

Agency Budget Comparison

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	134.22	134.22	133.22	133.22	134.22	133.22	(1.00)
Personal Services	9,983,340	11,547,781	11,523,661	11,823,564	21,531,121	23,347,225	1,816,104
Operating Expenses	2,813,090	3,516,096	3,710,484	3,284,818	6,329,186	6,995,302	666,116
Equipment & Intangible Assets	35,837	50,000	80,000	20,000	85,837	100,000	14,163
Transfers	0	80,000	85,000	85,000	80,000	170,000	90,000
Total Costs	\$12,832,267	\$15,193,877	\$15,399,145	\$15,213,382	\$28,026,144	\$30,612,527	\$2,586,383
General Fund	10,614,797	13,046,275	12,800,083	13,169,825	23,661,072	25,969,908	2,308,836
State/Other Special Rev. Funds	2,217,470	2,147,602	2,599,062	2,043,557	4,365,072	4,642,619	277,547
Total Funds	\$12,832,267	\$15,193,877	\$15,399,145	\$15,213,382	\$28,026,144	\$30,612,527	\$2,586,383

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

Legislative Branch Major Budget Highlights
<ul style="list-style-type: none"> • The 2015 biennium legislative appropriation to the 2017 biennium legislative appropriation increased by 4.2%. • Personal services changes include: <ul style="list-style-type: none"> ◦ Adoption of a pay plan that provides \$590,000 over the biennium for pay and state share insurance contribution increases ◦ Fully funding legislatively approved FTE ◦ Annualization of employee state share contributions approved by the 2013 Legislature ◦ Reduction of 1.00 FTE in the Legislative Audit Division ◦ Reductions for differences between salaries paid to retiring staff and newly hired staff • Operating expenses increases include: <ul style="list-style-type: none"> ◦ Cyclical adjustments adopted for the production of the Montana Codes Annotated, interim committee work, and other costs such as printing and information technology ◦ Contractual actuary/peer review services and outside audit review ◦ Additional participation in the Capitol complex security ◦ Joint ETIC/EQC Carbon Dioxide Subcommittee

Summary of Legislative Action

The legislature approved the Legislative Branch budget with an increase of \$0.6 million, or 1.9%, over the 2015 biennium appropriation budget. The majority of the increase in personal services costs is due to the implementation of a pay plan for state employees. The legislature provided an additional \$318,655 for a \$0.50 an hour increase in pay beginning January 15, 2016 and an additional \$0.50 an hour increase beginning January 15, 2017. In addition, an additional \$271,170 in funding was provided for a 10% increase in the state share of employee insurance in FY 2016 and an 8% increase in FY 2017. Personal services also increased due to fully funding legislatively approved FTE over the biennium, providing for changes associated with longevity and other employer costs, and annualization of changes in the state share of employee insurance that occurred in beginning in January 2015.

Operating expenses increased due to adjustments for:

- Costs associated with the production of the Montana Code Annotated
- Contractual services including actuarial services, audit of the Legislative Branch, and peer review services for the Legislative Audit Division
- Participation in the capitol complex security plan

Agency Discussion

The budget of the Legislative Branch functions is provided 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 were incurred in the legislative base year, as sessions are held in the second year of the biennium. 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 \$10.1 million provided in HB 1, \$9.5 million is for the operation of the 64th legislature and the costs of preparing for the 65th Legislative Session. The legislation also provides \$624,780 specifically for the preparation of the 65th Legislature. The appropriations fund the salaries and per-diem of the members of the 64th Legislature and the temporary staff and operational costs related to the session. From those appropriations, \$16,500 is directed to the operations of Legislative Services. The funding will be used for session related activities including:

- Bill printing and 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 2017 Biennium Budget - Legislative Branch					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	25,969,908	0	0	25,969,908	84.83 %
State Special Total	4,642,619	0	0	4,642,619	15.17 %
Federal Special Total	0	0	0	0	0.00 %
Proprietary Total	0	0	0	0	0.00 %
Other Total	0	0	0	0	0.00 %
Total All Funds	\$30,612,527	\$0	\$0	\$30,612,527	
Percent - Total All Sources	100.00 %	0.00 %	0.00 %		

The Legislative Branch is mainly funded with general fund. State special revenues support the costs associated with the state broadcasting service (TVMT); the preparation, publication, distribution of the Montana Codes Annotated; and a portion of the activities of the Legislative Audit Division.

While not shown in the table above, the Legislative Branch has statutory appropriation authority for the following:

- All money for audits transferred to the legislative auditor must be deposited in a state special revenue fund in the state treasury to the credit of the Office of the Legislative Auditor. The money deposited in excess of general and pay plan appropriations is derived from higher than estimated audit revenues and may be used to pay expenses incurred in auditing state agencies based on an approved operating plan
- A reserve account for information technology projects including the purchase of hardware, software, and consulting services and training for new initiatives and replacement and upgrading of existing systems

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	12,753,775	12,753,775	25,507,550	98.22 %	14,901,377	14,901,377	29,802,754	97.35 %
PL Adjustments	(122,222)	(47,199)	(169,421)	(0.65)%	379,146	(101,471)	277,675	0.91 %
New Proposals	168,530	463,249	631,779	2.43 %	118,622	413,476	532,098	1.74 %
Total Budget	\$12,800,083	\$13,169,825	\$25,969,908		\$15,399,145	\$15,213,382	\$30,612,527	

Other Legislation

HB 1 - This legislation includes total appropriations of \$10.1 million for the operation of the 64th Legislature and the costs of preparing for the 65th Legislature. The appropriations fund the salaries and per-diem of the members of the 64th Legislature, the costs of temporary staff, and operational costs related to the session.

HB 430 - This legislation provides for an interim Judicial Redistricting Commission consisting of seven members. The commission will determine if judicial redistricting is necessary using factors outlined in the bill and is required to report its findings to the 65th Legislature. \$20,170 in general fund is provided to the Legislative Services Division to support the commission.

SB 128 - This legislation provides for a School Funding Interim Commission. The commission is assigned to study educational needs and costs related to the basic system of free quality public elementary and secondary schools and to report its findings to the 65th Legislature. The legislature provided \$55,000 in general fund to support the costs of conducting the study.

SB 283 - The legislature revised laws related to constituent expenses for legislators allowing a stipend of up to \$3,000 in a biennium to provide for constituent services. In addition, legislators are allowed reimbursement for mileage, meals, or lodging incurred for providing constituent services. The act is not effective until FY 2018.

Interim Study Resolutions - 15 interim study resolutions were passed by the legislature and filed with the Secretary of State. The Legislative Council will determine which studies should be undertaken and which statutory or interim committee will complete the study. The resolution number and short title are as follows:

HJ 7 - Study next-generation 9-1-1

HJ 8 - Study Montana Law Enforcement Academy funding

- HJ 13 - Study of federal roads and parcels and access
- HJ 14 - Study of eyewitness identification policies
- HJ 16 - Study of ride-sharing in Montana
- HJ 21 - Study on ownership of personal information
- HJ 26 - Study on youth concussion protection laws
- HJ 27 - Study on statutory appropriations
- HJ 29 - Study membership-based health services to determine insurance, cost impacts
- SJ 2 - Study state assumption of federal dredge and fill permitting
- SJ 12 - Study net metering laws
- SJ 20 - Study on historic road right-of-way acquisition
- SJ 21 - Study local fire and emergency services
- SJ 22 - Study of state guardianship programs for elderly
- SJ 24 - Study on sexual assault

The Legislative Council met on May 15th, eliminated HJ 14, HJ 29, and SJ 22 from the interim work of the legislature, and assigned the other resolutions to interim legislative committees.

Executive Budget Comparison

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	134.22	133.22	133.22	0.00	138.39	133.22	(5.17)	(5.17)
Personal Services	9,983,340	11,376,976	11,523,661	146,685	11,380,424	11,823,564	443,140	589,825
Operating Expenses	2,813,090	3,717,429	3,710,484	(6,945)	3,292,410	3,284,818	(7,592)	(14,537)
Equipment & Intangible Assets	35,837	80,000	80,000	0	20,000	20,000	0	0
Transfers	0	85,000	85,000	0	85,000	85,000	0	0
Total Costs	\$12,832,267	\$15,259,405	\$15,399,145	\$139,740	\$14,777,834	\$15,213,382	\$435,548	\$575,288
General Fund	10,614,797	12,666,333	12,800,083	133,750	12,740,290	13,169,825	429,535	563,285
State/other Special Rev. Funds	2,217,470	2,593,072	2,599,062	5,990	2,037,544	2,043,557	6,013	12,003
Total Funds	\$12,832,267	\$15,259,405	\$15,399,145	\$139,740	\$14,777,834	\$15,213,382	\$435,548	\$575,288

The legislature adopted a pay plan in HB 2 providing per hour salary adjustments of \$0.50 beginning January 15th of each year of the biennium and increases in state share health insurance contributions of 10% in FY 2016 and 8% in FY 2017 which make up the differences in personal services between the executive budget and the legislatively approved budget.

The executive's proposed pay plan was included in a separate bill which was not passed by the legislature. Reductions for operating expenses are due to reductions for fixed costs adjustments approved by the legislature.

The FY 2017 FTE shown in the above table are incorrect. The executive budget and the legislative budget in FY 2017 should be 138.39 as session staffing increased by 5.17 FTE in FY 2017.

Language and Statutory Authority

The legislature included the following language in HB 2.

"Employee Pay and State Share may be allocated and transferred among agency programs when establishing 2017 biennium operating plans."

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	59.00	59.00	59.00	59.00	59.00	59.00	0.00	0.00 %
Personal Services	4,838,327	5,436,212	5,473,924	5,823,136	10,274,539	11,297,060	1,022,521	9.95 %
Operating Expenses	2,085,167	2,728,885	2,810,795	2,478,254	4,814,052	5,289,049	474,997	9.87 %
Equipment & Intangible Assets	35,837	50,000	80,000	20,000	85,837	100,000	14,163	16.50 %
Transfers	0	80,000	85,000	85,000	80,000	170,000	90,000	112.50 %
Total Costs	\$6,959,331	\$8,295,097	\$8,449,719	\$8,406,390	\$15,254,428	\$16,856,109	\$1,601,681	10.50 %
General Fund	6,169,775	7,942,194	7,633,329	8,143,086	14,111,969	15,776,415	1,664,446	11.79 %
State/Other Special Rev. Funds	789,556	352,903	816,390	263,304	1,142,459	1,079,694	(62,765)	(5.49)%
Total Funds	\$6,959,331	\$8,295,097	\$8,449,719	\$8,406,390	\$15,254,428	\$16,856,109	\$1,601,681	10.50 %

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. Preparation, publication, and distribution of the Montana Code Annotated text and annotations;
4. Provision of legislative research and reference services;
5. Legal services and counseling on legislative matters and agency legal support;
6. Review of the text of proposed ballot measures;
7. Personnel and business services;
8. Planning, installation, and maintenance of agency information technology;
9. Broadcasting of state government and public policy events; and
10. Provision of legislative information to the public.

The Legislative Council provides policy guidance to the Legislative Services Division.

Program Highlights

Legislative Services Division Major Budget Highlights
<ul style="list-style-type: none"> • The majority of the increase for the division is due to funding for the branch pay plan included in the division budget. Language included in HB 2 allows the funding to be transferred among the various divisions as needed. • The legislature provided for increased participation in the capitol complex security plan • Operating cost changes are reflective of the cyclical nature of the legislative process

Program Narrative

The Legislative Services Division, the largest division of the branch, oversees many of the activities and tasks related to the functions of the branch. Included in the program are 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 \$1.6 million when compared to the 2015 biennium. Personal services costs in the 2017 biennium were below the level of the 2015 base budget due to staff retirements. New hires replacing retiring staff were hired at a lower salary resulting in personal services reductions of about \$351,000 over the biennium when compared to the base budget. Other changes to personal services included: 1) fully funding approved FTE, and; 2) annualization of the state share of health insurance.

Operating expenses increases included:

- Montana Code Annotated production costs
- Training for professional staff
- Operating cost adjustments including those for fixed costs
- Capitol complex security

Funding

The following table shows program funding by source from all sources of authority.

Legislative Branch, 20-Legislative Services Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	15,776,415	0	0	15,776,415	93.59 %	
02800 Reimbursable Activities	1,020,162	0	0	1,020,162	94.49 %	
02985 State Government Broadcasting	59,532	0	0	59,532	5.51 %	
State Special Total	\$1,079,694	\$0	\$0	\$1,079,694	6.41 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$16,856,109	\$0	\$0	\$16,856,109		

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

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	7,649,694	7,649,694	15,299,388	96.98 %	8,002,597	8,002,597	16,005,194	94.95 %
PL Adjustments	(248,050)	(34,748)	(282,798)	(1.79)%	215,437	(124,347)	91,090	0.54 %
New Proposals	231,685	528,140	759,825	4.82 %	231,685	528,140	759,825	4.51 %
Total Budget	\$7,633,329	\$8,143,086	\$15,776,415		\$8,449,719	\$8,406,390	\$16,856,109	

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----				-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 400 - LSD Personal Services Reductions	0.00	(368,422)	174,679	0	(193,743)	0.00	(68,987)	(89,601)	0	(158,588)
DP 401 - Television Montana (TVMT)	0.00	(42,706)	(35,799)	0	(78,505)	0.00	47,282	(11,799)	0	35,483
DP 402 - Information Technology	0.00	(13,012)	26,867	0	13,855	0.00	(185,267)	6,111	0	(179,156)
DP 403 - Montana Codes Annotated Production	0.00	0	296,693	0	296,693	0.00	0	(3,327)	0	(3,327)
DP 404 - Training, library and other adjustments	0.00	18,000	0	0	18,000	0.00	(4,600)	0	0	(4,600)
DP 515 - State Share Health Insurance	0.00	28,674	0	0	28,674	0.00	28,674	0	0	28,674
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	85,168	12,390	0	97,558	0.00	85,168	12,390	0	97,558
DP 525 - Fixed Cost Adjustment	0.00	(79,994)	(11,807)	0	(91,801)	0.00	(22,562)	(5,499)	0	(28,061)
DP 527 - Inflation/Deflation Adjustment	0.00	1,036	3,002	0	4,038	0.00	(484)	(1,278)	0	(1,762)
DP 529 - Longevity and Other Adjustments	0.00	(1,526)	(8,454)	0	(9,980)	0.00	6,008	1,614	0	7,622
DP 531 - SITSD Rate Adjustment	0.00	43,054	6,354	0	49,408	0.00	43,191	6,374	0	49,565
DP 532 - General Liability Insurance Rate Adjustment	0.00	(2,469)	(364)	0	(2,833)	0.00	(2,445)	(361)	0	(2,806)
DP 550 - Motor Pool Rate Adjustment	0.00	(17)	0	0	(17)	0.00	(17)	0	0	(17)
DP 560 - Operating Expense Adjustments	0.00	84,164	(74)	0	84,090	0.00	39,291	(4,223)	0	35,068
Grand Total All Present Law Adjustments	0.00	(\$248,050)	\$463,487	\$0	\$215,437	0.00	(\$34,748)	(\$89,599)	\$0	(\$124,347)

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

DP 400 - LSD Personal Services Reductions -

The legislature adopted personal services reductions below the level of the 2015 legislative base budget of \$193,743 in FY 2016 and \$158,588 in FY 2017. General fund supporting personal services was reduced by \$368,422 in FY 2016 and \$68,987 in FY 2017 while state special revenue was increased by \$174,679 in FY 2016 and reduced by \$89,601 in FY 2017.

DP 401 - Television Montana (TVMT) -

The legislature adopted a reduction in funding for TVMT services in FY 2016 of \$42,706 general fund and \$35,799 state special and a reduction in FY 2017 of \$11,799 state special. This reduction is due to the cyclical nature of the legislature.

TVMT associated costs are lower in even years when the legislature is not in session. The legislature adopted an increase in funding for FY 2017 of \$47,282 general fund for TVMT related session costs.

DP 402 - Information Technology -

The legislature adopted a reduction in general fund of \$13,012 in FY 2016 and \$185,267 in FY 2017 for information technology services. An increase was adopted by the legislature of \$26,867 in FY 2016 and \$6,111 in FY 2017 in state special revenue. The increased funding supports the production and publication of the Montana Codes Annotated in the even year of the biennium and session related costs in FY 2017.

DP 403 - Montana Codes Annotated Production -

The legislature approved increases of \$296,693 state special in FY 2016 and a decrease of \$3.327 in FY 2017 to fund the production of the Montana Codes Annotated. The codes are produced and distributed in the even year of the biennium, therefore the amount is increased for FY 2016, but slightly decreased in FY 2017.

DP 404 - Training, library and other adjustments -

The Legislative Services Division provides training for its professional staff to attend conferences provided by organizations like the National Conference of State Legislatures. The legislature adopted an increase of \$18,000 general fund for FY 2016 and a reduction of \$4,600 general fund for FY 2017.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other Adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 531 - SITSD Rate Adjustment -

The legislature approved an increase for fixed cost rates included in state agency budgets for information technology services provided by the State Information Technology Services Division (SITSD).

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 560 - Operating Expense Adjustments -

The legislature provided additional funding for operating expense adjustments and aligned general fund and state special revenue funds.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 590 - Employee Pay and State Share	0.00	146,685	0	0	146,685	0.00	443,140	0	0	443,140
DP 2020002 - Participation in Capitol Complex Security	0.00	85,000	0	0	85,000	0.00	85,000	0	0	85,000
Total	0.00	\$231,685	\$0	\$0	\$231,685	0.00	\$528,140	\$0	\$0	\$528,140

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

DP 590 - Employee Pay and State Share -

The legislature approved a pay plan for state employees that provides a \$0.50 an hour raise for employees effective on the first day of the first complete pay period that includes January 15, 2016 and 2017. In addition, the legislature increased the state share contribution towards employee insurance by 10% the first year of the biennium and 8% the second. The legislature included the total cost of the pay plan in the Legislative Services Division's budget but included language in HB 2 allowing the branch to allocate the funding among the various programs as needed.

DP 2020002 - Participation in Capitol Complex Security -

The legislature adopted the proposal to provide for Legislative Branch participation in the capitol complex security plan. The funding provides for a portion of the costs of having police officers on the campus. Branch participation is funded with general fund.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	0.97	0.97	0.97	0.97	0.97	0.97	0.00	0.00 %
Personal Services	95,060	67,274	110,672	71,448	162,334	182,120	19,786	12.19 %
Operating Expenses	503,285	506,003	640,722	531,334	1,009,288	1,172,056	162,768	16.13 %
Transfers	0	0	0	0	0	0	0	0.00 %
Total Costs	\$598,345	\$573,277	\$751,394	\$602,782	\$1,171,622	\$1,354,176	\$182,554	15.58 %
General Fund	598,345	573,277	751,394	602,782	1,171,622	1,354,176	182,554	15.58 %
Total Funds	\$598,345	\$573,277	\$751,394	\$602,782	\$1,171,622	\$1,354,176	\$182,554	15.58 %

Program Description

The Legislative Committees and Activities program supports the activities of legislators and legislative committees that are conducted during the interim between legislative sessions.

Program expenditures support :

1. The Legislative Council;
2. Interim study activities, as defined in 5-5-202 through 5-5-217, MCA;
3. Cooperative interstate, international, and intergovernmental activities, as outlined in 5-11-303 through 5-11-305, MCA; and
4. Other legislative activities for which appropriations are made

Program Highlights

Legislative Committees and Activities Major Budget Highlights
<ul style="list-style-type: none"> • The budget increased due to re-establishment of the discretionary fund for emerging issues and increased travel related to interim committees • New proposals for the establishment of new joint sub-committee of the Energy and Telecommunications Interim Committee (ETIC) and Environmental Quality Council (EQC) were approved by the legislature but line-item vetoed by the Governor

Program Narrative

The budget for the Legislative Committees and Activities Division includes the costs of the Legislative Council and the costs of the Environmental Quality Council. This budget also funds the costs of the various interim committees of the legislature. The interim committees are statutorily set in 5-5-202, MCA and include:

- Economic Affairs Interim Committee
- Education and Local Government Interim Committee
- Children, Families, Health, and Human Services Interim Committee
- Law and Justice Interim Committee

- Energy and Telecommunications Interim Committee
- Revenue and Transportation Interim Committee
- State Administration and Veterans' Affairs Interim Committee
- State-Tribal Relations Interim Committee
- Water Policy Interim Committee
- Information Technology Planning Council

The budget for the division increases 7.8% when compared to the 2015 biennium budget. The majority of the increase is due to operating cost adjustments for the various committees including additional meetings for the Economic Affairs Interim Committee and increased travel costs. The legislature also provided \$9,600 over the biennium to support a study of the impacts of the proposed Environmental Protection Agency rules requiring states to reduce carbon dioxide emissions. The Governor line item vetoed the appropriation.

Funding

The following table shows program funding by source from all sources of authority.

Legislative Branch, 21-Legislative Committees & Activities Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,354,176	0	0	1,354,176	100.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$1,354,176	\$0	\$0	\$1,354,176		

Legislative Committees and Activities are entirely funded with general fund.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	573,277	573,277	1,146,554	84.67 %	573,277	573,277	1,146,554	84.67 %
PL Adjustments	172,351	25,661	198,012	14.62 %	172,351	25,661	198,012	14.62 %
New Proposals	5,766	3,844	9,610	0.71 %	5,766	3,844	9,610	0.71 %
Total Budget	\$751,394	\$602,782	\$1,354,176		\$751,394	\$602,782	\$1,354,176	

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
DP 406 - Cyclical Adjustment for Legislator Personal Services Interim	0.00	41,035	0	0	41,035	0.00	2,599	0	0	2,599
DP 407 - Cyclical adjustment for interim - operating costs	0.00	131,316	0	0	131,316	0.00	23,062	0	0	23,062
DP 515 - State Share Health Insurance	0.00	0	0	0	0	0.00	0	0	0	0
DP 527 - Inflation/Deflation Adjustment	0.00	0	0	0	0	0.00	0	0	0	0
Grand Total All Present Law Adjustments	0.00	\$172,351	\$0	\$0	\$172,351	0.00	\$25,661	\$0	\$0	\$25,661

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

DP 406 - Cyclical Adjustment for Legislator Personal Services Interim -

The legislature adopted cyclical adjustment increases in general fund of \$41,035 in FY 2016 and \$2,599 in FY 2017 for interim committee work.

DP 407 - Cyclical adjustment for interim - operating costs -

The cyclical nature of the interim committee schedule is such that the majority of interim committee work occurs in the even fiscal year. The legislature adopted increases to the operating costs in general fund of \$131,316 in FY 2016 and \$23,062 in FY 2017. This funding provides for additional meetings of the Economic Affairs Interim Committee, support for the Legislative Council's discretionary fund for emerging issues, travel related to participation in organization activities and interim committees, costs for organization dues, and increased attendance of the Pacific NorthWest Economic Region conference in Montana.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
New Proposals										
DP 2121003 - ETIC/EQC Carbon Dioxide Study (Restricted/Biennial/OTO)	0.00	5,766	0	0	5,766	0.00	3,844	0	0	3,844
Total	0.00	\$5,766	\$0	\$0	\$5,766	0.00	\$3,844	\$0	\$0	\$3,844

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

DP 2121003 - ETIC/EQC Carbon Dioxide Study (Restricted/Biennial/OTO) -

The legislature adopted the proposal for a joint sub-committee of the Energy and Telecommunications Interim Committee (ETIC) and Environmental Quality Council (EQC). The sub-committee will be comprised of 8 members and meet in conjunction with the ETIC and the EQC. The sub-committee will study the proposed Environmental Protection Agency rules requiring states to reduce carbon dioxide emissions.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	20.50	20.50	20.50	20.50	20.50	20.50	0.00	0.00 %
Personal Services	1,750,207	1,893,513	1,899,054	1,894,894	3,643,720	3,793,948	150,228	4.12 %
Operating Expenses	61,964	107,140	62,549	88,700	169,104	151,249	(17,855)	(10.56)%
Transfers	0	0	0	0	0	0	0	0.00 %
Total Costs	\$1,812,171	\$2,000,653	\$1,961,603	\$1,983,594	\$3,812,824	\$3,945,197	\$132,373	3.47 %
General Fund	1,812,171	2,000,653	1,961,603	1,983,594	3,812,824	3,945,197	132,373	3.47 %
Total Funds	\$1,812,171	\$2,000,653	\$1,961,603	\$1,983,594	\$3,812,824	\$3,945,197	\$132,373	3.47 %

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. Compilation and analysis of 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

Legislative Fiscal Division Major Budget Highlights
<ul style="list-style-type: none"> • Personal services costs increase due to : <ul style="list-style-type: none"> ◦ Fully funding legislatively approved FTE ◦ Annualization of the state share of health insurance approved by the 2013 Legislature

Funding

The following table shows program funding by source from all sources of authority.

Legislative Branch, 27-Fiscal Analysis & Review Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	3,945,197	0	0	3,945,197	100.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$3,945,197	\$0	\$0	\$3,945,197		

The division is funded entirely with general fund.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	2,000,653	2,000,653	4,001,306	101.42 %	2,000,653	2,000,653	4,001,306	101.42 %
PL Adjustments	(39,050)	(17,059)	(56,109)	(1.42)%	(39,050)	(17,059)	(56,109)	(1.42)%
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$1,961,603	\$1,983,594	\$3,945,197		\$1,961,603	\$1,983,594	\$3,945,197	

Present Law Adjustments

The “Present Law Adjustments” table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
DP 408 - Operating Plan Change - Reduce Personal Services	0.00	(20,000)	0	0	(20,000)	0.00	(40,000)	0	0	(40,000)
DP 409 - LFD Personal Services Reduction	0.00	(24,075)	0	0	(24,075)	0.00	(14,060)	0	0	(14,060)
DP 410 - LFD Operating Plan Change - Training	0.00	20,000	0	0	20,000	0.00	20,000	0	0	20,000
DP 411 - LFD Reduced Printing	0.00	(45,000)	0	0	(45,000)	0.00	(19,000)	0	0	(19,000)
DP 515 - State Share Health Insurance	0.00	9,963	0	0	9,963	0.00	9,963	0	0	9,963
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	36,063	0	0	36,063	0.00	36,063	0	0	36,063
DP 525 - Fixed Cost Adjustment	0.00	(1,418)	0	0	(1,418)	0.00	(988)	0	0	(988)
DP 527 - Inflation/Deflation Adjustment	0.00	(1,462)	0	0	(1,462)	0.00	(1,446)	0	0	(1,446)
DP 529 - Longevity and Other Adjustments	0.00	(16,410)	0	0	(16,410)	0.00	(10,585)	0	0	(10,585)
DP 550 - Motor Pool Rate Adjustment	0.00	(82)	0	0	(82)	0.00	(83)	0	0	(83)
Grand Total All Present Law Adjustments	0.00	(\$42,421)	\$0	\$0	(\$42,421)	0.00	(\$20,136)	\$0	\$0	(\$20,136)

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

DP 408 - Operating Plan Change - Reduce Personal Services -

The legislature adopted a reduction in personal service in each year of the biennium. This operating plan change decreased funding in personal services and moved the funding to operating expenses to provide for staff training.

DP 409 - LFD Personal Services Reduction -

The legislature reduced the personal services funding by \$24,075 in FY 2016 and \$14,060 in FY 2017. Retirement of staff and hiring new staff at lower salary levels resulted in lower costs for personal services in the 2017 biennium.

DP 410 - LFD Operating Plan Change - Training -

The legislature adopted operating plan changes for training new LFD staff. General fund for personal services were decreased by \$20,000 each year of the biennium while operating expenses for training were increased by the same amount.

DP 411 - LFD Reduced Printing -

The legislature decreased printing costs associated with the budget analysis and fiscal report as requested by the division. A reduction of \$64,000 in general fund for the biennium was approved.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other Adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	53.75	53.75	52.75	52.75	53.75	52.75	(1.00)	(1.86)%
Personal Services	3,299,746	4,150,782	4,040,011	4,034,086	7,450,528	8,074,097	623,569	8.37 %
Operating Expenses	162,674	174,068	196,418	186,530	336,742	382,948	46,206	13.72 %
Transfers	0	0	0	0	0	0	0	0.00 %
Total Costs	\$3,462,420	\$4,324,850	\$4,236,429	\$4,220,616	\$7,787,270	\$8,457,045	\$669,775	8.60 %
General Fund	2,034,506	2,530,151	2,453,757	2,440,363	4,564,657	4,894,120	329,463	7.22 %
State/Other Special Rev. Funds	1,427,914	1,794,699	1,782,672	1,780,253	3,222,613	3,562,925	340,312	10.56 %
Total Funds	\$3,462,420	\$4,324,850	\$4,236,429	\$4,220,616	\$7,787,270	\$8,457,045	\$669,775	8.60 %

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 any instances of apparent violations of the state code of ethics discovered in an audit;
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

Legislative Audit Division Major Budget Highlights
<ul style="list-style-type: none"> • The state special operating costs increase primarily due to: <ul style="list-style-type: none"> ◦ Additional travel to comply with Governmental Accounting Standards Board (GASB) requirements of validating and auditing census data for all of Montana’s public retirement systems around the state ◦ Consulting costs for actuary services • Personal services changes include: <ul style="list-style-type: none"> ◦ Fully funding legislatively approved FTE ◦ Annualization of the state share of health insurance

Program Narrative

The Legislative Audit Division budget decreased by 0.2% when compared to the 2015 biennium legislative appropriation. The legislature adopted a reduction of 1.00 FTE and \$237,000 in personal services, a position that had been vacant since 2008. Other changes included:

- Reductions of \$199,964 in personal services as costs included in the FY 2015 legislative base were above those proposed for the 2017 biennium.
- Increases to fully fund legislatively authorized positions and provide for annualization of the state share of insurance costs for state employees and longevity and other personal services costs
- Contractual costs for actuarial, peer review, and an audit of the legislative branch

Funding

The following table shows program funding by source from all sources of authority.

Legislative Branch, 28-Audit & Examination Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	4,894,120	0	0	4,894,120	57.87 %	
02042 Legislative Audit	3,562,925	0	0	3,562,925	100.00 %	
State Special Total	\$3,562,925	\$0	\$0	\$3,562,925	42.13 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$8,457,045	\$0	\$0	\$8,457,045		

The 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 utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	2,530,151	2,530,151	5,060,302	103.40 %	4,324,850	4,324,850	8,649,700	102.28 %
PL Adjustments	(7,473)	(21,053)	(28,526)	(0.58)%	30,408	14,274	44,682	0.53 %
New Proposals	(68,921)	(68,735)	(137,656)	(2.81)%	(118,829)	(118,508)	(237,337)	(2.81)%
Total Budget	\$2,453,757	\$2,440,363	\$4,894,120		\$4,236,429	\$4,220,616	\$8,457,045	

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 412 - LAD Personal Services Reduction	0.00	(54,378)	(39,377)	0	(93,755)	0.00	(61,295)	(44,914)	0	(106,209)
DP 413 - Contractual Actuary/Peer Review Services	0.00	4,884	3,536	0	8,420	0.00	9,884	3,536	0	13,420
DP 414 - Contracted Legislative Audit	0.00	17,300	0	0	17,300	0.00	0	0	0	0
DP 415 - LAD In-state travel costs	0.00	(3,101)	(2,245)	0	(5,346)	0.00	(3,059)	(2,215)	0	(5,274)
DP 515 - State Share Health Insurance	0.00	14,245	11,877	0	26,122	0.00	14,245	11,877	0	26,122
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	46,232	30,693	0	76,925	0.00	46,232	30,693	0	76,925
DP 525 - Fixed Cost Adjustment	0.00	(803)	4,132	0	3,329	0.00	(462)	6,702	0	6,240
DP 527 - Inflation/Deflation Adjustment	0.00	1,864	(54)	0	1,810	0.00	1,936	(54)	0	1,882
DP 529 - Longevity and Other Adjustments	0.00	(1,138)	(96)	0	(1,234)	0.00	4,446	528	0	4,974
DP 550 - Motor Pool Rate Adjustment	0.00	(562)	0	0	(562)	0.00	(566)	0	0	(566)
Grand Total All Present Law Adjustments	0.00	\$24,543	\$8,466	\$0	\$33,009	0.00	\$11,361	\$6,153	\$0	\$17,514

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

DP 412 - LAD Personal Services Reduction -

The legislature adopted reductions in personal services by \$54,378 general fund in FY 2016 and \$61,295 general fund in FY 2017. Adopted state special revenue reductions were \$39,377 in FY 2016 and \$44,914 in FY 2017.

DP 413 - Contractual Actuary/Peer Review Services -

The legislature adopted increased funding of \$4,844 general fund and \$3,536 in state special in FY 2016 and \$9,884 in general fund and \$3,536 in state special in FY 2017 for contractual actuarial and peer review services.

DP 414 - Contracted Legislative Audit -

The legislature adopted additional funding of \$17,300 general fund in FY 2016. This funding provides for contracted audit services for an outside audit of the legislative branch.

DP 415 - LAD In-state travel costs -

The legislature adopted a reduction in funding of \$5,346 general fund and \$5,274 state special for in-state travel costs associated with audits that are projected to be lower in the 2017 biennium.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other Adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2828002 - LAD Personal Services Reduction	(1.00)	(68,921)	(49,908)	0	(118,829)	(1.00)	(68,735)	(49,773)	0	(118,508)
Total	(1.00)	(\$68,921)	(\$49,908)	\$0	(\$118,829)	(1.00)	(\$68,735)	(\$49,773)	\$0	(\$118,508)

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

DP 2828002 - LAD Personal Services Reduction -

The legislature reduced 1.00 FTE in the Legislative Audit Division. This eliminated position #11428103 which was an executive transition position vacant since 2008.

Agency Budget Comparison

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	5.54	5.54	5.54	5.54	5.54	5.54	0.00
Personal Services	552,168	649,849	644,520	658,065	1,202,017	1,302,585	100,568
Operating Expenses	768,482	1,053,776	1,062,039	1,075,219	1,822,258	2,137,258	315,000
Total Costs	\$1,320,650	\$1,703,625	\$1,706,559	\$1,733,284	\$3,024,275	\$3,439,843	\$415,568
State/Other Special Rev. Funds	1,320,650	1,703,625	1,706,559	1,733,284	3,024,275	3,439,843	415,568
Total Funds	\$1,320,650	\$1,703,625	\$1,706,559	\$1,733,284	\$3,024,275	\$3,439,843	\$415,568

Agency Description

The Montana Consumer Counsel (MCC) represents state-wide consumer interests in hearings before the Public Service Commission and like agencies. On behalf of the public of Montana, the Consumer 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

Consumer Counsel Major Budget Highlights
<ul style="list-style-type: none"> • The 2015 biennium legislative appropriation to the 2017 biennium legislative appropriation increased by 2.4%. • The legislature adopted: <ul style="list-style-type: none"> ◦ New proposal request of \$500,000, one-time only for costs associated with unanticipated caseloads for the biennium; ◦ Pay plan increases for an hourly pay raise and state share increases ◦ Rent and consulting services increases

Summary of Legislative Action

The Montana Consumer Counsel budget as shown on the program budget comparison table above changes due to three main factors: 1) fully funding positions in the 2017 biennium when the agency experienced a 9.7% vacancy rate in FY 2014; 2) appropriations to implement a pay plan beginning in January 2016; and 3) funding of \$500,000 for an unanticipated caseload contingency.

Agency Discussion

The Montana Consumer Counsel is a single program Legislative Branch agency and is overseen by a four member Legislative Consumer Counsel Committee. The agency intervenes on behalf of Montana consumers in transportation and utility issues and rate cases at the state and federal level. The largest component of the Montana Consumer Counsel budget is consulting and professional services. Consultants, along with staff, analyze the public implications of the actions of transportation and utility companies. In the 2017 biennium, 52.8% of the total appropriation is for contracted services. This statistic includes the appropriations for caseload contingencies. The counsel makes use of consulting services to provide the analyses for cases for which the Consumer Counsel has intervened. The consulting costs vary given the number and complexity of the interventions.

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.

Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0.00 %
State Special Total	3,439,843	0	0	3,439,843	100.00 %
Federal Special Total	0	0	0	0	0.00 %
Proprietary Total	0	0	0	0	0.00 %
Other Total	0	0	0	0	0.00 %
Total All Funds	\$3,439,843	\$0	\$0	\$3,439,843	
Percent - Total All Sources	100.00 %	0.00 %	0.00 %		

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	1,453,625	1,453,625	2,907,250	84.52 %
PL Adjustments	0	0	0	0.00 %	(3,465)	10,369	6,904	0.20 %
New Proposals	0	0	0	0.00 %	256,399	269,290	525,689	15.28 %
Total Budget	\$0	\$0	\$0		\$1,706,559	\$1,733,284	\$3,439,843	

Other Legislation

SJ 12 - The legislature requested an interim study of net metering costs and benefits to public utilities and rural electrical cooperatives and the costs and benefits to customers who do not use metering systems. As the legislative experts on public utilities, including the impacts of net metering costs, it is conceivable that the Consumer Counsel staff may be involved in the study.

Executive Budget Comparison

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	5.54	5.54	5.54	0.00	5.54	5.54	0.00	0.00
Personal Services	552,168	638,121	644,520	6,399	638,775	658,065	19,290	25,689
Operating Expenses	768,482	1,062,310	1,062,039	(271)	1,075,490	1,075,219	(271)	(542)
Total Costs	\$1,320,650	\$1,700,431	\$1,706,559	\$6,128	\$1,714,265	\$1,733,284	\$19,019	\$25,147
State/other Special Rev. Funds	1,320,650	1,700,431	1,706,559	6,128	1,714,265	1,733,284	19,019	25,147
Total Funds	\$1,320,650	\$1,700,431	\$1,706,559	\$6,128	\$1,714,265	\$1,733,284	\$19,019	\$25,147

Changes in personal services reflect the inclusion of the legislative pay plan within HB 2. The legislature provided for a \$0.50 an hour increase beginning in the first pay period including January 15th in both fiscal years and a 10% increase in the state share contribution to employee insurance in FY 2016 and an 8% increase in FY 2017. Reductions in operating costs reflect adjustments to fixed costs.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----				-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 400 - Personal Services Reductions	0.00	0	(12,308)	0	(12,308)	0.00	0	(14,220)	0	(14,220)
DP 401 - Rent and Consulting Services Increases	0.00	0	8,534	0	8,534	0.00	0	21,714	0	21,714
DP 515 - State Share Health Insurance	0.00	0	2,692	0	2,692	0.00	0	2,692	0	2,692
DP 525 - Fixed Cost Adjustment	0.00	0	(645)	0	(645)	0.00	0	(661)	0	(661)
DP 527 - Inflation/Deflation Adjustment	0.00	0	85	0	85	0.00	0	105	0	105
DP 529 - Longevity and Other Adjustments	0.00	0	(2,112)	0	(2,112)	0.00	0	454	0	454
DP 531 - SITSD Rate Adjustment	0.00	0	475	0	475	0.00	0	473	0	473
DP 532 - General Liability Insurance Rate Adjustment	0.00	0	(83)	0	(83)	0.00	0	(83)	0	(83)
DP 550 - Motor Pool Rate Adjustment	0.00	0	(103)	0	(103)	0.00	0	(105)	0	(105)
Grand Total All Present Law Adjustments	0.00	\$0	(\$3,465)	\$0	(\$3,465)	0.00	\$0	\$10,369	\$0	\$10,369

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

DP 400 - Personal Services Reductions -

The legislature adopted a reduction of \$26,528 state special revenue for personal services. The 2015 legislative base budget for personal services was higher than the personal services budget requested for FY 2016 and FY 2017 due to hiring new staff at lower salaries than those of the previous staff.

DP 401 - Rent and Consulting Services Increases -

The legislature adopted \$30,248 state special revenue funding for anticipated rent increases and consulting services.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other Adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 531 - SITSD Rate Adjustment -

The legislature approved an increase for fixed cost rates included in state agency budgets for information technology services provided by the State Information Technology Services Division (SITSD).

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 590 - Employee Pay and State Share	0.00	0	6,399	0	6,399	0.00	0	19,290	0	19,290
DP 100002 - Caseload Contingency (RST/OTO)	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
Total	0.00	\$0	\$256,399	\$0	\$256,399	0.00	\$0	\$269,290	\$0	\$269,290

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

DP 590 - Employee Pay and State Share -

The legislature approved a pay plan for state employees that provides a \$0.50 an hour raise for employees effective on the first day of the first complete pay period that includes January 15, 2016 and 2017. In addition, the legislature increased the state share contribution towards employee insurance by 10% the first year of the biennium and 8% the second.

DP 100002 - Caseload Contingency (RST/OTO) -

The legislature approved one-time-only state special revenue funding of \$250,000 for each year for the 2017 biennium restricted for costs associated with unanticipated caseload, consistent with appropriations in prior biennia.

Agency Budget Comparison

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	58.07	58.07	58.07	58.07	58.07	58.07	0.00
Personal Services	4,548,755	4,832,480	25,455,900	49,984,363	9,381,235	75,440,263	66,059,028
Operating Expenses	1,333,549	1,333,438	9,486,038	11,968,998	2,666,987	21,455,036	18,788,049
Transfers	0	0	0	0	0	0	0
Total Costs	\$5,882,304	\$6,165,918	\$34,941,938	\$61,953,361	\$12,048,222	\$96,895,299	\$84,847,077
General Fund	5,882,304	6,157,572	18,551,354	28,703,051	12,039,876	47,254,405	35,214,529
State/Other Special Rev. Funds	0	8,346	10,242,102	19,097,418	8,346	29,339,520	29,331,174
Federal Spec. Rev. Funds	0	0	5,983,720	13,817,655	0	19,801,375	19,801,375
Proprietary Funds	0	0	164,762	335,237	0	499,999	499,999
Total Funds	\$5,882,304	\$6,165,918	\$34,941,938	\$61,953,361	\$12,048,222	\$96,895,299	\$84,847,077

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:

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

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

Agency Highlights

Governor's Office Major Budget Highlights
<p>The 2015 biennium legislative appropriation to the 2017 biennium legislative appropriation increased by 666.0%:</p> <ul style="list-style-type: none"> • The majority of the increase is related to contingency funding and the executive agency pay plan included in the Office of Budget and Program Planning budget • Without this funding the 2015 biennium legislative appropriation to the 2017 legislative appropriation increased by 4.1% when compared to the 2015 biennium legislative appropriation <p>The legislature provided a three contingency funds for executive branch agencies within the Governor's Office including:</p> <ul style="list-style-type: none"> • Personal Services Contingency Base - \$11.5 million • Contingency Base Funding - \$18.8 million • Personal Services Contingency - \$1.75 million <p>The legislature provided a pay plan for executive branch employees with funding appropriated in the Governor's Office of \$51.8 million</p> <p>The legislature approved the remaining Governor's Office proposed budget without adjustment with the exception of a 2% vacancy savings</p>

Summary of Legislative Action

The legislature provided a biennium to biennium increase of 666.0% in the Governor's Office. The primary reason for the increase is the provision of funding for executive agencies within three policy arenas: 1) pay plan for executive branch state employees funded at \$51.8 million; 2) personal services base contingency provided at \$11.5 million; 3) contingency base budgeted at \$18.8 million. The legislatively approved pay plan included a \$0.50 an hour increase beginning in the first pay period that contains January 15th each year of the 2017 biennium and a 10% increase in the state share provided for employee insurance in FY 2016 and an 8% increase in FY 2017. The personal services base contingency is to be allocated and transferred at the discretion of the Governor to increase the personal services base. No more than a total of 10 FTE may be added to the personal services base for the 2019 biennium. Contingency base funding is to be allocated and transferred at the discretion of the budget director. The funding may not be transferred either to the Office of Public Instruction for implementation of a kindergarten or public preschool program or the the Department of Natural Resources and Conservation for rent increases.

The legislature provided lump sum appropriations within the Office of Budget and Program Planning for the contingencies and the pay plan. The pay plan outlined in SB 418 requires the executive branch to allocate the appropriation for employee pay rate increases and increases in healthcare benefits across the agencies in the executive branch. With oversight of the functions of the executive branch, the Governor's Office is tasked with allocating the appropriations to each of the state agencies. The lump sump appropriations included in HB 2 are as follows:

Governor's Office Lump Sum Appropriations			
	FY 2016	FY 2017	Biennial
Pay Plan			
General Fund	\$5,469,796	\$16,769,056	\$22,238,852
State Special Revenue	4,347,194	13,263,238	17,610,432
Federal Special Revenue	2,856,913	8,708,832	11,565,745
Proprietary	<u>95,995</u>	<u>291,650</u>	<u>387,645</u>
Total	<u>\$12,769,898</u>	<u>\$39,032,776</u>	<u>\$51,802,674</u>
Personal Services Base Contingency			
General Fund	\$2,444,921	\$2,450,922	\$4,895,843
State Special Revenue	1,948,157	1,959,152	3,907,309
Federal Special Revenue	1,285,790	1,290,514	2,576,304
Proprietary	<u>43,767</u>	<u>43,587</u>	<u>87,354</u>
Total	<u>\$5,722,635</u>	<u>\$5,744,175</u>	<u>\$11,466,810</u>
Contingency Base Funding			
General Fund	\$3,073,956	\$2,969,078	\$6,043,034
State Special Revenue	3,346,751	3,875,028	7,221,779
Federal Special Revenue	<u>1,716,017</u>	<u>3,818,309</u>	<u>5,534,326</u>
Total	<u>\$8,136,724</u>	<u>\$10,662,415</u>	<u>\$18,799,139</u>

Also included in HB 2 is \$1.75 million for personal services contingencies such as retirement payouts exceed the level of an agency's resources, personnel vacancies do not occur, or other personal services contingencies arise. Without the funding for the contingencies and the pay plan the Governor's Office 2017 biennium appropriation increases by 4.1% when compared to the 2015 biennium appropriations.

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 2017 Biennium Budget - Governor's Office					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	47,254,405	0	0	47,254,405	48.77 %
State Special Total	29,339,520	0	0	29,339,520	30.28 %
Federal Special Total	19,801,375	0	0	19,801,375	20.44 %
Proprietary Total	499,999	0	0	499,999	0.52 %
Other Total	0	0	0	0	0.00 %
Total All Funds	\$96,895,299	\$0	\$0	\$96,895,299	
Percent - Total All Sources	100.00 %	0.00 %	0.00 %		

With the exception of the Office of Budget and Program Planning (OBPP), the Governor's Office is entirely funded with general fund. Within OBBP, the legislature also provided appropriations for the state employee pay plan, personal services base contingency, personal services contingency, and contingency base funding from state and federal special revenue and proprietary funds.

State special revenues, federal revenues, and proprietary funds shown in the table are primarily a result of lump sum appropriations for pay plan and contingencies described in the preceding Summary of Legislative Action.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	6,352,784	6,352,784	12,705,568	26.89 %	6,361,130	6,361,130	12,722,260	13.13 %
PL Adjustments	5,663,774	5,516,211	11,179,985	23.66 %	13,995,910	16,494,455	30,490,365	31.47 %
New Proposals	6,534,796	16,834,056	23,368,852	49.45 %	14,584,898	39,097,776	53,682,674	55.40 %
Total Budget	\$18,551,354	\$28,703,051	\$47,254,405		\$34,941,938	\$61,953,361	\$96,895,299	

Other Legislation

HB 4 - The legislature authorized the federal funding for the small business credit initiative to continue into FY 2017.

HB 123 - The legislature revised public records laws requiring state agencies, including the Governor's Office, to actively manage state records. According to the fiscal note for the bill the Governor's Office might require an additional 0.50 FTE to perform the additional duties required in HB 123.

Executive Budget Comparison

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	58.07	58.07	58.07	0.00	58.07	58.07	0.00	0.00
Personal Services	4,548,755	5,306,730	25,455,900	20,149,170	5,300,775	49,984,363	44,683,588	64,832,758
Operating Expenses	1,333,549	1,346,419	9,486,038	8,139,619	1,303,424	11,968,998	10,665,574	18,805,193
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$5,882,304	\$6,653,149	\$34,941,938	\$28,288,789	\$6,604,199	\$61,953,361	\$55,349,162	\$83,637,951
General Fund	5,882,304	6,653,149	18,551,354	11,898,205	6,604,199	28,703,051	22,098,852	33,997,057
State/other Special Rev. Funds	0	0	10,242,102	10,242,102	0	19,097,418	19,097,418	29,339,520
Federal Spec. Rev. Funds	0	0	5,983,720	5,983,720	0	13,817,655	13,817,655	19,801,375
Other	0	0	164,762	164,762	0	335,237	335,237	499,999
Total Funds	\$5,882,304	\$6,653,149	\$34,941,938	\$28,288,789	\$6,604,199	\$61,953,361	\$55,349,162	\$83,637,951

The legislature provided for a number of contingency funds for state agencies administered by the Governor. Total funding of \$5.7 million each year of the biennium including \$2.5 million in general fund, \$1.9 million in state special revenue, \$1.3 million in federal funds was provided for a personal services contingency base. Language in HB 2 allows the Governor to approve up to 10.00 additional FTE for state agency base budgets as part of the personal services contingency base. The personal services contingency of \$1.75 million is to be distributed by the Office of Budget Program and Planning in the event personnel vacancies do not occur, retirement costs exceed agency resources, or other personal services

contingencies arise. Contingency base funding was also provided. \$6.0 million in general fund, \$7.2 million in state special revenue, and \$5.5 million in federal revenues were provided over the 2017 biennium. The funding is to be allocated and transferred at the discretion of the budget director. Contingency base funding may not be used by the Office of Public Instruction for implementation of a prekindergarten or public preschool program or the Department of Natural Resources and Conservation for rent expenses.

The legislature also provided the Governor's Office with funding for a state employee pay plan. \$22.2 million in general fund, \$17.6 million in state special revenue, \$11.6 million in federal revenue, and \$0.4 million in proprietary funds over the 2017 biennium were appropriated to fund the pay plan. The legislature authorized a \$0.50 an hour increase to be implemented in the pay period that includes January 15 in each year of the biennium and an increase in the state share contribution to employee insurance in FY 2016 and FY 2017.

Language and Statutory Authority

The legislature included the following language in HB 2:

" Personal Services Contingency Base Funding is to be allocated and transferred at the discretion of the governor in an amount determined by the governor and may be used only by a recipient agency to increase its personal services base. With this funding, no more than a total of 10 FTE statewide may be added to the personal services base in the executive's proposed budget for the biennium beginning July 1, 2017."

"Employee Pay and State Share may be allocated and transferred among agency programs when establishing 2017 biennium operating plans."

"Personal Services Contingency may be distributed by the office of budget and program planning when personnel vacancies do not occur, retirement costs exceed agency resources, or other personal services contingencies arise."

"Contingency Base Funding is to be allocated and transferred at the discretion of the budget director in an amount determined by the budget director. Contingency Base Funding may not be allocated to the office of public instruction for implementation of a prekindergarten or public preschool program. Contingency Base Funding may be included in the base budget for the executive's proposed budget for the biennium beginning July 1, 2017.

Contingency Base Funding may not be transferred to the department of natural resources and conservation to fund an increase in rent expenses."

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	21.00	21.00	21.00	21.00	21.00	21.00	0.00	0.00 %
Personal Services	1,738,769	1,798,819	1,967,757	1,962,481	3,537,588	3,930,238	392,650	11.10 %
Operating Expenses	755,698	754,441	675,613	676,637	1,510,139	1,352,250	(157,889)	(10.46)%
Transfers	0	0	0	0	0	0	0	0.00 %
Total Costs	\$2,494,467	\$2,553,260	\$2,643,370	\$2,639,118	\$5,047,727	\$5,282,488	\$234,761	4.65 %
General Fund	2,494,467	2,553,260	2,643,370	2,639,118	5,047,727	5,282,488	234,761	4.65 %
State/Other Special Rev. Funds	0	0	0	0	0	0	0	0.00 %
Federal Spec. Rev. Funds	0	0	0	0	0	0	0	0.00 %
Proprietary Funds	0	0	0	0	0	0	0	0.00 %
Total Funds	\$2,494,467	\$2,553,260	\$2,643,370	\$2,639,118	\$5,047,727	\$5,282,488	\$234,761	4.65 %

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

Executive Office Program Major Budget Highlights
<ul style="list-style-type: none"> • Changes to the budget from the previous biennium are due to: <ul style="list-style-type: none"> ◦ Personal services increases for broadband pay adjustments, exempt employee pay raises, annualization of the state share contribution, and fully funding FTE within the program ◦ Operating expenses decrease due to adjustments for information technology services

Program Narrative

The legislature provided the Executive Office Program appropriations that are 4.6% higher than the 2015 biennium. Personal services increased 11.1% due to broadband adjustments for market and competency, longevity increases, adjustments for exempt staff, and reclassification of a position. In addition, the cost of annualizing the state

share of employee insurance was provided in the 2017 biennium and the 4% vacancy saving adjustment for legislatively authorized FTE was fully funded. Finally the legislature approved transferring 0.37 FTE from the Lieutenant Governor's Office to the Executive Office Program.

It should be noted that the transfer is already reflected in the Program Budget Comparison table as the executive implemented the transfer in FY 2014 and it is thus reflected in the table. The 2015 legislative base budget as shown in the Budget Summary By Category does not include the personal services costs for the 0.37 FTE.

These increases were partially offset by a decrease in operating costs mainly related to reduced costs for information technology services.

Funding

The following table shows program funding by source from all sources of authority.

Governor's Office, 01-Executive Office Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	5,282,488	0	0	5,282,488	100.00 %	
02038 Governor's Office Ssr	0	0	0	0	0.00 %	
02432 Oil & Gas ERA	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
03001 Governors Office Federal Grnts	0	0	0	0	0.00 %	
03286 SSBCI Treasury Grant	0	0	0	0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
06510 PERSONAL SERVICES CONTINGENCY	0	0	0	0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$5,282,488	\$0	\$0	\$5,282,488		

The Executive Office Program is entirely funded with general fund.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	2,731,022	2,731,022	5,462,044	103.40 %	2,731,022	2,731,022	5,462,044	103.40 %
PL Adjustments	(87,652)	(91,904)	(179,556)	(3.40)%	(87,652)	(91,904)	(179,556)	(3.40)%
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$2,643,370	\$2,639,118	\$5,282,488		\$2,643,370	\$2,639,118	\$5,282,488	

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 400 - .37 FTE Transfer from Lt. Governor Program	0.00	15,578	0	0	15,578	0.00	15,578	0	0	15,578
DP 401 - Energy Promotion moved to Commerce	0.00	(195,212)	0	0	(195,212)	0.00	(195,212)	0	0	(195,212)
DP 402 - Operating Cost Adjustments	0.00	(40,765)	0	0	(40,765)	0.00	(39,741)	0	0	(39,741)
DP 403 - Elected official pay adjustment - Governor	0.00	3,999	0	0	3,999	0.00	3,999	0	0	3,999
DP 515 - State Share Health Insurance	0.00	10,206	0	0	10,206	0.00	10,206	0	0	10,206
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	34,222	0	0	34,222	0.00	34,222	0	0	34,222
DP 525 - Fixed Costs	0.00	(76,685)	0	0	(76,685)	0.00	(75,582)	0	0	(75,582)
DP 527 - Inflation/Deflation Adjustment	0.00	(169)	0	0	(169)	0.00	89	0	0	89
DP 529 - Longevity and Other Adjustments	0.00	(16,622)	0	0	(16,622)	0.00	(16,622)	0	0	(16,622)
DP 550 - Motor Pool Rate Adjustment	0.00	(1,064)	0	0	(1,064)	0.00	(1,079)	0	0	(1,079)
DP 560 - Restore Governor's Office Funding	0.00	178,860	0	0	178,860	0.00	172,238	0	0	172,238
Grand Total All Present Law Adjustments	0.00	(\$87,652)	\$0	\$0	(\$87,652)	0.00	(\$91,904)	\$0	\$0	(\$91,904)

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

DP 400 - .37 FTE Transfer from Lt. Governor Program -

The legislature approved \$15,578 general fund in each year of the biennium for the transfer of .37 FTE and the associated funding from the Lieutenant Governor's office. The increase in funding provides for a part-time position to be full-time.

DP 401 - Energy Promotion moved to Commerce -

The legislature approved the reduction of \$195,212 general fund in each year of the biennium to reflect the direct transfer of 2.00 FTE and related personal services and operating expenses to the Department of Commerce. In the previous biennium the staff were provided to the Office of Economic Development to consolidate energy promotion economic development in Montana within the Governor's Office.

DP 402 - Operating Cost Adjustments -

The legislature adopted a reduction of \$40,765 general fund in FY 2016 and a reduction of \$39,741 general fund in FY 2017 for operating cost adjustments related to using the 2015 legislative appropriation as the starting point.

DP 403 - Elected official pay adjustment - Governor -

The legislature adopted an increase of \$3,999 general fund for each year of the biennium to fund the elected official pay adjustment for the Governor.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other Adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 560 - Restore Governor's Office Funding -

The legislature provided additional funding for the Governor's Office to provide funding to the level requested in the Governor's proposed budget. This adjustment does not include funding the executive implementation of the 2015 pay increase.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	1.57	1.57	1.57	1.57	1.57	1.57	0.00	0.00 %
Personal Services	79,854	84,766	89,879	89,672	164,620	179,551	14,931	9.07 %
Operating Expenses	57,167	55,926	58,799	59,364	113,093	118,163	5,070	4.48 %
Total Costs	\$137,021	\$140,692	\$148,678	\$149,036	\$277,713	\$297,714	\$20,001	7.20 %
General Fund	137,021	140,692	148,678	149,036	277,713	297,714	20,001	7.20 %
Total Funds	\$137,021	\$140,692	\$148,678	\$149,036	\$277,713	\$297,714	\$20,001	7.20 %

Program Description

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

Program Highlights

<p>Executive Residence Operations Major Budget Highlights</p>
<ul style="list-style-type: none"> • Changes to the budget from the previous biennium are due increased operating costs for food and personal services changes

Program Narrative

The legislature approved an 11.6% budget increase when compared to the 2015 biennium budget in the Executive Residence Operations Program. The increased budget for operating expenses can be tied to projected increases in food costs. Additionally, personal service costs increase due to eliminating the 4% vacancy savings for legislatively approved FTE, annualizing increases for the state share contribution to employee insurance, and broadband pay increases for strategic pay. Finally, the legislature approved a transfer of 0.07 FTE from the Lieutenant Governor's Office to the Executive Residence Operations.

It should be noted that the transfer is already reflected in the Program Budget Comparison table as the executive implemented the transfer in FY 2014. The 2015 legislative base budget as shown in the Budget Summary By Category does not include the personal services costs for the 0.07 FTE.

Funding

The following table shows program funding by source from all sources of authority.

Governor's Office, 02-Executive Residence Operations Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	297,714	0	0	297,714	100.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$297,714	\$0	\$0	\$297,714		

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

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	135,832	135,832	271,664	91.25 %	135,832	135,832	271,664	91.25 %
PL Adjustments	12,846	13,204	26,050	8.75 %	12,846	13,204	26,050	8.75 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$148,678	\$149,036	\$297,714		\$148,678	\$149,036	\$297,714	

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 402 - Operating Cost Adjustments	0.00	(2,318)	0	0	(2,318)	0.00	(2,318)	0	0	(2,318)
DP 404 - .07 FTE Transfer from Lt. Governor Program	0.00	2,863	0	0	2,863	0.00	2,863	0	0	2,863
DP 515 - State Share Health Insurance	0.00	763	0	0	763	0.00	763	0	0	763
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	1,495	0	0	1,495	0.00	1,495	0	0	1,495
DP 525 - Fixed Costs	0.00	(1,783)	0	0	(1,783)	0.00	(1,734)	0	0	(1,734)
DP 527 - Inflation/Deflation Adjustment	0.00	5,731	0	0	5,731	0.00	6,300	0	0	6,300
DP 529 - Longevity and Other Adjustments	0.00	778	0	0	778	0.00	773	0	0	773
DP 560 - Restore Governor's Office Funding	0.00	5,317	0	0	5,317	0.00	5,062	0	0	5,062
Grand Total All Present Law Adjustments	0.00	\$12,846	\$0	\$0	\$12,846	0.00	\$13,204	\$0	\$0	\$13,204

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

DP 402 - Operating Cost Adjustments -

The legislature adopted a reduction of general fund of \$2,318 in each year of the biennium for operating cost adjustments related to using the 2015 legislative appropriation as the starting point.

DP 404 - .07 FTE Transfer from Lt. Governor Program -

The legislature approved an increase of \$5,726 general fund for the biennium to fund additional hours for the executive residence housekeeper.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other Adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 560 - Restore Governor's Office Funding -

The legislature provided additional funding for the Governor's Office to provide funding to the level requested in the Governor's proposed budget. This adjustment does not include funding the executive implementation of the 2015 pay increase.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	1.50	1.50	1.50	1.50	1.50	1.50	0.00	0.00 %
Personal Services	109,615	125,088	133,648	133,683	234,703	267,331	32,628	13.90 %
Operating Expenses	134,339	128,056	193,716	196,463	262,395	390,179	127,784	48.70 %
Total Costs	\$243,954	\$253,144	\$327,364	\$330,146	\$497,098	\$657,510	\$160,412	32.27 %
General Fund	243,954	253,144	327,364	330,146	497,098	657,510	160,412	32.27 %
Total Funds	\$243,954	\$253,144	\$327,364	\$330,146	\$497,098	\$657,510	\$160,412	32.27 %

Program Description

The Air Transportation Program provides the Governor with air transportation.

Program Highlights

Air Transportation Program Major Budget Highlights
<ul style="list-style-type: none"> • The increase in operating expenses is attributable to a new proposal to fund aircraft maintenance • Personal services increases in part due to strategic pay adjustments that were approved by the legislature

Program Narrative

The legislature approved 2017 biennium budget increases of 11.5% in the Air Transportation Program when compared to the 2015 biennium budget. The majority of the increase is for ongoing basic aircraft maintenance for the Beechcraft King Air C-90 used to transport the Governor and other state representatives. \$130,000 in general fund was provided in the 2017 biennium for aircraft maintenance. Personal services increases are due to eliminating the 4% vacancy savings for legislatively approved FTE, the annualization of the state share of employee insurance, and broadband increases for strategic pay.

Funding

The following table shows program funding by source from all sources of authority.

Governor's Office, 03-Air Transportation Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	657,510	0	0	657,510	100.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$657,510	\$0	\$0	\$657,510		

The Air Transportation Program is entirely funded with general fund.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	253,144	253,144	506,288	77.00 %	253,144	253,144	506,288	77.00 %
PL Adjustments	9,220	12,002	21,222	3.23 %	9,220	12,002	21,222	3.23 %
New Proposals	65,000	65,000	130,000	19.77 %	65,000	65,000	130,000	19.77 %
Total Budget	\$327,364	\$330,146	\$657,510		\$327,364	\$330,146	\$657,510	

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 515 - State Share Health Insurance	0.00	729	0	0	729	0.00	729	0	0	729
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	2,352	0	0	2,352	0.00	2,352	0	0	2,352
DP 525 - Fixed Costs	0.00	1,868	0	0	1,868	0.00	4,497	0	0	4,497
DP 527 - Inflation/Deflation Adjustment	0.00	11,781	0	0	11,781	0.00	18,274	0	0	18,274
DP 560 - Restore Governor's Office Funding	0.00	(7,510)	0	0	(7,510)	0.00	(13,850)	0	0	(13,850)
Grand Total All Present Law Adjustments	0.00	\$9,220	\$0	\$0	\$9,220	0.00	\$12,002	\$0	\$0	\$12,002

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 560 - Restore Governor's Office Funding -

The legislature provided additional funding for the Governor's Office to provide funding to the level requested in the Governor's proposed budget. This adjustment does not include funding the executive implementation of the 2015 pay increase.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 300301 - Aircraft Maintenance - Biennial	0.00	65,000	0	0	65,000	0.00	65,000	0	0	65,000
Total	0.00	\$65,000	\$0	\$0	\$65,000	0.00	\$65,000	\$0	\$0	\$65,000

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

DP 300301 - Aircraft Maintenance - Biennial -

The legislature provided a general fund appropriation of \$130,000 to fund aircraft maintenance expenditures. Basic annual maintenance expenditures averaged \$59,200 over the three year period of FY 2012 to FY 2014, and prior to that time the average maintenance cost was around \$76,000. No major maintenance projects, beyond the basic, periodically required maintenance and upkeep are foreseen at this time. In past legislative sessions the aircraft maintenance has been provided as a one-time-only appropriation.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	18.00	18.00	18.00	18.00	18.00	18.00	0.00	0.00 %
Personal Services	1,397,755	1,543,087	21,953,132	46,487,310	2,940,842	68,440,442	65,499,600	2,227.24 %
Operating Expenses	185,496	209,091	8,340,407	10,857,440	394,587	19,197,847	18,803,260	4,765.30 %
Transfers	0	0	0	0	0	0	0	0.00 %
Total Costs	\$1,583,251	\$1,752,178	\$30,293,539	\$57,344,750	\$3,335,429	\$87,638,289	\$84,302,860	2,527.50 %
General Fund	1,583,251	1,752,178	13,902,955	24,094,440	3,335,429	37,997,395	34,661,966	1,039.21 %
State/Other Special Rev. Funds	0	0	10,242,102	19,097,418	0	29,339,520	29,339,520	0.00 %
Federal Spec. Rev. Funds	0	0	5,983,720	13,817,655	0	19,801,375	19,801,375	0.00 %
Proprietary Funds	0	0	164,762	335,237	0	499,999	499,999	0.00 %
Total Funds	\$1,583,251	\$1,752,178	\$30,293,539	\$57,344,750	\$3,335,429	\$87,638,289	\$84,302,860	2,527.50 %

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, 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. OBPP acts as the lead Executive Branch agency for compliance with the federal Single Audit Act.

Program Highlights

Office of Budget and Program Planning Major Budget Highlights
<ul style="list-style-type: none"> • The legislature provided a number of contingencies for state agencies within the budget of the Office of Budget and Program Planning including: <ul style="list-style-type: none"> ◦ Personal services contingency base - \$11.5 million ◦ Contingency base funding - \$18.8 million ◦ Personal services contingency - \$1.7 million • Funding for state agency employee pay plan was provided at \$51.8 million over the 2017 biennium

Program Narrative

The legislature designated the Office of Budget and Program Planning as the program to administer a number of appropriations for state agencies within the executive branch. The following table shows the budget for contingencies, pay plan, and remaining appropriations for OBPP by expenditure category.

Governor's Office Office of Budget and Program Planning					
	FY 2016	%	FY 2017	%	Biennial
Personal Services					
Personal Services Contingency Base	\$5,722,635	26.07%	\$5,744,175	12.36%	\$11,466,810
Personal Services Contingency	1,750,000	7.97%	0	0.00%	1,750,000
State Employee Pay Plan	12,769,898	58.17%	39,032,776	83.96%	51,802,674
Office of Budget and Program Planning	<u>1,710,599</u>	<u>7.79%</u>	<u>1,710,359</u>	<u>3.68%</u>	<u>3,420,958</u>
Total Personal Services	21,953,132	100.00%	46,487,310	100.00%	68,440,442
Operating Expenses					
Contingency Base Funding	8,136,724	97.56%	10,662,415	98.20%	18,799,139
Office of Budget and Program Planning	<u>203,683</u>	<u>2.44%</u>	<u>195,025</u>	<u>1.80%</u>	<u>398,708</u>
Total Operating Expenses	8,340,407	100.00%	10,857,440	100.00%	19,197,847
Total Program Budget	<u>\$30,293,539</u>		<u>\$57,344,750</u>		<u>\$87,638,289</u>

As reflected in the table above, only 5.00% of personal services appropriated to OBPP in the 2017 biennium and 2.08% of the operating expenses were provided for the program. Without the additional appropriations OBPP budget increased by 14.5% when compared to the 2015 biennium. Personal services increased by 16.3% due to the:

- Annualization of the state share of employee insurance
- Elimination of the 4% vacancy savings for legislatively authorized FTE
- Pay increases for competency, market, and reclassification of positions
- Attainment of longevity milestones

Funding

The following table shows program funding by source from all sources of authority.

Governor's Office, 04-Office of Budget & Program Planning Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	37,997,395	0	0	37,997,395	43.36 %	
02038 Governor's Office Ssr	25,432,211	0	0	25,432,211	86.68 %	
02249 Governor's Office Operations Fund	3,907,309	0	0	3,907,309	13.32 %	
02432 Oil & Gas ERA	0	0	0	0	0.00 %	
State Special Total	\$29,339,520	\$0	\$0	\$29,339,520	33.48 %	
03001 Governors Office Federal Grnts	19,801,375	0	0	19,801,375	100.00 %	
Federal Special Total	\$19,801,375	\$0	\$0	\$19,801,375	22.59 %	
06510 PERSONAL SERVICES CONTINGENCY	499,999	0	0	499,999	100.00 %	
Proprietary Total	\$499,999	\$0	\$0	\$499,999	0.57 %	
Total All Funds	\$87,638,289	\$0	\$0	\$87,638,289		

The Office of Budget and Program Planning is funded completely with general fund. Funding for the executive branch employee pay plan and the various contingencies is appropriated from general fund, state special revenue, federal revenue, and proprietary funds as outlined in the program narrative.

