	28,742	0.00	3,246	11,633	13,863	28,742
DP 105 - Reinstate for Appropriation Transfer	0.00	0	244,614	0	244,614	0.00	0	244,614	0	244,614
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$3,246</b>	<b>\$259,111</b>	<b>\$13,863</b>	<b>\$276,220</b>	<b>0.00</b>	<b>\$3,246</b>	<b>\$259,152</b>	<b>\$13,863</b>	<b>\$276,261</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$3,246</b>	<b>\$207,829</b>	<b>\$1,956,559</b>	<b>\$2,167,634</b>	<b>0.00</b>	<b>\$3,246</b>	<b>\$208,540</b>	<b>\$1,972,653</b>	<b>\$2,184,439</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resource and Transportation subcommittees.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 104 - WSD Rent Adjustment - The legislature approved \$28,742 in each year of the biennium for an increase in off campus rent related to job service offices around the state.

DP 105 - Reinstate for Appropriation Transfer - The legislature approved an appropriation transfer to the Architecture and Engineering Division in the Department of Administration for building maintenance.

**New Proposals**

Program	FTE	Fiscal 2014				Fiscal 2015				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Legal Funding Switch										
01	0.00	0	16,443	0	16,443	0.00	0	16,443	0	16,443
DP 107 - Worker Training and Economic Development (OTO)										
01	0.00	0	(641,146)	0	(641,146)	0.00	0	(641,655)	0	(641,655)
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>(\$624,703)</b>	<b>\$0</b>	<b>(\$624,703)</b>	<b>0.00</b>	<b>\$0</b>	<b>(\$625,212)</b>	<b>\$0</b>	<b>(\$625,212)</b>

DP 101 - Legal Funding Switch - The legislature approved a funding switch to formalize a reorganization of the department's legal structure. The Legal Unit was operating under two different methodologies and now operates under one, sharing resources and expertise to provide legal services to the department. This affects five programs within the department, reducing HB 2 authority in the Centralized Services Division and increasing HB 2 authority in the other divisions in order to pay for estimated legal services.

DP 107 - Worker Training and Economic Development (OTO) - The legislature included a worker training and economic development account in the state special revenue fund for the purpose of providing a source of revenue to fund the costs that the state incurred in programs for incumbent worker training in HB 2. The funding change reduced support for the Incumbent Worker Training Program from the employment security account and changed the funding to the worker training and economic development account. The legislature failed to approve HB 627, which included the statutory authority for the new funding. As a result, the Governor vetoed the line item appropriation for the Incumbent Worker Training Program in HB 2 and only the reduction from the employment security account remains in HB 2.

**Proprietary Rates**

**Montana Career Info System - 06051**

*Program Description*

The purpose of Montana Career Information System (MCIS) is to deliver current career and labor market information to Montanans in an easy-to-use and easy-to-understand format. MCIS is currently being funded by a College Access Challenge Grant for a wide variety of users: job service offices, vocational rehabilitation offices, high schools, community colleges, universities, tribal colleges, educational and training agencies, home use, and adult education programs. When the grant ends, MCIS will need to seek other funding or resort back to license fees for the basic system.

There are currently optional components of MCIS not funded by the grant that requires the program to collect fees associated with each optional component.

#### *Program Narrative*

##### Expenses

The expenses of the proprietary program are limited to the operational expenses of the optional features. These are typically site specific licensing fees.

##### Revenues

Revenue is generated through fees for purchase of a one year optional component license.

#### *Proprietary Rates*

For the 2015 biennium the following rates were approved by the legislature. The rates have not changed from those charged in the base year IDEAS Assessment:

- \$100 per site license per year
- Dependable Strengths: \$200 per site license per year
- Peterson's Academic Practice Tests: (per site, per practice test package)
- Enrollment up to 200 - \$225
- Enrollment 201-500 - \$275
- Enrollment over 500 - \$325
- Peterson's Civil Service Practice Test Package: (per site)
- Schools - \$200
- Agencies - \$225

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	153.00	153.00	153.00	153.00	153.00	153.00	0.00	0.00%
Personal Services	7,971,387	7,927,029	8,286,216	8,287,792	15,898,416	16,574,008	675,592	4.25%
Operating Expenses	4,790,355	5,146,089	5,163,252	5,309,934	9,936,444	10,473,186	536,742	5.40%
Transfers	87,345	75,000	87,345	87,345	162,345	174,690	12,345	7.60%
Debt Service	0	3,775	0	0	3,775	0	(3,775)	(100.00%)
<b>Total Costs</b>	<b>\$12,849,087</b>	<b>\$13,151,893</b>	<b>\$13,536,813</b>	<b>\$13,685,071</b>	<b>\$26,000,980</b>	<b>\$27,221,884</b>	<b>\$1,220,904</b>	<b>4.70%</b>
State Special	3,502,688	3,718,627	3,847,656	3,847,656	7,221,315	7,695,312	473,997	6.56%
Federal Special	9,346,399	9,433,266	9,689,157	9,837,415	18,779,665	19,526,572	746,907	3.98%
<b>Total Funds</b>	<b>\$12,849,087</b>	<b>\$13,151,893</b>	<b>\$13,536,813</b>	<b>\$13,685,071</b>	<b>\$26,000,980</b>	<b>\$27,221,884</b>	<b>\$1,220,904</b>	<b>4.70%</b>

**Program Description**

The Unemployment Insurance (UI) Division administers the state unemployment insurance law and related federal programs, which provide temporary, partial wage replacement to unemployed workers. The bureaus are: Contributions, Claims Processing, and Program Support. The Contributions Bureau is responsible for UI employer registration, contribution rate assignments, tax and wage report collection, wage revisions, and employer audits. The Claims Processing Bureau has two claims processing centers (Billings and Helena) that file and process claims (monetary eligibility, issue investigation, adjudication, and employer charging) and respond to all UI claim related inquires. The Claims Processing Bureau is also responsible for Trade Readjustment Assistance, military, federal, and multi-state claims. The Program Support Bureau manages the information technology systems and infrastructure, the division budget and accounting, and the UI trust fund. They also provide management analysis and research for economic, program management, reporting, and legislative purposes in addition to operating tax and benefit quality control, benefit payment control, and integrity programs.

**Program Highlights**

<b>Unemployment Insurance Division</b>	
<b>Major Budget Highlights</b>	
◆	Personal services costs increase due to: <ul style="list-style-type: none"> <li>• Fully funding positions that had experienced a vacancy rate in the base year above the 2015 biennium budgeted rate of 4%</li> <li>• Increases for broadband pay adjustments</li> </ul>
◆	Operating costs increases include: <ul style="list-style-type: none"> <li>• Fixed costs, including rent and information technology services</li> <li>• Postage and mailing associated with unemployment insurance benefits</li> </ul>

**Program Narrative**

Personal services increases contained in the statewide present law adjustments for the division include:

- Fully funding positions that had experienced an actual vacancy rate in the base year of about 6%, compared to the 2015 biennium budgeted rate of 4%
- Annualization of broadband pay increases granted to most employees within the division
- Longevity and performance adjustments

Operating expenses increase due to:

- Rent increase
- SITSD fixed cost increase for the unemployment insurance information technology system
- Postage and mailing increases mainly related to unemployment insurance benefits to unemployed workers

State special revenues increase due to a funding shift from federal funds to state special revenue that is included in the statewide present law adjustments. The shift increased state special revenue support for the division by \$0.21 million in FY 2014 and \$0.17 million in FY 2015.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Labor & Industry Funding by Source of Authority 2015 Biennium Budget - Unemployment Insurance Divisio							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$7,695,312	\$0	\$0	\$7,695,312	2.4%		
02258 Employment Security Account	\$7,555,312	\$0	\$0	\$7,555,312	2.3%		
02315 Dli Info Exchange/rental	\$140,000	\$0	\$0	\$140,000	0.0%		
Federal Special Total	\$19,526,572	\$0	\$0	\$19,526,572	6.0%		
03278 Ui Penalty & Interest	\$1,140,000	\$0	\$0	\$1,140,000	0.4%		
03954 Ui Administrative Grants	\$18,386,572	\$0	\$0	\$18,386,572	5.7%		
Proprietary Total	\$0	\$296,472,656	\$0	\$296,472,656	91.6%		
06069 Ui Tax Benefit Fund	\$0	\$296,472,656	\$0	\$296,472,656	91.6%		
Total All Funds	\$27,221,884	\$296,472,656	\$0	\$323,694,540	100.0%		
<b>Percent - Total All Sources</b>	<b>8.4%</b>	<b>91.6%</b>	<b>0.0%</b>				

*HB 2 Funding*

The HB 2 funded functions of the division support the administrative and operational portions of unemployment insurance. The majority of the state special revenues are derived from an assessment charged to employers as a percentage of their payroll and deposited into the employment security account. Unemployment insurance (UI) administrative grants are federal funds that Montana receives for the administration of the unemployment insurance program. Montana businesses pay a federal unemployment tax that is partially used to fund these grants.

*Proprietary Funding*

State unemployment taxes (SUTA) are paid into a proprietary account to fund unemployment benefits for claimants. The amount of the tax depends on the ratio of unemployment insurance trust fund balance to the total covered wages in Montana and the employer’s experience. Montana uses 11 schedules with 9 contribution rates in each schedule to assess the SUTA. In calendar year 2012 Montana used schedule VII, while in calendar year 2013 the rate is calculated using schedule VI, a reduction in costs to Montana employers.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	12,849,087	12,849,087	25,698,174	94.40%
Statewide PL Adjustments	0	0	0	0.00%	499,805	648,063	1,147,868	4.22%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	187,921	187,921	375,842	1.38%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$13,536,813</b>	<b>\$13,685,071</b>	<b>\$27,221,884</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					659,650					661,304
Vacancy Savings					(344,821)					(344,899)
Inflation/Deflation					16,840					32,654
Fixed Costs					168,136					299,004
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$344,968</b>	<b>\$154,837</b>	<b>\$499,805</b>		<b>\$0</b>	<b>\$344,968</b>	<b>\$303,095</b>	<b>\$648,063</b>
DP 50 - Initial Motion to FY 2012 Base	0.00		(344,968)	(154,837)	(499,805)	0.00	0	(344,968)	(303,095)	(648,063)
DP 51 - Adjustment for Statewide Personal Services	0.00	0	85,823	229,006	314,829	0.00	0	86,253	230,152	316,405
DP 52 - Adjustment for Statewide Operations	0.00	0	50,425	134,551	184,976	0.00	0	90,411	241,247	331,658
DP 53 - Base Funding Switch	0.00	0	208,720	(208,720)	0	0.00	0	168,304	(168,304)	0
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$344,968</b>	<b>\$154,837</b>	<b>\$499,805</b>	<b>0.00</b>	<b>\$0</b>	<b>\$344,968</b>	<b>\$303,095</b>	<b>\$648,063</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resource and Transportation subcommittees.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

**New Proposals**

New Proposals										
Program	FTE	Fiscal 2014				Fiscal 2015				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 201 - Legal Funding Switch										
02	0.00	0	0	187,921	187,921	0.00	0	0	187,921	187,921
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$187,921</b>	<b>\$187,921</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$187,921</b>	<b>\$187,921</b>

DP 201 - Legal Funding Switch - The legislature approved a funding switch to formalize a reorganization of the department's legal structure. The Legal Unit was operating under two different methodologies and now operates under one, sharing resources and expertise to provide legal services to the department. This affects five programs within the department, reducing HB 2 authority in the Centralized Services Division and increasing HB 2 authority in the other divisions in order to pay for estimated legal services.

**Proprietary Rates**

**UI Tax Benefit Fund - 06069**

*Program Description*

The Department of Labor and Industry (DLI) collects the contributions paid by employers, based on their industry or individual experience rate, to pay for their unemployment insurance. DLI expends the funds by paying unemployment insurance benefit claims.

*Program Narrative*

Expenses

Significant costs for the program are for unemployment insurance benefits paid to claimants while unemployed, including federal withholding tax and child support payments the claimants have elected to be taken out of the benefit check.

Revenues

The revenues received in the proprietary fund are from unemployment insurance tax collections, federal reimbursement for claims on federal employees, military personnel, claimants in other states, and interest earnings to the Unemployment Insurance Trust Fund.

*Significant Present Law Adjustments*

The division reduced the FY 2012 base for unemployment benefits and claims by \$70 million each year of the 2015 biennium. The reduction reflects the anticipated elimination of federal support for emergency unemployment insurance benefits that provided extended benefits for unemployed workers during the Great Recession.

Figure 3 shows the unemployment insurance benefits made during the last four fiscal years, as well as the percentage increase or decrease from the preceding period.

Figure 3

Department of Labor and Industry Unemployment Insurance Division Unemployment Insurance Benefits						
Fiscal Year	Regular Unemployment Insurance	Trade Adjustment Readjustment	Emergency Unemployment Compensation	UI Benefits Modernization	Total	% Change
2009	180,456,413	177,273	41,373,353	5,848	222,012,887	
2010	197,098,174	352,955	121,921,938	3,715,952	323,089,019	45.53%
2011	157,091,080	2,023,599	103,806,117	6,433,280	269,354,076	-16.63%
2012	134,200,858	2,065,957	73,217,900	7,425,196	216,909,911	-19.47%

As shown, the continuing benefits peaked in FY 2010 and have declined more than 16% in FY 2011 and FY 2012. Changes to the length of time Emergency Unemployment Compensation Benefits (EUC) are provided through federal funding have changed as a result of sequestration and changes to the number of weeks benefits will be paid enacted by Congress. Emergency Unemployment extended benefits are based on a number of tiers. Figure 4 shows the tiers and the various federal requirements included in the program as included in the Middle Class Tax Relief and Job Creation Act of 2012.

Figure 4

Department of Labor and Industry Unemployment Insurance Division Emergency Unemployment Compensation		
Benefit Tier	Weeks of Extended Benefits	Criteria*
Tier 1	14	No state unemployment rate requirements
Tier 2	14	3-month seasonally adjusted total unemployment year of at least 6.0%
Tier 3	9	3-month seasonally adjusted total unemployment year of at least 7.0%
Tier 4	10	3-month seasonally adjusted total unemployment year of at least 9.0%

\* Montana's unemployment rate was 6.3% in FY 2012

Beginning May 5, 2013 new EUC claims are reduced almost 20% for the weekly benefit payment, the maximum benefit amount is also reduced by about 20%.

#### *Proprietary Rates*

The Unemployment Insurance Division administers the state unemployment insurance law. The proprietary rate is set in statute under 39-5-1217, MCA.



### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	17.00	17.00	9.00	9.00	17.00	9.00	(8.00)	(47.06%)
Personal Services	1,138,658	1,227,796	613,997	613,775	2,366,454	1,227,772	(1,138,682)	(48.12%)
Operating Expenses	324,338	405,654	175,441	174,834	729,992	350,275	(379,717)	(52.02%)
<b>Total Costs</b>	<b>\$1,462,996</b>	<b>\$1,633,450</b>	<b>\$789,438</b>	<b>\$788,609</b>	<b>\$3,096,446</b>	<b>\$1,578,047</b>	<b>(\$1,518,399)</b>	<b>(49.04%)</b>
General Fund	277,929	279,307	183,517	183,242	557,236	366,759	(190,477)	(34.18%)
State Special	583,520	685,338	221,626	221,581	1,268,858	443,207	(825,651)	(65.07%)
Federal Special	541,511	580,288	384,295	383,786	1,121,799	768,081	(353,718)	(31.53%)
Other	60,036	88,517	0	0	148,553	0	(148,553)	(100.00%)
<b>Total Funds</b>	<b>\$1,462,996</b>	<b>\$1,633,450</b>	<b>\$789,438</b>	<b>\$788,609</b>	<b>\$3,096,446</b>	<b>\$1,578,047</b>	<b>(\$1,518,399)</b>	<b>(49.04%)</b>

### Program Description

The Commissioner's Office and the Centralized Services Division provide program direction, legal, administration, and support services to the department's five programs and two administratively attached entities.

