

Agency Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	27,197,540	26,592,078	(605,462)	(2.23)%
Operating Expenses	17,680,727	13,464,084	(4,216,643)	(23.85)%
Equipment & Intangible Assets	372,398	100,000	(272,398)	(73.15)%
Local Assistance	53,558	57,958	4,400	8.22 %
Transfers	0	17,531,460	17,531,460	0.00 %
Debt Service	12,347	13,834	1,487	12.04 %
Total Expenditures	\$45,316,570	\$57,759,414	\$12,442,844	27.46 %
General Fund	18,413,424	30,197,082	11,783,658	63.99 %
State/Other Special Rev. Funds	14,650,289	15,001,684	351,395	2.40 %
Federal Spec. Rev. Funds	28,268	37,070	8,802	31.14 %
Proprietary Funds	12,224,589	12,523,578	298,989	2.45 %
Total Funds	\$45,316,570	\$57,759,414	\$12,442,844	27.46 %
Total Ongoing	\$45,316,570	\$57,759,414	\$12,442,844	27.46 %
Total OTO	\$0	\$0	\$0	0.00 %

Mission Statement

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

Please refer to the agency profile for the Department of Administration at <https://leg.mt.gov/lfd/state-agency-profiles/department-administration/> for additional information about the agency's organization structure, historical expenditures, FY 2020 expenditure dashboard, and recent studies, audits, and legislation.

Agency Highlights

Agency Highlights	Department of Administration Major Budget Highlights
<ul style="list-style-type: none">• Only 4.1% of the department's budget is appropriated through HB 2, with the remainder consisting of non-budgeted proprietary and statutory appropriations• Approximately 57.0% of the department's appropriations are non-budgeted proprietary funds. Significant changes to the DOA non-budgeted proprietary funds include:<ul style="list-style-type: none">◦ The executive is proposing to increase state agency information technology costs by \$8.0 million in FY 2022 and \$8.5 million in FY 2023 when compared to the FY 2021 base◦ The executive is proposing to increase the rate for the Human Resources Information System from \$8.89 to \$9.99 per employee processed per pay period◦ The executive is proposing to increase state agency risk management and tort defense costs by \$1.9 million in FY 2022 and \$1.9 million in FY 2023 when compared to the FY 2021 base• The Department of Administration's 2023 biennium HB 2 budget request is approximately \$12.4 million or 27.5% higher than the 2021 biennium• The proposed increases in HB 2 general fund appropriations are primarily due to HB 553, which was passed and approved by the 2019 Legislature, and include:<ul style="list-style-type: none">◦ Present law increases in general fund of \$8.6 million in FY 2022 and \$8.9 million in FY 2023 for major repairs projects◦ Present law increases in general fund of \$5.8 million in FY 2022 and \$8.2 million in FY 2023 for capital development. However, the executive budget proposes reductions to this general fund transfer in a new proposal, which eliminates the transfer for the capitol developments account for the 2023 biennium• The executive proposes decreases in HB 2 general fund appropriations of \$3.0 million each fiscal year in order to move funding for the Montana cybersecurity enhancement project to the proprietary rates	

Agency Actuals and Budget Comparison

The following table compares the last full fiscal year actuals, previous biennium appropriations by year, and current annual biennium budget request by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	153.66	153.66	154.66	154.66
Personal Services	12,431,465	13,303,296	13,894,244	13,272,197	13,319,881
Operating Expenses	7,940,946	9,069,423	8,611,304	6,839,932	6,624,152
Equipment & Intangible Assets	296,890	322,398	50,000	50,000	50,000
Local Assistance	3,453	24,579	28,979	28,979	28,979
Transfers	0	0	0	8,589,879	8,941,581
Debt Service	5,188	5,430	6,917	6,917	6,917
Total Expenditures	\$20,677,942	\$22,725,126	\$22,591,444	\$28,787,904	\$28,971,510
General Fund	8,231,819	9,208,395	9,205,029	14,949,857	15,247,225
State/Other Special Rev. Funds	7,091,360	7,293,038	7,357,251	7,490,095	7,511,589
Federal Spec. Rev. Funds	7,093	14,134	14,134	18,535	18,535
Proprietary Funds	5,347,670	6,209,559	6,015,030	6,329,417	6,194,161
Total Funds	\$20,677,942	\$22,725,126	\$22,591,444	\$28,787,904	\$28,971,510
Total Ongoing	\$20,677,942	\$22,725,126	\$22,591,444	\$28,787,904	\$28,971,510
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Discussion