State special revenue, federal revenue, and proprietary funds in the table are primarily the result of lump sum appropriations for pay plan and contingencies.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	1,752,178	1,752,178	3,504,356	9.22 %	1,752,178	1,752,178	3,504,356	4.00 %
PL Adjustments	5,680,981	5,573,206	11,254,187	29.62 %	14,021,463	16,559,796	30,581,259	34.89 %
New Proposals	6,469,796	16,769,056	23,238,852	61.16 %	14,519,898	39,032,776	53,552,674	61.11 %
Total Budget	\$13,902,955	\$24,094,440	\$37,997,395		\$30,293,539	\$57,344,750	\$87,638,289	

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
DP 402 - Operating Cost Adjustments	0.00	(15,235)	0	0	(15,235)	0.00	(18,560)	0	0	(18,560)
DP 406 - Econometric Data Subscription	0.00	3,215	0	0	3,215	0.00	4,409	0	0	4,409
DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia	0.00	17,446	0	0	17,446	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	8,748	0	0	8,748	0.00	8,748	0	0	8,748
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	29,102	0	0	29,102	0.00	29,102	0	0	29,102
DP 525 - Fixed Costs	0.00	5,743	0	0	5,743	0.00	6,520	0	0	6,520
DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial)	0.00	489	0	0	489	0.00	0	0	0	0
DP 527 - Inflation/Deflation Adjustment	0.00	(504)	0	0	(504)	0.00	(499)	0	0	(499)
DP 529 - Longevity and Other Adjustments	0.00	816	0	0	816	0.00	4,431	0	0	4,431
DP 550 - Motor Pool Rate Adjustment	0.00	(21)	0	0	(21)	0.00	(22)	0	0	(22)
DP 560 - Restore Governor's Office Funding	0.00	112,305	0	0	112,305	0.00	119,077	0	0	119,077
DP 570 - Personal Services Contingency Base Funding (Restricted)	0.00	2,444,921	1,948,157	1,285,790	5,722,635	0.00	2,450,922	1,959,152	1,290,514	5,744,175
DP 580 - Contingency Base Funding	0.00	3,073,956	3,346,751	1,716,017	8,136,724	0.00	2,969,078	3,875,028	3,818,309	10,662,415
Grand Total All Present Law Adjustments	0.00	\$5,680,981	\$5,294,908	\$3,001,807	\$14,021,463	0.00	\$5,573,206	\$5,834,180	\$5,108,823	\$16,559,796

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

DP 402 - Operating Cost Adjustments -

The legislature adopted general fund operating cost reductions of \$26,663 in FY 2016 and \$18,560 in FY 2017.

DP 406 - Econometric Data Subscription -

The legislature adopted increases of \$3,215 general fund in FY 2016 and \$4,409 general fund in FY 2017 for contractual rate increases associated with the annual subscription for econometric data with IHS Economics. The subscription provides economic data used to develop revenue estimates and other economic analysis for the state, and is used by the Office of Budget and Program Planning, the Legislative Fiscal Division within the Legislative Branch, the Departments of Revenue, Labor and Industry, and Transportation.

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other Adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 560 - Restore Governor's Office Funding -

The legislature provided additional funding for the Governor's Office to provide funding to the level requested in the Governor's proposed budget. This adjustment does not include funding the executive implementation of the 2015 pay increase.

DP 570 - Personal Services Contingency Base Funding (Restricted) -

The legislature provided a personal services contingency fund for the Governor's Office. The funds may be transferred to other state agencies at the discretion of the Governor. In addition, the Governor may add up to 10.00 FTE into state agency base budgets.

DP 580 - Contingency Base Funding -

The legislature provided contingency base funding to the Office of Budget and Program Planning. The funds are to allocated and transferred at the discretion of the budget director.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 590 - Employee Pay and State Share	0.00	5,469,796	4,347,194	2,856,913	12,769,898	0.00	16,769,056	13,263,238	8,708,832	39,032,776
DP 600 - Personal Services Contingency (Restricted/Biennial/OTO)	0.00	1,000,000	600,000	125,000	1,750,000	0.00	0	0	0	0
Total	0.00	\$6,469,796	\$4,947,194	\$2,981,913	\$14,519,898	0.00	\$16,769,056	\$13,263,238	\$8,708,832	\$39,032,776

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

DP 590 - Employee Pay and State Share -

The legislature approved a pay plan for state employees that provides a \$0.50 an hour raise for employees effective on the first day of the first complete pay period that includes January 15, 2016 and 2017. In addition, the legislature increased the state share contribution towards employee insurance by 10% the first year of the biennium and 8% the second.

DP 600 - Personal Services Contingency (Restricted/Biennial/OTO) -

The legislature provided funding for personal services contingencies. The funding may be distributed if personnel vacancies do not occur, retirement costs exceed agency resources, or for other personal services contingencies that arise.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	2.00	2.00	2.00	2.00	2.00	2.00	0.00	0.00 %
Personal Services	157,442	163,550	165,234	165,552	320,992	330,786	9,794	3.05 %
Operating Expenses	19,254	19,068	22,415	22,473	38,322	44,888	6,566	17.13 %
Total Costs	\$176,696	\$182,618	\$187,649	\$188,025	\$359,314	\$375,674	\$16,360	4.55 %
General Fund	176,696	182,618	187,649	188,025	359,314	375,674	16,360	4.55 %
Total Funds	\$176,696	\$182,618	\$187,649	\$188,025	\$359,314	\$375,674	\$16,360	4.55 %

Program Description

The Coordinator of Indian Affairs 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

Office of Indian Affairs Major Budget Highlights
<ul style="list-style-type: none"> • Personal services increase due to annualization of increases in benefit and pay increases provided during the 2015 biennium • Operating increases are mainly due to higher motor pool leases

Funding

The following table shows program funding by source from all sources of authority.

Governor's Office, 05-Office of Indian Affairs Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	375,674	0	0	375,674	100.00 %
State Special Total	\$0	\$0	\$0	\$0	0.00 %
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$375,674	\$0	\$0	\$375,674	

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

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	182,618	182,618	365,236	97.22 %	182,618	182,618	365,236	97.22 %
PL Adjustments	5,031	5,407	10,438	2.78 %	5,031	5,407	10,438	2.78 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$187,649	\$188,025	\$375,674		\$187,649	\$188,025	\$375,674	

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----				-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 407 - Other Personal Services Changes	0.00	(2,371)	0	0	(2,371)	0.00	(2,697)	0	0	(2,697)
DP 515 - State Share Health Insurance	0.00	972	0	0	972	0.00	972	0	0	972
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	3,083	0	0	3,083	0.00	3,083	0	0	3,083
DP 525 - Fixed Costs	0.00	719	0	0	719	0.00	799	0	0	799
DP 527 - Inflation/Deflation Adjustment	0.00	1,815	0	0	1,815	0.00	1,863	0	0	1,863
DP 529 - Longevity and Other Adjustments	0.00	0	0	0	0	0.00	644	0	0	644
DP 550 - Motor Pool Rate Adjustment	0.00	(240)	0	0	(240)	0.00	(243)	0	0	(243)
DP 560 - Restore Governor's Office Funding	0.00	1,053	0	0	1,053	0.00	986	0	0	986
Grand Total All Present Law Adjustments	0.00	\$5,031	\$0	\$0	\$5,031	0.00	\$5,407	\$0	\$0	\$5,407

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

DP 407 - Other Personal Services Changes -

The legislature adopted a reduction in general fund of \$2,371 in FY 2016 and \$2,697 in FY 2017 for other personal services changes.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other Adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 560 - Restore Governor's Office Funding -

The legislature provided additional funding for the Governor's Office to provide funding to the level requested in the Governor's proposed budget. This adjustment does not include funding the executive implementation of the 2015 pay increase.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	4.00	4.00	4.00	4.00	4.00	4.00	0.00	0.00 %
Personal Services	303,235	322,529	330,452	331,178	625,764	661,630	35,866	5.73 %
Operating Expenses	102,356	79,377	116,581	77,345	181,733	193,926	12,193	6.71 %
Total Costs	\$405,591	\$401,906	\$447,033	\$408,523	\$807,497	\$855,556	\$48,059	5.95 %
General Fund	405,591	401,906	447,033	408,523	807,497	855,556	48,059	5.95 %
State/Other Special Rev. Funds	0	0	0	0	0	0	0	0.00 %
Total Funds	\$405,591	\$401,906	\$447,033	\$408,523	\$807,497	\$855,556	\$48,059	5.95 %

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

Centralized Services Division Major Budget Highlights
<ul style="list-style-type: none"> • Personal services increases due to annualization of the state share of health insurance, and fully funding 2015 legislative authorized FTE • Operating costs increases due to increased fixed costs

Funding

The following table shows program funding by source from all sources of authority.

Governor's Office, 06-Centralized Services Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	855,556	0	0	855,556	100.00 %	
02253 CITIZEN'S ADVOCATE STATE SPECIAL RE	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$855,556	\$0	\$0	\$855,556		

The Central Services Program is entirely funded with general fund.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	401,906	401,906	803,812	93.95 %	401,906	401,906	803,812	93.95 %
PL Adjustments	45,127	6,617	51,744	6.05 %	45,127	6,617	51,744	6.05 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$447,033	\$408,523	\$855,556		\$447,033	\$408,523	\$855,556	

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 402 - Operating Cost Adjustments	0.00	(5,240)	0	0	(5,240)	0.00	(5,239)	0	0	(5,239)
DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia	0.00	38,426	0	0	38,426	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	1,944	0	0	1,944	0.00	1,944	0	0	1,944
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	6,081	0	0	6,081	0.00	6,081	0	0	6,081
DP 525 - Fixed Costs	0.00	47	0	0	47	0.00	185	0	0	185
DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial)	0.00	1,076	0	0	1,076	0.00	0	0	0	0
DP 527 - Inflation/Deflation Adjustment	0.00	(58)	0	0	(58)	0.00	(57)	0	0	(57)
DP 529 - Longevity and Other Adjustments	0.00	(3,452)	0	0	(3,452)	0.00	(2,118)	0	0	(2,118)
DP 531 - SITSD Rate Adjustment	0.00	4,049	0	0	4,049	0.00	4,049	0	0	4,049
DP 532 - General Liability Insurance Rate Adjustment	0.00	(881)	0	0	(881)	0.00	(890)	0	0	(890)
DP 550 - Motor Pool Rate Adjustment	0.00	(3)	0	0	(3)	0.00	(4)	0	0	(4)
DP 560 - Restore Governor's Office Funding	0.00	3,138	0	0	3,138	0.00	2,666	0	0	2,666
Grand Total All Present Law Adjustments	0.00	\$45,127	\$0	\$0	\$45,127	0.00	\$6,617	\$0	\$0	\$6,617

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

DP 402 - Operating Cost Adjustments -

The legislature adopted a reduction of \$3,111 FY 2016 and \$3,110 FY 2017 general fund for operating cost adjustments related to using the 2015 legislative appropriation as the starting point.

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other Adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 531 - SITSD Rate Adjustment -

The legislature approved an increase for fixed cost rates included in state agency budgets for information technology services provided by the State Information Technology Services Division (SITSD).

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 560 - Restore Governor's Office Funding -

The legislature provided additional funding for the Governor's Office to provide funding to the level requested in the Governor's proposed budget. This adjustment does not include funding the executive implementation of the 2015 pay increase.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	3.00	3.00	3.00	3.00	3.00	3.00	0.00	0.00 %
Personal Services	299,859	293,318	287,102	286,330	593,177	573,432	(19,745)	(3.33)%
Operating Expenses	24,882	19,924	23,888	24,227	44,806	48,115	3,309	7.39 %
Total Costs	\$324,741	\$313,242	\$310,990	\$310,557	\$637,983	\$621,547	(\$16,436)	(2.58)%
General Fund	324,741	313,242	310,990	310,557	637,983	621,547	(16,436)	(2.58)%
Total Funds	\$324,741	\$313,242	\$310,990	\$310,557	\$637,983	\$621,547	(\$16,436)	(2.58)%

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

Lieutenant Governor's Office Major Budget Highlights
<ul style="list-style-type: none"> • Personal services decrease as a result of personal services funding transferred to other programs within the Governor's Office • Operating costs increase as result of fixed costs

Program Narrative

The legislature approved transferring a total of 0.94 FTE and related personal services from the Lieutenant Governor's Office to other programs within the Governor's Office. The transfers included:

- 0.50 FTE and \$20,580 in related personal services funding to the Citizen's Advocate Program
- 0.37 FTE and \$17,450 in related personal services funding to the Executive Office Program
- 0.07 FTE and \$4,860 in related personal services funding to the Executive Residence Program

The transfers do not appear in the Program Budget Comparison table as the executive implemented the changes in FY 2014 and the tables reflect the lower level of FTE and personal services costs. However, the FY 2015 legislative base budget retained the FTE and related personal services in the Lieutenant Governor's Office as shown in the Budget Summary By Category table and are reflected in the decision packages for the program.

Funding

The following table shows program funding by source from all sources of authority.

Governor's Office, 12-Lieutenant Governor's Office Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	621,547	0	0	621,547	100.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$621,547	\$0	\$0	\$621,547		

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

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	356,132	356,132	712,264	114.60 %	356,132	356,132	712,264	114.60 %
PL Adjustments	(45,142)	(45,575)	(90,717)	(14.60)%	(45,142)	(45,575)	(90,717)	(14.60)%
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$310,990	\$310,557	\$621,547		\$310,990	\$310,557	\$621,547	

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
DP 402 - Operating Cost Adjustments	0.00	1,047	0	0	1,047	0.00	53	0	0	53
DP 408 - .94 FTE Transfer to Executive, Residence and Citizens Advoc.	0.00	(58,995)	0	0	(58,995)	0.00	(58,995)	0	0	(58,995)
DP 515 - State Share Health Insurance	0.00	1,458	0	0	1,458	0.00	1,458	0	0	1,458
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	4,236	0	0	4,236	0.00	4,236	0	0	4,236
DP 525 - Fixed Costs	0.00	457	0	0	457	0.00	605	0	0	605
DP 527 - Inflation/Deflation Adjustment	0.00	4,114	0	0	4,114	0.00	4,288	0	0	4,288
DP 529 - Longevity and Other Adjustments	0.00	(7,657)	0	0	(7,657)	0.00	(7,657)	0	0	(7,657)
DP 550 - Motor Pool Rate Adjustment	0.00	(881)	0	0	(881)	0.00	(893)	0	0	(893)
DP 560 - Restore Governor's Office Funding	0.00	11,079	0	0	11,079	0.00	11,330	0	0	11,330
Grand Total All Present Law Adjustments	0.00	(\$45,142)	\$0	\$0	(\$45,142)	0.00	(\$45,575)	\$0	\$0	(\$45,575)

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

DP 402 - Operating Cost Adjustments -

The legislature adopted increases of \$107 general fund in FY 2016 and \$446 general fund in FY 2017 for the reconciliation of using the FY 2015 legislative appropriation as a starting point.

DP 408 - .94 FTE Transfer to Executive, Residence and Citizens Advoc. -

The legislature adopted a reduction of \$58,995 in each year of the biennium for the program transfer to the Executive Office Program, the Executive Residence Operations, and the Citizens' Advocate Office to fund three part-time positions to full-time.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other Adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 560 - Restore Governor's Office Funding -

The legislature provided additional funding for the Governor's Office to provide funding to the level requested in the Governor's proposed budget. This adjustment does not include funding the executive implementation of the 2015 pay increase.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	2.00	2.00	2.00	2.00	2.00	2.00	0.00	0.00 %
Personal Services	90,421	121,592	124,899	124,587	212,013	249,486	37,473	17.67 %
Operating Expenses	2,844	8,346	744	742	11,190	1,486	(9,704)	(86.72)%
Total Costs	\$93,265	\$129,938	\$125,643	\$125,329	\$223,203	\$250,972	\$27,769	12.44 %
General Fund	93,265	121,592	125,643	125,329	214,857	250,972	36,115	16.81 %
State/Other Special Rev. Funds	0	8,346	0	0	8,346	0	(8,346)	(100.00)%
Total Funds	\$93,265	\$129,938	\$125,643	\$125,329	\$223,203	\$250,972	\$27,769	12.44 %

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

Citizens' Advocate Office Major Budget Highlights
<ul style="list-style-type: none"> • The increase in personal services is primarily due to broadband pay adjustments, annualization of state share of employee insurance, and elimination of the 4% vacancy savings • Operating costs decrease due to reduction for information technology services

Program Narrative

The legislature approved the transfer of 0.50 FTE from the Lieutenant Governor's Office to the Citizens' Advocate Office. A customer service position was made full time as a result. It should be noted that the transfer is already reflected in the Program Budget Comparison table as the executive implemented the transfer in FY 2014 and it is thus reflected in the table. The 2015 legislative base budget as shown in the Budget Summary By Category does not include the personal services costs for the 0.50 FTE.

Funding

The following table shows program funding by source from all sources of authority.

Governor's Office, 16-Citizens' Advocate Office Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	250,972	0	0	250,972	100.00 %	
02253 CITIZEN'S ADVOCATE STATE SPECIAL RE	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$250,972	\$0	\$0	\$250,972		

The Citizens' Advocate Office is funded entirely with general fund.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	101,012	101,012	202,024	80.50 %	109,358	109,358	218,716	87.15 %
PL Adjustments	24,631	24,317	48,948	19.50 %	16,285	15,971	32,256	12.85 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$125,643	\$125,329	\$250,972		\$125,643	\$125,329	\$250,972	

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 402 - Operating Cost Adjustments	0.00	2,901	(8,346)	0	(5,445)	0.00	2,901	(8,346)	0	(5,445)
DP 407 - Other Personal Services Changes	0.00	26	0	0	26	0.00	(286)	0	0	(286)
DP 409 - .50 FTE Transfer	0.00	21,683	0	0	21,683	0.00	21,683	0	0	21,683
DP 515 - State Share Health Insurance	0.00	972	0	0	972	0.00	972	0	0	972
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	1,847	0	0	1,847	0.00	1,847	0	0	1,847
DP 525 - Fixed Costs	0.00	(2,595)	0	0	(2,595)	0.00	(2,526)	0	0	(2,526)
DP 529 - Longevity and Other Adjustments	0.00	(641)	0	0	(641)	0.00	(641)	0	0	(641)
DP 560 - Restore Governor's Office Funding	0.00	438	0	0	438	0.00	367	0	0	367
Grand Total All Present Law Adjustments	0.00	\$24,631	(\$8,346)	\$0	\$16,285	0.00	\$24,317	(\$8,346)	\$0	\$15,971

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

DP 402 - Operating Cost Adjustments -

The legislature adopted a reduction of \$1,735 general fund for FY 2016 and \$1,737 general fund for FY 2017 for operating cost adjustments related to using the 2015 legislative appropriation as the starting point.

DP 407 - Other Personal Services Changes -

The legislature adopted an increase of \$26 general fund in FY 2016 and a decrease of \$286 in FY 2017 for funding the difference in working hours per fiscal year.

DP 409 - .50 FTE Transfer -

The legislature adopted an increase of \$21,683 general fund in each year of the biennium. The funding increase is a result of a transfer of FTE from the Lieutenant Governor's Office to the Citizens' Advocate Office. The additional funding provides for one part-time position to increase to full-time.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 529 - Longevity and Other Adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 560 - Restore Governor's Office Funding -

The legislature provided additional funding for the Governor's Office to provide funding to the level requested in the Governor's proposed budget. This adjustment does not include funding the executive implementation of the 2015 pay increase.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	5.00	5.00	5.00	5.00	5.00	5.00	0.00	0.00 %
Personal Services	371,805	379,731	403,797	403,570	751,536	807,367	55,831	7.43 %
Operating Expenses	51,513	59,209	53,875	54,307	110,722	108,182	(2,540)	(2.29)%
Total Costs	\$423,318	\$438,940	\$457,672	\$457,877	\$862,258	\$915,549	\$53,291	6.18 %
General Fund	423,318	438,940	457,672	457,877	862,258	915,549	53,291	6.18 %
Total Funds	\$423,318	\$438,940	\$457,672	\$457,877	\$862,258	\$915,549	\$53,291	6.18 %

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

Mental Disabilities Board of Visitors Major Budget Highlights
<ul style="list-style-type: none"> • Personal service cost increases are due to strategic pay increases, annualization of state share of employee insurance, and elimination of the 4% vacancy savings • Operating expenses decrease as a result of lower projected costs for motor pool leases and other fixed costs

Program Narrative

Funding

The following table shows program funding by source from all sources of authority.

Governor's Office, 20-Mental Disabilities Board of Visitors Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	915,549	0	0	915,549	100.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$915,549	\$0	\$0	\$915,549		

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

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	438,940	438,940	877,880	95.89 %	438,940	438,940	877,880	95.89 %
PL Adjustments	18,732	18,937	37,669	4.11 %	18,732	18,937	37,669	4.11 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$457,672	\$457,877	\$915,549		\$457,672	\$457,877	\$915,549	

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 402 - Operating Cost Adjustments	0.00	(4,501)	0	0	(4,501)	0.00	(4,301)	0	0	(4,301)
DP 410 - Additional State Share of Health Insurance	0.00	486	0	0	486	0.00	486	0	0	486
DP 515 - State Share Health Insurance	0.00	2,430	0	0	2,430	0.00	2,430	0	0	2,430
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	7,157	0	0	7,157	0.00	7,157	0	0	7,157
DP 525 - Fixed Costs	0.00	598	0	0	598	0.00	778	0	0	778
DP 527 - Inflation/Deflation Adjustment	0.00	(1,431)	0	0	(1,431)	0.00	(1,379)	0	0	(1,379)
DP 529 - Longevity and Other Adjustments	0.00	(1,017)	0	0	(1,017)	0.00	(356)	0	0	(356)
DP 550 - Motor Pool Rate Adjustment	0.00	(264)	0	0	(264)	0.00	(268)	0	0	(268)
DP 560 - Restore Governor's Office Funding	0.00	15,274	0	0	15,274	0.00	14,390	0	0	14,390
Grand Total All Present Law Adjustments	0.00	\$18,732	\$0	\$0	\$18,732	0.00	\$18,937	\$0	\$0	\$18,937

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

DP 402 - Operating Cost Adjustments -

The legislature adopted a reduction in general fund for operating cost adjustments of \$7,022 in FY 2016 and \$6,590 in FY 2017 related to using the 2015 legislative appropriation as the starting point.

DP 410 - Additional State Share of Health Insurance -

The legislature provided appropriation authority for the additional state share of health insurance, as adopted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other Adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 560 - Restore Governor's Office Funding -

The legislature provided additional funding for the Governor's Office to provide funding to the level requested in the Governor's proposed budget. This adjustment does not include funding the executive implementation of the 2015 pay increase.

Agency Budget Comparison

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	0	48,000	0	0	48,000	0	(48,000)
Operating Expenses	0	60,000	105,000	105,000	60,000	210,000	150,000
Equipment & Intangible Assets	0	0	0	0	0	0	0
Grants	0	20,000	0	0	20,000	0	(20,000)
Total Costs	\$0	\$128,000	\$105,000	\$105,000	\$128,000	\$210,000	\$82,000
Federal Spec. Rev. Funds	0	128,000	105,000	105,000	128,000	210,000	82,000
Total Funds	\$0	\$128,000	\$105,000	\$105,000	\$128,000	\$210,000	\$82,000

Agency Description

Agency Mission: It is the mission of the Secretary of State to provide efficient 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 (SOS):

- Interprets state election laws and oversees state and federal 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
- Publishes 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
- Provides public records management guidance and technical assistance
- Serves on the state Board of Land Commissioners, Capital Finance Advisory Council, 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

Secretary of State Major Budget Highlights
<ul style="list-style-type: none"> • The 2015 biennium legislative appropriation to the 2017 biennium legislative appropriation decreased by 18.0%. • No FY 2014 ongoing funding exists for the office as the 2013 Legislature designated the \$256,000 in federal Help America Vote Act (HAVA) funds appropriated for the 2015 biennium as one-time-only (OTO) • The legislature provided HB 2 funding for operating costs associated with elections with HAVA funds and has again designated those funds as OTO • The remainder of the office funding is derived from non-budgeted proprietary funds which are not reflected in the preceding table

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 HB 2. In the 2017 biennium the legislature approved \$210,000 in federal Help America Vote Act (HAVA) funds to provide grants to counties for continued voting equipment improvements.

Agency Discussion

In the 2015 biennium the legislature provided a biennial appropriation of \$256,000 from the Help America Vote Act (HAVA) funds to provide grants to counties for continued voting equipment improvements. HAVA was passed by Congress in the wake of the controversial 2000 presidential election in Florida. The 2013 Legislature designated the HAVA funds as one-time-only for the 2015 biennium. As a result, the agency budget comparison table does not reflect funding in FY 2014.

The legislature provided \$105,000 each year of the biennium for unallocated operating expenses to meet federal requirements included in the federal act.

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 Secretary of State Funding by Source of Authority 2017 Biennium Budget - Secretary of State						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
State Special Total	0	0	0	0	0.00 %	
Federal Special Total	210,000	0	0	210,000	1.68 %	
Proprietary Total	0	12,306,103	0	12,306,103	98.32 %	
Other Total	0	0	0	0	0.00 %	
Total All Funds	\$210,000	\$12,306,103	\$0	\$12,516,103		
Percent - Total All Sources	1.68 %	98.32 %	0.00 %			

The operations of the Secretary of State's Office are primarily funded with proprietary funds derived from fees for services, document sales, and other fees established in statute. For further discussion regarding these funds refer to the "Proprietary Rate" section of the narrative.

In recent years, the federal Help America Vote Act of 2002 has provided federal 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 not base exists. Interest accrued on deposit of HAVA funds remains unspent and funding from these funds is proposed for the 2017 biennium.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category									
Budget Item	-----General Fund-----				-----Total Funds-----				
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	
2015 Budget	0	0	0	0.00 %	0	0	0	0.00 %	
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %	
New Proposals	0	0	0	0.00 %	105,000	105,000	210,000	100.00 %	
Total Budget	\$0	\$0	\$0		\$105,000	\$105,000	\$210,000		

As discussed in the Agency Discussion narrative, HAVA funding was designated as one-time-only for FY 2014, resulting in a new proposal request to reinstate federal funding for the 2017 biennium.

Other Legislation

HB 4 - The legislature authorized all FY 2015 federal budget authority for the Help America Vote Act to continue into federal FY 2017. In addition all FY 2015 federal budget authority for the Voting Experience of Uniformed and Overseas Citizens Absentee Voting Act was authorized to continue into FY 2017.

HB 258 - The legislature created the Montana Benefit Corporation Act authorizing and regulating the formation and governance of benefit corporations. According to the bill's fiscal note, the Secretary of State's Office business filing database will require a programming change to comply with the new requirements at a cost of \$7,000. The legislature did not fund the changes.

SB 41 - The legislature removed the requirement to list the "Date of First Use" for an Assumed Business Name and Limited Liability Partnership. According to the bill's fiscal note, the Secretary of State's Office will require an additional programming change to the business filing database to remove the required entry in the "Date of First Use" data entry field. In addition charges for dialogs and unit testing are anticipated. Total estimated costs for the changes are \$3,625. The legislature did not fund the changes.

SB 307 - The legislature revised statutes that recognize foreign business entities to include entities formed under laws of federally recognized Indian tribes. According to the bill's fiscal note, the Secretary of State's Office business filing database will need another programming change to include these changes at a cost of \$12,375. The legislature did not fund the changes.

Executive Budget Comparison

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	0	0	0	0	0	0	0	0
Operating Expenses	0	105,000	105,000	0	105,000	105,000	0	0
Equipment & Intangible Assets	0	0	0	0	0	0	0	0
Grants	0	0	0	0	0	0	0	0
Total Costs	\$0	\$105,000	\$105,000	\$0	\$105,000	\$105,000	\$0	\$0
Federal Spec. Rev. Funds	0	105,000	105,000	0	105,000	105,000	0	0
Total Funds	\$0	\$105,000	\$105,000	\$0	\$105,000	\$105,000	\$0	\$0

The legislative budget for the office is unchanged from that proposed by the executive.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 100002 - HAVA Interest - (Restricted/OTO)	0.00	0	0	105,000	105,000	0.00	0	0	105,000	105,000
Total	0.00	\$0	\$0	\$105,000	\$105,000	0.00	\$0	\$0	\$105,000	\$105,000

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

DP 100002 - HAVA Interest - (Restricted/OTO) -

The legislature provided authority for interest generated from federal Help America Vote Act (HAVA) funds as an one-time-only, restricted appropriation. HAVA money assists the office and counties with HAVA regulations and compliance.

Other Issues

Proprietary Rates

Business and Government Services - 06053

Program Description

The Secretary of State conducts its daily operations through a single program, the Business and Government Services Program. It provides the following major functions:

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

While for budgeting purposes the SOS only has one program, SOS does have five divisions, one for each of the described functions above.

Program Discussion

Revenues

Revenues are received from fees charged to: 1) businesses and corporations for corporate filings, registration of assumed business names, and trademarks; 2) state agencies and users of ARM for publishing and distributing the ARM and the MAR, and storage and management of public documents; 3) candidates who file for elections; 4) Montana citizens who apply to be notaries. Revenues, by source, have been steadily increasing since FY 2009 and are not projected to deviate from this pattern.

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approved 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.

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Agency Budget Comparison

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	6.00	6.00	6.00	6.00	6.00	6.00	0.00
Personal Services	321,811	416,829	350,004	352,570	738,640	702,574	(36,066)
Operating Expenses	167,832	171,473	304,472	294,828	339,305	599,300	259,995
Total Costs	\$489,643	\$588,302	\$654,476	\$647,398	\$1,077,945	\$1,301,874	\$223,929
General Fund	489,643	588,302	654,476	647,398	1,077,945	1,301,874	223,929
Total Funds	\$489,643	\$588,302	\$654,476	\$647,398	\$1,077,945	\$1,301,874	\$223,929

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

Commissioner of Political Practices Major Budget Highlights
<p>The 2015 biennium legislative appropriation to the 2017 biennium legislative appropriation increased by 9.3%.</p> <p>The legislature provided general fund increases including:</p> <ul style="list-style-type: none"> • \$85,000 each year of the biennium for contracting legal services with the Department of Justice rather than an additional 1.00 FTE. This was line-item vetoed by the Governor and is not included as part of the increase discussed above • \$24,000 over the biennium for increased building rent • \$53,260 for the biennium to support online systems and database maintenance • \$12,816 for the biennium for secretarial performance adjustments and temporary services during peak workload periods

Summary of Legislative Action

The legislature provided increased funding above the 2015 biennial budget including \$170,000 in a restricted line item appropriation to allow the Commissioner of Political Practices (COPP) to contract for legal services with the Department of Justice. Prior to the 2015 biennium COPP contracted with the Department of Justice for its legal services. The 2013 Legislature provided a legal counsel to address a back-log of complaints as one-time-only. For the 2017 biennium, COPP requested 1.00 FTE and \$166,082 in general fund for an in-house legal counsel that had been provided as one-time-only in the 2015 biennium. Instead, the legislature provided restricted operating expenses to allow COPP to contract for legal services.

Governor Bullock line-item vetoed the restricted funding for the legal counsel. In his veto message the Governor stated that the COPP should have the ability to hire a staff attorney for the same amount or less rather than contract with the Department of Justice for legal services. At the time of this writing a legislative poll is being conducted to determine if the legislature will override the Governor's line-item veto. As a result of the veto, the Governor struck the appropriation of \$85,000 each year of the biennium. If additional funding is needed for a staff attorney it will more than likely need to come from the personal services contingency base funding provided to the Office of Budget and Program Planning within the Governor's Office.

Other funding provided to the COPP supports:

- Secretarial performance adjustments
- Increased costs for leasing two state buildings
- Online systems and database maintenance for the campaign reporting database
- Temporary services needed during the election period

Supplemental Appropriations

The legislature provided \$94,000 in supplemental appropriations for the COPP in FY 2015 to fund enforcement activities.

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 Commissioner of Political Practices Funding by Source of Authority 2017 Biennium Budget - Commissioner of Political Practices						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	1,301,874	0	0	1,301,874	100.00 %	
State Special Total	0	0	0	0	0.00 %	
Federal Special Total	0	0	0	0	0.00 %	
Proprietary Total	0	0	0	0	0.00 %	
Other Total	0	0	0	0	0.00 %	
Total All Funds	\$1,301,874	\$0	\$0	\$1,301,874		
Percent - Total All Sources	100.00 %	0.00 %	0.00 %			

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	516,844	516,844	1,033,688	79.40 %	516,844	516,844	1,033,688	79.40 %
PL Adjustments	52,632	45,554	98,186	7.54 %	52,632	45,554	98,186	7.54 %
New Proposals	85,000	85,000	170,000	13.06 %	85,000	85,000	170,000	13.06 %
Total Budget	\$654,476	\$647,398	\$1,301,874		\$654,476	\$647,398	\$1,301,874	

Other Legislation

HB 84 - The legislature revised election laws to clarify, consolidate, and standardize certain dates and deadlines for election administration.

SB 16 - The legislature revised how the Commissioner of Political Practices is appointed and revised the qualifications for the office.

SB 289 - The legislature revised campaign finance laws requiring the COPP to update administrative rules related to the statutory changes. The fiscal note attached to the bill estimates a cost of \$2,000 as a result of the rule changes. COPP testified that it could absorb this cost within its existing resources.

Executive Budget Comparison

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	6.00	7.00	6.00	(1.00)	7.00	6.00	(1.00)	(1.00)
Personal Services	321,811	460,181	350,004	(110,177)	460,863	352,570	(108,293)	(218,470)
Operating Expenses	167,832	219,999	304,472	84,473	210,361	294,828	84,467	168,940
Total Costs	\$489,643	\$680,180	\$654,476	(\$25,704)	\$671,224	\$647,398	(\$23,826)	(\$49,530)
General Fund	489,643	680,180	654,476	(25,704)	671,224	647,398	(23,826)	(49,530)
Total Funds	\$489,643	\$680,180	\$654,476	(\$25,704)	\$671,224	\$647,398	(\$23,826)	(\$49,530)

The legislature increased operating expenses by \$85,000 each year of the biennium to allow the Commissioner of Political Practices to contract with the Department of Justice for legal services as opposed to funding 1.0 FTE for legal counsel as proposed by the executive. The Governor line item vetoed the funding in HB 2.

Other changes from the executive proposal include:

- Increases for general liability premiums
- Decreases for other fixed costs
- Adopted 2% vacancy savings applied to HB 2 positions within the boilerplate language of HB 2

Language and Statutory Authority

The legislature included the following language in HB 2:

"Legal Counsel is restricted to legal services provided by the department of justice."

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 400 - Secretarial Performance Adjustments	0.00	1,717	0	0	1,717	0.00	4,283	0	0	4,283
DP 401 - Operating Cost Adjustments	0.00	10,077	0	0	10,077	0.00	7,511	0	0	7,511
DP 402 - Lease Increase	0.00	12,000	0	0	12,000	0.00	12,000	0	0	12,000
DP 403 - Online systems and database maintance	0.00	26,630	0	0	26,630	0.00	26,630	0	0	26,630
DP 404 - Temporary Services	0.00	2,579	0	0	2,579	0.00	2,579	0	0	2,579
DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia	0.00	7,685	0	0	7,685	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	2,916	0	0	2,916	0.00	2,916	0	0	2,916
DP 525 - Fixed Cost Adjustment	0.00	(12,626)	0	0	(12,626)	0.00	(12,582)	0	0	(12,582)
DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial)	0.00	2,011	0	0	2,011	0.00	0	0	0	0
DP 527 - Inflation/Deflation Adjustment	0.00	1,441	0	0	1,441	0.00	1,449	0	0	1,449
DP 529 - Longevity and Other Adjustments	0.00	(2,112)	0	0	(2,112)	0.00	454	0	0	454
DP 531 - SITSD Rate Adjustment	0.00	458	0	0	458	0.00	458	0	0	458
DP 532 - General Liability Insurance Rate Adjustment	0.00	(102)	0	0	(102)	0.00	(102)	0	0	(102)
DP 550 - Motor Pool Rate Adjustment	0.00	(42)	0	0	(42)	0.00	(42)	0	0	(42)
Grand Total All Present Law Adjustments	0.00	\$52,632	\$0	\$0	\$52,632	0.00	\$45,554	\$0	\$0	\$45,554

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

DP 400 - Secretarial Performance Adjustments -

The legislature adopted funding of \$7,658 general fund for the biennium to provide funding for performance adjustments of two secretarial positions.

DP 401 - Operating Cost Adjustments -

The legislature adopted an increase of \$9,884 general fund for the biennium to fund operating cost adjustments like court fees.

DP 402 - Lease Increase -

The legislature adopted an increase of \$24,000 for the biennium in general fund for the funding of leases for two small buildings. COPP was unable to find the right sized building on the Capitol campus and had to split into two offices.

DP 403 - Online systems and database maintance -

The legislature adopted \$53,260 general fund for the biennium to fund online systems and database maintance of the new campaign reporting database.

DP 404 - Temporary Services -

The legislature adopted an increase of \$2,579 general fund in each year of the biennium for funding of temporary services needed during the election period.

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other Adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 531 - SITSD Rate Adjustment -

The legislature approved an increase for fixed cost rates included in state agency budgets for information technology services provided by the State Information Technology Services Division (SITSD).

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 100100 - Legal Counsel (Restricted)	0.00	85,000	0	0	85,000	0.00	85,000	0	0	85,000
Total	0.00	\$85,000	\$0	\$0	\$85,000	0.00	\$85,000	\$0	\$0	\$85,000

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

DP 100100 - Legal Counsel (Restricted) -

The legislature provided \$85,000 of general fund each year of the biennium for operating costs. The funding is restricted to legal services provided by the Department of Justice.

Agency Budget Comparison

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	87.80	87.80	81.04	81.04	87.80	81.04	(6.76)
Personal Services	5,565,902	6,245,600	6,197,864	6,199,223	11,811,502	12,397,087	585,585
Operating Expenses	1,665,580	3,333,398	2,045,792	2,132,000	4,998,978	4,177,792	(821,186)
Equipment & Intangible Assets	47,374	8,695	27,994	27,994	56,069	55,988	(81)
Benefits & Claims	813,624	10,004,758	5,041,580	(18,133)	10,818,382	5,023,447	(5,794,935)
Total Costs	\$8,092,480	\$19,592,451	\$13,313,230	\$8,341,084	\$27,684,931	\$21,654,314	(\$6,030,617)
General Fund	0	6,763,375	4,500,000	0	6,763,375	4,500,000	(2,263,375)
State/Other Special Rev. Funds	8,092,480	12,829,076	8,813,230	8,341,084	20,921,556	17,154,314	(3,767,242)
Federal Spec. Rev. Funds	0	0	0	0	0	0	0
Total Funds	\$8,092,480	\$19,592,451	\$13,313,230	\$8,341,084	\$27,684,931	\$21,654,314	(\$6,030,617)

Agency Description

The office of the State Auditor is authorized under Article VI of the Montana Constitution. The State Auditor is the ex-officio Commissioner of Securities and Insurance (CSI), and is responsible for licensing and regulating insurance companies and agents, and registering and regulating securities firms and representatives that transact business to or from Montana. The Commissioner of Securities and Insurance adopts rules and enforces the law in the securities and insurance industries. The Commissioner serves as a member of the Land Board and the Crop Hail Insurance Board.

The Commissioner is also responsible to collect and transfer funding for local police and firefighter retirement programs (Municipal Police Officers' Retirement System, Firefighters' Unified Retirement System, the Volunteer Fire Fighters' Compensation Act, local fire department relief associations, municipalities with police department trust funds, and local police pension funds for supplemental benefits). The retirement programs are funded from general insurance premium taxes (33-2-705, MCA) and fire insurance premium taxes (50-3-109, MCA) - \$62.8 million estimated over the 2017 biennium. Because these funds are statutorily appropriated, the expenditures are not included in the general appropriations act or the table above.

The State Auditor's Office consists of three divisions with the following functions:

- The Central Management Division provides management and administrative services for the agency including agency leadership, accounting, budgeting, and human resources.
- The Insurance Division is responsible for oversight and regulation of the insurance industry in Montana.
- The Securities Division is responsible for oversight and regulation of the securities industry

Agency Highlights

State Auditor's Office Major Budget Highlights
<ul style="list-style-type: none"> • The 2017 biennium appropriation is \$17.6 million lower than the 2015 biennium appropriation • Personal services increases due to market adjustments funded by the 2013 Legislature and annualization of pay plan increases • FTE are a net 6.76 FTE lower due to the following changes: <ul style="list-style-type: none"> ◦ A reduction of funding for 3.26 FTE reduction to comply with boiler plate language included in HB 2 of the 2013 Legislature ◦ Removal of funding for 5.00 FTE supported by the one-time appropriation for Insure Montana in FY 2015 that were inadvertently continued in the executive budget request ◦ Approval of funding for 1.50 new FTE • Operating costs are \$0.8 million lower due primarily to adjustments in contracted examination costs of insurance and security firms • Benefits and claims costs are lower since the Insure Montana program will cease at the end of FY 2016

Summary of Legislative Action

The 2017 biennium legislative appropriation for the State Auditor's Office is lower than the 2015 biennium appropriation. The primary reason for the difference is due to a inclusion of the one-time general fund appropriation of about \$9.5 million in FY 2015 for the Insure Montana Program, which funds premium assistance and tax credit programs for small employers who offer health insurance to their employees. The legislature added a one-time appropriation of \$4.5 million general fund to continue Insure Montana for the first half of FY 2016. The differences between these two one-time appropriations constitute the majority of the change between the 2015 and 2017 biennia.

Major changes from the ongoing FY 2015 appropriation (not including the one-time funds for Insure Montana) are:

- 1.50 new FTE to assist in management of the captive insurance industry and in analysis of insurance rate changes - \$210,000 state special revenue
- Other personal services changes to fund statutorily required pay adjustments and other changes implemented by the agency in FY 2014

Operating costs are anticipated to be lower than the FY 2015 appropriation due to fewer and less complex insurance and securities firms reviews.

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.

Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	4,500,000	0	62,768,206	67,268,206	79.66 %
State Special Total	17,154,314	0	26,678	17,180,992	20.34 %
Federal Special Total	0	0	0	0	0.00 %
Proprietary Total	0	0	0	0	0.00 %
Other Total	0	0	0	0	0.00 %
Total All Funds	\$21,654,314	\$0	\$62,794,884	\$84,449,198	
Percent - Total All Sources	25.64 %	0.00 %	74.36 %		

The State Auditor's Office is funded with state special revenue derived from insurance and securities fees. The office has a one-time general fund appropriation in FY 2016 to continue the Insure Montana through December 31, 2015.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	9,309,714	9,309,714	18,619,428	85.98 %
PL Adjustments	0	0	0	0.00 %	(601,646)	(1,073,591)	(1,675,237)	(7.74)%
New Proposals	4,500,000	0	4,500,000	100.00 %	4,605,162	104,961	4,710,123	21.75 %
Total Budget	\$4,500,000	\$0	\$4,500,000		\$13,313,230	\$8,341,084	\$21,654,314	

Other Legislation

Three bills were passed and approved that affect the State Auditor's Office funding or revenues.

SB 52 - This bill generally revises and clarifies captive insurance laws, provides a penalty for failure to file annual statements and prorates distribution of taxes in the year of closure.

SB 123 - This bill requires the Montana State Fund to be subject to insurance laws in Title 33. The bill requires that the State Auditor conduct financial examinations of the State Fund and an actuarial review of rates. It also requires the State Fund to transfer funds to the State Auditor to support 2.00 new FTE (an attorney and an insurance examiner) and to pay operating costs for the State Auditor to accomplish functions required by the bill. These appropriations are not included in HB 2 since they are funded by a transfer of appropriation authority between agencies.

SB 234 - This bill reduces fees on insurance premium taxes and annual renewal fees for legal professional liability policies. The fiscal note estimated that general fund revenues would decline by \$85,760 and Healthy Montana Kids state special revenue would decline by \$42,240 over the biennium.

Executive Budget Comparison

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	87.80	80.54	81.04	0.50	80.54	81.04	0.50	0.50
Personal Services	5,565,902	6,443,209	6,197,864	(245,345)	6,442,354	6,199,223	(243,131)	(488,476)
Operating Expenses	1,665,580	1,352,797	2,045,792	692,995	1,198,917	2,132,000	933,083	1,626,078
Equipment & Intangible Assets	47,374	47,374	27,994	(19,380)	47,374	27,994	(19,380)	(38,760)
Benefits & Claims	813,624	5,059,713	5,041,580	(18,133)	0	(18,133)	(18,133)	(36,266)
Total Costs	\$8,092,480	\$12,903,093	\$13,313,230	\$410,137	\$7,688,645	\$8,341,084	\$652,439	\$1,062,576
General Fund	0	4,769,387	4,500,000	(269,387)	0	0	0	(269,387)
State/other Special Rev. Funds	8,092,480	8,133,706	8,813,230	679,524	7,688,645	8,341,084	652,439	1,331,963
Federal Spec. Rev. Funds	0	0	0	0	0	0	0	0
Total Funds	\$8,092,480	\$12,903,093	\$13,313,230	\$410,137	\$7,688,645	\$8,341,084	\$652,439	\$1,062,576

The legislative biennial appropriation for the State Auditor's Office is \$1.1 million and 0.50 FTE higher than the executive request. The legislative appropriation for operating costs is higher than the executive request because the legislature did not accept unspecified reductions in spending from the insurance fee state special revenue account that were included in the executive budget request. The legislature reviewed FY 2015 spending projections and appropriations for the 2017 biennium from the account and concluded that revenues were sufficient to fund operations during the 2017 biennium.

The legislature approved three requests made by the State Auditor that were not included in the executive budget and funded:

1. A 0.50 statistical aide FTE
2. Contracted services for insurance rate review, which is restricted for that use
3. A 1.00 FTE financial examiner

These increases were partially offset by reductions to the executive request for personal services, primarily in not funding executive implementation of the FY 2015 pay plan, and not funding several increases implemented by the State Auditor in FY 2014. In addition, the SAO withdrew its request for a new 1.00 FTE in the Securities Division that had been included in the executive budget.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	19.80	19.80	19.80	19.80	19.80	19.80	0.00	0.00 %
Personal Services	1,328,675	1,446,288	1,491,390	1,490,484	2,774,963	2,981,874	206,911	7.46 %
Operating Expenses	641,858	725,350	678,883	670,994	1,367,208	1,349,877	(17,331)	(1.27)%
Equipment & Intangible Assets	47,374	1,683	21,683	21,683	49,057	43,366	(5,691)	(11.60)%
Total Costs	\$2,017,907	\$2,173,321	\$2,191,956	\$2,183,161	\$4,191,228	\$4,375,117	\$183,889	4.39 %
State/Other Special Rev. Funds	2,017,907	2,173,321	2,191,956	2,183,161	4,191,228	4,375,117	183,889	4.39 %
Total Funds	\$2,017,907	\$2,173,321	\$2,191,956	\$2,183,161	\$4,191,228	\$4,375,117	\$183,889	4.39 %

Program Description

The Central Management Division is responsible for the administrative, personnel, budgeting, and accounting functions for the State Auditor's Office.

Program Highlights

Central Management Division Major Budget Highlights
<ul style="list-style-type: none"> The 2017 biennium appropriation is \$601,936 higher than the 2015 biennium appropriation due to increases for annualization of the 2015 biennium pay plan and other present law adjustments to personal services

Program Narrative

The FY 2016 and FY 2017 legislative appropriations for the Central Management Division are nearly equal to the FY 2015 appropriation. The legislature approved increases in personal services that are partially offset by reductions in operating costs and equipment. Personal services increases are due to:

- Adjusting appropriations for a reorganization, which increased personal services
- Annualizing the cost of health insurance increases implemented in the second half of FY 2015
- Approving various adjustments for statutorily required pay changes and other adjustments implemented by the agency in FY 2014

The most significant operating cost reduction is due to changes in fixed costs approved the legislature, which offset increases for rent.

Funding

The following table shows program funding by source from all sources of authority.

State Auditor's Office, 01-Central Management Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
02235 Insurance Fee Account	3,576,889	0	0	3,576,889	81.76 %	
02283 Securities Fee Account	798,228	0	0	798,228	18.24 %	
02528 Captive Account	0	0	0	0	0.00 %	
State Special Total	\$4,375,117	\$0	\$0	\$4,375,117	100.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$4,375,117	\$0	\$0	\$4,375,117		

The Centralized Management Division is funded entirely from state special revenue. Insurance and securities fees provide the two sources of funding, with insurance fee income supporting 81.8% of total division costs and the balance coming from securities fee income.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	1,748,278	1,748,278	3,496,556	79.92 %
PL Adjustments	0	0	0	0.00 %	443,678	434,883	878,561	20.08 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$2,191,956	\$2,183,161	\$4,375,117	

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 510 - Legislative Audit Fixed Costs (Restricted/Biennial)	0.00	0	8,384	0	8,384	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	0	9,623	0	9,623	0.00	0	9,623	0	9,623
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	0	20,575	0	20,575	0.00	0	20,575	0	20,575
DP 525 - Fixed Cost Adjustment	0.00	0	(41,503)	0	(41,503)	0.00	0	(41,328)	0	(41,328)
DP 527 - Inflation/Deflation Adjustment	0.00	0	(67)	0	(67)	0.00	0	28	0	28
DP 531 - SITSD Rate Adjustment	0.00	0	7,844	0	7,844	0.00	0	7,844	0	7,844
DP 532 - General Liability Insurance Rate Adjustment	0.00	0	(1,389)	0	(1,389)	0.00	0	(1,389)	0	(1,389)
DP 101001 - Building Rent	0.00	0	14,179	0	14,179	0.00	0	14,404	0	14,404
DP 101002 - Equipment - (OTO)	0.00	0	20,000	0	20,000	0.00	0	20,000	0	20,000
DP 101003 - Reorganization	0.00	0	391,128	0	391,128	0.00	0	391,128	0	391,128
DP 101004 - Elected Official Increase	0.00	0	2,453	0	2,453	0.00	0	2,444	0	2,444
DP 101005 - Market Increases for Classified Employees	0.00	0	11,859	0	11,859	0.00	0	11,814	0	11,814
DP 101006 - Longevity and Other Adjustments	0.00	0	(3,308)	0	(3,308)	0.00	0	59	0	59
DP 101007 - Other Personal Services Changes	0.00	0	3,900	0	3,900	0.00	0	(319)	0	(319)
Grand Total All Present Law Adjustments	0.00	\$0	\$443,678	\$0	\$443,678	0.00	\$0	\$434,883	\$0	\$434,883

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

DP 510 - Legislative Audit Fixed Costs (Restricted/Biennial) -

The legislature provided a restricted biennial appropriation for legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 531 - SITSD Rate Adjustment -

The legislature approved an increase for fixed cost rates included in state agency budgets for information technology services provided by the State Information Technology Services Division (SITSD).

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 101001 - Building Rent -

The legislature added funds to lease additional space.

DP 101002 - Equipment - (OTO) -

The legislature added \$20,000 annually for equipment. The appropriation is one-time only.

DP 101003 - Reorganization -

The legislature moved funding among programs in the State Auditor's Office to align ongoing appropriations with program transfers implemented in FY 2014.

DP 101004 - Elected Official Increase -

The legislature added funds to pay the statutorily required increase in elected officials' salaries.

DP 101005 - Market Increases for Classified Employees -

The legislature added funds for market pay adjustments implemented by the State Auditor in FY 2014.

DP 101006 - Longevity and Other Adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers' compensation rates, longevity, retirement, and health benefits.

DP 101007 - Other Personal Services Changes -

The legislature approved other personal services changes related to ongoing costs in the 2017 biennium.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	57.00	57.00	50.40	50.40	57.00	50.40	(6.60)	(11.58)%
Personal Services	3,442,061	3,966,734	3,806,361	3,808,301	7,408,795	7,614,662	205,867	2.78 %
Operating Expenses	880,313	2,368,792	1,202,031	1,305,233	3,249,105	2,507,264	(741,841)	(22.83)%
Equipment & Intangible Assets	0	5,810	5,109	5,109	5,810	10,218	4,408	75.87 %
Benefits & Claims	813,624	10,004,758	5,041,580	(18,133)	10,818,382	5,023,447	(5,794,935)	(53.57)%
Total Costs	\$5,135,998	\$16,346,094	\$10,055,081	\$5,100,510	\$21,482,092	\$15,155,591	(\$6,326,501)	(29.45)%
General Fund	0	6,763,375	4,500,000	0	6,763,375	4,500,000	(2,263,375)	(33.47)%
State/Other Special Rev. Funds	5,135,998	9,582,719	5,555,081	5,100,510	14,718,717	10,655,591	(4,063,126)	(27.61)%
Federal Spec. Rev. Funds	0	0	0	0	0	0	0	0.00 %
Total Funds	\$5,135,998	\$16,346,094	\$10,055,081	\$5,100,510	\$21,482,092	\$15,155,591	(\$6,326,501)	(29.45)%

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 Montana as a captive domicile and regulates captive insurers in the state. The Rates Bureau and the Forms Bureau are responsible for reviewing rate and form filings, respectively, 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 Legal Bureau, which serves both the Insurance and Securities Divisions, provides legal support to the divisions. The Investigations Bureau, which is under the Legal Bureau, investigates code and rule violations, including possible criminal violations, and recommends referral of cases to county attorneys for prosecution. The Insure Montana program, which ends January 1, 2016, administers the Small Business Health Insurance Purchasing Pool and Tax Credit programs.

Program Highlights

Insurance Division Major Budget Highlights
<ul style="list-style-type: none"> • The 2017 biennium appropriation is \$17.9 million lower than the 2015 biennium appropriation • FY 2015 includes a \$10.0 million one-time appropriation and if it is removed, the 2017 biennium appropriation is a net \$3.7 million higher than the 2015 biennium due to: <ul style="list-style-type: none"> ◦ An increase to continue the Insure Montana program for the remainder the first half of FY 2016 - \$4.5 million general fund ◦ Reductions including removing the cost of implementing the 2015 biennium pay plan, and anticipating fewer insurance company compliance reviews in the 2017 biennium • The State Auditor submitted two elected official budget requests that were approved by the legislature: <ul style="list-style-type: none"> ◦ Contracted health insurance rate review - \$300,000 ◦ 0.50 FTE for statistical analysis - \$60,000 • FTE changes netted to a 6.60 reduction as a result of: <ul style="list-style-type: none"> ◦ Funding a new 0.50 statistical aide ◦ Funding a new 1.00 FTE to help administer the captive insurance industry ◦ Removing 5.00 FTE funded from a one-time appropriation that were inadvertently included in the executive budget ◦ Removing 3.10 FTE to comply with legislative intent to align the number of FTE with funding reductions taken for vacancy savings by the 2013 Legislature

Program Narrative

The 2017 biennium legislative appropriation for the Insurance program is \$17.9 million lower than the FY 2015 biennium appropriation. The difference is largely due to appropriations for the Insure Montana program, which funds premium assistance and tax credit programs for small employers that provide health insurance for their employees. Full funding for the program is included in FY 2015, while the legislature approved \$4.5 million general fund to continue the Insure Montana program until December 31, 2015 or one-half of FY 2016.

Personal services funding in the 2017 biennium is higher than the 2015 biennium, while other appropriations are lower. Personal services increases due to:

- Annualizing the cost of health insurance increases implemented in the second half of FY 2015
- Approving various adjustments for statutorily required pay changes and other adjustments implemented by the agency in FY 2014
- Approval to fund 1.50 new FTE including 1.00 FTE to help administer the captive insurance program and a 0.50 statistical aide FTE to assist in insurance rate review

Personal services increases are partially offset by a reduction due to the reorganization that moved appropriation authority to the Central Management Division. 2017 biennium operating costs are lower primarily due to reduced funding for market conduct and financial examination of insurance firms, which fully offsets the \$150,000 annual appropriation for contracted services assistance in insurance rate review.

As noted previously, the Insure Montana program ends in mid FY 2016. In addition, funding for the Montana Comprehensive Health Association (MCHA) will terminate in FY 2017. The MCHA is the state high risk pool that provided health insurance to persons who were unable to obtain insurance in the private market, due primarily to pre existing medical conditions. The Affordable Care Act requires insurers to provide health insurance regardless of a person's health status therefore the state high risk pool was discontinued. The discontinuation of these two programs lowers benefits and claims by \$5.8 million.

Funding

The following table shows program funding by source from all sources of authority.

State Auditor's Office, 03-Insurance Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	4,500,000	0	0	4,500,000	29.69 %	
02235 Insurance Fee Account	10,183,542	0	0	10,183,542	95.57 %	
02283 Securities Fee Account	11,927	0	0	11,927	0.11 %	
02528 Captive Account	53,310	0	0	53,310	0.50 %	
02769 Health Insurance Premium Assistance	0	0	0	0	0.00 %	
02770 Health Insurance Tax Credits	0	0	0	0	0.00 %	
02789 6901-CHIP/MCHA Tobacco Sett Fd	406,812	0	0	406,812	3.82 %	
State Special Total	\$10,655,591	\$0	\$0	\$10,655,591	70.31 %	
03502 Buyer's Guide	0	0	0	0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$15,155,591	\$0	\$0	\$15,155,591		

The Insurance Division is funded with state special revenue. The following sources support these functions:

- Insurance licensure fees, examination fees, and penalties, which fund program functions related to insurance regulation
- Tobacco settlement revenues, which support premium subsidies for the state high risk insurance pool through the Montana Comprehensive Health Association (MCHA), which terminates in FY 2017

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 with expenditures of about \$0.8 million in FY 2014. The statute that allocates tobacco settlement revenue includes both MCHA and Healthy Montana Kids as allowable uses of the funds. The legislature ceased funding for MCHA beginning in FY 2017.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category									
Budget Item	-----General Fund-----				-----Total Funds-----				
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	
2015 Budget	0	0	0	0.00 %	6,375,278	6,375,278	12,750,556	84.13 %	
PL Adjustments	0	0	0	0.00 %	(925,359)	(1,379,729)	(2,305,088)	(15.21)%	
New Proposals	4,500,000	0	4,500,000	100.00 %	4,605,162	104,961	4,710,123	31.08 %	
Total Budget	\$4,500,000	\$0	\$4,500,000		\$10,055,081	\$5,100,510	\$15,155,591		

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments											
	-----Fiscal 2016-----					-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 515 - State Share Health Insurance	0.00	0	26,195	0	26,195	0.00	0	26,195	0	26,195	
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	0	73,250	0	73,250	0.00	0	73,250	0	73,250	
DP 525 - Fixed Cost Adjustment	0.00	0	27,198	0	27,198	0.00	0	26,393	0	26,393	
DP 527 - Inflation/Deflation Adjustment	0.00	0	(33,108)	0	(33,108)	0.00	0	(32,839)	0	(32,839)	
DP 300444 - Statewide 4% FTE Reduction - Program 3	(3.10)	0	0	0	0	(3.10)	0	0	0	0	
DP 303002 - Reorganization	0.00	0	(278,006)	0	(278,006)	0.00	0	(278,006)	0	(278,006)	
DP 303003 - Biennial Financial Exams	0.00	0	(479,946)	0	(479,946)	0.00	0	(500,981)	0	(500,981)	
DP 303004 - Pay Equalization Increases	0.00	0	5,975	0	5,975	0.00	0	5,952	0	5,952	
DP 303005 - Other Market Increases (Staff Below 80%)	0.00	0	53,474	0	53,474	0.00	0	53,270	0	53,270	
DP 303006 - Classified Staff Strategic and Performance Pay	0.00	0	21,108	0	21,108	0.00	0	21,027	0	21,027	
DP 303007 - Longevity and Other Adjustments	0.00	0	1,510	0	1,510	0.00	0	13,770	0	13,770	
DP 303008 - Building Rent	0.00	0	16,616	0	16,616	0.00	0	17,432	0	17,432	
DP 303009 - MCHA Expiration	0.00	0	(536,884)	0	(536,884)	0.00	0	(943,696)	0	(943,696)	
DP 303010 - Rate Review Contract (Restricted)	0.00	0	150,000	0	150,000	0.00	0	150,000	0	150,000	
DP 303011 - Other Personal Services Changes	0.00	0	(1,685)	0	(1,685)	0.00	0	(11,496)	0	(11,496)	
Grand Total All Present Law Adjustments	(3.10)	\$0	(\$954,303)	\$0	(\$954,303)	(3.10)	\$0	(\$1,379,729)	\$0	(\$1,379,729)	

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 300444 - Statewide 4% FTE Reduction - Program 3 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 300444 includes a reduction of 3.10 FTE each year.

DP 303002 - Reorganization -

The legislature moved funding among programs in the State Auditor's Office to align ongoing appropriations with program transfers implemented in FY 2014.

DP 303003 - Biennial Financial Exams -

The legislature lowered appropriations to account for the difference between the FY 2015 appropriation and the State Auditor's request for each year of the 2017 biennium for contracted services for examination of insurance firms.

DP 303004 - Pay Equalization Increases -

The legislature approved funds for pay equalization changes implemented by the State Auditor's Office in FY 2014.

DP 303005 - Other Market Increases (Staff Below 80%) -

The legislature approved funding for pay changes to increase salaries of FTE that were below 80% of the market salary.

DP 303006 - Classified Staff Strategic and Performance Pay -

The legislature added funds to pay for strategic and performance pay implemented by the State Auditor in FY 2014.

DP 303007 - Longevity and Other Adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers' compensation rates, longevity, retirement, and health benefits.

DP 303008 - Building Rent -

The legislature added funds to lease additional office space within the existing building location.

DP 303009 - MCHA Expiration -

The legislature removed funds to account for the expiration of the Montana Comprehensive Health Association, as defined in statute. The MCHA was the high risk pool for the state. Since insurance policies can no longer be denied based on preexisting health conditions, the MCHA was no longer necessary.

DP 303010 - Rate Review Contract (Restricted) -

The legislature added \$150,000 annually for contracted services for insurance rate review. The appropriation is restricted for that use.

DP 303011 - Other Personal Services Changes -

The legislature adopted changes to align present law personal services with the FY 2015 legislative appropriation.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 303001 - Insure Montana OTO	(5.00)	4,500,000	0	0	4,500,000	(5.00)	0	0	0	0
DP 303012 - Captive Insurance FTE	1.00	0	75,135	0	75,135	1.00	0	74,934	0	74,934
DP 303013 - Statistical Aide	0.50	0	30,027	0	30,027	0.50	0	30,027	0	30,027
Total	(3.50)	\$4,500,000	\$105,162	\$0	\$4,605,162	(3.50)	\$0	\$104,961	\$0	\$104,961

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

DP 303001 - Insure Montana OTO -

The legislature added \$4.5 million general fund to continue the Insure Montana program through December 31, 2015, which allows funding to continue through calendar year 2015. Since most health policies held by Insure Montana program participants expire at the end of a calendar year, this funding will provide a full year of support and allow program participants to plan to obtain insurance in other venues. The program was supported from a one-time appropriation in the 2015 biennium.

DP 303012 - Captive Insurance FTE -

The legislature approved permanent funding for an additional 1.00 FTE for the captive insurance program. The FTE was funded from a one-time appropriation in the 2015 biennium.

DP 303013 - Statistical Aide -

The legislature approved a request to fund a 0.50 statistical aide.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	11.00	11.00	10.84	10.84	11.00	10.84	(0.16)	(1.45)%
Personal Services	795,166	832,578	900,113	900,438	1,627,744	1,800,551	172,807	10.62 %
Operating Expenses	143,409	239,256	164,878	155,773	382,665	320,651	(62,014)	(16.21)%
Equipment & Intangible Assets	0	1,202	1,202	1,202	1,202	2,404	1,202	100.00 %
Total Costs	\$938,575	\$1,073,036	\$1,066,193	\$1,057,413	\$2,011,611	\$2,123,606	\$111,995	5.57 %
State/Other Special Rev. Funds	938,575	1,073,036	1,066,193	1,057,413	2,011,611	2,123,606	111,995	5.57 %
Total Funds	\$938,575	\$1,073,036	\$1,066,193	\$1,057,413	\$2,011,611	\$2,123,606	\$111,995	5.57 %

Program Description

The Securities Division is responsible for the administration and enforcement of the Securities Act of Montana and the registration of securities issuers, salespeople, broker-dealers, investment advisers, investment adviser representatives and multi-level marketing companies. The division also is 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

Securities Division Major Budget Highlights
<ul style="list-style-type: none"> • The 2017 biennium appropriation is \$215,551 lower than the 2015 biennium appropriation <ul style="list-style-type: none"> ◦ The 2015 biennium includes one-time appropriations that were not continued in the 2017 biennium • Pay increases funded by the 2013 Legislature in HB 13 and broadband pay adjustments implemented by the State Auditor are the main reason for appropriation growth • The decrease of 0.16 FTE was made to comply with the 4% FTE reduction in response to HB 2 boilerplate language adopted by the 2013 Legislature • Reductions in operations costs of about \$62,000 offset a portion of personal services increases <ul style="list-style-type: none"> ◦ FY 2015 appropriations for security firm examinations exceed the 2017 biennium amount, causing the reduction

Program Narrative

The 2017 biennium legislative appropriation than the 2015 biennium largely due to increases for personal services due to:

- Annualizing the cost of health insurance increases implemented in the second half of FY 2015
- Approving various adjustments for statutorily required pay changes and adjustments implemented by the agency in FY 2014

Adjusting appropriations and FTE levels for a reorganization, which lowered program costs, were more than offset by the other pay adjustments that raised costs.

Operating costs are lower due to anticipated workload reductions for audits of security firms.

Funding

The following table shows program funding by source from all sources of authority.

State Auditor's Office, 04-Securities Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
02091 Security Restitution Fund	32,786	0	26,678	59,464	2.77 %	
02235 Insurance Fee Account	0	0	0	0	0.00 %	
02283 Securities Fee Account	2,090,820	0	0	2,090,820	97.23 %	
State Special Total	\$2,123,606	\$0	\$26,678	\$2,150,284	100.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$2,123,606	\$0	\$26,678	\$2,150,284		

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 year end.

The Securities Division also administers a statutory appropriation for restitution payments to victims of securities fraud. The restitution account receives funds from persons who violated securities statutes, renewal fees for security offerings, and donations. The restitution fund terminates at the end of the 2017 biennium.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	1,186,158	1,186,158	2,372,316	111.71 %
PL Adjustments	0	0	0	0.00 %	(119,965)	(128,745)	(248,710)	(11.71)%
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$1,066,193	\$1,057,413	\$2,123,606	

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 515 - State Share Health Insurance	0.00	0	5,268	0	5,268	0.00	0	5,268	0	5,268
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	0	16,393	0	16,393	0.00	0	16,393	0	16,393
DP 525 - Fixed Cost Adjustment	0.00	0	(16,693)	0	(16,693)	0.00	0	(17,403)	0	(17,403)
DP 527 - Inflation/Deflation Adjustment	0.00	0	(4,200)	0	(4,200)	0.00	0	(4,200)	0	(4,200)
DP 400444 - Statewide 4% FTE Reduction - Program 4	(0.16)	0	0	0	0	(0.16)	0	0	0	0
DP 404002 - Building Rent	0.00	0	13,951	0	13,951	0.00	0	13,951	0	13,951
DP 404003 - Reorganization	0.00	0	(113,122)	0	(113,122)	0.00	0	(113,122)	0	(113,122)
DP 404004 - Exempt Staff Promotions	0.00	0	40,323	0	40,323	0.00	0	40,108	0	40,108
DP 404005 - Classified Staff Strategic and Performance Pay	0.00	0	5,451	0	5,451	0.00	0	5,430	0	5,430
DP 404006 - Longevity and Other Adjustments	0.00	0	1,899	0	1,899	0.00	0	3,214	0	3,214
DP 404007 - Other Personal Services Changes	0.00	0	(1,799)	0	(1,799)	0.00	0	(2,553)	0	(2,553)
DP 404009 - Lower Financial Examination Costs	0.00	0	(73,424)	0	(73,424)	0.00	0	(75,831)	0	(75,831)
Grand Total All Present Law Adjustments	(0.16)	\$0	(\$125,953)	\$0	(\$125,953)	(0.16)	\$0	(\$128,745)	\$0	(\$128,745)

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 400444 - Statewide 4% FTE Reduction - Program 4 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 400444 includes a reduction of 0.16 FTE each year.

DP 404002 - Building Rent -

The legislature added state special revenue each year of the biennium to lease additional office space within the existing building location.

DP 404003 - Reorganization -

The State Auditor realigned duties within the organization in FY 2014 and moved FTE and funding among programs. Appropriation authority and FTE were moved from the Securities Division to the Central Management Division. This change aligns the FY 2015 legislative appropriation to account for that action. There is no net change in total appropriation authority or FTE.

DP 404004 - Exempt Staff Promotions -

The legislature added appropriation authority for exempt staff pay changes implemented by the State Auditor in FY 2014.

DP 404005 - Classified Staff Strategic and Performance Pay -

The legislature added state special revenue to fund strategic and performance pay adjustments for classified staff that were implemented by the State Auditor in FY 2014.

DP 404006 - Longevity and Other Adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers' compensation rates, longevity, retirement, and health benefits.

DP 404007 - Other Personal Services Changes -

The legislature removed appropriation authority to account for the remaining differences between the FY 2015 appropriation and the present law budget request.

DP 404009 - Lower Financial Examination Costs -

The legislature lowered appropriations for contracted services costs for examination of securities firms to account for the difference between the FY 2015 legislative appropriation and the present law budget request for the 2017 biennium.