### Program Highlights

<b>Commissioner's Office Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>◆ The budget for the Commissioner's Office contained in HB 2 decreases due to a switch of the funding for the Office of Legal Services from support provided by revenues appropriated in HB 2 to proprietary funding</li> <li>◆ Proprietary funding supports the Office of Legal Services, Centralized Services Division, and the Office of Information Technology</li> </ul>	

### Program Narrative

The budget for the Commissioner's Office decreases due to a switch in the funding for the Office of Legal Services from support provided by revenues appropriated in HB 2 to proprietary funding. The remaining services provided in HB 2 are mainly for the Hearings Unit function that holds impartial administrative hearings and provides dispute resolution services in unemployment insurance cases, wage and hour claims, public employee collective bargaining and unfair labor practices cases, state employee classification appeals and grievances, uninsured employer regulatory matters, professional and occupational licensing appeals, and human rights complaints. A small appropriation of state special revenues is also provided for operating costs of \$20,900 each year in the Commissioner's Office.

Figure 5 shows a comparison between the FY 2012 base costs and the changes for the 2015 biennium for the Hearings Unit, the majority of the remaining budget included in HB2.

Figure 5

Department of Labor and Industry Commissioner's Office/ Centralized Services Division Hearing Unit 2015 Biennium Budget					
	FY 2012	FY 2014	% Change	FY 2015	% Change
FTE	9.00	9.00	0.00%	9.00	0.00%
Costs					
Personal Services	593,999	613,997	3.37%	613,775	3.33%
Operating Costs	<u>164,036</u>	<u>154,563</u>	-5.77%	<u>153,956</u>	-6.14%
Total Costs	758,035	768,560	1.39%	767,731	1.28%
Funding					
General Fund	178,272	183,517	2.94%	183,242	2.79%
State Special Revenue	189,647	200,748	5.85%	200,703	5.83%
Federal Revenue	<u>390,116</u>	<u>384,295</u>	-1.49%	<u>383,786</u>	-1.62%
Total Funding	758,035	768,560	1.39%	767,731	1.28%

Changes within the budget include:

- Increases for the personal services are due to longevity and performance adjustments
- Decreases in operating costs that are the result of reductions for the costs of SITSD that are allocated to the hearing unit

### Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Labor & Industry Funding by Source of Authority 2015 Biennium Budget - Commissioner'S Office/Csd							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$366,759	\$0	\$0	\$366,759	2.2%		
State Special Total	\$443,207	\$0	\$0	\$443,207	2.7%		
02233 Bsd Hearings	\$70,555	\$0	\$0	\$70,555	0.4%		
02258 Employment Security Account	\$358,141	\$0	\$0	\$358,141	2.2%		
02315 Dli Info Exchange/rental	\$2,142	\$0	\$0	\$2,142	0.0%		
02455 Workers' Comp Regulation	\$12,369	\$0	\$0	\$12,369	0.1%		
Federal Special Total	\$768,081	\$0	\$0	\$768,081	4.6%		
03122 Eeoc	\$64,722	\$0	\$0	\$64,722	0.4%		
03954 Ui Administrative Grants	\$703,359	\$0	\$0	\$703,359	4.2%		
06546 Commissioner's Office/csd	\$0	\$6,973,341	\$0	\$6,973,341	42.1%		
06552 Admin Services	\$0	\$4,174,791	\$0	\$4,174,791	25.2%		
06568 Office Of Information Tech	\$0	\$3,853,047	\$0	\$3,853,047	23.2%		
Total All Funds	\$1,578,047	\$15,001,179	\$0	\$16,579,226	100.0%		
<b>Percent - Total All Sources</b>	<b>9.5%</b>	<b>90.5%</b>	<b>0.0%</b>				

### HB 2 Funding

HB 2 funding mainly supports the Hearings Unit within the Centralized Services Division. The state special revenue is mainly derived from the assessments on employers and deposited into the Employment Security Account. Unemployment insurance administrative grants make up the majority of the federal funding.

*Proprietary rates*

The Commissioner's Office has three different proprietary funding sources for the operations of the various functions within the office. A discussion of the proposed uses and funding for each of the functions is included under the Proprietary Rates section of the narrative. These funds are considered and approved as rates charged to other divisions within the agency.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	277,929	277,929	555,858	151.56%	1,462,996	1,462,996	2,925,992	185.42%
Statewide PL Adjustments	8,731	8,609	17,340	4.73%	162,529	163,379	325,908	20.65%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	(103,143)	(103,296)	(206,439)	(56.29%)	(836,087)	(837,766)	(1,673,853)	(106.07%)
<b>Total Budget</b>	<b>\$183,517</b>	<b>\$183,242</b>	<b>\$366,759</b>		<b>\$789,438</b>	<b>\$788,609</b>	<b>\$1,578,047</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					223,858					226,197
Vacancy Savings					(54,501)					(54,594)
Inflation/Deflation					119					356
Fixed Costs					(6,947)					(8,580)
<b>Total Statewide Present Law Adjustments</b>		<b>\$8,731</b>	<b>\$79,410</b>	<b>\$65,381</b>	<b>\$162,529*</b>		<b>\$8,609</b>	<b>\$79,983</b>	<b>\$65,203</b>	<b>\$163,379*</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(8,731)	(79,410)	(65,381)	(162,529)*	0.00	(8,609)	(79,983)	(65,203)	(163,379)*
DP 51 - Adjustment for Statewide Personal Services	0.00	26,462	86,440	43,347	169,357*	0.00	26,769	87,730	43,779	171,603*
DP 52 - Adjustment for Statewide Operations	0.00	(1,843)	(928)	(4,289)	(6,828)*	0.00	(2,100)	(1,510)	(4,777)	(8,224)*
DP 53 - Base Funding Switch	0.00	(15,888)	(6,102)	26,323	0*	0.00	(16,060)	(6,237)	26,201	0*
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0*</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0*</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$8,731</b>	<b>\$79,410</b>	<b>\$65,381</b>	<b>\$162,529*</b>	<b>0.00</b>	<b>\$8,609</b>	<b>\$79,983</b>	<b>\$65,203</b>	<b>\$163,379*</b>

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

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resource and Transportation subcommittees.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

**New Proposals**

New Proposals										
	-----Fiscal 2014-----					-----Fiscal 2015-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 301 - Legal Funding Switch										
03	(8.00)	(103,143)	(441,304)	(222,597)	(836,087)*	(8.00)	(103,296)	(441,922)	(222,928)	(837,766)*
<b>Total</b>	<b>(8.00)</b>	<b>(\$103,143)</b>	<b>(\$441,304)</b>	<b>(\$222,597)</b>	<b>(\$836,087)*</b>	<b>(8.00)</b>	<b>(\$103,296)</b>	<b>(\$441,922)</b>	<b>(\$222,928)</b>	<b>(\$837,766)*</b>

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

DP 301 - Legal Funding Switch - The legislature approved a funding switch to formalize a reorganization of the department's legal structure. The Legal Unit was operating under two different methodologies and now operates under one, sharing resources and expertise to provide legal services to the department. This affects five programs within the department, reducing HB 2 authority in the Centralized Services Division and increasing HB 2 authority in the other divisions in order to pay for estimated legal services.

**Proprietary Rates**

*Program Description*

The proprietary programs included in the Commissioner's Office include:

- o Centralized Services Division
- o Legal Unit
- o Office of Information Technology

Supportive services provided by the Commissioner's Office and Centralized Services Division are funded through a cost allocation plan whereby the department programs are assessed a percentage of their personal service costs. Services provided by the cost allocation plan include: budgeting, accounting and fiscal management, internal controls, contracting, purchasing, asset management, human resources, payroll, and benefits.

The Office of Information Technology provides network support to the department's five programs and two administratively attached entities. The office is funded by revenues generated through the collection of a cost recovery rate, based on full time equivalent positions in each division.

The Office of Legal Services provides legal assistance to the department's five programs and two administratively attached entities. Previously, support for 8.00 FTE and related operating costs were budgeted and funded within HB 2. These staff provided legal services to the programs within DOLI with the exception of the Business Standards Division. Services of the remaining 11.75 FTE within the office were charged to the Business Standards Division at an hourly rate. The legislature approved moving the 8.00 FTE from HB 2 into the proprietary fund. The legal services provided to the divisions other than Business Services will be charged on an hourly rate in the 2015 biennium.

Figure 6 shows the 2015 biennium budget for the various proprietary programs approved through the rates by the legislature.

Figure 6

Department of Labor and Industry Commissioner's Office/Centralized Services Division 2015 Biennium Budgets for Proprietary Funds				
	Centralized Services Division	Office of Information Technology	Legal Unit	Total Proprietary Budget
FTE	33.50	21.50	20.75	75.75
Costs				
Personal Services	\$4,071,954	\$3,054,297	\$3,453,987	\$10,580,238
Operating Expenses	<u>2,901,387</u>	<u>798,750</u>	<u>720,804</u>	<u>4,420,941</u>
Total Costs	6,973,341	3,853,047	4,174,791	15,001,179
Funding				
Proprietary	<u>6,973,341</u>	<u>3,853,047</u>	<u>4,174,791</u>	<u>15,001,179</u>
Total Funding	6,973,341	3,853,047	4,174,791	15,001,179

As shown, the budgeted amount of funding to be charged to the various divisions for the functions in the Commissioner's Office is estimated to be \$15.0 million over the 2015 biennium. The costs for the various programs increased when compared to the 2012 base as follows:

- Centralized Services Division – 22.2%
- Office of Information Technology – (1.6%)
- Legal Unit – 8.7%

### Expenses

Significant costs for the programs are:

- Personal services of \$10.58 million over the biennium for 75.75 FTE
- Operating costs of \$4.42 million over the biennium including:
  - \$0.8 million in statewide indirect costs
  - \$0.3 million in rent
  - \$0.2 million in SITSD costs

### Revenues

The Commissioner's Office/Centralized Services Division is funded by revenues from charges allocated to all divisions, bureaus, and programs supported by the division's indirect cost plan. Indirect costs are allocated to supported programs based on federally calculated and legislatively approved indirect cost rates applied to actual personal service expenditures as well as rates charged based on time distribution and full time equivalent positions.

The funds used to pay for the services are comprised of approximately 2% general fund, 64% state special revenue funds, 29% federal special revenue funds, and 5% proprietary funds.

### *Proprietary Rates*

The cost allocation rate (CAP) must be approved by the U.S. Department of Labor, which has requirements including a working capital of no more than 60 days. The rate, which is assessed to personal service expenditures, is determined by calculating the total costs of providing the services divided by the projected department personal services expenditures. The rate for the 2015 biennium is 8.00%, compared to a FY 2012 rate of 8.24%.

The Office of Information Technology rate (OIT) must be approved by the U.S. Department of Labor which has requirements including a working capital of no more than 60 days. The monthly rate is calculated based on the projected cost of services for the 2015 biennium divided by the total number of active directory accounts in the department divided by 12 months. The rate is \$192 per month per full time equivalent position for the 2015 biennium.

The Office of Legal Services rate must be approved by the U.S. Department of Labor which has requirements including a working capital of no more than 60 days. The rate per hour is calculated on projected costs of services for the 2015 biennium divided by the projected direct hours of service to be provided in the 2015 biennium. The rate for the 2015 biennium is \$95 per hour.

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	130.60	130.60	130.60	130.60	130.60	130.60	0.00	0.00%
Personal Services	7,338,563	7,884,282	7,404,678	7,413,111	15,222,845	14,817,789	(405,056)	(2.66%)
Operating Expenses	3,918,106	4,816,985	4,439,893	4,444,799	8,735,091	8,884,692	149,601	1.71%
Equipment & Intangible Assets	90,810	0	90,810	90,810	90,810	181,620	90,810	100.00%
Benefits & Claims	91,464	74,840	91,464	91,464	166,304	182,928	16,624	10.00%
Transfers	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$11,438,943</b>	<b>\$12,776,107</b>	<b>\$12,026,845</b>	<b>\$12,040,184</b>	<b>\$24,215,050</b>	<b>\$24,067,029</b>	<b>(\$148,021)</b>	<b>(0.61%)</b>
General Fund	1,073,320	1,080,436	974,437	1,000,441	2,153,756	1,974,878	(178,878)	(8.31%)
State Special	9,744,309	10,978,490	10,422,986	10,463,446	20,722,799	20,886,432	163,633	0.79%
Federal Special	621,314	717,181	629,422	576,297	1,338,495	1,205,719	(132,776)	(9.92%)
<b>Total Funds</b>	<b>\$11,438,943</b>	<b>\$12,776,107</b>	<b>\$12,026,845</b>	<b>\$12,040,184</b>	<b>\$24,215,050</b>	<b>\$24,067,029</b>	<b>(\$148,021)</b>	<b>(0.61%)</b>

### Program Description

The Employment Relations Division (ERD) provides five service areas to the public: 1) Workers' Compensation (WC) Regulation Bureau, which regulates WC insurance coverage requirements, policy compliance, medical regulations, contractor registration, and independent contractor exemptions; 2) WC Claims Assistance Bureau, which assists organizations and individuals to arrive at early, less expensive settlements of their disputes, and provides management information on the workers' compensation system; 3) Labor Standards Bureau (and administratively attached Board of Personnel Appeals), which enforces state and federal labor laws related to the payment of wages and provides collective bargaining mediation; 4) Safety and Health Bureau, which administers federal and state industrial safety laws; and 5) Human Rights Bureau (and administratively attached Human Rights Commission), which enforces the Montana Human Rights Act and Governmental Code of Fair Practices through investigations, conciliation, hearings, and education. ERD also has one bureau, Management Services Bureau, that provides administrative and IT support to the other five bureaus.