FY 2020 Appropriation Compared to FY 2020 Actual Expenditures

The Department of Administration's HB 2 budget is primarily funded with general fund, state special revenue and proprietary funds. The HB 2 modified budget of \$22.7 million was 91.0% expended as of the end of FY 2020. Operating expenses of \$9.1 million were 87.6% expended. Lower operating expenses were due to the decreased travel and training expenses because of the COVID-19 pandemic, the Montana cybersecurity enhancement project, and the Montana State Lottery's sports wagering program. Additional details can be found at the program level analyses.

FY 2020 Appropriations Compared to FY 2021 Appropriations

Overall, the FY 2021 appropriation is approximately \$134,000 or 0.6% lower than the FY 2020 appropriation. The FY 2020 and FY 2021 appropriations are not significantly different.

While the total difference between FY 2020 and FY 2021 appropriations is minimal, the difference between expenditure categories is larger. Many of these differences are due to transfers for the Montana cybersecurity enhancement project. The State Information Technology Services Division moved \$372,000 from personal services to operating expenses for cybersecurity training, SANS certificates for training, additional licenses for the source code repository, and a customer management module for the governance, risk, compliance software. Additionally, the division moved \$201,000 from operating expenses to equipment and intangible assets in order to purchase equipment that provides stability and security to the State of Montana's server and web-based environments.

Comparison of FY 2021 Legislative Budget to FY 2021 Base

Figure 1 illustrates the beginning FY 2021 budget as adopted by the 2019 Legislature compared to the FY 2021 base budget, which included modifications as approved by the approving authority (as authorized in statute) during the interim. The FY 2021 base budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2023 biennium budgeting process.

Figure 1

FY 2021 Legislative Appropriations - Department of Administration				
	Legislative Action	Executive Modifications per Statutory Authority	Executive Base	% Change from Legislative Action
01 DIRECTORS OFFICE				
61000 Personal Services	375,708	109,292	485,000	29.1%
62000 Operating Expenses	66,055	7,500	73,555	11.4%
65000 Local Assistance	14,296	-	14,296	0.0%
01 DIRECTORS OFFICE Total	456,059	116,792	572,851	25.6%
03 STATE FINANCIAL SERVICES DIV				
61000 Personal Services	2,397,050	(8,687)	2,388,363	-0.4%
62000 Operating Expenses	763,981	(2,906)	761,076	-0.4%
69000 Debt Service	-	2,906	2,906	0.0%
03 STATE FINANCIAL SERVICES DIV Total	3,161,031	(8,687)	3,152,344	-0.3%
04 ARCHITECTURE & ENGINEERING DIV				
61000 Personal Services	1,771,150	-	1,771,150	0.0%
62000 Operating Expenses	635,957	(1,770)	634,187	-0.3%
69000 Debt Service	-	1,770	1,770	0.0%
04 ARCHITECTURE & ENGINEERING DIV Total	2,407,107	-	2,407,107	0.0%
07 STATE IT SERVICES DIVISION				
61000 Personal Services	1,532,580	(90,731)	1,441,849	-5.9%
62000 Operating Expenses	2,354,608	-	2,354,608	0.0%
07 STATE IT SERVICES DIVISION Total	3,887,188	(90,731)	3,796,457	-2.3%
14 DIV OF BANKING & FINANCIAL INS				
61000 Personal Services	3,360,846	-	3,360,846	0.0%
62000 Operating Expenses	952,808	(1,864)	950,944	-0.2%
69000 Debt Service	-	1,864	1,864	0.0%
14 DIV OF BANKING & FINANCIAL INS Total	4,313,654	-	4,313,654	0.0%
15 MONTANA STATE LOTTERY				
61000 Personal Services	2,665,616	-	2,665,616	0.0%
62000 Operating Expenses	3,244,041	-	3,244,041	0.0%
63000 Equipment & Intangible Assets	50,000	-	50,000	0.0%
15 MONTANA STATE LOTTERY Total	5,959,657	-	5,959,657	0.0%
23 STATE HUMAN RESOURCES DIVISION				
61000 Personal Services	1,274,181	(8,687)	1,265,494	-0.7%
62000 Operating Expenses	440,492	(377)	440,115	-0.1%
69000 Debt Service	-	377	377	0.0%
23 STATE HUMAN RESOURCES DIVISION Total	1,714,673	(8,687)	1,705,986	-0.5%
37 MONTANA TAX APPEAL BOARD				
61000 Personal Services	515,926	-	515,926	0.0%
62000 Operating Expenses	161,465	(8,687)	152,778	-5.4%
65000 Local Assistance	14,683	-	14,683	0.0%
37 MONTANA TAX APPEAL BOARD Total	692,074	(8,687)	683,387	-1.3%
61010 DEPARTMENT OF ADMINISTRATION Total	22,591,443	-	22,591,443	0.0%