Agency Budget Comparison

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	670.28	670.28	648.55	648.55	670.28	648.55	(21.73)
Personal Services	38,139,750	40,872,977	41,389,892	41,498,316	79,012,727	82,888,208	3,875,481
Operating Expenses	15,724,956	15,928,539	15,724,206	15,540,358	31,653,495	31,264,564	(388,931)
Equipment & Intangible Assets	467,853	55,604	30,554	30,554	523,457	61,108	(462,349)
Transfers	0	0	0	0	0	0	0
Debt Service	42,562	35,552	31,925	31,925	78,114	63,850	(14,264)
Total Costs	\$54,375,121	\$56,892,672	\$57,176,577	\$57,101,153	\$111,267,793	\$114,277,730	\$3,009,937
General Fund	50,016,486	52,581,114	52,701,177	52,634,852	102,597,600	105,336,029	2,738,429
State/Other Special Rev. Funds	1,120,067	1,078,894	1,016,392	1,017,549	2,198,961	2,033,941	(165,020)
Federal Spec. Rev. Funds	250,054	268,095	273,262	272,262	518,149	545,524	27,375
Proprietary Funds	2,988,514	2,964,569	3,185,746	3,176,490	5,953,083	6,362,236	409,153
Total Funds	\$54,375,121	\$56,892,672	\$57,176,577	\$57,101,153	\$111,267,793	\$114,277,730	\$3,009,937

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 about 40 Montana taxes and fees to achieve equity and integrity in taxation, all done while protecting taxpayer rights and information. In addition the department: 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 Revenue is composed of the following five programs: The Director's Office, Liquor Control Division, Citizen Services and Resource Management, Business and Income Taxes Division, and The Property Assessment Division.

Agency Highlights

Department of Revenue Major Budget Highlights
<p>The Department's budget increased by 2.30% compared to the 2015 appropriated budget. This increase was primarily due to:</p> <ul style="list-style-type: none"> • Increases in personal services driven by present law adjustments • OTO payouts, server replacements, and equipment life cycle • Rent increases in the Property Assessment Division and Citizen Services and Resource Management Division <p>The legislature approved the reorganization of the Information and Technology Division into the Director's Office and Citizen Services and Resource Management Division.</p>

Summary of Legislative Action

The Department of Revenue's budget increased by 2.30% compared to the last biennial appropriation. This increase was primarily driven by increases in personal services costs. The legislature approved the reorganization of the Information Management and Technology into the Director's Office and Citizen Services and Resource Management Division. The legislature approved the addition of three new FTE to replace contracted IT workers in the Director's Office.

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. In addition to personal services increases, the department was also appropriated one-time-only funds for server replacements and operating costs adjustments for server life cycles.

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.

Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	105,336,029	0	265,086,579	370,422,608	66.63 %
State Special Total	2,033,941	0	176,179,000	178,212,941	32.06 %
Federal Special Total	545,524	0	0	545,524	0.10 %
Proprietary Total	6,362,236	368,360	0	6,730,596	1.21 %
Other Total	0	0	0	0	0.00 %
Total All Funds	\$114,277,730	\$368,360	\$441,265,579	\$555,911,669	
Percent - Total All Sources	20.56 %	0.07 %	79.38 %		

The department is primarily funded with general fund in the 2017 biennium. 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:

- Tobacco tax compliance activities under the Tobacco Master Settlement Agreement
- Appraisal, assessment, and taxation processes
- Administration of the unclaimed property program

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 utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	39,222,333	39,222,333	78,444,666	74.47 %	43,266,062	43,266,062	86,532,124	75.72 %
PL Adjustments	13,453,144	13,386,819	26,839,963	25.48 %	13,884,815	13,809,391	27,694,206	24.23 %
New Proposals	25,700	25,700	51,400	0.05 %	25,700	25,700	51,400	0.04 %
Total Budget	\$52,701,177	\$52,634,852	\$105,336,029		\$57,176,577	\$57,101,153	\$114,277,730	

Other Legislation

SB 157 - Revises property tax laws by changing the reappraisal cycle from a six year cycle to a two year cycle for class 3 agricultural land and class 4 residential and commercial property. It increases the class 10 rate from 0.29% to 0.37% and revises Montana’s Property Tax Assistance Program and Montana Disabled Veteran Property Tax Relief Program.

SB 410 - Creates two new tax credits, one for contributions to a new educational improvement special revenue account for distribution to school districts for new programs, and one for making donations to organizations that would give scholarships to students in private schools.

Executive Budget Comparison

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison	Base Budget	Executive Budget	Legislative Budget	Leg — Exec. Difference	Executive Budget	Legislative Budget	Leg — Exec. Difference	Biennium Difference
Budget Item	Fiscal 2014	Fiscal 2016	Fiscal 2016	Fiscal 2016	Fiscal 2017	Fiscal 2017	Fiscal 2017	Fiscal 16-17
FTE	670.28	651.55	648.55	(3.00)	651.55	648.55	(3.00)	(3.00)
Personal Services	38,139,750	42,629,679	41,389,892	(1,239,787)	42,692,281	41,498,316	(1,193,965)	(2,433,752)
Operating Expenses	15,724,956	15,741,122	15,724,206	(16,916)	15,333,838	15,540,358	206,520	189,604
Equipment & Intangible Assets	467,853	467,853	30,554	(437,299)	471,151	30,554	(440,597)	(877,896)
Transfers	0	0	0	0	0	0	0	0
Debt Service	42,562	37,864	31,925	(5,939)	37,864	31,925	(5,939)	(11,878)
Total Costs	\$54,375,121	\$58,876,518	\$57,176,577	(\$1,699,941)	\$58,535,134	\$57,101,153	(\$1,433,981)	(\$3,133,922)
General Fund	50,016,486	54,067,068	52,701,177	(1,365,891)	53,996,524	52,634,852	(1,361,672)	(2,727,563)
State/other Special Rev. Funds	1,120,067	1,252,050	1,016,392	(235,658)	1,042,050	1,017,549	(24,501)	(260,159)
Federal Spec. Rev. Funds	250,054	241,426	273,262	31,836	241,426	272,262	30,836	62,672
Other	2,988,514	3,315,974	3,185,746	(130,228)	3,255,134	3,176,490	(78,644)	(208,872)
Total Funds	\$54,375,121	\$58,876,518	\$57,176,577	(\$1,699,941)	\$58,535,134	\$57,101,153	(\$1,433,981)	(\$3,133,922)

The legislatively approved budget reduces general fund expenditures by \$2.7 million or 2.5% compared to the budget proposed by the executive. Across all funds, the approved budget is \$3.1 million or 2.6% below the executive request of \$117 million.

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 to the department in the amounts not to exceed \$138 million in FY 2016 and \$145 million in FY 2017.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	83.48	83.48	83.75	83.75	83.48	83.75	0.27	0.32 %
Personal Services	6,552,504	6,784,010	7,035,228	7,131,288	13,336,514	14,166,516	830,002	6.22 %
Operating Expenses	7,119,951	6,860,705	7,227,531	7,122,616	13,980,656	14,350,147	369,491	2.64 %
Equipment & Intangible Assets	277,639	25,050	0	0	302,689	0	(302,689)	(100.00)%
Total Costs	\$13,950,094	\$13,669,765	\$14,262,759	\$14,253,904	\$27,619,859	\$28,516,663	\$896,804	3.25 %
General Fund	13,451,734	13,185,675	13,775,345	13,767,115	26,637,409	27,542,460	905,051	3.40 %
State/Other Special Rev. Funds	112,614	114,097	117,111	117,111	226,711	234,222	7,511	3.31 %
Federal Spec. Rev. Funds	1,000	0	1,000	0	1,000	1,000	0	0.00 %
Proprietary Funds	384,746	369,993	369,303	369,678	754,739	738,981	(15,758)	(2.09)%
Total Funds	\$13,950,094	\$13,669,765	\$14,262,759	\$14,253,904	\$27,619,859	\$28,516,663	\$896,804	3.25 %

Program Description

The Director's Office is responsible for overall 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 five primary sections that provide services across the department to the four primary operating divisions.

The Executive Office is responsible for the general guidance and management of the agency on a department wide basis. The Executive Office assists the director with administrative functions and communication to the public, other agencies and elected officials and includes the Office of Taxpayer Assistance. In addition, Fiscal Administration, Public Information, Human Resources, and Enterprise Planning & Analysis functions reside here.

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. The legal office also oversees the Office of Dispute Resolution that reviews, facilitates, and resolves taxpayer disputes internally through a variety of means including hearings and mediation.

The Security Office provides security and disclosure guidance to the department staff and citizens served by the department. The Security Office is responsible for ensuring compliance with confidentiality requirements including Internal Revenue Service (IRS) security requirements and federal/state information exchanges and ensuring the department appropriately safeguards the integrity of confidential taxpayer information in all forms.

Tax Policy and Research provides accurate and timely information for the Governor, the Legislature, and Montana citizens including the compilation of basic tax data and the publication of the statutory Biennial Report.

The Information Technology Office is responsible to provide effective and efficient IT hardware and software to all department staff so that they can complete the work of tax administration. IT systems are the critical background in the administration of all tax types in Montana.

Program Highlights

Director's Office Major Budget Highlights
<ul style="list-style-type: none"> • Personal services increased due to statewide present law adjustments. • Operating expenses increased due to a transfer of equipment and intangible assets authority to the operating budget. • The Director's Office replaced contracted IT workers with three new FTE. • The legislature approved the reorganization of the Information and Technology Division into the Director's Office and Citizen Services and Resource Management Division.

Funding

The following table shows program funding by source from all sources of authority.

Department of Revenue, 01-Director's Office Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	27,542,460	0	265,086,579	292,629,039	99.67 %
02088 SSR ADMINISTRATIVE FUNDS	0	0	0	0	0.00 %
02790 6901-Statewide Tobacco Sttlmnt	234,222	0	0	234,222	100.00 %
State Special Total	\$234,222	\$0	\$0	\$234,222	0.08 %
03928 Royalty Audit - NRCT	1,000	0	0	1,000	100.00 %
Federal Special Total	\$1,000	\$0	\$0	\$1,000	0.00 %
06005 Liquor Division	738,981	0	0	738,981	100.00 %
Proprietary Total	\$738,981	\$0	\$0	\$738,981	0.25 %
Total All Funds	\$28,516,663	\$0	\$265,086,579	\$293,603,242	

Funding for the Director's Office HB 2 budget 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 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.

Total funding for the Directors Office also includes two general fund statutory appropriations. The largest of the statutory appropriations is a pass-through general fund appropriation for the state entitlement shares, as provided in 15-1-121, MCA. This distribution resulted from HB 124 in the 2001 Legislative Session, which reallocated revenue received by local governments, school districts, and some state special revenue accounts to the general fund and replaced foregone revenue with permanent state entitlement grants to counties and cities. A second general fund statutory appropriation included in the Directors Office is a direct use by the department for out of state travel costs for the purpose of tax audits and is provided for in 15-1-218, MCA.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	5,590,362	5,590,362	11,180,724	40.59 %	5,823,010	5,823,010	11,646,020	40.84 %
PL Adjustments	8,184,983	8,176,753	16,361,736	59.41 %	8,439,749	8,430,894	16,870,643	59.16 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$13,775,345	\$13,767,115	\$27,542,460		\$14,262,759	\$14,253,904	\$28,516,663	

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia	0.00	173,663	0	1,000	174,663	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	39,245	0	0	39,245	0.00	39,245	0	0	39,245
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	127,270	3,014	0	131,091	0.00	127,270	3,014	0	131,091
DP 525 - Fixed Cost Adjustments	0.00	(115,307)	0	0	(115,307)	0.00	(33,159)	0	0	(33,159)
DP 527 - Inflation/Deflation Adjustments	0.00	(7,073)	0	0	(7,073)	0.00	(7,031)	0	0	(7,031)
DP 531 - SITSD Rate Adjustment	0.00	60,133	0	0	53,395	0.00	60,236	0	0	53,486
DP 532 - General Liability Insurance Rate Adjustment	0.00	(1,655)	0	0	(1,655)	0.00	(1,655)	0	0	(1,655)
DP 550 - Motor Pool Rate Adjustment	0.00	(592)	0	0	(592)	0.00	(600)	0	0	(600)
DP 100103 - Fiscal Note Overtime (OTO/RST)	0.00	0	0	0	0	0.00	70,000	0	0	70,000
DP 100106 - Longevity and Other Adjustments	0.00	(68,178)	0	0	(68,178)	0.00	(50,087)	0	0	(50,087)
DP 100107 - Operating Cost Adjustments	0.00	(157,718)	0	0	98,965	0.00	(158,105)	0	0	98,965
DP 100108 - Reorganization-Personal Services	0.00	2,558,705	0	0	2,558,705	0.00	2,558,705	0	0	2,558,705
DP 100109 - Reorganization-Operating Expenses	0.00	5,218,050	0	0	5,218,050	0.00	5,218,050	0	0	5,218,050
DP 100110 - Server Replacements (OTO/RST)	0.00	376,855	0	0	376,855	0.00	376,855	0	0	376,855
DP 100111 - IT FTE	3.00	(18,415)	0	0	(18,415)	3.00	(22,971)	0	0	(22,971)
DP 100444 - Statewide 4% FTE Reduction-Program 1	(2.73)	0	0	0	0	(2.73)	0	0	0	0
Grand Total All Present Law Adjustments	0.27	\$8,184,983	\$3,014	\$1,000	\$8,439,749	0.27	\$8,176,753	\$3,014	\$0	\$8,430,894

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

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for legislative audit. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustments -

The legislature adopted fixed cost adjustments.

DP 527 - Inflation/Deflation Adjustments -

The legislature adopted inflation/deflation adjustments.

DP 531 - SITSD Rate Adjustment -

The legislature approved an increase for fixed cost rates included in state agency budgets for information technology services provided by the State Information Technology Services Division (SITSD).

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 100103 - Fiscal Note Overtime (OTO/RST) -

The legislature approved \$70,000 in general fund in the 2017 biennium to cover necessary overtime expenditures in the Tax Policy and Research Office created by the staff time for fiscal note preparation in the 2017 Legislative Session.

DP 100106 - Longevity and Other Adjustments -

The legislature adopted personal services adjustments for longevity, retirement, unemployment insurance, and workers compensation.

DP 100107 - Operating Cost Adjustments -

The legislature adopted all other operating cost adjustments.

DP 100108 - Reorganization-Personal Services -

The legislature adopted the personal services and operating reorganization of the Information Management and Technology Division into the Director's Office and Citizen Services and Resource Management Division.

DP 100109 - Reorganization-Operating Expenses -

The legislature adopted the personal services and operating reorganization of the Information Management and Technology Division into the Director's Office and Citizen Services and Resource Management Division.

DP 100110 - Server Replacements (OTO/RST) -

The legislature adopted restricted one-time-only server replacements for the Director's Office.

DP 100111 - IT FTE -

The legislature replaced contracted IT workers with 3 new FTE in the Director's Office.

DP 100444 - Statewide 4% FTE Reduction-Program 1 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 300444 includes a reduction of 2.73 FTE each year.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	31.75	31.75	30.75	30.75	31.75	30.75	(1.00)	(3.15)%
Personal Services	1,917,061	1,962,006	2,120,656	2,116,786	3,879,067	4,237,442	358,375	9.24 %
Operating Expenses	423,346	532,114	594,628	587,544	955,460	1,182,172	226,712	23.73 %
Equipment & Intangible Assets	190,214	30,554	30,554	30,554	220,768	61,108	(159,660)	(72.32)%
Transfers	0	0	0	0	0	0	0	0.00 %
Debt Service	36,177	31,925	31,925	31,925	68,102	63,850	(4,252)	(6.24)%
Total Costs	\$2,566,798	\$2,556,599	\$2,777,763	\$2,766,809	\$5,123,397	\$5,544,572	\$421,175	8.22 %
General Fund	0	0	0	0	0	0	0	0.00 %
Proprietary Funds	2,566,798	2,556,599	2,777,763	2,766,809	5,123,397	5,544,572	421,175	8.22 %
Total Funds	\$2,566,798	\$2,556,599	\$2,777,763	\$2,766,809	\$5,123,397	\$5,544,572	\$421,175	8.22 %

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

Liquor Control Division Major Budget Highlights
<ul style="list-style-type: none"> • The 2017 Liquor Control Division budget would increase from the 2015 biennium budget primarily due to an increase in the following: <ul style="list-style-type: none"> ◦ Personal services increased due to statewide present law adjustments ◦ Increases in operating expenses were partially offset by decreases in the equipment and intangible assets budget. ◦ The legislature approved one-time only, restricted, biennial proprietary funds for overtime and termination payouts of \$210,000 over the biennium.

Funding

The following table shows program funding by source from all sources of authority.

Department of Revenue, 03-Liquor Control Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
06005 General Fund	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
06005 Liquor Division	5,544,572	0	0	5,544,572	100.00 %	
Proprietary Total	\$5,544,572	\$0	\$0	\$5,544,572	100.00 %	
Total All Funds	\$5,544,572	\$0	\$0	\$5,544,572		

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 utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	2,556,599	2,556,599	5,113,198	92.22 %
PL Adjustments	0	0	0	0.00 %	221,164	210,210	431,374	7.78 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$2,777,763	\$2,766,809	\$5,544,572	

Present Law Adjustments

The “Present Law Adjustments” table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
-----Fiscal 2016-----						-----Fiscal 2017-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 515 - State Share Health Insurance										
0.00	0	0	0	14,945	0.00	0	0	0	14,945	
DP 520 - Fully Fund 2015 Legislatively Authorized FTE										
0.00	0	0	0	36,159	0.00	0	0	0	36,159	
DP 525 - Fixed Cost Adjustments										
0.00	0	0	0	7,366	0.00	0	0	0	(4,842)	
DP 527 - Inflation/Deflation Adjustments										
0.00	0	0	0	3,693	0.00	0	0	0	8,819	
DP 532 - General Liability Insurance Rate Adjustment										
0.00	0	0	0	1,356	0.00	0	0	0	1,356	
DP 550 - Motor Pool Rate Adjustment										
0.00	0	0	0	(202)	0.00	0	0	0	(204)	
DP 300304 - Longevity and Other Adjustments										
0.00	0	0	0	4,672	0.00	0	0	0	18,710	
DP 300305 - Operating Cost Adjustments/Equipment Life Cycle (OTO)										
0.00	0	0	0	50,301	0.00	0	0	0	50,301	
DP 300306 - Other PS Services Adjustments										
0.00	0	0	0	(2,126)	0.00	0	0	0	(20,034)	
DP 300307 - Overtime (OTO/RST/Biennial)										
0.00	0	0	0	75,000	0.00	0	0	0	75,000	
DP 300308 - Termination Payouts (OTO/RST/Biennial)										
0.00	0	0	0	30,000	0.00	0	0	0	30,000	
DP 300444 - Statewide 4% FTE Reduction-Program 3										
(1.00)	0	0	0	0	(1.00)	0	0	0	0	
Grand Total All Present Law Adjustments										
(1.00)	\$0	\$0	\$0	\$221,164	(1.00)	\$0	\$0	\$0	\$210,210	

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustments -

The legislature adopted fixed cost adjustments.

DP 527 - Inflation/Deflation Adjustments -

The legislature adopted inflation/deflation adjustments.

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 300304 - Longevity and Other Adjustments -

The legislature adopted personal services adjustments for longevity, retirement, unemployment insurance, and workers compensation.

DP 300305 - Operating Cost Adjustments/Equipment Life Cycle (OTO) -

The legislature adopted all other operating cost adjustments and equipment life cycle funding.

DP 300306 - Other PS Services Adjustments -

The legislature adopted the remaining personal services adjustments in the Liquor Control Division.

DP 300307 - Overtime (OTO/RST/Biennial) -

The legislature adopted \$150,000 in proprietary funds to meet the required statutory service levels for liquor.

DP 300308 - Termination Payouts (OTO/RST/Biennial) -

The legislature adopted additional funding of \$60,000 in proprietary funds for the 2017 biennium for accrued leave termination payouts. This request had been made and approved by several previous legislatures; however, due to budgetary rules, it must be requested each legislative session. The liquor enterprise fund accrues leave balances at the end of each fiscal year in the proprietary fund. This additional spending authority may only be used to pay the required payout of accrued leave balances upon a termination.

DP 300444 - Statewide 4% FTE Reduction-Program 3 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 300444 includes a reduction of 1.00 FTE each year.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	110.25	110.25	107.25	107.25	110.25	107.25	(3.00)	(2.72)%
Personal Services	5,227,727	5,744,295	5,911,894	5,936,958	10,972,022	11,848,852	876,830	7.99 %
Operating Expenses	2,914,787	2,926,162	2,902,885	2,874,648	5,840,949	5,777,533	(63,416)	(1.09)%
Total Costs	\$8,142,514	\$8,670,457	\$8,814,779	\$8,811,606	\$16,812,971	\$17,626,385	\$813,414	4.84 %
General Fund	7,797,661	8,360,565	8,567,655	8,563,184	16,158,226	17,130,839	972,613	6.02 %
State/Other Special Rev. Funds	307,883	271,915	208,444	208,419	579,798	416,863	(162,935)	(28.10)%
Proprietary Funds	36,970	37,977	38,680	40,003	74,947	78,683	3,736	4.98 %
Total Funds	\$8,142,514	\$8,670,457	\$8,814,779	\$8,811,606	\$16,812,971	\$17,626,385	\$813,414	4.84 %

Program Description

The Citizen Services and Resource Management Division (CSRM) focuses on providing services to citizens, including the advancement of free electronic filing, and support services to the other divisions of the department. CSRM includes the Financial and Asset Management Bureau, the Citizen Services Bureau, the Collections Bureau, and the Information Management Bureau. 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 eStop 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 Collections Bureau establishes payment plans or initiates forced collections using legal actions to resolve delinquent tax liabilities and provides 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. The Information Management Bureau ensures secure handling and processing of taxpayer information, payments, and data in electronic or paper form. The bureau is organized into four units including Account Maintenance and Cashiering, Information Capture, Electronic Services (E-Services), and Mail and Imaging.

Program Highlights

Citizen Services & Resource Management Program Major Budget Highlights
<ul style="list-style-type: none"> • The budget increase in the Citizen Services and Resource Management Program was driven entirely by increases in personal services due to present law adjustments. • The legislature approved the reorganization of the Information and Technology Division into the Director's Office and Citizen Services and Resource Management Division.

Funding

The following table shows program funding by source from all sources of authority.

Department of Revenue, 05-Citizen Services & Resource Management Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	17,130,839	0	0	17,130,839	8.82 %
02008 Tobacco And Cig. Tribal Agree.	0	0	5,702,768	5,702,768	3.23 %
02025 Unclaimed Property	323,915	0	0	323,915	0.18 %
02083 Oil & Gas Local Assistance	0	0	6,802,000	6,802,000	3.85 %
02088 SSR ADMINISTRATIVE FUNDS	92,948	0	0	92,948	0.05 %
02168 MT Oil Production Tax	0	0	153,790,000	153,790,000	87.09 %
02169 Bentonite Production Tax	0	0	4,800,000	4,800,000	2.72 %
02511 Oil Gas and Coal Natural Res	0	0	4,204,000	4,204,000	2.38 %
02966 Tribal Agreement - Alcohol	0	0	880,232	880,232	0.50 %
State Special Total	\$416,863	\$0	\$176,179,000	\$176,595,863	90.95 %
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %
06005 Liquor Division	78,683	0	0	78,683	17.60 %
06554 CSC Collection Services	0	368,360	0	368,360	82.40 %
Proprietary Total	\$78,683	\$368,360	\$0	\$447,043	0.23 %
Total All Funds	\$17,626,385	\$368,360	\$176,179,000	\$194,173,745	

The Citizens Services and Resource Management Division is funded primarily by the general fund. State special revenue funds the division’s administration of livestock per capita fee, and for support of the unclaimed property program. 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 that follows the HB 2 discussion.

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 utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	3,584,757	3,584,757	7,169,514	41.85 %	3,845,828	3,845,828	7,691,656	43.64 %
PL Adjustments	4,982,898	4,978,427	9,961,325	58.15 %	4,968,951	4,965,778	9,934,729	56.36 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$8,567,655	\$8,563,184	\$17,130,839		\$8,814,779	\$8,811,606	\$17,626,385	

Present Law Adjustments

The “Present Law Adjustments” table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
-----Fiscal 2016-----					-----Fiscal 2017-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 515 - State Share Health Insurance										
0.00	52,124	0	0	52,124	0.00	52,124	0	0	52,124	
DP 520 - Fully Fund 2015 Legislatively Authorized FTE										
0.00	108,110	0	0	109,692	0.00	108,110	0	0	109,692	
DP 525 - Fixed Cost Adjustments										
0.00	26,307	0	0	26,307	0.00	(17,417)	0	0	(17,417)	
DP 527 - Inflation/Deflation Adjustments										
0.00	(331)	0	0	(331)	0.00	(343)	0	0	(343)	
DP 532 - General Liability Insurance Rate Adjustment										
0.00	(2,114)	0	0	(2,114)	0.00	(2,114)	0	0	(2,114)	
DP 550 - Motor Pool Rate Adjustment										
0.00	(28)	0	0	(28)	0.00	(28)	0	0	(28)	
DP 500444 - Statewide 4% FTE Reduction- Program 5										
(3.00)	0	0	0	0	(3.00)	0	0	0	0	
DP 500504 - Reduce Hail Insurance Authority										
0.00	0	(42,381)	0	(42,381)	0.00	0	(42,381)	0	(42,381)	
DP 500505 - Longevity and Other Adjustments										
0.00	5,783	0	0	5,783	0.00	30,847	0	0	30,847	
DP 500506 - Operating Cost Adjustments										
0.00	(60,308)	27,731	0	(33,456)	0.00	(60,281)	27,706	0	(32,131)	
DP 500507 - Reorganization-Personal Services										
0.00	2,684,310	0	0	2,684,310	0.00	2,684,310	0	0	2,684,310	
DP 500508 - Reorganization-Operating Expenses										
0.00	2,140,318	0	0	2,140,318	0.00	2,140,318	0	0	2,140,318	
DP 500509 - CSRM Rent										
0.00	28,727	0	0	28,727	0.00	42,901	0	0	42,901	
Grand Total All Present Law Adjustments										
(3.00)	\$4,982,898	(\$14,650)	\$0	\$4,968,951	(3.00)	\$4,978,427	(\$14,675)	\$0	\$4,965,778	

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustments -

The legislature adopted fixed cost adjustments.

DP 527 - Inflation/Deflation Adjustments -

The legislature adopted inflation/deflation adjustments.

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 500444 - Statewide 4% FTE Reduction- Program 5 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 500444 includes a reduction of 3.00 FTE each year.

DP 500504 - Reduce Hail Insurance Authority -

The legislature adopted the reduction of authority used to administer the hail insurance program that was transferred to the Department of Agriculture in SB 162 during the 2013 Legislative Session.

DP 500505 - Longevity and Other Adjustments -

The legislature adopted personal services adjustments for longevity, retirement, unemployment insurance, and workers compensation.

DP 500506 - Operating Cost Adjustments -

The legislature adopted all other operating cost adjustments.

DP 500507 - Reorganization-Personal Services -

The legislature adopted the personal services and operating reorganization of the Information Management and Technology Division into the Director's Office and Citizen Services and Resource Management Division.

DP 500508 - Reorganization-Operating Expenses -

The legislature adopted the personal services and operating reorganization of the Information Management and Technology Division into the Director's Office and Citizen Services and Resource Management Division.

DP 500509 - CSRM Rent -

The legislature approved \$28,727 in FY 2016 and \$42,901 in FY 2017 to cover the costs of increases in lease agreements for the Donovan Building.

Other Issues*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, which includes 3.50 FTE, to administer its statutory responsibilities under Title 17, chapter 4, MCA. These responsibilities include providing collection services for the purpose of centralizing debt collection for the State of Montana.

Proprietary Revenue and Expenses

The department is currently authorized to charge a commission rate up to 5% for its collection services excluding the collection of overpaid child support payments made to custodial parents and collection of delinquent child support payments from noncustodial parents. The commissions collected are used to pay the expenses of the Collection Services Program.

Approximately 83% of the expenditures are paid in salaries and benefits with the remaining expenditures representing operating expenses of the program.

Administration of this program requires a minimum of a 9-month working capital balance due to the timing of program collections through offset of other state monies, as the program collects the largest amount of revenues on delinquent accounts during the income tax season and the hunting permitting season.

Proprietary Rate Explanation

The legislature approved a maximum commission rate of 5% continue into the 2017 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.

For the 2017 biennium the following rates were adopted by the legislature. The rates charged in the base year are shown for comparison purposes.

CSRM Collection Services - 06554								
	Actual FY2014	Budgeted FY2015	Budgeted FY2016	Budgeted FY2017	2015 Bien	2017 Bien	Biennial Change	% Change
Operating Revenues:								
Fee revenue								
Charges for Services (non-DOR)	\$150,878	\$198,487	\$199,955	\$200,025	\$349,365	\$399,980	\$50,615	\$0
Charges for Services (DOR)	<u>50,214</u>	<u>2,605</u>	<u>1,137</u>	<u>1,067</u>	<u>52,819</u>	<u>2,204</u>	<u>(50,615)</u>	-95.8%
Total Fee/Operating Revenue	201,092	201,092	201,092	201,092	402,184	402,184	0	0.0%
Operating Expenses:								
Personal Services	142,826	160,000	160,000	160,000	302,826	320,000	17,174	5.7%
Other Post Employment Expense	11,118	11,118	11,118	11,118	22,236	22,236	0	0.0%
Other Operating Expenses	<u>22,041</u>	<u>22,041</u>	<u>22,041</u>	<u>22,041</u>	<u>44,082</u>	<u>44,082</u>	<u>0</u>	<u>0.0%</u>
Total Operating Expenses	\$175,985	\$193,159	\$193,159	\$193,159	\$369,144	\$386,318	\$17,174	4.7%
Operating Income (Loss)	\$25,107	\$7,933	\$7,933	\$7,933	\$33,040	\$15,866	(\$17,174)	

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.

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Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	138.45	138.45	133.45	133.45	138.45	133.45	(5.00)	(3.61)%
Personal Services	8,655,954	8,807,655	9,048,138	9,073,202	17,463,609	18,121,340	657,731	3.77 %
Operating Expenses	1,508,704	1,472,324	1,401,373	1,487,319	2,981,028	2,888,692	(92,336)	(3.10)%
Equipment & Intangible Assets	0	0	0	0	0	0	0	0.00 %
Total Costs	\$10,164,658	\$10,279,979	\$10,449,511	\$10,560,521	\$20,444,637	\$21,010,032	\$565,395	2.77 %
General Fund	9,254,776	9,339,739	9,499,531	9,610,541	18,594,515	19,110,072	515,557	2.77 %
State/Other Special Rev. Funds	660,828	672,145	677,718	677,718	1,332,973	1,355,436	22,463	1.69 %
Federal Spec. Rev. Funds	249,054	268,095	272,262	272,262	517,149	544,524	27,375	5.29 %
Proprietary Funds	0	0	0	0	0	0	0	0.00 %
Total Funds	\$10,164,658	\$10,279,979	\$10,449,511	\$10,560,521	\$20,444,637	\$21,010,032	\$565,395	2.77 %

Program Description

The Business and Income Taxes Division is responsible for the administration of and collection of over \$1.5 billion annually for 38 Montana taxes and fees including but not limited to corporation license, natural resource, withholding, individual income, lodging facilities, cigarette and tobacco products, contractor’s gross receipts, and telecommunications taxes. The division also values all industrial and centrally assessed property in the state which generates \$250 million in state and local revenue annually. Some of the duties associated with administration include: tax type expertise, taxpayer education, auditing, identification of non-filers, delinquent account collection, and overall tax compliance. The Accounts Receivable and Collections Bureau, the Business Tax and Valuation Bureau, and the Income and Withholding Tax Bureau handle these functions for the department.

Program Highlights

Business and Income Taxes Division Major Budget Highlights
<ul style="list-style-type: none"> • The increased budget in the Business and Income Taxes Division was due to increases in: <ul style="list-style-type: none"> ◦ Personal services present law adjustments ◦ Fixed costs

Funding

The following table shows program funding by source from all sources of authority.

Department of Revenue, 07-Business and Income Taxes Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	19,110,072	0	0	19,110,072	90.96 %	
02025 Unclaimed Property	650,622	0	0	650,622	48.00 %	
02110 Accommodation Tax Admin	295,642	0	0	295,642	21.81 %	
02260 Cigarette Tax Revenue	0	0	0	0	0.00 %	
02293 Film Production Credit	0	0	0	0	0.00 %	
02790 6901-Statewide Tobacco Sttlmnt	409,172	0	0	409,172	30.19 %	
02259 Cigarette Tax Administration	0	0	0	0	0.00 %	
State Special Total	\$1,355,436	\$0	\$0	\$1,355,436	6.45 %	
03928 Royalty Audit - NRCT	544,524	0	0	544,524	100.00 %	
Federal Special Total	\$544,524	\$0	\$0	\$544,524	2.59 %	
06005 Liquor Division	0	0	0	0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$21,010,032	\$0	\$0	\$21,010,032		

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 supports tobacco tax compliance activities. Other state special revenue includes the accommodations tax, funds expenses for administering the tax, and cigarette tax administration. Federal special revenue comes from reimbursements for performing mineral royalty audits.

Additionally, the Business and Income Taxes Division administers a statutory appropriation for the administrative costs of the film production credit. In the 2017 biennium, the statutory appropriation is estimated to provide \$11,000 toward the administrative costs.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	9,339,739	9,339,739	18,679,478	97.75 %	10,279,979	10,279,979	20,559,958	97.86 %
PL Adjustments	134,092	245,102	379,194	1.98 %	143,832	254,842	398,674	1.90 %
New Proposals	25,700	25,700	51,400	0.27 %	25,700	25,700	51,400	0.24 %
Total Budget	\$9,499,531	\$9,610,541	\$19,110,072		\$10,449,511	\$10,560,521	\$21,010,032	

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 515 - State Share Health Insurance	0.00	64,857	0	0	64,857	0.00	64,857	0	0	64,857
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	160,103	5,573	0	169,843	0.00	160,103	5,573	0	169,843
DP 525 - Fixed Cost Adjustments	0.00	(56,219)	0	0	(56,219)	0.00	29,599	0	0	29,599
DP 527 - Inflation/Deflation Adjustments	0.00	(34,907)	0	0	(34,907)	0.00	(34,739)	0	0	(34,739)
DP 532 - General Liability Insurance Rate Adjustment	0.00	(2,606)	0	0	(2,606)	0.00	(2,606)	0	0	(2,606)
DP 550 - Motor Pool Rate Adjustment	0.00	(2,919)	0	0	(2,919)	0.00	(2,959)	0	0	(2,959)
DP 700444 - Statewide 4% Reduction-Program 7	(5.00)	0	0	0	0	(5.00)	0	0	0	0
DP 700703 - Longevity and Other Adjustments	0.00	5,783	0	0	5,783	0.00	30,847	0	0	30,847
DP 700704 - Remove proprietary authority	0.00	0	0	4,167	0	0.00	0	0	4,167	0
Grand Total All Present Law Adjustments	(5.00)	\$134,092	\$5,573	\$4,167	\$143,832	(5.00)	\$245,102	\$5,573	\$4,167	\$254,842

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustments -

The legislature adopted fixed cost adjustments.

DP 527 - Inflation/Deflation Adjustments -

The legislature adopted inflation/deflation adjustments.

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 700444 - Statewide 4% Reduction-Program 7 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 700444 includes a reduction of 5.00 FTE each year.

DP 700703 - Longevity and Other Adjustments -

The legislature adopted personal services adjustments for longevity, retirement, unemployment insurance, and workers compensation.

DP 700704 - Remove proprietary authority -

This replaced proprietary authority with federal special authority as this program did not have the authority to spend proprietary funds.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 700701 - Funding for Cigarette Tax Stamps - Biennial	0.00	25,700	0	0	25,700	0.00	25,700	0	0	25,700
Total	0.00	\$25,700	\$0	\$0	\$25,700	0.00	\$25,700	\$0	\$0	\$25,700

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

DP 700701 - Funding for Cigarette Tax Stamps - Biennial -

The legislature adopted a \$51,400 biennial appropriation for the purchase of cigarette stamps. Montana law requires all cigarettes sold in the state to be taxed. Like all states, Montana enforces this taxation through affixing a tax stamp to each pack of cigarettes sold. The tax stamp informs customers, retailers, and the department that the appropriate amount of tax was collected on the cigarettes sold.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	306.35	306.35	293.35	293.35	306.35	293.35	(13.00)	(4.24)%
Personal Services	15,786,504	17,575,011	17,273,976	17,240,082	33,361,515	34,514,058	1,152,543	3.45%
Operating Expenses	3,758,168	4,137,234	3,597,789	3,468,231	7,895,402	7,066,020	(829,382)	(10.50)%
Debt Service	6,385	3,627	0	0	10,012	0	(10,012)	(100.00)%
Total Costs	\$19,551,057	\$21,715,872	\$20,871,765	\$20,708,313	\$41,266,929	\$41,580,078	\$313,149	0.76%
General Fund	19,512,315	21,695,135	20,858,646	20,694,012	41,207,450	41,552,658	345,208	0.84%
State/Other Special Rev. Funds	38,742	20,737	13,119	14,301	59,479	27,420	(32,059)	(53.90)%
Total Funds	\$19,551,057	\$21,715,872	\$20,871,765	\$20,708,313	\$41,266,929	\$41,580,078	\$313,149	0.76%

Program Description

The Property Assessment Division administers the state’s real and personal property tax laws while emphasizing customer service. 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

Property Assessment Division Major Budget Highlights
<ul style="list-style-type: none"> • Personal services increased due to statewide present law adjustments • Operating expenses decreased due to fixed costs and a reduction in hail insurance authority

Funding

The following table shows program funding by source from all sources of authority.

Department of Revenue, 08-Property Assessment Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	41,552,658	0	0	41,552,658	99.93 %	
02088 SSR ADMINISTRATIVE FUNDS	27,420	0	0	27,420	100.00 %	
02320 Property Value. Improv. Fund	0	0	0	0	0.00 %	
State Special Total	\$27,420	\$0	\$0	\$27,420	0.07 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$41,580,078	\$0	\$0	\$41,580,078		

Funding for the Property Assessment Division is almost entirely from the general fund. State special revenue is for the administration of the livestock per capita fee.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	20,707,475	20,707,475	41,414,950	99.67 %	20,760,646	20,760,646	41,521,292	99.86 %
PL Adjustments	151,171	(13,463)	137,708	0.33 %	111,119	(52,333)	58,786	0.14 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$20,858,646	\$20,694,012	\$41,552,658		\$20,871,765	\$20,708,313	\$41,580,078	

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
-----Fiscal 2016-----						-----Fiscal 2017-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 515 - State Share Health Insurance	0.00	142,568	0	0	142,568	0.00	142,568	0	0	142,568
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	325,483	0	0	325,483	0.00	325,483	0	0	325,483
DP 525 - Fixed Cost Adjustments	0.00	79,478	0	0	79,478	0.00	(51,397)	0	0	(51,397)
DP 527 - Inflation/Deflation Adjustments	0.00	(355,300)	0	0	(355,300)	0.00	(353,541)	0	0	(353,541)
DP 532 - General Liability Insurance Rate Adjustment	0.00	(5,728)	0	0	(5,728)	0.00	(5,728)	0	0	(5,728)
DP 550 - Motor Pool Rate Adjustment	0.00	(29,687)	0	0	(29,687)	0.00	(30,129)	0	0	(30,129)
DP 570 - Other Personal Services Adjustments	0.00	(26,781)	(22,046)	0	(48,827)	0.00	(113,401)	(20,864)	0	(134,265)
DP 800444 - Statewide 4% FTE Reduction-Program 8	(13.00)	0	0	0	0	(13.00)	0	0	0	0
DP 800802 - Longevity and Other Adjustments	0.00	(38,537)	0	0	(38,537)	0.00	13,007	0	0	13,007
DP 800803 - Reduce Hail Insurance Authority	0.00	0	(18,006)	0	(18,006)	0.00	0	(18,006)	0	(18,006)
DP 800804 - Property Assessment Rent	0.00	59,675	0	0	59,675	0.00	59,675	0	0	59,675
Grand Total All Present Law Adjustments	(13.00)	\$151,171	(\$40,052)	\$0	\$111,119	(13.00)	(\$13,463)	(\$38,870)	\$0	(\$52,333)

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustments -

The legislature adopted fixed cost adjustments.

DP 527 - Inflation/Deflation Adjustments -

The legislature adopted inflation/deflation adjustments.

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 570 - Other Personal Services Adjustments -

The legislature adopted all other personal services adjustments in the property assessment division.

DP 800444 - Statewide 4% FTE Reduction-Program 8 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 800444 includes a reduction of 13.00 FTE each year.

DP 800802 - Longevity and Other Adjustments -

The legislature adopted personal services adjustments for longevity, retirement, unemployment insurance, and workers compensation.

DP 800803 - Reduce Hail Insurance Authority -

The legislature approved the reduction of authority used to administer the hail insurance program that was transferred to the Department of Agriculture in SB 162 during the 2013 Legislative Session.

DP 800804 - Property Assessment Rent -

This approved general fund authority of \$59,675 for rent in both FY 2016 and FY 2017.

Agency Budget Comparison

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	149.13	149.13	144.06	144.06	149.13	144.06	(5.07)
Personal Services	10,060,576	11,012,224	13,196,714	13,194,239	21,072,800	26,390,953	5,318,153
Operating Expenses	5,791,314	7,828,103	13,410,862	11,248,223	13,619,417	24,659,085	11,039,668
Equipment & Intangible Assets	14,333	19,500	144,500	19,500	33,833	164,000	130,167
Capital Outlay	0	0	0	0	0	0	0
Local Assistance	9,890	32,228	30,060	30,060	42,118	60,120	18,002
Transfers	61,642	0	0	0	61,642	0	(61,642)
Debt Service	81,678	89,977	89,977	89,977	171,655	179,954	8,299
Total Costs	\$16,019,433	\$18,982,032	\$26,872,113	\$24,581,999	\$35,001,465	\$51,454,112	\$16,452,647
General Fund	5,131,158	6,540,899	7,493,129	7,385,548	11,672,057	14,878,677	3,206,620
State/Other Special Rev. Funds	5,843,269	6,326,034	6,867,448	6,807,105	12,169,303	13,674,553	1,505,250
Federal Spec. Rev. Funds	19,075	947,499	1,555,248	99,011	966,574	1,654,259	687,685
Proprietary Funds	5,025,931	5,167,600	10,956,288	10,290,335	10,193,531	21,246,623	11,053,092
Total Funds	\$16,019,433	\$18,982,032	\$26,872,113	\$24,581,999	\$35,001,465	\$51,454,112	\$16,452,647

Agency Description

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

- Accounting, financial reporting, and warrant writing;
- Technical support of SABHRS system;
- Administration of the Social Security Section 218 Agreement;
- Technical assistance and compliance oversight of local government financial reporting and audits;
- 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 and workforce development;
- Labor relations;
- Insurance coverage and risk management programs;
- Tort Claims Act administration;
- Long-Range Building Program;
- State employee group benefits;
- Workers compensation management; and
- Continuity of government, emergency management and homeland security programs.

In addition, the Department of Administration also provides state financial institution oversight and regulation for the private sector.

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

- Board of Examiners
- Burial Preservation Board
- Information Technology Board
- Lottery Commission
- Public Defender Commission
- Public Employees' Retirement Board
- State Banking Board
- State Board of County Printing
- State Compensation Insurance Fund Board
- State Interoperability Governing Board
- State Tax Appeal Board
- Teachers' Retirement System Board

In addition, there are eight advisory councils attached to the department.

Agency Highlights

Department of Administration Major Budget Highlights
<ul style="list-style-type: none"> • The 2015 biennium legislative appropriation to the 2017 biennium legislative appropriation increased by 36.6%. About 5.1% of the agency's budget is appropriated in HB 2 including the administrative costs of the State Employee Group Benefit Plan (SEGBP). The remaining \$948.0 million is provided through statutory appropriations or non-budgeted proprietary funds • The Governor line item vetoed \$9.1 million in proprietary funds for the administrative costs of the SEGBP due to the passage and approval of SB 418 • State special revenues increased due to increased personal services within the Banking and Financial Institutions Division • Federal special revenue increased for the FirstNet planning grant provided to the State Information Technology Services Division • The legislature increased insurance rates for general liability insurance to provide funding for reserves as recommended by the plan's actuary • The legislature provided an increase of \$2.3 million for State Information Technology Services Division proprietary rates • The legislature provided additional operating expenditure for a new lottery contractor and 1.14 FTE and related personal services

Summary of Legislative Action

When comparing the level of appropriations provided in HB 2 in the 2015 biennium to the level appropriated in the 2017 biennium the budget for the agency increased by 36.6%. This measurement includes the Governor's line item veto of the administrative costs of the State Employee Group Benefit Plan. In his veto message Governor Bullock referred to SB 418 which removed the requirement that the administrative costs be appropriated in HB 2.

Legislative changes between biennia include:

- Increased general fund support for rent of the common areas - \$0.9 million over the biennium
- Approval of higher proprietary rates to allocate the costs of the Offices of Legal Services, Finance and Budget, and Human Resources within the Director's Office - \$0.9 million total funds over the biennium
- Personal services increases due to annualization of the state contribution to employee insurance and pay increases implemented in the 2015 biennium - \$0.6 million total funds over the biennium

- Funding the Central Stores Program from state special revenues within HB 2 rather than proprietary rates - \$0.2 million over the biennium
- Providing \$1.59 million in federal special revenues to support the FirstNet Grant Program, this was funded at \$1.9 million in the 2015 biennium
- Supporting an examiner situational pay adjustment, re-classification of an examiner position to an information technology examiner, and other pay adjustments within the Banking and Financial Institutions Division - \$0.5 million state special revenue over the biennium
- Inclusion of funding for the lottery conversion to a new gaming system - \$0.6 million in proprietary funds over the biennium
- New tickets and coronis terminals for the Montana State Lottery - \$1.0 million over the biennium in proprietary funds
- Increased ongoing funding for the 2015 statewide reappraisal cycle for the Montana Tax Appeal Board - \$0.1 million in general fund over the biennium

The legislature approved a number of proprietary rates within HB 2 that are included within DOA. The rates for messenger services, grounds maintenance, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered the proprietary rates for warrant writer, payroll services, SABHRS, state information technology services, workers' compensation management, and rent. The reductions ensure that personal services costs within the proprietary rates were lowered for anticipated vacancy savings. The legislature increased insurance premiums to provide for increased costs of claims and to establish reserves for the various insurance risks.

In addition, the legislature approved the agency reorganization that occurred in FY 2014. The Office of Labor Relations was transferred from the State Human Resources Division (SHRD) into the Director's Office. The transfer included 3.00 FTE, \$327,265 in personal services and \$50,500 in operating funds each year of the 2017 biennium. An additional 0.45 FTE was moved from the SHRD to the Director's Office. Finally, the legislature approved transfer of 4.50 FTE from the General Services Division and 1.48 FTE from the State Human Resources Division to the Office of Finance and Budget within the Director's Office to consolidate accounting and budgeting functions within one program.

HB 2 also provided a general fund appropriation of \$6.0 million in FY 2015 to the Risk Management and Tort Defense Division to provide for reserves for the state self-insurance program.

Agency Discussion

The Department of Administration (DOA) 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, DOA serves as the landlord for state-owned buildings and provides 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 of state-owned buildings

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 2017 Biennium Budget - Department of Administration					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	14,878,677	0	192,678,804	207,557,481	20.77 %
State Special Total	13,674,553	0	47,640,000	61,314,553	6.13 %
Federal Special Total	1,654,259	0	4,320,000	5,974,259	0.60 %
Proprietary Total	21,246,623	627,573,308	75,000,000	723,819,931	72.42 %
Other Total	0	0	777,800	777,800	0.08 %
Total All Funds	\$51,454,112	\$627,573,308	\$320,416,604	\$999,444,024	
Percent - Total All Sources	5.15 %	62.79 %	32.06 %		

The majority of the overall funding proposed for 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 Governor-Elect Program, State Human Resources Division, and the State Tax Appeal Board. In addition, general fund supports the following programs and functions within various agency divisions including:

- Office of Labor Relations, the Board of County Printing, and the Burial Preservation Board within the Director's Office
- Accounting Bureau, the Social Security Administrator, the Treasury Unit, and the Local Government Services Bureau within the State Financial Services Division
- Procurement Bureau and facilities management functions within the General Services Division
- Public safety services within the State Information Technology Division

State special revenues include:

- Assessments, application fees, and examination fees paid by 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) and the Health Care and Benefits Division (for the administrative costs of the State Employee Group Benefit Plan). Profits from the lottery are deposited into the general fund. The legislature appropriates 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 85.6% 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 include Cash Management Improvement Act returns, debt service costs, local government employee pensions, school district employee pensions, teacher retirement, supplemental contributions to teachers retirement, mineral impact fees, Taylor Grazing Act fund, and forest reserve funds.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	5,340,703	5,340,703	10,681,406	71.79 %	17,781,836	17,781,836	35,563,672	69.12 %
PL Adjustments	2,136,178	2,103,488	4,239,666	28.49 %	7,417,618	6,657,683	14,075,301	27.36 %
New Proposals	16,248	(58,643)	(42,395)	(0.28)%	1,672,659	142,480	1,815,139	3.53 %
Total Budget	\$7,493,129	\$7,385,548	\$14,878,677		\$26,872,113	\$24,581,999	\$51,454,112	

Present law adjustments provide for the majority of the increases for the Department of Administration. \$4.5 million was included in HB 2 each year of the biennium to provide for administrative costs for the state employee group benefit plan from temporary appropriations as intended by statute. The legislature passed SB 418 to remove the requirement. The bill is effective upon passage and approval. Governor Bullock line-item vetoed the appropriation stating that he had signed SB 418 and the appropriation was no longer needed. Other present law adjustments include:

- Personal services increases to support the annualization of the state contribution to employee insurance and fully funding legislatively authorized FTE
- Burial board funding
- Allocation of Director's Office costs to agency programs
- Appropriation for the Governor elect in FY 2017
- Computer replacement, out-of-state banking payments, and bank examiner personal service changes
- Lottery conversion to a new gaming system
- Statewide reappraisal funding for the State Tax Appeal Board

New proposals adopted by the legislature include:

- Switching funding for the Central Store Program from a proprietary rate to state special revenue
- Providing \$1.59 million over the biennium in federal special revenue to support the FirstNet Grant Program for a specific frequency for emergency first responders
- Additional 1.14 FTE for the Montana State Lottery
- Reduction of 1.50 FTE from an aggregate secretarial positions used to fund personal services costs for the county tax appeals boards

Other Legislation

HB 10 - The legislature appropriated long-range information technology funding to DOA including \$6.5 million for network security upgrades, data protection initiative, statewide public safety communication system, security system replacement/assessments, and court technology improvement program projects.

HB 123 - The legislature revised public records laws. The fiscal note attached to the bill includes an estimate of costs for DOA of \$93,592 in FY 2016 and \$92,630 in FY 2017 for anticipated costs related to hiring a qualified records manager and related operating costs.

HB 126 - The legislature revised Burial Preservation Board member compensation laws allowing board members per diem and travel, meals, and lodging reimbursements. The funding for the change was included in HB 2 contingent on passage and approval of HB 126.

HB 211 - The legislature required that the POW/MIA flag be displayed with the flag of the United States at the State Capitol and a number of other court and administrative buildings. The fiscal note includes an estimate that General Services Division will be responsible for flying the flags at eight locations and estimates that it will cost \$800 each year of the biennium to replace the flags due to weather deterioration.

HB 318 - The legislature required coverage of certain therapies for children with down syndrome including speech-language, physical therapy, and occupational therapy. The bill applies to the state employee group insurance program which estimates costs for the change to be \$66,596 in FY 2016 and \$143,846 in FY 2017.

HB 403 - The legislature appropriated \$4,000,000 in state special revenue funds to the Department of Administration for fire protection measures, elevator modifications, flooring replacement, and infrastructure repairs within the capitol complex. Deferred maintenance and repairs for the Old Governor's Mansion, statewide life safety and deferred maintenance, and energy improvements, and statewide roof repairs and replacement of \$6.95 million were appropriated from the Long Range Building Program funds.

HB 617 - The legislature established the Montana Stem Scholarship Program. The state special revenue fund used to fund the new program will receive lottery net revenues. The bill does not have an impact on the Montana State Lottery but will eliminate increased general fund revenues as it requires that the lottery revenues transferred to the general fund remain at the FY 2015 level with amounts above the level transferred to the Montana Stem Scholarship Program.

SB 144 - The legislature consolidated procurement accounts used by the General Services Division into one account. The account is used to provide for the Central Stores Program and is appropriated in HB 2.

Executive Budget Comparison

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	149.13	143.42	144.06	0.64	143.42	144.06	0.64	0.64
Personal Services	20,121,152	23,934,062	26,393,428	2,459,366	23,898,346	26,388,478	2,490,132	4,949,498
Operating Expenses	11,582,628	22,384,448	26,821,724	4,437,276	18,110,058	22,496,446	4,386,388	8,823,664
Equipment & Intangible Assets	14,333	334,333	144,500	(189,833)	134,333	19,500	(114,833)	(304,666)
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	9,890	26,640	30,060	3,420	26,640	30,060	3,420	6,840
Transfers	61,642	25,900	0	(25,900)	27,250	0	(27,250)	(53,150)
Debt Service	81,678	81,678	89,977	8,299	81,678	89,977	8,299	16,598
Total Costs	\$31,871,323	\$46,787,061	\$53,479,689	\$6,692,628	\$42,278,305	\$49,024,461	\$6,746,156	\$13,438,784
General Fund	5,131,158	8,319,123	7,493,129	(825,994)	8,173,245	7,385,548	(787,697)	(1,613,691)
State/other Special Rev. Funds	5,843,269	6,953,406	6,867,448	(85,958)	6,882,544	6,807,105	(75,439)	(161,397)
Federal Spec. Rev. Funds	19,075	1,557,937	1,555,248	(2,689)	101,276	99,011	(2,265)	(4,954)
Other	5,025,931	6,797,340	10,956,288	4,158,948	6,117,038	10,290,335	4,173,297	8,332,245
Total Funds	\$16,019,433	\$23,627,806	\$26,872,113	\$3,244,307	\$21,274,103	\$24,581,999	\$3,307,896	\$6,552,203

The legislative budget for HB 2 increases when compared to the executive budget proposal due to the inclusion of the administrative costs of the State Employee Group Benefit Plan (SEGBP) in HB 2 as required by statute. SEGBP administrative costs are supported by proprietary funds which provide for:

- \$2.9 million in personal services supporting 19.44 FTE each year of the biennium
- \$2.9 million in operating expenses each year of the biennium

The Governor line-time vetoed the appropriation for administrative costs of SEGBP within HB 2. The legislature adopted 2% vacancy savings applied to HB 2 positions within the boilerplate language of HB 2; decreased the increased funding for the rent of the common areas requested by the executive by \$1.0 million over the biennium; included funding for a labor-management training institute; switched funding for the Governor Elect Program to the correct fiscal year; reduced proposed increases for marketing costs of the Montana State Lottery by \$0.7 million over the biennium; added 1.14 FTE and related personal services to the Montana State Lottery; and reduced 1.50 FTE and related funding within the Montana Tax Appeal Board. The legislature did not approve other personal services adjustments or other operating expense increases that were above the FY 2015 legislative base budget for the majority of the programs within DOA.

Changes in Proprietary Rates from the Executive

The legislature reduced authority for proprietary rates for warrant writer, payroll services, SABHRS, workers' compensation management, state information technology services, and rent. The legislature increased rates for general liability insurance premiums charged to state agencies and the Montana University System due to increased claims which are projected to continue in the next biennium and the need to restore insurance reserves. The legislature also provided \$6.0 million in supplemental appropriations from the general fund in FY 2015 for reserves for the self insurance program within the boilerplate language of HB 2.

Language and Statutory Authority

The legislature included the following language in HB 2:

"Burial Board Per Diem is contingent upon the passage and approval of HB 126."

"Rent for the Common Areas is restricted to a transfer to the capitol complex major maintenance account in the state special revenue fund for use in capital projects approved through a long-range building program bill."

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	4.50	4.50	4.50	4.50	4.50	4.50	0.00	0.00 %
Personal Services	356,414	389,708	393,535	394,690	746,122	788,225	42,103	5.64 %
Operating Expenses	116,326	62,553	233,004	79,371	178,879	312,375	133,496	74.63 %
Local Assistance	3,516	16,464	14,296	14,296	19,980	28,592	8,612	43.10 %
Total Costs	\$476,256	\$468,725	\$640,835	\$488,357	\$944,981	\$1,129,192	\$184,211	19.49 %
General Fund	472,740	452,291	628,552	475,650	925,031	1,104,202	179,171	19.37 %
State/Other Special Rev. Funds	0	0	0	0	0	0	0	0.00 %
Federal Spec. Rev. Funds	3,516	16,434	12,283	12,707	19,950	24,990	5,040	25.26 %
Total Funds	\$476,256	\$468,725	\$640,835	\$488,357	\$944,981	\$1,129,192	\$184,211	19.49 %

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 Governor's office, the Cabinet, and the legislature. The office provides services including:

- Legal
- Human resources
- Financial management
- Labor relations
- Project management and communication
- Continuity of government, emergency management, and homeland security

Program Highlights

Director's Office Major Budget Highlights
<ul style="list-style-type: none"> • The legislature approved an agency reorganization and transferred the Office of Labor Relations to the Director's Office from the State Human Resources Division. The transfer included 3.50 FTE and \$0.4 million in appropriation authority which makes up the majority of the increase between biennia • Overall costs for the division in HB 2 are proposed to increase 376.7% when compared to 2015 legislative appropriations as a result • The Director's Office funding includes \$206.8 million in statutory appropriations over the 2017 biennium

Program Narrative

Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base

The following table highlights the differences between the FY 2015 appropriations implemented by the executive as shown in the program budget comparison table compared to the FY 2015 legislative appropriations used for purposes of the budget base.

Department of Administration Director's Office FY 2015 Appropriation Transactions					
Category	Legislative Appropriation	Category Adjustments	Program Transfers	Reorganization	Total Executive Implementation
Personal Services	\$62,443	\$0	\$19,852	\$327,265	\$409,560
Operating Expenses	12,053	0	500	50,500	63,053
Local Assistance	<u>16,464</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,464</u>
Total Costs	<u>\$90,960</u>	<u>\$0</u>	<u>\$20,352</u>	<u>\$377,765</u>	<u>\$489,077</u>

As shown in the figure above, DOA transferred the Office of Labor Relations with 3.5 FTE and \$327,265 supporting those positions. In addition \$50,500 in operating costs were also transferred. Additional components of the reorganization were included in the proprietary funded programs within the Director's Office and are discussed in the "Proprietary Rate" section of the narrative.

In addition, the agency transferred 0.46 FTE and associated personal services and operating costs from the State Human Resources Division to the Director's Office.

Legislative Budget

The program budget comparison tables reflect the reorganization implemented by the executive as it impacted HB 2 appropriations. The 2015 legislative base budget did not include the Office of Labor Relations or the 0.46 FTE from the State Human Resources Division. These two changes were adopted by the legislature and make up the majority of the 376.7% increase in budget authority between biennia. The program budget comparison tables include the Office of Labor Relations and additional FTE in FY 2014 and FY 2015 as the reorganization was completed in FY 2014.

It should be note that HB 2 contains less than 1% of the total Director's Office budget. The legislature provided \$250.4 million in total appropriations for the Director's Office in the 2017 biennium. \$193.1 million of the funding is included as statutory appropriations from the general fund including:

- Debt service for bond issues
- Local government and school district public employee retirement contributions
- Teachers' retirement contributions
- Public employee retirement contributions generated from coal severance taxes and interest on the coal tax trust deposited into the general fund

Funding

The following table shows program funding by source from all sources of authority.

Department of Administration, 01-Director's Office Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,104,202	0	186,107,035	187,211,237	87.50 %	
02317 Financial Advisor Fees	0	0	0	0	0.00 %	
02518 State Daycare Program	0	0	0	0	0.00 %	
02858 Mineral Impact	0	0	16,428,000	16,428,000	100.00 %	
State Special Total	\$0	\$0	\$16,428,000	\$16,428,000	7.68 %	
03095 Taylor Grazing Act Dist.	0	0	250,000	250,000	5.75 %	
03369 Flood Control Payments	24,990	0	0	24,990	0.58 %	
03425 Forest Reserve Shared Revenue	0	0	4,070,000	4,070,000	93.67 %	
Federal Special Total	\$24,990	\$0	\$4,320,000	\$4,344,990	2.03 %	
06534 Management Services	0	4,527,562	0	4,527,562	75.81 %	
06535 Continuity Emergency Mgmt	0	1,444,525	0	1,444,525	24.19 %	
Proprietary Total	\$0	\$5,972,087	\$0	\$5,972,087	2.79 %	
Total All Funds	\$1,129,192	\$5,972,087	\$206,855,035	\$213,956,314		

The majority of the office functions are supported by 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:

- Board of County Printing
- Burial Preservation Board
- General management and legal support for statewide functions
- Office of Labor Relations

Federal revenues support administrative functions that support the allocation of federal flood control payments.

The vast majority of appropriations for the Director's Office are statutory appropriations including general fund that provides for debt service and retirement contributions. Pass through funds to local governments are shown as mineral impact, Taylor Grazing Act, and forest reserve shared revenues in the table above.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	74,526	74,526	149,052	13.50 %	90,960	90,960	181,920	16.11 %
PL Adjustments	479,026	401,124	880,150	79.71 %	474,875	397,397	872,272	77.25 %
New Proposals	75,000	0	75,000	6.79 %	75,000	0	75,000	6.64 %
Total Budget	\$628,552	\$475,650	\$1,104,202		\$640,835	\$488,357	\$1,129,192	

Present law adjustments include the proposed reorganization of the Office of Labor Relations into the Director's Office. The Office of Labor Relations is entirely supported by general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 510 - Legislative Audit- HB 2 2014 Fixed Costs (Biennial/Restricted)	0.00	57,448	0	0	57,448	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	2,187	0	0	2,187	0.00	2,187	0	0	2,187
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	1,199	0	0	1,199	0.00	1,199	0	0	1,199
DP 525 - Fixed Cost Adjustment	0.00	6,808	0	0	6,808	0.00	6,697	0	0	6,697
DP 526 - 2017 Biennium Legislative Audit (Biennial/Restricted)	0.00	20,838	0	0	20,838	0.00	0	0	0	0
DP 529 - Longevity and Other adjustments	0.00	4,140	0	0	4,140	0.00	5,295	0	0	5,295
DP 530 - Reorganization	0.00	352,214	0	0	352,214	0.00	352,214	0	0	352,214
DP 535 - Program Transfer	0.00	20,352	0	0	20,352	0.00	20,352	0	0	20,352
DP 550 - Motor Pool Rate Adjustment	0.00	(110)	0	0	(110)	0.00	(111)	0	0	(111)
DP 600 - Other Personal Services Changes	0.00	0	0	0	0	0.00	0	0	0	0
DP 100101 - Flood Control Base Adjustment	0.00	0	0	(2,168)	(2,168)	0.00	0	0	(2,168)	(2,168)
DP 100106 - Directors Office Costs	0.00	9,967	0	0	9,967	0.00	9,732	0	0	9,732
DP 100111 - Burial Board Per Diem (Restricted)	0.00	2,000	0	0	2,000	0.00	2,000	0	0	2,000
DP 100200 - Funding shift Included in FY 2014	0.00	1,983	0	(1,983)	0	0.00	1,559	0	(1,559)	0
Grand Total All Present Law Adjustments	0.00	\$479,026	\$0	(\$4,151)	\$474,875	0.00	\$401,124	\$0	(\$3,727)	\$397,397

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

DP 510 - Legislative Audit- HB 2 2014 Fixed Costs (Biennial/Restricted) -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD

fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Biennial/Restricted) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 530 - Reorganization -

The legislature adopted the reorganization of the Office of Labor Relations to Director's Office within the department. This included transfers of \$352,214 in general fund, and 3.50 FTE each year of the biennium.

DP 535 - Program Transfer -

The legislature adopted program transfers made by the department in the interim. This includes transfers of \$20,352 in general fund in each year of the biennium from State Human Resources Division to the Director's Office.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 600 - Other Personal Services Changes -

The legislature provided additional funding for increased personal services costs such as reclassifications or adjustments to move employees closer to their target market ratio.

DP 100101 - Flood Control Base Adjustment -

The legislature appropriated funding for estimated federal flood control payment to a four year average. The combination of the FY 2015 base and the four year average resulted in a reduction in funding for flood control payments.

DP 100106 - Directors Office Costs -

The legislature provided \$9,967 in FY 2016 and \$9,732 in FY 2017 for increase costs of the Director's Office, including centralized services functions, funded through a proprietary rate.

DP 100111 - Burial Board Per Diem (Restricted) -

The legislature provided \$2,000 of general fund each year of the biennium for members of the Burial Board be paid per diem like members of other state boards. The funding is contingent on passage and approval of HB 126.

DP 100200 - Funding shift Included in FY 2014 -

The legislature approved a funding shift of \$1,983 in FY 2016 and \$1,559 in FY 2017 from federal revenue to general fund. FY 2014 actual expenditures for general fund were higher than anticipated.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 630 - Labor-Management Training Initiative (Restricted/Biennial/OTO	0.00	75,000	0	0	75,000	0.00	0	0	0	0
Total	0.00	\$75,000	\$0	\$0	\$75,000	0.00	\$0	\$0	\$0	\$0

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

DP 630 - Labor-Management Training Initiative (Restricted/Biennial/OTO -

The legislature provided a biennial, restricted, one-time-only appropriation of \$75,000 over the biennium to support a labor-management training initiative.

Other Issues

Proprietary Rates

The Director's Office provides management services to other divisions within the agency as well as services for state agencies related to labor relations and continuity of government in the event of a major disruption.

Proprietary Program Description

The Director's Office provides legal, human resources, and financial management services to other divisions of the agency and the administratively attached boards and agencies. These include the:

- Office of Human Resources – processes payroll; assists with recruitment, selection, and orientation of new employees; classifies positions; and develops policies for the department
- Office of Legal Services – advises on legal matters
- Office of Finance and Budget – prepares and presents the biennial budget, processes budget change documents, monitors budgets for compliance with state law and legislative intent, and provides accounting assistance
- Continuity and Emergency Preparedness, and Security Program – prepares to manage and coordinate state government in the event of a major catastrophic disruption

Director's Office (Management Services) - 06534

Rate(s) and Rate Explanation

For the 2017 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 operating costs and to maintain a sufficient working capital balance.

Requested Rates for Internal Service Funds Fee/Rate Information					
		Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:					
Management Services Fees		1,625,016	1,624,847	1,658,964	1,598,962
Per FTE		606	603	752	752

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.

06535 Continuity, Emergency Preparedness and Security Program Proprietary

Program Description

The Department of Administration is responsible for providing centralized management and coordination of the continuity, emergency preparedness, and security program for state agencies to ensure the ability to protect and recover essential functions of state government in the event of a catastrophic loss. During FY 2014 DOA reorganized this function into the State Continuity and Emergency Management Office (SCEMO).

Rate(s) and Rate Explanation

SCEMO bills the State Information Technology Services Division (SITSD) and General Services Division (GSD) quarterly for their services. Because those two divisions are funded through charges on all state agencies, SCEMO is essentially funded from the same sources.

The legislature approved having SITSD pay \$525,000 and GSD pay \$200,967 annually in the 2017 biennium for this function.

Requested Rates for Internal Service Funds Fee/Rate Information					
		Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:		552,134	636,581	725,967	725,967
Allocation to State Information Technology Services Division and General Services Division Internal Service Funds					

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Program Budget Comparison

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

Program Budget Comparison									
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change	
Operating Expenses	0	0	0	50,000	0	50,000	50,000	0.00 %	
Total Costs	\$0	\$0	\$0	\$50,000	\$0	\$50,000	\$50,000	0.00 %	
General Fund	0	0	0	50,000	0	50,000	50,000	0.00 %	
Total Funds	\$0	\$0	\$0	\$50,000	\$0	\$50,000	\$50,000	0.00 %	

Program Description

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

Program Highlights

Governor-Elect Program
<ul style="list-style-type: none"> The legislature provided \$50,000 in general fund in FY 2017 to fund the Governor-elect and staff in the event of a change in office. The funding is provided as one-time-only and is restricted to use only if a change in the Governor should occur

Program Narrative

Statute requires the Department of Administration to provide funding to a Governor-elect and his or her staff for the period between the general election and the inauguration in the event of a change in office as a result of the 2016 general election. As the potential of a change in the Governor occurs only once every four years, this funding is not included in the 2015 legislative base budget.

Funding

The following table shows program funding by source from all sources of authority.