### Program Highlights

<b>Employment Relations Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ Cost increases in personal services are due to: <ul style="list-style-type: none"> <li>● Fully funding positions that had experienced a vacancy rate in the base year above the 2015 biennium budgeted rate of 4%</li> <li>● Longevity and broadband pay adjustments</li> </ul> </li> <li>◆ Increases are more than offset by increased vacancy savings of 2% for the agency, which is included in this budget. The legislature included language in HB 2 allowing the agency to allocate the reductions among the various divisions when it established operating plans for the 2015 biennium</li> </ul>

### Program Narrative

The legislature approved additional vacancy savings of 2% for the Department of Labor and Industry. The reduction was calculated on an agency wide basis but taken in the Employment Relations Division. The impact on the overall level of personal services funding was a reduction of \$1.8 million over the biennium. The legislature included language in HB 2 that allows the agency to allocate the reduction throughout the agency. Without the reduction the biennial change

between the 2013 and 2015 biennia is an increase of \$1.7 million or 6.9%. The majority of the increase was provided in personal services, including:

- o Funding vacancy savings at a budgeted rate of 4% compared to an actual FY 2012 rate of 12.7%
- o Increases for longevity and broadband pay adjustments

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Labor & Industry Funding by Source of Authority 2015 Biennium Budget - Employment Relations Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,974,878	\$0	\$0	\$1,974,878	7.3%		
State Special Total	\$20,886,432	\$0	\$1,528,006	\$22,414,438	82.8%		
02258 Employment Security Account	\$3,014,834	\$0	\$0	\$3,014,834	11.1%		
02263 Subsequent Injury Admin	\$89,449	\$0	\$0	\$89,449	0.3%		
02315 Dli Info Exchange/rental	\$12,000	\$0	\$0	\$12,000	0.0%		
02346 Contractor Registration	\$1,712,434	\$0	\$0	\$1,712,434	6.3%		
02455 Workers' Comp Regulation	\$13,301,900	\$0	\$0	\$13,301,900	49.1%		
02941 Uninsured Employer Fund	\$2,755,815	\$0	\$1,528,006	\$4,283,821	15.8%	39-71-503	Direct
Federal Special Total	\$1,205,719	\$0	\$0	\$1,205,719	4.5%		
03122 Eeoc	\$760,975	\$0	\$0	\$760,975	2.8%		
03130 Coal Mine Safety	\$88,162	\$0	\$0	\$88,162	0.3%		
03195 On-site Consultation	\$356,582	\$0	\$0	\$356,582	1.3%		
Proprietary Total	\$0	\$1,470,692	\$0	\$1,470,692	5.4%		
06040 Subsequent Injuiiry-trust Fund	\$0	\$1,470,692	\$0	\$1,470,692	5.4%		
Total All Funds	\$24,067,029	\$1,470,692	\$1,528,006	\$27,065,727	100.0%		
<b>Percent - Total All Sources</b>	<b>88.9%</b>	<b>5.4%</b>	<b>5.6%</b>				

*HB 2 Funding*

General fund supports the personal services and general operating costs of the Human Rights Bureau. The level of general fund support was reduced and federal funds increased. The federal Equal Employment Opportunity Commission contracts with the Human Rights Bureau to conduct investigations. The bureau has received federal reimbursements and accumulated a fund balance that the division did not have federal appropriation authority to use in previous biennia. The funding switch reduced general fund by \$475,000 one-time-only over the biennia.

State special revenue funds include:

- o Employment security funds generated through an assessment charged to employers as a percentage of their payroll
- o An annual administrative assessment of 3% of all compensation and medical benefits (excluding costs above \$200,000 per claim) paid during the previous calendar year that funds workers' compensation regulation
- o Contractor registration funding supporting the Workers' Compensation Regulation Bureau and a portion of the Management Services Bureau. Registration fees for independent contractor exemptions and construction contractor application fees are deposited into the fund
- o Uninsured employer fund assessments statutorily set at the premium uninsured employers would have paid had they been carrying workers' compensation insurance, with a minimum penalty of \$200. The funds are used to provide benefits to employees injured on the job while working for an employer that does not carry workers' compensation insurance as required by law



*Proprietary Funds*

The division oversees the subsequent injury fund, a proprietary account that assists disabled persons in becoming employed by offering a financial incentive to the employers who hire them. The fund rate is based on the total amount of paid losses reimbursed by the fund in the preceding calendar year.

*Statutory Appropriations*

Payments for indemnity and medical benefits for workers injured while working for a business that does not carry workers' compensation insurance are statutorily appropriated to the division. The costs of administering the program are included as part of HB 2 appropriations.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,073,320	1,073,320	2,146,640	108.70%	11,438,943	11,438,943	22,877,886	95.06%
Statewide PL Adjustments	45,672	46,653	92,325	4.67%	899,741	911,737	1,811,478	7.53%
Other PL Adjustments	810	833	1,643	0.08%	33,631	35,947	69,578	0.29%
New Proposals	(145,365)	(120,365)	(265,730)	(13.46%)	(345,470)	(346,443)	(691,913)	(2.87%)
<b>Total Budget</b>	<b>\$974,437</b>	<b>\$1,000,441</b>	<b>\$1,974,878</b>		<b>\$12,026,845</b>	<b>\$12,040,184</b>	<b>\$24,067,029</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,320,609					1,330,411
Vacancy Savings					(346,067)					(346,466)
Inflation/Deflation					(4,835)					(89)
Fixed Costs					(69,966)					(72,119)
<b>Total Statewide Present Law Adjustments</b>		<b>\$45,672</b>	<b>\$757,333</b>	<b>\$96,736</b>	<b>\$899,741</b>		<b>\$46,653</b>	<b>\$768,263</b>	<b>\$96,821</b>	<b>\$911,737</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(45,672)	(757,333)	(96,736)	(899,741)	0.00	(46,653)	(768,263)	(96,821)	(911,737)
DP 51 - Adjustment for Statewide Personal Services	0.00	119,800	789,317	65,423	974,540	0.00	120,663	797,245	66,036	983,944
DP 52 - Adjustment for Statewide Operations	0.00	(3,284)	(72,006)	490	(74,800)	0.00	(3,056)	(69,865)	714	(72,207)
DP 53 - Base Funding Switch	0.00	(70,845)	40,022	30,823	0	0.00	(70,954)	40,883	30,071	0
DP 402 - ERD Rent Adjustment	0.00	811	32,329	492	33,632	0.00	833	34,609	505	35,947
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$810</b>	<b>\$32,329</b>	<b>\$492</b>	<b>\$33,631</b>	<b>0.00</b>	<b>\$833</b>	<b>\$34,609</b>	<b>\$505</b>	<b>\$35,947</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$46,482</b>	<b>\$789,662</b>	<b>\$97,228</b>	<b>\$933,372</b>	<b>0.00</b>	<b>\$47,486</b>	<b>\$802,872</b>	<b>\$97,326</b>	<b>\$947,684</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resource and Transportation subcommittees.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 402 - ERD Rent Adjustment - The legislature approved funds each year of the biennium for an increase in off campus rent.

**New Proposals**

Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 54 - Additional Vacancy Savings										
04	0.00	0	(520,391)	(388,035)	(908,426)	0.00	0	(493,141)	(416,258)	(909,399)
DP 401 - Legal Funding Switch										
04	0.00	104,635	409,406	48,915	562,956	0.00	104,635	409,406	48,915	562,956
DP 403 - Funding Switch for the Human Rights Bureau (OTO)										
04	0.00	(250,000)	0	250,000	0	0.00	(225,000)	0	225,000	0
<b>Total</b>	<b>0.00</b>	<b>(\$145,365)</b>	<b>(\$110,985)</b>	<b>(\$89,120)</b>	<b>(\$345,470)</b>	<b>0.00</b>	<b>(\$120,365)</b>	<b>(\$83,735)</b>	<b>(\$142,343)</b>	<b>(\$346,443)</b>

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs.

DP 401 - Legal Funding Switch - The legislature approved a funding switch to formalize a reorganization of the legal structure. The legal fund switch includes an increase of \$562,956 in both years of the biennium of general fund, state special and federal special revenue. The Legal Unit was operating under two different methodologies and now operates under one, sharing resources and expertise. This affects five programs within the department, reducing HB 2 authority in the Centralized Services Division and increasing HB 2 authority in the divisions in order to pay for legal services provided.

DP 403 - Funding Switch for the Human Rights Bureau (OTO) - The legislature reduced general fund by \$250,000 in FY 2014 and \$225,000 in FY 2015 and replaced the funding with available federal funds. The federal Equal Employment Opportunity Commission contracts with the Human Rights Bureau to conduct investigations. The bureau has received federal reimbursements and accumulated a fund balance. The available federal funds are used to support the program in the 2015 biennium, reducing the federal fund balance.

**Proprietary Rates**

**Subsequent Injury Fund - 06040**

*Program Description*

The Subsequent Injury Fund was established in 1973 to assist disabled persons in becoming employed by offering a financial incentive to the employers who hire them. The incentive has a limit of 104 weeks of benefits paid by their Workers' Compensation carrier in the event of an on-the-job injury to the certified employee, thus minimizing workers' compensation expenses. Beginning July 1, 1999, the fund is maintained by annual assessment of all Montana Workers' Compensation insurers, including self-insured employers, private insurers, and the State Fund. The asset balance is maintained at approximately \$700,000 to provide an operating balance for payment of benefits and administrative costs. (39-71-901-920, MCA)

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

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	151.03	151.03	154.03	154.03	151.03	154.03	3.00	1.99%
Personal Services	8,523,619	8,602,808	9,321,848	9,332,952	17,126,427	18,654,800	1,528,373	8.92%
Operating Expenses	5,803,038	6,276,039	5,874,721	5,846,468	12,079,077	11,721,189	(357,888)	(2.96%)
Equipment & Intangible Assets	22,008	223,973	336,583	298,967	245,981	635,550	389,569	158.37%
Grants	8,582	15,136	8,582	8,582	23,718	17,164	(6,554)	(27.63%)
Transfers	33,455	30,850	33,455	33,455	64,305	66,910	2,605	4.05%
<b>Total Costs</b>	<b>\$14,390,702</b>	<b>\$15,148,806</b>	<b>\$15,575,189</b>	<b>\$15,520,424</b>	<b>\$29,539,508</b>	<b>\$31,095,613</b>	<b>\$1,556,105</b>	<b>5.27%</b>
General Fund	0	0	0	0	0	0	0	n/a
State Special	14,388,649	15,136,137	15,575,189	15,520,424	29,524,786	31,095,613	1,570,827	5.32%
Federal Special	2,053	12,669	0	0	14,722	0	(14,722)	(100.00%)
Other	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$14,390,702</b>	<b>\$15,148,806</b>	<b>\$15,575,189</b>	<b>\$15,520,424</b>	<b>\$29,539,508</b>	<b>\$31,095,613</b>	<b>\$1,556,105</b>	<b>5.27%</b>

**Program Description**

The Business Standards Division consists of four bureaus:

- Building Codes Bureau
- Weights & Measures Bureau
- Health Care Licensing Bureau (HCLB)
- Business & Occupational Licensing Bureau (BOLB)

The Building Codes Bureau establishes and enforces minimum building, plumbing, mechanical, electrical, energy, elevator, and boiler codes throughout Montana. The bureau approves and certifies local government code enforcement programs adopted by the bureau and also assists the Board of Plumbers and State Electrical Board with license law enforcement by checking for proper licensing when inspecting projects for code compliance. The bureau also provides administrative, clerical, and compliance support for five licensing programs.

The Weights & Measures Bureau is responsible for licensing, inspecting, testing, and certifying all weighing and measuring devices used in making commercial transactions in Montana and enforces laws and regulations pertaining to the quantity control of prepackaged goods, the quality control of petroleum products, and is responsible for maintaining the state standards of mass and volume applied when calibrating other mass and volume standards used in testing commercial devices.

The HCLB provides administrative, clerical, and compliance support for 22 licensing boards and one program that license professionals and individuals working in the health care field. The licensing boards and program in HCLB include 130 board members and 8 advisory council members appointed by the Governor.

The BOLB provides administrative, clerical, and compliance support for 11 licensing boards and one licensing program that license professionals and individuals working in non-health-care-related professions and occupations. The licensing boards in BOLB include 78 board members appointed by the Governor.

## Program Highlights

<b>Business Services Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The majority of the budget changes in the division are due to personal services increases, including:               <ul style="list-style-type: none"> <li>• Fully funding positions that had experienced a vacancy rate in the base year above the 2015 biennium budgeted rate of 4%</li> <li>• Increases for broadband pay adjustments</li> </ul> </li> <li>◆ Equipment increases due to:               <ul style="list-style-type: none"> <li>• Reductions in spending in the FY 2012 base year</li> <li>• Funding to support the purchase of new metrology laboratory equipment used to inspect and test all commercial devices statewide</li> </ul> </li> </ul>

## Program Narrative

Personal services increases include adjustments for:

- Restoring vacancy savings, which were 9.7% in FY 2012 compared to a budgeted rate of 4%
- Longevity and broadband pay adjustments

Operating costs decrease mainly due to reductions in the costs of SITSD services for the division. Equipment increases due to:

- Reductions in spending in the FY 2012 base year
- Funding to support the purchase of new metrology laboratory equipment used to inspect and test all commercial devices statewide

The legislature approved HB 591, which increases the licensing fees for weighing devices. The fees are based on the weighing capacity of the devices, ranging from \$20 per device with a capacity of 490 pound or less to \$280 for devices with a capacity of 60,001. The fee increases support the purchase of the metrology laboratory equipment used to determine the accuracy of the weighing devices. The agency estimates that the changes will generate an additional \$122,000 annually.

The legislature also approved HB 363 allowing the Board of Realty to hire staff rather than use DOLI staff to provide administrative, clerical, and compliance support and HB 582 allowing the Board of Public Accountants the same. Both bills were vetoed by the Governor. The funding for the department administration of the two boards remained in HB 2 and thus the division has sufficient appropriation authority to continue to provide administration oversight.

## Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Labor & Industry Funding by Source of Authority 2015 Biennium Budget - Business Standards Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$31,095,613	\$0	\$448	\$31,096,061	100.0%		
02024 Blaster Licensing	\$22,185	\$0	\$0	\$22,185	0.1%		
02078 Occupational Therapists	\$93,416	\$0	\$0	\$93,416	0.3%		
02079 Fire Protection & Permitting	\$133,488	\$0	\$0	\$133,488	0.4%		
02080 Prescription Drug Registry	\$177,386	\$0	\$0	\$177,386	0.6%		
02082 Real Estate Recovery Account	\$0	\$0	\$448	\$448	0.0%		
02109 Board Of Outfitters	\$1,166,389	\$0	\$0	\$1,166,389	3.8%		
02155 Boiler,blaster,crane Licensing	\$820,217	\$0	\$0	\$820,217	2.6%		
02207 Crane Licensing	\$182,115	\$0	\$0	\$182,115	0.6%		
02359 Chemical Dependency Counselors	\$231,657	\$0	\$0	\$231,657	0.7%		
02446 Board Of Psychologist Exam	\$247,396	\$0	\$0	\$247,396	0.8%		
02448 Building Codes State Spec Rev	\$7,643,674	\$0	\$0	\$7,643,674	24.6%		
02580 Bd Of Athletic Trainers	\$48,400	\$0	\$0	\$48,400	0.2%		
02679 Massage Therapists	\$213,070	\$0	\$0	\$213,070	0.7%		
02764 Bd Of Adolescent Res. Or Outdr Pgms	\$125,753	\$0	\$0	\$125,753	0.4%		
02767 Elevators	\$751,550	\$0	\$0	\$751,550	2.4%		
02805 Weights & Measures Bureau	\$2,236,969	\$0	\$0	\$2,236,969	7.2%		
02808 Board Of Landscape Architects	\$62,996	\$0	\$0	\$62,996	0.2%		
02809 Board Of Speech Pathologists	\$124,050	\$0	\$0	\$124,050	0.4%		
02822 Board Of Chiropractors	\$255,304	\$0	\$0	\$255,304	0.8%		
02811 Clinical Lab Science Pract.	\$142,914	\$0	\$0	\$142,914	0.5%		
02812 Physical Therapists	\$235,031	\$0	\$0	\$235,031	0.8%		
02813 Bd Of Nursing Home Admin	\$57,699	\$0	\$0	\$57,699	0.2%		
02814 Bd Of Hearing Aid Dispensers	\$170,603	\$0	\$0	\$170,603	0.5%		
02815 Board Of Public Accountants	\$932,868	\$0	\$0	\$932,868	3.0%		
02816 Board Of Sanitarians	\$63,885	\$0	\$0	\$63,885	0.2%		
02818 Electrical Board	\$853,385	\$0	\$0	\$853,385	2.7%		
02819 Board Of Realty Regulations	\$1,993,252	\$0	\$0	\$1,993,252	6.4%		
02820 Board Of Architects	\$152,520	\$0	\$0	\$152,520	0.5%		
02821 Board Of Funeral Service	\$315,382	\$0	\$0	\$315,382	1.0%		
02822 Board Of Chiropractors	\$255,304	\$0	\$0	\$255,304	0.8%		
02823 Professional Engineers	\$777,984	\$0	\$0	\$777,984	2.5%		
02824 Board Of Medical Examiners	\$2,592,641	\$0	\$0	\$2,592,641	8.3%		
02826 Cosmetology Board	\$1,115,595	\$0	\$0	\$1,115,595	3.6%		
02828 Board Of Plumbers	\$609,822	\$0	\$0	\$609,822	2.0%		
02829 Private Investigator	\$409,675	\$0	\$0	\$409,675	1.3%		
02830 Board Of Dentistry	\$547,721	\$0	\$0	\$547,721	1.8%		
02831 Board Of Optometrists	\$94,594	\$0	\$0	\$94,594	0.3%		
02832 Board Of Pharmacy	\$1,517,279	\$0	\$0	\$1,517,279	4.9%		
02833 Board Of Nursing	\$1,872,091	\$0	\$0	\$1,872,091	6.0%		
02834 Board Of Veterinarians	\$296,833	\$0	\$0	\$296,833	1.0%		
02840 Board Of Social Workers	\$532,111	\$0	\$0	\$532,111	1.7%		
02841 Board Of Athletics	\$13,646	\$0	\$0	\$13,646	0.0%		
02852 Bd. Of Alternative Health Care	\$142,023	\$0	\$0	\$142,023	0.5%		
02854 Bd. Of Real Estate Appraisers	\$803,799	\$0	\$0	\$803,799	2.6%		
02855 Bd Of Respiratory Care	\$94,761	\$0	\$0	\$94,761	0.3%		
Total All Funds	\$31,095,613	\$0	\$448	\$31,096,061	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