FY 2021 Legislative Appropriations - Department of Administration				
	Legislative Action	Executive Modifications per Statutory Authority	Executive Base	% Change from Legislative Action
01 General Fund	9,205,028	-	9,205,028	0.0%
02 State/Other Spec Rev	7,357,251	-	7,357,251	0.0%
03 Fed/Other Spec Rev	14,134	-	14,134	0.0%
06 Proprietary	6,015,030	-	6,015,030	0.0%
Grand Total	22,591,443	-	22,591,443	0.0%

The legislative action budget includes the FY 2021 budget as adopted by the 2019 Legislature, the pay plan, and transfers that resulted from HB 715. As part of HB 715, the Governor's budget director was provided the authority to allocate proprietary funds totaling \$720,000 in FY 2021. This funding was allocated to the Montana State Lottery in order to implement HB 725 which authorized sports wagering in Montana.

The Department of Administration had two budget modifications. There was one minor budget modification in several programs that moved a total of approximately \$7,000 from operating expenses to debt service in order to correctly record leases for copiers.

The more significant change moved general fund authority totaling approximately \$117,000 to the Director's Office from the State Financial Services Division, State Information Technology Services Division, State Human Resources Division, and Montana Tax Appeal Board. It also moved 1.00 FTE from the State Information Technology Services Division to the Director's Office. This transfer was made to the Office of the Labor Relations in the Director's Office in order to facilitate and manage collective bargaining agreements within state government.

Executive Request

The Department of Administration is requesting an increase above the FY 2021 base for general fund, state special revenue, federal special revenue, and proprietary funds. This increase totals approximately \$6.2 million in FY 2022 and \$6.4 million in FY 2023. These increases are primarily due to HB 553 (2019 Legislature), which increased appropriated general fund transfers by \$8.6 million in FY 2022 and \$8.9 million in FY 2023 in the Director's Office. This increase is partially offset by a new proposal to move the Montana cybersecurity enhancement project general fund appropriations of \$3.0 million each fiscal year from HB 2 to the State Information Technology Services Division's internal service rates.

These requests will be discussed in further detail at the program level.

5.0% Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. The general fund reduction impact for the Department of Administration is approximately \$250,000. The 5.0% plan includes reductions in the:

- Director's Office of approximately \$20,000. The office would reduce the hours of an internal auditor position, which would require reliance on other financial staff to help support internal audit functions
- State Financial Services Division of approximately \$134,000. The division would likely use restricted state special revenue funds and proprietary funds to supplement this reduction. Additionally, the division may postpone system updates within the local government services program
- State Information Technology Services Division of approximately \$10,000. These reductions would be to rent costs
- State Human Resources Division of approximately \$84,000. This would include reductions in the number of

position classifications, policy and rules updates, salary market analysis, and services to agencies in support of appeals, grievances, disciplinary matters, and recruitment and selection processes

- Montana Tax Appeal Board of approximately \$1,600. These reductions would be in the areas of supplies and communications

**LFD
ISSUE**

The 5.0% plans are required to be assessed on the current base budget, excluding certain items like legislative audit costs. The 5.0% plan submitted by the executive for the Department of Administration was not assessed on the current base budget. The appropriation for the cybersecurity enhancement project was not included.