Department of Administration, 02-Governor-Elect Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	50,000	0	0	50,000	100.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$50,000	\$0	\$0	\$50,000		

This program is entirely funded with general fund provided in HB 2.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category									
Budget Item	-----General Fund-----				-----Total Funds-----				
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	
2015 Budget	0	0	0	0.00 %	0	0	0	0.00 %	
PL Adjustments	0	50,000	50,000	100.00 %	0	50,000	50,000	100.00 %	
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %	
Total Budget	\$0	\$50,000	\$50,000		\$0	\$50,000	\$50,000		

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 200201 - Governor-Elect Appropriation (Restricted/OTO)	0.00	0	0	0	0	0.00	50,000	0	0	50,000
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$0	0.00	\$50,000	\$0	\$0	\$50,000

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

DP 200201 - Governor-Elect Appropriation (Restricted/OTO) -

Montana Statute (2-15-221, MCA) requires the department to provide funding to a governor-elect and his or her staff for the period between the general election and the inauguration in the event of a change in office as a result of the 2016 general election. The legislature provided \$50,000 in general fund in FY 2017 as a restricted, one-time-only appropriation.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	18.67	18.67	17.67	17.67	18.67	17.67	(1.00)	(5.36)%
Personal Services	1,150,020	1,260,306	1,284,380	1,289,109	2,410,326	2,573,489	163,163	6.77 %
Operating Expenses	253,469	249,733	354,032	356,039	503,202	710,071	206,869	41.11 %
Capital Outlay	0	0	0	0	0	0	0	0.00 %
Total Costs	\$1,403,489	\$1,510,039	\$1,638,412	\$1,645,148	\$2,913,528	\$3,283,560	\$370,032	12.70 %
General Fund	1,346,251	1,453,950	1,581,655	1,588,348	2,800,201	3,170,003	369,802	13.21 %
Federal Spec. Rev. Funds	2,133	1,065	1,427	1,427	3,198	2,854	(344)	(10.76)%
Proprietary Funds	55,105	55,024	55,330	55,373	110,129	110,703	574	0.52 %
Total Funds	\$1,403,489	\$1,510,039	\$1,638,412	\$1,645,148	\$2,913,528	\$3,283,560	\$370,032	12.70 %

Program Description

The State Financial Services Division (SFSD) programs supported in HB 2 are made up of the:

- State Accounting Bureau
- Local Government Services Bureau
- 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; prepares the state Comprehensive Annual Financial Report; and provides accounting assistance and training to state agencies. The Treasury Unit provides the central banking function for state agencies, reconciles state bank accounts, and insures the collateralization of these bank accounts is maintained at the proper level. The 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 chart of accounts and the county collection and accounting manuals. The bureau collects and provides local government financial information to the public, legislature, federal government, and other public entities. The State Social Security Administrator manages the Social Security Act Section 218 program for the State of Montana including interpreting its provisions, insuring proper application of Social Security coverage to all state and political subdivision employees, conducting referendums as needed, and reporting local government entity changes (dissolutions and consolidations) to federal partners. The administrator provides extensive education and outreach to local governments to support them in this function.

Program Highlights

State Financial Services Division Major Budget Highlights
<ul style="list-style-type: none"> • The 2017 biennium appropriations for the division increase by 10.51% when compared to the 2015 legislative appropriations • The majority of the funding in this program is from non-budgeted proprietary funds that do not show in the HB 2 tables • General fund support changes were due to: <ul style="list-style-type: none"> ◦ Increased personal service costs ◦ Higher operating costs for the State Accounting Bureau and the Social Security Administrator

Program Narrative

Personal services increased between biennia due to implementation of pay raises and health insurance contributions included in HB 13 as enacted by the 2013 Legislature. Other changes to personal services include:

- Employee attainment of longevity milestones in the 2017 biennium
- Changes in employer retirement
- Reductions in costs related to the implementation of the boilerplate language in HB 2 enacted by the 2013 Legislature

Operating expense adjustments result from changes in fixed costs and implementation of higher costs for the Director's Office that are allocated to the various divisions including SFSD.

Funding

The following table shows program funding by source from all sources of authority.

Department of Administration, 03-State Financial Services Division Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	3,170,003	0	6,305,741	9,475,744	48.38 %
State Special Total	\$0	\$0	\$0	\$0	0.00 %
03320 CMIA Funds	2,854	0	0	2,854	100.00 %
Federal Special Total	\$2,854	\$0	\$0	\$2,854	0.01 %
06042 Single Audit Review - HB328	0	1,076,365	0	1,076,365	10.65 %
06511 SABHRS SERVICES BUREAU	0	7,514,325	0	7,514,325	74.34 %
06527 Investment Division	110,703	0	0	110,703	1.10 %
06564 Warrant Writing	0	1,406,282	0	1,406,282	13.91 %
Proprietary Total	\$110,703	\$9,996,972	\$0	\$10,107,675	51.61 %
Total All Funds	\$3,283,560	\$9,996,972	\$6,305,741	\$19,586,273	

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 provides for cash management services for federal Cash Management Improvement Act funds that are deposited into the general fund.

Proprietary Funding

Over half of the funding for the division office functions are supported with proprietary funds not appropriated through HB 2. These funds are considered and approved as rates charged to other divisions in the agency and other state agencies. The rates are discussed in the "Proprietary Rates" section of the narrative.

Statutory Appropriations

About a quarter of the funding in the State Financial Services 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 from the general fund.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	1,453,950	1,453,950	2,907,900	91.73 %	1,510,039	1,510,039	3,020,078	91.98 %
PL Adjustments	127,705	134,398	262,103	8.27 %	128,373	135,109	263,482	8.02 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$1,581,655	\$1,588,348	\$3,170,003		\$1,638,412	\$1,645,148	\$3,283,560	

The significant majority of the increases in the SFSD budget are contained as part of the present law adjustments and include changes for personal services and fixed costs assessed by other divisions.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 515 - State Share Health Insurance	0.00	8,588	0	0	8,588	0.00	8,588	0	0	8,588
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	23,075	0	1	23,076	0.00	23,075	0	1	23,076
DP 525 - Fixed Cost Adjustment	0.00	55,314	0	0	55,314	0.00	52,179	0	0	52,179
DP 529 - Longevity and Other adjustments	0.00	(7,590)	0	0	(7,590)	0.00	(2,861)	0	0	(2,861)
DP 531 - SITSD Rate Adjustment	0.00	33,334	0	0	33,788	0.00	36,524	0	0	37,021
DP 532 - General Liability Insurance Rate Adjustment	0.00	(10,820)	0	0	(10,968)	0.00	(10,863)	0	0	(11,011)
DP 550 - Motor Pool Rate Adjustment	0.00	(131)	0	0	(131)	0.00	(131)	0	0	(131)
DP 300106 - Directors Office Costs	0.00	2,212	0	0	2,212	0.00	1,287	0	0	1,287
DP 300444 - Statewide 4% FTE Reduction - Program 3	(1.00)	0	0	0	0	(1.00)	0	0	0	0
Grand Total All Present Law Adjustments	(1.00)	\$103,982	\$0	\$1	\$104,289	(1.00)	\$107,798	\$0	\$1	\$108,148

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 531 - SITSD Rate Adjustment -

The legislature approved an increase for fixed cost rates included in state agency budgets for information technology services provided by the State Information Technology Services Division (SITSD).

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 300106 - Directors Office Costs -

The legislature provided general fund to support indirect/administrative costs for services provided by proprietary funded centralized service functions within the Director's Office.

DP 300444 - Statewide 4% FTE Reduction - Program 3 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package PL-300444 includes a reduction of 1.00 FTE each year.

Other Issues

Proprietary Rates

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

- Statewide Accounting, Budgeting, and Human Resource System (SABHRS) Financial Services Technology Bureau (FSTB)
- Warrant Writer
- Local Government Audit and Reporting

SABHRS Financial Services Technology Bureau - 06511

Program Description

The SABHRS Financial Services Technology Bureau is responsible for the operational support, hosting, and maintenance for the enterprise financial and budget development information systems. FTSB is also responsible for providing hosting services, system architecture, and maintenance for the SABHRS HR information system for the HR Information Systems Bureau.

Rate and Rate Explanation:

For the 2017 biennium the following rates were adopted by the legislature . The rates charged in the base year are shown for comparison purposes.

Requested Rates for Internal Service Funds Fee/Rate Information				
	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
SABHRS Services:	\$3,689,397	\$3,346,369	\$4,008,249	\$3,818,905

As approved rates increase 7.9% in FY 2016 and 3.5% in FY 2017 when compared to the FY 2014 rate charged to agencies. 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.

Warrant Writer Program - 06564

Program Description

The Warrant Writer Unit (WWU) provides the check writing and direct-deposit services for most state agencies, including the university system. The WWU processes agency approved payments and tracks the payment status on SABHRS. Warrant printing is provided to the WWU by Print and Mail Services within the General Services Division. The WWU generates, tracks, and reconciles each payment. The services 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.

Rate and Rate Explanation:

For the 2017 biennium the following rates were approved by the legislature. The rates charged in previous biennia are shown for comparison purposes.

Requested Rates for Internal Service Funds Fee/Rate Information					
		Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:	Mailer	0.74392	0.74464	0.92500	0.92500
	Non-Mailer	0.28392	0.28464	0.40000	0.40000
	Emergency	14.11292	14.11364	15.00000	15.00000
	Duplicates	3.35417	3.35489	10.00000	10.00000
	Externals				
	Externals - Payroll	0.20512	0.21239	0.16861	0.16368
	Externals - Universities	0.13859	0.13907	0.13500	0.13500
	Direct Deposit				
	Direct Deposit - Mailer	0.81859	0.82907	1.10000	1.10000
	Direct Deposit - No Advice Printed	0.13859	0.13907	0.15000	0.15000
	Unemployment Insurance				
	Mailer - Print Only	0.14533	0.14557	0.13280	0.13141
	Direct Deposit - No Advice Printed	0.04769	0.04785	0.03910	0.03308

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.

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 database 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, provides technical accounting assistance to local governments and other staff within the bureau.

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 below are adopted in the Administrative Rules of Montana or are required in statute.

Requested Rates for Internal Service Funds Fee/Rate Information				
	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Major Fee:				
Local Government Report Filing Fee				
Annual revenues equal to or greater than \$500,000, but less than \$1,000,000	\$435 635	\$435 635	\$440 640	\$440 640
Annual revenues equal to or greater than \$1,500,000, but less than \$2,500,000	760	760	830	830
Annual revenues equal to or greater than \$2,500,000, but less than \$5,000,000	845	845	1,000	1,000
Annual revenues equal to or greater than \$5,000,000, but less than \$10,000,000	890	890	1,200	1,200
Annual revenues are equal to or greater than \$10,000,000, but less than \$50,000,000	965	965	1,400	1,400
Annual revenues are equal to or greater than \$50,000,000	1,000	1,000	1,600	1,600
Minor Fee:				
Auditor Roster Fee				
Annual Fee	100	100	150	150

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Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	17.00	17.00	16.50	16.50	17.00	16.50	(0.50)	(2.94)%
Personal Services	1,282,052	1,438,836	1,449,900	1,452,819	2,720,888	2,902,719	181,831	6.68 %
Operating Expenses	545,698	529,875	603,764	604,341	1,075,573	1,208,105	132,532	12.32 %
Total Costs	\$1,827,750	\$1,968,711	\$2,053,664	\$2,057,160	\$3,796,461	\$4,110,824	\$314,363	8.28 %
General Fund	0	0	0	0	0	0	0	0.00 %
State/Other Special Rev. Funds	1,827,750	1,968,711	2,053,664	2,057,160	3,796,461	4,110,824	314,363	8.28 %
Total Funds	\$1,827,750	\$1,968,711	\$2,053,664	\$2,057,160	\$3,796,461	\$4,110,824	\$314,363	8.28 %

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

Architecture & Engineering Division Major Budget Highlights
<ul style="list-style-type: none"> • The legislature provided a budget for the 2017 biennium that provides an increase of 5.9% when compared to the 2015 biennium legislative appropriation • The majority of the increase is due to changes for personal services

Program Narrative

The majority of the increases within the Architecture and Engineering Division are due to higher personal services. In addition to increases that result from the implementation of pay raises and health insurance contributions included in HB 13 as enacted by the 2013 Legislature, other changes include:

- Training assignment progression and reclassification increases granted throughout FY 2014 that are annualized for the 2017 biennium
- Employee attainment of longevity milestones in the 2017 biennium
- Changes in employer retirement
- Reductions in costs related to the implementation of the boilerplate language in HB 2 enacted by the 2013 Legislature

Operating expenses increase due to increases in fixed costs mainly attributable to the statewide cost allocation plan.

Funding

The following table shows program funding by source from all sources of authority.

Department of Administration, 04-Architecture & Engineering Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	0	0	0	0	0.00 %	
02030 Arch & Engin Construction	4,110,824	0	0	4,110,824	100.00 %	
State Special Total	\$4,110,824	\$0	\$0	\$4,110,824	100.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$4,110,824	\$0	\$0	\$4,110,824		

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 utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	1,968,711	1,968,711	3,937,422	95.78 %
PL Adjustments	0	0	0	0.00 %	84,953	88,449	173,402	4.22 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$2,053,664	\$2,057,160	\$4,110,824	

Present law adjustments for the program are mainly driven by personal services changes as discussed below.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 510 - Legislative Audit- HB 2 2014 Fixed Costs (Biennial/Restricted)	0.00	0	1,315	0	1,315	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	0	8,019	0	8,019	0.00	0	8,019	0	8,019
DP 526 - 2017 Biennium Legislative Audit (Biennial/Restricted)	0.00	0	1,197	0	1,197	0.00	0	0	0	0
DP 529 - Longevity and Other adjustments	0.00	0	3,045	0	3,045	0.00	0	5,964	0	5,964
DP 550 - Motor Pool Rate Adjustment	0.00	0	(1,582)	0	(1,582)	0.00	0	(1,604)	0	(1,604)
DP 400106 - Directors Office Costs	0.00	0	(5,306)	0	(5,306)	0.00	0	(6,563)	0	(6,563)
DP 400444 - Statewide 4% FTE Reduction - Program 04	(0.50)	0	0	0	0	(0.50)	0	0	0	0
Grand Total All Present Law Adjustments	(0.50)	\$0	\$6,688	\$0	\$6,688	(0.50)	\$0	\$5,816	\$0	\$5,816

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

DP 510 - Legislative Audit- HB 2 2014 Fixed Costs (Biennial/Restricted) -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 526 - 2017 Biennium Legislative Audit (Biennial/Restricted) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 400106 - Directors Office 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.

DP 400444 - Statewide 4% FTE Reduction - Program 04 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package PL-400444 includes a reduction of 0.50 FTE each year.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	11.25	11.25	12.25	12.25	11.25	12.25	1.00	8.89 %
Personal Services	697,985	725,163	816,730	818,844	1,423,148	1,635,574	212,426	14.93 %
Operating Expenses	157,316	1,364,116	1,853,943	1,857,051	1,521,432	3,710,994	2,189,562	143.91 %
Capital Outlay	0	0	0	0	0	0	0	0.00 %
Total Costs	\$855,301	\$2,089,279	\$2,670,673	\$2,675,895	\$2,944,580	\$5,346,568	\$2,401,988	81.57 %
General Fund	795,969	2,023,411	2,510,042	2,515,874	2,819,380	5,025,916	2,206,536	78.26 %
State/Other Special Rev. Funds	59,332	65,868	160,631	160,021	125,200	320,652	195,452	156.11 %
Proprietary Funds	0	0	0	0	0	0	0	0.00 %
Total Funds	\$855,301	\$2,089,279	\$2,670,673	\$2,675,895	\$2,944,580	\$5,346,568	\$2,401,988	81.57 %

Program Description

The General Services Division is composed of three 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, and the central stores program.

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 one quick copy location on the Capitol Complex.

In addition to the three bureaus, the division manages the state and federal surplus property program.

Program Highlights

General Services Division Major Budget Highlights
<ul style="list-style-type: none"> • The 2017 biennium budget included in HB 2 is 29.1% higher than the 2015 biennium legislative appropriation • Non-budgeted proprietary funds provide over 86.9% of the support for the program • The legislature moved the Central Stores Program from a proprietary rate to a state special revenue account due to changes in the program's operations • The legislature provided \$1.6 million of general fund each year of the biennium for rent of the common spaces within the capitol complex

Program Narrative

Personal services increase due to the implementation of pay raises and health insurance contributions included in HB 13 as enacted by the 2013 Legislature. Other changes approved for personal services include:

- Employee attainment of longevity milestones in the 2017 biennium
- Changes in employer retirement
- Reductions in costs related to the implementation of the boilerplate language in HB 2 enacted by the 2013 Legislature
- Inclusion of FTE to administer the central stores function

The legislature moved the Central Stores Program from proprietary rates to a state special revenue fund appropriated in HB 2. The 2013 Legislature eliminated the warehouse function of the Central Stores Program that was supported by a proprietary rate through agencies paying for goods and services. Instead General Services Division operates the Montana eMarketCenter. This is an online purchasing portal allowing state agencies to purchase goods directly from Montana vendors. The vendors pay a 2% fee each quarter. The legislature established a state special revenue account for the eMarketCenter for deposit of the 2% fee.

Operating expense increases for the various divisions include the following:

- Procurement Bureau increases are mainly due to additional costs for State Information Technology Services Division computer services, indirect cost charges to support the Director's Office, and higher building rent
- Fueling and Procard Division changes relate to increased costs for rent and grounds maintenance charged by the proprietarily funded Facilities Maintenance Bureau
- Facilities Management includes reinstatement of a one-time-only general fund appropriation for the rent of the common areas within the State Capitol Building, the Montana Historical Society, and the Governor's Mansion.

Funding

The following table shows program funding by source from all sources of authority.

Department of Administration, 06-General Services Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	5,025,916	0	266,028	5,291,944	10.87 %	
02211 Procurement Special Revenue	320,652	0	0	320,652	100.00 %	
02299 Capitol Complex Major Maint	0	0	0	0	0.00 %	
State Special Total	\$320,652	\$0	\$0	\$320,652	0.66 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
06066 Surplus Property	0	1,123,463	0	1,123,463	2.61 %	
06528 Rent And Maintenance	0	20,148,724	0	20,148,724	46.78 %	
06530 Print & Mail Services	0	21,798,243	0	21,798,243	50.61 %	
06531 Central Stores	0	0	0	0	0.00 %	
Proprietary Total	\$0	\$43,070,430	\$0	\$43,070,430	88.47 %	
Total All Funds	\$5,346,568	\$43,070,430	\$266,028	\$48,683,026		

HB 2 Funding

General fund provides support for the State Procurement Bureau and for transfers to the capitol complex major maintenance account in the state special revenue fund.

State special revenues from procurement rebates fund a portion of the procurement functions that provide for the fueling and procurement card operations. The legislature moved central stores from the proprietary fund to an account within the state special revenue fund.

Proprietary Funds

The majority of the office is supported through 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

General Services Division issues federal fund rebates for procard and fuel card rebates under 17-3-106, MCA. Rebates that are for costs provided by federal funds are returned to the federal government.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	823,215	823,215	1,646,430	32.76 %	889,083	889,083	1,778,166	33.26 %
PL Adjustments	1,686,827	1,692,659	3,379,486	67.24 %	1,695,903	1,701,300	3,397,203	63.54 %
New Proposals	0	0	0	0.00 %	85,687	85,512	171,199	3.20 %
Total Budget	\$2,510,042	\$2,515,874	\$5,025,916		\$2,670,673	\$2,675,895	\$5,346,568	

Present law adjustments provide general fund for rent charges for the common areas which make up the majority of the present law adjustments. The legislature provided a funding switch for the Central Stores Program from proprietary rates to a state special revenue account and appropriated it in HB 2.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 510 - Legislative Audit- HB 2 2014 Fixed Costs (Biennial/Restricted)	0.00	0	37	0	37	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	5,093	374	0	5,467	0.00	5,093	374	0	5,467
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	12,945	0	0	12,945	0.00	12,945	0	0	12,945
DP 525 - Fixed Cost Adjustment	0.00	2,105,197	5,642	0	2,110,839	0.00	2,109,288	5,647	0	2,114,935
DP 526 - 2017 Biennium Legislative Audit (Biennial/Restricted)	0.00	0	255	0	255	0.00	0	0	0	0
DP 529 - Longevity and Other adjustments	0.00	3,012	0	0	3,012	0.00	5,301	0	0	5,301
DP 550 - Motor Pool Rate Adjustment	0.00	(28)	0	0	(28)	0.00	(28)	0	0	(28)
DP 620 - Additional Operating	0.00	0	0	0	0	0.00	0	0	0	0
DP 600106 - Directors Office Costs	0.00	6,608	2,768	0	9,376	0.00	6,060	2,620	0	8,680
DP 600200 - Original Governor's Mansion (Restricted)	0.00	27,000	0	0	27,000	0.00	27,000	0	0	27,000
DP 600220 - Rent for the Common Areas (Restricted/OTO)	0.00	1,627,438	0	0	1,627,438	0.00	1,632,185	0	0	1,632,185
DP 600230 - Rent for the common areas - base adjustments	0.00	(2,100,438)	0	0	(2,100,438)	0.00	(2,105,185)	0	0	(2,105,185)
Grand Total All Present Law Adjustments	0.00	\$1,686,827	\$9,076	\$0	\$1,695,903	0.00	\$1,692,659	\$8,641	\$0	\$1,701,300

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

DP 510 - Legislative Audit- HB 2 2014 Fixed Costs (Biennial/Restricted -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Biennial/Restricted) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 620 - Additional Operating -

The legislature provided funding to support additional operating costs within the General Services Division.

DP 600106 - Directors Office Costs -

The legislature appropriated the program's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions within the Director's Office.

DP 600200 - Original Governor's Mansion (Restricted) -

The legislature approved a direct transfer of general fund from the Montana Historical Society to the General Services Program which occurred in the 2015 biennium. To ensure the increased funding provided in the 2017 biennium continued to be used for this purpose, the funding is restricted to maintenance for the Original Governor's Mansion.

DP 600220 - Rent for the Common Areas (Restricted/OTO) -

The legislature approved \$1.6 million each fiscal year in general fund for the rent of the common areas as a restricted, one-time-only appropriation. The funding was adjusted for reductions in the rental rate for office space approved by the legislature as part of its action on fixed costs.

DP 600230 - Rent for the common areas - base adjustments -

The legislature funded rent for the common areas as one-time-only, removing about \$2.1 million from the base budget.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 600601 - Funding Switch for Central Stores Program	1.00	0	0	0	85,687	1.00	0	0	0	85,512
Total	1.00	\$0	\$0	\$0	\$85,687	1.00	\$0	\$0	\$0	\$85,512

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

DP 600601 - Funding Switch for Central Stores Program -

The legislature approved the General Services Division fund switch for the Central Stores Program from proprietary funds to state special revenues. The state special revenues will be generated through a 2% fee assessed businesses participating in the eMarketCenter.

Other Issues

Proprietary Rates

The General Services Division provides the following functions supported by proprietary rates charged to state agencies:

- Facilities management (Rent and Grounds Maintenance)
- Print services
- Mail services
- Surplus property
- Central stores

Facilities Management Bureau - 06528

Program Description

Rent and maintenance are managed by the Facilities Management Bureau (FMB), 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 colocation 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 serves all agencies and units within state government.

Rate and Rate Explanation

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 and 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 and operating expenses including maintenance and equipment replacement.

The legislature adopted the following rates:

Requested Rates for Internal Service Funds Fee/Rate Information				
	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:				
Office Rent (per sq. ft.)	8.434	8.217	9.780	9.800
Warehouse Rent (per sq. ft.)	4.625	4.637	4.625	4.637
Grounds Maintenance (per sq. ft.)	0.491	0.493	0.615	0.615
Project Mgmt. (In-house)	15%	15%	15%	15%
Project Mgmt. (Contracted)	5%	5%	5%	5%

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 and Mail Services Bureau - 06530

Program Description

The Print and Mail Services Bureau (PMSB) 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) postal station in the Capitol. All printing or purchasing of printing is requested through Print and Mail Services, which determines the most cost effective method of project completion. Approximately 64.4% of printing expenditures were procured through commercial vendors in FY 2014.

Rates and Rate Explanations

For the 2017 biennium the following rates were adopted by the legislature as shown on the following page. The rates charged in the previous two biennia are shown for comparison purposes.

Requested Rates for Internal Service Funds Fee/Rate Information						
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:						
Internal Printing						
Impression Cost						
1-20	0.0762	0.0762	0.0800	0.0800	0.0930	0.0930
21-100	0.0336	0.0336	0.0360	0.0360	0.0420	0.0420
101-1000	0.0193	0.0193	0.0200	0.0200	0.0230	0.0230
1001-5000	0.0078	0.0078	0.0080	0.0080	0.0090	0.0090
5000 +	0.0039	0.0039	0.0040	0.0040	0.0050	0.0050
Color Copy						
8 1/2 x 11	0.25	0.20	0.22	0.25	0.25	0.25
11 x 17	0.50	0.40	0.44	0.50	0.50	0.50
Ink						
Black per Sheet	0.0002	0.0002	0.0002	0.0002	0.00024	0.00024
Color	15.00	15.00	15.00	15.00	15.00	15.00
Special Mix	25.00	25.00	25.00	25.00	25.00	25.00
Collating Machine	0.0072	0.0072	0.0080	0.0080	0.0085	0.0085
Collating Hand	0.60	0.60	0.60	0.60	0.64	0.64
Stapling Hand	0.018	0.018	0.018	0.018	0.018	0.018
Stapling In-line	0.012	0.012	0.012	0.012	0.012	0.012
Saddle Stitch	0.036	0.036	0.036	0.036	0.036	0.036
Folding	12.00 + .006	12.00 + .006	12.00 + .006	12.00 + .006	12.00 + .006	12.00 + .006
Folding Rt Angle	12.00 + .006	12.00 + .006	12.00 + .006	12.00 + .006	12.00 + .006	12.00 + .006
Folding In-line	0.036	0.036	0.036	0.036	0.036	0.036
Punching St 3 hole	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012
Punching Non St	3.60 + .0012	3.60 + .0012	3.60 + .0012	3.60 + .0012	3.60 + .0012	3.60 + .0012
Cutting	0.66	0.66	0.66	0.66	0.66	0.66
Padding	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024

Scoring, perf, num	6.00 + Dup Rate	6.00 + Dup Rate	6.00 + Dup Rate	6.00 + Dup Rate	6.00 + Dup Rate	6.00 + Dup Rate
Perfect Binding	18.00 + 0.66	18.00 + 0.66	18.00 + 0.66	18.00 + 0.66	18.00 + 0.66	18.00 + 0.66
Spirial Binding	0.69	0.69	0.69	0.69	0.79	0.79
Laminating						
8 1/2 x 11	0.57	0.57	0.57	0.57	0.57	0.57
11 x 17	0.85	0.85	0.85	0.85	0.85	0.85
Tape Binding	0.60	0.60	0.60	0.60	0.60	0.60
Shrink Wrapping	0.30	0.30	0.30	0.30	0.30	0.30
Hand Work Production	0.60	0.60	0.60	0.60	0.64	0.64
Overtime	22.15	22.15	24.00	24.00	24.00	24.00
Desktop	46.36	46.36	50.00	50.00	65.00	65.00
Scan	9.52	9.52	9.52	9.52	9.52	9.52
Large Format Color per ft.	12.70	12.70	12.70	12.70	12.70	12.70
Proof	0.25	0.25	0.25	0.25	0.25	0.25
Programming	45.46	45.46	50.00	50.00	65.00	65.00
File Transfer	22.00	22.73	25.00	25.00	25.00	25.00
Variable Data	0.009	0.009	0.015	0.02	0.02	0.02
CD Duplicating	1.75	1.75	1.75	1.75	1.75	1.75
DVD Duplicating	3.50	3.50	3.50	3.50	3.50	3.50
Mainframe Print	0.069	0.069	0.069	0.069	0.069	0.069
Silver Plates						
8.5x11	9.20	9.20	9.20	9.20	9.20	9.20
11x17	10.35	10.35	10.35	10.35	10.35	10.35
CTP Plates						
8.5x11	9.20	9.20	9.20	9.20	9.20	9.20
11x17	10.35	10.35	10.35	10.35	10.35	10.35
Inventory Mark Up	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%

Fee Group						
External Printing						
Percent of Invoice	6.73%	6.73%	6.73%	6.73%	7.30%	7.30%
Mark-up						
Fee Group						
Photocopy Pool						
Percent of Invoice	15.0%	15.0%	15.9%	15.9%	15.9%	15.9%
Mark-up						
Fee Group						
Mail Preparation						
Tabbing	0.021	0.021	0.021	0.021	0.021	0.021
Labeling	0.021	0.021	0.021	0.021	0.021	0.021
Ink Jet	0.034	0.034	0.034	0.034	0.034	0.034
Inserting	0.030	0.030	0.030	0.030	0.030	0.030
Waymark	0.062	0.062	0.069	0.069	0.069	0.069
Permit mailings	0.062	0.062	0.069	0.069	0.069	0.069
Fee Group						
Mail Operations						
Service Type (each)						
Machinable	0.043	0.043	0.043	0.043	0.043	0.043
Non-Machinable	0.080	0.080	0.100	0.100	0.100	0.100
Seal Only	0.020	0.020	0.020	0.020	0.020	0.020
Post cards	0.049	0.049	0.060	0.060	0.060	0.060
Certified Mail	0.614	0.614	0.614	0.614	0.614	0.614
Registered Mail	0.614	0.614	0.614	0.614	0.614	0.614
Internatl Mail	0.400	0.400	0.500	0.500	0.500	0.500
Flats	0.110	0.110	0.140	0.140	0.140	0.140
Priority	0.614	0.614	0.614	0.614	0.614	0.614
Express Mail	0.614	0.614	0.614	0.614	0.614	0.614
USPS Parcels	0.400	0.400	0.500	0.500	0.500	0.500
Insured mail	0.614	0.614	0.614	0.614	0.614	0.614
Media Mail	0.307	0.307	0.307	0.307	0.307	0.307
Standard Mail	0.200	0.200	0.200	0.200	0.200	0.200
Postage Due	0.061	0.061	0.061	0.061	0.061	0.061
Fee Due	0.061	0.061	0.061	0.061	0.061	0.061
Tapes	0.245	0.245	0.245	0.245	0.245	0.245
Express Services	0.500	0.500	0.500	0.500	0.500	0.500
Mail tracking					0.250	0.250
Cass letters/postcards					0.043	0.043
Cass flats					0.100	0.100
Flat sorter					0.250	0.250
Fee Group						
Inter-agency Mail						
Dollars-yearly	297,657	297,657	314,750	314,750	355,570	355,570

Fee Group						
Postal Contract (Capitol)						
Dollars-yearly	38,976	38,976	38,976	38,976	38,976	38,976

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.

06066 Surplus Property Program

Program Description

The Property and 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.

Rate and Rate Explanation:

This program is funded with an enterprise fund 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.

Requested Rates for Internal Service Funds Fee/Rate Information					
Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description: The State Surplus handling fees are: If property is sold for less than \$500, the program retains the proceeds. The program retains \$500 plus 5% and unusual expenses for property sold for more than \$500. The Federal Surplus Property program fees are an allocation of freight expense and 14% of acquisition cost. This is included in the Federal Plan of Operation, which has been approved by the Federal General Services Administration.					

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.

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Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	7.00	7.00	6.09	6.09	7.00	6.09	(0.91)	(13.00)%
Personal Services	523,947	658,797	497,240	497,556	1,182,744	994,796	(187,948)	(15.89)%
Operating Expenses	243,893	1,150,845	1,744,331	286,020	1,394,738	2,030,351	635,613	45.57%
Equipment & Intangible Assets	0	0	0	0	0	0	0	0.00%
Transfers	61,642	0	0	0	61,642	0	(61,642)	(100.00)%
Total Costs	\$829,482	\$1,809,642	\$2,241,571	\$783,576	\$2,639,124	\$3,025,147	\$386,023	14.63%
General Fund	458,359	475,175	378,152	377,966	933,534	756,118	(177,416)	(19.00)%
State/Other Special Rev. Funds	357,697	404,467	321,881	320,733	762,164	642,614	(119,550)	(15.69)%
Federal Spec. Rev. Funds	13,426	930,000	1,541,538	84,877	943,426	1,626,415	682,989	72.39%
Total Funds	\$829,482	\$1,809,642	\$2,241,571	\$783,576	\$2,639,124	\$3,025,147	\$386,023	14.63%

Program Description

The State Information Technology Services Division (SITSD) is a proprietary program that provides central computing, data network, 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 for state agencies, including the university system, and manages the state's video network. SITSD coordinates electronic government services and manages the state's Internet presence mt.gov.

The division houses the Public Safety Services Office that includes the state's 911, public safety radio, and Montana broadband programs.

The Office of the Chief Information Officer (office) directs and coordinates the development of the Statewide Strategic IT Plan, information technology (IT), statewide IT training, and establishment of hardware, software, and consulting service contracts used by agencies. The office also reviews and approves IT acquisitions.

Program Highlights

State Information Technology Services Division Major Budget Highlights
<ul style="list-style-type: none"> • Majority of the funding in this program is proprietary funds • The legislature increased state agency costs for information technology services by \$2.3 million over the 2017 biennium from the 2015 legislative base appropriation based on: <ul style="list-style-type: none"> ◦ Personal services for SITSD increase by \$1.2 million or 8.4% above the 2015 base budget ◦ Operating expenses increase by \$0.5 million in FY 2016 and \$1.1 million in FY 2017 above the 2015 base budget ◦ Support for equipment decreased by \$0.9 million each year of the biennium

Program Narrative

The legislature included \$1.6 million in federal funds over the biennium for continuation of the FirstNet grant. In FY 2014 the funding for the grant was not utilized resulting in increases to operating expenses when comparing between the two biennia as shown on the program budget comparison table. Funding for personal services and operating costs supported by state special revenues for basic 911 fees were reduced in order to align program costs with anticipated revenues for the program.

Fixed costs for state agencies for information technology services provided by the division were increased by \$2.3 million above the 2015 base budget. The rates support the costs of operating the majority of the staff and operational expenses of the division. This is discussed further in the "Proprietary Rate" narrative.

Funding

The following table shows program funding by source from all sources of authority.

Department of Administration, 07-State Information Technology Services Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	756,118	0	0	756,118	0.69 %	
02105 Basic 9-1-1 Emrgncy Phone Prog	1,609	0	7,932,618	7,934,227	26.94 %	
02397 Enhanced 9-1-1 Emerg Tel Pgm	0	0	6,559,230	6,559,230	22.27 %	
02594 Basic 911 Emerg Phone Program	641,005	0	0	641,005	2.18 %	
02993 WIRELESS 911	0	0	6,582,980	6,582,980	22.35 %	
02994 WIRELESS 911 PROVIDERS	0	0	7,737,172	7,737,172	26.27 %	
State Special Total	\$642,614	\$0	\$28,812,000	\$29,454,614	26.79 %	
03397 STATE BROADBAND DATA & DEV	0	0	0	0	0.00 %	
03454 Homeland Security Grant	0	0	0	0	0.00 %	
03462 GIS-Homeland Security Grant	0	0	0	0	0.00 %	
03485 FirstNet Planning Grant	1,626,415	0	0	1,626,415	100.00 %	
03562 CISO HSGP Grant	0	0	0	0	0.00 %	
Federal Special Total	\$1,626,415	\$0	\$0	\$1,626,415	1.48 %	
06522 ISD Proprietary	0	78,111,277	0	78,111,277	100.00 %	
Proprietary Total	\$0	\$78,111,277	\$0	\$78,111,277	71.04 %	
Total All Funds	\$3,025,147	\$78,111,277	\$28,812,000	\$109,948,424		

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.

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 Rate" section of the narrative.

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 telecommunication providers.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	475,175	475,175	950,350	125.69 %	1,809,642	1,809,642	3,619,284	119.64 %
PL Adjustments	(97,023)	(97,209)	(194,232)	(25.69)%	(992,341)	(995,193)	(1,987,534)	(65.70)%
New Proposals	0	0	0	0.00 %	1,424,270	(30,873)	1,393,397	46.06 %
Total Budget	\$378,152	\$377,966	\$756,118		\$2,241,571	\$783,576	\$3,025,147	

As shown in the table the reductions related to the FirstNet grant drive the changes in the budget. Operating adjustments included in the present law adjustments are mainly due to changes for the FirstNet grant that are then offset by adoption of new proposals for the same grant.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 510 - Legislative Audit- HB 2 2014 Fixed Costs (Biennial/Restricted)	0.00	0	731	0	731	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	1,502	1,701	0	3,203	0.00	1,502	1,701	0	3,203
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	7,304	0	0	7,304	0.00	7,304	0	0	7,304
DP 525 - Fixed Cost Adjustment	0.00	(94,620)	(13,538)	0	(108,158)	0.00	(94,608)	(14,814)	0	(109,422)
DP 526 - 2017 Biennium Legislative Audit (Biennial/Restricted)	0.00	0	(241)	0	(241)	0.00	0	0	0	0
DP 529 - Longevity and Other adjustments	0.00	0	650	0	650	0.00	0	2,434	0	2,434
DP 550 - Motor Pool Rate Adjustment	0.00	(60)	(70)	0	(130)	0.00	(60)	(70)	0	(130)
DP 700106 - Directors Office Costs	0.00	8,573	7,269	0	15,842	0.00	8,258	7,023	0	15,281
DP 700200 - Other Personal Services Changes	0.00	(19,722)	24,002	(108,894)	(104,614)	0.00	(19,605)	21,459	(108,104)	(106,250)
DP 700210 - Operating Cost Adjustments	0.00	0	0	(807,680)	(807,680)	0.00	0	0	(808,470)	(808,470)
DP 700444 - Statewide 4% FTE Reduction - Program 07	(0.41)	0	0	0	0	(0.41)	0	0	0	0
Grand Total All Present Law Adjustments	(0.41)	(\$97,023)	\$20,504	(\$916,574)	(\$993,093)	(0.41)	(\$97,209)	\$17,733	(\$916,574)	(\$996,050)

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

DP 510 - Legislative Audit- HB 2 2014 Fixed Costs (Biennial/Restricted -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Biennial/Restricted) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 700106 - Directors Office 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.

DP 700200 - Other Personal Services Changes -

The legislature approved the executive's proposed reductions in personal services for the State Information Technology Services Division.

DP 700210 - Operating Cost Adjustments -

The legislature adopted federal grant reductions for the program. The operating cost adjustments are based on reduced spending in the first year of the 2015 biennium.

DP 700444 - Statewide 4% FTE Reduction - Program 07 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package PL-700444 includes a reduction of 0.41 FTE each year.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 700704 - FTE and Expenditure Reduction	(0.50)	0	(103,842)	0	(103,842)	(0.50)	0	(102,324)	0	(102,324)
DP 700705 - FirstNet Grant (Restricted/Biennial)	0.00	0	0	1,528,112	1,528,112	0.00	0	0	71,451	71,451
Total	(0.50)	\$0	(\$103,842)	\$1,528,112	\$1,424,270	(0.50)	\$0	(\$102,324)	\$71,451	(\$30,873)

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

DP 700704 - FTE and Expenditure Reduction -

The legislature adjusted personal services and operating expenditures for FY 2016 and FY 2017 in order to balance to estimated revenues for this program.

DP 700705 - FirstNet Grant (Restricted/Biennial) -

The legislature provided \$1.59 million in federal special revenue to support the FirstNet 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.

Other Issues

Proprietary Rates

State Information Technology Services Division - 06522

Program Description

The State Information Technology Services Division manages information technology services for state government. Responsibilities include:

- Information Systems Security: ensure continuity of enterprise operations and security of data through risk assessment and mitigation, planning and monitoring, detailed recovery planning, incident response, and periodic testing. Coordinate security policies and procedures
- Network Technology Services: manage the statewide network (SummitNet); provide prioritized voice, video, data and wireless services; develop and implement solutions to address network growth and expansion; and support customers' needs regarding increased bandwidth and connectivity
- Enterprise Technology Services: develop and manage hardware and software services across the enterprise in a cost-effective manner
- Enterprise Support Services – manage service desk to assist customers regarding hardware and software applications, manage desktop lifecycle for customers
- Montana Data Centers: manage state data centers in Helena and Miles City and reliably, efficiently, and securely provide file storage
- Application Technology Services: support the state's mt.gov websites and assist customers to design and deploy customized applications and online services, including eGovernment applications
- Strategic Planning Services: ensure IT operations are conducted through planning and periodic performance reports, and provide oversight of agency IT procurements and plans
- Business and Financial Services – manage budget development, billing, and acquisition and procurement services for IT customers, implement strategies to meet customer needs and deliver and maintain services

- State IT Project Management Services – provide expertise, assistance, tools, methodologies, and training to customers to ensure IT projects are conducted in an organized, deliberative, and cost-effective manner

Proprietary Rates

For the 2017 biennium the following rates were adopted by the legislature. The rates charged in the base year are shown for comparison purposes. The 30-day working capital reserve used to establish the rates for state agencies included in HB 2 are based on personal services amounts of \$15,732,717 in FY 2016 and \$15,747,437 in FY 2017. This is an increase of \$1.2 million above the 2015 legislative base budget or an increase of 8.4% each year of the biennium. Operating costs were budgeted at \$24,278,456 in FY 2016, an increase of \$543,675 or 2.3% in FY 2016 and \$25,805,921 an increase of \$1,100,942 or 4.6% in FY 2017. Equipment and intangible assets were budgeted at \$746,242 each year of the biennium, a decrease of \$911,131 or 45.0% from the 2015 legislative base budget. 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.

Requested Rates for Internal Service Funds Fee/Rate Information				
	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:	30-Day Working Capital Reserve	30-Day Working Capital Reserve	30-Day Working Capital Reserve	30-Day Working Capital Reserve

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Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	37.00	37.00	35.80	35.80	37.00	35.80	(1.20)	(3.24)%
Personal Services	2,736,740	2,870,477	3,338,686	3,341,454	5,607,217	6,680,140	1,072,923	19.13 %
Operating Expenses	861,750	1,016,511	992,586	927,737	1,878,261	1,920,323	42,062	2.24 %
Total Costs	\$3,598,490	\$3,886,988	\$4,331,272	\$4,269,191	\$7,485,478	\$8,600,463	\$1,114,985	14.90 %
State/Other Special Rev. Funds	3,598,490	3,886,988	4,331,272	4,269,191	7,485,478	8,600,463	1,114,985	14.90 %
Total Funds	\$3,598,490	\$3,886,988	\$4,331,272	\$4,269,191	\$7,485,478	\$8,600,463	\$1,114,985	14.90 %

Program Description

The Banking and Financial Division (division) licenses, supervises, regulates, and examines financial institutions doing business in Montana. Those institutions include:

- Banks and trust companies and related branch banks
- Credit unions
- Consumer finance companies
- Sales finance companies
- Escrow companies

The division also licenses and examines residential mortgage loan service providers.

Supervision of regulated depository financial institutions is accomplished primarily through examinations. The safety and soundness of Montana state chartered banks and credit unions, which hold over \$28 billion in assets as of July 2014, are supervised by the division. Banks are statutorily required to be examined at least once every 24 months. Credit unions are examined at least every 18-months. Consumer lenders, mortgage companies, and deferred deposit lenders may be examined at any time. Escrow companies and sales finance companies are examined as necessary.

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

Program Highlights

Banking and Financial Division Major Budget Highlights
<ul style="list-style-type: none"> • The legislature provided funding for the 2017 biennium budget that increased by 12.3% compared to the 2015 legislative appropriations • Majority of the increases are due to changes in personal services costs

Program Narrative

As shown in the program budget comparison table, personal services increase between biennia for two main reasons:

- High turnover in the division during FY 2014
- Pay and benefit changes provided in FY 2015 through HB 13 that are annualized in FY 2016

While the division has seen significant improvement in its historically high turnover rates since 2012, significant recruitment and retention problems exist within the division during the 2015 biennium in part due to:

- Significant travel associated with examinations
- Workplace conditions, as bank examiners may generate concern and anxiety among bank employees being examined
- High workloads due to recurring vacancies
- Competition with private and federal entities for the same workforce

The division has put 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

In addition to the actions taken by the division, the 2013 and 2015 Legislatures also took action to help address this issue. Pay increases contained in HB 13 as enacted by the 2013 Legislature have allowed pay for bank examiners to move into the market ranges for their positions. As of June 5, 2012, 40% of the workforce’s salaries were below 80% of the market midpoint for the position, including a number of financial examiners. With the pay increase that began on November 15, 2014, all of the financial examiners will be above the minimum of the occupational wage range.

The 2015 Legislature provided funding for examiner situational pay adjustments to compensate examiners for the extensive travel that is required as a part of their positions. In addition the legislature provided additional funding to allow one of the positions within the division to be reclassified to an information technology examiner. The legislature also provided funding to support:

- Annualization of the state share health insurance in the 2017 biennium
- Broadband pay adjustments for market adjustments, strategic pay, or training assignment progression
- Annualization of pay increases included in HB 13 as enacted by the 2013 Legislature
- Changes in employer contribution to employee retirement
- Employee attainment of longevity milestones annualized for FY 2015 and anticipated in the 2017 biennium

Funding

The following table shows program funding by source from all sources of authority.

Department of Administration, 14-Banking and Financial Institutions Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
02077 Financial Institutions Div	8,600,463	0	0	8,600,463	100.00 %	
State Special Total	\$8,600,463	\$0	\$0	\$8,600,463	100.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$8,600,463	\$0	\$0	\$8,600,463		

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 utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	3,886,988	3,886,988	7,773,976	90.39 %
PL Adjustments	0	0	0	0.00 %	372,639	310,337	682,976	7.94 %
New Proposals	0	0	0	0.00 %	71,645	71,866	143,511	1.67 %
Total Budget	\$0	\$0	\$0		\$4,331,272	\$4,269,191	\$8,600,463	

The increases included in the present law adjustments provide for increases in personal services to implement HB 13 as enacted by the 2013 Legislature, provide for situational pay for bank examiners, and to re-classify one examiner.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 510 - Legislative Audit- HB 2 2014 Fixed Costs (Biennial/Restricted)	0.00	0	2,401	0	2,401	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	0	16,913	0	16,913	0.00	0	16,913	0	16,913
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	0	95,306	0	95,306	0.00	0	95,306	0	95,306
DP 525 - Fixed Cost Adjustment	0.00	0	29,100	0	29,100	0.00	0	28,351	0	28,351
DP 526 - 2017 Biennium Legislative Audit (Biennial/Restricted)	0.00	0	2,544	0	2,544	0.00	0	0	0	0
DP 529 - Longevity and Other adjustments	0.00	0	7,829	0	7,829	0.00	0	19,187	0	19,187
DP 550 - Motor Pool Rate Adjustment	0.00	0	(2,714)	0	(2,714)	0.00	0	(2,752)	0	(2,752)
DP 1400106 - Directors Office Costs	0.00	0	13,876	0	13,876	0.00	0	11,400	0	11,400
DP 1400200 - Operating Cost Adjustments	0.00	0	(69,132)	0	(69,132)	0.00	0	(125,773)	0	(125,773)
DP 1400210 - Other Personal Services	0.00	0	181,516	0	181,516	0.00	0	172,705	0	172,705
DP 1400444 - Statewide 4% FTE Reduction - Program 14	(2.20)	0	0	0	0	(2.20)	0	0	0	0
DP 1401403 - Examiner Situational Pay Adjustment	0.00	0	35,000	0	35,000	0.00	0	35,000	0	35,000
DP 1401405 - Re-classify Examiner Position	0.00	0	60,000	0	60,000	0.00	0	60,000	0	60,000
Grand Total All Present Law Adjustments	(2.20)	\$0	\$372,639	\$0	\$372,639	(2.20)	\$0	\$310,337	\$0	\$310,337

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

DP 510 - Legislative Audit- HB 2 2014 Fixed Costs (Biennial/Restricted -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Biennial/Restricted) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 1400106 - Directors Office Costs -

The legislature funded the division's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions.

DP 1400200 - Operating Cost Adjustments -

The legislature reduced funding for operating costs. The reductions are based on lower spending in the first year of the 2015 biennium that are carried forward into the 2017 biennium.

DP 1400210 - Other Personal Services -

The legislature provided funding to support personal services increases within the division.

DP 1400444 - Statewide 4% FTE Reduction - Program 14 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package PL-1400444 includes a reduction of 2.20 FTE each year.

DP 1401403 - Examiner Situational Pay Adjustment -

The legislature provided funding for situational pay adjustments. In 2008, the Division of Banking and Financial Institutions established a situational pay scale to compensate examiners for the extensive travel that is required as part of their position. Examiners are compensated at the end of the calendar year for each night over 40 nights that are spent in an overnight travel status. The situational pay scale assists the division with examiner retention by providing an additional incentive to examiners that travel more than 40 nights per year.

DP 1401405 - Re-classify Examiner Position -

When the Division of Banking and Financial Institutions was re-accredited in 2009 by the Conference of State Bank Supervisors, the division was criticized for failing to have a certified financial institution information technology examiner on staff to perform information technology examinations of Montana's financial institutions. The legislature provided the division funding to reclassify an existing vacant position to serve as an information technology examiner and provide for travel, training, and related expenses.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	31.50	31.50	31.50	31.50	31.50	31.50	0.00	0.00 %
Personal Services	1,934,732	2,039,103	2,163,692	2,164,610	3,973,835	4,328,302	354,467	8.92 %
Operating Expenses	2,940,083	2,963,996	3,972,156	3,435,390	5,904,079	7,407,546	1,503,467	25.46 %
Equipment & Intangible Assets	14,333	19,500	144,500	19,500	33,833	164,000	130,167	384.73 %
Debt Service	81,678	89,977	89,977	89,977	171,655	179,954	8,299	4.83 %
Total Costs	\$4,970,826	\$5,112,576	\$6,370,325	\$5,709,477	\$10,083,402	\$12,079,802	\$1,996,400	19.80 %
State/Other Special Rev. Funds	0	0	0	0	0	0	0	0.00 %
Proprietary Funds	4,970,826	5,112,576	6,370,325	5,709,477	10,083,402	12,079,802	1,996,400	19.80 %
Total Funds	\$4,970,826	\$5,112,576	\$6,370,325	\$5,709,477	\$10,083,402	\$12,079,802	\$1,996,400	19.80 %

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 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 until the amount transferred equals the amount transferred to the general fund in FY 2015. Lottery is then required to transfer any additional net revenue to the Montana STEM Scholarship Program.

The lottery is attached to the Department of Administration for administrative purposes only.

Program Highlights

Montana State Lottery Major Budget Highlights
<ul style="list-style-type: none"> • The legislature provided an increase of 18.2% in the 2017 biennium budget when compared to the 2015 appropriated biennium budget • Operating expenses for a new lottery contractor and changes to a printing contract are part of the increase

Program Narrative

Unlike most proprietary funds the lottery is budgeted in HB 2. This is because once the direct and administrative costs of the lottery are paid the remaining funds (net revenues) are transferred to the:

- general fund until the transfers equal the net revenues provided in FY 2015
- Montana STEM Scholarship Program

The lottery deposited \$12.1 million in net revenues into the general fund in FY 2014. Current estimates included in HJR 2 for FY 2015 show the net revenue transfers to the general fund at \$12.2 million.

Statutory appropriations for the lottery are directly related to either the:

- Sale of lottery tickets and the related private retailers commissions and vendor fees
- Payment of prizes

As such, the legislature cannot impact changes to these game costs as they are driven by the purchase of lottery tickets. In contrast, the legislature can affect the HB 2 appropriation amounts, which directly impact the level of lottery profits transferred to the general fund. The lower the administrative costs, the higher the amount available to transfer to the general fund. The HB 2 administrative costs are shown in the program budget comparison table on the first page of the program narrative.

As shown on the program budget comparison table, the largest contributor to the increase in operating expenses is the scheduled update in the gaming system. The lottery contracts with a private entity for its gaming system, which provides for terminals at each of the approximately 850 separate retail vendors across Montana, software for both the terminals and the Montana State Lottery system, system security, and other related components. State procurement requirements provide that the contract for the gaming system must be put out for bid every 10 years. The current contract expires in March 2016. It should be noted that even if the same vendor is selected through the bidding process, the request for proposal requires a new and updated gaming system with all new equipment for installation at each retail vendor and the lottery offices.

Bids for the system were received in December of 2014. Once the vendor is selected lottery staff will work with the contractor to refine the components needed to make the change to the new system. Items that will need to be addressed prior to having the system converted include:

- Conversion schedule
- Installation of new equipment
- Testing and verification of the system prior to “go live” date
- Education of retail vendors

The legislature provided \$0.6 million in funding over the biennium to support the conversion to the new gaming system, \$0.4 million in ongoing funds and \$0.2 million as one-time-only. Funding for independent validation and verification testing of the new system is only needed during the conversion process to the new system. The legislature also provided one-time-only funding for additional tickets related to instant scratch games offered on a more frequent basis and free standing lottery terminals that utilize touch-screen technology.

Personal services increases include provision of 1.14 FTE and related personal services of \$75,000 each year of the biennium. Support was also provided for the annualization of pay increases included in HB 13 as enacted by the 2013 Legislature and the state contribution to employee insurance.

Additional funding of \$400,000 for advertising and marketing was appropriated from the state lottery enterprise fund in HB 617. This funding is not reflected in the tables for the Montana State Lottery as it was not provided in HB 2.

Funding

The following table shows program funding by source from all sources of authority.

Department of Administration, 15-Montana State Lottery Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
02029 Board Of Horse Racing	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
06001 State Lottery Fund	12,079,802	0	75,000,000	87,079,802	100.00 %	
Proprietary Total	\$12,079,802	\$0	\$75,000,000	\$87,079,802	100.00 %	
Total All Funds	\$12,079,802	\$0	\$75,000,000	\$87,079,802		

House Bill 2

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 and the Montana STEM Scholarship Program. Therefore, the lottery is indirectly funded with general fund and by law its funding for operations must be appropriated by the legislature.

Statutory Appropriations

In the 2017 biennium over 84% of the total proposed costs for the lottery are statutorily appropriated for lottery prizes and commissions and vendor fees paid to lottery ticket or change sales agents. The level of costs for commissions and vendor fees fluctuates in direct correlation to the ticket sales and is thus forecast to increase as are lottery revenues.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	5,112,576	5,112,576	10,225,152	84.65 %
PL Adjustments	0	0	0	0.00 %	1,182,940	522,283	1,705,223	14.12 %
New Proposals	0	0	0	0.00 %	74,809	74,618	149,427	1.24 %
Total Budget	\$0	\$0	\$0		\$6,370,325	\$5,709,477	\$12,079,802	

Present law adjustment increases include additional funding for lottery terminals and conversion of the lottery to a new gaming system.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 510 - Legislative Audit- HB 2 2014 Fixed Costs (Biennial/Restricted)	0.00	0	0	0	110,145	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	0	0	0	14,755	0.00	0	0	0	14,755
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	0	0	0	38,310	0.00	0	0	0	38,310
DP 525 - Fixed Cost Adjustment	0.00	0	0	0	27,794	0.00	0	0	0	26,834
DP 526 - 2017 Biennium Legislative Audit (Biennial/Restricted)	0.00	0	0	0	3,143	0.00	0	0	0	0
DP 529 - Longevity and Other adjustments	0.00	0	0	0	(5,512)	0.00	0	0	0	1,172
DP 550 - Motor Pool Rate Adjustment	0.00	0	0	0	(54)	0.00	0	0	0	(55)
DP 1500106 - Directors Office Costs	0.00	0	0	0	11,587	0.00	0	0	0	8,783
DP 1500200 - Lottery Conversion to New Gaming System - Ongoing	0.00	0	0	0	205,000	0.00	0	0	0	170,000
DP 1500210 - Operating Cost Adjustments	0.00	0	0	0	(109,576)	0.00	0	0	0	(88,168)
DP 1500220 - Other Personal Services Changes	0.00	0	0	0	2,227	0.00	0	0	0	(3,348)
DP 1500444 - Statewide 4% FTE Reduction - Program 15	(1.14)	0	0	0	0	(1.14)	0	0	0	0
DP 1501501 - Lottery Coronis Terminals (Restricted/OTO)	0.00	0	0	0	336,121	0.00	0	0	0	0
DP 1501502 - Lottery Conversion to a New Gaming System (Restricted/OTO)	0.00	0	0	0	200,000	0.00	0	0	0	0
DP 1501503 - New tickets (OTO/Restricted)	0.00	0	0	0	349,000	0.00	0	0	0	354,000
Grand Total All Present Law Adjustments	(1.14)	\$0	\$0	\$0	\$1,182,940	(1.14)	\$0	\$0	\$0	\$522,283

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

DP 510 - Legislative Audit- HB 2 2014 Fixed Costs (Biennial/Restricted -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Biennial/Restricted) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 1500106 - Directors Office Costs -

The legislature funded the Montana Lottery's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

DP 1500200 - Lottery Conversion to New Gaming System - Ongoing -

The legislature provided funding for the Montana State Lottery's conversion to a new gaming system. The lottery's current gaming system contract expires March 30, 2016. New technologies for gaming systems are estimated at a higher cost than the current system which is now 10 years old.

DP 1500210 - Operating Cost Adjustments -

The legislature reduced funding for operating costs. The reductions are based on lower spending in the first year of the 2015 biennium that are carried forward into the 2017 biennium.

DP 1500220 - Other Personal Services Changes -

The legislature adopted all other personal service cost adjustments, except the annualization of the 2015 biennium pay plan.

DP 1500444 - Statewide 4% FTE Reduction - Program 15 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package PL-1500444 includes a reduction of 1.14 FTE each year.

DP 1501501 - Lottery Coronis Terminals (Restricted/OTO) -

The legislature provided \$336,121 in one-time-only, restricted funding in FY 2016 to provide for the 150 Lottery Coronis MP Terminals currently leased from the lottery's gaming contractor. The terminals are free standing lottery terminals that utilizes player activated touch-screen technology, which allows the player to play a variety of Montana lottery games. In the 2013 Legislative Session, the lottery was approved funding for these terminals and entered into an operating lease with the vendor. The Montana Lottery's gaming contract with its current contractor ends in March of 2016, and at that time, the machines will revert back to the vendor.

DP 1501502 - Lottery Conversion to a New Gaming System (Restricted/OTO) -

The Montana Lottery's current gaming system contract is set to expire March 30, 2016. Once the lottery has concluded selecting a new contractor, the conversion process will require numerous systems engineering disciplines to work together, while drafting the supporting software and system package in compliance with the specifications outlined in the new gaming system contract. In order to protect the integrity of this process, the legislature provided funding for an independent third party to conduct validation and verification testing of the new system. Validation is required to make sure the software developed meets the lottery's needs, and verification would insure the resulting system is properly engineered. The word "independent" is critical to this process, because it will provide the lottery with a perspective not under the control of the contractor developing the software and system.

DP 1501503 - New tickets (OTO/Restricted) -

The legislature provided restricted, one-time-only funding each year of the biennium to provide for additional tickets related to instant scratch games. This will allow the lottery to provide the games on a more frequent basis.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1500240 - Increase FTE by 1.14	1.14	0	0	0	74,809	1.14	0	0	0	74,618
Total	1.14	\$0	\$0	\$0	\$74,809	1.14	\$0	\$0	\$0	\$74,618

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

DP 1500240 - Increase FTE by 1.14 -

The legislature provided personal services funding to support an additional 1.14 FTE within the Montana State Lottery.

Program Budget Comparison

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

Program Budget Comparison									
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change	
Personal Services	0	0	1,588,104	1,588,432	0	3,176,536	3,176,536	0.00 %	
Operating Expenses	0	0	2,942,529	2,937,053	0	5,879,582	5,879,582	0.00 %	
Total Costs	\$0	\$0	\$4,530,633	\$4,525,485	\$0	\$9,056,118	\$9,056,118	0.00 %	
Proprietary Funds	0	0	4,530,633	4,525,485	0	9,056,118	9,056,118	0.00 %	
Total Funds	\$0	\$0	\$4,530,633	\$4,525,485	\$0	\$9,056,118	\$9,056,118	0.00 %	

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. 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. Finally, the division is responsible for the centralized oversight and management of workers' compensation related matters impacting the state as an employer.

Program Highlights

Health Care and Benefits Division Major Budget Highlights
<ul style="list-style-type: none"> • Upon passage and approval of SB 418, the Health Care and Benefits Division costs were removed from HB 2 • The Health Care and Benefits Division is entirely funded with non-budgeted, internal service type proprietary funds • Health care costs are continuing to increase

Program Narrative

Proprietary Funding

The division is entirely funded from proprietary funds, which are not appropriated in HB 2 and, in the case of the state employee group benefit plan (SEGBP), not approved as a proprietary rate. 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 health plan, including administration of health, dental, vision, life insurance, and flexible spending accounts. It is funded with the Group Benefits Claims, 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 accounts for employee deductions for flexible spending, including medical and child care

The legislature initially included the administrative costs of the state employee group benefit plan in HB 2 as required by current statute. However, the legislature passed and the Governor approved SB 418, removing the requirement for administrative costs to be contained in HB 2. To coordinate this action with HB 2, the Governor line item vetoed the Health Care and Benefit Division's costs from HB 2 funding. The program budget comparison table still includes the administrative costs of the SEGBP.

Plan Year 2014 - State Employee Group Benefit Plan

The state employee group benefit plan (SEGBP) operates on a calendar year basis. For a number of years SEGBP has retained reserves that were higher than the amount needed as estimated by the plan's actuary. In calendar year 2014 the financial health of the plan as measured by the level of reserves declined.

According to the financial report for plan year ending December 31, 2014 issued by the plan's actuary:

- Revenues increased 3.9% when compared to plan year 2013, from \$154.0 million to \$160.2 million, an amount that does not provide for the costs of the claims during this period. The change is a combination of two factors:
 - Revenues increased by the state share contribution, which was raised 10% from \$733 per state employee per month to \$806 on January 1, 2014 and then increased again to \$887 per state employee per month beginning January 1, 2015
 - Revenues decreased for contribution reductions of \$20 per participant 18 years or older per month for participation in health screenings and tobacco cessation programs, up to a maximum of \$40 per month per family
- Expenditures increased 20.2% when compared to plan year 2013, from \$154.0 million to \$185.1 million. Health Care and Benefits Division (HCBd) staff have outlined a number of factors that contributed to the changes:
 - Health care costs increasing overall, especially hospital costs
 - Higher numbers of employees participating in health screening, which identified a number of chronic diseases such as diabetes or illnesses such as cancer that have high treatment costs
 - Open enrollment in October 2014 that added an additional 500 participants, a number that had high health care costs
 - Third party administrator paying claims slower than the previous contractors, resulting in an incurred but not reported (IBNR) estimate of claims of \$5.5 million in unanticipated claims from plan year 2013. These claims were incurred in plan year 2013 but were either not submitted by providers until plan year 2014 or were not processed by the third party administrator until plan year 2014. This increases the amount of IBNR by \$5.5 million
 - Planned losses in FY 2014 of \$4.8 million due to excess recommended reserve levels at the time the premium rates were established
- In addition, HCBd staff believe that the first quarter of plan year 2013 costs were lower than anticipated for three reasons:
 - Transition between third party administrators resulted in payment delays
 - Implementation of new care policies directed by HCBd staff are believed to have improved the medical review process for medical care and related costs but resulted in delayed payments
 - Claim repricing for network discounts were delayed in implementation
- Plan reserves were \$62.0 million at December 31, 2014 or \$16.4 million below the actuarially recommended level of reserves. A decrease of \$29.9 million from plan year 2013.

Plan Year 2015

For the first quarter of plan year 2015 the financial report issued by the actuary includes:

- Revenues for the plan increased 14.7% when compared to the same period in plan year 2014
- Expenditures for the plan decreased 9.6% when compared to the same period in plan year 2014
- 5.8% of the reduction in expenditures was due to a reduction of \$2.9 million in the estimate of incurred but not reported claims
- Revenues for medical plan increased 15.5% when compared to the same period in plan year 2014
- Expenditures for medical expenses decreased 10.1% when compared to the same period in plan year 2014

- Plan reserves are projected at \$45.7 million for December 31, 2015, or \$30.8 million below the actuarially recommended level of reserves, based on the information available through March 31, 2015. This results in a further decrease in plan reserves of \$14.0 million since December 2014

To address higher costs for increased medical and dental claims the Governor has implemented increased contributions, deductibles, and copays for participants for plan year 2015. HCBD had projected at the end of plan year 2014 reserves would be \$4.6 million below the actuarially recommended level while in actuality they were \$16.4 million below the recommended level.

Legislative Requirements

The legislature required the Department of Administration to consider cost containment measures as a condition for the expenditure of funding for the state employee group benefit plan in the 2017 biennium. In addition, while the legislature did not required DOA to implement specific cost containment measures, it did provide options for consideration including:

- Reviewing and consulting with appropriate experts on:
 - Improving primary care case management and coordinated care to improve medical outcomes and reduce costs
 - Sharing data with providers to identify and reduce inappropriate use or overuse of services
 - Implementing pilot programs to improve health outcomes, such as programs for addressing pain management, emergency department use, and drug or alcohol addiction or abuse
 - Increasing the cost-efficiency of the state health clinics, including recommendations for services and controls on or review of referrals
 - Implementing a network-based or referenced-based pricing arrangement, or both, with health care facilities, health care providers, and medical transport providers, considering a multiple of Medicare rates to establish a contract of network providers or as a reference-based pricing model for the arrangement
 - Amending contracts to the extent possible, for the state health clinics to require copayments equal to the copayments required by the state employee group benefit plans for similar services
- Requiring a contractor or third-party administrator to provide data analytics, professional expertise, and recommendations for improvement of the state employee group benefit plan to DOA, the State Employee Group Benefit Advisory Council, and the Legislative Finance Committee

Changes to the State Share Contribution to Employee Group Benefits

Also included in SB 418 were changes to the employer contribution to employee group benefits. The legislature increased the employer contribution by:

- 10% to \$976 a month in FY 2016 effective January 1, 2016 for state agency employees and members of the legislature
- 8% to \$1,054 a month in FY 2017 effective January 1, 2017 for state agency employees and members of the legislature

The legislature provided appropriations to fund the changes within HB 2.

Funding

The following table shows program funding by source from all sources of authority.

Department of Administration, 21-Health Care & Benefits Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
06027 Flexible Spending Funds	0	19,811,023	0	19,811,023	4.34 %	
06559 Group Benefits Claims A/C	9,056,118	427,137,380	0	436,193,498	95.52 %	
06575 Workers Comp Management Program	0	643,992	0	643,992	0.14 %	
Proprietary Total	\$9,056,118	\$447,592,395	\$0	\$456,648,513	100.00 %	
Total All Funds	\$9,056,118	\$447,592,395	\$0	\$456,648,513		

The Health Care and Benefits Division is funded entirely with proprietary funds. The legislature appropriated \$4.5 million of the funds within HB 2 each year of the biennium as required by statute, the remaining funding is statutorily appropriated for benefits and claims.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category									
Budget Item	-----General Fund-----					-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	
2015 Budget	0	0	0	0.00 %	0	0	0	0.00 %	
PL Adjustments	0	0	0	0.00 %	4,530,633	4,525,485	9,056,118	100.00 %	
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %	
Total Budget	\$0	\$0	\$0		\$4,530,633	\$4,525,485	\$9,056,118		

Present Law Adjustments

The “Present Law Adjustments” table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2100200 - Administrative Costs in HB 2	0.00	0	0	0	4,530,633	0.00	0	0	0	4,525,485
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$4,530,633	0.00	\$0	\$0	\$0	\$4,525,485

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

DP 2100200 - Administrative Costs in HB 2 -

The legislature funded the administrative costs of the State Employee Group Benefit Plan in HB 2 as required by statute and correspondingly reduced authority in the non-budgeted internal service fund.

Other Issues

Proprietary Rates

The Healthcare and Benefits Division manages two proprietary programs:

- Employee benefits, 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

Employee Benefits Program - 06559

Program Description

The Health Care and Benefits Bureau manages the following:

- State employee group benefit plan including on-site employee health centers in Helena, Billings, Miles City, Missoula, and in November Butte
- State employee sick leave fund
- Employee assistance services
- Health promotion
- Voluntary employee benefit health care expense trust

The plan previously offered two types of health insurance policies:

- Traditional
- Managed care

Plan participants historically moved from the traditional plan to managed care, mainly due to the difference in contribution costs, as for the most part plan elements are similar. Health Care and Benefits Bureau now offers only one health insurance policy option for participant's called the Capitol Plan.

Funding for the program is with internal service type proprietary funds. As such, the legislature does not approve rates or appropriate funds for the benefits and claims of this fund.

Proprietary Rates

	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description: State Share Contribution	733	733	806	887	976	1,054
Rates are established to maintain adequate actuarial reserves. Actual state share rates are set in statute for each calendar year as opposed to a fiscal year.						

The amounts shown as rates above are the state share contributions for each state employee each month. The various contribution costs for the program are not limited through the legislative process but are determined by the division based on actuarial estimates of the claim costs for each benefit type. Any difference between the state share contribution and actual costs are made up by employee and retiree contributions and investment income.

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 meaningful and productive work. The program is the central resource in working with the state's workers' compensation insurer, Montana State Fund, to coordinate workers' compensation coverage and policy management issues.

Proprietary Rates

For the 2017 biennium the following rates were approved by the legislature. The rates charged in the base year are shown for comparison purposes.

	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:				
Administrative Fee	0.82	0.82	0.99	0.98

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 state employees to defer part of their gross pay into an account for reimbursement of qualified medical and childcare expenses.

Proprietary Rates

For the 2017 biennium the following rates were adopted by the legislature. The rates charged in the base year are shown for comparison purposes.

	Actual FY12	Actual FY13	Actual FY14*	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:						
FSA Account	2.25	2.25	2.25	2.25	2.25	2.25
FSA Debit Card	0	0	1.00	1.00	1.00	1.00
This is a per member per month fee for the members that have elected to participate.						
*The debit card option began in FY 2014.						

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. At times the flexible spending account program has accumulated additional funds due to forfeited funds. When able, the program uses the additional funds to waive the fees charged to participants.