State special revenues included in this division are generated through licenses and fees charged to the various boards and professional licensing organizations.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	14,390,702	14,390,702	28,781,404	92.56%
Statewide PL Adjustments	0	0	0	0.00%	481,063	498,168	979,231	3.15%
Other PL Adjustments	0	0	0	0.00%	575,724	620,520	1,196,244	3.85%
New Proposals	0	0	0	0.00%	127,700	11,034	138,734	0.45%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$15,575,189</b>	<b>\$15,520,424</b>	<b>\$31,095,613</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					999,911					1,011,744
Vacancy Savings					(376,567)					(377,037)
Inflation/Deflation					(15,937)					(5,746)
Fixed Costs					(126,344)					(130,793)
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$483,116</b>	<b>(\$2,053)</b>	<b>\$481,063</b>		<b>\$0</b>	<b>\$500,221</b>	<b>(\$2,053)</b>	<b>\$498,168</b>
DP 50 - Initial Motion for FY 2012 Base	0.00		(483,116)	2,053	(481,063)	0.00	0	(500,221)	2,053	(498,168)
DP 51 - Adjustment for Statewide Personal Services	0.00	0	623,368	(23)	623,345	0.00	0	634,726	(20)	634,706
DP 52 - Adjustment for Statewide Operations	0.00	0	(140,252)	(2,030)	(142,282)	0.00	0	(134,505)	(2,033)	(136,538)
DP 502 - BSD General Operating Adjustment	0.00	0	382,957	0	382,957	0.00	0	372,113	0	372,113
DP 503 - BSD - Other General	0.00	0	65,850	0	65,850	0.00	0	65,850	0	65,850
DP 504 - BSD - Online Processing	0.00	0	126,917	0	126,917	0.00	0	182,557	0	182,557
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$575,724</b>	<b>\$0</b>	<b>\$575,724</b>	<b>0.00</b>	<b>\$0</b>	<b>\$620,520</b>	<b>\$0</b>	<b>\$620,520</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$1,058,840</b>	<b>(\$2,053)</b>	<b>\$1,056,787</b>	<b>0.00</b>	<b>\$0</b>	<b>\$1,120,741</b>	<b>(\$2,053)</b>	<b>\$1,118,688</b>

DP 50 - Initial Motion for FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resource and Transportation subcommittees.

DP 502 - BSD General Operating Adjustment - The legislature approved increased support for off campus rent, and in state travel, repair and maintenance, and other operational costs in the FY 2015 biennium.

DP 503 - BSD - Other General - The legislature approved additional state special revenue funding for the Board of Real Estate Appraisers to provide for the anticipated costs of certified appraiser reviews, the Board of Veterinarians to cover consultant's exam costs, and the Board of Realty Regulations to support education programs.

DP 504 - BSD - Online Processing - The legislature approved increased support for the Montana Interactive e-check and credit card processing fees to accept and process online applications for license and permit applicants.

**New Proposals**

New Proposals											
	-----Fiscal 2014-----					-----Fiscal 2015-----					
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 501 - Legal Funding Switch											
05	0.00	0	39,106	0	39,106	0.00	0	39,106	0	39,106	
DP 505 - BSD Weights & Measures (Biennial/ Restricted)											
05	0.00	0	100,000	0	100,000	0.00	0	100,000	0	100,000	
DP 506 - POL Motor Pool Lease											
05	0.00	0	6,331	0	6,331	0.00	0	6,634	0	6,634	
DP 508 - BSD Medical Impairment Program											
05	3.00	0	(17,737)	0	(17,737)	3.00	0	(134,706)	0	(134,706)	
<b>Total</b>	<b>3.00</b>	<b>\$0</b>	<b>\$127,700</b>	<b>\$0</b>	<b>\$127,700</b>	<b>3.00</b>	<b>\$0</b>	<b>\$11,034</b>	<b>\$0</b>	<b>\$11,034</b>	

DP 501 - Legal Funding Switch - The legislature approved a funding switch to formalize a reorganization of the department's legal structure. The Legal Unit was operating under two different methodologies and now operates under one, sharing resources and expertise to provide legal services to the department. This affects five programs within the department, reducing HB 2 authority in the Centralized Services Division and increasing HB 2 authority in the other divisions in order to pay for estimated legal services.

DP 505 - BSD Weights & Measures (Biennial/ Restricted) - The legislature approved \$100,000 in state special revenue for FY 2014 and FY 2015. The Weights and Measures Bureau will replace outdated equipment and update the metrology laboratory in order to fulfill its statutory requirement to inspect and test all commercial devices statewide. Current equipment is in excess of 15 years old and can no longer be maintained with routine repair.

DP 506 - POL Motor Pool Lease - The legislature approved \$6,331 in FY 2014 and \$6,634 in FY 2015 for one motor pool leased vehicle. This is funded by state special revenue.

DP 508 - BSD Medical Impairment Program - The legislature approved a decrease in appropriation authority for the Business Standards Division Medical Impairment Program authorized in 7-3-203, MCA. This comes as a result of eliminating contracts for the medical impairment program and providing the service in house. Currently the Business Standards Division spends \$401,318 annually on this service with an expected increase of \$70,000 in each year of the 2015 biennium. By conducting the program in-house, the division reduces costs by \$152,000 over the biennium.



**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	4.00	4.00	4.00	4.00	4.00	4.00	0.00	0.00%
Personal Services	280,230	266,554	285,244	286,366	546,784	571,610	24,826	4.54%
Operating Expenses	206,074	233,329	215,542	215,000	439,403	430,542	(8,861)	(2.02%)
Grants	2,494,882	2,444,100	3,073,354	3,073,426	4,938,982	6,146,780	1,207,798	24.45%
Transfers	30,431	80,040	0	0	110,471	0	(110,471)	(100.00%)
<b>Total Costs</b>	<b>\$3,011,617</b>	<b>\$3,024,023</b>	<b>\$3,574,140</b>	<b>\$3,574,792</b>	<b>\$6,035,640</b>	<b>\$7,148,932</b>	<b>\$1,113,292</b>	<b>18.45%</b>
General Fund	123,577	123,922	124,171	124,195	247,499	248,366	867	0.35%
State Special	27,136	39,389	27,266	27,272	66,525	54,538	(11,987)	(18.02%)
Federal Special	2,860,904	2,860,712	3,422,703	3,423,325	5,721,616	6,846,028	1,124,412	19.65%
<b>Total Funds</b>	<b>\$3,011,617</b>	<b>\$3,024,023</b>	<b>\$3,574,140</b>	<b>\$3,574,792</b>	<b>\$6,035,640</b>	<b>\$7,148,932</b>	<b>\$1,113,292</b>	<b>18.45%</b>

**Program Description**

The Office of Community Services provides administration for the Corporation for National and Community Service AmeriCorps state programs, community service, and volunteer efforts statewide. The office was created by the 1993 Legislature, at the request of the Governor, to engage citizens in service and support volunteer opportunities focused on critical community needs. The office works with the Montana Commission on Community Service to promote civic engagement, particularly among youth and older Montanans.

**Program Highlights**

Office of Community Services Major Budget Highlights	
◆	The legislature approved additional federal grant authority for the AmeriCorps grant

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Labor & Industry Funding by Source of Authority 2015 Biennium Budget - Office Of Community Services							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$248,366	\$0	\$0	\$248,366	3.5%		
State Special Total	\$54,538	\$0	\$0	\$54,538	0.8%		
02190 Ocs Cbi Training	\$54,538	\$0	\$0	\$54,538	0.8%		
Federal Special Total	\$6,846,028	\$0	\$0	\$6,846,028	95.8%		
03322 Mt Community Service Fsr	\$6,846,028	\$0	\$0	\$6,846,028	95.8%		
Total All Funds	\$7,148,932	\$0	\$0	\$7,148,932	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The majority of the funding for the program is provided through federal AmeriCorp grants. General fund and state special revenue fund most of the administrative expenses for the program, with federal revenue providing the remainder, including the funding for grants and special projects administered by the program.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	123,577	123,577	247,154	99.51%	3,011,617	3,011,617	6,023,234	84.25%
Statewide PL Adjustments	594	618	1,212	0.49%	14,482	15,062	29,544	0.41%
Other PL Adjustments	0	0	0	0.00%	548,041	548,113	1,096,154	15.33%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$124,171</b>	<b>\$124,195</b>	<b>\$248,366</b>		<b>\$3,574,140</b>	<b>\$3,574,792</b>	<b>\$7,148,932</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					16,890					18,061
Vacancy Savings					(11,876)					(11,925)
Inflation/Deflation					(41)					(12)
Fixed Costs					9,509					8,938
<b>Total Statewide Present Law Adjustments</b>		<b>\$594</b>	<b>\$130</b>	<b>\$13,758</b>	<b>\$14,482</b>		<b>\$618</b>	<b>\$136</b>	<b>\$14,308</b>	<b>\$15,062</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(594)	(130)	(13,758)	(14,482)	0.00	(618)	(136)	(14,308)	(15,062)
DP 51 - Adjustment for Statewide Personal Services	0.00	205	45	4,764	5,014	0.00	252	56	5,828	6,136
DP 52 - Adjustment for Statewide Operations	0.00	389	85	8,994	9,468	0.00	366	80	8,480	8,926
DP 702 - AmeriCorps Grants	0.00	0	0	548,041	548,041	0.00	0	0	548,113	548,113
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$548,041</b>	<b>\$548,041</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$548,113</b>	<b>\$548,113</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$594</b>	<b>\$130</b>	<b>\$561,799</b>	<b>\$562,523</b>	<b>0.00</b>	<b>\$618</b>	<b>\$136</b>	<b>\$562,421</b>	<b>\$563,175</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resource and Transportation subcommittees.

DP 702 - AmeriCorps Grants - The legislature approved about \$548,000 each year additional federal grant authority for the AmeriCorps grant. The appropriation supports AmeriCorps program grants for local communities.

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	7.00	7.00	7.00	7.00	7.00	7.00	0.00	0.00%
Personal Services	494,291	501,162	503,909	504,636	995,453	1,008,545	13,092	1.32%
Operating Expenses	140,650	171,127	145,856	145,985	311,777	291,841	(19,936)	(6.39%)
<b>Total Costs</b>	<b>\$634,941</b>	<b>\$672,289</b>	<b>\$649,765</b>	<b>\$650,621</b>	<b>\$1,307,230</b>	<b>\$1,300,386</b>	<b>(\$6,844)</b>	<b>(0.52%)</b>
State Special	634,941	672,289	649,765	650,621	1,307,230	1,300,386	(6,844)	(0.52%)
<b>Total Funds</b>	<b>\$634,941</b>	<b>\$672,289</b>	<b>\$649,765</b>	<b>\$650,621</b>	<b>\$1,307,230</b>	<b>\$1,300,386</b>	<b>(\$6,844)</b>	<b>(0.52%)</b>

**Program Description**

The Workers' Compensation Court provides a venue for Montana employees, employers, and the insurance industry to resolve disputes arising from work-related injuries and occupational diseases. The Court is attached to the department for administrative purposes only.

**Program Highlights**

<b>Workers' Compensation Court Major Budget Highlights</b>	
◆	The overall budget decreases due to reductions in fixed costs for the court

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Labor & Industry Funding by Source of Authority 2015 Biennium Budget - Workers Compensation Court							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$1,300,386	\$0	\$0	\$1,300,386	100.0%		
02455 Workers' Comp Regulation	\$1,300,386	\$0	\$0	\$1,300,386	100.0%		
Total All Funds	\$1,300,386	\$0	\$0	\$1,300,386	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The court is entirely funded with state special revenue derived from a fee charged to workers compensation carriers in Montana. The fee is passed on to Montana businesses when their workers' compensation premiums are determined by the carriers.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	634,941	634,941	1,269,882	97.65%
Statewide PL Adjustments	0	0	0	0.00%	4,824	5,680	10,504	0.81%
Other PL Adjustments	0	0	0	0.00%	10,000	10,000	20,000	1.54%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$649,765</b>	<b>\$650,621</b>	<b>\$1,300,386</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					30,614					31,372
Vacancy Savings					(20,996)					(21,027)
Inflation/Deflation					58					207
Fixed Costs					(4,852)					(4,872)
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$4,824</b>	<b>\$0</b>	<b>\$4,824</b>		<b>\$0</b>	<b>\$5,680</b>	<b>\$0</b>	<b>\$5,680</b>
DP 50 - Initial Motion to Fy 2012 Base	0.00		(4,824)	0	(4,824)	0.00	0	(5,680)	0	(5,680)
DP 51 - Adjustment for Statewide Personal Services	0.00	0	9,618	0	9,618	0.00	0	10,345	0	10,345
DP 52 - Adjustment for Statewide Operations	0.00	0	(4,794)	0	(4,794)	0.00	0	(4,665)	0	(4,665)
DP 901 - WCC General Operating Adjustment	0.00	0	10,000	0	10,000	0.00	0	10,000	0	10,000
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$10,000</b>	<b>\$0</b>	<b>\$10,000</b>	<b>0.00</b>	<b>\$0</b>	<b>\$10,000</b>	<b>\$0</b>	<b>\$10,000</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$14,824</b>	<b>\$0</b>	<b>\$14,824</b>	<b>0.00</b>	<b>\$0</b>	<b>\$15,680</b>	<b>\$0</b>	<b>\$15,680</b>

DP 50 - Initial Motion to Fy 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resource and Transportation subcommittees.

DP 901 - WCC General Operating Adjustment - The legislature approved \$10,000 in each year of the biennium for an increase in off-campus rent and operational costs.