This appropriation is currently in the base budget and the executive has a new proposal that would move this funding from general fund to the proprietary rates charged by the State Information Technology Services Division. If the legislature does not approve this new proposal and continues to fund the cybersecurity enhancement project with general fund, they may wish to request that the executive include this appropriation as part of the 5.0% reduction plan.

The state special revenue reduction impact for the Department of Administration totals approximately \$240,000. The plan includes reductions in the:

- State Financial Services Division of approximately \$9,000. The division would likely use restricted state special revenue funds and proprietary funds to supplement this reduction
- State Information Technology Services Division of approximately \$22,000. The division would decrease wide area network (WAN) circuit upgrades
- Banking and Financial Institutions Division of approximately \$209,000. These reductions would be in the areas of personal services and operating expenses. The reduction in personal services would likely result in the reduction of 2.00 FTE. The reductions in operating expenses would likely impact training and participation in regulator roundtable discussions regarding industry trends and emerging issues in the regulatory landscape

A summary of the entire 2023 biennium 5.0% plan submitted for this agency can be found online at the [Section A subcommittee page](#) on "Tab D Materials."

Agency Personal Services

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

1. Expected Changes - This category includes those adjustments explicitly approved by the legislature, such as expected changes to annualize personal services costs including FY 2021 statewide pay plan adjustments, changes to benefit rates, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot, plus rate changes for workers' compensation and unemployment insurance.
2. Personal Services Management Decisions - Any agency management decisions that adjusted employee pay. This includes raises or position changes that may increase or reduce a budget, such as hiring FTE at a lower rate to replace retired senior staff, or moving FTE between programs.
3. Modifications to the Personal Services Base Budget - Other modifications to the FY 2021 personal services base like operating plan transfers that occurred during the interim may impact the overall size of the personal services present law adjustment (DP 1)

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

Figure 2

Personal Services Present Law DP 1 - FY 2022					
Program	Expected Changes	Management Decisions	Budget Modifications	DP1 SWPL	
01 DIRECTORS OFFICE	(541)	(23,051)	-	(23,592)	
03 STATE FINANCIAL SERVICES DIV	72,001	127,244	-	199,245	
04 ARCHITECTURE & ENGINEERING DIV	10,749	(12,245)	-	(1,496)	
07 STATE IT SERVICES DIVISION	(11,036)	(146,934)	-	(157,970)	
14 DIV OF BANKING & FINANCIAL INST	24,850	34,491	-	59,341	
15 MONTANA STATE LOTTERY	14,616	(10,805)	-	3,811	
23 STATE HUMAN RESOURCES DIVISION	40,587	32,032	-	72,619	
37 MONTANA TAX APPEAL BOARD	915	(2,233)	-	(1,318)	
Agency Total	\$ 152,141	\$ (1,501)	\$ -	\$ 150,640	

Personal services were \$13.9 million or 61.5% of total FY 2021 HB 2 appropriations. The executive proposes an increase of approximately \$151,000 in FY 2022 and \$199,000 in FY 2023. Additional details of significant factors included in the statewide present law adjustment for personal services will be discussed at the program level.

Funding

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

Total Department of Administration Funding by Source of Authority 2023 Biennium Budget Request - Department of Administration						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	30,197,082	0	0	205,164,401	235,361,483	16.82 %
State Special Total	15,001,684	0	0	44,517,000	59,518,684	4.25 %
Federal Special Total	37,070	0	0	36,284,000	36,321,070	2.59 %
Proprietary Total	12,523,578	0	797,636,418	258,349,151	1,068,509,147	76.34 %
Other Total	0	0	0	0	0	0.00 %
Total All Funds	\$57,759,414		\$0	\$797,636,418	\$544,314,552	\$1,399,710,384
Percent - Total All Sources	4.13 %		0.00 %	56.99 %	38.89 %	

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

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

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

Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the [glossary](#).