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Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	14.71	14.71	14.25	14.25	14.71	14.25	(0.46)	(3.13)%
Personal Services	990,178	1,138,039	1,159,131	1,160,810	2,128,217	2,319,941	191,724	9.01 %
Operating Expenses	510,936	403,672	545,294	546,372	914,608	1,091,666	177,058	19.36 %
Total Costs	\$1,501,114	\$1,541,711	\$1,704,425	\$1,707,182	\$3,042,825	\$3,411,607	\$368,782	12.12 %
General Fund	1,501,114	1,541,711	1,704,425	1,707,182	3,042,825	3,411,607	368,782	12.12 %
Total Funds	\$1,501,114	\$1,541,711	\$1,704,425	\$1,707,182	\$3,042,825	\$3,411,607	\$368,782	12.12 %

Program Description

The State Human Resources Division (SHRD) provides statewide human resource services utilizing the following functions and programs:

- The Human Resources Policy and Programs (HRPP) Bureau establishes the human resource rules, policies and standards for Montana’s executive branch.
- The Professional Development Center (PDC) offers training and other professional development services to Montana state government and other organizations.
- The Human Resources Information Systems (HRIS) Bureau processes the biweekly payroll and other HR information systems for all branches of state government.

Program Highlights

State Human Resources Division Major Budget Highlights
<ul style="list-style-type: none"> • 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 • The legislature provided a decrease of 9.8% to the 2017 biennium when compared to 2015 biennium legislative appropriations • The legislature approved moving the Office of Labor Relations from the State Human Resources Division to the Director's Office resulting in a decrease in authority when compared to the 2015 biennium

Program Narrative

Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base

The following table highlights the differences between the FY 2015 appropriations implemented by the executive compared to the FY 2015 legislative appropriations used for purposes of the budget base.

Department of Administration State Human Resources Division FY 2015 Appropriation Transactions				
Category	Legislative Appropriation	Program Transfers	Reorganization	Total Executive Implementation
Personal Services	\$1,465,304	(\$19,852)	(\$327,265)	\$1,118,187
Operating Expenses	454,172	(500)	(50,500)	403,172
Total Costs	\$1,919,476	(\$20,352)	(\$377,765)	\$1,521,359

The number for total executive implementation on the table above does not tie to FY 2015 appropriation for FY 2015 as the executive included the \$20,352 that was transferred to the Director's Office. The State Human Resources Division transferred a total of \$398,117 in authority to the Director's Office. SHRD transferred the Office of Labor Relations with 3.5 FTE and \$327,265 supporting those positions. In addition \$50,500 in operating costs were also transferred. SHRD also transferred 0.46 FTE and associated personal services and operating costs to the Director's Office.

Legislative Budget

The State Human Resource Division budget for HB 2 provides for the Human Resources Policy and Programs Bureau. The Office of Labor Relations was moved from SHRD to the Director's Office during FY 2014. Personal services changes between biennia supported by general fund include:

- Annualization of increases provided in FY 2015
- Annualization of state share contribution for health insurance
- Reclassification of 2.25 FTE
- Reinstating funding for vacancy savings assessed in the 2015 biennium. The executive chose to eliminate positions from other areas to comply with the boilerplate language of HB 2 passed by the 2013 Legislature

Operating expense increases between biennia are due to:

- Funding increases for IT professional and consulting services for programming changes for a recruitment project. The costs occurred in FY 2014 and are carried into the 2017 biennium. They were not included in FY 2015 budgeted operating expenses.

Funding

The following table shows program funding by source from all sources of authority.

Department of Administration, 23-State Human Resources Division Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	3,411,607	0	0	3,411,607	32.03 %
State Special Total	\$0	\$0	\$0	\$0	0.00 %
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %
06525 Intergovernmental Training	0	747,463	0	747,463	10.32 %
06563 Payroll Fund	0	6,493,229	0	6,493,229	89.68 %
Proprietary Total	\$0	\$7,240,692	\$0	\$7,240,692	67.97 %
Total All Funds	\$3,411,607	\$7,240,692	\$0	\$10,652,299	

HB 2

General fund supports the Human Resources Policy and Programs Bureau.

Proprietary Funding

The majority of the division’s operations are supported by proprietary funds that support two programs:

- Professional Development Center (PDC)
- Human Resource Information Services 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 utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	1,919,476	1,919,476	3,838,952	112.53 %	1,919,476	1,919,476	3,838,952	112.53 %
PL Adjustments	(215,051)	(212,294)	(427,345)	(12.53)%	(215,051)	(212,294)	(427,345)	(12.53)%
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$1,704,425	\$1,707,182	\$3,411,607		\$1,704,425	\$1,707,182	\$3,411,607	

Present law adjustments include the transfer of FTE and appropriation authority for the Office of Labor Relations to the Director’s Office. As shown, the change reduces the budget for SHRD.

Present Law Adjustments

The “Present Law Adjustments” table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 515 - State Share Health Insurance	0.00	6,926	0	0	6,926	0.00	6,926	0	0	6,926
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	28,203	0	0	28,203	0.00	28,203	0	0	28,203
DP 525 - Fixed Cost Adjustment	0.00	(12,567)	0	0	(12,567)	0.00	(12,503)	0	0	(12,503)
DP 529 - Longevity and Other adjustments	0.00	(19,736)	0	0	(19,736)	0.00	(18,057)	0	0	(18,057)
DP 530 - Reorganization	0.00	(352,214)	0	0	(352,214)	0.00	(352,214)	0	0	(352,214)
DP 535 - Program Transfer	0.00	(20,352)	0	0	(20,352)	0.00	(20,352)	0	0	(20,352)
DP 550 - Motor Pool Rate Adjustment	0.00	(87)	0	0	(87)	0.00	(88)	0	0	(88)
DP 2300106 - Directors Office Costs	0.00	5,577	0	0	5,577	0.00	4,544	0	0	4,544
DP 2300444 - Statewide 4% FTE Reduction - Program 23	(0.46)	0	0	0	0	(0.46)	0	0	0	0
Grand Total All Present Law Adjustments	(0.46)	(\$364,250)	\$0	\$0	(\$364,250)	(0.46)	(\$363,541)	\$0	\$0	(\$363,541)

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 530 - Reorganization -

The legislature adopted the reorganization of the Office of Labor Relations from State Human Resources Division to Director's Office within the department. This included transfers of \$352,214 in general fund and 3.50 FTE in each year of the biennium.

DP 535 - Program Transfer -

The legislature adopted program transfers made by the department in the interim.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 2300106 - Directors Office 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.

DP 2300444 - Statewide 4% FTE Reduction - Program 23 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package PL-2300444 includes a reduction of 0.46 FTE each year.

Other Issues

Proprietary Rates

The State Human Resources Division provides the following programs funded through proprietary rates:

- Professional Development Center (PDC), which trains state employees
- Human Resource Information Services, including payroll and benefits eligibility processing

Professional Development Center/Training Program - 06525

Program Description

The PDC program provides training and related services throughout locations in the state of Montana. The PDC offers training directed towards improving state practices, meeting state and federal regulations, and providing professional services such as facilitation, mediation, or curriculum design.

Funding for the PDC is generated through two rates:

1. Open-enrollment fees, which is per-person tuition charged for attendance. Tuition rates are based on two factors: 1) projected attendance; and 2) competitive pricing.
2. 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 2017 biennium the following rates were adopted by the legislature. The rates charged in the base year are shown for comparison purposes.

Requested Rates for Internal Service Funds Fee/Rate Information				
	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:				
PDC Fee per FTE	N/A	N/A	N/A	N/A
Fee Group A				
Training Services per hour				
Open Enrollment Courses				
Two-Day Course (per participant)	\$190.00	\$190.00	\$190.00	\$190.00
One-Day Course (per participant)	\$123.00	\$123.00	\$123.00	\$123.00
Half-Day Course (per participant)	\$95.00	\$95.00	\$95.00	\$95.00
Eight-Day Management Series (per participant)	\$570.00	\$570.00	\$800.00	\$800.00
Six-Day Management Series (per participant)	\$440.00	\$440.00	\$600.00	\$600.00
Four-Day Administrative Assistant Series (per participant)	\$333.00	\$333.00	\$400.00	\$400.00
Contract Courses				
Full Day Training (flat fee)	\$830.00	\$830.00	\$830.00	\$830.00
Half Day Training (flat fee)	\$570.00	\$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 services. 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.				

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.

Human Resources Information System Bureau (HRIS) - 06563

Program Description:

The HRIS Bureau operates the SABHRS-HR payroll, benefits and human resources system to process, distribute, report, and account for payroll, benefits, and associated withholding and deductions for 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.

Proprietary Rates

For the 2017 biennium the following rates were adopted by the legislature. The rates charged in the base year are shown for comparison purposes.

Requested Rates for Internal Service Funds Fee/Rate Information						
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:						
HRIS fees (per employee process per pay period)	8.06	8.10	8.13	8.15	7.82	7.83
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 2017 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/advices per pay period per agency. The agencies' payroll warrant/advice counts are based upon FY 2013 and FY 2014 data.						

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.

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Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	17.00	17.00	17.00	17.00	17.00	17.00	0.00	0.00 %
Personal Services	1,447,559	1,324,232	1,552,812	1,554,712	2,771,791	3,107,524	335,733	12.11 %
Operating Expenses	6,916,017	7,058,264	7,492,438	7,479,093	13,974,281	14,971,531	997,250	7.14 %
Grants	520,113	0	520,113	520,113	520,113	1,040,226	520,113	100.00 %
Benefits & Claims	6,235,087	5,956,769	8,235,087	8,235,087	12,191,856	16,470,174	4,278,318	35.09 %
Transfers	0	124,999	0	0	124,999	0	(124,999)	(100.00)%
Total Costs	\$15,118,776	\$14,464,264	\$17,800,450	\$17,789,005	\$29,583,040	\$35,589,455	\$6,006,415	20.30 %
Proprietary Funds	15,118,776	14,464,264	17,800,450	17,789,005	29,583,040	35,589,455	6,006,415	20.30 %
Total Funds	\$15,118,776	\$14,464,264	\$17,800,450	\$17,789,005	\$29,583,040	\$35,589,455	\$6,006,415	20.30 %

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, cyber/information security, fine art, property, professional liability, and miscellaneous.

The state self-insures most commercial insurance risks under \$2,000,000 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

Risk Management and Tort Defense Division Major Budget Highlights
<ul style="list-style-type: none"> • The division is solely funded through proprietary funds generated through premiums paid by state agencies and the Montana University System • The legislature increased insurance premiums to state agencies including: <ul style="list-style-type: none"> ◦ 30.5% for automobiles ◦ 33.8% for general liability ◦ 39.2% for property insurance • Higher claim costs and depleted reserves are driving the increases

Program Narrative

The legislature provided \$6.0 million in general fund supplemental funding for FY 2015 for the Risk Management and Tort Defense Division. The funding is to shore up depleted reserves for the self-insurance funds. Higher than anticipated claim costs for automobiles, property, and general liability contributed to the reduction in reserves.

Funding

The following table shows program funding by source from all sources of authority.

Department of Administration, 24-Risk Management & Tort Defense Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
02098 Insurance Proceeds - State Bld	0	0	2,400,000	2,400,000	100.00 %	
State Special Total	\$0	\$0	\$2,400,000	\$2,400,000	6.32 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
06532 Agency Insurance Int. Svc.	0	35,589,455	0	35,589,455	100.00 %	
Proprietary Total	\$0	\$35,589,455	\$0	\$35,589,455	93.68 %	
Total All Funds	\$0	\$35,589,455	\$2,400,000	\$37,989,455		

Proprietary Funding

The majority of the division's 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 charged to other state agencies and are discussed in the "Proprietary Rate" section of the narrative.

Statutory Appropriations

Less than 10% of the division's funding is derived from statutory appropriations for the receipts of insurance reimbursements on state agency buildings.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	13,363,958	13,363,958	26,727,916	75.10 %
PL Adjustments	0	0	0	0.00 %	4,436,492	4,425,047	8,861,539	24.90 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$17,800,450	\$17,789,005	\$35,589,455	

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 700 - Proprietary Fund Adjustments	0.00	0	0	0	4,436,492	0.00	0	0	0	4,425,047
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$4,436,492	0.00	\$0	\$0	\$0	\$4,425,047

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

DP 700 - Proprietary Fund Adjustments -

The legislature approved proprietary rates for this division.

Other Issues

Proprietary Rates

Program Description

The Risk Management & Tort Defense Division (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, cyber/information security, fine art, property, professional liability, and miscellaneous.

The state self-insures most commercial insurance risks under \$2.0 million per occurrence as well as auto, general liability, inland marine (i.e. property in-transit), 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.

Program Narrative

The State of Montana self-insures for risks including automobile, aviation, general liability, and property. State agencies and the Montana University System (MUS) pay premiums to the Risk Management and Tort Defense Division. Premium amounts for state agencies are based on the predicted costs of losses the state may incur as a result of claims and the operating costs of the division. Payments for claims and the operational expenses incurred by the division are expended from the proprietary 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.

Costs for insurance in state agencies are increased by:

- \$0.7 million for automobile
- \$5.6 million for general liability
- \$3.5 million for property

Aviation insurance costs are unchanged from FY 2015.

Losses paid for automobile claims were almost three times higher in FY 2014 than in FY 2013 and have been generally increasing since FY 2010. In addition, expenses for automobile claims and related operational costs have exceeded earned premiums since FY 2010, which has reduced reserves for the program. Premium costs increase 30.5% to ensure costs for the program are provided for by the premiums.

Aviation costs continue to hold steady with no claims since FY 2012. Premiums remain at FY 2015 rates.

General liability premiums increase 33.8% to cover increased operational costs, losses for general liability claims, and further strengthen reserves.

Property insurance claims have increased, in part due to flooding and hail damage in recent storms. In addition, the deductible on the catastrophic property insurance doubled for FY 2014 and beyond from \$1.0 million to \$2.0 million, increasing costs to the reinsurance program. Losses for the program in FY 2014 were 33.9% above those in FY 2010. Expenses for losses and operational costs have exceeded premium revenues in FY 2013 and FY 2014. The legislature increased premiums 39.2% to ensure costs of the program are funded through premiums.

Proprietary Rates

For the 2017 biennium the following rates were adopted by the legislature. The rates charged in the base year are shown for comparison purposes.

Requested Rates for Internal Service Funds Fee/Rate Information						
	Actual FY12	Actual FY13	Actual FY14	Actual FY15	Budgeted FY16	Budgeted FY17
Fee Description:						
Auto/Comp/Collision	1,031,347	1,037,665	1,174,091	1,139,497	1,498,200	1,498,200
Aviation	212,451	212,451	173,466	169,961	169,961	169,961
General Liability	6,750,000	6,750,000	8,008,078	8,088,660	10,824,476	10,824,476
Property/Miscellaneous	3,733,020	3,783,090	4,521,541	4,528,413	6,300,000	6,300,000
Total	11,726,818	11,783,206	13,877,176	13,926,531	18,792,637	18,792,637

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.

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Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	7.50	7.50	5.50	5.50	7.50	5.50	(2.00)	(26.67)%
Personal Services	388,508	491,795	505,316	485,915	880,303	991,231	110,928	12.60 %
Operating Expenses	161,843	86,802	169,223	168,849	248,645	338,072	89,427	35.97 %
Local Assistance	6,374	15,764	15,764	15,764	22,138	31,528	9,390	42.42 %
Total Costs	\$556,725	\$594,361	\$690,303	\$670,528	\$1,151,086	\$1,360,831	\$209,745	18.22 %
General Fund	556,725	594,361	690,303	670,528	1,151,086	1,360,831	209,745	18.22 %
Total Funds	\$556,725	\$594,361	\$690,303	\$670,528	\$1,151,086	\$1,360,831	\$209,745	18.22 %

Program Description

The Montana Tax Appeal Board (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 and other taxing agencies. The board consists of three members, appointed by the Governor and approved by the Senate, who hear appeals as full time state employees, with two support staff. The board 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 Montana Tax Appeal Board directs the county tax appeal board secretaries, and pays their salaries and employee benefits from its personal services appropriation. In addition, the board pays the board member stipends and clerical-related expenses for all 56 county tax appeal boards, including supplies, postage, and copies, but excluding office equipment.

Program Highlights

Montana Tax Appeal Board Major Budget Highlights
<ul style="list-style-type: none"> • The legislature provided a 2017 biennium budget that is 16.4% above the 2015 biennium legislative appropriation • The board is entirely supported by general fund • The legislature eliminated 1.50 FTE from the aggregate secretarial positions used to fund the operational costs of the county tax appeal boards • Increased funding for the 2015 reappraisal cycle was provided

Program Narrative

The legislature provided increased operating expenses over the biennium including:

- \$130,000 to address anticipated increases in tax appeals due to the statewide reappraisal effective January 1, 2015, the first in six years for residential, commercial, agricultural, and timberland property
- \$91,000 for rent costs associated with the move into an ADA compliant building
- \$79,000 for increased operation costs including supplies and materials, communications, travel, and training costs

The legislature also provided for increased personal services for annualization of the state share of employee insurance benefits and pay raised provided in FY 2015. These were offset by reduction of 1.50 FTE from an aggregate secretarial

position. The position had been used to fund the personal services costs for the county tax appeals boards. Review of the usage of the position showed that only a small percentage of the appropriation were utilized by the board.

Funding

The following table shows program funding by source from all sources of authority.

Department of Administration, 37-Montana Tax Appeal Board Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,360,831	0	0	1,360,831	100.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$1,360,831	\$0	\$0	\$1,360,831		

The board is fully funded with general fund. In addition, general fund provides support for travel expenses, compensation, and all other incidental expenses of county tax boards, except that counties fund office and equipment expenses of their respective county boards.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	594,361	594,361	1,188,722	87.35 %	594,361	594,361	1,188,722	87.35 %
PL Adjustments	154,694	134,810	289,504	21.27 %	154,694	134,810	289,504	21.27 %
New Proposals	(58,752)	(58,643)	(117,395)	(8.63)%	(58,752)	(58,643)	(117,395)	(8.63)%
Total Budget	\$690,303	\$670,528	\$1,360,831		\$690,303	\$670,528	\$1,360,831	

The legislature provided increases in personal services and operating expenses a part of its present law adjustments for this program. Included in the increased costs for operating expenses were general fund for in the following amounts:

- \$130,000 for increased expenses anticipated due to property tax reappraisal
- \$91,000 for additional rent costs in the 2017 biennium

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
-----Fiscal 2016-----					-----Fiscal 2017-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 515 - State Share Health Insurance										
0.00	3,402	0	0	3,402	0.00	3,402	0	0	3,402	
DP 520 - Fully Fund 2015 Legislatively Authorized FTE										
0.00	9,471	0	0	9,471	0.00	9,471	0	0	9,471	
DP 525 - Fixed Cost Adjustment										
0.00	(19,433)	0	0	(19,433)	0.00	(19,424)	0	0	(19,424)	
DP 529 - Longevity and Other adjustments										
0.00	(600)	0	0	(600)	0.00	(110)	0	0	(110)	
DP 550 - Motor Pool Rate Adjustment										
0.00	(20)	0	0	(20)	0.00	(20)	0	0	(20)	
DP 3700106 - Directors Office Costs										
0.00	1,734	0	0	1,734	0.00	1,351	0	0	1,351	
DP 3700210 - Additional operating expenses (OTO)										
0.00	39,540	0	0	39,540	0.00	39,540	0	0	39,540	
DP 3700300 - Rent - New Building Lease										
0.00	26,684	0	0	26,684	0.00	26,684	0	0	26,684	
DP 3700444 - Statewide 4% FTE Reduction - Program 37										
(0.50)	0	0	0	0	(0.50)	0	0	0	0	
DP 3703701 - 2015 Statewide Reappraisal Cycle										
0.00	75,000	0	0	75,000	0.00	55,000	0	0	55,000	
DP 3703702 - Rent - Base Funding										
0.00	18,916	0	0	18,916	0.00	18,916	0	0	18,916	
Grand Total All Present Law Adjustments										
(0.50)	\$154,694	\$0	\$0	\$154,694	(0.50)	\$134,810	\$0	\$0	\$134,810	

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 3700106 - Directors Office 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.

DP 3700210 - Additional operating expenses (OTO) -

The legislature provided additional support for operational expense such as supplies and materials, communications, travel, and training costs. The general fund is provided on a one-time-only basis.

DP 3700300 - Rent - New Building Lease -

The legislature approved additional rent costs associated with the Montana Tax Appeal Board moving into an ADA compliant building.

DP 3700444 - Statewide 4% FTE Reduction - Program 37 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package PL-3700444 includes a reduction of 0.50 FTE each year.

DP 3703701 - 2015 Statewide Reappraisal Cycle -

The legislature provided \$75,000 in general fund in FY 2016 and \$55,000 in FY 2017 is to address anticipated increases in tax appeals. Effective January 1, 2015, all residential, commercial, agricultural, and timberland property was revalued for tax purposes. This was the first revaluation in six years and is anticipated to generate an increased number of appeals. Property tax appeals are heard by the County Tax Appeal Boards before they are appealed to the Montana Tax Appeal Board. Because the County Tax Appeal Boards are funded through the Montana Tax Appeal Board budget, an increased allocation was provided to handle upcoming appeals.

DP 3703702 - Rent - Base Funding -

The legislature provided the Montana Tax Appeal Board \$18,916 each year of the biennium for office rent supported by general fund. The budgeting process eliminated the base funding for rent.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3700200 - Reduce FTE 1.50	(1.50)	(58,752)	0	0	(58,752)	(1.50)	(58,643)	0	0	(58,643)
Total	(1.50)	(\$58,752)	\$0	\$0	(\$58,752)	(1.50)	(\$58,643)	\$0	\$0	(\$58,643)

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

DP 3700200 - Reduce FTE 1.50 -

The legislature eliminated 1.50 FTE from an aggregate secretarial position used to fund the personal services costs for the county tax appeals boards. Review of the usage of the position showed that only a small portion of the funds appropriated for this purpose were utilized by the board.

Agency Budget Comparison

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	49.25	49.25	50.04	50.04	49.25	50.04	0.79
Personal Services	3,100,195	3,700,449	4,028,545	4,040,485	6,800,644	8,069,030	1,268,386
Operating Expenses	3,869,520	7,155,639	7,945,729	7,961,738	11,025,159	15,907,467	4,882,308
Grants	10,054,807	18,259,960	20,181,193	18,590,472	28,314,767	38,771,665	10,456,898
Benefits & Claims	157,063	358,921	358,921	358,921	515,984	717,842	201,858
Transfers	0	0	0	0	0	0	0
Total Costs	\$17,181,585	\$29,474,969	\$32,514,388	\$30,951,616	\$46,656,554	\$63,466,004	\$16,809,450
General Fund	3,455,383	4,486,833	7,298,098	5,784,633	7,942,216	13,082,731	5,140,515
State/Other Special Rev. Funds	3,188,483	7,106,724	6,527,759	6,486,949	10,295,207	13,014,708	2,719,501
Federal Spec. Rev. Funds	10,537,719	17,881,412	18,688,531	18,680,034	28,419,131	37,368,565	8,949,434
Total Funds	\$17,181,585	\$29,474,969	\$32,514,388	\$30,951,616	\$46,656,554	\$63,466,004	\$16,809,450

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 health economy so Montana businesses, communities, and people can prosper.

The Department of Commerce is composed of five divisions including:

- Business Resources Division
- Montana Promotion Division
- Community Development Division
- Housing Division
- Director's Office

The Board of Horse Racing, Board of Housing, Coal Board, Montana Facility Finance Authority, Montana Council on Developmental Disabilities, Montana Heritage Commission, Hard Rock Mining Impact Board, Montana Board of Research and Commercialization Technology, State-Tribal Development Commission, Economic Development Advisory Council, Tourism Advisory Council, and the Board of Investments are administratively attached to the Department of Commerce.

The Department of Commerce encompasses a number of programs that provide grant administration, federal program administration, state initiatives, and investment services. The agency programs are intended to diversify and expand the state's economic base through business creation, expansion, and retention and improvement of infrastructure, housing, and facilities.

Agency Highlights

Department of Commerce Major Budget Highlights
<ul style="list-style-type: none"> • The 2017 biennium legislative appropriation increased by 4.8% when compared to to the 2015 biennium legislative appropriation • Increases in general fund are primarily due to: <ul style="list-style-type: none"> ◦ Continued funding for economic development programs that were funded as one-time-only in previous biennia ◦ Continued funding for the Native Language Preservation Program ◦ Additional funding to enhance current economic development programs that are statutorily funded ◦ Funding for infrastructure grants to youth recreational facilities ◦ Additional funding for the Montana Manufacturing Extension Center • Federal grant funding increases of \$8.9 million include: <ul style="list-style-type: none"> ◦ Community Development Block Grants ◦ Home Program grants

Summary of Legislative Action

The Department of Commerce receives an overall increase of \$1.2 million in the 2017 biennium when compared to the 2015 biennium legislative appropriation including:

- \$0.9 million in general fund
- (\$1.6) million in state special revenue
- \$1.9 million in federal revenue

It should be noted that a number of the programs included in the 2015 biennium were designated by the legislature as one-time-only and as such were removed from the program budget comparison table on the previous page. This is the main reason for the large difference in the increases as shown on the program budget comparison table and reflected in the narrative above.

\$4.3 million of general fund approved for the 2017 biennium is due to continued funding of programs that have been funded as one-time-only for several biennia including Primary Business Sector Training Program, Indian Country Economic Development Program, and the Native Language Preservation Program. Another \$1.5 million of general fund is for a one-time-only appropriation for capital improvement grants to youth recreational facilities on school trust lands. State special revenue increases were provided mainly in two areas: 1) \$0.5 million in funding to establish a Gap Financing Program for Indian tribes in Montana, and; 2) \$2.56 million for primary sector business training as part of the passage of SB 163. Federal revenues increases are mainly within the Community Development Division in anticipation of increased federal support for Community Development Block Grant Program and the HOME Program.

The personal services budget for the 2017 biennium increases due to funding that was provided to support:

- Annualization of the state share for employee insurance
- Increased employer retirement contributions
- Annualization of market pay adjustments provided in FY 2014
- Employee attainment of longevity milestones in the 2017 biennium
- Reclassification of positions between biennia
- Full funding of positions that were unfilled during a portion of FY 2014

- Elimination of the 4% vacancy savings assessed to personal services in the 2015 biennium
- Addition of 3.00 FTE and \$374,618 in personal services in FY 2016 and \$380,433 in FY 2017 to provide for program staff that were funded as one-time-only in previous biennia or for SB 163

Operating expenses increase as additional support was provided for the following programs:

- \$0.5 million each year of the biennium for the Primary Business Sector Training Program, the Indian Country Economic Development Program, enhancing economic development programs, and the new GAP Financing Program
- \$1.5 million in FY 2016 and \$1.6 million in FY 2017 for the Community Development Division

The majority of the increases in the Department of Commerce budget occurred in the grants expenditure category. Additional authority was provided for:

- \$1.5 million over the biennium to continue the Native Language Preservation Program
- \$1.5 million over the biennium to establish a grant program for capital improvements for youth recreational facilities
- \$1.25 million over the biennium to continue the Indian Country Economic Development Program
- \$2.95 million for the Primary Business Sector Training Program
- \$0.2 million for the Montana Manufacturing Extension Service
- \$0.1 million to enhance economic development programs

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.

Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	13,082,731	0	4,750,000	17,832,731	7.42 %
State Special Total	13,014,708	0	58,888,962	71,903,670	29.92 %
Federal Special Total	37,368,565	0	95,000	37,463,565	15.59 %
Proprietary Total	0	110,098,285	3,000,000	113,098,285	47.07 %
Other Total	0	0	0	0	0.00 %
Total All Funds	\$63,466,004	\$110,098,285	\$66,733,962	\$240,298,251	
Percent - Total All Sources	26.41 %	45.82 %	27.77 %		

Almost 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 statutory appropriations.

HB 2

Within HB 2, the legislature restored several programs that were funded with one-time-only general fund appropriations by the 2013 Legislature. Per state statute, one-time-only appropriations are excluded from the base expenditures for biennial budget projections. The programs included are listed below:

- Primary Business Sector Training - \$1.2 million for the 2017 biennium
- Tribal Economic Development – \$1.6 million for the 2017 biennium
- Native Language Preservation - \$1.5 million over the biennium

General fund also supports the Census and Economic Information Center, Regional Development Bureau, trade and international relations activities, Entrepreneur Development Program /NxLevel, Community Technical Assistance Program, and the Made in Montana Program; and provides match for the federal Community Development Block Grant. The legislature also provided \$1.5 million in general fund in FY 2016 for grants for infrastructure improvements to youth recreational facilities on school trust lands and \$0.2 million for the Montana Manufacturing Extension Center.

State special revenues support the Microbusiness Loan Program, the Treasure State Endowment Program, the Coal Board, the Hard Rock Mining Board, Distressed Wood Products Program, and quality school project administration.

Federal special revenues include the community development block grant, small business development centers, the Montana Council on Developmental Disabilities, and various programs for housing.

Proprietary

Almost half of the funding for the agency is non-budgeted proprietary funding. Proprietary funds are discussed in detail in the narrative sections of each program.

Statutory Appropriations

\$2.5 million of general fund is statutorily appropriated for the Research and Commercialization Program. Another \$2.2 million is appropriated to support a number of programs including:

- \$250,000 for the Small Business Development Center
- \$100,000 for the Small Business Innovation Research Program
- \$850,000 for Cetified Regional Development Corporations
- \$400,000 for the Montana Manufacturing Extension Center
- \$600,000 for export trade enhancement

State special revenues that are statutorily appropriated include:

- Lodging use facility taxes for support of the Montana Promotion Division. The funding supports 29.50 FTE and tourism promotions programs conducted by the program
- General fund that is transferred to a state special revenue account for research and commercialization
- Coal severance tax income supporting the Big Sky Economic Development Program
- The Montana Heritage Commission is funded with \$400,000 in lodging use facility taxes received each year, a portion of light vehicle registrations, and revenues generated by Virginia City and Nevada City as well as Reeder's Alley. The funding supports 12.00 FTE and the costs of operating the historic properties

Federal matching funds provided for the Distressed Wood Products Program.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	3,161,833	3,161,833	6,323,666	48.34 %	34,009,437	34,009,437	68,018,874	107.17 %
PL Adjustments	248,765	235,300	484,065	3.70 %	(5,462,549)	(5,525,321)	(10,987,870)	(17.31)%
New Proposals	3,887,500	2,387,500	6,275,000	47.96 %	3,967,500	2,467,500	6,435,000	10.14 %
Total Budget	\$7,298,098	\$5,784,633	\$13,082,731		\$32,514,388	\$30,951,616	\$63,466,004	

Present law adjustments for the agency in total are the result of reductions in the HOME Program within the Housing Division. The 2015 base budget for this program was \$6.7 million higher than the funding approved each year of the 2017 biennium. The reduction totally offsets approved increases for both personal services and operating expenses.

The personal services present law adjustment provides for personal service changes including:

- Annualization of statutory changes for state share contribution to employee health insurance and longevity

- Annualization of FY 2015 pay increases
- Restoration of funding reduced in the 2015 biennium through 4% vacancy savings
- Reclassification of positions

The remaining present law adjustments include increases for information technology services, meetings and conference costs, travel, rent, and temporary services. These increases are entirely offset by reductions in other operating expenses such as loans made, advertising, and public relation expenses. The majority of the remaining present law adjustments were for grant administration and federal grants to other entities.

New proposals include restoration of one-time-only funding for the primary business sector training, tribal economic development, and native language preservation. The legislature also provided funding to enhance economic development by providing an additional \$275,000 over the biennium for current programs, \$500,000 for gap financing for the various Indian tribes throughout Montana, \$200,000 for the Montana Manufacturing Extension Service, and \$1.5 million for capital improvements for youth recreational facilities on school trust lands.

Other Legislation

HB 11 - This bill appropriates \$22.2 million in funding over the biennium to support the Treasure State Endowment Program (TSEP). TSEP provides funding for local government infrastructure projects.

HB 577- The legislature revised the definition of wager in relation to bets placed on horse racing. The fiscal note for the bill estimates the change will generate an additional \$180,000 in revenues for the Board of Horse Racing.

SB 163 - The legislature revised economic development laws. The bill creates a primary business sector training account in the state special revenue account and requires any general fund appropriated by the legislature to be transferred into the account. The fiscal note for the bill estimates that \$2,556,000 in funding will be available in FY 2015, FY 2016, and FY 2017 combined.

SB 367 - The legislature eliminated the statutory appropriation of general fund to the research and commercialization state special revenue account, instead requiring that the general fund be transferred into the state special revenue account. This eliminated appropriating the funding twice as the state special revenue funds are also statutorily appropriated.

SB 380 - The legislature approved increasing the amount of funding available from the permanent coal tax trust fund for the Montana Veterans' Loan Program by \$10.0 million, from the current amount of \$30.0 million to \$40.0 million. Statute authorizes the Board of Housing to take the loan servicing fees and administrative charges from the interest paid by the borrower. The fiscal note for the bill estimates that the 2017 biennium cost of the program will be \$50,000.

Executive Budget Comparison

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	49.25	52.04	50.04	(2.00)	52.04	50.04	(2.00)	(2.00)
Personal Services	6,200,390	8,162,368	8,057,090	(105,278)	8,175,064	8,080,970	(94,094)	(199,372)
Operating Expenses	3,869,520	7,019,418	7,945,729	926,311	6,972,402	7,961,738	989,336	1,915,647
Grants	20,109,614	39,624,554	40,362,386	737,832	38,469,578	37,180,944	(1,288,634)	(550,802)
Benefits & Claims	157,063	370,731	358,921	(11,810)	370,731	358,921	(11,810)	(23,620)
Transfers	0	2,375,000	0	(2,375,000)	2,375,000	0	(2,375,000)	(4,750,000)
Total Costs	\$30,336,587	\$57,552,071	\$56,724,126	(\$827,945)	\$56,362,775	\$53,582,573	(\$2,780,202)	(\$3,608,147)
General Fund	3,455,383	8,871,346	7,298,098	(1,573,248)	8,485,596	5,784,633	(2,700,963)	(4,274,211)
State/other Special Rev. Funds	3,188,483	6,493,120	6,527,759	34,639	6,452,409	6,486,949	34,540	69,179
Federal Spec. Rev. Funds	10,537,719	18,294,144	18,688,531	394,387	18,102,449	18,680,034	577,585	971,972
Total Funds	\$17,181,585	\$33,658,610	\$32,514,388	(\$1,144,222)	\$33,040,454	\$30,951,616	(\$2,088,838)	(\$3,233,060)

The primary differences between the executive's proposed budget and the legislature's adopted budget include:

1. Elimination of \$1.4 million of state special revenue funding for loans made in the microbusiness loan program. However, the legislature provided trigger language allowing additional expenditures if the level of funding for the microbusiness loan program exceeds \$550,000. The funding was aligned to the highest amount of loans made in the last two biennia;
2. Not approving 2.00 FTE requested for the Community Development Division;
3. Adopting 2% vacancy savings applied to HB 2 positions within the boilerplate language of HB 2;
4. Changing the allocation of operating expenses, grants, benefits and claims, and transfers based on the 2015 legislatively approved base budget;
5. Reducing the funding for enhancing economic development programs from \$5.50 million requested to \$275,000
6. Providing the following additional funds:
 - \$1.5 million in general fund for infrastructure grants to youth recreational facilities on school trust lands;
 - \$0.2 million in general fund for grants to the Montana Manufacturing Extension Center supporting engineering consulting services;
 - \$2.56 million in state special revenues for the enactment of SB 163, revision of economic development statutes.

Language and Statutory Authority

The legislature included the following language in HB 2:

"Business Resources Division is appropriated up to an additional \$1,450,000 in each fiscal year from the microbusiness development loan account and finance program administrative account provided for in 17-6-407 if there are sufficient funds available in the account. The additional appropriation may be used only to provide additional microbusiness development loans."

"Montana Manufacturing Extension Service is restricted to providing for an engineering consultant and related operating costs."

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	21.84	21.84	24.34	24.34	21.84	24.34	2.50	11.45 %
Personal Services	1,547,886	1,679,604	2,086,223	2,097,866	3,227,490	4,184,089	956,599	29.64 %
Operating Expenses	2,069,032	4,534,472	3,610,301	3,613,784	6,603,504	7,224,085	620,581	9.40 %
Grants	2,318,767	4,688,041	5,840,509	5,821,694	7,006,808	11,662,203	4,655,395	66.44 %
Transfers	0	0	0	0	0	0	0	0.00 %
Total Costs	\$5,935,685	\$10,902,117	\$11,537,033	\$11,533,344	\$16,837,802	\$23,070,377	\$6,232,575	37.02 %
General Fund	2,735,505	3,738,352	5,018,061	5,019,616	6,473,857	10,037,677	3,563,820	55.05 %
State/Other Special Rev. Funds	651,289	2,989,365	2,291,572	2,290,490	3,640,654	4,582,062	941,408	25.86 %
Federal Spec. Rev. Funds	2,548,891	4,174,400	4,227,400	4,223,238	6,723,291	8,450,638	1,727,347	25.69 %
Total Funds	\$5,935,685	\$10,902,117	\$11,537,033	\$11,533,344	\$16,837,802	\$23,070,377	\$6,232,575	37.02 %

Program Description

The Business Resources Division is comprised of programs aimed at improving and diversifying Montana’s economy. The division works closely with the private sector, local communities, economic development organizations, and state and federal government agencies to improve the economy of Montana through business creation, expansion, retention, and recruitment efforts.

Program Highlights

Business Resources Division Major Budget Highlights
<ul style="list-style-type: none"> • General fund increases mainly due to: <ul style="list-style-type: none"> ◦ Enhancement of existing economic development programs - \$275,000 over the biennium ◦ Continuation of economic development programs that were designated as one-time-only ◦ Continuation of Native American language preservation designated as one-time-only • State special revenue increases due to funding for the implementation of SB 163

Program Narrative

The Business Resources Division personal services increase when compared to 2015 biennium. In addition to increases that result from the implementation of pay raises and health insurance contributions included in HB 13 enacted by the 2013 Legislature, other changes include:

- Employee attainment of longevity milestones in the 2017 biennium
- Reclassification of 2 positions between biennia
- Changes in employer retirement contributions
- Approval of 2.50 FTE and related personal services funding for the Indian Country Economic Development Program and the Primary Business Sector Training Program
- Additional personal services funding for the implementation of SB 163

When compared to the 2015 biennium budget operating expenses increase, the majority of the increase is related to continuation of programs designated as one-time-only in the previous biennium.

Increases in grants are also related to the continuation of the programs that were previously designated as one-time-only.

General fund for the program increases significantly due to approval of:

- Economic development funding for tribal businesses - \$0.6 million annually
- Primary business sector grants for new and existing Montana businesses to train new employees - \$0.8 million annually
- Economic development to enhance current programs within Commerce - \$0.137 million annually
- Native American language preservation - \$0.75 million annually
- Montana manufacturing extension service - \$0.1 million annually

Funding

The following table shows program funding by source from all sources of authority.

Department of Commerce, 51-Business Resources Division Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	10,037,677	0	4,750,000	14,787,677	20.88 %
02090 Business Asst-Private	177,150	0	0	177,150	0.37 %
02094 DISTRESSED WOOD MATCH	0	0	24,030	24,030	0.05 %
02100 DISTRESSED WOOD STATE	0	0	185,970	185,970	0.39 %
02116 Accommodation Tax Account	0	0	35,149,000	35,149,000	73.99 %
02210 Microbusiness Admin Acct	262,602	0	0	262,602	0.55 %
02212 Microbusiness Loan Acct	1,072,210	0	0	1,072,210	2.26 %
02249 Governor's Office Operations Fund	0	0	0	0	0.00 %
02258 Employment Security Account	2,560,000	0	0	2,560,000	5.39 %
02271 L&C Bicentennial Plate Fund	0	0	0	0	0.00 %
02444 BEAR Program	0	0	0	0	0.00 %
02557 Research & Commercialization	0	0	2,562,000	2,562,000	5.39 %
02563 Nat'l Dev. Cncl Training Funds	90	0	0	90	0.00 %
02671 Trade Growth thru AG	0	0	0	0	0.00 %
02771 Economic Development Trust Fund	500,000	0	5,000,000	5,500,000	11.58 %
02848 SBDC PRIVATE REVENUE NONFED	10,010	0	0	10,010	0.02 %
State Special Total	\$4,582,062	\$0	\$42,921,000	\$47,503,062	67.06 %
03059 Community Development Block	5,315,627	0	0	5,315,627	62.20 %
03061 EDA Revolving Loan Fund	948,231	0	0	948,231	11.10 %
03092 Distressed Woods Federal	0	0	95,000	95,000	1.11 %
03180 SBA JOBS Grant	0	0	0	0	0.00 %
03207 Small Business Dev. Centers	1,519,108	0	0	1,519,108	17.78 %
03233 INSTEP/EPSCoR Funds	50,014	0	0	50,014	0.59 %
03286 SSBCI Treasury Grant	0	0	0	0	0.00 %
03331 OIT STEP	0	0	0	0	0.00 %
03397 STATE BROADBAND DATA & DEV	0	0	0	0	0.00 %
03405 FY09 NPS Project Grant	0	0	0	0	0.00 %
03671 SBA FAST Grant	0	0	0	0	0.00 %
03932 CDBG RLF	617,658	0	0	617,658	7.23 %
Federal Special Total	\$8,450,638	\$0	\$95,000	\$8,545,638	12.06 %
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$23,070,377	\$0	\$47,766,000	\$70,836,377	

HB 2 Funding

General fund supports a number of functions including technology 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 Small Business Development Centers to microbusiness development centers. The legislature reduced appropriations for the loans to match appropriations with the actual amount of loans made within the program over the last few biennia.

Federal special revenues are mainly comprised of federal funding for community development block grants and small business development centers.

Statutory Appropriations

Over half of the funding in the Business Resource Division is statutorily appropriated. The legislature may effect change in these appropriations through changes to the statutes providing the authority for the program. General fund for the research and commercialization program and business and economic development programs is provided in statute.

State special revenues include funding for the Distressed Wood Products Program, research and development funds that are transferred from the general fund, and the economic development trust fund account that receives interest and income from the coal tax trust.

Federal funds are used for the distressed wood products industry.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	2,413,352	2,413,352	4,826,704	48.09 %	8,777,117	8,777,117	17,554,234	76.09 %
PL Adjustments	217,209	218,764	435,973	4.34 %	292,416	288,727	581,143	2.52 %
New Proposals	2,387,500	2,387,500	4,775,000	47.57 %	2,467,500	2,467,500	4,935,000	21.39 %
Total Budget	\$5,018,061	\$5,019,616	\$10,037,677		\$11,537,033	\$11,533,344	\$23,070,377	

Present law adjustments for the program include:

- Changes for fixed costs and inflation/deflation
- Personal services increases for annualization of the state share contribution to employee insurance and elimination of the 4% vacancy savings reduction
- Approval of the transfer of 2.00 FTE and related personal services and operating costs from the Governor's Office to the Business Resources Division

New proposals make up the majority of the changes adopted by the legislature for the Business Resources Division. In two cases, the Primary Business Sector Training Program and the Indian Economic Development Program, the funding is for programs that were established in the 2007 biennium with one-time-only funding. The legislature continued to fund the two programs as one-time-only for each succeeding biennium. The 2015 Legislature provided funding as requested but again designated the funds as one-time-only.

The legislature also provided one-time-only funding for:

- Enhanced economic development activities in conjunction with ongoing Commerce programs - \$275,000 over the biennium

- Native American language preservation funding, a continuation of a program begun in FY 2014 - \$1.50 million over the biennium
- Gap financing for Indian tribes within Montana - \$0.50 million over the biennium
- Additional support for the Montana Manufacturing Extension Service - \$200,000 over the biennium

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia	0.00	3,448	1,150	3,066	7,664	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	4,780	1,138	4,453	10,371	0.00	4,780	1,138	4,453	10,371
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	17,562	14,503	30,883	62,948	0.00	17,562	14,503	30,883	62,948
DP 525 - Fixed Costs Adjustment	0.00	6,059	3,787	9,088	18,934	0.00	5,981	3,738	8,972	18,691
DP 526 - 2017 Biennium Legislative Audit (Restricted /Biennial)	0.00	895	(117)	980	1,758	0.00	0	0	0	0
DP 527 - Inflation Deflation Adjustment	0.00	(2,172)	0	0	(2,172)	0.00	(2,016)	0	0	(2,016)
DP 529 - Longevity and Other adjustments	0.00	(10,083)	0	0	(10,083)	0.00	(4,255)	0	0	(4,255)
DP 531 - SITSD Rate Adjustment	0.00	3,732	3,180	8,251	15,163	0.00	3,732	3,180	8,251	15,163
DP 532 - General Liability Insurance Rate Adjustment	0.00	(1,683)	(1,434)	(3,721)	(6,838)	0.00	(1,683)	(1,434)	(3,721)	(6,838)
DP 550 - Motor Pool Adjustment	0.00	(541)	0	0	(541)	0.00	(549)	0	0	(549)
DP 5100200 - FTE Transferred from Governor's Office	0.00	130,137	0	0	130,137	0.00	130,137	0	0	130,137
DP 5100220 - Montana SBIR/STTR Program (Restricted/Biennial)	0.00	0	0	0	0	0.00	0	0	0	0
DP 5100230 - Operating transferred from the Governor's Off	0.00	65,075	0	0	65,075	0.00	65,075	0	0	65,075
DP 5100444 - Statewide 4% FTE Reduction - Program 51	(0.50)	0	0	0	0	(0.50)	0	0	0	0
Grand Total All Present Law Adjustments	(0.50)	\$217,209	\$22,207	\$53,000	\$292,416	(0.50)	\$218,764	\$21,125	\$48,838	\$288,727

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

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Restricted /Biennial) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 527 - Inflation Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 531 - SITSD Rate Adjustment -

The legislature approved an increase for fixed cost rates included in state agency budgets for information technology services provided by the State Information Technology Services Division (SITSD).

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 550 - Motor Pool Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 5100200 - FTE Transferred from Governor's Office -

The legislature approved the transfer of 2.00 FTE and related general fund from the Governor's Office of Economic Development to the Business Resources Division.

DP 5100220 - Montana SBIR/STTR Program (Restricted/Biennial) -

The legislature provided a restricted biennial appropriation to provide matching funds for Montana businesses that qualify for direct federal grants under the Small Business Innovation Research/Small Business Technology Transfers (SBIR/STTR) Program. This adjustment creates the line item creating the restricted biennial appropriation.

DP 5100230 - Operating transferred from the Governor's Off -

The legislature approved the transfer of general fund from the Governor's Office to the Business Resources Division for operating expenses tied to the positions transferred from the Office of Economic Development.

DP 5100444 - Statewide 4% FTE Reduction - Program 51 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package PL-5100444 includes a reduction of 0.50 FTE each year.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 560 - Primary Sector Business Training (Biennial)	0.00	0	1,280,000	0	1,280,000	0.00	0	1,280,000	0	1,280,000
DP 5100210 - Microbusiness loans - appropriation to actuals	0.00	0	(1,450,000)	0	(1,450,000)	0.00	0	(1,450,000)	0	(1,450,000)
DP 5100240 - Montana Manufacturing Extension Service (Restricted)	0.00	100,000	0	0	100,000	0.00	100,000	0	0	100,000
DP 5100250 - Gap Financing Program (Biennial/OTO)	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
DP 5105101 - Primary Business Sector Training (Restricted/OTO)	2.00	600,000	0	0	600,000	2.00	600,000	0	0	600,000
DP 5105102 - Indian Country Economic Development (Restricted/OTO)	1.00	800,000	0	0	800,000	1.00	800,000	0	0	800,000
DP 5105106 - Enhance Economic Development in Montana (RST/BIEN/OTO)	0.00	137,500	0	0	137,500	0.00	137,500	0	0	137,500
DP 5105107 - Native Language Preservation (Restricted/Biennial/OTO)	0.00	750,000	0	0	750,000	0.00	750,000	0	0	750,000
Total	3.00	\$2,387,500	\$80,000	\$0	\$2,467,500	3.00	\$2,387,500	\$80,000	\$0	\$2,467,500

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

DP 560 - Primary Sector Business Training (Biennial) -

The legislature provided \$1.28 million each year of the biennium to implement the provisions of SB 163. SB 163 revises economic development laws by creating a primary business sector training account within the state special revenue fund. Each year the general fund appropriated for the program is required to be transferred to the account. The bill is effective upon passage and approval but has a retroactive applicability clause for all workforce training grants awarded on or after July 1, 2011. As a result, the program will transfer \$1.4 million in funding to the state special revenue account that was not awarded as grantees were unable to fulfill the grant requirements.

DP 5100210 - Microbusiness loans - appropriation to actuals -

The legislature reduced state special revenue funding for microbusiness loans to the highest level of spending by the program in the last two biennia. The legislature provided trigger language allowing additional appropriation authority if the funding in the account exceeds \$550,000 in either year of the 2017 biennium.

DP 5100240 - Montana Manufacturing Extension Service (Restricted) -

The legislature provided \$100,000 in general fund each year of the biennium restricted by language in HB 2 to fund additional engineering consulting services for the Montana Manufacturing Extension Service.

DP 5100250 - Gap Financing Program (Biennial/OTO) -

The legislature provided \$250,000 in state special revenue from the big sky economic development trust income account to allow for gap financing for Indian tribes in Montana.

DP 5105101 - Primary Business Sector Training (Restricted/OTO) -

The legislature provided support for the Primary Sector Workforce Training Program to provide grant funds to new and existing Montana businesses to train new employees. A seven member grant review committee consisting of both public and private members reviews applications and allocates funding through the Department of Commerce. The \$0.6 million in general fund each year of the biennium are designated as one-time-only and restricted.

DP 5105102 - Indian Country Economic Development (Restricted/OTO) -

The legislature provided a one-time-only restricted appropriation of \$0.8 million general fund each year of the biennium to support the Indian Country Economic Development (ICED) Program. The program: 1) provides technical assistance and financial resources to existing tribal businesses to help them expand operations and facilities and train and employ new workers; 2) assists in the development of start-up tribal businesses; and 3) delivers business skills training to the growing numbers of Indian entrepreneurs and helps Native American businesses access capital.

DP 5105106 - Enhance Economic Development in Montana (RST/BIEN/OTO) -

The legislature provided \$275,000 in general fund as a restricted, biennial, and one-time-only appropriation to enhance economic development programs within Commerce. The Small Business Development Centers are to receive \$15,625 each year, Small Business Innovation Research receives \$6,250 each year, the Montana Manufacturing Extension Center receives \$25,000 each year, the Export Trade Enhancement receives \$37,500 each year, and the Certified Regional Development Corporations receive \$53,125 each year.

DP 5105107 - Native Language Preservation (Restricted/Biennial/OTO) -

The legislature provided an additional \$1.5 million in one-time-only general fund to continue the Native Language Preservation Program. The program documents and preserves the Native American languages of the various tribes in Montana. Speakers fluent in the Native American languages will be recorded, and written materials will be developed to allow younger generations of the various tribes, as well as others, to develop language skills for the various Native American languages.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
Operating Expenses	272,751	750,000	786,741	750,000	1,022,751	1,536,741	513,990	50.26 %
Total Costs	\$272,751	\$750,000	\$786,741	\$750,000	\$1,022,751	\$1,536,741	\$513,990	50.26 %
State/Other Special Rev. Funds	272,751	750,000	786,741	750,000	1,022,751	1,536,741	513,990	50.26 %
Total Funds	\$272,751	\$750,000	\$786,741	\$750,000	\$1,022,751	\$1,536,741	\$513,990	50.26 %

Program Description

The Montana Promotion Division (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 fifteen qualified convention and visitors bureaus.

Program Highlights

<p>Montana Promotion Division Major Budget Highlights</p>
<ul style="list-style-type: none"> • Over 97% of the Montana Promotion Division budget, including 29.50 FTE is supported by statutory appropriations not reflected in HB 2 • The legislature approved private funds at the FY 2015 level without adjustment

Program Narrative

The legislature approved the HB 2 budget for private funds (funds donated by private entities) at the FY 2015 level each year of the biennium. In addition an appropriation for audit expenses of \$36,741 was provided in FY 2016.

As almost 97% of the budget is supported by statutory funding, the expenditures by type of cost are not shown in the program budget comparison table above. The following table shows the adopted budget for the statutorily funded program by year, type of expenditure, and source of funding. Revenues supporting the program are broken into the accounts within the state special revenue fund and are shown using the HJR 2 estimated revenues adopted by the legislature.

As shown in the figure, currently the FY 2016 adopted budget is slightly above current legislative revenue projections while over the 2017 biennium revenues exceed the adopted budget by \$0.5 million.

Department of Commerce Montana Promotion Division Program Budget Comparison							
Budget Item	Base FY 2014	Appropriated FY 2015	Adopted FY 2016	Adopted FY 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium % Change
FTE	29.50	28.50	29.50	29.50	28.50	29.50	3.51%
Personal Services	\$1,995,929	\$1,945,376	\$1,945,376	\$1,945,376	\$3,941,305	\$3,890,752	-1.28%
Operating Expenses	12,389,338	14,829,673	14,828,673	14,828,673	27,219,011	29,657,346	8.96%
Equipment and Intangibles	33,346	48,508	48,508	48,508	81,854	97,016	18.52%
Local Assistance	5,476,316	6,246,437	6,246,437	6,246,437	11,722,753	12,492,874	6.57%
Grants	<u>1,756,029</u>	<u>1,099,320</u>	<u>1,099,320</u>	<u>1,099,320</u>	<u>2,855,349</u>	<u>2,198,640</u>	<u>-23.00%</u>
Total Costs	21,650,958	24,169,314	24,168,314	24,168,314	45,820,272	48,336,628	5.49%
State Special Accommodation Tax Account*	16,271,154	16,730,000	17,793,000	18,499,000	33,001,154	36,292,000	9.97%
Regional Accommodation Tax*	5,452,747	6,246,437	6,246,437	6,246,437	11,699,184	12,492,874	6.78%
L & C Bicentennial Plate Fund	32,865	55,000	32,865	32,865	87,865	65,730	-25.19%
Film Production Credit**	1,000	1,000	1,000	1,000	2,000	2,000	0.00%
State Special	<u>\$21,757,766</u>	<u>\$23,032,437</u>	<u>\$24,073,302</u>	<u>\$24,779,302</u>	<u>\$44,790,203</u>	<u>\$48,852,604</u>	<u>9.07%</u>
Over (under) expended	<u>\$106,808</u>	<u>(\$1,136,877)</u>	<u>(\$95,012)</u>	<u>\$610,988</u>	<u>(\$1,030,069)</u>	<u>\$515,976</u>	

* HJR 2 revenue estimates adopted by legislature in HJ 2 for FY 2015, FY 2016 and FY 2017

** Statutory authority for the film credit was not provided, as a result this appropriation will be adjusted by the agency

Funding

The following table shows program funding by source from all sources of authority.

Department of Commerce, 52-Montana Promotion Division Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0.00 %
02116 Accommodation Tax Account	954	0	(418,574)	(417,620)	(3.03)%
02154 MT Promotion-Private	1,535,787	0	0	1,535,787	11.13 %
02254 Regional Accommodation Tax	0	0	12,492,874	12,492,874	90.57 %
02271 L&C Bicentennial Plate Fund	0	0	180,000	180,000	1.30 %
02293 Film Production Credit	0	0	2,000	2,000	0.01 %
State Special Total	\$1,536,741	\$0	\$12,256,300	\$13,793,041	100.00 %
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$1,536,741	\$0	\$12,256,300	\$13,793,041	

The Montana Promotion Division is funded entirely with state special revenues. The primary funding source is a portion of the statutorily appropriated lodging facility use tax. The funding table denotes the funding provided in HB 2 and the statutorily appropriated funds.

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 2017 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. The legislature can affect change to these appropriations through amendments to the statutes listed in the funding tables.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	750,000	750,000	1,500,000	97.61 %
PL Adjustments	0	0	0	0.00 %	36,741	0	36,741	2.39 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$786,741	\$750,000	\$1,536,741	

As discussed, the level of appropriation authority for private funding established by the 2013 Legislature for the 2015 legislative base budget was \$750,000. Commerce requests the same level of funding for each year of the 2017 biennium, thus there are no proposed changes to the budget for private funds. The only present law adjustment is a line-item appropriation of \$36,741 for legislative audit costs.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia)	0.00	0	36,229	0	36,229	0.00	0	0	0	0
DP 526 - 2017 Biennium Legislative Audit (Restricted /Biennial)	0.00	0	512	0	512	0.00	0	0	0	0
Grand Total All Present Law Adjustments	0.00	\$0	\$36,741	\$0	\$36,741	0.00	\$0	\$0	\$0	\$0

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

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 526 - 2017 Biennium Legislative Audit (Restricted /Biennial) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	26.16	26.16	24.45	24.45	26.16	24.45	(1.71)	(6.54)%
Personal Services	1,538,340	1,923,622	1,834,145	1,834,737	3,461,962	3,668,882	206,920	5.98 %
Operating Expenses	839,674	854,039	2,601,551	2,648,878	1,693,713	5,250,429	3,556,716	210.00 %
Grants	7,282,096	13,021,919	13,696,352	12,126,604	20,304,015	25,822,956	5,518,941	27.18 %
Total Costs	\$9,660,110	\$15,799,580	\$18,132,048	\$16,610,219	\$25,459,690	\$34,742,267	\$9,282,577	36.46 %
General Fund	719,878	748,481	2,280,037	765,017	1,468,359	3,045,054	1,576,695	107.38 %
State/Other Special Rev. Funds	2,194,673	3,069,087	3,117,293	3,114,642	5,263,760	6,231,935	968,175	18.39 %
Federal Spec. Rev. Funds	6,745,559	11,982,012	12,734,718	12,730,560	18,727,571	25,465,278	6,737,707	35.98 %
Total Funds	\$9,660,110	\$15,799,580	\$18,132,048	\$16,610,219	\$25,459,690	\$34,742,267	\$9,282,577	36.46 %

Program Description

The Community Development Division (CDD) administers five programs directly:

- Community Development Block Grant Program (CDBG);
- Community Technical Assistance Program (CTAP);
- HOME Investment Partnerships Program (HOME);
- Quality Schools Grant Program; and
- Treasure State Endowment Program (TSEP).

Two citizen boards appointed by the Governor, the Montana Coal Board and the 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

Community Development Division Major Budget Highlights
<ul style="list-style-type: none"> • 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 and Coal Boards • A reorganization in FY 2014 transferred the HOME Program to the division with 5.83 FTE and \$6.7 million in federal funds

Program Narrative

Changes to the FY 2015 Appropriation

In FY 2014 the Community Development Division reorganized, transferring the HOME program from the Board of Housing to CDD. This change also impacted FY 2015, increasing the FY 2015 appropriation by:

- 5.83 FTE including 4.33 program specialists, 1.00 FTE administrative assistant, and 0.50 FTE accountant. The administrative assistant and 0.71 FTE associated with a program specialist were eliminated by the division as part of its compliance with boilerplate language for HB 2 enacted by the 2013 Legislature
- \$391,368 in personal services

- \$92,174 in operating expenses
- \$6,175,926 in grants

Department of Commerce Community Development Division FY 2015 Appropriation Transactions			
Category	Legislative Appropriation	Reorganization	Total Executive Implementation
Personal Services	\$1,532,254	\$391,368	\$1,923,622
Operating Expenses	761,865	92,174	854,039
Grants	<u>6,845,993</u>	<u>6,175,926</u>	<u>13,021,919</u>
Total Costs	<u>\$9,140,112</u>	<u>\$6,659,468</u>	<u>\$15,799,580</u>

In addition, the CDD transferred \$206,750 in authority to operating expenses in FY 2014, \$146,750 from personal services and \$60,000 from grants. The legislature approved both changes.

Legislative Budget

The legislature adopted funding to support:

- Indirect and administrative charges
- Annual inflationary rent increases included in the lease agreement for non-Department of Administration building
- State Information Technology Services Division increases included in fixed costs

The Hard Rock Mining Board’s (board) budget includes \$100,000 each year of the biennium for other services. Statute requires the board to maintain a reserve not to exceed \$100,000. The reserve account is funded through an allocation from the hard rock mining impact trust account. Expenditures may be made from the reserve:

1. For administrative and operating expenses of the board if the revenues from the license tax on metal mines are not sufficient to cover the estimated costs; or
2. To pay for the quasi-judicial responsibilities of the board related to impact plans.

The Coal Board is statutorily required to biennially designate eligible entities for Coal Board funds. The legislature provided an additional \$10,000 in FY 2017 for this purpose. The Governor line item vetoed the appropriation supporting the Coal Board. In his veto message the Governor directed the Office of Budget and Program Planning to work with the Department of Commerce to ensure the program was funded.

Funding

The following table shows program funding by source from all sources of authority.

Department of Commerce, 60-Community Development Division						
Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	3,045,054	0	0	3,045,054	8.60 %	
02044 SBIR EBSCOR	0	0	0	0	0.00 %	
02049 Hard Rock Mining	406,779	0	681,000	1,087,779	15.74 %	
02210 Microbusiness Admin Acct	138,286	0	0	138,286	2.00 %	
02218 School Facility Imprvmnt Acct	769,070	0	0	769,070	11.13 %	
02270 Treasure State Endowment	1,205,089	0	0	1,205,089	17.43 %	
02445 Coal Board	3,712,711	0	0	3,712,711	53.71 %	
State Special Total	\$6,231,935	\$0	\$681,000	\$6,912,935	19.52 %	
03053 Neighborhood Stabilization Prg	0	0	0	0	0.00 %	
03059 Community Development Block	12,119,245	0	0	12,119,245	47.59 %	
03300 Home Grants	13,346,033	0	0	13,346,033	52.41 %	
Federal Special Total	\$25,465,278	\$0	\$0	\$25,465,278	71.89 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$34,742,267	\$0	\$681,000	\$35,423,267		

General fund:

- Provides matching funds for the Community Development Block Grant
- Wholly supports the Community Technical Assistance Program

State special revenue is 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 Governor line item vetoed this appropriation in HB 2.

Treasure State Endowment Programs (TSEP) are funded with interest earnings from the treasure state endowment fund, a subfund within the coal tax trust. Transfers into the TSEP fund will be capped at the end of FY 2016. At end of FY 2014 the TSEP trust fund had a balance of \$238.6 million while the income account within the trust has accumulated a fund balance of \$31.1 million that is available for projects. Revenue from the income account within the trust is then transferred to the state special revenue fund for administrative costs and grants provided by the program.

The CDBG program is primarily funded with federal block grant funds allocated through the US Department of Housing and Urban Development. The general fund provides a required match for a portion of the administrative costs of the program equal to 2% of the annual CDBG allocation.

Funding for the Quality Schools Grant Program is derived from the school facility and technology fund. The purpose of the fund is to provide funding for a number of needs for public schools in Montana. In the 2017 biennium the funding supports administration of the program but funding for grants was not provided.

The HOME Program is a federal block program directed by the U.S. Department of Housing and Urban Development. Program funding is provided to community housing development organizations, public housing authorities, and units of local governments. The funding is used to expand the supply of affordable housing for low and very low income individuals,

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	748,481	748,481	1,496,962	49.16 %	9,140,112	9,140,112	18,280,224	52.62 %
PL Adjustments	31,556	16,536	48,092	1.58 %	7,491,936	7,470,107	14,962,043	43.07 %
New Proposals	1,500,000	0	1,500,000	49.26 %	1,500,000	0	1,500,000	4.32 %
Total Budget	\$2,280,037	\$765,017	\$3,045,054		\$18,132,048	\$16,610,219	\$34,742,267	

The legislature approved transferring the HOME Program from the Housing Division to the Community Development Division. This makes up the majority of the changes approved as part of the present law adjustment. The legislature also provided \$1.5 million in general fund for a new grant program for capital improvements to youth recreational facilities on school trust lands as a new proposal.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----				-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia	0.00	1,875	2,945	1,160	5,980	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	1,254	6,159	4,471	11,884	0.00	1,254	6,159	4,471	11,884
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	5,593	0	0	5,593	0.00	5,593	0	0	5,593
DP 525 - Fixed Costs Adjustment	0.00	3,989	5,540	11,645	21,174	0.00	3,907	5,442	11,478	20,827
DP 526 - 2017 Biennium Legislative Audit (Restricted /Biennial)	0.00	(672)	0	4,067	3,395	0.00	0	0	0	0
DP 527 - Inflation Deflation Adjustment	0.00	(1,279)	0	0	(1,279)	0.00	(1,115)	0	0	(1,115)
DP 529 - Longevity and Other adjustments	0.00	776	3,215	2,305	6,296	0.00	1,453	6,025	4,319	11,797
DP 530 - Reorganization	0.00	0	0	6,659,468	6,659,468	0.00	0	0	6,659,468	6,659,468
DP 550 - Motor Pool Adjustment	0.00	(151)	(273)	(130)	(554)	0.00	(153)	(276)	(133)	(562)
DP 600210 - CDBG Grant Reduction	0.00	(14,311)	0	(811,256)	(825,567)	0.00	(13,305)	0	(882,010)	(895,315)
DP 6000220 - Operating Cost Adjustment	0.00	48,453	30,620	1,540,444	1,619,517	0.00	37,590	28,205	1,610,423	1,676,218
DP 6000230 - Personal Services Changes	0.00	(13,971)	0	0	(13,971)	0.00	(18,688)	0	0	(18,688)
DP 6000240 - Coal Board Funding (Biennial)	0.00	0	0	0	0	0.00	0	0	0	0
DP 6000250 - Hard Rock Mining Board Reserve (Restricted)	0.00	0	0	0	0	0.00	0	0	0	0
DP 6000444 - Statewide 4% FTE Reduction - Program 60	(1.71)	0	0	0	0	(1.71)	0	0	0	0
Grand Total All Present Law Adjustments	(1.71)	\$31,556	\$48,206	\$7,412,174	\$7,491,936	(1.71)	\$16,536	\$45,555	\$7,408,016	\$7,470,107

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

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Restricted /Biennial) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 527 - Inflation Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 530 - Reorganization -

The legislature adopted the reorganization of the HOME Program from the Housing Division to the Community Development Program within the department. This included transfers of \$6.7 million in federal revenues in each year of the biennium and a net of 4.12 FTE when the move and FTE reduction for the boilerplate language enacted by the 2013 Legislature are considered.

DP 550 - Motor Pool Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 600210 - CDBG Grant Reduction -

The legislature reduced federal funding for the Community Development Block Grant Program to the level of anticipated expenditures based on available federal funds.

DP 6000220 - Operating Cost Adjustment -

The legislature provided additional funding for increased operating costs including computer equipment, printing costs, and grants.

DP 6000230 - Personal Services Changes -

The legislature adopted personal service changes due to changes in personnel.

DP 6000240 - Coal Board Funding (Biennial) -

The legislature provided funding for the Coal Board as a biennial appropriation.

DP 6000250 - Hard Rock Mining Board Reserve (Restricted) -

The legislature established a restricted reserve for the Hard Rock Mining Board. Statute requires the board to maintain a reserve not to exceed \$100,000. Expenditures may be made from the reserve:

1. For administrative and operating expenses of the board if the revenues from the license tax on metal mines are not sufficient to cover the estimated costs; or
2. To pay for the quasi-judicial responsibilities of the board related to impact plans.

DP 6000444 - Statewide 4% FTE Reduction - Program 60 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package PL-6000444 includes a reduction of 1.71 FTE each year.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 5105210 - Capital Improvement Grants (Restricted/Biennial/OTO)	0.00	1,500,000	0	0	1,500,000	0.00	0	0	0	0
Total	0.00	\$1,500,000	\$0	\$0	\$1,500,000	0.00	\$0	\$0	\$0	\$0

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

DP 5105210 - Capital Improvement Grants (Restricted/Biennial/OTO -

The legislature provided a one-time-only, restricted, biennial appropriation for capital improvements to youth recreational facilities on school trust lands. Legislative intent is to provide funding to make improvements for infrastructure including water and sewer, roads, parking, and utilities in facilities used to provide activities for Montana youth.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	3.00	3.00	3.00	3.00	3.00	3.00	0.00	0.00 %
Personal Services	173,357	240,050	266,494	265,950	413,407	532,444	119,037	28.79 %
Operating Expenses	138,804	227,976	160,871	149,715	366,780	310,586	(56,194)	(15.32)%
Capital Outlay	0	31,536	0	0	31,536	0	(31,536)	(100.00)%
Grants	57,000	60,000	60,000	60,000	117,000	120,000	3,000	2.56 %
Transfers	18,833	18,000	19,775	19,775	36,833	39,550	2,717	7.38 %
Total Costs	\$387,994	\$577,562	\$507,140	\$495,440	\$965,556	\$1,002,580	\$37,024	3.83 %
Proprietary Funds	387,994	577,562	507,140	495,440	965,556	1,002,580	37,024	3.83 %
Total Funds	\$387,994	\$577,562	\$507,140	\$495,440	\$965,556	\$1,002,580	\$37,024	3.83 %

Program Description

The Facility Finance Authority (Authority) was created by the 1983 Legislature to assist health care and related facilities contain future health care costs by offering debt financing at low-cost, tax-exempt interest rates for capital construction and improvements. 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 2009.

Facility Finance Authority - HFA Loan Program – 06012

Facilities Finance Authority – 06015

The Authority provides debt financing through a number of programs. The Authority has established reserve requirements for each including:

- Master Loan Program (Capital Reserve Account A) - The Authority designates certain funds equal to 10% of the bonds and loans under contract with the Board of Investments (BOI) for a required reserve. The Authority contracts with BOI to replenish the debt service reserve fund if necessary
- Permanent Coal Tax Trust Loan Program (Capital Reserve Account B) - Statute allows the Authority to make loans up to \$15.0 million from the coal trust for capital projects. The loan amount is reported as investments in the financial statements of the BOI. The Authority designates up to 10% of the amount of outstanding loans made from this program as reserve
- Direct Loan Program – by statute the Authority may make direct loans to eligible facilities for eligible projects including construction and renovation, facility acquisition, refinancing of qualified outstanding debt, or purchase of equipment. Funding for the loans is derived from the revenues deposited in the Facilities Finance Authority account that is transferred to the HFA Loan Program. As of FYE 2014 The Direct Loan Program had a fund balance of \$1.9 million. About \$0.9 million is available for loans with the remainder shown as reserves for the outstanding loans of about \$1.0 million.
- Working capital - National bond rating agencies, national bond insurers, and institutional investors expect the Facility Finance Authority to maintain a working capital reserve of two years' operating capital to assure that it can financially operate between legislative sessions. At the beginning of FY 2014 this was \$1.2 million.