### Agency Budget Comparison

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	199.21	199.21	199.21	199.21	199.21	199.21	0.00	0.00%
Estimated Impact of HB 2*			(8.26)	(8.26)		(8.26)	(8.26)	
<b>Net Estimated FTE*</b>			<b>190.95</b>	<b>190.95</b>		<b>190.95</b>	<b>(8.26)</b>	
Personal Services	11,462,034	11,662,829	11,585,096	11,605,260	23,124,863	23,190,356	65,493	0.28%
Operating Expenses	15,179,930	15,422,290	15,948,410	15,841,721	30,602,220	31,790,131	1,187,911	3.88%
Equipment & Intangible Assets	552,065	357,423	552,065	552,065	909,488	1,104,130	194,642	21.40%
Grants	3,767,443	5,101,505	13,515,443	11,915,443	8,868,948	25,430,886	16,561,938	186.74%
Benefits & Claims	2,280	2,280	2,280	2,280	4,560	4,560	0	0.00%
Transfers	570,674	707,549	2,932,674	2,532,674	1,278,223	5,465,348	4,187,125	327.57%
<b>Total Costs</b>	<b>\$31,534,426</b>	<b>\$33,253,876</b>	<b>\$44,535,968</b>	<b>\$42,449,443</b>	<b>\$64,788,302</b>	<b>\$86,985,411</b>	<b>\$22,197,109</b>	<b>34.26%</b>
General Fund	5,601,891	5,725,200	6,030,337	6,023,180	11,327,091	12,053,517	726,426	6.41%
State Special	1,071,157	1,292,045	1,100,490	1,001,546	2,363,202	2,102,036	(261,166)	(11.05%)
Federal Special	24,861,378	26,236,631	37,405,141	35,424,717	51,098,009	72,829,858	21,731,849	42.53%
<b>Total Funds</b>	<b>\$31,534,426</b>	<b>\$33,253,876</b>	<b>\$44,535,968</b>	<b>\$42,449,443</b>	<b>\$64,788,302</b>	<b>\$86,985,411</b>	<b>\$22,197,109</b>	<b>34.26%</b>

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

### Agency Description

Agency Mission: To provide for safety and well-being for citizens of Montana through mission-ready forces, for federal and state activations, emergency services as directed by the Governor, and services to Montana veterans.

The Department of Military Affairs is administered by the Adjutant General and his staff. The agency oversees all activities in the Army and Air National Guard, Disaster and Emergency Services, the National Guard Youth Challenge Program, and the National Guard Education Outreach Program, STARBASE. The Veterans' Affairs Division, which is administratively attached to the department, manages and coordinates with state and federal agencies in providing services for veterans and their families as well as the state veterans' cemeteries.

The department, through the Army and Air National Guard, manages a joint federal-state program that maintains trained and equipped military organizations for the Governor in the event of a state emergency and the President in the event of a national emergency. The department also plans for and coordinates state responses in disaster and emergency situations.

## Agency Highlights

<b>Department of Military Affairs Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The Department of Military Affairs budget increases by 34.3% from the previous biennium due primarily to a \$22.0 million increase in funding for Homeland Security Program Grants.</li> <li>◆ The legislature approved the addition of a second site for STARBASE at Gore Hill in Great Falls and increased federal authority for the program by \$0.6 million over the 2015 biennium</li> <li>◆ HB 626 increases the percentage of vehicle fees allocated to the Veteran's Affairs Division. The increases are allocated to two separate accounts: <ul style="list-style-type: none"> <li>• State Veterans' Cemetery Account, which is statutorily appropriated</li> <li>• Veterans' Services Account, which is included in HB 2</li> </ul> </li> <li>◆ The legislature approved 5.0 new FTE including: <ul style="list-style-type: none"> <li>• 3.0 FTE to support various functions related to the mission of the Army National Guard</li> <li>• 1.0 FTE for the new STARBASE program in Great Falls</li> <li>• 1.0 FTE for the Disaster and Emergency Services Division</li> </ul> </li> <li>◆ The legislature eliminated HB 2 funding for personal services for 5.0 FTE and related operating costs in the Veterans' Affairs Division that were also statutorily appropriated.</li> </ul>

### Summary of Legislative Action

The Department of Military Affairs budget increases when compared to the 2013 biennium due to:

- Additional federal revenue authority for grants to local and tribal governments of \$22.0 million over the 2015 biennium
- Additional personal services to support 3.00 FTE to support the Army National Guard mission, 1.00 FTE to provide for homeland security exercise and evaluation, and 1.00 FTE for the new Montana STARBASE "Big Sky" Program in Great Falls
- Reinstatement of \$0.8 million in overtime incurred by the Air National Guard firefighters in Great Falls

General fund increases between the two biennia due to approved funding shifts between general fund and federal funds in most programs and support for grants for outreach services to Montana veterans.

#### *HB 626 Includes Provisions to Implement HB 2*

The Joint Appropriations Subcommittee on General Government recommended and the legislature approved HB 626, a bill to implement provisions of HB 2 that changes the percentage of motor vehicle revenues that are deposited into the general fund each fiscal year and then transferred to two accounts within the Veterans' Affairs Program:

- State Veterans' Cemetery Account
- Veterans' Services Account

The increase in the percentage, from 0.64% to 0.81%, is estimated to restore the funding provided by the allocation to the levels previously provided prior to the adoption of a percentage.

#### *Boilerplate*

The boilerplate section in HB 2 includes the following language:

"It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings

amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium.”

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 8.26 for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

### Funding

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department Of Military Affairs Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non- Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$12,053,517	\$0	\$0	\$12,053,517	13.7%
State Special Total	2,102,036	-	775,647	2,877,683	3.3%
Federal Special Total	72,829,858	-	-	72,829,858	83.0%
Proprietary Total	-	-	-	-	0.0%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
<b>Total All Funds</b>	<b>\$86,985,411</b>	<b>\$0</b>	<b>\$775,647</b>	<b>\$87,761,058</b>	
Percent - Total All Sources	99.1%	0.0%	0.9%		

### HB 2

The Department of Military Affairs is dominated by federal government initiatives, programs, and objectives. As such the agency’s primary funding source is federal funds. General fund supports a portion of most of the programs in the department and 100% of the cost of the National Guard Scholarship program.

State special revenue funds the Disaster and Emergency Services Division and Veterans Affairs Program. The Veterans Affairs Division accounts for the majority of the state special revenue funding with revenues generated through vehicle registrations, specialty license plates, and donations.

Federal special revenues account for the majority of the total agency funding. The most significant impact to the total funding increase is for federal Homeland Security Program Grants that remain unspent from previous fiscal years.

### Statutory Appropriations

The Department of Military Affairs has two statutory appropriations that are currently estimated to be expended in the 2015 biennium and several others that are either transferred from other agencies or are not currently estimated to be needed in the next biennium.

The Montana Military Family Relief (MMFRF) Program receives a 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. FY 2012 costs for the program were \$121,000, which is the amount of funding established for each year of the 2015 biennium. The program was originally funded by a transfer of \$1.0 million in general fund. Ongoing revenues include interest on the fund balance (which is declining) and donations of about \$38,000 a year.

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

Statutory appropriations that are not currently estimated for the 2015 biennium include:

- Local incidence responses for emergency and disasters
- Contingencies to address environmental problems

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 million for disaster relief. These expenditures are authorized through executive orders. In FY 2012, the Governor authorized disaster relief expenditures from the general fund totaling \$7,631 with the remainder anticipated to be fully expended in FY 2013, primarily for fire suppression costs.

### Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	5,601,891	5,601,891	11,203,782	92.95%	31,534,426	31,534,426	63,068,852	72.51%
Statewide PL Adjustments	233,664	222,074	455,738	3.78%	(10,434)	(14,453)	(24,887)	(0.03%)
Other PL Adjustments	74,545	79,024	153,569	1.27%	12,916,345	10,831,043	23,747,388	27.30%
New Proposals	120,237	120,191	240,428	1.99%	95,631	98,427	194,058	0.22%
<b>Total Budget</b>	<b>\$6,030,337</b>	<b>\$6,023,180</b>	<b>\$12,053,517</b>		<b>\$44,535,968</b>	<b>\$42,449,443</b>	<b>\$86,985,411</b>	

Statewide present law adjustments are negative from total funds due to reductions for overtime incurred by firefighters in Great Falls. Other present law adjustments include increased federal funding for Homeland Security Grant Program funds within the Disaster and Emergency Services Program.

### Other Legislation

**HB 13** – The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches as well as the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

**HB 21** – The legislature determined that the statutory appropriation for the state veterans' cemeteries should be assigned to the Department of Military Affairs rather than the Board of Veterans' Affairs. HB 21 was passed and approved to address this issue.

### Executive Budget Comparison

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.



Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg - Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg - Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	199.21	199.21	199.21	0.00	199.21	199.21	0.00	
Estimated Impact of HB 2*			(8.26)	(8.26)		(8.26)	(8.26)	
<b>Net Estimated FTE*</b>			<b>190.95</b>	<b>(8.26)</b>		<b>190.95</b>	<b>(8.26)</b>	
Personal Services	11,462,034	11,752,583	11,585,096	(167,487)	11,770,429	11,605,260	(165,169)	(332,656)
Operating Expenses	15,179,930	15,901,626	15,948,410	46,784	15,795,391	15,841,721	46,330	93,114
Equipment & Intangible Assets	552,065	552,065	552,065	0	552,065	552,065	0	0
Grants	3,767,443	13,335,443	13,515,443	180,000	11,735,443	11,915,443	180,000	360,000
Benefits & Claims	2,280	2,280	2,280	0	2,280	2,280	0	0
Transfers	570,674	2,932,674	2,932,674	0	2,532,674	2,532,674	0	0
<b>Total Costs</b>	<b>\$31,534,426</b>	<b>\$44,476,671</b>	<b>\$44,535,968</b>	<b>\$59,297</b>	<b>\$42,388,282</b>	<b>\$42,449,443</b>	<b>\$61,161</b>	<b>\$120,458</b>
General Fund	5,601,891	5,907,915	6,030,337	122,422	5,900,810	6,023,180	122,370	244,792
State/Other Special	1,071,157	940,549	1,100,490	159,941	842,561	1,001,546	158,985	318,926
Federal Special	24,861,378	37,628,207	37,405,141	(223,066)	35,644,911	35,424,717	(220,194)	(443,260)
<b>Total Funds</b>	<b>\$31,534,426</b>	<b>\$44,476,671</b>	<b>\$44,535,968</b>	<b>\$59,297</b>	<b>\$42,388,282</b>	<b>\$42,449,443</b>	<b>\$61,161</b>	<b>\$120,458</b>

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

The legislature provided a biennial appropriation of \$112,500 in general fund and matching federal funds to address recruitment and retention issues within the ChalleNGe Program. This was line item vetoed by the Governor. At the time of this writing the legislature was being polled to determine if the veto will be overridden.

In addition, the legislature reduced the costs associated with statutorily appropriated state veterans' cemetery revenues from HB 2 and corrected an allocation error between personal services and operating costs. Vacancy savings were increased by an additional 2% above that recommended by the executive for HB 2 funded positions. This reduced personal services by \$466,800 over the biennium and general fund by \$119,600, state special revenue by \$28,400, and federal funds by \$318,800. Finally, the legislature provided general fund for grants for outreach services to veterans in Montana, including initial contact with veterans in communities, assistance with applications and claims, volunteer training, and equipment purchases for transporting disabled veterans to services.

### Language and Statutory Authority

The legislature included the following language in HB 2.

"Disaster and Emergency Services includes a reduction in general fund of \$59,763 in fiscal year 2014 and \$59,809 in fiscal year 2015, state special revenue of \$14,211 in fiscal year 2014 and \$14,214 in fiscal year 2015, and federal special revenue of \$160,814 in fiscal year 2014 and \$157,978 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans."

### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	11.76	11.76	11.76	11.76	11.76	11.76	0.00	0.00%
Personal Services	851,658	878,718	908,067	907,501	1,730,376	1,815,568	85,192	4.92%
Operating Expenses	95,075	80,575	130,341	120,419	175,650	250,760	75,110	42.76%
Benefits & Claims	2,280	2,280	2,280	2,280	4,560	4,560	0	0.00%
<b>Total Costs</b>	<b>\$949,013</b>	<b>\$961,573</b>	<b>\$1,040,688</b>	<b>\$1,030,200</b>	<b>\$1,910,586</b>	<b>\$2,070,888</b>	<b>\$160,302</b>	<b>8.39%</b>
General Fund	635,181	635,704	727,541	717,057	1,270,885	1,444,598	173,713	13.67%
Federal Special	313,832	325,869	313,147	313,143	639,701	626,290	(13,411)	(2.10%)
<b>Total Funds</b>	<b>\$949,013</b>	<b>\$961,573</b>	<b>\$1,040,688</b>	<b>\$1,030,200</b>	<b>\$1,910,586</b>	<b>\$2,070,888</b>	<b>\$160,302</b>	<b>8.39%</b>

### Program Description

The Centralized Services Division 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

<b>Centralized Services Division Major Budget Highlights</b>
◆ The budget for the division increases from the previous biennium due almost entirely to statewide present law adjustments

### Program Narrative

General fund support for the program increases 13.7% from the 2013 biennium due in part to a change in the percentage of general fund support provided in the statewide present law adjustments. The decrease in federal funds is the result of a base funding switch included in the statewide present law adjustments.

Personal services increase due to annualization of broadband pay adjustments awarded in FY 2012 and longevity increases included as part of the statewide present law adjustments. The operating expenses increases are due to changes for fixed costs provided by the Department of Administration including:

- Information technology services
- Insurance and bonds
- Warrant writing services
- SABHRS administrative costs

### Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Military Affairs Funding by Source of Authority 2015 Biennium Budget - Centralized Services Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,444,598	\$0	\$0	\$1,444,598	69.8%		
Federal Special Total	\$626,290	\$0	\$0	\$626,290	30.2%		
03132 National Guard	\$413,318	\$0	\$0	\$413,318	20.0%		
03134 Disaster & Emergency Services	\$82,200	\$0	\$0	\$82,200	4.0%		
03453 Air National Guard	\$130,772	\$0	\$0	\$130,772	6.3%		
Total All Funds	\$2,070,888	\$0	\$0	\$2,070,888	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

Federal fund 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 state-federal agreements.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	635,181	635,181	1,270,362	87.94%	949,013	949,013	1,898,026	91.65%
Statewide PL Adjustments	89,633	79,155	168,788	11.68%	87,600	77,122	164,722	7.95%
Other PL Adjustments	2,727	2,721	5,448	0.38%	4,075	4,065	8,140	0.39%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$727,541</b>	<b>\$717,057</b>	<b>\$1,444,598</b>		<b>\$1,040,688</b>	<b>\$1,030,200</b>	<b>\$2,070,888</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					94,245					93,655
Vacancy Savings					(37,836)					(37,812)
Inflation/Deflation					53					105
Fixed Costs					31,138					21,174
<b>Total Statewide Present Law Adjustments</b>		<b>\$89,633</b>	<b>\$0</b>	<b>(\$2,033)</b>	<b>\$87,600</b>		<b>\$79,155</b>	<b>\$0</b>	<b>(\$2,033)</b>	<b>\$77,122</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(89,633)	0	2,033	(87,600)	0.00	(79,155)	0	2,033	(77,122)
DP 51 - Adjustment for Statewide Personal Services	0.00	37,755	0	18,654	56,409	0.00	37,376	0	18,467	55,843
DP 52 - Adjustment for Statewide Operations	0.00	23,603	0	11,663	35,266	0.00	16,963	0	8,381	25,344
DP 53 - Base Funding Switch	0.00	31,002	0	(31,002)	0	0.00	27,537	0	(27,537)	0
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$2,727</b>	<b>\$0</b>	<b>\$1,348</b>	<b>\$4,075</b>	<b>0.00</b>	<b>\$2,721</b>	<b>\$0</b>	<b>\$1,344</b>	<b>\$4,065</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$92,360</b>	<b>\$0</b>	<b>(\$685)</b>	<b>\$91,675</b>	<b>0.00</b>	<b>\$81,876</b>	<b>\$0</b>	<b>(\$689)</b>	<b>\$81,187</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	51.15	51.15	51.15	51.15	51.15	51.15	0.00	0.00%
Personal Services	2,281,477	2,373,460	2,326,462	2,332,170	4,654,937	4,658,632	3,695	0.08%
Operating Expenses	1,200,818	1,309,885	1,278,478	1,273,122	2,510,703	2,551,600	40,897	1.63%
<b>Total Costs</b>	<b>\$3,482,295</b>	<b>\$3,683,345</b>	<b>\$3,604,940</b>	<b>\$3,605,292</b>	<b>\$7,165,640</b>	<b>\$7,210,232</b>	<b>\$44,592</b>	<b>0.62%</b>
General Fund	832,471	908,337	859,310	858,719	1,740,808	1,718,029	(22,779)	(1.31%)
Federal Special	2,649,824	2,775,008	2,745,630	2,746,573	5,424,832	5,492,203	67,371	1.24%
<b>Total Funds</b>	<b>\$3,482,295</b>	<b>\$3,683,345</b>	<b>\$3,604,940</b>	<b>\$3,605,292</b>	<b>\$7,165,640</b>	<b>\$7,210,232</b>	<b>\$44,592</b>	<b>0.62%</b>

**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**

<b>Youth ChalleNGe Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The budget for the division increases from the previous biennium mainly due to two changes from the base budget:                             <ul style="list-style-type: none"> <li>• Additional federal funds to support employees attending required training</li> <li>• Funding of projected overtime costs</li> </ul> </li> </ul>

**Program Narrative**

To address recruitment and retention issues within the Youth ChalleNGe Program the legislature:

- Funded projected overtime costs
- Provided additional federal funds to support employee training
- Provided a biennial appropriation of \$225,000 to increase salaries, including drill instructors and teachers, to 80% of the 2012 market midpoint

The Joint Appropriations Subcommittee on General Government recommended that during the interim the Legislative Finance Committee monitor the Youth ChalleNGe Program’s progress in addressing its challenges with recruitment and retention and report back to the Joint Appropriations Subcommittee on General Government for the 2015 Legislature.

The Governor line-item vetoed the additional funding for salary increases. A survey of the legislature is being conducted to determine if the Governor’s veto will be overridden.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Military Affairs Funding by Source of Authority 2015 Biennium Budget - Challenge Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,718,029	\$0	\$0	\$1,718,029	23.8%		
Federal Special Total	\$5,492,203	\$0	\$0	\$5,492,203	76.2%		
03132 National Guard	\$5,492,203	\$0	\$0	\$5,492,203	76.2%		
Total All Funds	\$7,210,232	\$0	\$0	\$7,210,232	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

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 100 percent from federal funds.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	832,471	832,471	1,664,942	96.91%	3,482,295	3,482,295	6,964,590	96.59%
Statewide PL Adjustments	16,839	16,248	33,087	1.93%	32,645	32,997	65,642	0.91%
Other PL Adjustments	10,000	10,000	20,000	1.16%	90,000	90,000	180,000	2.50%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$859,310</b>	<b>\$858,719</b>	<b>\$1,718,029</b>		<b>\$3,604,940</b>	<b>\$3,605,292</b>	<b>\$7,210,232</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					100,254					106,204
Vacancy Savings					(95,269)					(95,511)
Inflation/Deflation					(1,344)					(688)
Fixed Costs					29,004					22,992
<b>Total Statewide Present Law Adjustments</b>		<b>\$16,839</b>	<b>\$0</b>	<b>\$15,806</b>	<b>\$32,645</b>		<b>\$16,248</b>	<b>\$0</b>	<b>\$16,749</b>	<b>\$32,997</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(16,839)	0	(15,806)	(32,645)	0.00	(16,248)	0	(16,749)	(32,997)
DP 51 - Adjustment for Statewide Personal Services	0.00	1,192	0	3,793	4,985	0.00	2,556	0	8,137	10,693
DP 52 - Adjustment for Statewide Operations	0.00	6,612	0	21,048	27,660	0.00	5,332	0	16,972	22,304
DP 53 - Base Funding Switch	0.00	9,035	0	(9,035)	0	0.00	8,360	0	(8,360)	0
DP 201 - Funding for ChalleNGe 24/7 overtime.	0.00	10,000	0	30,000	40,000	0.00	10,000	0	30,000	40,000
DP 202 - Federal spending authority for ChalleNGe training	0.00	0	0	50,000	50,000	0.00	0	0	50,000	50,000
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$10,000</b>	<b>\$0</b>	<b>\$80,000</b>	<b>\$90,000</b>	<b>0.00</b>	<b>\$10,000</b>	<b>\$0</b>	<b>\$80,000</b>	<b>\$90,000</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$26,839</b>	<b>\$0</b>	<b>\$95,806</b>	<b>\$122,645</b>	<b>0.00</b>	<b>\$26,248</b>	<b>\$0</b>	<b>\$96,749</b>	<b>\$122,997</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 201 - Funding for ChalleNGe 24/7 overtime. - The legislature approved \$40,000 in each year of the biennium to support overtime and holiday salaries. These costs are zero based and not included in the program's base budget. The program is required to have staff coverage 24 hour a day, 7 days a week.

DP 202 - Federal spending authority for ChalleNGe training - The legislature approved federal funds for ChalleNGe employees to participate in training classes required by the National Guard Bureau.

### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
Operating Expenses	209,409	209,408	209,409	209,409	418,817	418,818	1	0.00%
<b>Total Costs</b>	<b>\$209,409</b>	<b>\$209,408</b>	<b>\$209,409</b>	<b>\$209,409</b>	<b>\$418,817</b>	<b>\$418,818</b>	<b>\$1</b>	<b>0.00%</b>
General Fund	209,409	209,408	209,409	209,409	418,817	418,818	1	0.00%
<b>Total Funds</b>	<b>\$209,409</b>	<b>\$209,408</b>	<b>\$209,409</b>	<b>\$209,409</b>	<b>\$418,817</b>	<b>\$418,818</b>	<b>\$1</b>	<b>0.00%</b>

### 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

<b>Scholarship Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The legislature approved funding the 2015 biennium budget at the FY 2012 base budget level with no adjustments</li> </ul>

### Program Narrative

The 1999 Legislature first provided \$250,000 in general fund to provide scholarships of up to \$500 per semester to enlisted Montana National Guard personnel enrolled as full-time undergraduate students in colleges, universities, or training programs. The funding was to provide \$500 scholarships for 500 student-semesters; which is equivalent to 125 students attending two semesters in each of the two years of the biennium.

In FY 2012, 287 students were awarded scholarships of up to \$1,800 a year for college, universities, or other training programs. Funding for the program remains static for the 2015 biennium.

### Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.



Total Department Of Military Affairs Funding by Source of Authority 2015 Biennium Budget - Scholarship Program							
Funds	Non-		Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
	HB 2	Budgeted Proprietary					
General Fund	\$418,818	\$0	\$0	\$418,818	100.0%		
Total All Funds	\$418,818	\$0	\$0	\$418,818	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

This program is funded entirely from the general fund.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	209,409	209,409	418,818	100.00%	209,409	209,409	418,818	100.00%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$209,409</b>	<b>\$209,409</b>	<b>\$418,818</b>		<b>\$209,409</b>	<b>\$209,409</b>	<b>\$418,818</b>	

As stated in the narrative, the Montana National Guard Scholarship Program funding is provided at the FY 2012 base funding level without any adjustments.

### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	2.00	2.00	3.00	3.00	2.00	3.00	1.00	50.00%
Personal Services	107,355	136,429	250,129	249,743	243,784	499,872	256,088	105.05%
Operating Expenses	206,376	179,717	408,151	406,954	386,093	815,105	429,012	111.12%
<b>Total Costs</b>	<b>\$313,731</b>	<b>\$316,146</b>	<b>\$658,280</b>	<b>\$656,697</b>	<b>\$629,877</b>	<b>\$1,314,977</b>	<b>\$685,100</b>	<b>108.77%</b>
Federal Special	313,731	316,146	658,280	656,697	629,877	1,314,977	685,100	108.77%
<b>Total Funds</b>	<b>\$313,731</b>	<b>\$316,146</b>	<b>\$658,280</b>	<b>\$656,697</b>	<b>\$629,877</b>	<b>\$1,314,977</b>	<b>\$685,100</b>	<b>108.77%</b>

### Program Description

The Montana STARBASE (Science, Technology, Academy, Reinforcing, Basic, Aviation, and Space Exploration) “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

<b>STARBASE</b>	
<b>Major Budget Highlights</b>	
◆	The legislature approved continuing a second site for the Montana STARBASE “Big Sky” Program at Gore Hill in Great Falls. The site was added in FY 2012 through a budget amendment
◆	The change includes funding to support an additional 1.00 FTE and related operations

### Program Narrative

In FY 2012, the Air National Guard received a second federal grant for a STARBASE program associated with the Gore Hill in Great Falls. The first STARBASE is located at Fort Harrison in Helena. The legislature provided authority for the second STARBASE program, which increases personal services by \$0.2 million and operating costs by \$0.4 million over the biennium.

### Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Military Affairs Funding by Source of Authority 2015 Biennium Budget - Starbase							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
Federal Special Total	\$1,314,977	\$0	\$0	\$1,314,977	100.0%		
03453 Air National Guard	\$1,314,977	\$0	\$0	\$1,314,977	100.0%		
Total All Funds	\$1,314,977	\$0	\$0	\$1,314,977	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

This program is funded entirely with federal special revenues from the Air National Guard. Federal funds increase between biennia due to the addition of a second STARBASE at Gore Hill in Great Falls.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	313,731	313,731	627,462	47.72%
Statewide PL Adjustments	0	0	0	0.00%	44,549	42,966	87,515	6.66%
Other PL Adjustments	0	0	0	0.00%	300,000	300,000	600,000	45.63%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$658,280</b>	<b>\$656,697</b>	<b>\$1,314,977</b>	

The majority of the increases in the 2015 biennium budget is due to the addition of the second STARBASE site in Great Falls. Statewide present law adjustments for personal services and fixed costs make up the only other changes in the STARBASE budget.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					47,534					47,298
Vacancy Savings					(6,196)					(6,186)
Inflation/Deflation					11					22
Fixed Costs					3,200					1,832
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$0</b>	<b>\$44,549</b>	<b>\$44,549</b>		<b>\$0</b>	<b>\$0</b>	<b>\$42,966</b>	<b>\$42,966</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	0	0	(44,549)	(44,549)	0.00	0	0	(42,966)	(42,966)
DP 51 - Adjustment for Statewide Personal Services	0.00	0	0	41,338	41,338	0.00	0	0	41,112	41,112
DP 52 - Adjustment for Statewide Operations	0.00	0	0	3,211	3,211	0.00	0	0	1,854	1,854
DP 401 - Funding for STARBASE Great Falls	1.00	0	0	300,000	300,000	1.00	0	0	300,000	300,000
<b>Total Other Present Law Adjustments</b>	<b>1.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$300,000</b>	<b>\$300,000</b>	<b>1.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$300,000</b>	<b>\$300,000</b>
<b>Grand Total All Present Law Adjustments</b>	<b>1.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$344,549</b>	<b>\$344,549</b>	<b>1.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$342,966</b>	<b>\$342,966</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 401 - Funding for STARBASE Great Falls - The STARBASE program in Great Falls was started in FY 2012. The legislature approved federal funds to continue the program in Great Falls. The program provides the students of Great Falls the opportunity to attend a high technology classroom that provides math and science education in a different atmosphere.

### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	42.30	42.30	45.30	45.30	42.30	45.30	3.00	7.09%
Personal Services	2,704,807	2,610,140	2,882,999	2,885,500	5,314,947	5,768,499	453,552	8.53%
Operating Expenses	10,855,098	11,185,278	10,941,504	10,957,573	22,040,376	21,899,077	(141,299)	(0.64%)
Equipment & Intangible Assets	552,065	357,423	552,065	552,065	909,488	1,104,130	194,642	21.40%
<b>Total Costs</b>	<b>\$14,111,970</b>	<b>\$14,152,841</b>	<b>\$14,376,568</b>	<b>\$14,395,138</b>	<b>\$28,264,811</b>	<b>\$28,771,706</b>	<b>\$506,895</b>	<b>1.79%</b>
General Fund	1,621,054	1,639,409	1,639,115	1,643,639	3,260,463	3,282,754	22,291	0.68%
State Special	0	0	2,000	2,000	0	4,000	4,000	n/a
Federal Special	12,490,916	12,513,432	12,735,453	12,749,499	25,004,348	25,484,952	480,604	1.92%
<b>Total Funds</b>	<b>\$14,111,970</b>	<b>\$14,152,841</b>	<b>\$14,376,568</b>	<b>\$14,395,138</b>	<b>\$28,264,811</b>	<b>\$28,771,706</b>	<b>\$506,895</b>	<b>1.79%</b>

### Program Description

The Army 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 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; and
- Providing state-wide 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

<b>Army National Guard Program Major Budget Highlights</b>	
◆	The budget for the division increases from the previous biennia mainly due to: <ul style="list-style-type: none"> <li>● Increase support for an additional 3.0 FTE to support various functions related to the mission of the Army National Guard</li> <li>● Provide operations and maintenance costs for two facilities that will be completed in the 2015 biennium</li> </ul>

### Program Narrative

The legislature approved 3.00 FTE to provide support for various functions related to the mission of the Army National Guard. Personal services costs increase by \$0.3 million in the 2015 biennium as a result. Personal services also increase due to:

- Broadband pay increases granted in FY 2012 that are annualized in the 2015 biennium
- A vacancy rate of 5.7% in FY 2012 compared to the legislatively established 4%

Operating costs increase due to:

- Statewide present law adjustments for insurance and bonds, State Information Technology Services Division charges, and electricity
- Support for additional operations and maintenance costs for two facilities that will be completed in the 2015 biennium

### Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Military Affairs Funding by Source of Authority 2015 Biennium Budget - Army National Guard Pgm							
Funds	HB 2	Non- Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$3,282,754	\$0	\$0	\$3,282,754	11.4%		
State Special Total	\$4,000	\$0	\$0	\$4,000	0.0%		
02343 Armory Rental Funds	\$4,000	\$0	\$0	\$4,000	0.0%		
Federal Special Total	\$25,484,952	\$0	\$0	\$25,484,952	88.6%		
03132 National Guard	\$25,484,952	\$0	\$0	\$25,484,952	88.6%		
Total All Funds	\$28,771,706	\$0	\$0	\$28,771,706	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The Army National Guard program is funded with a combination of general fund and federal funds. General fund accounts for about 11.4% of total funding. The funding ratio between general fund and federal funds depends on the nature of the activity, the use or location of the facility, and the goals of the operation. Possible scenarios include funding:

- Entirely with state funds
- Entirely with federal funds
- As a shared responsibility, with federal funds at 75% and general fund at 25% or 50% federal and 50% general fund