The Facility Finance Authority is funded entirely by proprietary funds from two accounts within the enterprise fund.

Proprietary Rate Explanation

The Facilities Finance Authority is funded by an enterprise fund, and Authority customers are outside of state government. The fee structure that is proposed does not materially vary from that proposed in the last session.

Requested Rates for Internal Service Funds Fee/Rate Information					
Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description: Application Fee:					
<u>Loan Amount</u>		<u>Fee</u>			
Up to \$5,000,000		30 basis points (bp) (.0030)			
Up to \$10,000,000		the > of 25 bp or \$ 15,000			
Up to \$25,000,000		the > of 15 bp or \$ 25,000			
Up to \$50,000,000		the > of 12.5 bp or \$ 37,500			
Up to \$100,000,000		the > of 7.5 bp or \$ 62,500			
Over \$100,000,000		the > of 6.5 bp or \$ 75,000			
Annual Fee:					
			<u>Fee</u>		
Stand Alone Bond Issues			5 bp X the outstanding principal amount		
Private Placement bond issues			5 bp X the outstanding principal amount		
Trust Fund Loan Program			5 bp X the outstanding principal amount		
Master Loan Program			10 bp X the outstanding principal amount		
Authority: Fee revenues: 90-7-202 and 90-7-211, MCA; Investment Earnings: 90-7-202, MCA					

The 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 Highlights

There are no highlights for this program.

Funding

The following table shows program funding by source from all sources of authority.

Department of Commerce, 71-Facility Finance Authority Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
06015 Facilities Finance Authority	0	1,002,580	0	1,002,580	100.00 %	
Proprietary Total	\$0	\$1,002,580	\$0	\$1,002,580	100.00 %	
Total All Funds	\$0	\$1,002,580	\$0	\$1,002,580		

This program is entirely funded with proprietary rates.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	559,887	559,887	1,119,774	111.69 %
PL Adjustments	0	0	0	0.00 %	(52,747)	(64,447)	(117,194)	(11.69)%
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$507,140	\$495,440	\$1,002,580	

This program is entirely funded with proprietary rates. Changes shown as present law reflect anticipated changes in the rates.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 700 - Proprietary Fund Adjustments	0.00	0	0	0	(52,747)	0.00	0	0	0	(64,447)
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	(\$52,747)	0.00	\$0	\$0	\$0	(\$64,447)

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

DP 700 - Proprietary Fund Adjustments -

The legislature concurred with changes in the proprietary budget.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
Personal Services	4,090	0	0	0	4,090	0	(4,090)	(100.00)%
Operating Expenses	628,172	966,079	873,160	875,141	1,594,251	1,748,301	154,050	9.66 %
Grants	0	0	94,332	92,174	0	186,506	186,506	0.00 %
Benefits & Claims	157,063	358,921	358,921	358,921	515,984	717,842	201,858	39.12 %
Total Costs	\$789,325	\$1,325,000	\$1,326,413	\$1,326,236	\$2,114,325	\$2,652,649	\$538,324	25.46 %
State/Other Special Rev. Funds	0	150,000	150,000	150,000	150,000	300,000	150,000	100.00 %
Federal Spec. Rev. Funds	789,325	1,175,000	1,176,413	1,176,236	1,964,325	2,352,649	388,324	19.77 %
Total Funds	\$789,325	\$1,325,000	\$1,326,413	\$1,326,236	\$2,114,325	\$2,652,649	\$538,324	25.46 %

Program Description

Housing Division is made up of a wide array of housing programs, funded through a variety of federal funding sources. The programs can easily be divided into two major categories.

1. The Housing Assistance Bureau (HAB) receives its funding from the U.S. Department of Housing and Urban Development (HUD). HAB administers:
 - Tenant-based Section 8 Housing Program, which includes the Housing Choice Voucher Program as well as the Veterans Affairs Supportive Housing (VASH) Program and the Shelter Plus Care Program. Leases are entered on the open rental market between tenants and private landlords and the program makes a subsidy payment to the property owner on behalf of the tenant. Payments are based on applicable unit rent limits and tenants generally pay 30% of their income towards rent and utilities
 - Project-based Section 8 Housing Program performs annual property reviews, oversees property management, and makes rent subsidy payments to owners

2. The Board of Housing (BOH) is an agency of the state and operates within the Department of Commerce for administrative purposes. The BOH is funded by enterprise funds with revenue derived from administrative charges applied to projects and mortgages financed. BOH provides policy direction to the agency staff, authorizes bond issues, approves development financing, and evaluates BOH programs. The board's programs include:

- Regular Bond Homeownership Program
- Special Set-Aside Homeownership
- Multifamily Loan Program
- Low Income Housing Tax Credit Program
- Housing Montana Fund
- Reverse Annuity Mortgage (RAM) Program

Program Highlights

Housing Division Major Budget Highlights
<ul style="list-style-type: none"> • The budget decreases by 83.4% compared to the 2015 biennium appropriation reflecting transfer of the HOME Program with 5.83 FTE and \$6.7 million in appropriation authority to the Community Development Division

Program Narrative

As shown in the figure on funding, the majority of the programs in the Housing Division are supported by proprietary funds and discussed in the "Proprietary Rate" section of the program narrative. The following program discussion relates to appropriations contained in HB 2 as shown in the program budget comparison table above.

Changes to the FY 2015 Appropriation

Department of Commerce Housing Division FY 2015 Appropriation Transactions			
Category	Legislative Appropriation	Reorganization	Total Executive Implementation
Personal Services	\$391,368	(\$391,368)	\$0
Operating Expenses	1,058,253	(92,174)	966,079
Grants	6,175,926	(6,175,926)	0
Benefits and Claims	<u>358,921</u>	<u>0</u>	<u>358,921</u>
Total Costs	<u>\$7,984,468</u>	<u>(\$6,659,468)</u>	<u>\$1,325,000</u>

The major change between the FY 2015 legislative base and the FY 2015 appropriation implemented by the executive is due to a reorganization that transferred the HOME program from the Housing Division to Community Development Division. This reorganization decreased the FY 2015 appropriation by:

- 5.83 FTE, including 4.33 program specialists, 1.00 FTE administrative assistant, and 0.50 FTE accountant.
- \$391,368 in personal services
- \$92,174 in operating expenses
- \$6,175,926 in grants

With the exception of adjustments for legislative audit and fixed costs the legislature provided the remaining funding at the budgeted level established in FY 2015.

Funding

The following table shows program funding by source from all sources of authority.

Department of Commerce, 74-Housing Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
02575 Mobile Home Revolving Loan Fund	300,000	0	0	300,000	100.00 %	
State Special Total	\$300,000	\$0	\$0	\$300,000	0.32 %	
03110 HUD Comprehensive Counseling	552,230	0	0	552,230	23.47 %	
03144 SHELTER PLUS CARE - HUD	750,728	0	0	750,728	31.91 %	
03282 EMERGENCY HOMEOWNERS LOAN PROG	500,000	0	0	500,000	21.25 %	
03300 Home Grants	1,303	0	0	1,303	0.06 %	
03521 Section 811 Project Rental	0	0	0	0	0.00 %	
03945 BOH FORCLOSURE MITIGATION	548,388	0	0	548,388	23.31 %	
Federal Special Total	\$2,352,649	\$0	\$0	\$2,352,649	2.47 %	
06030 BOH Financial Program Fund	0	4,701,348	0	4,701,348	5.08 %	
06031 Housing Trust Fund	0	20,000	0	20,000	0.02 %	
06032 Mortgage Loan Servicing	0	2,977,679	0	2,977,679	3.22 %	
06074 SEC 8 Project Based	0	40,282,247	0	40,282,247	43.53 %	
06075 HUD Section 8 Housing Program	0	40,014,069	0	40,014,069	43.24 %	
06078 Affordable House Revolving Ln	0	20,000	0	20,000	0.02 %	
06079 Revolving Loan Fund - TANF	0	20,000	0	20,000	0.02 %	
06085 Section 8 Mod Rehab	0	4,513,099	0	4,513,099	4.88 %	
Proprietary Total	\$0	\$92,548,442	\$0	\$92,548,442	97.21 %	
Total All Funds	\$2,652,649	\$92,548,442	\$0	\$95,201,091		

The majority of the funds supporting the activities of the Housing Division are proprietary funds. The Board of Housing operations are 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 include the state special revenues for the mobile home revolving loan fund. Federal funds include three federal grants:

- Shelter plus care grants help provide housing and supportive services on a long-term basis for homeless people with disabilities. Program grants are used for the provision of rental assistance payments through Section 8 Moderate Rehabilitation for Single Room Occupancy, sponsor-based rental assistance, tenant-based rental assistance, or project-based rental assistance
- Both the HUD Homeownership Counseling and National Foreclosure Mitigation Counseling program grant funds provide counselors that are available at no charge to assist any homebuyer who is facing foreclosure or anticipating difficulty in making their mortgage payments

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	14,643,936	14,643,936	29,287,872	1,104.10 %
PL Adjustments	0	0	0	0.00 %	(13,317,523)	(13,317,700)	(26,635,223)	(1,004.10)%
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$1,326,413	\$1,326,236	\$2,652,649	

The executive reorganized the HOME Program, transferring it from the Housing Division to the Community Development Division. This makes up about half of the changes included present law adjustment each year. The remaining adjustment reduces the FY 2015 legislative base by about \$6.6 million each year. The appropriation for the HOME Program in FY 2015 was \$6.6 million above the level of appropriations transferred to the Community Development Division for the 2017 biennium. The adjustment aligned the funding to the level of anticipated federal funds for the programs remaining in the Housing Division.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia	0.00	0	0	3,639	3,639	0.00	0	0	0	0
DP 525 - Fixed Costs Adjustment	0.00	0	0	1,481	1,481	0.00	0	0	1,303	1,303
DP 526 - 2017 Biennium Legislative Audit (Restricted /Biennial)	0.00	0	0	(3,639)	(3,639)	0.00	0	0	0	0
DP 530 - Reorganization	0.00	0	0	(13,318,936)	(13,318,936)	0.00	0	0	(13,318,936)	(13,318,936)
DP 550 - Motor Pool Adjustment	0.00	0	0	(68)	(68)	0.00	0	0	(67)	(67)
Grand Total All Present Law Adjustments	0.00	\$0	\$0	(\$13,317,523)	(\$13,317,523)	0.00	\$0	\$0	(\$13,317,700)	(\$13,317,700)

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

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 525 - Fixed Costs Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Restricted /Biennial) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 530 - Reorganization -

The legislature adopted the reorganization of the HOME Program from the Housing Division to the Community Development Program within the department. This included transfers of \$6.7 million in federal revenues in each year of the biennium and 4.12 FTE .

DP 550 - Motor Pool Adjustment -

The legislature adopted a reduction to the motor pool rates.

Other Issues

Proprietary Program Description

Montana Board of Housing – 06030, 06031, 06032, 06078, 06079

The Montana Housing Act of 1975 created the Montana Board of Housing. The board is an agency of the state and operates within the Department of Commerce for administrative purposes. The powers of the board are vested in a seven member board, appointed by the Governor, subject to the confirmation of the State Senate. The board provides policy direction to the agency staff, authorizes bond issues, approves development financing, and evaluates Board of Housing Programs. These programs include the Homeownership Program, Multifamily Loan Programs, Low Income Housing Tax Credit Program, Housing Revolving Loan Fund, and the Reverse Annuity Mortgage (RAM) Program.

The Board of Housing is funded by five enterprise funds with revenues derived from an administrative charge applied to projects and mortgages financed. As such, the legislature does not approve rates for this program. There are no direct appropriations provided in HB 2.

Rate(s) and Rate Explanation:

BOH recovers its costs by charging application and compliance fees for the Low Income Tax Credit Program and by charging a spread on loan programs.

Requested Rates for Enterprise Funds Fee/Rate Information					
Fee		Actual FY 14	Budgeted FY 15	Budgeted FY 16	Budgeted FY 17
Cancellation fees-Single Family Program	1/2 of 1% of the loan amount reserved	No Change	No Change	No Change	No Change
Extension Fee	1/4 of 1% of the loan amt for 30 days	No Change	No Change	No Change	No Change
Late Fee	1/2 of 1% of the loan amt for 30 days	No Change	No Change	No Change	No Change
Pre 1980 Single Family Programs	1 1/2% spread between mortgage interest rate and bond yield. No limit on investment earnings	No Change	No Change	No Change	No Change
Post Single Family Programs	1 1/8% spread between mortgage interest rate and bond yield. Investment earnings limited to the bond yield	No Change	No Change	No Change	No Change
Pre 1986 Multifamily Program	1 1/2% spread between the mortgage interest rate and the bond yield. No limit on investment earnings	No Change	No Change	No Change	No Change
Post 1986 Multifamily Program	1 1/2% spread between the mortgage interest rate and the bond yield. Investment earnings limited to the bond yield	No Change	No Change	No Change	No Change
Multifamily Reservation Fee	up to 1% of the loan amount reserved	No Change	No Change	No Change	No Change
PreApp/10%Final Fees-Housing Credit Program		\$750	\$750	\$1,000	\$1,000
Reservation fees-Housing Credit Program	% of the tax credit amount reserved	5.00%	6.00%	6.00%	6.00%
Compliance fees-Housing Credit Program	per unit	\$40	\$40	\$45	\$45
Interest income on reverse annuity mortgage loans	5% (new) 7% (old) loans	No Change	No Change	No Change	No Change
Housing Revolving Loan Fund (HRLA)	variable rates ranging from 2% to 6%	No Change	No Change	No Change	No Change
Interest on Investments	STIP investment rate	No Change	No Change	No Change	No Change

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.

HUD Section 8 Project Based - 06074

Program Description:

The Project Based Section 8 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 renews rent contracts to project owners as they expire. Contract managers prepare special damage claims and annual rent increases, respond to emergencies, check

compliance for fair housing and waiting lists, conduct on-site management reviews, follow-up to physical inspections, review of management decisions, and budget assistance to local property owners.

Rate(s) and Rate Explanation:

The Project Based Section 8 Contract Administration is funded through a performance based contract with HUD, based on a 5 year renewable RFP. Retained earnings are to be used for operations of this program. Funding for rents is paid by HUD based on actual contracts negotiated between the department and the individual owners of the projects, set up on a procedure dictated by HUD.

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.

Requested Rates for Enterprise Funds				
Fee/Rate Information				
	Actual FY 14	Budgeted FY 15	Budgeted FY 16	Budgeted FY 17
Administration Contract Rate	2.00%	2.00%	2.00%	2.00%
Base fee rate paid by HUD = 2% time Fair Market Rent for all projects under ACC contract for standard performance, as judged by HUD monthly, quarterly and annually.				
Administration Contract Rate	1.00%	1.00%	1.00%	1.00%
Performance fee incentive rate based on 17 Incentive Based Performance Standards (IBPS), graded monthly, quarterly, and annually by HUD. Can be either positive or negative, based on whether time standards and performance requirements are met on each of the 17 IBPS standards. Rate 3 (per unit)				
Rents Contract Rate	100.00%	100.00%	100.00%	100.00%
Amounts for rentals are based on 100% of contracted amounts per unit each month, less tenant share of rents.				

HUD Section 8 Housing program – Tenant Based - 06075

HUD Section 8 Mod Rehab - Tenant Based - 06085

Program Description:

The tenant based Section 8 program provides rent assisted units for very low income families (including elderly and disabled) to ensure they have decent, safe, and sanitary housing, using HUD Section 8 Housing Choice Vouchers and Moderate Rehabilitation programs. The program operates on a first come, first serve basis statewide, through a network of field agencies the department contracts with for administration of local operations in the program. Leases are entered on the open rental market between tenants and private landlords. The program makes a subsidy payment to the property owner on behalf of the tenant. Payments are based on applicable unit rent limits and tenants generally pay 30% of their income towards rent and utilities.

Rate(s) and Rate Explanation:

Fund revenues are derived from competitively awarded performance based Annual Contribution Contracts with HUD, and the program is completely self-supporting. The department is the only statewide housing authority in Montana and specifically budgeted for in HUD’s ongoing appropriation for Tenant Based Section 8.

Requested Rates for Enterprise Funds				
Fee/Rate Information				
	Actual FY 14	Budgeted FY 15	Budgeted FY 16	Budgeted FY 17
Administration Contract				
Rate	\$ 57.51	\$ 57.51	\$ 57.51	\$ 57.51
Base fee rate paid by HUD = \$45.79 per unit per month under lease for Housing Choice Vouchers, and \$45.79 per month for each unit under HAP contract on Mod Rehab. Estimate increases of 3.5% per year for FY 2006 and FY 2007.				
Under HUD contract, for every family with 3 or more minors which either leases the first time or moves; HUD will pay a fee of \$75.00.				
Homeownership Start-up Fee				
Rate	\$200.00	\$200.00	\$200.00	\$200.00
Under HUD contract, for every family the program starts in Homeownership Vouchers Homeownership Assistance, HUD allows a fee of \$1,000.				
Project Based Section 8 Opt-Out Start-up Fee				
Rate	\$250.00	\$250.00	\$ 250.00	\$ 250.00
Under HUD contract, for every unit HUD approves transferring from Project Based Section 8 to the Housing Choice Vouchers Program, HUD provides reimbursement of start-up expenses of \$250.				
Rents Contract				
Rate	100.00%	100.00%	100.00%	100.00%
Amounts for rentals are based on 100% of contracted amounts per unit each month, less tenant share of rents.				

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.

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Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	32.00	32.00	32.00	32.00	32.00	32.00	0.00	0.00 %
Personal Services	3,125,531	3,302,746	3,686,784	3,681,222	6,428,277	7,368,006	939,729	14.62 %
Operating Expenses	2,348,414	2,303,946	2,595,430	2,564,826	4,652,360	5,160,256	507,896	10.92 %
Equipment & Intangible Assets	5,346	0	0	0	5,346	0	(5,346)	(100.00)%
Total Costs	\$5,479,291	\$5,606,692	\$6,282,214	\$6,246,048	\$11,085,983	\$12,528,262	\$1,442,279	13.01 %
Proprietary Funds	5,479,291	5,606,692	6,282,214	6,246,048	11,085,983	12,528,262	1,442,279	13.01 %
Total Funds	\$5,479,291	\$5,606,692	\$6,282,214	\$6,246,048	\$11,085,983	\$12,528,262	\$1,442,279	13.01 %

Program Description

The Board of Investments (BOI) manages the Unified Investment Program mandated by Article VIII, Section 13 of the Montana Constitution. BOI consists of nine members appointed by the Governor. BOI also has two non-voting legislative liaisons, from different political parties; one appointed by the President of the Senate and one appointed by the Speaker of the House.

Statute grants the board sole authority to invest state funds. BOI also invests local government funds at its discretion. BOI currently manages an investment portfolio with a market value of approximately \$15.9 billion. BOI manages the portfolio under the "prudent expert principle".

To provide for diversification and reduced risk, BOI manages several investment pools in which funds of similar types are invested. The investment pools operate like mutual funds. Investments not managed in pools are included in All Other Funds. The investment pools include:

- Retirement Funds Bond Pool
- Trust Funds Investment Pool
- Short Term Investment Pool
- Montana Domestic Equity Pool
- Montana International Equity Pool
- Montana Private Equity Pool
- Montana Real Estate Pool
- All Other Funds – investments not managed in pools are included in All Other Funds

Annual audited financial statements are prepared for each investment pool. The board also issues tax-exempt bonds and lends the proceeds to eligible government agencies for a variety of purposes.

In addition to the BOI's investment responsibilities, it is charged with creating solutions to financial issues facing new and expanding businesses in the state of Montana. To accomplish this goal, the BOI administers a number of different loan programs that can be specifically tailored to meet an individual business's or local government's needs. The INTERCAP and In-State Investment Programs were created in FY 1984 as part of the "Build Montana" program.

In-State Investment Program

Section 17-6-305, MCA, authorizes BOI to invest 25% of the permanent coal tax trust fund (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. BOI lends trust fund monies to local governments to fund infrastructure

that will serve job-creating businesses located in the government's jurisdiction. BOI also lends low-interest monies

funded from the trust fund to value-added type businesses creating jobs. Throughout FY 2008, the BOI purchased Montana residential mortgages with pension funds as part of the In-State Investment Program. The In-State Investment Program also administers low interest loans for first time home buying Montana Veterans funded through up to \$30.0 million of the permanent coal tax trust monies.

INTERCAP Program

BOI 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 Highlights

There are no highlights for this program.

Funding

The following table shows program funding by source from all sources of authority.

Department of Commerce, 75-Board of Investments Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
06014 Industrial Revenue Bond I-95	0	928,916	3,000,000	3,928,916	25.30 %	
06527 Investment Division	0	11,599,346	0	11,599,346	74.70 %	
Proprietary Total	\$0	\$12,528,262	\$3,000,000	\$15,528,262	100.00 %	
Total All Funds	\$0	\$12,528,262	\$3,000,000	\$15,528,262		

This program is entirely funded with proprietary rates.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	5,363,990	5,363,990	10,727,980	85.63 %
PL Adjustments	0	0	0	0.00 %	918,224	882,058	1,800,282	14.37 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$6,282,214	\$6,246,048	\$12,528,262	

The table above does not apply. This program is entirely funded with proprietary rates.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 700 - Proprietary Fund Adjustments	0.00	0	0	0	918,224	0.00	0	0	0	882,058
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$918,224	0.00	\$0	\$0	\$0	\$882,058

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

DP 700 - Proprietary Fund Adjustments -

The legislature concurred with changes in the proprietary budget.

Other Issues

**Fund 06014 Industrial Revenue Bond I-95
Fund 06527 Investment Division**

Program Description

The Board of Investments (BOI) manages the Unified Investment Program. The Board of Investments is funded by two proprietary fund types. The Industrial Revenue Bond Program, an enterprise fund, funds the INTERCAP Program. Investment Division Program, an internal service fund, funds the Investment Programs. BOI s' customers include: state agencies, the university system, local governments, financial institutions, and local economic development organizations.

Industrial Revenue Bond Program

Rate(s) and Rate Explanation:

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 and setting the fee at that level. Fees adopted for the INTERCAP Program are shown below.

Requested Rates for Enterprise Funds Fee/Rate Information				
	Actual FY 14	Budgeted FY 15	Budgeted FY 16	Budgeted FY 17
Budgeted Revenues Fees & Investment Revenues	\$ 1,658,269	\$ 1,921,249	\$ 1,507,275	\$ 1,866,530

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.

Investment Division Fund

Rate(s) and Rate Explanation:

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 and setting the fee at that level. Fees adopted for the Investment Division Fund are shown below.

Requested Rates for Internal Service Funds Fee/Rate Information				
	Approved FY 14	Approved FY 15	Budgeted FY 16	Budgeted FY 17
BOI Administrative Fee Rate	\$5,109,144	\$5,234,796	\$6,031,846	\$6,031,846
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.

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Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	1.25	1.25	1.25	1.25	1.25	1.25	0.00	0.00 %
Personal Services	9,879	97,223	108,177	107,882	107,102	216,059	108,957	101.73 %
Operating Expenses	59,891	51,049	73,976	73,935	110,940	147,911	36,971	33.33 %
Total Costs	\$69,770	\$148,272	\$182,153	\$181,817	\$218,042	\$363,970	\$145,928	66.93 %
State/Other Special Rev. Funds	69,770	148,272	182,153	181,817	218,042	363,970	145,928	66.93 %
Total Funds	\$69,770	\$148,272	\$182,153	\$181,817	\$218,042	\$363,970	\$145,928	66.93 %

Program Description

The Board of Horse Racing (BOHR) Program is responsible for:

1. Regulation of the live, simulcast, and advance deposit wagering horse racing industry;
2. Ensuring compliance by approximately 1,200 licensees with state laws and board rules;
3. Licensing all racing personnel, establishing race dates for various communities, and establishing veterinary practices and standards in connection with horse racing meets; and
4. Auditing, supervising and conducting investigations related to the pari-mutuel racing system in Montana.

The Board of Horse Racing is funded with state special revenue derived from a 1% tax on gross receipts from pari-mutuel betting. For live racing and simulcast facilities, the tax is the greater of 1% of gross betting receipts or the actual cost to the board for regulating the meet.

Program Highlights

Board of Horse Racing
<ul style="list-style-type: none"> • The 2017 biennium budget increases 22.7% or \$67,400 when compared to the 2015 beinnium appropriated budget • Financial issues limited spending in FY 2014 which drives the increase

Program Narrative

The legislature transferred the Board of Horse Racing from the Department of Livestock in SB 215 enacted by the 2013 Legislature. The state special revenue fund that supports the activities of BOHR had a negative fund balance when it was transferred to the department at the beginning of FY 2014 of (\$192,245). The balance of the fund also ended FY 2014 in the red at (\$214,357). Part of the reason for the negative fund balance is a general fund loan provided to the Board of Horse Racing in FY 2012. The loan balance was \$439,000 at FYE 2014. The BOHR is required to pay \$62,843 each year. Impacts resulting from these financial challenges include contracting for services to administer the program rather than hiring an individual and reducing or eliminating travel. The legislature provided funding at the FY 2015 level allowing the BOHR to hire FTE if the finances improve.

Funding

The following table shows program funding by source from all sources of authority.

Department of Commerce, 78-Board of Horseracing Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
02029 Board Of Horse Racing	243,970	0	550,662	794,632	86.88 %	
02063 BOHR SIMULCAST	120,000	0	0	120,000	13.12 %	
State Special Total	\$363,970	\$0	\$550,662	\$914,632	100.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$363,970	\$0	\$550,662	\$914,632		

State special revenues supporting the Board of Horse Racing and appropriated in HB 2 are derived from two main sources:

- Simulcast racing with 1% of the statewide simulcast “handle” returned for operations and 1% of all “handles” and 3% of exotic “handles” for live racing in Montana
- Pari-mutuel gambling whereby 26% of the revenues are divided between the BOHR (16%), pari-mutuel network provider (Montana State Lottery 6%), and game retailers (4%)

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	148,272	148,272	296,544	81.47 %
PL Adjustments	0	0	0	0.00 %	33,881	33,545	67,426	18.53 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$182,153	\$181,817	\$363,970	

The legislature provided present law adjustments including:

- Funding to support the state share contribution for employee insurance and employer costs
- Increases in operating costs

Present Law Adjustments

The “Present Law Adjustments” table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
-----Fiscal 2016-----						-----Fiscal 2017-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 515 - State Share Health Insurance	0.00	0	608	0	608	0.00	0	608	0	608
DP 525 - Fixed Costs Adjustment	0.00	0	(765)	0	(765)	0.00	0	(765)	0	(765)
DP 527 - Inflation Deflation Adjustment	0.00	0	(103)	0	(103)	0.00	0	(103)	0	(103)
DP 529 - Longevity and Other adjustments	0.00	0	414	0	414	0.00	0	492	0	492
DP 7800200 - Operating Cost Adjustments	0.00	0	23,795	0	23,795	0.00	0	23,754	0	23,754
DP 7800210 - Other Personal Services Changes	0.00	0	9,932	0	9,932	0.00	0	9,559	0	9,559
Grand Total All Present Law Adjustments	0.00	\$0	\$33,881	\$0	\$33,881	0.00	\$0	\$33,545	\$0	\$33,545

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 525 - Fixed Costs Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 7800200 - Operating Cost Adjustments -

Adjustments for indirect costs charged through proprietary rates in the Director's Office were approved by the legislature.

DP 7800210 - Other Personal Services Changes -

The legislature provided funding to support increased costs for personal services within the Board of Horse Racing.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
Grants	453,944	550,000	550,000	550,000	1,003,944	1,100,000	96,056	9.57 %
Total Costs	\$453,944	\$550,000	\$550,000	\$550,000	\$1,003,944	\$1,100,000	\$96,056	9.57 %
Federal Spec. Rev. Funds	453,944	550,000	550,000	550,000	1,003,944	1,100,000	96,056	9.57 %
Total Funds	\$453,944	\$550,000	\$550,000	\$550,000	\$1,003,944	\$1,100,000	\$96,056	9.57 %

Program Description

The Director’s Office (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. The office acts in a public relations and informational capacity to ensure the public is informed of the services provided by the department. The office works 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 in a positive customer service oriented manner. 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, a citizen based advocacy group, is administratively attached to the Department of Commerce and funded within the Director's Office. Its members are appointed by the Governor to work to provide increased independence, integration, and productivity for persons with developmental disabilities.

Program Highlights

Director's Office
<ul style="list-style-type: none"> • 78.5% of the Director's Office, including 19.00 FTE, is funded with proprietary funds that are not included in HB 2 • The HB 2 budget is unchanged when compared to the 2015 biennium appropriations, and primarily supports the Montana Council on Developmental Disabilities

Program Narrative

The Program Budget Comparison table above only reflects the funding for the Developmental Disabilities Planning and Advisory Council (DDPAC), which is the only portion of this program included in the appropriation section of 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, a nonprofit corporation that carries out the responsibilities of DDPAC. DDPAC still remains administratively attached to the

department, with the agency acting as a go-between for disbursing federal funds to the nonprofit under the terms and conditions of the contract.

The adopted budget remains unchanged from the FY 2015 legislative appropriation.

Funding

The following table shows program funding by source from all sources of authority.

Department of Commerce, 81-Director's Office Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
03441 DDPAC - Dev Disabled Council	1,100,000	0	0	1,100,000	100.00 %	
Federal Special Total	\$1,100,000	\$0	\$0	\$1,100,000	21.49 %	
06542 Commerce Centralized Services	0	4,019,001	0	4,019,001	100.00 %	
Proprietary Total	\$0	\$4,019,001	\$0	\$4,019,001	78.51 %	
Total All Funds	\$1,100,000	\$4,019,001	\$0	\$5,119,001		

The Montana Council on Developmental Disabilities is entirely funded with federal special revenues that pay the contract for the nonprofit that carries out the responsibilities of DDPAC.

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.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	550,000	550,000	1,100,000	100.00 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$550,000	\$550,000	\$1,100,000	

The legislature maintained this program at the 2015 legislative base budget appropriation without adjustment.

Other Issues

Proprietary Program Description

Commerce Centralized Services - 06542

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.

Rate(s) and Rate Explanation:

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 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. Additionally, the Director's Office complies with 17-3-111, MCA, which requires agencies to calculate a rate that would recover indirect costs to the greatest extent possible. In order to comply with this statute, the Director's Office has requested a rate that may vary slightly from the annually calculated federal rate. 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.

Requested Rates for Internal Service Funds				
Fee/Rate Information				
	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:				
State Programs				
Indirect Cost Rate	14.65%	14.65%	14.10%	14.10%
Federal Programs				
Indirect Cost Rate	14.65%	14.65%	14.10%	14.10%
Allocation Methodology: Indirect costs for the Director's Office are allocated to supported programs via a federally calculated indirect cost plan for federally funded programs, and a legislatively approved rate for state funded programs. Indirect cost rates are charged to supported programs based upon actual personal services expenditures.				
Authority: Federally calculated indirect cost plan for federally funded programs, and legislatively approved rate for state funded programs. FY 2016 and FY 2017 federally approved rate is an estimated rate.				

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.

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Agency Budget Comparison

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	751.58	751.58	693.06	693.06	751.58	693.06	(58.52)
Personal Services	40,887,893	46,966,539	46,240,652	45,039,937	87,854,432	91,280,589	3,426,157
Operating Expenses	22,540,224	23,025,299	27,158,867	26,985,561	45,565,523	54,144,428	8,578,905
Equipment & Intangible Assets	350,454	398,986	312,574	312,574	749,440	625,148	(124,292)
Grants	7,446,806	11,587,525	8,409,444	8,409,289	19,034,331	16,818,733	(2,215,598)
Benefits & Claims	100,389	91,464	100,389	100,389	191,853	200,778	8,925
Transfers	333,512	603,901	79,805	79,983	937,413	159,788	(777,625)
Debt Service	74,470	70,237	189,407	231,082	144,707	420,489	275,782
Total Costs	\$71,733,748	\$82,743,951	\$82,491,138	\$81,158,815	\$154,477,699	\$163,649,953	\$9,172,254
General Fund	1,347,215	1,446,087	1,850,583	1,866,225	2,793,302	3,716,808	923,506
State/Other Special Rev. Funds	40,594,667	42,847,908	47,696,641	46,253,593	83,442,575	93,950,234	10,507,659
Federal Spec. Rev. Funds	29,791,866	38,449,956	32,943,914	33,038,997	68,241,822	65,982,911	(2,258,911)
Proprietary Funds	0	0	0	0	0	0	0
Total Funds	\$71,733,748	\$82,743,951	\$82,491,138	\$81,158,815	\$154,477,699	\$163,649,953	\$9,172,254

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 33 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 six divisions: 1) Workforce Services; 2) Unemployment Insurance; 3) Commissioner's Office/Centralized Services; 4) Employment Relations; 5) Business Standards; and 6) Technology Services. The Office of Community Services, Workers' Compensation Court, Board of Personnel Appeals, and Board of Labor Appeals area all administratively attached. Under statute the Human Rights Commission is allocated to the Department of Labor and Industry for administrative purposes.

Agency Highlights

Department of Labor and Industry Major Budget Highlights
<ul style="list-style-type: none">• The 2015 biennium legislative appropriation to the 2017 biennium legislative appropriation increased by 1.5%.• FTE are reduced by 71.51 when compared to the previous biennium, changes include:<ul style="list-style-type: none">◦ 30.02 FTE eliminated in compliance with the boilerplate language of HB 2 enacted by the 2013 Legislature◦ 33.00 FTE transferred from HB 2 to proprietary funding within the Technology Services Division◦ 2.00 FTE eliminated as the positions were vacant throughout FY 2014◦ 6.50 FTE eliminated as support from federal funds was not received in the previous biennium• FTE reductions are partially offset by adding 13.00 FTE to implement SB 405• DOLI reorganized to create a Technology Services Division (TSD) pulling FTE and funding from other programs within the agency• The legislature funded Jobs for Montana Graduates Program using state special revenue• General fund was restored for the Human Rights Bureau

Summary of Legislative Action

As discussed, the agency budget increased by 1.3% when compared to 2015 biennium appropriations. Overall the number of FTE supported in HB 2 declined by 58.52 FTE. The legislature:

- Accepted the agency proposal to eliminate 30.02 FTE as part of its compliance with the boilerplate language of HB 2 enacted by the 2013 Legislature
- Transferred 33.00 FTE from HB 2 to proprietary funding within the Technology Services Division
- Eliminated 2.00 FTE, one within the Workforce Services Division and one within the Employment Relations Division, as the positions were vacant throughout FY 2014
- Eliminated 6.50 FTE as support from federal funds for the positions was not received in the previous biennium and was not projected to be received in the 2017 biennium
- Added 13.00 FTE to implement SB 405, the Montana Health and Economic Livelihood Partnership Act

The legislature provided \$731,000 in general fund to support the Human Rights Bureau. The 2013 Legislature reduced general fund support and increased federal funds to reduce the amount of fund balance available to support the program. The change was designated as one-time-only and as a result, the 2015 Legislature restored general fund support for the program. This makes up the majority of the increase in general fund between biennia.

State special revenue increases as the legislature funded:

- The Jobs for Montana Graduates Program from the employment security account
- Implementation of SB 405, also using the employment security account
- Adoption of proprietary fees for information technology services provided by the Technology Services Division mainly supported by state special revenue funds
- Impairment programs and other consulting services within the Business Standards Division
- IT Maintenance with the city of Missoula
- Increased legal services for the Business Standards Division

Federal revenues decreased between biennia. Few participants now qualify for the Trade Adjustment Allowance Program and the Department of Education eliminated federal grant funding that was used to support training programs within the Workforce Services Division. The legislature reduced overall federal support as a result.

Personal services increase between biennia. Reductions for transfer of 33.00 FTE from HB 2 to proprietary rates were more than offset by increases. In addition to annualization of the state share contribution to employee insurance and pay plan increases the legislature provided additional support for:

- Market, proficiency agreement progression, career ladders, competency, negotiated pay schedule, and training assignments pay adjustments
- Employee attainment of longevity milestones within the 2017 biennium
- Position reclassifications between biennia
- Changes in employer retirement contributions

The majority of the increase shown for operating expenses is related to the establishment of proprietary rates for information technology services within the DOLI. The legislature approved creation of the Technology Services Division within DOLI. In addition, the legislature removed \$8.2 million of costs from HB 2 opting to provide proprietary funding for TSD instead. The costs include:

- Personal services - \$2.8 million each year of the biennium
- Operating expenses - \$5.4 million each year of the biennium

Proprietary rates included in the other division budgets are considered operating expenses resulting in an increase in operating expenses of \$5.6 million in the 2017 biennium

Operating expenses also increased in part because the legislature provided support for implementation of SB 405. The bill provides Medicaid recipients with the option of participating in an employment assessment or reemployment assessment to identify barriers to employment that exist. In addition the recipient may also participate in the Workforce Development Program. Funding for training, employee travel, indirect costs, and other associated costs for providing services was included in HB 2. In addition, the legislature approved increased operating costs within the Business Services Division. Among the additions were:

- Contracting for the Medical Impairment Program for the Board of Nursing, Board of Pharmacy, Board of Dentistry, and Board of Medical Examiners
- Funding for continuing education and professional development programs for licenses
- Database maintenance, enhancements, and information technology consulting services
- Legal costs

Changes to grants included reductions for the Trade Adjustment Allowance Program and the Department of Education grant funding as previously discussed. In addition, the legislature eliminated 6.49 FTE and related personal services due to lower federal funding in FY 2014. Grants were increased by same amount in the event the DOLI receives federal funding for other grants.

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 and Industry Funding by Source of Authority 2017 Biennium Budget - Department of Labor and Industry						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	3,716,808	0	0	3,716,808	0.78 %	
State Special Total	93,950,234	0	4,500,400	98,450,634	20.72 %	
Federal Special Total	65,982,911	0	0	65,982,911	13.89 %	
Proprietary Total	0	306,943,000	0	306,943,000	64.61 %	
Other Total	0	0	0	0	0.00 %	
Total All Funds	\$163,649,953	\$306,943,000	\$4,500,400	\$475,093,353		
Percent - Total All Sources	34.45 %	64.61 %	0.95 %			

Over half of the funding for DOLI is non-budgeted proprietary funding for unemployment benefits. Proprietary funds also support a portion of the Commissioner's Office/Centralized Services Division and the Technology Services Division. 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.

Statutory appropriations for the uninsured employee fund are provided to the Employment Relations Division.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	1,446,088	1,446,088	2,892,176	77.81 %	81,518,953	81,518,953	163,037,906	99.63 %
PL Adjustments	397,871	414,193	812,064	21.85 %	(1,289,175)	(839,570)	(2,128,745)	(1.30)%
New Proposals	6,624	5,944	12,568	0.34 %	2,261,360	479,432	2,740,792	1.67 %
Total Budget	\$1,850,583	\$1,866,225	\$3,716,808		\$82,491,138	\$81,158,815	\$163,649,953	

DOLI reorganized its information technology services by transferring FTE, personal services, and operating expenses from the various divisions to the newly created Technology Services Division. The change was approved by the legislature as part of present law. The approval for establishing proprietary rates for the new division was included as a new proposal. Other changes are discussed within each program.

Other Legislation

HB 4 - The legislature appropriated funding for a number of federal grants in FY 2015 including \$111,287 for reemployment and eligibility assessment, \$124,651 for women's bureau paid leave analysis, \$721,128 for unemployment insurance administration funding. In addition federal authority for improving the labor exchange system, job-driven grants, unemployment insurance funding, and 2013 unemployment insurance administration funding was extended into FY 2016. 2014 and 2015 federal authority for unemployment insurance administration was extended into FY 2017.

HB 81 - The legislature allowed the Board of Barbers and Cosmetologists to offer a barbering nonchemical license. The fiscal note attached to the bill estimates a cost of \$4,924 for rule-making to implement the new license. The Business Standards Division did not receive additional authority for the implementation of the new license.

HB 115 - The legislature provided for nursing applicants to submit to criminal background check and expanded the Nursing Medical Assistance Program to all licensees. The estimated fiscal impact of the change is \$4,667 to update the rules related to the changes. The legislature did not provided funding for this cost.

HB 123 - The legislature revised statutes related to public records laws. The fiscal note attached to the bill includes an estimated cost of \$92,332 to implement the changes related to DOLI including 0.50 FTE to carry out records management and employee training. The legislature did not provided funding for this cost.

HB 147 - The legislature approved enacting a nurse licensure compact that grants registered and licensed practical nurses multi-state privileges with other states that are party to the compact. The estimated cost to the department is \$28,217 for rule making, notification to licensees, and an annual fee for compact participation. The legislature did not provided funding for this cost.

HB 223 - The legislature revised death certificate fees and provided \$3.00 of the fees as revenues to the Board of Funeral Services. The fiscal note includes an increased revenue estimate of \$365,058 for the 2017 biennium for the Board of Funeral Services.

HB 306 - The legislature removed limitations on unemployment benefits for victims of domestic violence, sexual assault, or stalking. The fiscal impact to the unemployment insurance trust fund is \$66,677 over the 2017 biennium.

HB 358 - The legislature transferred the duties related to regulating licensed addiction counselors to the Board of Behavioral Health, formerly the Board of Social Work Examiners and Professional Counselors. The estimated cost for implementing the changes is \$17,522 including travel and per diem for additional board members and costs for rule making. The legislature did not provided funding for this cost.

HB 429 - The legislature approved enacting an interstate medical licensure compact for physicians which grants physicians multi-state privileges with other compact states. The fiscal note estimates the costs for the compact to be \$52,604 over

the 2017 biennium including travel to establish the compact, conference calls, training, and additional legal costs. The legislature did not provided funding for this cost.

HB 560 - The legislature revised the fund structure and budgetary process for the Board of Accountants. An enterprise fund was established and statutorily appropriated for use by the board rather than the state special revenue account. The fiscal note estimates that state special revenues will be reduced by \$742,376 over the 2017 biennium as a result of the bill's passage and approval.

SB 7 - The legislature extended the sunset date for the prescription drug registry to June 30, 2017 and included increased fees for licensees of up to \$15. Revenue estimates for the increase are \$472,500 over the 2017 biennium. \$282,00 in state special revenue funding in HB 2 is contingent on the passage and approval of SB 7.

SB 22 - The legislature provided for registration and regulation of social workers, professional counselors, or marriage counselors seeking licensure. The fiscal note attached to the bill estimates a one-time cost of \$4,790 to implement rules related to the changes. The legislature did not provided funding for this cost.

SB 71 - The legislature revised the costs of boiler inspections removing the clause that provided a single fee could be charged for multiple boilers in the same room. An increase in state special revenues of \$92,450 is estimated for the 2017 biennium.

SB 77 - The legislature created a resident physician's license and repealed specialized, telemedicine, and temporary physicians' licenses. The fiscal note includes estimates of additional costs of \$9,354 for updating rules for resident physician licenses and repealing rules for specialized, telemedicine, and temporary physician's licenses. The costs should be offset by increased revenues for resident physician licenses estimated to be \$10,000 over the 2017 biennium. The legislature did not provided funding for this cost.

SB 79 - The legislature clarified funding requirements with respect to professional and occupational licensing boards. Rule making costs of \$6,322 are anticipated in association with the clarification. The legislature did not provided funding for this cost.

SB 259 - The legislature increased the percentage that may be assessed against workers' compensation insurers for the administration of the workers' compensation act and created a new assessment for administering occupational safety and health laws. Revenue estimates included in the fiscal note attached to the bill are based on an administrative rate of less than 4% and a safety rate of less than 1% generating an additional \$1,798,142 in FY 2016 and \$2,148,453 in FY 2017. \$256,000 in state special revenue funding provided to the Employment Relations Division was contingent on passage and approval of SB 259.

SB 390 - The Economic Affairs Interim Committee is to conduct a study of fees charged by the Department of Labor and Industry to licensing boards. Costs of the study are borne by the Legislative Branch.

SB 401- The legislature clarified the use of DOLI representatives at boxing events, established guidelines for medical examinations prior to events and for licensure, established license fees, and allowed venue owners and promoters to determine the need for security personnel. Estimated costs to implement the changes, mainly rule changes are \$5,915 as included in the fiscal note. The legislature did not provided funding for this cost.

SB 405 - The legislature created the Healthy Montana Act. The act provides Medicaid recipients with the option of participating in an employment or reemployment assessment and in the workforce development program. Funding to implement SB 405 was included in HB 2.

Executive Budget Comparison

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	751.58	688.56	693.06	4.50	688.56	693.06	4.50	4.50
Personal Services	40,887,893	46,349,883	46,240,652	(109,231)	46,378,345	45,039,937	(1,338,408)	(1,447,639)
Operating Expenses	22,540,224	27,844,400	27,158,867	(685,533)	27,979,487	26,985,561	(993,926)	(1,679,459)
Equipment & Intangible Assets	350,454	312,574	312,574	0	312,574	312,574	0	0
Grants	7,446,806	7,854,036	8,409,444	555,408	7,854,036	8,409,289	555,253	1,110,661
Benefits & Claims	100,389	100,389	100,389	0	100,389	100,389	0	0
Transfers	333,512	311,861	79,805	(232,056)	312,039	79,983	(232,056)	(464,112)
Debt Service	74,470	189,407	189,407	0	231,082	231,082	0	0
Total Costs	\$71,733,748	\$82,962,550	\$82,491,138	(\$471,412)	\$83,167,952	\$81,158,815	(\$2,009,137)	(\$2,480,549)
General Fund	1,347,215	2,485,192	1,850,583	(634,609)	2,484,215	1,866,225	(617,990)	(1,252,599)
State/other Special Rev. Funds	40,594,667	47,627,178	47,696,641	69,463	47,820,345	46,253,593	(1,566,752)	(1,497,289)
Federal Spec. Rev. Funds	29,791,866	32,850,180	32,943,914	93,734	32,863,392	33,038,997	175,605	269,339
Other	0	0	0	0	0	0	0	0
Total Funds	\$71,733,748	\$82,962,550	\$82,491,138	(\$471,412)	\$83,167,952	\$81,158,815	(\$2,009,137)	(\$2,480,549)

When comparing the 2017 legislatively appropriated budget to the executive's request, the legislature eliminated support for personal services supporting 8.50 FTE. Included were reductions of total funds of \$99,218 in FY 2016 and \$89,010 in FY 2017 that supported 2.00 FTE, these FTE were vacant all of FY 2014. In addition, total funds of \$328,893 in FY 2016 and \$328,734 in FY 2017 that were supporting 6.49 FTE funded by federal grants that DOLI no longer receives were eliminated. Grants were increased by the same amount in the event additional federal funding was received. The legislature switched funding for the Jobs for Montana Graduates Program from the general fund to the employment security account within the state special revenue fund. In addition the legislature recognized that by taking the majority of the FTE reductions in the Workforce Services Division it needed to mitigate the impacts to the other divisions by providing additional funding for personal services. Other differences include:

- Changes for fixed costs and inflation/deflation factors
- Adopting additional cost reductions related to the reorganization that created the Technology Services Division
- Denial of requests within the Business Standards Division for Montana interactive online service fees, operating adjustments and equipment requests, and motor vehicles leases for inspectors
- Not funding rent adjustments within the Employment Relations Division and computer leases for the Unemployment Insurance Division
- Providing for the costs of implementing SB 405
- Adopting 2% vacancy savings applied to HB 2 positions within the boilerplate language of HB 2

Language and Statutory Authority

The legislature adopted the following language in HB 2:

"If SB 405 and SB 418 are not passed and approved, then Workforce Development is void. The amount appropriated in Workforce Development from the employment security account provided for in 39-51-409 is restricted to the purpose of implementing [sections 14 through 17 of SB 405]."

"Generally Revise Workers' Compensation is contingent upon the passage and approval of SB 259."

"Prescription Drug Registry is contingent upon the passage and approval of SB 7."

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	282.45	282.45	267.00	267.00	282.45	267.00	(15.45)	(5.47)%
Personal Services	13,597,271	16,471,900	17,433,723	16,148,622	30,069,171	33,582,345	3,513,174	11.68 %
Operating Expenses	4,031,881	5,734,973	6,645,235	6,232,313	9,766,854	12,877,548	3,110,694	31.85 %
Equipment & Intangible Assets	12,908	9,209	12,908	12,908	22,117	25,816	3,699	16.72 %
Grants	5,020,870	8,655,517	5,517,928	5,517,770	13,676,387	11,035,698	(2,640,689)	(19.31)%
Transfers	187,966	333,399	44,936	45,114	521,365	90,050	(431,315)	(82.73)%
Debt Service	43,593	40,593	132,381	155,587	84,186	287,968	203,782	242.06 %
Total Costs	\$22,894,489	\$31,245,591	\$29,787,111	\$28,112,314	\$54,140,080	\$57,899,425	\$3,759,345	6.94 %
General Fund	22,908	43,910	39,417	52,332	66,818	91,749	24,931	37.31 %
State/Other Special Rev. Funds	8,444,686	9,431,560	12,099,254	10,361,940	17,876,246	22,461,194	4,584,948	25.65 %
Federal Spec. Rev. Funds	14,426,895	21,770,121	17,648,440	17,698,042	36,197,016	35,346,482	(850,534)	(2.35)%
Total Funds	\$22,894,489	\$31,245,591	\$29,787,111	\$28,112,314	\$54,140,080	\$57,899,425	\$3,759,345	6.94 %

Program Description

The Workforce Services Division (WSD) is 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 through three bureaus: 1) Job Service Operations Bureau coordinates and guides the delivery of workforce development services to communities through a network of 25 Job Service Centers across the state; 2) Statewide Workforce Programs and Oversight Bureau performs oversight, regulatory, fiscal, tracking, registration, and support functions statewide for both state and federal programs; 3) 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 kindergarten-adult career resources for use by educators, students, workforce development agencies, and job seekers. Also housed within WSD are the Incumbent Worker Training Program and State Workforce Investment Board (SWIB).

Program Highlights

Workforce Services Division Major Budget Highlights
<ul style="list-style-type: none"> • The legislature provided a budget for the 2017 biennium that is 10.6% lower than the 2015 biennium appropriations. The majority of the reductions occurred as a result of decreases in federal funding support for the division • Decreases in federal funding are due to: <ul style="list-style-type: none"> ◦ Few qualified participants for the Trade Adjustment Allowance Program ◦ Loss of Department of Education grant • 1.00 FTE and related personal services were eliminated as the position was vacant all of FY 2014 • 6.50 FTE and related personal services were eliminated as federal funding supporting the positions is not estimated to be available. Instead the legislature provided additional grant authority should the division receive new federal grants • The legislature provided \$0.7 million in state special revenues each year of the biennium to support Jobs for Montana Graduates Program • Workforce Services Division transferred 7.00 FTE and \$1.8 million in appropriation authority to the Technology Services Division as part of a reorganization • The legislature provided \$2.4 million in operating authority for proprietary rates costs that will be charged to the division for information technology services provided by the new Technology Services Division • The legislature provided for 13.00 new FTE and related personal services and operating costs for the implementation of SB 405, the Montana Health and Economic Livelihood Partnership Act

Program Narrative

Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base as shown in the Program Budget Comparison Table

The following figure shows the differences between the FY 2015 appropriations as implemented by the executive and shown in the budget comparison table compared to the FY 2015 legislative appropriations used for purposes of the budget base.

Department of Labor & Industry - Workforce Services Division							
FY 2015 Appropriation Transactions							
Program	Legislative Approps	Legislative App OTO	House Adjustment	Operating Plan	Program Transfers	Reorgs	Total Exec. Implement
Personal Services	\$16,817,391	\$0	\$0	\$0	(\$242,597)	(\$512,332)	\$16,062,462
Operations	6,883,406		(27,490)		(24,492)	(1,340,013)	5,491,411
Equipment	9,209						9,209
Grants	8,483,517						8,483,517
Tranfers	333,399						333,399
Debt Service	13,103		27,490				40,593
Program Total	\$32,540,025	\$0	\$0	\$0	(\$267,089)	(\$1,852,345)	\$30,420,591

The figure for FY 2015 appropriation implemented by the executive in the budget comparisons table doesn't tie to the figure shown in the table above because the executive included \$825,000 of general fund from SB 410 enacted by the 2013 Legislature. The 2015 Legislature approved the reorganization of information technology services within DOLI. This change includes a transfer of 7.0 FTE, \$0.5 million in personal services and \$1.3 million in operating expenses to the new Technology Services Division (TSD). Other changes in appropriation authority approved by the legislature include transferring \$242,597 in personal services authority and \$24,492 in operating costs to other divisions within the agency. The division was able to transfer personal services authority due to a high number of vacant positions that were not required to operate the Workforce Services Division.

Legislative Budget

Due to the high number of vacancies that occurred in FY 2014 the legislature reduced a number of FTE including:

- 1.00 FTE that were vacant all of FY 2014
- 6.50 FTE that were previously supported by federal funds that are no longer available
- 20.95 FTE that were eliminated as part of the agencies compliance with boilerplate language contained in HB 2 as enacted by the 2013 Legislature

This is partially offset by the addition of 13.00 FTE for the implementation of SB 405 which requires the division to provide services to Medicaid recipients.

As shown in the program budget comparison, the Workforce Services Division personal services increase \$3.5 million each year of the biennium when compared to the executive's implementation of the 2015 biennium. In addition to increases that result from the implementation of pay raises and health insurance contributions included in HB 13 enacted by the 2013 Legislature, other changes include:

- Market, proficiency agreement progression, (proficiency agreement progression refers to agreements with employees as part of negotiated settlement, career ladders, or training assignments whereby pay increases can be made if the employee attains specific agreed upon proficiencies) and reclassification increases granted throughout FY 2014 that are annualized for the 2017 biennium
- Employee attainment of longevity milestones in the 2017 biennium
- Reclassification of 18 positions between biennia
- Changes in employer retirement contributions enacted by the 2013 Legislature
- Addition of 13.00 FTE for SB 405

The majority of the increase in operating expenses is due to:

- Creation of proprietary rates for information technology services
- Support for programs that were funded one-time-only in the 2015 biennium

Both personal services and operating expenses were further reduced to fully realize the impact of the reorganization on the division. The additional reductions resulted from the change in the base budget. The reductions were included in FY 2014 but were not part of the FY 2015 base budget used by the legislature as the budget starting point. To ensure the change was cost neutral, personal services were reduced by \$210,000 over the biennium and operating costs were reduced by \$304,000.

Statewide Workforce Programs and Oversight Bureau includes the Jobs for Montana Graduates Program. This program was funded through one-time-only appropriations in the 2015 biennium. The legislature provided ongoing funding for the program of \$0.7 million each year of the 2017 biennium from state special revenues from the employment security account including \$0.2 million in operating expenses each year.

The legislature provided an increase to the budget for the Research and Analysis Bureau of \$62,467 in operating expenses each year of the biennium to support the career resource network, previously funded with one-time-only funds in the 2015 biennium.

As part of the allocation of the boilerplate reduction in FTE, the legislature further reduced personal services for the Workforce Services Division and increased personal services for the other divisions. The reduction included \$210,000 in state special revenues and \$840,000 in federal revenues over the biennium.

Funding

The following table shows program funding by source from all sources of authority.

Department of Labor and Industry, 01-Workforce Services Division						
Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	91,749	0	0	91,749	0.16 %	
02242 Contracts From PHHS	0	0	0	0	0.00 %	
02245 Jobs For MT's Graduates (JMG)	0	0	0	0	0.00 %	
02252 DoLI Operations Acct	0	0	0	0	0.00 %	
02256 Electrical Apprenticeship	0	0	0	0	0.00 %	
02258 Employment Security Account	22,233,823	0	0	22,233,823	98.99 %	
02455 Workers Comp Regulation	227,371	0	0	227,371	1.01 %	
State Special Total	\$22,461,194	\$0	\$0	\$22,461,194	38.78 %	
03124 Employment Trng Grants	17,568,327	0	0	17,568,327	49.70 %	
03128 L & I Federal Funding	903,217	0	0	903,217	2.56 %	
03131 OSHA Stat Prgm Fed.St Sdy	227,307	0	0	227,307	0.64 %	
03194 Research/Analysis CRN	1,495,886	0	0	1,495,886	4.23 %	
03197 WSD-Dept of Education Grant	0	0	0	0	0.00 %	
03297 Labor And Industry Veteran Gra	1,308,220	0	0	1,308,220	3.70 %	
03338 Contracts From PHHS	0	0	0	0	0.00 %	
03682 Wagner Peyser	12,248,155	0	0	12,248,155	34.65 %	
03692 Alien Labor Certification(ALC)	101,038	0	0	101,038	0.29 %	
03693 Wrk Opportunities Tx Crdt/WOTC	108,711	0	0	108,711	0.31 %	
03694 Trade Adjustment Assist/NAFTA	1,367,025	0	0	1,367,025	3.87 %	
03954 UI Administrative Grants	18,596	0	0	18,596	0.05 %	
03972 WSD-Dept of Justice Grant	0	0	0	0	0.00 %	
Federal Special Total	\$35,346,482	\$0	\$0	\$35,346,482	61.03 %	
06051 Montana Career Info System	0	16,322	0	16,322	100.00 %	
Proprietary Total	\$0	\$16,322	\$0	\$16,322	0.03 %	
Total All Funds	\$57,899,425	\$16,322	\$0	\$57,915,747		

HB 2 Funding

State special revenue

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 payrolls of Montana employers. Statute enumerates the uses of the fund, including the operating expenses of the Job Service offices.

Federal revenues

About two thirds of the total funding for the Workforce Services Division is from federal special revenue. Nearly 85% of this funding is from two federal programs: Wagner-Peyser Act and Workforce Investment Act. 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 utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	43,910	43,910	87,820	95.72 %	32,540,025	32,540,025	65,080,050	112.40 %
PL Adjustments	(4,493)	8,422	3,929	4.28 %	(6,389,632)	(6,303,943)	(12,693,575)	(21.92)%
New Proposals	0	0	0	0.00 %	3,636,718	1,876,232	5,512,950	9.52 %
Total Budget	\$39,417	\$52,332	\$91,749		\$29,787,111	\$28,112,314	\$57,899,425	

Reductions contained in present law make up the majority of the changes in this division. Reductions in federal grant support of \$3.3 million each year make up about 50% of the change. The majority of the remaining difference is related to the reorganization that transferred \$1.8 million to the Technology Services Division each year of the biennium. New proposals include establishing proprietary rates at a cost of \$3.75 million over the biennium and funding for SB 405 which implements the Montana Health and Economic Livelihood Partnership Act.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 515 - State Share Health Insurance	0.00	7,960	43,294	75,835	127,089	0.00	7,960	43,294	75,835	127,089
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	0	120,778	416,258	537,036	0.00	0	120,778	416,258	537,036
DP 525 - Fixed Cost Adjustment	0.00	0	(116,530)	(182,026)	(298,556)	0.00	0	(112,675)	(176,004)	(288,679)
DP 529 - Longevity and Other adjustments	0.00	(5,608)	(4,203)	(12,389)	(22,200)	0.00	7,575	5,677	16,733	29,985
DP 530 - Reorganization	0.00	0	(823,193)	(1,027,352)	(1,850,545)	0.00	0	(823,193)	(1,027,352)	(1,850,545)
DP 531 - SITSD Rate Adjustment	0.00	(7,116)	28,726	74,197	95,807	0.00	(6,963)	32,706	84,479	110,222
DP 532 - General Liability Insurance Rate Adjustment	0.00	914	(4,290)	(11,080)	(14,456)	0.00	914	(4,290)	(11,080)	(14,456)
DP 535 - Program transfers	0.00	0	(93,512)	(173,577)	(267,089)	0.00	0	(93,512)	(173,577)	(267,089)
DP 550 - Motor Pool Adjustment	0.00	0	(10,884)	0	(10,884)	0.00	0	(11,039)	0	(11,039)
DP 560 - Adjustments to operating costs	0.00	11,897	127,936	218,664	358,497	0.00	12,433	123,486	222,579	358,498
DP 570 - Debt Service Funding	0.00	0	0	7,621	7,621	0.00	0	0	6,096	6,096
DP 600 - Additional reduction for reorg	0.00	0	(118,996)	(139,018)	(258,014)	0.00	0	(118,996)	(139,018)	(258,014)
DP 610 - Boilerplate allocation of 4% Reduction	0.00	(12,540)	(236,076)	(281,026)	(529,642)	0.00	(13,497)	(234,993)	(278,455)	(526,945)
DP 620 - Operating Cost Adjustments	0.00	0	310,431	(5,504,931)	(5,194,500)	0.00	0	200,488	(5,507,351)	(5,306,863)
DP 640 - Other Personal Services Changes	0.00	0	87,533	0	87,533	0.00	0	87,533	0	87,533
DP 650 - Reduction in 2.00 FTE	(1.00)	0	(46,863)	(7,045)	(53,908)	(1.00)	0	(46,757)	(7,031)	(53,788)
DP 670 - Additional employment security account funding	0.00	0	213,466	0	213,466	0.00	0	299,857	0	299,857
DP 100444 - Statewide 4% FTE Reduction - Program 01	(20.95)	0	0	0	0	(20.95)	0	0	0	0
DP 101001 - Jobs for Montana Graduates	0.00	0	647,275	0	647,275	0.00	0	647,340	0	647,340
DP 101002 - Research Analysis	0.00	0	(80,631)	(293,662)	(374,293)	0.00	0	(81,791)	(292,563)	(374,354)
DP 101003 - General Operating Adjustment	0.00	0	220,470	332,691	553,161	0.00	0	254,448	332,577	587,025
DP 101006 - Bond Reduction	0.00	0	(143,030)	0	(143,030)	0.00	0	(142,852)	0	(142,852)
Grand Total All Present Law Adjustments	(21.95)	(\$4,493)	\$121,701	(\$6,506,840)	(\$6,389,632)	(21.95)	\$8,422	\$145,509	(\$6,457,874)	(\$6,303,943)

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit,

grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 530 - Reorganization -

The legislature adopted the reorganization of the information technology services from Workforce Services Division to the Technology Services Division within the department. This included transfers of \$823,193 in state special revenue, \$1,027,352 in federal funds, and 7.00 FTE in each year of the biennium.

DP 531 - SITSD Rate Adjustment -

The legislature approved an increase for fixed cost rates included in state agency budgets for information technology services provided by the State Information Technology Services Division (SITSD).

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 535 - Program transfers -

The legislature adopted program transfers made by the department in the interim.

DP 550 - Motor Pool Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 560 - Adjustments to operating costs -

The legislature adjusted funding for operating expenses to mitigate the impact of the reorganization as it related to fixed costs.

DP 570 - Debt Service Funding -

The legislature provided funding for debt service above that established in the 2015 legislative base.

DP 600 - Additional reduction for reorg -

The legislature aligned reductions for the reorganization of the Technology Services Division to the amounts projected by DOLI staff based on actual changes that occurred in FY 2014.

DP 610 - Boilerplate allocation of 4% Reduction -

As part of its compliance with the boilerplate language included in HB 2 enacted by the 2013 Legislature, DOLI eliminated a total of 30.02 FTE. While the 2013 Legislature adopted a 4% vacancy savings rate against all positions within the agency equally, the department eliminated FTE at a higher level within the Workforce Services Division as allowed through the boilerplate language. The legislature allocated the 2017 biennial changes in personal services funding based on the DOLI allocation of the reductions of FTE.

DP 620 - Operating Cost Adjustments -

The legislature adopted operating cost adjustments for the division.

DP 640 - Other Personal Services Changes -

The legislature adopted personal services changes for this division.

DP 650 - Reduction in 2.00 FTE -

The legislature reduced personal services supporting FTE within the Department of Labor and Industry that were vacant all of FY 2014.

DP 670 - Additional employment security account funding -

The legislature provided additional employment security account funding as requested by the executive.

DP 100444 - Statewide 4% FTE Reduction - Program 01 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. This change package includes a reduction of 20.95 FTE each year.

DP 101001 - Jobs for Montana Graduates -

The legislature provided funding from the state special revenue fund in each year of the biennium to support the Jobs for Montana Graduates Program.

DP 101002 - Research Analysis -

The legislature supported operating costs for the Research Analysis Career Resource Network. The funding is provided from state special revenue in the Employment Security Account.

DP 101003 - General Operating Adjustment -

The legislature appropriated funding for computer leases offset by a decrease for off campus rented buildings.

DP 101006 - Bond Reduction -

The Workforce Services Division retired four out of the five bonds in FY 2014. Only one bond is remaining at the cost of \$44,936 for FY 2016 and \$45,114 in FY 2017. The legislature reduced transfers to include this change.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 540 - Workforce Development (Restricted/Biennial)	13.00	0	1,761,476	0	1,761,476	13.00	0	0	0	0
DP 101005 - TSD Funding Switch	0.00	0	692,812	1,182,430	1,875,242	0.00	0	693,166	1,183,066	1,876,232
DP 101200 - Reductions for federal grants	(6.50)	0	0	0	0	(6.50)	0	0	0	0
Total	6.50	\$0	\$2,454,288	\$1,182,430	\$3,636,718	6.50	\$0	\$693,166	\$1,183,066	\$1,876,232

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

DP 540 - Workforce Development (Restricted/Biennial) -

The legislature provided funding for the implementation of SB 405 including 13.00 additional FTE, \$1.3 million in personal services and \$0.4 million in operating costs supported by state special revenues from the employment security account. SB 405 requires the Workforce Services Division to provide employment or reemployment assessment and participation in the Workforce Development Program for Medicaid recipients that opt to participate in the program.

DP 101005 - TSD Funding Switch -

The legislature provided funding in FY 2016 and in FY 2017 for operating expenses related the reorganization of the Technology Services Division. These costs are the estimated amount Workforce Services Division will be assessed through Technology Services Division rates.

DP 101200 - Reductions for federal grants -

The legislature reduced funding for personal services supporting 6.50 FTE in response to a loss of federal funding for the Trade Adjustment Allowance Program and funding from the Department of Education. Due to the uncertainty of whether DOLI will receive additional federal grants from current sources, the legislature provided authority for grants offsetting the reduction in personal services resulting in a zero impact in funding.

Other Issues

Proprietary Rates

Montana Career Info System - 06051

Proprietary 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. This is the only career information delivery system in the country that has specific Montana labor market information included in each file. 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 such as IDEAS (an interest inventory), Peterson Practice Tests, and Dependable Strengths that requires the program to collect fees associated with each component.

Proprietary Rates

Requested Rates for Internal Service Funds					
Fee/Rate Information					
	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY13	FY14	FY15	FY16	FY17
Fee Description:					
(fees are collected from schools and transferred to MCIS contractor on a 1:1 ratio)					
IDEAS Assessment: \$100 per site license, per year	100	100	100	100	100
Dependable Strengths: \$200 per site license, per year	200	200	200	200	200
Peterson's Academic Practice Tests: \$225 per site, per practice test package	225	225	225	225	225
Peterson's Civil Service Practice Test Package \$175 per site	175	175	175	175	175

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.

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Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	149.50	149.50	148.12	148.12	149.50	148.12	(1.38)	(0.92)%
Personal Services	7,996,743	8,503,499	8,781,524	8,809,798	16,500,242	17,591,322	1,091,080	6.61 %
Operating Expenses	3,534,917	4,292,790	6,530,307	6,511,138	7,827,707	13,041,445	5,213,738	66.61 %
Equipment & Intangible Assets	0	0	0	0	0	0	0	0.00 %
Transfers	0	87,345	0	0	87,345	0	(87,345)	(100.00)%
Debt Service	7,609	7,830	20,350	29,905	15,439	50,255	34,816	225.51 %
Total Costs	\$11,539,269	\$12,891,464	\$15,332,181	\$15,350,841	\$24,430,733	\$30,683,022	\$6,252,289	25.59 %
General Fund	0	0	0	0	0	0	0	0.00 %
State/Other Special Rev. Funds	3,490,575	3,612,945	4,384,801	4,367,209	7,103,520	8,752,010	1,648,490	23.21 %
Federal Spec. Rev. Funds	8,048,694	9,278,519	10,947,380	10,983,632	17,327,213	21,931,012	4,603,799	26.57 %
Total Funds	\$11,539,269	\$12,891,464	\$15,332,181	\$15,350,841	\$24,430,733	\$30,683,022	\$6,252,289	25.59 %

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 division provides services through three bureaus: 1) Contributions; 2) Claims Processing; and 3) 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

Unemployment Insurance Division Major Budget Highlights
<ul style="list-style-type: none"> • The program budget increases 8.2% between the 2015 and 2017 biennium appropriations • \$3.0 million of the increase in operating expenses is due to the creation of proprietary rates for the newly formed Technology Services Division

Program Narrative*Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base*

The following table highlights the differences between the FY 2015 appropriations as shown in the program comparison table on the previous page compared to the FY 2015 legislative appropriations used for purposes of the budget base.