When a facility is owned by the state and located on state land, maintenance and utility costs are split evenly with the federal government. When a facility is state owned, but located on federal land, the maintenance and utility costs are funded 75% federal and 25% state general fund. When a facility is classified as a logistics facility, the funding is 100% federal funds for the entire facility. Federally owned facilities located on federal land and those that serve training missions are predominantly funded with 100% federal funds, except when the building is used as an armory. Armories constructed with federal funds and located on federal land are funded 75/25 federal/general fund for maintenance and utility costs. 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.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,621,054	1,621,054	3,242,108	98.76%	14,111,970	14,111,970	28,223,940	98.10%
Statewide PL Adjustments	18,061	18,060	36,121	1.10%	97,503	107,223	204,726	0.71%
Other PL Adjustments	0	4,525	4,525	0.14%	167,095	175,945	343,040	1.19%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$1,639,115</b>	<b>\$1,643,639</b>	<b>\$3,282,754</b>		<b>\$14,376,568</b>	<b>\$14,395,138</b>	<b>\$28,771,706</b>	

Statewide present law adjustments for personal services, inflation/deflation, and fixed costs make up about 37.4% of the increases in the 2015 biennium budget. 62.6% of the increases are personal services to support 3.00 new FTE within the program and additional operational and maintenance support for new armories that were completed after the base year funding for the 2015 biennium was established.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					149,778					152,591
Vacancy Savings					(114,183)					(114,295)
Inflation/Deflation					27,028					58,068
Fixed Costs					34,880					10,859
<b>Total Statewide Present Law Adjustments</b>		<b>\$18,061</b>	<b>\$2,000</b>	<b>\$77,442</b>	<b>\$97,503</b>		<b>\$18,060</b>	<b>\$2,000</b>	<b>\$87,163</b>	<b>\$107,223</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(18,061)	(2,000)	(77,442)	(97,503)	0.00	(18,060)	(2,000)	(87,163)	(107,223)
DP 51 - Adjustment for Statewide Personal Services	0.00	(40,930)	0	76,525	35,595	0.00	(40,868)	0	79,164	38,296
DP 52 - Adjustment for Statewide Operations	0.00	31,697	0	30,211	61,908	0.00	32,073	0	36,854	68,927
DP 53 - Base Funding Switch	0.00	27,294	2,000	(29,294)	0	0.00	26,855	2,000	(28,855)	0
DP 1201 - Army National Guard Mission Support	3.00	0	0	142,597	142,597	3.00	0	0	142,397	142,397
DP 1202 - Army National Guard Operations & Maintenance	0.00	0	0	24,498	24,498	0.00	4,525	0	29,023	33,548
<b>Total Other Present Law Adjustments</b>	<b>3.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$167,095</b>	<b>\$167,095</b>	<b>3.00</b>	<b>\$4,525</b>	<b>\$0</b>	<b>\$171,420</b>	<b>\$175,945</b>
<b>Grand Total All Present Law Adjustments</b>	<b>3.00</b>	<b>\$18,061</b>	<b>\$2,000</b>	<b>\$244,537</b>	<b>\$264,598</b>	<b>3.00</b>	<b>\$22,585</b>	<b>\$2,000</b>	<b>\$258,583</b>	<b>\$283,168</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 1201 - Army National Guard Mission Support - The legislature approved 3.00 additional FTE to support the Army National Guard mission. The first 1.00 FTE provides support for the Installations Status Report (ISR) requirements of the ARNG. Each state is mandated by the federal government to document, establish, implement, update, and maintain data collected for ISR requirements. The second 1.00 FTE provides purchasing support to the Construction and Facilities Management Office of the ARNG in the administration and management of approximately 150 on-going contracts. The third 1.00 FTE assists with administrative and financial duties within the ARNG that have increasing requirements for federal budgets.

DP 1202 - Army National Guard Operations & Maintenance - The legislature approved funding for the Miles City Readiness Center and the Great Falls Armed Forces Reserve Center, two facilities that were completed after the base year and thus are not supported in the 2015 biennium budget.



**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	40.00	40.00	40.00	40.00	40.00	40.00	0.00	0.00%
Personal Services	2,620,408	2,668,452	2,682,129	2,687,730	5,288,860	5,369,859	80,999	1.53%
Operating Expenses	1,732,490	1,755,665	1,835,606	1,844,861	3,488,155	3,680,467	192,312	5.51%
<b>Total Costs</b>	<b>\$4,352,898</b>	<b>\$4,424,117</b>	<b>\$4,517,735</b>	<b>\$4,532,591</b>	<b>\$8,777,015</b>	<b>\$9,050,326</b>	<b>\$273,311</b>	<b>3.11%</b>
General Fund	374,869	382,588	396,664	399,460	757,457	796,124	38,667	5.10%
Federal Special	3,978,029	4,041,529	4,121,071	4,133,131	8,019,558	8,254,202	234,644	2.93%
<b>Total Funds</b>	<b>\$4,352,898</b>	<b>\$4,424,117</b>	<b>\$4,517,735</b>	<b>\$4,532,591</b>	<b>\$8,777,015</b>	<b>\$9,050,326</b>	<b>\$273,311</b>	<b>3.11%</b>

**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**

<b>Air National Guard Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The budget increases mainly due to re-establishment of federal funding authority to provide for fire fighter overtime</li> <li>◆ Statewide present law adjustments include changes for longevity and broadband pay adjustments</li> <li>◆ Other changes include additional federal funding to support:                             <ul style="list-style-type: none"> <li>● Required firefighting training</li> <li>● Natural gas distribution lines maintenance</li> <li>● Security contract personal services increases</li> </ul> </li> </ul>

**Program Narrative**

Personal services costs increase due to:

- Statutorily required longevity increases
- Reinstatement of firefighter overtime at the Malmstrom Air Force Base in Great Falls
- Broadband pay adjustments that are mainly awarded for proficiency agreements and are annualized in the 2015 biennium

Operating expenses increases are mainly due to additional federal funding to support:

- Firefighter training costs related to live fire training for aircraft
- Natural gas distribution lines maintenance
- Security contract personal service increases

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Military Affairs Funding by Source of Authority 2015 Biennium Budget - Air National Guard Pgm							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$796,124	\$0	\$0	\$796,124	8.8%		
Federal Special Total	\$8,254,202	\$0	\$0	\$8,254,202	91.2%		
03453 Air National Guard	\$8,254,202	\$0	\$0	\$8,254,202	91.2%		
Total All Funds	\$9,050,326	\$0	\$0	\$9,050,326	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The Montana Air National Guard is predominately funded through federal funds. General fund, comprising less than 9% of the total funding for the program, supports some building and grounds maintenance activities, a portion of administrative expenses, and a portion of the personal service costs for a quarter of the FTE.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	374,869	374,869	749,738	94.17%	4,352,898	4,352,898	8,705,796	96.19%
Statewide PL Adjustments	21,795	24,591	46,386	5.83%	(317,143)	(308,382)	(625,525)	(6.91%)
Other PL Adjustments	0	0	0	0.00%	481,980	488,075	970,055	10.72%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$396,664</b>	<b>\$399,460</b>	<b>\$796,124</b>		<b>\$4,517,735</b>	<b>\$4,532,591</b>	<b>\$9,050,326</b>	

Reductions contained in the statewide present law adjustments are mainly due to the elimination of firefighter overtime from the FY 2012 base budget as required by state budgeting procedures. The decision to reinstate the funding is determined through the legislative appropriation process. Other present law adjustments include additional federal funding for:

- o Firefighter overtime and training
- o Natural gas distribution line maintenance
- o Security contract increases at Gore Hill

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(261,867)					(262,381)
Vacancy Savings					(94,342)					(94,322)
Inflation/Deflation					17,017					32,387
Fixed Costs					22,049					15,934
<b>Total Statewide Present Law Adjustments</b>		<b>\$21,795</b>	<b>\$0</b>	<b>(\$338,938)</b>	<b>(\$317,143)</b>		<b>\$24,591</b>	<b>\$0</b>	<b>(\$332,973)</b>	<b>(\$308,382)</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(21,795)	0	338,938	317,143	0.00	(24,591)	0	332,973	308,382
DP 51 - Adjustment for Statewide Personal Services	0.00	5,364	0	(361,573)	(356,209)	0.00	5,342	0	(362,045)	(356,703)
DP 52 - Adjustment for Statewide Operations	0.00	3,130	0	35,936	39,066	0.00	5,613	0	42,708	48,321
DP 53 - Base Funding Switch	0.00	13,301	0	(13,301)	0	0.00	13,636	0	(13,636)	0
DP 1301 - Federal Authority for Firefighter Overtime	0.00	0	0	417,930	417,930	0.00	0	0	424,025	424,025
DP 1302 - Federal Authority for Firefighter Training	0.00	0	0	20,250	20,250	0.00	0	0	20,250	20,250
DP 1303 - Federal Authority for Natural Gas	0.00	0	0	22,000	22,000	0.00	0	0	22,000	22,000
DP 1306 - Federal Authority for Security Contract Increase	0.00	0	0	21,800	21,800	0.00	0	0	21,800	21,800
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$481,980</b>	<b>\$481,980</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$488,075</b>	<b>\$488,075</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$21,795</b>	<b>\$0</b>	<b>\$143,042</b>	<b>\$164,837</b>	<b>0.00</b>	<b>\$24,591</b>	<b>\$0</b>	<b>\$155,102</b>	<b>\$179,693</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 1301 - Federal Authority for Firefighter Overtime - Statewide present law adjustments include reductions in personal service costs due to the elimination of overtime from the salary costs used to calculate the amount of the adjustment. This adjustment drives the personal service costs negative in both fiscal years of the biennium.

The legislature approved 100% federal spending authority for the overtime salary and benefit costs incurred by the Air National Guard firefighters in Great Falls. Overtime costs are zero based and are not captured in the personnel services snapshot used for the initial budget preparation.

There are 30 Air Guard firefighters in Great Falls. These firefighters work between 182 and 416 regular extra hours per year. The requirement for additional hours is due to the 24 hour a day, 7 day a week crash/fire coverage necessary to support and maintain the Air National Guard mission and joint use requirements with the Great Falls International Airport. These scheduling requirements and holiday hours result in an additional 13,188 paid hours each year. FLSA

overtime must also be paid for all firefighter hours worked exceeding 212 in a two-pay period month, resulting in an additional 3,168 paid overtime hours each year.

DP 1302 - Federal Authority for Firefighter Training - The legislature approved federal spending authority for aircraft live fire training for 30 firefighters at the Air National Guard in Great Falls at a cost of \$675.00 per employee. This is annual mandatory training required per federal regulations for all firefighters working in a 24/7 aircraft crash/fire environment. The aircraft live fire training is conducted at the Helena Regional Airport on specialized aircraft and spill trainers for three days.

DP 1303 - Federal Authority for Natural Gas - The legislature approved federal funding for yearly additional natural gas distribution lines maintenance costs. The recurring utility maintenance costs are a new cost for MANG, and will be 100% federally reimbursed to the State of Montana through the Master Cooperative Agreement. The costs are estimated at approximately \$22,000 per year, based on recent tariff rates approved by the Public Service Commission.

DP 1306 - Federal Authority for Security Contract Increase - The legislature approved federal funding for an existing security protection services contract at the Montana Air National Guard base in Great Falls. The contract for security protection exceeds \$500,000, and the contract price did not increase in 2011 or 2012. In FY 2013 the costs increased by \$21,800, largely due to wage and benefit increases for the contracted security personnel over the past two years.

**Program Budget Comparison**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	23.00	23.00	24.00	24.00	23.00	24.00	1.00	4.35%
Personal Services	1,434,854	1,517,195	1,232,077	1,238,198	2,952,049	2,470,275	(481,774)	(16.32%)
Operating Expenses	602,199	353,842	697,541	685,127	956,041	1,382,668	426,627	44.62%
Grants	3,767,443	5,101,505	13,335,443	11,735,443	8,868,948	25,070,886	16,201,938	182.68%
Transfers	570,674	707,549	2,932,674	2,532,674	1,278,223	5,465,348	4,187,125	327.57%
<b>Total Costs</b>	<b>\$6,375,170</b>	<b>\$7,680,091</b>	<b>\$18,197,735</b>	<b>\$16,191,442</b>	<b>\$14,055,261</b>	<b>\$34,389,177</b>	<b>\$20,333,916</b>	<b>144.67%</b>
General Fund	1,044,104	1,065,244	1,132,636	1,129,232	2,109,348	2,261,868	152,520	7.23%
State Special	216,020	350,200	233,539	236,536	566,220	470,075	(96,145)	(16.98%)
Federal Special	5,115,046	6,264,647	16,831,560	14,825,674	11,379,693	31,657,234	20,277,541	178.19%
<b>Total Funds</b>	<b>\$6,375,170</b>	<b>\$7,680,091</b>	<b>\$18,197,735</b>	<b>\$16,191,442</b>	<b>\$14,055,261</b>	<b>\$34,389,177</b>	<b>\$20,333,916</b>	<b>144.67%</b>

**Program Description**

The Disaster and Emergency Services Division (DES) duties and responsibilities are provided for under Title 10, Chapter 3, MCA. The division 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.

**Program Highlights**

<b>Disaster &amp; Emergency Services Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The budget for the division increases by 145% due almost entirely to a change in the level of funding for Homeland Security Program Grants. At least 80% must be passed through to local and tribal applicants. The change includes increases in operating expenses, grants, and transfers</li> <li>◆ The legislature adopted an additional 2% vacancy savings for DMA and included the entire reduction in the DES budget. The legislature provided language in HB 2 allowing the agency to allocate the reduction among programs</li> <li>◆ Other increases include general fund and federal funding for:                         <ul style="list-style-type: none"> <li>• 1.00 FTE and support for the Homeland Security Exercise and Evaluation Program</li> <li>• Contracts costs and training related to the State Emergency Coordination Center (SECC)</li> <li>• Re-establishment of overtime for disaster and emergency services personnel</li> </ul> </li> </ul>

**Program Narrative**

The 2015 biennium budget for the Disaster and Emergency Services Division increases by \$20.3 million or 144.7% when compared to the 2013 biennium. The majority of the increase is due to increased federal authority for the

Homeland Security Program, \$22.0 million in additional funding approved for the 2015 biennium. The increased funding supports increases for both grants and transfers.

Personal services decrease due a legislative decision to increase vacancy savings by an additional 2%. The legislature approved the additional amount based on all HB 2 positions within the Department of Military Affairs. The agency reduction was taken from the Disaster and Emergency Services Division budget but the legislature approved language in HB 2 allowing the agency to allocate the reduction to all programs within the Department of Military Affairs.

It should be noted that the legislature exempted facilities that are open 24 hours a day, 7 days a week from the calculation. As a result, certain staff positions within the Challenge Program should have been exempted from the additional reduction. This did not occur. The impact on the agency is that about \$15,000 of additional vacancy savings should have been excluded from the reduction.

The legislature also approved additional personal services supporting an additional 1.00 FTE for homeland security exercises and evaluations.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Military Affairs Funding by Source of Authority 2015 Biennium Budget - Disaster & Emergency Services							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$2,261,868	\$0	\$0	\$2,261,868	6.6%		
State Special Total	\$470,075	\$0	\$0	\$470,075	1.4%		
02156 Sar Des Dfwp Fees	\$107,000	\$0	\$0	\$107,000	0.3%		
02180 Emergency Preparedness Summit	\$20,035	\$0	\$0	\$20,035	0.1%		
Federal Special Total	\$31,657,234	\$0	\$0	\$31,657,234	92.1%		
Total All Funds	\$34,389,177	\$0	\$0	\$34,389,177	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

Funding for the Disaster and Emergency Services Division is broken down roughly into three functional areas:

- Administration and coordination
- Search and rescue
- Grant programs

Administrative and coordination functions are funded primarily through a 50/50 partnership between state general fund and federal revenues. Disaster coordination functions are usually 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 are dominated by federal funding. The amount of this funding budgeted in HB 2 varies greatly depending on the federal source and available amounts known at the time of the budget submission. This is reflected in the \$22.0 million increase in federal funding for the upcoming biennium compared the 2013 biennium. The increased funding is provided for homeland security grants of which 80% are allocated to local and tribal governments.

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 million over the biennium for disaster relief. These expenditures are authorized through executive orders. In FY 2012, the Governor authorized disaster relief expenditures from the general fund totaling \$7,631, with the remainder anticipated to be fully expended in FY 2013, primarily for fire suppression costs.

### Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,044,104	1,044,104	2,088,208	92.32%	6,375,170	6,375,170	12,750,340	37.08%
Statewide PL Adjustments	86,477	83,159	169,636	7.50%	(4,465)	(13,505)	(17,970)	(0.05%)
Other PL Adjustments	61,818	61,778	123,596	5.46%	12,061,818	10,061,778	22,123,596	64.33%
New Proposals	(59,763)	(59,809)	(119,572)	(5.29%)	(234,788)	(232,001)	(466,789)	(1.36%)
<b>Total Budget</b>	<b>\$1,132,636</b>	<b>\$1,129,232</b>	<b>\$2,261,868</b>		<b>\$18,197,735</b>	<b>\$16,191,442</b>	<b>\$34,389,177</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					44,359					47,879
Vacancy Savings					(59,166)					(59,312)
Inflation/Deflation					(101)					(6)
Fixed Costs					10,443					(2,066)
<b>Total Statewide Present Law Adjustments</b>		<b>\$86,477</b>	<b>\$31,730</b>	<b>(\$122,672)</b>	<b>(\$4,465)</b>		<b>\$83,159</b>	<b>\$34,730</b>	<b>(\$131,394)</b>	<b>(\$13,505)</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(86,477)	(31,730)	122,672	4,465	0.00	(83,159)	(34,730)	131,394	13,505
DP 51 - Adjustment for Statewide Personal Services	0.00	(2,425)	(502)	(11,880)	(14,807)	0.00	(1,872)	(387)	(9,174)	(11,433)
DP 52 - Adjustment for Statewide Operations	0.00	1,694	350	8,298	10,342	0.00	(339)	(70)	(1,663)	(2,072)
DP 53 - Base Funding Switch	0.00	87,208	31,882	(119,090)	0	0.00	85,370	35,187	(120,557)	0
DP 2101 - Federal Homeland Security Exercise & Evaluation	1.00	27,330	0	0	27,330	1.00	27,290	0	0	27,290
DP 2102 - Systems for State Emergency Coordination Center	0.00	15,000	0	0	15,000	0.00	15,000	0	0	15,000
DP 2103 - Spending Authority for Homeland Security Program	0.00	0	0	12,000,000	12,000,000	0.00	0	0	10,000,000	10,000,000
DP 2104 - DES Overtime	0.00	19,488	0	0	19,488	0.00	19,488	0	0	19,488
<b>Total Other Present Law Adjustments</b>	<b>1.00</b>	<b>\$61,818</b>	<b>\$0</b>	<b>\$12,000,000</b>	<b>\$12,061,818</b>	<b>1.00</b>	<b>\$61,778</b>	<b>\$0</b>	<b>\$10,000,000</b>	<b>\$10,061,778</b>
<b>Grand Total All Present Law Adjustments</b>	<b>1.00</b>	<b>\$148,295</b>	<b>\$31,730</b>	<b>\$11,877,328</b>	<b>\$12,057,353</b>	<b>1.00</b>	<b>\$144,937</b>	<b>\$34,730</b>	<b>\$9,868,606</b>	<b>\$10,048,273</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittees.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 2101 - Federal Homeland Security Exercise & Evaluation - The legislature provided the Homeland Security Exercise & Evaluation Program (HSEEP) with an additional 1.00 FTE. HSEEP is an initiative directed by the Department of Homeland Security (DHS) to make all emergency management exercises uniform in nature. To continue to receive Emergency Management Assistance Grants (EMPG), HSEEP exercise guidelines must be followed. The position is to help insure guidelines are met.

DP 2102 - Systems for State Emergency Coordination Center - The legislature approved funding for the State Emergency Coordination Center (SECC) to maintain the crisis management system that tracks and records all activities. The annual maintenance costs are \$13,000 per year which covers upgrades and end user support. There is a \$7,000 per year cost for hosting the system. In addition, funds will be used for continued outreach and training with local, tribal, and state end users at an estimated \$10,000 per year.

DP 2103 - Spending Authority for Homeland Security Program - The Homeland Security Grant Program manages US Department of Homeland Security (DHS) anti-terrorism grant funds to pay for local, tribal, and state projects to strengthen the state’s ability to prevent and respond to any hazard events. Focus for the grants is on interoperable communications, fusion center operations, explosive ordinance disposal and many other areas. Of the funds received through this grant program, at least 80% must be passed through to local and tribal applicants.

DP 2104 - DES Overtime – The legislature provided funding for the overtime salary and benefits costs incurred by the DES duty officers to provide 24 hour, 7 day a week disaster and emergency response. Overtime costs are zero based and not captured in the personnel services snapshot used for the initial budget preparation.

**New Proposals**

New Proposals											
Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----					
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 54 - Additional Vacancy Savings	21	0.00	(59,763)	(14,211)	(160,814)	(234,788)	0.00	(59,809)	(14,214)	(157,978)	(232,001)
<b>Total</b>	<b>0.00</b>	<b>(\$59,763)</b>	<b>(\$14,211)</b>	<b>(\$160,814)</b>	<b>(\$234,788)</b>	<b>0.00</b>	<b>(\$59,809)</b>	<b>(\$14,214)</b>	<b>(\$157,978)</b>	<b>(\$232,001)</b>	

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs.



### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	29.00	29.00	24.00	24.00	29.00	24.00	(5.00)	(17.24%)
Personal Services	1,461,475	1,478,435	1,303,233	1,304,418	2,939,910	2,607,651	(332,259)	(11.30%)
Operating Expenses	278,465	347,920	447,380	344,256	626,385	791,636	165,251	26.38%
Grants	0	0	180,000	180,000	0	360,000	360,000	n/a
<b>Total Costs</b>	<b>\$1,739,940</b>	<b>\$1,826,355</b>	<b>\$1,930,613</b>	<b>\$1,828,674</b>	<b>\$3,566,295</b>	<b>\$3,759,287</b>	<b>\$192,992</b>	<b>5.41%</b>
General Fund	884,803	884,510	1,065,662	1,065,664	1,769,313	2,131,326	362,013	20.46%
State Special	855,137	941,845	864,951	763,010	1,796,982	1,627,961	(169,021)	(9.41%)
<b>Total Funds</b>	<b>\$1,739,940</b>	<b>\$1,826,355</b>	<b>\$1,930,613</b>	<b>\$1,828,674</b>	<b>\$3,566,295</b>	<b>\$3,759,287</b>	<b>\$192,992</b>	<b>5.41%</b>

### 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

<b>Veterans' Affairs Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The majority of the changes approved for the program's budget are based on changes recommended by the Legislative Finance Committee (LFC). The legislature approved the LFC recommendation that the program reduce HB 2 appropriations that were also considered statutory appropriations</li> <li>◆ The legislature also approved a new grant program to provide veterans' outreach services</li> <li>◆ HB 626 increases the percentage, from .064% to 0.81%, of vehicle fees allocated to the: <ul style="list-style-type: none"> <li>• State Veterans' Cemetery Account</li> <li>• Veterans' Services Account</li> </ul> </li> </ul>

### Program Narrative

The Legislative Finance Committee (LFC) reviewed statutory appropriations for the Veterans' Affairs Program and determined that the money for the Veterans' Cemetery Program was appropriated twice, once in HB 2 and again in statute. The LFC recommended that the funding included in HB 2 be eliminated, allowing the statutory appropriation for the program to continue to provide support. As a result of the recommendation, the legislature eliminated the statutorily appropriated funds from HB 2, reducing personal services associated with 5.00 FTE and \$180,500 in operating expenses.

In addition, the legislature determined that the statutory appropriation should be assigned to the Department of Military Affairs. The legislature approved HB 21 to address this issue.

The legislature provided additional support for the Veterans’ Affairs Program by:

- Increasing spending authority for patriotic plates by \$100,000 over the biennium
- Providing \$180,000 in grant authority for outreach services to veterans
- Providing an additional \$0.3 million in state special revenue by changing the percentage of motor vehicle revenues that are transferred from the general fund to state special revenue accounts supporting veterans’ services and cemetery programs.

*HB 626 Includes Provisions to Implement HB 2*

The legislature approved HB 626, a bill to implement provisions of HB 2, to include changes to the percentage of motor vehicle revenues that are deposited into the general fund each fiscal year and then transferred to two accounts within the Veterans’ Affairs Program:

- State Veterans’ Cemetery Account
- Veterans’ Services Account

The increase in the percentage, from 0.64% to 0.81% is estimated to restore the funding provided by the allocation to the levels previously provided prior to the adoption of a percentage.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Military Affairs Funding by Source of Authority 2015 Biennium Budget - Veterans Affairs Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$2,131,326	\$0	\$0	\$2,131,326	49.6%		
State Special Total	\$1,627,961	\$0	\$533,623	\$2,161,584	50.4%		
02214 Veterans Affairs Cemeteries	\$0	\$0	\$533,623	\$533,623	12.4%	10-2-603	Direct
02548 Veterans Affairs Sb401	\$1,527,961	\$0	\$0	\$1,527,961	35.6%		
Total All Funds	\$3,759,287	\$0	\$533,623	\$4,292,910	100.0%		
<b>Percent - Total All Sources</b>	<b>87.6%</b>	<b>0.0%</b>	<b>12.4%</b>				

The Veterans’ Affairs Division is funded with both general fund and state special revenues. General fund is used to support functions throughout the division.

State special revenue is the largest funding source for the division when both HB 2 and statutory appropriations are considered. The primary state special revenue account, the veterans’ services account, was created by the legislature during the 2003 regular session in SB 401, which allocated proceeds from the sale of veterans’ specialty license plates to the account. In addition to the revenues received from the license plates, this account and the state veterans’ cemetery account receive a portion of all of the motor vehicle registration revenue that is deposited into the general fund each year.

The State Veterans’ Cemeteries Program is statutorily funded including revenues derived from cemetery donations and plot allowances as well as a percentage of the license plate funding.

Finally, the patriotic license plate account receives revenue from a \$15 surcharge on original and renewal patriotic license plates issued in Montana.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	884,803	884,803	1,769,606	83.03%	1,739,940	1,739,940	3,479,880	92.57%
Statewide PL Adjustments	859	861	1,720	0.08%	48,877	47,126	96,003	2.55%
Other PL Adjustments	0	0	0	0.00%	(188,623)	(288,820)	(477,443)	(12.70%)
New Proposals	180,000	180,000	360,000	16.89%	330,419	330,428	660,847	17.58%
<b>Total Budget</b>	<b>\$1,065,662</b>	<b>\$1,065,664</b>	<b>\$2,131,326</b>		<b>\$1,930,613</b>	<b>\$1,828,674</b>	<b>\$3,759,287</b>	

Statewide present law adjustments include increases for personal services and fixed costs as well as a funding shift that decreased general fund and increased state special revenue. Other present law adjustments include the reductions in HB 2 appropriations for the statutorily appropriated activities related to veterans' cemeteries. New proposals include general fund for veterans' outreach services and additional support provided by HB 626.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					102,934					103,898
Vacancy Savings					(62,579)					(62,614)
Inflation/Deflation					(2,930)					(1,664)
Fixed Costs					11,452					7,506
<b>Total Statewide Present Law Adjustments</b>		<b>\$859</b>	<b>\$48,018</b>	<b>\$0</b>	<b>\$48,877</b>		<b>\$861</b>	<b>\$46,265</b>	<b>\$0</b>	<b>\$47,126</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(859)	(48,018)	0	(48,877)	0.00	(861)	(46,265)	0	(47,126)
DP 51 - Adjustment for Statewide Personal Services	0.00	50,893	(10,538)	0	40,355	0.00	51,639	(10,355)	0	41,284
DP 52 - Adjustment for Statewide Operations	0.00	8,078	444	0	8,522	0.00	6,107	(265)	0	5,842
DP 53 - Base Funding Switch	0.00	(58,112)	58,112	0	0	0.00	(56,885)	56,885	0	0
DP 3101 - Move Cemetery Positions and Expenses to SA	(5.00)	0	(288,623)	0	(288,623)	(5.00)	0	(288,820)	0	(288,820)
DP 3102 - Spending Authority for Patriotic Plates (Biennial)	0.00	0	100,000	0	100,000	0.00	0	0	0	0
<b>Total Other Present Law Adjustments</b>	<b>(5.00)</b>	<b>\$0</b>	<b>(\$188,623)</b>	<b>\$0</b>	<b>(\$188,623)</b>	<b>(5.00)</b>	<b>\$0</b>	<b>(\$288,820)</b>	<b>\$0</b>	<b>(\$288,820)</b>
<b>Grand Total All Present Law Adjustments</b>	<b>(5.00)</b>	<b>\$859</b>	<b>(\$140,605)</b>	<b>\$0</b>	<b>(\$139,746)</b>	<b>(5.00)</b>	<b>\$861</b>	<b>(\$242,555)</b>	<b>\$0</b>	<b>(\$241,694)</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 3101 - Move Cemetery Positions and Expenses to SA - This adjustment moves the State Veterans' Cemetery Program from HB 2 to a statutory appropriation, as recommended by the Legislative Finance Committee. This adjustment removes the personal services budget for 5.0 FTE and related expenses of the program.

DP 3102 - Spending Authority for Patriotic Plates (Biennial) - The legislature approved biennial spending authority of \$100,000 from the patriot license plate state special revenue account. The funding is to be used for staff training, operational support, and state veterans service organization projects of mutual support such as homeless veteran stand downs and outreach programs. The authority is provided as a biennial appropriation.

**New Proposals**

New Proposals											
Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----					
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 3103 - Veterans Outreach Servcs-(Restricted/Biennial/OTO)	31	0.00	180,000	0	0	180,000	0.00	180,000	0	0	180,000
DP 3104 - Realignment of Veterans Affairs Funding	31	0.00	0	150,419	0	150,419	0.00	0	150,428	0	150,428
<b>Total</b>	<b>0.00</b>	<b>\$180,000</b>	<b>\$150,419</b>	<b>\$0</b>	<b>\$330,419</b>	<b>0.00</b>	<b>\$180,000</b>	<b>\$150,428</b>	<b>\$0</b>	<b>\$330,428</b>	

DP 3103 - Veterans Outreach Servcs-(Restricted/Biennial/OTO) - The legislature approved funding to provide grants for outreach services to veterans in Montana including initial contact with veterans in communities, assistance with applications and claims, volunteer training, and equipment purchases for transporting disabled veterans to services.

DP 3104 - Realignment of Veterans Affairs Funding - The General Government Joint Appropriations Subcommittee recommended and the legislature approved a realignment in the allocation of motor vehicle revenues by increasing the percentage allocated to the Veteran's Affairs Program from 0.64% to 0.81%. HB 626, which was approved by the legislature, brings the funding in the two state special revenue accounts supporting the program to the levels previously provided through two separate allocation methods, \$10 for each military plate sold and \$0.50 for each light vehicle registration.