Department of Labor & Industry - Unemployment Division							
FY 2015 Appropriation Transactions							
Program	Legislative Approps	Legislative App OTO	House Adjustment	Operating Plan	Program Transfers	Reorgs	Total Exec. Implement
Personal Services	\$9,077,503				\$173,577	(\$747,581)	\$8,503,499
Operations	5,309,934			(7,830)	(4,206)	(1,005,108)	4,292,790
Tranfers	87,345						87,345
Debt Service				7,830			7,830
Program Total	\$14,474,782	\$0	\$0	\$0	\$169,371	(\$1,752,689)	\$12,891,464

The majority of the legislatively approved changes are related to the formation of the Technology Services Division. UI transferred 8.00 FTE, \$0.7 million in personal services appropriation authority, and \$1.0 million in operating expenses to the newly formed division. In addition, transfers of \$173,577 in personal services authority were made from the Workforce Services Division increasing funding authority by 2%. DOLI transferred 4.50 FTE from the Workforce Services Division to the Unemployment Insurance Division.

Legislative Budget

The program budget comparison table shows the impacts of the budget changes after the transfers of appropriation authority are taken into account. Personal services increases result, in part, from the implementation of pay raises and health insurance contributions included in HB 13 enacted by the 2013 Legislature. Other changes include:

- Market, proficiency agreement progression, and negotiated pay schedule increases granted throughout FY 2014 that are annualized for the 2017 biennium
- Reclassification of 16 positions between biennia
- Employee attainment of longevity milestones in the 2017 biennium
- Changes in employer retirement

As part of the agency's implementation of the boilerplate language included in HB 2 as enacted by the 2013 Legislature, DOLI included the majority of the reductions within the Workforce Services Division. The legislature provided personal services funding to offset vacancy savings reductions including:

- \$35,907 in state special revenues each year of the biennium for the 2% reduction due to vacancy savings assessed the division in the 2015 biennium
- \$48,000 in state special revenues and \$195,000 in federal revenues to mitigate the impacts of the agency's implementation of the boilerplate language. It should be noted that this increase was offset by additional reductions within the Workforce Services Division

About \$2.9 million of the increase in operating costs is due to implementing proprietary rates for the Technology Service Division. As shown in the table above, the division transferred \$1.0 million in operating expenses and \$0.7 million in personal services to TSD in FY 2014. Both components are included in the rates for the 2017 biennium as operating expenses. Increases to costs of TSD are presented in the "Proprietary Rate" narrative for that division. To ensure the reorganization was cost neutral, the legislature further reduced the budget by \$944,000 over the 2017 biennium, including reductions of \$90,000 in personal services each year of the biennium and \$383,000 in operating expenses.

Funding

The following table shows program funding by source from all sources of authority.

Department of Labor and Industry, 02-Unemployment Insurance Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	0	0	0	0	0.00 %	
02258 Employment Security Account	8,583,596	0	0	8,583,596	98.08 %	
02315 DLI Info Exchange/Rental	168,414	0	0	168,414	1.92 %	
State Special Total	\$8,752,010	\$0	\$0	\$8,752,010	2.93 %	
03278 UI PENALTY & INTEREST	1,302,792	0	0	1,302,792	5.94 %	
03954 UI Administrative Grants	20,628,220	0	0	20,628,220	94.06 %	
03967 UI Reed Act	0	0	0	0	0.00 %	
Federal Special Total	\$21,931,012	\$0	\$0	\$21,931,012	7.33 %	
06069 UI Tax Benefit Fund	0	268,417,592	0	268,417,592	100.00 %	
Proprietary Total	\$0	\$268,417,592	\$0	\$268,417,592	89.74 %	
Total All Funds	\$30,683,022	\$268,417,592	\$0	\$299,100,614		

HB 2 Funding

The HB 2 funded functions of the division support the administrative and operational portions of unemployment insurance.

State Special Revenues

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.

Federal Revenues

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 2014 Montana used schedule V, while in calendar year 2015 the rate will be calculated using schedule III, a reduction in costs to Montana employers.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category									
Budget Item	-----General Fund-----				-----Total Funds-----				
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	
2015 Budget	0	0	0	0.00 %	14,474,782	14,474,782	28,949,564	94.35 %	
PL Adjustments	0	0	0	0.00 %	(2,130,012)	(2,113,221)	(4,243,233)	(13.83)%	
New Proposals	0	0	0	0.00 %	2,987,411	2,989,280	5,976,691	19.48 %	
Total Budget	\$0	\$0	\$0		\$15,332,181	\$15,350,841	\$30,683,022		

Reductions in budget authority included in present law are mainly due to the reorganization of information technology services into the Technology Services Division. This reduced the present law budget by \$4.5 million over the 2017 biennium. Other increases included in present law partially offset this reduction. New proposals to establish proprietary rates for technology services the offset the overall reduction in present law.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 515 - State Share Health Insurance	0.00	0	15,711	56,275	71,986	0.00	0	15,711	56,275	71,986
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	0	35,907	0	35,907	0.00	0	35,907	0	35,907
DP 525 - Fixed Cost Adjustment	0.00	0	(94,660)	(144,019)	(238,679)	0.00	0	(94,580)	(143,897)	(238,477)
DP 529 - Longevity and Other adjustments	0.00	0	(9,358)	(33,520)	(42,878)	0.00	0	(3,165)	(11,335)	(14,500)
DP 530 - Reorganization	0.00	0	(281,876)	(1,470,813)	(1,752,689)	0.00	0	(281,876)	(1,470,813)	(1,752,689)
DP 535 - Program transfers	0.00	0	169,371	0	169,371	0.00	0	169,371	0	169,371
DP 550 - Motor Pool Adjustment	0.00	0	(200)	(431)	(631)	0.00	0	(200)	(439)	(639)
DP 570 - Debt Service Funding	0.00	0	0	20,350	20,350	0.00	0	0	29,905	29,905
DP 600 - Additional reduction for reorg	0.00	0	(105,720)	(367,120)	(472,840)	0.00	0	(105,720)	(367,120)	(472,840)
DP 610 - Boilerplate allocation of 4% Reduction	0.00	0	47,915	195,017	242,932	0.00	0	47,891	194,940	242,831
DP 670 - Additional employment security account funding	0.00	0	161,797	0	161,797	0.00	0	151,917	0	151,917
DP 200444 - Statewide 4% FTE Reduction - Program 02	(0.38)	0	0	0	0	(1.38)	0	0	0	0
DP 202001 - Overtime (OTO/Restricted)	0.00	0	13,098	46,902	60,000	0.00	0	13,098	46,902	60,000
Grand Total All Present Law Adjustments	(0.38)	\$0	(\$48,015)	(\$1,697,359)	(\$1,745,374)	(1.38)	\$0	(\$51,646)	(\$1,665,582)	(\$1,717,228)

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 530 - Reorganization -

The legislature adopted the reorganization of the information technology services from Unemployment Insurance Division to the Technology Services Division within the department. This included transfers of \$281,876 in state special revenue, \$1,470,813 in federal funds, and 8.00 FTE in each year of the biennium.

DP 535 - Program transfers -

The legislature adopted program transfers made by the department in the interim.

DP 550 - Motor Pool Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 570 - Debt Service Funding -

The legislature provided funding for debt service above that established in the 2015 legislative base.

DP 600 - Additional reduction for reorg -

The legislature aligned reductions for the reorganization of the Technology Services Division to the amounts projected by DOLI staff based on actual changes that occurred in FY 2014.

DP 610 - Boilerplate allocation of 4% Reduction -

As part of its compliance with the boilerplate language included in HB 2 enacted by the 2013 Legislature, DOLI eliminated a total of 30.02 FTE. While the 2013 Legislature adopted a 4% vacancy savings rate against all positions within the agency equally, the department eliminated FTE at a higher level within the Workforce Services Division as allowed through the boilerplate language. The legislature allocated the 2017 biennial changes in personal services funding based on the DOLI allocation of the reductions of FTE.

DP 670 - Additional employment security account funding -

The legislature provided additional employment security account funding as requested by the executive.

DP 200444 - Statewide 4% FTE Reduction - Program 02 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. This change package includes a reduction of 0.38 FTE in FY 2016 and 1.38 FTE in FY 2017.

DP 202001 - Overtime (OTO/Restricted) -

The legislature provided for overtime in the Unemployment Insurance Division (UI). UI has a higher workload in winter months, and overtime is used instead of hiring additional staff for the peak workload times. UI anticipates incurring less overtime than in the past due to Emergency Unemployment Compensation ending.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 202005 - TSD Funding Switch	0.00	0	1,068,549	1,918,862	2,987,411	0.00	0	1,068,679	1,920,601	2,989,280
Total	0.00	\$0	\$1,068,549	\$1,918,862	\$2,987,411	0.00	\$0	\$1,068,679	\$1,920,601	\$2,989,280

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

DP 202005 - TSD Funding Switch -

The legislature provided funding for operating expenses related the reorganization of the Technology Services Division. These costs are the estimated amount Unemployment Insurance Division will be assessed through Technology Services Division rates.

Other Issues

Proprietary Rates

UI Tax Benefit Fund - 06069

Proprietary 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.

Rates and Rate Explanation

Requested Rates for Internal Service Funds Fee/Rate Information					
		Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:					
Unemployment Insurance	Premiums	\$157,284,437	\$137,711,000	\$116,425,000	\$109,208,000
	Investment Earnings	\$4,985,071	\$6,370,000	\$7,180,000	\$7,445,000
MCA 39-51-1217 sets the rate which the employers are charged contributions for the purpose of paying Unemployment Insurance Benefits.					

The Unemployment Insurance Division administers the state unemployment insurance law. The rate calculation is set in statute under 39-51-1217, MCA.

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Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	10.00	10.00	10.00	10.00	10.00	10.00	0.00	0.00 %
Personal Services	683,259	729,821	751,029	753,606	1,413,080	1,504,635	91,555	6.48 %
Operating Expenses	240,377	195,525	300,652	300,517	435,902	601,169	165,267	37.91 %
Transfers	56	0	0	0	56	0	(56)	(100.00)%
Debt Service	1,194	0	1,194	1,194	1,194	2,388	1,194	100.00 %
Total Costs	\$924,886	\$925,346	\$1,052,875	\$1,055,317	\$1,850,232	\$2,108,192	\$257,960	13.94 %
General Fund	188,863	195,736	236,199	236,779	384,599	472,978	88,379	22.98 %
State/Other Special Rev. Funds	348,698	324,374	391,516	392,100	673,072	783,616	110,544	16.42 %
Federal Spec. Rev. Funds	387,325	405,236	425,160	426,438	792,561	851,598	59,037	7.45 %
Proprietary Funds	0	0	0	0	0	0	0	0.00 %
Total Funds	\$924,886	\$925,346	\$1,052,875	\$1,055,317	\$1,850,232	\$2,108,192	\$257,960	13.94 %

Program Description

The Commissioner's Office and the Centralized Services Division (Commissioner's Office) provide program direction, legal, administration, and support services to the department's six programs and two administratively attached entities. The Office of Administrative Hearings makes up the majority of the functions provided for in HB 2.

Program Highlights

Commissioner's Office and Centralized Services Division Major Budget Highlights
<ul style="list-style-type: none"> • The legislature provided an increased 2017 biennial budget of 26.4% when compared to 2015 biennium appropriations • Increased personal services costs are due the transfer of FTE and authority from other divisions and reclassification of a position

Program Narrative

Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base

The following table highlights how the executive implementation of FY 2015 appropriations shown in the budget comparison table differs from the FY 2015 legislative appropriations used for purposes of the budget base.

Department of Labor & Industry - Commissioner's Office FY 2015 Appropriation Transactions							
Program	Legislative Approps	Legislative App OTO	House Adjustment	Operating Plan	Program Transfers	Reorgs	Total Exec. Implement
Personal Services	\$672,423	\$0	\$0	\$0	\$70,000	(\$12,602)	\$729,821
Operations	174,834	-	-	-	29,635	(8,943)	195,526
Program Total	\$847,257	\$0	\$0	\$0	\$99,635	(\$21,545)	\$925,347

The majority of the changes were related to the funding authority that was transferred from other programs to the Commissioner's Office increasing personal services by 10.4% and operating expenses by 16.9%. DOLI transferred 1.00 FTE, an employment specialist position, from the Workforce Services Division to the Commissioner's Office. The Commissioner's Office reclassified the position to a public relations specialist and was provided support for the new position in HB 2. In addition, the formation of the Technology Services Division meant that the Commissioner's Office transferred \$12,602 in personal services appropriation authority and \$8,943 in operating expenses to the newly formed division from authority provided in HB 2. Funding and related FTE transferred from the proprietarily supported programs within the Commissioner's Office.

Legislative Budget

The program budget comparison table shows the impacts of the budget changes after the transfers of appropriation authority are taken into account.

In addition to increases that result from the implementation of pay raises and health insurance contributions included in HB 13, personal services increases include:

- Market and reclassification increases granted throughout FY 2014 that are annualized for the 2017 biennium. The majority of these costs are related to reclassifying an administrative support supervisor to a lawyer position
- 1.00 FTE transferred from the Workforce Services Division
- Vacancy savings that were 10.5% in FY 2014 compared to a budgeted rate of 6.0%; the legislature provided full funding of positions that were unfilled during all or a portion of FY 2014
- Employee attainment of longevity milestones in the 2017 biennium
- Funding for the 2% vacancy savings assessed in the 2015 biennium
- Changes in employer retirement

When compared to the 2015 legislative base budget, operating costs increase by about \$400,000 each year of the biennium. \$153,000 in FY 2016 and \$168,000 in FY 2017 is due to the implementation of proprietary rates for the Technology Service Division. As shown in the figure above, the division transferred \$8,900 in operating expenses and \$12,600 in personal services to TSD in FY 2014. Both components are included in the rates as operating expenses for the 2017 biennium. Increases to costs of TSD are presented in the "Proprietary Rate" narrative for that division. The legislature approved program transfers from other divisions at \$30,000 each year of the beinnium. The remaining increases are due to higher fixed costs including rent costs.

Funding

The following table shows program funding by source from all sources of authority.

66020 - Department of Labor and Industry03-Commissioner's Office & Centralized Services Div

Department of Labor and Industry, 03-Commissioner's Office & Centralized Services Div						
Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	472,978	0	0	472,978	2.65 %	
02190 OCS CBI Training	0	0	0	0	0.00 %	
02233 BSD Hearings	80,356	0	0	80,356	10.25 %	
02258 Employment Security Account	687,671	0	0	687,671	87.76 %	
02315 DLI Info Exchange/Rental	2,142	0	0	2,142	0.27 %	
02455 Workers Comp Regulation	13,447	0	0	13,447	1.72 %	
02833 Board Of Nursing	0	0	0	0	0.00 %	
State Special Total	\$783,616	\$0	\$0	\$783,616	4.40 %	
03122 EEOC	65,052	0	0	65,052	7.64 %	
03124 Employment Trng Grants	19,175	0	0	19,175	2.25 %	
03195 On-Site Consultation	0	0	0	0	0.00 %	
03293 Country of Origin Labeling	0	0	0	0	0.00 %	
03322 MT Community Service FSR	0	0	0	0	0.00 %	
03389 ARRA UI Modernization	0	0	0	0	0.00 %	
03694 Trade Adjustment Assist/NAFTA	0	0	0	0	0.00 %	
03954 UI Administrative Grants	767,371	0	0	767,371	90.11 %	
Federal Special Total	\$851,598	\$0	\$0	\$851,598	4.78 %	
06546 Commissioners Office/CSD	0	11,200,599	0	11,200,599	71.30 %	
06552 Admin Services	0	4,508,594	0	4,508,594	28.70 %	
06568 Technical Services	0	0	0	0	0.00 %	
Proprietary Total	\$0	\$15,709,193	\$0	\$15,709,193	88.17 %	
Total All Funds	\$2,108,192	\$15,709,193	\$0	\$17,817,385		

HB 2 Funding

The majority of the funding for HB 2 supports the Office of Administrative Hearings. The state special revenue is mainly derived from the assessments on employers 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 two 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 utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
	-----General Fund-----				-----Total Funds-----			
Budget Item	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	200,351	200,351	400,702	84.72 %	847,257	847,257	1,694,514	80.38 %
PL Adjustments	12,439	12,987	25,426	5.38 %	163,569	165,962	329,531	15.63 %
New Proposals	23,409	23,441	46,850	9.91 %	42,049	42,098	84,147	3.99 %
Total Budget	\$236,199	\$236,779	\$472,978		\$1,052,875	\$1,055,317	\$2,108,192	

Present law adjustments to the base budget provide for increases of 15.6% when compared to the 2015 base budget doubled. Program transfers from other divisions make up the majority of the increase. New proposals for proprietary rates related to information technology services were approved.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

66020 - Department of Labor and Industry03-Commissioner's Office & Centralized Services Div

Present Law Adjustments	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 515 - State Share Health Insurance	0.00	1,074	1,666	2,120	4,860	0.00	1,074	1,666	2,120	4,860
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	0	3,025	0	3,025	0.00	0	3,025	0	3,025
DP 525 - Fixed Cost Adjustment	0.00	18,351	15,974	18,352	52,677	0.00	19,927	17,203	19,927	57,057
DP 527 - Inflation/Deflation Adjustment	0.00	2,961	18,105	2,962	24,028	0.00	6,703	21,017	6,703	34,423
DP 529 - Longevity and Other adjustments	0.00	(1,579)	(2,218)	(3,716)	(7,513)	0.00	(1,037)	(1,457)	(2,442)	(4,936)
DP 530 - Reorganization	0.00	(4,615)	(4,405)	(10,635)	(19,655)	0.00	(4,615)	(4,405)	(10,635)	(19,655)
DP 535 - Program transfers	0.00	0	99,664	(29)	99,635	0.00	0	99,664	(29)	99,635
DP 550 - Motor Pool Adjustment	0.00	0	375	0	375	0.00	0	370	0	370
DP 560 - Adjustments to operating costs	0.00	(2,874)	(4,973)	(5,401)	(13,248)	0.00	(2,899)	(5,199)	(5,420)	(13,518)
DP 570 - Debt Service Funding	0.00	0	0	1,194	1,194	0.00	0	0	1,194	1,194
DP 600 - Additional reduction for reorg	0.00	0	(4,738)	(201)	(4,939)	0.00	0	(4,738)	(201)	(4,939)
DP 610 - Boilerplate allocation of 4% Reduction	0.00	6,279	6,127	13,168	25,574	0.00	6,279	6,127	13,168	25,574
DP 620 - Operating Cost Adjustments	0.00	(7,158)	18,755	(14,041)	(2,444)	0.00	(12,445)	14,651	(19,334)	(17,128)
DP 700 - Proprietary Fund Adjustments	0.00	0	0	0	0	0.00	0	0	0	0
Grand Total All Present Law Adjustments	0.00	\$12,439	\$147,357	\$3,773	\$163,569	0.00	\$12,987	\$147,924	\$5,051	\$165,962

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For

these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 530 - Reorganization -

The legislature adopted the reorganization of the information technology services from Commissioner's Office and Centralized Services Division to the Technology Services Division within the department. This included transfers of \$4,615 in general fund, \$4,405 in state special revenue, \$10,635 in federal funds, and 4.50 FTE in each year of the biennium.

DP 535 - Program transfers -

The legislature adopted program transfers made by the department in the interim.

DP 550 - Motor Pool Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 560 - Adjustments to operating costs -

The legislature adjusted funding for operating expenses to mitigate the impact of the reorganization as it related to fixed costs.

DP 570 - Debt Service Funding -

The legislature provided funding for debt service above that established in the 2015 legislative base.

DP 600 - Additional reduction for reorg -

The legislature aligned reductions for the reorganization of the Technology Services Division to the amounts projected by DOLI staff based on actual changes that occurred in FY 2014.

DP 610 - Boilerplate allocation of 4% Reduction -

As part of its compliance with the boilerplate language included in HB 2 enacted by the 2013 Legislature, DOLI eliminated a total of 30.02 FTE. While the 2013 Legislature adopted a 4% vacancy savings rate against all positions within the agency equally, the department eliminated FTE at a higher level within the Workforce Services Division as allowed through the boilerplate language. The legislature allocated the 2017 biennial changes in personal services funding based on the DOLI allocation of the reductions of FTE.

DP 620 - Operating Cost Adjustments -

The legislature adopted operating cost adjustments for the division.

66020 - Department of Labor and Industry03-Commissioner's Office & Centralized Services Div

DP 700 - Proprietary Fund Adjustments -

The legislature adopted changes in the budget for the proprietary funds in this division.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 303001 - TSD Funding Switch	0.00	23,409	13,124	5,516	42,049	0.00	23,441	13,141	5,516	42,098
Total	0.00	\$23,409	\$13,124	\$5,516	\$42,049	0.00	\$23,441	\$13,141	\$5,516	\$42,098

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

DP 303001 - TSD Funding Switch -

The legislature provided funding for operating expenses related the reorganization of the Technology Services Division. These costs are the estimated amount the Centralized Services Division will be assessed through Technology Services Division rates.

Other Issues

Proprietary Rates

Program Description

The proprietary programs included in the Commissioner's Office are:

- Centralized Services Division
- Legal Unit

06546 Commissioner's Office/CSD - 06546

Program Description

Supportive services provided by the Commissioner's Office and Centralized Services Division are funded through an indirect cost rate whereby the department programs are assessed a percentage of their personal services costs.

Rates and Rate Explanation

The cost allocation plan (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 services expenditures, is determined by calculating the total costs of providing the services divided by the projected department personal services expenditures. The legislature approved the following rates for the 2017 biennium.

Requested Rates for Internal Service Funds Fee/Rate Information				
	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:	8.00%	8.00%	8.00%	8.00%

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.

Admin Services - 06552

Program Description

The Office of Legal Services provides legal assistance to the department's six programs and two administratively attached entities, whereby an hourly rate for attorney fees is established.

Rates and Rate Explanation

The legislature maintained the 2015 biennium rates for the 2017 biennium as shown in the figure below.

Requested Rates for Internal Service Funds Fee/Rate Information				
	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:	\$95/hour	\$95/hour	\$103/hour	\$103/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.

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Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	120.60	120.60	117.06	117.06	120.60	117.06	(3.54)	(2.94)%
Personal Services	7,331,777	8,660,951	8,879,276	8,897,268	15,992,728	17,776,544	1,783,816	11.15 %
Operating Expenses	3,176,136	2,887,381	4,722,066	4,900,342	6,063,517	9,622,408	3,558,891	58.69 %
Equipment & Intangible Assets	10,941	90,810	10,941	10,941	101,751	21,882	(79,869)	(78.49)%
Benefits & Claims	100,389	91,464	100,389	100,389	191,853	200,778	8,925	4.65 %
Total Costs	\$10,619,243	\$11,730,606	\$13,712,672	\$13,908,940	\$22,349,849	\$27,621,612	\$5,271,763	23.59 %
General Fund	978,772	1,047,414	1,425,963	1,426,267	2,026,186	2,852,230	826,044	40.77 %
State/Other Special Rev. Funds	8,894,116	9,648,864	11,562,322	11,749,976	18,542,980	23,312,298	4,769,318	25.72 %
Federal Spec. Rev. Funds	746,355	1,034,328	724,387	732,697	1,780,683	1,457,084	(323,599)	(18.17)%
Total Funds	\$10,619,243	\$11,730,606	\$13,712,672	\$13,908,940	\$22,349,849	\$27,621,612	\$5,271,763	23.59 %

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.

Program Highlights

Employment Relations Division Major Budget Highlights
<ul style="list-style-type: none"> • The legislature increased the 2017 biennium budget 8.8% compared to the 2015 legislative appropriations • General fund increased due to restoration of \$837,000 over the biennium in support for the Human Rights Bureau. The increase is partially offset by reductions in other areas • The legislature transferred 10.00 FTE and \$1.9 million each year of the biennium in authority to the newly formed Technology Services Division • The legislature eliminated 1.00 FTE and related personal services as the position was vacant all year

Program Narrative

Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base

The following table highlights the differences between the executive's implementation of FY 2015 appropriations as shown in the budget comparison table compared to the FY 2015 legislative appropriations used for purposes of the budget base.

Department of Labor & Industry - Employment Relations Division							
FY 2015 Appropriation Transactions							
Program	Legislative Approps	Legislative App OTO	House Adjustment	Operating Plan	Program Transfers	Reorgs	Total Exec. Implement
Personal Services	8,876,654			200,000		(540,702)	8,535,952
Operations	4,219,799	225,000		(200,000)	(189)	(1,357,229)	2,887,381
Equipment	90,810						90,810
Benefits	91,464						91,464
Program Total	\$13,278,727	\$225,000	\$0	\$0	(\$189)	(\$1,897,931)	\$11,605,607

The total executive implementation in the figure above does not tie to the FY 2015 appropriation on the program budget comparison table because the executive included \$124,999 of general fund from SB 410 as enacted by the 2013 Legislature. As part of the reorganization to create TSD the legislature approved transfer of 10.00 FTE, \$0.5 million in personal services authority, and \$1.4 million in operating expenses to the new division. The legislature also approved ERD's transfer of \$200,000 out of operating expenses to personal services.

Legislative Budget

The program budget comparison table shows the impacts of the budget after the transfers of appropriation authority are taken into account. When compared to the 2015 legislative base budget, personal services increase \$23,236. In addition to increases that result from the implementation of pay raises and health insurance contributions included in HB 13 as enacted by the 2013 Legislature, other changes include:

- Market, proficiency agreement progression, competency, and reclassification increases granted throughout FY 2014 that are annualized for the 2017 biennium
- Employee attainment of longevity milestones in the 2017 biennium
- Reclassification of 11 positions between biennia
- Changes in employer retirement contributions
- General fund support for personal services for the Human Rights Bureau funded as one-time-only in the previous biennium
- Elimination of 1.00 FTE and related personal services as the position was vacant all of FY 2014

The legislature also mitigated personal services reductions as part of the boilerplate implementation included in HB 2 as enacted by the 2013 Legislature. At the agency's request, personal services within the Workforce Services Division were further reduced while funding within the other divisions was increased. As a result, personal services for the Employment Relations Division were increased by \$160,000 each year of the biennium.

When compared to the 2015 legislative base budget, operating costs increase by \$502,000 in FY 2016 and \$680,000 in FY 2017. As previously discussed, the legislature adopted the reorganization of the information technology services within the agency, reducing operating expenses by \$1.4 each year of the biennium and personal services by \$0.5 million for this division. Further reductions of \$0.2 million each year of the biennium were included for the Employment Relations Division. This was part of the legislature's approval of the agency proposal to ensure cost neutrality of the proposal agency-wide. To fund the new division the legislature approved proprietary rates and included \$1.5 million in operating expenses to fund the rates. In addition, the legislature provided \$280,000 each year of the biennium for increased operating expenses supported by state special revenues.

The legislature provided ongoing general fund support of \$222,000 each year of the biennium for the Human Rights Bureau. The previous legislature had reduced general fund support, one-time-only, to allow for increased federal funds available due to accumulated fund balance. As the funding was not ongoing, the legislature reinstated general fund support for the program.

Funding

The following table shows program funding by source from all sources of authority.

Department of Labor and Industry, 04-Employment Relations Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	2,852,230	0	0	2,852,230	8.49 %	
02252 DoLI Operations Acct	0	0	0	0	0.00 %	
02258 Employment Security Account	3,608,991	0	0	3,608,991	12.98 %	
02263 Subsequent Injury Admin	102,370	0	0	102,370	0.37 %	
02315 DLI Info Exchange/Rental	12,064	0	0	12,064	0.04 %	
02346 Contractor Registration	3,164,946	0	0	3,164,946	11.38 %	
02455 Workers Comp Regulation	13,162,313	0	0	13,162,313	47.33 %	
02941 Uninsured Employer Fund	3,261,614	0	4,500,000	7,761,614	27.91 %	
State Special Total	\$23,312,298	\$0	\$4,500,000	\$27,812,298	82.83 %	
03122 EEOC	310,626	0	0	310,626	21.32 %	
03130 Coal Mine Safety	3,682	0	0	3,682	0.25 %	
03195 On-Site Consultation	1,142,776	0	0	1,142,776	78.43 %	
03682 Wagner Peyser	0	0	0	0	0.00 %	
03954 UI Administrative Grants	0	0	0	0	0.00 %	
Federal Special Total	\$1,457,084	\$0	\$0	\$1,457,084	4.34 %	
06040 Subsequent Injury-Trust Fund	0	1,456,752	0	1,456,752	100.00 %	
06096 Stay at work/return to work	0	0	0	0	0.00 %	
Proprietary Total	\$0	\$1,456,752	\$0	\$1,456,752	4.34 %	
Total All Funds	\$27,621,612	\$1,456,752	\$4,500,000	\$33,578,364		

HB 2 Funding

General fund supports the personal services and general operating costs of the Human Rights Bureau and a small percentage of the overall administration of the division.

State special revenue funds include:

- Employment security funds generated through an assessment charged to employers as a percentage of their payroll
- 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.
- Contractor registration funding supporting the Workers' Compensation Regulation Bureau and a portion of administration. Registration fees for independent contractor exemptions and construction contractor application fees are deposited into the fund
- 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 injured workers 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 utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
	-----General Fund-----				-----Total Funds-----			
Budget Item	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	1,070,848	1,070,848	2,141,696	75.09 %	13,278,727	13,278,727	26,557,454	96.15 %
PL Adjustments	332,463	332,767	665,230	23.32 %	(1,110,222)	(915,069)	(2,025,291)	(7.33)%
New Proposals	22,652	22,652	45,304	1.59 %	1,544,167	1,545,282	3,089,449	11.18 %
Total Budget	\$1,425,963	\$1,426,267	\$2,852,230		\$13,712,672	\$13,908,940	\$27,621,612	

As shown in the table, general fund support increases while overall total funds decrease significantly. This is a combination of restoring general fund support for the human rights bureau and changes included in the reorganization of information technology services. About half of the general fund increase is included in personal services and the remainder is provided to support operating expenses. Total fund reductions included in present law relate to transferring \$1.9 million in state special revenues to the Technology Services Division as part of the reorganization. New proposals include establishing proprietary rates for information technology services which results in a reduction in information technology costs to this division of about \$0.6 million a year.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 515 - State Share Health Insurance	0.00	6,499	47,589	3,289	57,377	0.00	6,499	47,589	3,289	57,377
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	0	137,149	0	137,149	0.00	0	137,149	0	137,149
DP 525 - Fixed Cost Adjustment	0.00	5,417	17,397	2,114	24,928	0.00	13,287	42,668	5,184	61,139
DP 527 - Inflation/Deflation Adjustment	0.00	(579)	(38,305)	(610)	(39,494)	0.00	(542)	(35,863)	(571)	(36,976)
DP 530 - Reorganization	0.00	(23,433)	(1,866,620)	(7,878)	(1,897,931)	0.00	(23,433)	(1,866,620)	(7,878)	(1,897,931)
DP 550 - Motor Pool Adjustment	0.00	(176)	(10,207)	0	(10,383)	0.00	(178)	(10,348)	0	(10,526)
DP 560 - Adjustments to operating costs	0.00	(13,057)	(41,931)	(5,095)	(60,083)	0.00	(11,376)	(46,089)	(2,620)	(60,085)
DP 600 - Additional reduction for reorg	0.00	0	(189,566)	0	(189,566)	0.00	0	(189,476)	0	(189,476)
DP 610 - Boilerplate allocation of 4% Reduction	0.00	(12,531)	179,937	(7,688)	159,718	0.00	(12,426)	180,177	(7,629)	160,122
DP 650 - Reduction in 2.00 FTE	(1.00)	0	(45,310)	0	(45,310)	(1.00)	0	(35,222)	0	(35,222)
DP 660 - Additional Funding for Human Rights	0.00	145,323	0	51,399	196,722	0.00	135,936	0	54,066	190,002
DP 680 - Additional Operating Expenses	0.00	0	280,451	0	280,451	0.00	0	279,558	0	279,558
DP 400444 - Statewide 4% FTE Reduction - Program 04	(2.54)	0	0	0	0	(2.54)	0	0	0	0
DP 404001 - HB 334 Generally revise WC	0.00	0	51,200	0	51,200	0.00	0	204,800	0	204,800
DP 404003 - Restore general fund for Human Rights	0.00	225,000	0	0	225,000	0.00	225,000	0	0	225,000
Grand Total All Present Law Adjustments	(3.54)	\$332,463	(\$1,478,216)	\$35,531	(\$1,110,222)	(3.54)	\$332,767	(\$1,291,677)	\$43,841	(\$915,069)

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For

these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 530 - Reorganization -

The legislature adopted the reorganization of the information technology services from the Employment Relations Division to the Technology Services Division within the department. This included transfers of \$23,433 in general fund, \$1,866,620 in state special revenue, \$7,878 in federal funds, and 10.00 FTE in each year of the biennium.

DP 550 - Motor Pool Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 560 - Adjustments to operating costs -

The legislature adjusted funding for operating expenses to mitigate the impact of the reorganization as it related to fixed costs.

DP 600 - Additional reduction for reorg -

The legislature aligned reductions for the reorganization of the Technology Services Division to the amounts projected by DOLI staff based on actual changes that occurred in FY 2014.

DP 610 - Boilerplate allocation of 4% Reduction -

As part of its compliance with the boilerplate language included in HB 2 enacted by the 2013 Legislature, DOLI eliminated a total of 30.02 FTE. While the 2013 Legislature adopted a 4% vacancy savings rate against all positions within the agency equally, the department eliminated FTE at a higher level within the Workforce Services Division as allowed through the boilerplate language. The legislature allocated the 2017 biennial changes in personal services funding based on the DOLI allocation of the reductions of FTE.

DP 650 - Reduction in 2.00 FTE -

The legislature reduced personal services supporting FTE within the Department of Labor and Industry that were vacant all of FY 2014.

DP 660 - Additional Funding for Human Rights -

The legislature provided \$145,323 in general fund and \$51,399 in federal revenues in FY 2016 and \$135,936 and \$54,066 respectively in FY 2017 for the Human Rights Bureau.

DP 680 - Additional Operating Expenses -

The legislature provided additional state special revenue for operating expenses.

DP 400444 - Statewide 4% FTE Reduction - Program 04 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. This change package includes a reduction of 2.54 FTE each year.

DP 404001 - HB 334 Generally revise WC -

HB 334, passed by 2011 Legislature, generally revised workers' compensation laws within Montana. Sections 39-71-717 (1-4), MCA, requires the department to provide a medical review panel composed of the department's medical director and two additional physicians to review petitions to reopen medical benefits that terminate. The two additional physicians on the medical panel are reimbursed for travel as provided in statute, if it is required for a review, and a reasonable fee for services. By law, the first time a review of medical benefits could occur is April 1, 2016.

DP 404003 - Restore general fund for Human Rights -

The legislature restored \$225,000 general fund to support the Human Rights Bureau. In the 2015 biennium, general fund was offset by available fund balance in federal funds that could support the program.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 404005 - TSD Funding Switch	0.00	22,652	1,497,673	23,842	1,544,167	0.00	22,652	1,498,788	23,842	1,545,282
DP 404006 - Coal Mine Safety Funding Switch	0.00	0	152,192	(152,192)	0	0.00	0	152,192	(152,192)	0
Total	0.00	\$22,652	\$1,649,865	(\$128,350)	\$1,544,167	0.00	\$22,652	\$1,650,980	(\$128,350)	\$1,545,282

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

DP 404005 - TSD Funding Switch -

The legislature provided for operating expenses related the reorganization of the Technology Services Division. These costs are the estimated amount the Employment Relations Division will be assessed through Technology Services Division rates.

DP 404006 - Coal Mine Safety Funding Switch -

The legislature provided for a federal fund switch of \$152,192 in both years of the biennium. The Mine Safety and Health Administration (MSHA) has notified the division that Montana will not be receiving any additional federal mining funds. Due to the lack of federal funding, the Workers' Compensation Fund will support mine consultation services provided by the Safety Bureau previously paid for using federal MSHA funds.

Other Issues

Proprietary Rates

Subsequent Injury Trust Fund - 06040

Proprietary 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).

Proprietary Rates

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 estimate rates for the program are shown in the following figure.

Requested Rates for Internal Service Funds Fee/Rate Information				
	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Admin Assessment and Surcharge				
Plan I - Insureds (Admin cots & benefits paid to certified claimants)	127,827	216,815	216,815	216,815
Plan II - Insureds (Admin cots & benefits paid to certified claimants)	365,563	574,592	574,592	574,592
Plan III - Old Insureds (Admin cots & benefits paid to certified claimants)	17,557	25,595	25,595	25,595
Plan III - New Insureds (Admin cots & benefits paid to certified claimants)	430,675	682,998	682,998	682,998
The rates are based on the four Workers' Compensation (WC) insurance plans' share of the WC market as compared to the net outlay of the Subsequent Injury Fund (SIF) in a calendar year. Please see 39-71-915, MCA, for particular details.				

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Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	145.03	145.03	139.88	139.88	145.03	139.88	(5.15)	(3.55)%
Personal Services	8,518,646	9,171,791	9,536,352	9,571,584	17,690,437	19,107,936	1,417,499	8.01 %
Operating Expenses	5,456,672	5,132,838	8,635,734	8,714,389	10,589,510	17,350,123	6,760,613	63.84 %
Equipment & Intangible Assets	326,605	298,967	288,725	288,725	625,572	577,450	(48,122)	(7.69)%
Grants	5,000	8,582	5,000	5,000	13,582	10,000	(3,582)	(26.37)%
Transfers	34,869	33,157	34,869	34,869	68,026	69,738	1,712	2.52 %
Debt Service	21,063	20,944	33,167	42,081	42,007	75,248	33,241	79.13 %
Total Costs	\$14,362,855	\$14,666,279	\$18,533,847	\$18,656,648	\$29,029,134	\$37,190,495	\$8,161,361	28.11 %
State/Other Special Rev. Funds	14,358,965	14,666,279	18,533,819	18,656,620	29,025,244	37,190,439	8,165,195	28.13 %
Federal Spec. Rev. Funds	3,890	0	28	28	3,890	56	(3,834)	(98.56)%
Proprietary Funds	0	0	0	0	0	0	0	0.00 %
Total Funds	\$14,362,855	\$14,666,279	\$18,533,847	\$18,656,648	\$29,029,134	\$37,190,495	\$8,161,361	28.11 %

Program Description

The Business Standards Division consists of five bureaus: Building Codes Bureau, Weights & Measures Bureau, Board Management Bureau, Licensing Bureau, and Operations Bureau. The Building Codes Bureau establishes and enforces minimum building, plumbing, mechanical, electrical, energy, elevator, and boiler codes. The bureau also provides 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, petroleum products, and is responsible for operating the State Metrology Laboratory. The Licensing Bureau and Board Management Bureau provide support for 33 licensing boards, two programs, and the Prescription Drug Registry. The Licensing and Board Management Bureaus include 208 board members and eight advisory council members appointed by the Governor. The Operations Bureau has three units within the Business Standards Division that provide support to the other bureaus and the division.

Program Highlights

Business Standards Division Major Budget Highlights
<ul style="list-style-type: none"> • The legislature provided an increase of 16.1% between the 2015 and 2017 biennia appropriations • Operating expenses increases include: <ul style="list-style-type: none"> ◦ Contracting for Impairment Program and other services ◦ Contingency fund to offset unanticipated board costs ◦ Information Technology contracts ◦ IT maintenance with City of Missoula ◦ Legal cost adjustments for services provided by the Office of Legal Services within the Commissioner's Office • Business Standards Division transferred 9.00 FTE and \$1.4 million in appropriation authority to the Technology Services Division each year of the biennium

Program Narrative

Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base

The following table highlights the differences between the executive's implementation of FY 2015 appropriations as shown in the program budget comparison table compared to the FY 2015 legislative appropriations used for purposes of the budget base.

Department of Labor & Industry - Business Standards Division							
FY 2015 Appropriation Transactions							
Program	Legislative Approps	Legislative App OTO	House Adjustment	Operating Plan	Program Transfers	Reorgs	Total Exec. Implement
Personal Services	\$9,907,957	\$0	\$0	(\$19,128)	\$0	(\$717,038)	\$9,171,791
Operations	5,846,468	-	-	(1,518)	(1,728)	(710,384)	5,132,838
Equipment	298,967	-	-	-	-	-	298,967
Grants	8,582	-	-	-	-	-	8,582
Tranfers	33,455	-	-	(298)	-	-	33,157
Debt Service	-	-	-	20,944	-	-	20,944
Program Total	\$16,095,429	\$0	\$0	\$0	(\$1,728)	(\$1,427,422)	\$14,666,279

The legislature approved Business Standards Division transfer of 9.00 FTE, \$0.7 million in personal services authority, and \$0.7 million in operating expenses to TSD as part of the reorganization. BSD also transferred \$20,944 from other categories to debt service which were included as part of the legislative budget.

Legislative Budget

The program budget comparison table shows the impacts of the budget after the transfers of appropriation authority in FY 2014 are taken into account. When compared to the 2015 legislative budget, personal services for the 2017 biennium decrease by \$371,605 in FY 2016 and \$336,373 in FY 2017. As shown on the program budget comparisons table it appears the costs increase \$1.8 million between biennia. The majority of the difference between the two comparisons is due to positions that were vacant in FY 2014. The actual costs of personal services for FY 2014 are reflected in the program comparison table. Vacancy savings were 9.7% compared to a budgeted rate of 6.00%. This is offset by increases that result from the implementation of pay raises and health insurance contributions included in HB 13 as enacted by the 2013 Legislature. Other changes include:

- Market and proficiency agreement progression increases granted throughout FY 2014 that are annualized for the 2017 biennium
- The budget provides funding for positions that were unfilled during all or a portion of FY 2014; vacancy savings were 9.7% in FY 2014
- Reclassification of 19 positions between biennia
- Employee attainment of longevity milestones in the 2017 biennium
- Changes in employer retirement contributions
- Additional funding for the agency implementation of the boilerplate language included in HB 2 as enacted by the 2013 Legislature. At the agency's request additional reductions in personal services were included in the Workforce Services Division budget and other division's budgets were increased

Operating expenses increase by \$2.8 million annually when compared to FY 2015 legislative base budget. The legislature provided the following annual increases:

- \$1.6 million for TSD services
- \$0.5 million for authority for a contingency fund to offset unanticipated board costs such as licensee investigations or board legal expenses
- \$0.5 million to implement an impairment program for boards involved in licensing medical professionals
- \$0.3 million for additional legal services for the various boards

- \$0.3 million to provide enhancements to the licensing database
- \$0.2 million for adjustments in cost due to increased volume of applications, renewals, and adjustments to fees
- \$0.1 million for the prescription drug registry

These were offset by reductions of \$0.7 million each year of the biennium for the reorganization of information technology services.

Funding

The following table shows program funding by source from all sources of authority.

Department of Labor and Industry, 05-Business Standards Division					
Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0.00 %
02024 Blaster Licensing	28,943	0	0	28,943	0.08 %
02078 Occupational Therapists	211,600	0	0	211,600	0.57 %
02079 Fire Protection & Permitting	176,652	0	0	176,652	0.48 %
02080 Prescription Drug Registry	575,529	0	0	575,529	1.55 %
02082 Real Estate Recovery Account	0	0	400	400	0.00 %
02109 Board Of Outfitters	1,308,527	0	0	1,308,527	3.52 %
02155 BoilerBlasterCrane Licensing	1,056,378	0	0	1,056,378	2.84 %
02160 Legal Contingency Fund	1,000,000	0	0	1,000,000	2.69 %
02207 Crane Licensing	209,780	0	0	209,780	0.56 %
02359 Chemical Dependency Counselors	271,269	0	0	271,269	0.73 %
02446 Board Of Psychologist Exam	296,368	0	0	296,368	0.80 %
02448 Building Codes State Spec Rev	7,104,396	0	0	7,104,396	19.10 %
02580 Bd of Atheltice Trainers	55,067	0	0	55,067	0.15 %
02679 Massage Therapists	264,783	0	0	264,783	0.71 %
02764 Bd of Adolescent Res. Or Outdr Pgms	136,674	0	0	136,674	0.37 %
02767 Elevators	918,128	0	0	918,128	2.47 %
02805 Weights & Measures Bureau	2,364,348	0	0	2,364,348	6.36 %
02808 Board Of Landscape Architects	68,848	0	0	68,848	0.19 %
02809 Board Of Speech Pathologists	147,303	0	0	147,303	0.40 %
02810 Bd Of Radiologic Technologists	253,660	0	0	253,660	0.68 %
02811 Clinical Lab Science Pract.	166,172	0	0	166,172	0.45 %
02812 Physical Therapists	269,113	0	0	269,113	0.72 %
02813 Bd Of Nursing Home Admin	69,633	0	0	69,633	0.19 %
02814 Bd Of Hearing Aid Dispensers	183,580	0	0	183,580	0.49 %
02815 Board Of Public Accountants	1,057,171	0	0	1,057,171	2.84 %
02816 Board Of Sanitarians	77,494	0	0	77,494	0.21 %
02818 Electrical Board	969,288	0	0	969,288	2.61 %
02819 Board of Realty Regulations	2,251,687	0	0	2,251,687	6.05 %
02820 Board Of Architects	177,254	0	0	177,254	0.48 %
02821 Board Of Funeral Service	350,410	0	0	350,410	0.94 %
02822 Board Of Chiropractors	279,225	0	0	279,225	0.75 %
02823 Professional Engineers	1,116,994	0	0	1,116,994	3.00 %
02824 Board Of Medical Examiners	3,287,074	0	0	3,287,074	8.84 %
02826 Cosmetology Board	1,284,909	0	0	1,284,909	3.45 %
02828 Board Of Plumbers	682,896	0	0	682,896	1.84 %
02829 Private Investigator	480,123	0	0	480,123	1.29 %
02830 Board Of Dentistry	584,843	0	0	584,843	1.57 %
02831 Board Of Optometrists	109,833	0	0	109,833	0.30 %
02832 Board Of Pharmacy	1,935,118	0	0	1,935,118	5.20 %
02833 Board Of Nursing	3,252,688	0	0	3,252,688	8.75 %
02834 Board Of Veterinarians	347,018	0	0	347,018	0.93 %
02840 Board Of Social Workers	600,977	0	0	600,977	1.62 %
02841 Board Of Athletics	21,059	0	0	21,059	0.06 %
02852 Bd. Of Alternative Health Care	167,065	0	0	167,065	0.45 %
02854 Bd. Of Real Estate Appraisers	914,031	0	0	914,031	2.46 %
02855 Bd Of Respiratory Care	106,531	0	0	106,531	0.29 %
State Special Total	\$37,190,439	\$0	\$400	\$37,190,839	100.00 %
03293 Country of Origin Labeling	56	0	0	56	100.00 %
03509 Prescrip Drug Registry Grant	0	0	0	0	0.00 %
Federal Special Total	\$56	\$0	\$0	\$56	0.00 %
06574 BSD Hearings	0	0	0	0	0.00 %
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$37,190,495	\$0	\$400	\$37,190,895	

HB 2 Funding

State special revenue accounts are maintained for each type of licensee and professional board. Charges and fees paid by licensees are deposited to the accounts and administrative and operational expenses of the division are charged directly to the funds.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category									
Budget Item	-----General Fund-----				-----Total Funds-----				
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	
2015 Budget	0	0	0	0.00 %	16,095,429	16,095,429	32,190,858	86.56 %	
PL Adjustments	0	0	0	0.00 %	219,243	327,077	546,320	1.47 %	
New Proposals	0	0	0	0.00 %	2,219,175	2,234,142	4,453,317	11.97 %	
Total Budget	\$0	\$0	\$0		\$18,533,847	\$18,656,648	\$37,190,495		

The legislature increased the budget for the Business Standards Division by \$5.0 million compared to double the 2015 legislative base budget. Present law increases of \$0.5 million include funding supporting:

- Re-establishment of a contract to provide an impairment program for medical professionals and new contracts for training, license examinations, and database enhancements
- Information technology consulting services, maintenance costs, and online service fees
- Aligning legal fees to actual spending incurred in FY 2014

The legislature provided \$4.4 million in new proposals including establishing a contingency fund for the occupational and licensing boards for unexpected costs and funding for proprietary rates for information technology services.

Present Law Adjustments

The “Present Law Adjustments” table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 515 - State Share Health Insurance	0.00	0	67,954	28	67,982	0.00	0	67,954	28	67,982
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	0	186,175	0	186,175	0.00	0	186,175	0	186,175
DP 525 - Fixed Cost Adjustment	0.00	0	54,789	0	54,789	0.00	0	151,543	0	151,543
DP 527 - Inflation/Deflation Adjustment	0.00	0	(120,654)	0	(120,654)	0.00	0	(112,110)	0	(112,110)
DP 529 - Longevity and Other adjustments	0.00	0	(24,575)	0	(24,575)	0.00	0	9,922	0	9,922
DP 530 - Reorganization	0.00	0	(1,418,422)	0	(1,418,422)	0.00	0	(1,418,422)	0	(1,418,422)
DP 535 - Program transfers	0.00	0	(1,728)	0	(1,728)	0.00	0	(1,728)	0	(1,728)
DP 550 - Motor Pool Adjustment	0.00	0	(4,384)	0	(4,384)	0.00	0	(4,430)	0	(4,430)
DP 560 - Adjustments to operating costs	0.00	0	(26,321)	0	(26,321)	0.00	0	(17,467)	0	(17,467)
DP 570 - Debt Service Funding	0.00	0	33,167	0	33,167	0.00	0	42,081	0	42,081
DP 600 - Additional reduction for reorg	0.00	0	(81,539)	0	(81,539)	0.00	0	(81,539)	0	(81,539)
DP 610 - Boilerplate allocation of 4% Reduction	0.00	0	58,803	0	58,803	0.00	0	59,538	0	59,538
DP 620 - Operating Cost Adjustments	0.00	0	(188,928)	0	(188,928)	0.00	0	(206,636)	0	(206,636)
DP 680 - Additional Operating Expenses	0.00	0	324,507	0	324,507	0.00	0	303,297	0	303,297
DP 500444 - Statewide 4% FTE Reduction - Program 05	(5.15)	0	0	0	0	(5.15)	0	0	0	0
DP 505001 - Overtime (Restricted/OTO)	0.00	0	49,834	0	49,834	0.00	0	49,834	0	49,834
DP 505002 - Impairment Programs and Other Consulting	0.00	0	528,537	0	528,537	0.00	0	518,537	0	518,537
DP 505003 - Professional IT Consulting Services	0.00	0	331,500	0	331,500	0.00	0	330,000	0	330,000
DP 505008 - IT Maintenance between DLI and City of Missoula	0.00	0	110,000	0	110,000	0.00	0	110,000	0	110,000
DP 505011 - Legal Cost Adjustment (Restricted/Biennial/OTO)	0.00	0	340,500	0	340,500	0.00	0	340,500	0	340,500
Grand Total All Present Law Adjustments	(5.15)	\$0	\$219,215	\$28	\$219,243	(5.15)	\$0	\$327,049	\$28	\$327,077

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD

fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 530 - Reorganization -

The legislature adopted the reorganization of the information technology services from the Business Standards Division to the Technology Services Division within the department. This included transfers of \$1,418,422 in state special revenues and 9.00 FTE in each year of the biennium.

DP 535 - Program transfers -

The legislature adopted program transfers made by the department in the interim.

DP 550 - Motor Pool Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 560 - Adjustments to operating costs -

The legislature adjusted funding for operating expenses to mitigate the impact of the reorganization as it related to fixed costs.

DP 570 - Debt Service Funding -

The legislature provided funding for debt service above that established in the 2015 legislative base.

DP 600 - Additional reduction for reorg -

The legislature aligned reductions for the reorganization of the Technology Services Division to the amounts projected by DOLI staff based on actual changes that occurred in FY 2014.

DP 610 - Boilerplate allocation of 4% Reduction -

As part of its compliance with the boilerplate language included in HB 2 enacted by the 2013 Legislature, DOLI eliminated a total of 30.02 FTE. While the 2013 Legislature adopted a 4% vacancy savings rate against all positions within the agency equally, the department eliminated FTE at a higher level within the Workforce Services Division as allowed through the

boilerplate language. The legislature allocated the 2017 biennial changes in personal services funding based on the DOLI allocation of the reductions of FTE.

DP 620 - Operating Cost Adjustments -

The legislature adopted operating cost adjustments for the division.

DP 680 - Additional Operating Expenses -

The legislature provided additional state special revenue for operating expenses.

DP 500444 - Statewide 4% FTE Reduction - Program 05 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. This change package includes a reduction of 5.15 FTE each year.

DP 505001 - Overtime (Restricted/OTO) -

The legislature approved overtime because of peaks in workload that occur when an increased number of applications for professional licensure are received in a certain period of time. These peaks in workload generally correspond with graduations or board renewal periods.

DP 505002 - Impairment Programs and Other Consulting -

In the Sixty-third Legislature, a proposal was brought forth to bring Medical Impairment Programs in-house for the Board of Nursing, Board of Pharmacy, Board of Dentistry, and Board of Medical Examiners, rather than continuing to contract for those services. As a result, appropriation for those boards was reduced by \$17,737 in the base year. Upon closer review of the requirements of bringing these programs in-house, it was determined that doing so was neither feasible nor cost effective. Boards also expressed strong opposition to bringing this program in house. The legislature restored the \$17,737 of state special revenue funding that was removed last biennium in order to continue to pay this contract. In addition, the legislature provided additional funding for three of the four boards due to estimated increases for the contracts. The Board of Nursing was provided \$150,000 to for continuing education and professional development program for their licensees. The Board of Pharmacy received \$50,000 to provide educational services to their licensees and to the public regarding prescription drug abuse. The Board of Private Security was funded for \$3,000 to put on a training seminar for licensees that has not been conducted in several years. The Board of Electrical request for \$10,000 in FY 2016, and the Board of Professional Engineering request for \$10,000 in both years of the biennium to provide for increased costs of national examinations and revisions of national exam questions and study guides was also funded. The Prescription Drug Registry received \$50,000 to provide enhancements to the MPDR database. The Board of Veterinary Medicine received \$3,800 spending authority in each year of the biennium to provide Embryo Transfer Exams as required by statute.

DP 505003 - Professional IT Consulting Services -

The legislature provided an appropriation for IT consulting services to provide enhancements to its database for the Professional Licensing & Board Management Bureaus and the Building Codes Bureau. Building Codes was provided 56,550 in FY 2016 and \$58,000 in FY 2017. The Professional Licensing & Board Management Bureaus received \$275,000 in each year of the biennium. The division proposes to utilize informational technology consulting services both internally from the department's Technology Services Division as well as from external contractors in order to procure the best prices and best results for upgrades and enhancements needed to improve and build upon the capabilities of the division's database.

DP 505008 - IT Maintenance between DLI and City of Missoula -

The State of Montana has a contract with the City of Missoula to utilize a database system developed and maintained under an umbrella contract held by the Business Standards Division, Department of Labor & Industry. Business Standards Division makes payments for annual maintenance and support of the system; the City of Missoula reimburses the state for their portion of that expense. In order to be in compliance with state accounting policies and properly receive payment from Missoula and make payment to the vendor, the legislature provided appropriation authority to accept and expense the funds.

DP 505011 - Legal Cost Adjustment (Restricted/Biennial/OTO) -

The legislature provided funding for an anticipated increase in legal costs for the various boards.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 505012 - Contingency for BSD (Restricted/Biennial)	0.00	0	500,000	0	500,000	0.00	0	500,000	0	500,000
DP 505013 - TSD Funding Switch	0.00	0	1,578,175	0	1,578,175	0.00	0	1,593,142	0	1,593,142
DP 505014 - Prescription Drug Registry	0.00	0	141,000	0	141,000	0.00	0	141,000	0	141,000
Total	0.00	\$0	\$2,219,175	\$0	\$2,219,175	0.00	\$0	\$2,234,142	\$0	\$2,234,142

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

DP 505012 - Contingency for BSD (Restricted/Biennial) -

The legislature approved \$500,000 in state special revenue authority as restricted and biennial each year of the biennium to establish a contingency fund to be used by the boards when experiencing an unexpected increase in expenses. This appropriation is restricted for unanticipated legal costs of the boards. The boards are required to spend their existing cash when utilizing the appropriation.

DP 505013 - TSD Funding Switch -

The legislature provided for operating expenses related to the reorganization of the Technology Services Division. These costs are the estimated amount the Business Standards Division will be assessed through Technology Services Division rates.

DP 505014 - Prescription Drug Registry -

The legislature approved authority for the division to administer the prescription drug registry program. It is dependent on passage and approval of SB 7 amending funding of the prescription drug registry and amending 37-7-1511, MCA.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	33.00	33.00	0.00	0.00	33.00	0.00	(33.00)	(100.00)%
Personal Services	2,032,307	2,530,255	0	0	4,562,562	0	(4,562,562)	(100.00)%
Operating Expenses	5,811,595	4,431,291	0	0	10,242,886	0	(10,242,886)	(100.00)%
Debt Service	1,011	870	0	0	1,881	0	(1,881)	(100.00)%
Total Costs	\$7,844,913	\$6,962,416	\$0	\$0	\$14,807,329	\$0	(\$14,807,329)	(100.00)%
General Fund	31,465	30,172	0	0	61,637	0	(61,637)	(100.00)%
State/Other Special Rev. Funds	4,412,484	4,411,031	0	0	8,823,515	0	(8,823,515)	(100.00)%
Federal Spec. Rev. Funds	3,400,964	2,521,213	0	0	5,922,177	0	(5,922,177)	(100.00)%
Proprietary Funds	0	0	0	0	0	0	0	0.00%
Total Funds	\$7,844,913	\$6,962,416	\$0	\$0	\$14,807,329	\$0	(\$14,807,329)	(100.00)%

Program Description

The Technology Services Division (TSD) provides information technology services and support for the department including IT project management, application development, and network services.

Program Highlights

Technology Services Division Major Budget Highlights
<ul style="list-style-type: none"> • The legislature approved DOLI's creation of the Technology Services Division which occurred in FY 2014. The legislature transferred 33.00 FTE and \$6.9 million in appropriation authority from other divisions • The legislature created a proprietary rate to support the IT services within DOLI and eliminated funding and FTE from HB 2

Program Narrative

Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base

As discussed elsewhere and shown in the following table, the legislature approved the creation of the Technology Services Division. The reorganization provided 33.00 FTE, \$2.5 million in personal services, and \$4.4 million in operating expenses to the newly created division.

Department of Labor & Industry - Technology Services Division							
FY 2015 Appropriation Transactions							
Program	Legislative Approps	Legislative App OTO	House Adjustment	Operating Plan	Program Transfers	Reorgs	Total Exec. Implement
Personal Services	\$0	\$0	\$0	\$0	\$0	\$2,530,255	\$2,530,255
Operations	-	-	-	(870)	-	4,432,161	4,431,291
Debt Service	-	-	-	870	-	-	870
Program Total	\$0	\$0	\$0	\$0	\$0	\$6,962,416	\$6,962,416

Legislative Budget

The legislature removed this function from HB 2 by establishing a proprietary rate for the services provided by TSD. This is discussed further in the "Proprietary Rate" section of the narrative.

Funding

The following table shows program funding by source from all sources of authority.

Department of Labor and Industry, 06-Technology Services Division						
Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	0	0	0	0	0.00 %	
02024 Blaster Licensing	0	0	0	0	0.00 %	
02078 Occupational Therapists	0	0	0	0	0.00 %	
02079 Fire Protection & Permitting	0	0	0	0	0.00 %	
02080 Prescription Drug Registry	0	0	0	0	0.00 %	
02109 Board Of Outfitters	0	0	0	0	0.00 %	
02155 BoilerBlasterCrane Licensing	0	0	0	0	0.00 %	
02207 Crane Licensing	0	0	0	0	0.00 %	
02233 BSD Hearings	0	0	0	0	0.00 %	
02258 Employment Security Account	0	0	0	0	0.00 %	
02263 Subsequent Injury Admin	0	0	0	0	0.00 %	
02315 DLI Info Exchange/Rental	0	0	0	0	0.00 %	
02346 Contractor Registration	0	0	0	0	0.00 %	
02359 Chemical Dependency Counselors	0	0	0	0	0.00 %	
02446 Board Of Psychologist Exam	0	0	0	0	0.00 %	
02448 Building Codes State Spec Rev	0	0	0	0	0.00 %	
02455 Workers Comp Regulation	0	0	0	0	0.00 %	
02580 Bd of Athletice Trainers	0	0	0	0	0.00 %	
02679 Massage Therapists	0	0	0	0	0.00 %	
02764 Bd of Adolescent Res. Or Outdr Pgms	0	0	0	0	0.00 %	
02767 Elevators	0	0	0	0	0.00 %	
02805 Weights & Measures Bureau	0	0	0	0	0.00 %	
02808 Board Of Landscape Architects	0	0	0	0	0.00 %	
02809 Board Of Speech Pathologists	0	0	0	0	0.00 %	
02810 Bd Of Radiologic Technologists	0	0	0	0	0.00 %	
02811 Clinical Lab Science Pract.	0	0	0	0	0.00 %	
02812 Physical Therapists	0	0	0	0	0.00 %	
02813 Bd Of Nursing Home Admin	0	0	0	0	0.00 %	
02814 Bd Of Hearing Aid Dispensers	0	0	0	0	0.00 %	
02815 Board Of Public Accountants	0	0	0	0	0.00 %	
02816 Board Of Sanitarians	0	0	0	0	0.00 %	
02818 Electrical Board	0	0	0	0	0.00 %	
02819 Board of Realty Regulations	0	0	0	0	0.00 %	
02820 Board Of Architects	0	0	0	0	0.00 %	
02821 Board Of Funeral Service	0	0	0	0	0.00 %	
02822 Board Of Chiropractors	0	0	0	0	0.00 %	
02823 Professional Engineers	0	0	0	0	0.00 %	
02824 Board Of Medical Examiners	0	0	0	0	0.00 %	
02826 Cosmetology Board	0	0	0	0	0.00 %	
02828 Board Of Plumbers	0	0	0	0	0.00 %	
02829 Private Investigator	0	0	0	0	0.00 %	
02830 Board Of Dentistry	0	0	0	0	0.00 %	
02831 Board Of Optometrists	0	0	0	0	0.00 %	
02832 Board Of Pharmacy	0	0	0	0	0.00 %	
02833 Board Of Nursing	0	0	0	0	0.00 %	
02834 Board Of Veterinarians	0	0	0	0	0.00 %	
02840 Board Of Social Workers	0	0	0	0	0.00 %	
02841 Board Of Athletics	0	0	0	0	0.00 %	
02852 Bd. Of Alternative Health Care	0	0	0	0	0.00 %	
02854 Bd. Of Real Estate Appraisers	0	0	0	0	0.00 %	
02855 Bd Of Respiratory Care	0	0	0	0	0.00 %	
02941 Uninsured Employer Fund	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
03122 EEOC	0	0	0	0	0.00 %	
03124 Employment Trng Grants	0	0	0	0	0.00 %	
03128 L & I Federal Funding	0	0	0	0	0.00 %	
03130 Coal Mine Safety	0	0	0	0	0.00 %	
03131 OSHA Stat Prgm Fed.St Sdy	0	0	0	0	0.00 %	
03194 Research/Analysis CRN	0	0	0	0	0.00 %	
03195 On-Site Consultation	0	0	0	0	0.00 %	
03278 UI PENALTY & INTEREST	0	0	0	0	0.00 %	
03297 Labor And Industry Veteran Gra	0	0	0	0	0.00 %	
03322 MT Community Service FSR	0	0	0	0	0.00 %	
03682 Wagner Peyser	0	0	0	0	0.00 %	
03692 Alien Labor Certification(ALC)	0	0	0	0	0.00 %	
03693 Wrk Opportunities Tx Crdt/WOTC	0	0	0	0	0.00 %	
03694 Trade Adjustment Assist/NAFTA	0	0	0	0	0.00 %	
03954 UI Administrative Grants	0	0	0	0	0.00 %	

Federal Special Total	\$0	\$0	\$0	\$0	0.00 %
06546 Commissioners Office/CSD	0	0	0	0	0.00 %
06552 Admin Services	0	0	0	0	0.00 %
06568 Technical Services	0	21,343,141	0	21,343,141	100.00 %
Proprietary Total	\$0	\$21,343,141	\$0	\$21,343,141	100.00 %
Total All Funds	\$0	\$21,343,141	\$0	\$21,343,141	

HB 2

The legislature approved elimination over \$8.0 million in HB 2 funding annually for this program and shifted the funding to a proprietary rate. In addition, proprietary rates that were previously included in the Director's Office are now part of the Technology Services Division. This makes up the difference between the HB 2 expenditures of \$16.0 million and the revenues of \$21.3 million shown in the table above.

Proprietary Rates

The legislature established a proprietary rate for this function. This is discussed further in the "Proprietary Rate" section of the narrative.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	0	0	0	0.00 %
PL Adjustments	42,941	43,653	86,594	0.00 %	8,186,735	8,226,177	16,412,912	0.00 %
New Proposals	(42,941)	(43,653)	(86,594)	0.00 %	(8,186,735)	(8,226,177)	(16,412,912)	0.00 %
Total Budget	\$0	\$0	\$0		\$0	\$0	\$0	

The changes adopted by the legislature reflect the reorganization of information technology services and the move from HB 2 to a proprietary rate.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 515 - State Share Health Insurance	0.00	180	9,908	5,950	16,038	0.00	180	9,908	5,950	16,038
DP 527 - Inflation/Deflation Adjustment	0.00	(1)	(116)	(77)	(194)	0.00	(1)	(117)	(77)	(195)
DP 529 - Longevity and Other adjustments	0.00	(619)	(34,028)	(20,436)	(55,083)	0.00	(619)	(34,030)	(20,436)	(55,085)
DP 530 - Reorganization	0.00	40,708	5,938,838	3,513,023	9,492,569	0.00	40,708	5,938,838	3,513,023	9,492,569
DP 550 - Motor Pool Adjustment	0.00	0	21	0	21	0.00	0	21	0	21
DP 620 - Operating Cost Adjustments	0.00	2,673	(1,188,861)	(80,428)	(1,266,616)	0.00	3,385	(1,158,995)	(71,561)	(1,227,171)
Grand Total All Present Law Adjustments	0.00	\$42,941	\$4,725,762	\$3,418,032	\$8,186,735	0.00	\$43,653	\$4,755,625	\$3,426,899	\$8,226,177

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 530 - Reorganization -

The legislature adopted the reorganization of the information technology services from each of the divisions to the Technology Services Division within the department. This included transfers of \$40,708 in general fund, \$5,938,838 in state special revenue, \$3,513,023 in federal funds, and 33.00 FTE in each year of the biennium.

DP 550 - Motor Pool Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 620 - Operating Cost Adjustments -

The legislature adopted operating cost adjustments for the division.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 606001 - TSD Funding Switch	(33.00)	(42,941)	(4,725,762)	(3,418,032)	(8,186,735)	(33.00)	(43,653)	(4,755,625)	(3,426,899)	(8,226,177)
Total	(33.00)	(\$42,941)	(\$4,725,762)	(\$3,418,032)	(\$8,186,735)	(33.00)	(\$43,653)	(\$4,755,625)	(\$3,426,899)	(\$8,226,177)

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

DP 606001 - TSD Funding Switch -

The legislature provided authority for the Technology Services Division to fund its operations through proprietary funding establishing rates for this function within the agency.

Other Issues

Technical Services - 06568

Program Description

The division provides technical services, network services, help desk, project management, and application services including computer programming and database management.

Proprietary Rates

The legislature adopted the rates as shown in the following figure.

Requested Rates for Internal Service Funds				
Fee/Rate Information				
	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:				
Requested Direct Rate			84	84
Requested Indirect Rate	192	192	256	256
Requested Enterprise Rate			964,715	968,791
Requested Direct Actuals			\$ 4,102,160	\$ 4,107,207

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.

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Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	4.00	4.00	4.00	4.00	4.00	4.00	0.00	0.00 %
Personal Services	233,301	363,059	298,772	298,237	596,360	597,009	649	0.11 %
Operating Expenses	151,057	210,141	175,275	177,291	361,198	352,566	(8,632)	(2.39)%
Grants	2,420,936	2,923,426	2,886,516	2,886,519	5,344,362	5,773,035	428,673	8.02 %
Transfers	110,621	150,000	0	0	260,621	0	(260,621)	(100.00)%
Total Costs	\$2,915,915	\$3,646,626	\$3,360,563	\$3,362,047	\$6,562,541	\$6,722,610	\$160,069	2.44 %
General Fund	125,207	128,855	149,004	150,847	254,062	299,851	45,789	18.02 %
State/Other Special Rev. Funds	12,965	77,232	13,040	13,040	90,197	26,080	(64,117)	(71.09)%
Federal Spec. Rev. Funds	2,777,743	3,440,539	3,198,519	3,198,160	6,218,282	6,396,679	178,397	2.87 %
Total Funds	\$2,915,915	\$3,646,626	\$3,360,563	\$3,362,047	\$6,562,541	\$6,722,610	\$160,069	2.44 %

Program Description

The Governor’s Office of Community Service (OCS) was created by the 1993 Legislature, at the request of the Governor, with the mission to renew the ethic of civic responsibility in the state, to engage citizens in service, and support volunteer opportunities focused on critical community needs. The OCS provides administration for the Corporation for National and Community Service’ AmeriCorps state programs and creates opportunities for individuals to engage in their community. OCS also administers the ReadyMontana initiative, a statewide effort to encourage individual disaster preparedness.

Program Highlights

Office of Community Services Major Budget Highlights
<ul style="list-style-type: none"> • The legislature decreased the budget of the Office of Community Services by 6.5% between 2015 and 2017 biennia appropriations • Reductions in operating costs related to federal fund reductions provide for the majority of the decrease

Program Narrative

Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base

The following highlights the differences between the FY 2015 appropriations as shown in the program budget comparison table and the FY 2015 legislative appropriations used for purposes of the budget base.

Department of Labor and Industry Office of Community Services FY 2015 Appropriation Transactions				
Category	Legislative Appropriation	Category Adjustments	Reorganization	Total Executive Implementation
Personal Services	\$313,059	\$0	\$0	\$313,059
Operating Expenses	215,000	0	(4,859)	210,141
Grants	3,073,426	(150,000)	0	2,923,426
Transfers	<u>0</u>	<u>150,000</u>	<u>0</u>	<u>150,000</u>
Total Costs	<u>\$3,601,485</u>	<u>\$0</u>	<u>(\$4,859)</u>	<u>\$3,596,626</u>

The total executive implementation shown in the figure above does not tie to the FY 2015 appropriation shown on the program budget comparison table because the executive included \$50,000 of general fund provided in SB 410 as enacted by the 2013 Legislature. The main change in the FY 2015 legislative appropriations was a category adjustment that moved \$150,000 of grants authority to transfers. The remaining change was due to the reorganization.

Legislative Budget

The program budget comparison table shows the impacts to the budget after the transfers of appropriation authority are taken into account. When compared to the 2015 legislative base budget, the legislature provided funding that was about \$240,000 lower than the 2015 base budget each year of the biennium. The majority of the reductions were grant reductions due to lower amounts of federal funding available for the program.

Personal services decreases for reduced federal fund support are partially offset by increases for a number of changes. In addition to increases that result from the implementation of pay raises and health insurance contributions included in HB 13 as enacted by the 2013 Legislature, other changes include:

- Proficiency agreement progression, and strategic pay increases granted throughout FY 2014 that are annualized for the 2017 biennium
- Employee attainment of longevity milestones in the 2017 biennium
- Changes in employer retirement contributions

Operating costs decrease from biennium to biennium mainly due to adjustments in federal fund support.

Funding

The following table shows program funding by source from all sources of authority.

Department of Labor and Industry, 07-Office of Community Services Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	299,851	0	0	299,851	4.46 %	
02190 OCS CBI Training	26,080	0	0	26,080	100.00 %	
02252 DoLI Operations Acct	0	0	0	0	0.00 %	
State Special Total	\$26,080	\$0	\$0	\$26,080	0.39 %	
03322 MT Community Service FSR	6,396,679	0	0	6,396,679	100.00 %	
03339 Office of Community Svcs SSR	0	0	0	0	0.00 %	
03682 Wagner Peyser	0	0	0	0	0.00 %	
Federal Special Total	\$6,396,679	\$0	\$0	\$6,396,679	95.15 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$6,722,610	\$0	\$0	\$6,722,610		

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 utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	130,979	130,979	261,958	87.36 %	3,601,485	3,601,485	7,202,970	107.15 %
PL Adjustments	14,521	16,364	30,885	10.30 %	(248,488)	(247,004)	(495,492)	(7.37)%
New Proposals	3,504	3,504	7,008	2.34 %	7,566	7,566	15,132	0.23 %
Total Budget	\$149,004	\$150,847	\$299,851		\$3,360,563	\$3,362,047	\$6,722,610	

Present law adjustments for reductions in federal funds supporting operating expenses and grants make up the majority of the reductions. New proposals for implementing proprietary rates for information technology services are shown in the table above.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
-----Fiscal 2016-----						-----Fiscal 2017-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 515 - State Share Health Insurance	0.00	603	0	1,341	1,944	0.00	603	0	1,341	1,944
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	0	40	0	40	0.00	0	40	0	40
DP 525 - Fixed Cost Adjustment	0.00	1,296	0	1,503	2,799	0.00	1,310	0	1,519	2,829
DP 527 - Inflation/Deflation Adjustment	0.00	(338)	0	(392)	(730)	0.00	(336)	0	(389)	(725)
DP 529 - Longevity and Other adjustments	0.00	(219)	0	(486)	(705)	0.00	(98)	0	(217)	(315)
DP 530 - Reorganization	0.00	(2,124)	0	(2,735)	(4,859)	0.00	(2,124)	0	(2,735)	(4,859)
DP 550 - Motor Pool Adjustment	0.00	0	0	(20)	(20)	0.00	0	0	(20)	(20)
DP 560 - Adjustments to operating costs	0.00	237	0	526	763	0.00	2,237	0	526	2,763
DP 600 - Additional reduction for reorg	0.00	2,774	0	0	2,774	0.00	2,774	0	0	2,774
DP 610 - Boilerplate allocation of 4% Reduction	0.00	2,704	75	9,146	11,925	0.00	2,704	75	9,146	11,925
DP 620 - Operating Cost Adjustments	0.00	10,910	(12,977)	(232,861)	(234,928)	0.00	10,725	(12,950)	(232,719)	(234,944)
DP 640 - Other Personal Services Changes	0.00	(1,322)	(1,330)	(24,839)	(27,491)	0.00	(1,431)	(1,357)	(25,628)	(28,416)
Grand Total All Present Law Adjustments	0.00	\$14,521	(\$14,192)	(\$248,817)	(\$248,488)	0.00	\$16,364	(\$14,192)	(\$249,176)	(\$247,004)

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 530 - Reorganization -

The legislature adopted the reorganization of the information technology service from the Office of Community Services to the Technology Services Division within the department. This included transfers of \$2,124 in general fund and \$2,735 in federal revenue in each year of the biennium.

DP 550 - Motor Pool Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 560 - Adjustments to operating costs -

The legislature adjusted funding for operating expenses to mitigate the impact of the reorganization as it related to fixed costs.

DP 600 - Additional reduction for reorg -

The legislature aligned reductions for the reorganization of the Technology Services Division to the amounts projected by DOLI staff based on actual changes that occurred in FY 2014.

DP 610 - Boilerplate allocation of 4% Reduction -

As part of its compliance with the boilerplate language included in HB 2 enacted by the 2013 Legislature, DOLI eliminated a total of 30.02 FTE. While the 2013 Legislature adopted a 4% vacancy savings rate against all positions within the agency equally, the department eliminated FTE at a higher level within the Workforce Services Division as allowed through the boilerplate language. The legislature allocated the 2017 biennial changes in personal services funding based on the DOLI allocation of the reductions of FTE.

DP 620 - Operating Cost Adjustments -

The legislature adopted operating cost adjustments for the division.

DP 640 - Other Personal Services Changes -

The legislature adopted personal services changes for this division.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 707002 - TSD Funding Switch	0.00	3,504	0	4,062	7,566	0.00	3,504	0	4,062	7,566
Total	0.00	\$3,504	\$0	\$4,062	\$7,566	0.00	\$3,504	\$0	\$4,062	\$7,566

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

DP 707002 - TSD Funding Switch -

The legislature provided for operating expenses related the reorganization of the Technology Services Division. These costs are the estimated amount the Office of Community Services will be assessed through Technology Services Division rates.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	7.00	7.00	7.00	7.00	7.00	7.00	0.00	0.00 %
Personal Services	494,589	535,263	559,976	560,822	1,029,852	1,120,798	90,946	8.83 %
Operating Expenses	137,589	140,360	149,598	149,571	277,949	299,169	21,220	7.63 %
Debt Service	0	0	2,315	2,315	0	4,630	4,630	0.00 %
Total Costs	\$632,178	\$675,623	\$711,889	\$712,708	\$1,307,801	\$1,424,597	\$116,796	8.93 %
State/Other Special Rev. Funds	632,178	675,623	711,889	712,708	1,307,801	1,424,597	116,796	8.93 %
Total Funds	\$632,178	\$675,623	\$711,889	\$712,708	\$1,307,801	\$1,424,597	\$116,796	8.93 %

Program Description

The Workers' Compensation Court, created on July 1, 1975, provides a forum 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

Workers' Compensation Court Major Budget Highlights
<ul style="list-style-type: none"> • The 2017 biennium legislative appropriation was increased by 5.5% when compared to the 2015 biennium appropriation • Personal services increases are due to annualized pay, health insurance, and employee attainment of longevity milestones in the 2017 biennium

Program Narrative

Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base

The only change made by the agency in relation to the FY 2015 legislative appropriation was to transfer \$5,625 to the newly created Technology Services Division.

Legislative Budget

The program budget comparison table shows the impacts of the budget after the transfers of appropriation authority are taken into account. Overall, the legislative budget includes an increase of 5.5% or \$74,000 from the 2015 legislative appropriations. Personal services increases are partially due to the implementation of pay raises and health insurance contributions included in HB 13 as enacted by the 2013 Legislature. Other changes include:

- Proficiency agreement progression and strategic pay increases granted throughout FY 2014 that are annualized for the 2017 biennium
- Employee attainment of longevity milestones in the 2017 biennium
- Changes in employer retirement contributions
- Additional funding for the agency implementation of the boilerplate language included in HB 2 as enacted by the 2013 Legislature. At the agency's request additional reductions in personal services were included in the Workforce Services Division budget and other division's budgets were increased

Operating expenses decrease when compared to the 2015 legislative base. Reductions include:

- Adjustments to operating costs for lower estimates related to consulting and professional services, minor equipment, and travel
- Additional reductions for the reorganization as discussed in the Workforce Services Division program narratives

Funding

The following table shows program funding by source from all sources of authority.

Department of Labor and Industry, 09-Workers Compensation Court Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
02455 Workers Comp Regulation	1,424,597	0	0	1,424,597	100.00 %	
State Special Total	\$1,424,597	\$0	\$0	\$1,424,597	100.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$1,424,597	\$0	\$0	\$1,424,597		

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 business when their workers' compensation premiums are determined by the carriers.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category									
Budget Item	-----General Fund-----				-----Total Funds-----				
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	
2015 Budget	0	0	0	0.00 %	681,248	681,248	1,362,496	95.64 %	
PL Adjustments	0	0	0	0.00 %	19,632	20,451	40,083	2.81 %	
New Proposals	0	0	0	0.00 %	11,009	11,009	22,018	1.55 %	
Total Budget	\$0	\$0	\$0		\$711,889	\$712,708	\$1,424,597		

The majority of the increases appropriated for the Workers' Compensation Court are provided in personal services. These are discussed further in the narrative for present law adjustments. The legislature adopted a new proposal to implement proprietary rates for information technology services provided by the Technology Services Division.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
-----Fiscal 2016-----					-----Fiscal 2017-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 515 - State Share Health Insurance										
0.00	0	3,402	0	3,402	0.00	0	3,402	0	3,402	
DP 520 - Fully Fund 2015 Legislatively Authorized FTE										
0.00	0	10,067	0	10,067	0.00	0	10,067	0	10,067	
DP 525 - Fixed Cost Adjustment										
0.00	0	5,306	0	5,306	0.00	0	5,287	0	5,287	
DP 527 - Inflation/Deflation Adjustment										
0.00	0	(971)	0	(971)	0.00	0	(907)	0	(907)	
DP 529 - Longevity and Other adjustments										
0.00	0	(4,158)	0	(4,158)	0.00	0	(3,312)	0	(3,312)	
DP 530 - Reorganization										
0.00	0	(5,625)	0	(5,625)	0.00	0	(5,625)	0	(5,625)	
DP 550 - Motor Pool Adjustment										
0.00	0	(102)	0	(102)	0.00	0	(104)	0	(104)	
DP 560 - Adjustments to operating costs										
0.00	0	(5,373)	0	(5,373)	0.00	0	(5,373)	0	(5,373)	
DP 570 - Debt Service Funding										
0.00	0	2,315	0	2,315	0.00	0	2,315	0	2,315	
DP 600 - Additional reduction for reorg										
0.00	0	(4,240)	0	(4,240)	0.00	0	(4,240)	0	(4,240)	
DP 610 - Boilerplate allocation of 4% Reduction										
0.00	0	21,027	0	21,027	0.00	0	21,027	0	21,027	
DP 620 - Operating Cost Adjustments										
0.00	0	(2,016)	0	(2,016)	0.00	0	(2,086)	0	(2,086)	
Grand Total All Present Law Adjustments										
0.00	\$0	\$19,632	\$0	\$19,632	0.00	\$0	\$20,451	\$0	\$20,451	

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 530 - Reorganization -

The legislature adopted the reorganization of the information technology service from the Workers' Compensation Court to the Technology Services Division within the department. This included transfers of \$5,625 in state special revenue in each year of the biennium.

DP 550 - Motor Pool Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 560 - Adjustments to operating costs -

The legislature adjusted funding for operating expenses to mitigate the impact of the reorganization as it related to fixed costs.

DP 570 - Debt Service Funding -

The legislature provided funding for debt service above that established in the 2015 legislative base.

DP 600 - Additional reduction for reorg -

The legislature aligned reductions for the reorganization of the Technology Services Division to the amounts projected by DOLI staff based on actual changes that occurred in FY 2014.

DP 610 - Boilerplate allocation of 4% Reduction -

As part of its compliance with the boilerplate language included in HB 2 enacted by the 2013 Legislature, DOLI eliminated a total of 30.02 FTE. While the 2013 Legislature adopted a 4% vacancy savings rate against all positions within the agency equally, the department eliminated FTE at a higher level within the Workforce Services Division as allowed through the boilerplate language. The legislature allocated the 2017 biennial changes in personal services funding based on the DOLI allocation of the reductions of FTE.

DP 620 - Operating Cost Adjustments -

The legislature adopted operating cost adjustments for the division.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 909003 - TSD Funding Switch	0.00	0	11,009	0	11,009	0.00	0	11,009	0	11,009
Total	0.00	\$0	\$11,009	\$0	\$11,009	0.00	\$0	\$11,009	\$0	\$11,009

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

DP 909003 - TSD Funding Switch -

The legislature provided for operating expenses related the reorganization of the Technology Services Division. These costs are the estimated amount the Worker's Compensation Court will be assessed through Technology Services Division rates.

Agency Budget Comparison

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	199.21	199.21	200.21	200.21	199.21	200.21	1.00
Personal Services	12,000,310	12,710,168	13,585,725	13,593,287	24,710,478	27,179,012	2,468,534
Operating Expenses	15,170,899	15,841,721	20,426,833	20,380,076	31,012,620	40,806,909	9,794,289
Equipment & Intangible Assets	172,716	552,065	150,536	150,536	724,781	301,072	(423,709)
Grants	10,265,846	11,915,443	11,735,443	11,735,443	22,181,289	23,470,886	1,289,597
Benefits & Claims	2,280	2,280	2,280	2,280	4,560	4,560	0
Transfers	850,470	2,532,674	2,532,674	2,532,674	3,383,144	5,065,348	1,682,204
Total Costs	\$38,462,521	\$43,554,351	\$48,433,491	\$48,394,296	\$82,016,872	\$96,827,787	\$14,810,915
General Fund	5,702,544	6,266,758	6,407,792	6,409,271	11,969,302	12,817,063	847,761
State/Other Special Rev. Funds	688,467	1,063,657	783,395	779,561	1,752,124	1,562,956	(189,168)
Federal Spec. Rev. Funds	32,071,510	36,223,936	41,242,304	41,205,464	68,295,446	82,447,768	14,152,322
Total Funds	\$38,462,521	\$43,554,351	\$48,433,491	\$48,394,296	\$82,016,872	\$96,827,787	\$14,810,915

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

Department of Military Affairs Major Budget Highlights
<ul style="list-style-type: none"> • The 2015 biennium legislative appropriation to the 2017 biennium legislative appropriation increased by 9.4%. • Budget increases are mainly due to increased funding for an Unexploded Ordnance Remediation Program to remediate National Guard sites statewide supported by \$8.0 million in federal funds over the biennium • Reductions in federal grant support for the STARBASE Program are the result of reduced federal revenues in the Congressional budget • The legislature approved 5.50 additional FTE throughout the agency including: <ul style="list-style-type: none"> ◦ 2.00 FTE veteran service officers within the Veterans' Affairs Program ◦ 2.00 FTE for the ChalleNGe Program including a program recruiter and a counselor ◦ 1.00 FTE environmental science specialist for the Air National Guard Program ◦ 0.50 FTE administrative assistant within the Director's Office

Summary of Legislative Action

The Department of Military Affairs 2017 biennium budget increases when compared to the 2015 biennium due to:

- Additional federal revenue authority to remediate unexploded ordnances on current or former military bases in Montana
- Approval of 5.50 FTE and related personal services throughout the agency
- Operational support for new Army National Guard facilities including the Miles City Readiness Center and Aviation Readiness Center in Helena
- Funding for water and sewer maintenance costs for the Montana Air National Guard base in Great Falls
- Support to implement the medal of valorous service to honor Montana's fallen heros who were members of the United State armed forces and were killed or classified as missing in action while serving in combat or military operations

In addition the legislature approved a fund switch for the Veteran's Affairs Program, reducing general fund and increasing state special revenue by \$50,000 each year of 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 2017 Biennium Budget - Department of Military Affairs						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	12,817,063	0	0	12,817,063	13.06 %	
State Special Total	1,562,956	0	1,297,000	2,859,956	2.91 %	
Federal Special Total	82,447,768	0	0	82,447,768	84.02 %	
Proprietary Total	0	0	0	0	0.00 %	
Other Total	0	0	0	0	0.00 %	
Total All Funds	\$96,827,787	\$0	\$1,297,000	\$98,124,787		
Percent - Total All Sources	98.68 %	0.00 %	1.32 %			

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. These increase for two reasons:

- Federal Homeland Security Program Grants that remain unspent from previous fiscal years
- A new program for unexploded ordnances

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 2014 costs for the program were \$28,250, which is the amount of funding established for each year of the 2017 biennium. The program was originally funded by a transfer of \$1.0 million in general fund. Ongoing revenues include interest on a declining fund balance and donations of about \$40,000 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 to be needed for the 2017 biennium include:

- National guard death benefits paid by the general fund
- 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 \$16.0 million for disaster relief. These expenditures are authorized through executive orders.

In addition, the legislature created a fire suppression fund which includes statutorily appropriated funds that can be used for fire suppression costs. In FY 2014 DMA received \$368,690 to support National Guard members called out for fire suppression duties.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	6,086,758	6,086,758	12,173,516	94.98 %	43,354,085	43,354,085	86,708,170	89.55 %
PL Adjustments	118,421	101,225	219,646	1.71 %	602,069	487,216	1,089,285	1.12 %
New Proposals	202,613	221,288	423,901	3.31 %	4,477,337	4,552,995	9,030,332	9.33 %
Total Budget	\$6,407,792	\$6,409,271	\$12,817,063		\$48,433,491	\$48,394,296	\$96,827,787	

The budget summary table by category shows the total changes approved by the legislature in HB 2 when compared to the 2015 legislative base. Present law adjustments include adjustments for personal services, fixed costs, and inflation/ deflation. Beyond these adjustments, the legislature approved additional staff for the Challenge Program as present law. New proposals approved include \$8.0 million for the Unexploded Ordnance Remediation Program and additional staff for the ChalleNGe Program, Air National Guard Program, and the Veterans' Affairs Program.

Other Legislation

HB 4 - The legislature approved FY 2015 federal grant authority for the following:

- Youth ChalleNGe Program - \$254,870
- STARBASE - \$46,236
- Military Capital Construction - \$1,722,000
- National Guary Facilities Program - \$4,042,304

In addition, remaining FY 2013, FY 2014, and 2015 federal budget authority was extended into federal fiscal year 2017 for the following programs:

- FY 2015 Montana National Guard Facilities Program
- FY 2014 Montana National Guard Facilities Program
- FY 2013 Montana National Guard Facilities Program
- FY 2015 Hazard Mitigation Grant Program

Finally, the legislature extended FY 2015 federal grant authority for the Helena Open Lands Fuel Reduction Program was extended to FY 2016.

HB 123 - The legislature revised public records statutes. The fiscal note prepared for the bill indicates a potential impact for the Department of Military Affairs of \$77,978 in FY 2016 and \$56,735 in FY 2017. Potensial impacts include costs to store records at the state record center, DMA currently stores these on-site, 0.75 FTE to implement new requirements, training for employees as to requirements, and employee equipment.

HB 372 - The legislature repealed the Montana National Guard Reenlistment or Extension Act of 1981. The act provided for a bonus to eligible enlisted guard members based on completed year of service.

HB 403 - the legislature provided appropriation authority for long range building projects including:

- \$500,000 for firing range cleanup
- \$450,000 provided for GFAFRC USAR mechanical system corrections
- \$1,500,00 for CSMS sandblast booth
- \$2,000,000 to make VA Cemetery Improvements
- \$65,000 for improvements at the Montana Military Museum
- \$3,000,000 to allow for capital improvements to statewide facilities

SB 240 - The legislature approved revisions to an interstate compact on educational opportunity for military children. Montana's participation in the interstate compact was extended. The costs associated with participation in the compact are estimated at \$4,700 each year of the biennium for DMA. The bill did not provide funding for these costs.

Executive Budget Comparison

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	199.21	200.21	200.21	0.00	200.21	200.21	0.00	0.00
Personal Services	12,000,310	13,882,512	13,585,725	(296,787)	13,888,266	13,593,287	(294,979)	(591,766)
Operating Expenses	15,170,899	19,684,424	20,426,833	742,409	19,702,710	20,380,076	677,366	1,419,775
Equipment & Intangible Assets	172,716	172,716	150,536	(22,180)	172,716	150,536	(22,180)	(44,360)
Grants	10,265,846	12,875,846	11,735,443	(1,140,403)	12,875,846	11,735,443	(1,140,403)	(2,280,806)
Benefits & Claims	2,280	2,280	2,280	0	2,280	2,280	0	0
Transfers	850,470	2,050,470	2,532,674	482,204	2,050,470	2,532,674	482,204	964,408
Total Costs	\$38,462,521	\$48,668,248	\$48,433,491	(\$234,757)	\$48,692,288	\$48,394,296	(\$297,992)	(\$532,749)
General Fund	5,702,544	6,456,430	6,407,792	(48,638)	6,475,132	6,409,271	(65,861)	(114,499)
State/other Special Rev. Funds	688,467	760,699	783,395	22,696	758,491	779,561	21,070	43,766
Federal Spec. Rev. Funds	32,071,510	41,451,119	41,242,304	(208,815)	41,458,665	41,205,464	(253,201)	(462,016)
Total Funds	\$38,462,521	\$48,668,248	\$48,433,491	(\$234,757)	\$48,692,288	\$48,394,296	(\$297,992)	(\$532,749)

The legislature's adopted budget is below the executive's proposed budget because:

- The legislature adopted 2% vacancy savings applied to HB 2 positions within the boilerplate language of HB 2
- Fixed costs and inflation/deflation factors were adjusted
- Overtime costs were lowered in the ChalleNGe Program because the agency inadvertently included them in the budget proposal twice

This is partially offset by approval of funding to implement a program to award the Montana medal of valorous service to qualifying service members.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	11.76	11.76	11.76	11.76	11.76	11.76	0.00	0.00 %
Personal Services	809,971	986,222	956,356	953,854	1,796,193	1,910,210	114,017	6.35 %
Operating Expenses	96,834	120,419	124,878	104,439	217,253	229,317	12,064	5.55 %
Benefits & Claims	2,280	2,280	2,280	2,280	4,560	4,560	0	0.00 %
Total Costs	\$909,085	\$1,108,921	\$1,083,514	\$1,060,573	\$2,018,006	\$2,144,087	\$126,081	6.25 %
General Fund	598,208	764,861	721,535	701,277	1,363,069	1,422,812	59,743	4.38 %
Federal Spec. Rev. Funds	310,877	344,060	361,979	359,296	654,937	721,275	66,338	10.13 %
Total Funds	\$909,085	\$1,108,921	\$1,083,514	\$1,060,573	\$2,018,006	\$2,144,087	\$126,081	6.25 %

Program Description

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

Program Highlights

Director's Office Major Budget Highlights
<ul style="list-style-type: none"> • The legislature approved 0.50 FTE Administrative Assistant to assist with state specific functions • Funding to implement the Montana award for valorous service was provided

Program Narrative

General fund support for the program increases due to approval of 0.50 FTE supported wholly by general fund in the 2017 biennium. The additional FTE is offset by the reduction of 0.50 FTE to comply with language contained in the boilerplate of HB 2 as enacted by the 2013 Legislature. Language indicated the legislature's intent that the 2017 budget for personal services would include reductions in FTE that equaled the funding reductions for 4% vacancy savings contained in the bill. The impact of the two decisions is no change to the FTE level for this program.

When compared to FY 2014 actual spending personal services increase by about \$135,000 each year of the biennium. Personal services changes, in addition to increases that result from the implementation of pay raises and health insurance contributions, include:

- Market adjustments throughout the 2015 biennium that are annualized for the 2017 biennium
- Vacancy savings that were 8.5% in FY 2014 compared to a budgeted rate of 6.0%; the budget provides full funding of positions that were unfilled during all or a portion of FY 2014 and eliminates the 2.0% vacancy savings
- Employee attainment of longevity milestones in FY 2015
- Changes in employer retirement contributions

Operating expenses increase when compared to the 2015 biennium due to funding to support:

- Montana medal of valorous service

- Records storage costs

Funding

The following table shows program funding by source from all sources of authority.

Department of Military Affairs, 01-Director's Office Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,422,812	0	0	1,422,812	66.36 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
03132 National Guard	483,431	0	0	483,431	67.02 %	
03134 Disaster & Emergency Services	94,660	0	0	94,660	13.12 %	
03453 Air National Guard	143,184	0	0	143,184	19.85 %	
Federal Special Total	\$721,275	\$0	\$0	\$721,275	33.64 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$2,144,087	\$0	\$0	\$2,144,087		

General fund supports the majority of the program in accordance with state-federal agreements. 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.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	764,861	764,861	1,529,722	107.51 %	1,108,921	1,108,921	2,217,842	103.44 %
PL Adjustments	(91,081)	(111,288)	(202,369)	(14.22)%	(73,162)	(96,052)	(169,214)	(7.89)%
New Proposals	47,755	47,704	95,459	6.71 %	47,755	47,704	95,459	4.45 %
Total Budget	\$721,535	\$701,277	\$1,422,812		\$1,083,514	\$1,060,573	\$2,144,087	

Reductions approved for present law are mainly due to reductions in personal services for compliance with boilerplate language. This is offset by approved of 0.50 FTE as a new proposal.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia	0.00	9,781	0	0	9,781	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	4,093	0	1,379	5,472	0.00	4,093	0	1,379	5,472
DP 525 - Fixed Cost Adjustment	0.00	(9,238)	0	0	(9,238)	0.00	(9,430)	0	0	(9,430)
DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial)	0.00	274	0	0	274	0.00	0	0	0	0
DP 527 - Inflation Deflation Adjustment	0.00	164	0	0	164	0.00	164	0	0	164
DP 529 - Longevity and Other adjustments	0.00	(6,576)	0	0	(6,576)	0.00	(5,944)	0	0	(5,944)
DP 531 - SITSD Rate Adjustment	0.00	2,930	0	0	2,930	0.00	2,930	0	0	2,930
DP 532 - General Liability Insurance Rate Adjustment	0.00	(7,355)	0	0	(7,355)	0.00	(7,355)	0	0	(7,355)
DP 550 - Motor Pool Adjustment	0.00	(8)	0	0	(8)	0.00	(8)	0	0	(8)
DP 600 - Operating Cost Adjustments	0.00	(19,603)	0	7,514	(12,089)	0.00	(30,370)	0	8,089	(22,281)
DP 610 - Other Personal Services Changes	0.00	(65,543)	0	9,026	(56,517)	0.00	(65,368)	0	5,768	(59,600)
DP 100444 - 4% FTE Reduction	(0.50)	0	0	0	0	(0.50)	0	0	0	0
Grand Total All Present Law Adjustments	(0.50)	(\$91,081)	\$0	\$17,919	(\$73,162)	(0.50)	(\$111,288)	\$0	\$15,236	(\$96,052)

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

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 527 - Inflation Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For

these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 531 - SITSD Rate Adjustment -

The legislature approved an increase for fixed cost rates included in state agency budgets for information technology services provided by the State Information Technology Services Division (SITSD).

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 550 - Motor Pool Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 600 - Operating Cost Adjustments -

The legislature adopted all other operating cost adjustments.

DP 610 - Other Personal Services Changes -

The legislature adopted all other personal service cost adjustments, except the annualization of the 2015 biennium pay plan.

DP 100444 - 4% FTE Reduction -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. This change package includes a reduction of 0.50 FTE each year.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 100101 - Admin Assistant FTE	0.50	27,755	0	0	27,755	0.50	27,704	0	0	27,704
DP 100110 - Montana award of valorous service	0.00	20,000	0	0	20,000	0.00	20,000	0	0	20,000
Total	0.50	\$47,755	\$0	\$0	\$47,755	0.50	\$47,704	\$0	\$0	\$47,704

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

DP 100101 - Admin Assistant FTE -

The legislature provided general fund to support an additional 0.50 FTE Administrative Assistant. This position will assist with various duties relating to state specific functions that are not reimbursable under federal guidelines. As a result, the position is completely funded with general fund.

DP 100110 - Montana award of valorous service -

The legislature provided \$20,000 in general fund each year of the biennium to implement the Montana award of valorous service to honor Montana's fallen heroes who were members of the United States armed forces and were killed or classified as missing in action while serving in combat or military operations.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	51.15	51.15	53.15	53.15	51.15	53.15	2.00	3.91 %
Personal Services	2,461,478	2,564,420	2,907,732	2,905,971	5,025,898	5,813,703	787,805	15.67 %
Operating Expenses	1,169,548	1,273,122	1,189,548	1,175,780	2,442,670	2,365,328	(77,342)	(3.17)%
Total Costs	\$3,631,026	\$3,837,542	\$4,097,280	\$4,081,751	\$7,468,568	\$8,179,031	\$710,463	9.51 %
General Fund	812,158	909,040	1,033,387	1,030,409	1,721,198	2,063,796	342,598	19.90 %
Federal Spec. Rev. Funds	2,818,868	2,928,502	3,063,893	3,051,342	5,747,370	6,115,235	367,865	6.40 %
Total Funds	\$3,631,026	\$3,837,542	\$4,097,280	\$4,081,751	\$7,468,568	\$8,179,031	\$710,463	9.51 %

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

Montana National Guard Youth ChalleNGe Program Major Budget Highlights
<ul style="list-style-type: none"> • The 2017 biennium budget for the program increases 8.4% when compared to the 2015 biennium budget • The legislature provided for two additional staff and increases to personal service costs for existing program staff. This drives the increase in personal services

Program Narrative

The driving factor in the increases for personal services is the addition of 2.00 FTE, one recruiting position and one counselor. Personal services support was increased by about \$109,000 each year of the biennium for the new FTE. In addition, increases resulting from the implementation of pay raises and health insurance contributions were funded by the legislature. Other personal services funding changes include:

- Market adjustments granted throughout FY 2014 that are annualized for the 2017 biennium
- Overtime compensation for operation of the ChalleNGe Program 24 hours a day, seven days a week
- Differential pay
- Employee attainment of longevity milestones in the 2017 biennium
- Changes in employer retirement contributions

Operating expenses are reduced when compared to the 2015 biennium due to reduced spending for a number of items including clothing, advertising, and out-of-state travel.

Funding

The following table shows program funding by source from all sources of authority.

Department of Military Affairs, 02-Challenge Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	2,063,796	0	0	2,063,796	25.23 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
03132 National Guard	6,115,235	0	0	6,115,235	100.00 %	
Federal Special Total	\$6,115,235	\$0	\$0	\$6,115,235	74.77 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$8,179,031	\$0	\$0	\$8,179,031		

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 utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	909,040	909,040	1,818,080	88.09 %	3,837,542	3,837,542	7,675,084	93.84 %
PL Adjustments	109,904	106,961	216,865	10.51 %	201,965	186,577	388,542	4.75 %
New Proposals	14,443	14,408	28,851	1.40 %	57,773	57,632	115,405	1.41 %
Total Budget	\$1,033,387	\$1,030,409	\$2,063,796		\$4,097,280	\$4,081,751	\$8,179,031	

The majority of the changes from the FY 2015 legislative appropriation are included in the present law adjustments for personal services. The legislature provided:

- An additional FTE for program recruitment
- Overtime and differential pay increases of \$119,000 each year of the biennium

These increases are partially offset by reductions in operating expenses including clothing, gasoline, state information technology services costs, travel, and equipment rentals.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia	0.00	1,572	0	4,716	6,288	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	13,899	0	10,960	24,859	0.00	13,899	0	10,960	24,859
DP 525 - Fixed Cost Adjustment	0.00	(3,702)	0	(11,107)	(14,809)	0.00	(4,030)	0	(12,090)	(16,120)
DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial)	0.00	45	0	133	178	0.00	0	0	0	0
DP 527 - Inflation Deflation Adjustment	0.00	1,847	0	5,542	7,389	0.00	1,981	0	5,945	7,926
DP 529 - Longevity and Other adjustments	0.00	1,912	0	5,737	7,649	0.00	3,323	0	9,971	13,294
DP 550 - Motor Pool Adjustment	0.00	(560)	0	(1,682)	(2,242)	0.00	(568)	0	(1,706)	(2,274)
DP 600 - Operating Cost Adjustments	0.00	(38,180)	0	(52,198)	(90,378)	0.00	(41,736)	0	(55,138)	(96,874)
DP 610 - Other Personal Services Changes	0.00	124,341	0	103,766	228,107	0.00	125,366	0	95,492	220,858
DP 200201 - Overtime	0.00	10,125	0	30,378	40,503	0.00	10,125	0	30,378	40,503
DP 200202 - Differential Pay	0.00	3,848	0	11,545	15,393	0.00	3,848	0	11,545	15,393
DP 200203 - Challenge Recruiter	1.00	12,853	0	38,559	51,412	1.00	12,849	0	38,547	51,396
DP 200210 - Reduce Overtime Funding	0.00	(18,096)	0	(54,288)	(72,384)	0.00	(18,096)	0	(54,288)	(72,384)
Grand Total All Present Law Adjustments	1.00	\$109,904	\$0	\$92,061	\$201,965	1.00	\$106,961	\$0	\$79,616	\$186,577

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

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 527 - Inflation Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 550 - Motor Pool Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 600 - Operating Cost Adjustments -

The legislature adopted all other operating cost adjustments.

DP 610 - Other Personal Services Changes -

The legislature adopted all other personal service cost adjustments, except the annualization of the 2015 biennium pay plan.

DP 200201 - Overtime -

The legislature provided general fund and associated federal matching funds to support overtime and holiday salaries and associated benefits. The MYCA is required to have coverage 24 hours a day, seven days a week. The MYCA is funded 75% federal, and 25% state.

DP 200202 - Differential Pay -

The legislature provided support for duty assignment and shift differential pay.

DP 200203 - Challenge Recruiter -

The legislature approved additional personal services support for 1.00 FTE for a recruiting position. This position assists the Montana Youth Challenge Academy (MYCA) in meeting admission goals. Large geographical areas of the state created a need for an additional recruiter, as did passage of legislation that defined a process by which school districts cooperate with the (MYCA) to identify dropouts, and additional recruiting requirements of the admissions department.

DP 200210 - Reduce Overtime Funding -

The legislature reduced overtime funding to correct the inclusion of the funding twice within the budget proposal.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 200204 - Additional ChalleNGe Counselor	1.00	14,443	0	43,330	57,773	1.00	14,408	0	43,224	57,632
Total	1.00	\$14,443	\$0	\$43,330	\$57,773	1.00	\$14,408	\$0	\$43,224	\$57,632

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

DP 200204 - Additional ChalleNGe Counselor -

The legislature provided support for an additional 1.00 FTE for a counselor position to assist with larger enrollments and ensure compliance with the staffing requirements outlined in the Federal/State Master Youth Programs Cooperative Agreement (MYPCA) dated July 2012. The agreement requires a ratio to counselors to cadets of 1:30.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
Operating Expenses	209,408	209,409	209,409	209,409	418,817	418,818	1	0.00 %
Total Costs	\$209,408	\$209,409	\$209,409	\$209,409	\$418,817	\$418,818	\$1	0.00 %
General Fund	209,408	209,409	209,409	209,409	418,817	418,818	1	0.00 %
Total Funds	\$209,408	\$209,409	\$209,409	\$209,409	\$418,817	\$418,818	\$1	0.00 %

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

Scholarship Program Major Budget Highlights
<ul style="list-style-type: none"> • The legislature funded the 2017 biennium budget at the FY 2015 legislative appropriation level with no adjustments

Program Narrative

The 1999 Legislature first provided \$250,000 in general fund to fund 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 2014, 221 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 2017 biennium.

Funding

The following table shows program funding by source from all sources of authority.

Department of Military Affairs, 03-Scholarship Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	418,818	0	0	418,818	100.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$418,818	\$0	\$0	\$418,818		

This program is funded entirely from the general fund.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	209,409	209,409	418,818	100.00 %	209,409	209,409	418,818	100.00 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$209,409	\$209,409	\$418,818		\$209,409	\$209,409	\$418,818	

The legislature adopted the FY 2015 base budget without changes.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	3.00	3.00	2.00	2.00	3.00	2.00	(1.00)	(33.33)%
Personal Services	197,892	272,909	150,148	149,759	470,801	299,907	(170,894)	(36.30)%
Operating Expenses	146,194	406,954	148,697	145,814	553,148	294,511	(258,637)	(46.76)%
Total Costs	\$344,086	\$679,863	\$298,845	\$295,573	\$1,023,949	\$594,418	(\$429,531)	(41.95)%
Federal Spec. Rev. Funds	344,086	679,863	298,845	295,573	1,023,949	594,418	(429,531)	(41.95)%
Total Funds	\$344,086	\$679,863	\$298,845	\$295,573	\$1,023,949	\$594,418	(\$429,531)	(41.95)%

Program Description

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

Program Highlights

STARBASE Program Major Budget Highlights
<ul style="list-style-type: none"> The legislature adopted over a 55.9% reduction in funding for this program in the 2017 biennium when compared to 2015 biennium budget. The reductions are the result of reductions and payment delays at the federal level.

Program Narrative

As shown in the program budget comparison table, the legislature provided funding for the 2017 biennium that captures the reductions that were realized in FY 2014. STARBASE is completely supported by federal funds that have been subjected to reductions and payment delays at the federal level. The 2017 biennial budget continues the lower funding levels based on FY 2014 federal receipts for the program. The federal government shutdown in the fall of FY 2014 also impacted the federal funding stream for the program. The delays meant that the program was only able to operate for about half of the time compared to previous years. As a result, the operating expenses for the program, especially for substitute teachers, are budgeted at about \$150,000 less each year of the biennium than FY 2015 appropriated amounts.

Personal services are reduced mainly due to the elimination of 1.00 FTE as part of the agency's compliance with the boilerplate language included in HB 2 as enacted by the 2013 Legislature.

Funding

The following table shows program funding by source from all sources of authority.

Department of Military Affairs, 04-Starbase Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
03453 Air National Guard	594,418	0	0	594,418	100.00 %	
Federal Special Total	\$594,418	\$0	\$0	\$594,418	100.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$594,418	\$0	\$0	\$594,418		

This program is funded entirely with federal special revenues from the Air National Guard.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	679,863	679,863	1,359,726	228.75 %
PL Adjustments	0	0	0	0.00 %	(381,018)	(384,290)	(765,308)	(128.75)%
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$298,845	\$295,573	\$594,418	

The legislature reduced the STARBASE Program due to anticipation that federal funding delays will continue in the 2017 biennium.

Present Law Adjustments

The “Present Law Adjustments” table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia	0.00	0	0	1,397	1,397	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	0	0	972	972	0.00	0	0	972	972
DP 525 - Fixed Cost Adjustment	0.00	0	0	(638)	(638)	0.00	0	0	(643)	(643)
DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial)	0.00	0	0	41	41	0.00	0	0	0	0
DP 527 - Inflation Deflation Adjustment	0.00	0	0	(306)	(306)	0.00	0	0	(306)	(306)
DP 529 - Longevity and Other adjustments	0.00	0	0	(2,633)	(2,633)	0.00	0	0	(2,437)	(2,437)
DP 600 - Operating Cost Adjustments	0.00	0	0	(258,751)	(258,751)	0.00	0	0	(260,191)	(260,191)
DP 610 - Other Personal Services Changes	0.00	0	0	(121,100)	(121,100)	0.00	0	0	(121,685)	(121,685)
DP 400444 - 4% FTE Reduction	(1.00)	0	0	0	0	(1.00)	0	0	0	0
Grand Total All Present Law Adjustments	(1.00)	\$0	\$0	(\$381,018)	(\$381,018)	(1.00)	\$0	\$0	(\$384,290)	(\$384,290)

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

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 527 - Inflation Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 600 - Operating Cost Adjustments -

The legislature adopted all other operating cost adjustments.

DP 610 - Other Personal Services Changes -

The legislature adopted all other personal service cost adjustments, except the annualization of the 2015 biennium pay plan.

DP 400444 - 4% FTE Reduction -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. This change package includes a reduction of 1.00 FTE each year.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	45.30	45.30	44.30	44.30	45.30	44.30	(1.00)	(2.21)%
Personal Services	2,980,668	3,110,429	3,217,426	3,219,822	6,091,097	6,437,248	346,151	5.68 %
Operating Expenses	11,269,075	10,957,573	15,403,150	15,432,550	22,226,648	30,835,700	8,609,052	38.73 %
Equipment & Intangible Assets	150,536	552,065	150,536	150,536	702,601	301,072	(401,529)	(57.15)%
Total Costs	\$14,400,279	\$14,620,067	\$18,771,112	\$18,802,908	\$29,020,346	\$37,574,020	\$8,553,674	29.47 %
General Fund	1,622,180	1,587,983	1,701,198	1,735,614	3,210,163	3,436,812	226,649	7.06 %
State/Other Special Rev. Funds	420	2,000	420	420	2,420	840	(1,580)	(65.29)%
Federal Spec. Rev. Funds	12,777,679	13,030,084	17,069,494	17,066,874	25,807,763	34,136,368	8,328,605	32.27 %
Total Funds	\$14,400,279	\$14,620,067	\$18,771,112	\$18,802,908	\$29,020,346	\$37,574,020	\$8,553,674	29.47 %

Program Description

The Army National Guard (ARNG), until federalized, is a state military organization that provides trained and equipped military units for use in the event of a state or national emergency. The federal/state cooperative agreement provides funding for facilities management, environmental, and communications support to the organization by: 1) providing professional and skilled personnel for the administration, planning, and execution of statewide repair and maintenance functions on facilities and training areas; 2) planning, programming, and contracting for construction; 3) ensuring all activities and facilities comply with environmental regulations; and 4) providing statewide communication services, security contracts, and leases for buildings and land used by the Army National Guard. The program is mandated by the U.S. and Montana Constitutions and Title 10, Chapters 1-3, MCA.

Program Highlights

Army National Guard Program Major Budget Highlights
<ul style="list-style-type: none"> • The legislature provided increased federal authority fro the 2017 biennium of over \$4.0 million each year of the biennium to provide continued funding for the Unexploded Ordnance Remediation Program • Additional operational support for the Miles City Readiness Center, the Helena Aviation Readiness Center, and buildings within Fort William H. Harrison were also provided

Program Narrative

In addition to personal services increases that result from the implementation of pay raises and health insurance contributions included in HB 13 as enacted by the 2013 legislature other changes for the 2017 biennium include:

- Employee attainment of longevity milestones in the 2017 biennium
- Changes in employer retirement contributions
- Vacancy savings that were 10.7% in FY 2014 compared to a budgeted rate of 6.0%. The FY 2015 appropriation includes vacancy savings budgeted at 6.0%. The budget provides full funding of positions that were either unfilled during all or a portion of FY 2014 and eliminates vacancy savings of 2%
- Pay adjustments for market and position reclassifications that were approved during the 2015 biennium

The increases are partially offset by the elimination of 1.00 FTE and related support taken as part of the agency's compliance with boilerplate language included in HB 2 enacted by the 2013 Legislature.

Operating expenses increase mainly due to increases for professional and consulting services for the Unexploded Ordnance Program. Federal funding for the program is increased by \$8.00 million over the 2017 biennium for the program that remediates former or current munitions sites within Montana for unexploded ordnances(UXO).UXO are explosive weapons (bombs, cluster munitions, shells/artillery projectiles, missiles, etc.) that did not explode when they were fired or dropped. Because the munitions are still considered "live" munitions the ordnances pose a risk of detonation even though it has been many years or decades since they were used as part of training operations in Montana. Areas within the state that could be remediated include:

- Portions of the Helena valley used for military training in the late 1940s and early 1950s
- Limestone Hills Training Area near Townsend
- Portions of the Deerlodge valley that were used for military training
- Other sites around Montana

The Facilities Management Office within the Army National Guard Program oversees the construction, operation, and maintenance of National Guard facilities around Montana. The Miles City Readiness Center was placed into service in late FY 2015. The legislature provided operating costs for the state's share of the new building. It also provided funding for the Aviation Readiness Center and four buildings at Fort William H. Harrison located in Helena. With the exception of the Malta Readiness Center, DOA construction projects included in the long-range building program in previous biennia are either completed or projected to be complete in the next biennium.

The 2011 Legislature provided federal funding authority to construction a new Malta Readiness Center as part of HB 5, the long range building program bill. At this time, a portion of the funds for the construction of the facility are included in the President's 2016 budget as part of future years defense program projects in federal FY 2018.

Funding

The following table shows program funding by source from all sources of authority.

Department of Military Affairs, 12-Army National Guard Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	3,436,812	0	0	3,436,812	9.15 %	
02343 Armory Rental Funds	840	0	0	840	100.00 %	
State Special Total	\$840	\$0	\$0	\$840	0.00 %	
03132 National Guard	34,136,368	0	0	34,136,368	100.00 %	
03453 Air National Guard	0	0	0	0	0.00 %	
Federal Special Total	\$34,136,368	\$0	\$0	\$34,136,368	90.85 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$37,574,020	\$0	\$0	\$37,574,020		

The Army National Guard program is funded with a combination of general fund and federal funds. 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 utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
	-----General Fund-----				-----Total Funds-----			
Budget Item	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	1,587,983	1,587,983	3,175,966	92.41 %	14,620,067	14,620,067	29,240,134	77.82 %
PL Adjustments	108,689	124,303	232,992	6.78 %	125,267	81,856	207,123	0.55 %
New Proposals	4,526	23,328	27,854	0.81 %	4,025,778	4,100,985	8,126,763	21.63 %
Total Budget	\$1,701,198	\$1,735,614	\$3,436,812		\$18,771,112	\$18,802,908	\$37,574,020	

The legislature provided \$8.1 million in additional federal funds for a new proposal for the Unexploded Ordnance (UXO) Program. The program provides technical and operational oversight over UXO remediation on former Army National Guard sites across Montana.

Present Law Adjustments

The “Present Law Adjustments” table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia)	0.00	2,456	0	26,189	28,645	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	4,832	0	16,697	21,529	0.00	4,832	0	16,697	21,529
DP 520 - Fully Fund Legislatively Authorized FTE	0.00	59,809	0	0	59,809	0.00	59,809	0	0	59,809
DP 525 - Fixed Cost Adjustment	0.00	5,085	0	41,865	46,950	0.00	4,031	0	33,236	37,267
DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial)	0.00	612	0	189	801	0.00	0	0	0	0
DP 527 - Inflation Deflation Adjustment	0.00	7,096	0	63,860	70,956	0.00	7,423	0	66,804	74,227
DP 529 - Longevity and Other adjustments	0.00	3,122	0	10,815	13,937	0.00	5,564	0	19,275	24,839
DP 550 - Motor Pool Adjustment	0.00	(6)	0	(54)	(60)	0.00	(6)	0	(55)	(61)
DP 600 - Operating Cost Adjustments	0.00	87,170	(1,585)	(214,607)	(129,022)	0.00	105,889	(1,585)	(243,274)	(138,970)
DP 610 - Other Personal Services Changes	0.00	(61,487)	5	73,204	11,722	0.00	(63,239)	5	66,450	3,216
DP 1200444 - 4% FTE Reduction	(1.00)	0	0	0	0	(1.00)	0	0	0	0
Grand Total All Present Law Adjustments	(1.00)	\$108,689	(\$1,580)	\$18,158	\$125,267	(1.00)	\$124,303	(\$1,580)	(\$40,867)	\$81,856

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

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 527 - Inflation Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 550 - Motor Pool Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 600 - Operating Cost Adjustments -

The legislature adopted all other operating cost adjustments.

DP 610 - Other Personal Services Changes -

The legislature adopted all other personal service cost adjustments, except the annualization of the 2015 biennium pay plan.

DP 1200444 - 4% FTE Reduction -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. This change package includes a reduction of 1.00 FTE each year.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1201201 - Operational Support for New ARNG Facilities	0.00	4,526	0	21,252	25,778	0.00	23,328	0	77,657	100,985
DP 1201202 - Unexploded Ordnance Remediation for MTARNG	0.00	0	0	4,000,000	4,000,000	0.00	0	0	4,000,000	4,000,000
Total	0.00	\$4,526	\$0	\$4,021,252	\$4,025,778	0.00	\$23,328	\$0	\$4,077,657	\$4,100,985

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

DP 1201201 - Operational Support for New ARNG Facilities -

The Facilities Management Office constructs, operates and maintains facilities which are used primarily by the Montana Army National Guard (MTARNG) statewide. The legislature approved additional funding to support the operating costs of buildings that will come on line after the base year. The funding provides for janitorial services, utilities, grounds maintenance, and required building inspections such as fire sprinkler, fire alarm, and kitchen hood inspections. The increased operating cost is for the Miles City Readiness Center that will be occupied in January of 2015, an addition to

the Aviation Readiness Center in Helena to accommodate existing soldiers and equipment, and small additions to four buildings at Fort William H. Harrison.

DP 1201202 - Unexploded Ordnance Remediation for MTARNG -

The Facilities Management Office is responsible for management of the Unexploded Ordnance (UXO) Remediation Program for the Montana National Guard statewide. The legislature established federal spending authority to operate the UXO program.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	40.00	40.00	40.00	40.00	40.00	40.00	0.00	0.00 %
Personal Services	2,692,818	2,907,320	2,977,841	2,987,429	5,600,138	5,965,270	365,132	6.52 %
Operating Expenses	1,653,425	1,844,861	1,949,706	1,944,876	3,498,286	3,894,582	396,296	11.33 %
Total Costs	\$4,346,243	\$4,752,181	\$4,927,547	\$4,932,305	\$9,098,424	\$9,859,852	\$761,428	8.37 %
General Fund	367,179	410,180	432,820	430,114	777,359	862,934	85,575	11.01 %
Federal Spec. Rev. Funds	3,979,064	4,342,001	4,494,727	4,502,191	8,321,065	8,996,918	675,853	8.12 %
Total Funds	\$4,346,243	\$4,752,181	\$4,927,547	\$4,932,305	\$9,098,424	\$9,859,852	\$761,428	8.37 %

Program Description

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

Program Highlights

Air National Guard Program Major Budget Highlights
<ul style="list-style-type: none"> • For the 2017 biennial budget the legislature: <ul style="list-style-type: none"> ◦ Increased personal services for 1.00 FTE environmental science specialist to address air and water quality management, monitoring and remediation as well as solid and hazardous waste disposal ◦ Provided funding to support maintenance of water and sewer lines ◦ Increased operating costs for security protection contracts on the bases

Program Narrative

Increases in the 2017 biennium budget resulted from the implementation of pay raises and health insurance contributions included in HB 13 as enacted by the 2013 Legislature. Other changes include funding provided to support:

- Employee attainment of longevity milestones in the 2017 biennium
- Changes in employer retirement contributions
- Vacancy savings that were 18.9% in FY 2014 compared to a budgeted rate of 6.0%; the budget provides full funding of positions that were unfilled during all or a portion of FY 2014
- Funding for market, supervisory, and proficiency pay adjustments approved during the 2015 biennium

The majority of the operating expense increases were budgeted for two items:

- Security protection contract - \$146,200 each year of the biennium
- Water and sewage - \$132,600 each year of the biennium

The security protection contract was included as part of the operating expense adjustment. The cost is partially offset by reductions in other areas.

Funding

The following table shows program funding by source from all sources of authority.

Department of Military Affairs, 13-Air National Guard Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	862,934	0	0	862,934	8.75 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
03453 Air National Guard	8,996,918	0	0	8,996,918	100.00 %	
Federal Special Total	\$8,996,918	\$0	\$0	\$8,996,918	91.25 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$9,859,852	\$0	\$0	\$9,859,852		

The Montana Air National Guard is predominately funded through federal funds. General fund 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 utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	410,180	410,180	820,360	95.07 %	4,752,181	4,752,181	9,504,362	96.39 %
PL Adjustments	(3,207)	(6,142)	(9,349)	(1.08)%	(60,623)	(56,778)	(117,401)	(1.19)%
New Proposals	25,847	26,076	51,923	6.02 %	235,989	236,902	472,891	4.80 %
Total Budget	\$432,820	\$430,114	\$862,934		\$4,927,547	\$4,932,305	\$9,859,852	

The Air National Guard Program general fund budget is reduced in present law due to implementation of boilerplate requirements contained in HB 2 from the 2013 Legislature and operating expense reductions, mainly for electricity. Total funds increase due to new proposals for maintenance of water and sewer lines and additional FTE to serve as an environmental science specialist. The Air National Guard is subject to environmental requirements including air and water quality management, monitoring, and remediation as well as solid and hazardous waste disposal, and other environmental requirements.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia	0.00	1,048	0	5,240	6,288	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	519	0	18,435	18,954	0.00	519	0	18,435	18,954
DP 525 - Fixed Cost Adjustment	0.00	1,853	0	(10,693)	(8,840)	0.00	1,838	0	(10,801)	(8,963)
DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial)	0.00	(22)	0	197	175	0.00	0	0	0	0
DP 527 - Inflation Deflation Adjustment	0.00	0	0	(164,450)	(164,450)	0.00	0	0	(158,324)	(158,324)
DP 529 - Longevity and Other adjustments	0.00	(732)	0	(26,141)	(26,873)	0.00	(496)	0	(17,717)	(18,213)
DP 600 - Operating Cost Adjustments	0.00	14,110	0	109,462	123,572	0.00	12,611	0	106,591	119,202
DP 610 - Other Personal Services Changes	0.00	(19,983)	0	10,534	(9,449)	0.00	(20,614)	0	11,180	(9,434)
DP 1300444 - 4% FTE Reduction	(1.00)	0	0	0	0	(1.00)	0	0	0	0
Grand Total All Present Law Adjustments	(1.00)	(\$3,207)	\$0	(\$57,416)	(\$60,623)	(1.00)	(\$6,142)	\$0	(\$50,636)	(\$56,778)

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

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 527 - Inflation Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 600 - Operating Cost Adjustments -

The legislature adopted all other operating cost adjustments.

DP 610 - Other Personal Services Changes -

The legislature adopted all other personal service cost adjustments, except the annualization of the 2015 biennium pay plan.

DP 1300444 - 4% FTE Reduction -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. This change package includes a reduction of 1.00 FTE each year.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1301304 - New Air Guard Environmental Science Specialist	1.00	25,847	0	77,542	103,389	1.00	26,076	0	78,226	104,302
DP 1301305 - Funding for Water-Sewer Maintenance	0.00	0	0	132,600	132,600	0.00	0	0	132,600	132,600
Total	1.00	\$25,847	\$0	\$210,142	\$235,989	1.00	\$26,076	\$0	\$210,826	\$236,902

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

DP 1301304 - New Air Guard Environmental Science Specialist -

The legislature funded 1.00 FTE Environmental Science Specialist to meet the environmental compliance requirements of the Montana Air National Guard (MANG) in Great Falls. The approval creates a fourth Air Guard Master Cooperative Agreement Appendix between the federal government (National Guard Bureau and United States Property and Fiscal Office) and the State of Montana (Adjutant General). The costs of the agreement are 25% state and 75% federal.

DP 1301305 - Funding for Water-Sewer Maintenance -

The legislature provided 100% federal spending authority to cover the annual water and sewer maintenance costs for the Montana Air National Guard (MANG) after privatization of water and sewer lines in FY 2016.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	24.00	24.00	23.00	23.00	24.00	23.00	(1.00)	(4.17)%
Personal Services	1,492,077	1,433,061	1,776,733	1,777,532	2,925,138	3,554,265	629,127	21.51 %
Operating Expenses	461,213	685,127	1,234,605	1,208,797	1,146,340	2,443,402	1,297,062	113.15 %
Equipment & Intangible Assets	22,180	0	0	0	22,180	0	(22,180)	(100.00)%
Grants	10,265,846	11,735,443	11,735,443	11,735,443	22,001,289	23,470,886	1,469,597	6.68 %
Transfers	850,470	2,532,674	2,532,674	2,532,674	3,383,144	5,065,348	1,682,204	49.72 %
Total Costs	\$13,091,786	\$16,386,305	\$17,279,455	\$17,254,446	\$29,478,091	\$34,533,901	\$5,055,810	17.15 %
General Fund	1,176,995	1,250,343	1,265,659	1,264,617	2,427,338	2,530,276	102,938	4.24 %
State/Other Special Rev. Funds	73,855	236,536	60,430	59,641	310,391	120,071	(190,320)	(61.32)%
Federal Spec. Rev. Funds	11,840,936	14,899,426	15,953,366	15,930,188	26,740,362	31,883,554	5,143,192	19.23 %
Total Funds	\$13,091,786	\$16,386,305	\$17,279,455	\$17,254,446	\$29,478,091	\$34,533,901	\$5,055,810	17.15 %

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

Disaster and Emergency Services Division Major Budget Highlights
<ul style="list-style-type: none"> • The legislature provided additional federal grant funding at about \$1.0 million a year above the 2015 legislative base budget • Personal service cost increases are due to additional homeland security grant funding, implementation of HB 13 pay plan increases and fully funding FTE authorized in the 2015 biennium

Program Narrative

The legislature approved the program's request for an additional \$4.0 million in federal appropriation authority above FY 2014 actual expenditures. Personal services increase when compared to the 2015 biennium budget. In addition to increases that resulted from the implementation of the pay raises and insurance contributions included in HB 13 as enacted by the 2013 Legislature, other increases provided by the legislature include:

- Employee attainment of longevity milestones in the 2017 biennium
- Increased costs for employer retirement contributions as required by statute
- Full funding of positions that were either unfilled during all or a portion of FY 2014
- Approval of funding for market and competency pay adjustments approved throughout the 2015 biennium

Operating expenses increase when compared to the 2015 biennium. Increases resulted from adoption of the FY 2015 legislative base budget which included a higher level of funding for:

- Consulting and professional services

- Minor tools and equipment
- Office equipment
- Computer hardware
- Vehicular expenses
- Advertising
- In-state car rental
- Settlements

Additional authority for homeland security grants made up the majority of the increase in the grants budget. Increases in the amount of transfers were also the result of the adoption of the FY 2015 legislative base budget.

Funding

The following table shows program funding by source from all sources of authority.

Department of Military Affairs, 21-Disaster & Emergency Services Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	2,530,276	0	0	2,530,276	7.33 %	
02156 SAR DES DFWP Fees	41,928	0	0	41,928	34.92 %	
02170 SAR DES Off Road Vehicles	68,457	0	0	68,457	57.01 %	
02180 EMERGENCY PREPAREDNESS SUMMIT	0	0	0	0	0.00 %	
02335 DES Training Conference	9,686	0	0	9,686	8.07 %	
02847 Fire Suppression Fund	0	0	0	0	0.00 %	
State Special Total	\$120,071	\$0	\$0	\$120,071	0.35 %	
03022 Federal Disaster Assistance	0	0	0	0	0.00 %	
03094 FEMA Federal Grants	0	0	0	0	0.00 %	
03134 Disaster & Emergency Services	31,883,554	0	0	31,883,554	100.00 %	
Federal Special Total	\$31,883,554	\$0	\$0	\$31,883,554	92.33 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$34,533,901	\$0	\$0	\$34,533,901		

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 with 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 adoption. This is reflected in the increase in federal funding for the upcoming biennium from the current biennium.

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.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	1,250,343	1,250,343	2,500,686	98.83 %	16,386,305	16,386,305	32,772,610	94.90 %
PL Adjustments	15,316	14,274	29,590	1.17 %	893,150	868,141	1,761,291	5.10 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$1,265,659	\$1,264,617	\$2,530,276		\$17,279,455	\$17,254,446	\$34,533,901	

The legislature adopted a 5.1% increase in the Disaster and Emergency Services Division budget when compared to the 2015 legislative base budget. Present law adjustments for homeland security grant funds of \$1.7 million make up the majority of the increase for DES. The Homeland Security Grant Program manages US Department of Homeland Security anti-terrorism grant funds to pay for local, tribal, and state projects to strengthen the state's ability to prevent and respond to hazard events. Focus for the grants is on interoperable communications, fusion center operations, and many other areas. Of the funds received through this grant program, at least 80% must be passed through to local and tribal applicants.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia)	0.00	3,318	0	9,956	13,274	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	5,799	0	5,379	11,178	0.00	5,799	0	5,379	11,178
DP 520 - Fully Fund Legislatively Authorized FTE	0.00	14,214	0	157,978	172,192	0.00	14,214	0	157,978	172,192
DP 525 - Fixed Cost Adjustment	0.00	450	0	5,473	5,923	0.00	512	0	6,229	6,741
DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial)	0.00	(2,131)	0	2,501	370	0.00	0	0	0	0
DP 527 - Inflation Deflation Adjustment	0.00	(1,789)	0	(3,631)	(5,420)	0.00	(1,777)	0	(3,608)	(5,385)
DP 529 - Longevity and Other adjustments	0.00	0	0	(1,343)	(1,343)	0.00	0	0	2,351	2,351
DP 550 - Motor Pool Adjustment	0.00	(305)	0	(3,879)	(4,184)	0.00	(310)	0	(3,933)	(4,243)
DP 600 - Operating Cost Adjustments	0.00	9,185	(95,502)	625,832	539,515	0.00	9,364	(95,502)	612,695	526,557
DP 610 - Other Personal Services Changes	0.00	(13,425)	(80,604)	255,674	161,645	0.00	(13,528)	(81,393)	253,671	158,750
DP 2100444 - 4% FTE Reduction	(1.00)	0	0	0	0	(1.00)	0	0	0	0
Grand Total All Present Law Adjustments	(1.00)	\$15,316	(\$176,106)	\$1,053,940	\$893,150	(1.00)	\$14,274	(\$176,895)	\$1,030,762	\$868,141

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

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 527 - Inflation Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 550 - Motor Pool Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 600 - Operating Cost Adjustments -

The legislature adopted all other operating cost adjustments.

DP 610 - Other Personal Services Changes -

The legislature adopted all other personal service cost adjustments, except the annualization of the 2015 biennium pay plan.

DP 2100444 - 4% FTE Reduction -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. This change package includes a reduction of 1.00 FTE each year.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	24.00	24.00	26.00	26.00	24.00	26.00	2.00	8.33 %
Personal Services	1,365,406	1,435,807	1,599,489	1,598,920	2,801,213	3,198,409	397,196	14.18 %
Operating Expenses	165,202	344,256	166,840	158,411	509,458	325,251	(184,207)	(36.16)%
Grants	0	180,000	0	0	180,000	0	(180,000)	(100.00)%
Total Costs	\$1,530,608	\$1,960,063	\$1,766,329	\$1,757,331	\$3,490,671	\$3,523,660	\$32,989	0.95 %
General Fund	916,416	1,134,942	1,043,784	1,037,831	2,051,358	2,081,615	30,257	1.47 %
State/Other Special Rev. Funds	614,192	825,121	722,545	719,500	1,439,313	1,442,045	2,732	0.19 %
Total Funds	\$1,530,608	\$1,960,063	\$1,766,329	\$1,757,331	\$3,490,671	\$3,523,660	\$32,989	0.95 %

Program Description

The Veterans' Affairs Program assists discharged veterans and their families in cooperation 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 William H. Harrison in Helena, and Missoula. The Board of Veterans' Affairs is administratively attached to the Department of Military Affairs, and operates under a state mandate provided in Title 10, Chapter 2, MCA.

Program Highlights

Veterans' Affairs Program Major Budget Highlights
<ul style="list-style-type: none"> • The legislature approved 2.00 FTE veterans' service officers to assist Montana veterans • Additional increases for personal services support implementation of HB 13 enacted by the 2013 Legislature

Program Narrative

Veterans' Affairs Program personal services increase when compared to the 2015 biennium. In addition to providing funding to support increases that result from the implementation of pay raises and health insurance contributions included in HB 13 as enacted by the 2013 Legislature, other changes include:

- Approval of 2.00 FTE veteran service officers to provide additional services to veterans in Montana
- Funding for market, situational, and proficiency pay adjustments granted throughout the 2015 biennium that are annualized for the 2017 biennium
- Employee attainment of longevity milestones in the 2017 biennium

Reductions in operating expenses include projected reductions in:

- Minor equipment
- Computer hardware
- Postage and mailing
- In-state travel
- Motor pool lease vehicles

Funding

The following table shows program funding by source from all sources of authority.

Department of Military Affairs, 31-Veterans' Affairs Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	2,081,615	0	0	2,081,615	43.91 %	
02214 Veterans Affairs Cemeteries	0	0	1,217,000	1,217,000	45.77 %	
02222 Patriotic License Plate Fees	200,000	0	0	200,000	7.52 %	
02548 Veterans Affairs SB401	1,242,045	0	0	1,242,045	46.71 %	
State Special Total	\$1,442,045	\$0	\$1,217,000	\$2,659,045	56.09 %	
03413 Veterans Cemetary	0	0	0	0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$3,523,660	\$0	\$1,217,000	\$4,740,660		

The Veterans' Affairs program is funded with both general fund and state special revenue. General fund is used to support functions throughout the program.

The veterans' service 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. In addition to the revenue received from the sale of some specialty license plates, this account and the Veterans' Affairs Cemeteries receive a portion of motor vehicle registration revenue that is deposited in the general fund each year. The 2013 Legislature increased the percentage of motor vehicle fees into this account from 0.64% to 0.81%. For the 2017 biennium, based on the higher level of revenue, the legislature approved a one-time-only funding switch of \$50,000 each year of the biennium, reducing general fund and increasing state special revenue for the 2017 biennium. The one-time-only designation was included to ensure that the veterans' service account could sustain the higher level of appropriations.

The State Veterans' Cemeteries Program statutory funding includes revenue derived primarily from cemetery donations and plot allowances. 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 utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	954,942	954,942	1,909,884	91.75 %	1,759,797	1,759,797	3,519,594	99.88 %
PL Adjustments	(21,200)	(26,883)	(48,083)	(2.31)%	(103,510)	(112,238)	(215,748)	(6.12)%
New Proposals	110,042	109,772	219,814	10.56 %	110,042	109,772	219,814	6.24 %
Total Budget	\$1,043,784	\$1,037,831	\$2,081,615		\$1,766,329	\$1,757,331	\$3,523,660	

The legislature reduced general fund support for this program through a funding switch using state special revenues provided through increased percentage in motor vehicle registrations. New proposals for additional service officers to assist disabled veterans through the process of applying for benefits and services are about 6.2% of the increase.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia	0.00	4,192	0	0	4,192	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	5,832	5,832	0	11,664	0.00	5,832	5,832	0	11,664
DP 525 - Fixed Cost Adjustment	0.00	(2,346)	(1,978)	0	(4,324)	0.00	(2,466)	(2,078)	0	(4,544)
DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial)	0.00	(723)	840	0	117	0.00	0	0	0	0
DP 527 - Inflation Deflation Adjustment	0.00	(11,372)	(11,373)	0	(22,745)	0.00	(11,143)	(11,144)	0	(22,287)
DP 529 - Longevity and Other adjustments	0.00	(1,283)	(1,284)	0	(2,567)	0.00	610	609	0	1,219
DP 550 - Motor Pool Adjustment	0.00	(1,160)	(1,160)	0	(2,320)	0.00	(1,176)	(1,176)	0	(2,352)
DP 600 - Operating Cost Adjustments	0.00	3,256	(155,592)	0	(152,336)	0.00	1,099	(157,761)	0	(156,662)
DP 610 - Other Personal Services Changes	0.00	32,404	32,405	0	64,809	0.00	30,361	30,363	0	60,724
DP 3100200 - Funding Switch for Veteran's Affairs (OTO)	0.00	(50,000)	50,000	0	0	0.00	(50,000)	50,000	0	0
Grand Total All Present Law Adjustments	0.00	(\$21,200)	(\$82,310)	\$0	(\$103,510)	0.00	(\$26,883)	(\$85,355)	\$0	(\$112,238)

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

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Restricted/Biennial) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 527 - Inflation Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 550 - Motor Pool Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 600 - Operating Cost Adjustments -

The legislature adopted all other operating cost adjustments.

DP 610 - Other Personal Services Changes -

The legislature adopted all other personal service cost adjustments, except the annualization of the 2015 biennium pay plan.

DP 3100200 - Funding Switch for Veteran's Affairs (OTO) -

The legislature was able to reduce general fund due to available state special revenues for the veterans' service account. In order to ensure funding in the state special revenue fund was available in the next biennium the funding switch was designated as one-time-only. This will allow the legislature to evaluate the ongoing revenues within the state special revenue account in the next biennium.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3103102 - Veterans Service Officers	2.00	110,042	0	0	110,042	2.00	109,772	0	0	109,772
Total	2.00	\$110,042	\$0	\$0	\$110,042	2.00	\$109,772	\$0	\$0	\$109,772

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

DP 3103102 - Veterans Service Officers -

The legislature provided support for 2.00 FTE Veterans Service Officers to augment existing agency staff in the Veteran's Affairs (VA) Division to serve existing and future clients who are requesting federal VA veterans benefits. The service

officers will provide support for expanded programs for the Veterans of Foreign Wars Veterans Service Program and filing of veterans benefits for the offspring of parents exposed to Agent Orange.