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	9,205,029	9,205,029	18,410,058	60.97 %	22,591,444	22,591,444	45,182,888	78.23 %
SWPL Adjustments	173,624	120,027	293,651	0.97 %	396,653	221,284	617,937	1.07 %
PL Adjustments	14,356,037	17,148,892	31,504,929	104.33 %	14,421,769	17,214,565	31,636,334	54.77 %
New Proposals	(8,784,833)	(11,226,723)	(20,011,556)	(66.27)%	(8,621,962)	(11,055,783)	(19,677,745)	(34.07)%
Total Budget	\$14,949,857	\$15,247,225	\$30,197,082		\$28,787,904	\$28,971,510	\$57,759,414	

HB 2 Language

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

Program Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	941,161	924,084	(17,077)	(1.81)%
Operating Expenses	215,851	293,970	78,119	36.19 %
Local Assistance	24,192	28,592	4,400	18.19 %
Transfers	0	17,531,460	17,531,460	0.00 %
Total Expenditures	\$1,181,204	\$18,778,106	\$17,596,902	1,489.74 %
General Fund	1,160,190	18,752,692	17,592,502	1,516.35 %
Federal Spec. Rev. Funds	21,014	25,414	4,400	20.94 %
Total Funds	\$1,181,204	\$18,778,106	\$17,596,902	1,489.74 %
Total Ongoing	\$1,181,204	\$18,778,106	\$17,596,902	1,489.74 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

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

The Director's Office has 4.50 FTE funded through HB 2 and 26.51 FTE funded by the revenues generated from the internal fees charged to the Department of Administration's divisions and its attached-to agencies. These FTE provide services in the areas of legal, human resources, financial management, labor relations, project management and communications, continuity of government, emergency management, and homeland security. There are several programs within the Director's Office, including:

- The Office of Legal Services, which advises the divisions on legal matters
- The Office of Human Resources, which partners with DOA leadership and employees to enhance agency performance through strategic human resource programs and effective administrative processes (e.g., payroll administration, talent acquisition, policy development, etc.)
- The Office of Finance and Budget, which prepares and presents the biennial budget, processes budget change documents, monitors approved budgets for compliance with state law and legislative intent, and provides accounting assistance
- Labor Relations, which provides labor relations services for managers and human resource officers and is the Governor's designated representative in collective bargaining
- The State Continuity and Emergency Management Office, which provides leadership and support for the enterprise continuity of government, emergency management, and homeland security programs
- The Office of Program and Information Management, which provides communication and project management services

The customers served are internal to the department and its attached-to agencies, with the exception of the Office of Labor Relations and the State Continuity and Emergency Management Office, which serve the enterprise.

Program Highlights

Director's Office Major Budget Highlights
<ul style="list-style-type: none"> • The Director's Office 2023 biennium requested appropriations are approximately \$17.6 million higher than the 2021 biennium • The proposed increases in general fund are primarily due to HB 553, which was passed and approved by the 2019 Legislature <ul style="list-style-type: none"> ◦ The executive requested present law increases in general fund of \$8.6 million in FY 2022 and \$8.9 million in FY 2023 for major repairs projects ◦ The executive requested present law increases in general fund of \$5.8 million in FY 2022 and \$8.2 million in FY 2023 for capital development. Additionally, the executive budget proposes reductions to this general fund transfer in a new proposal, which eliminates the transfer for the capitol developments account for the 2023 biennium • The Director's Office has the management services internal service fund and the continuity and emergency management internal service fund that are approved as rates in HB 2. The executive is proposing rate increases for both funds

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	4.50	4.50	4.50	4.50
Personal Services	364,242	456,161	485,000	461,408	462,676
Operating Expenses	78,082	142,296	73,555	184,376	109,594
Local Assistance	1,265	9,896	14,296	14,296	14,296
Transfers	0	0	0	8,589,879	8,941,581
Total Expenditures	\$443,589	\$608,353	\$572,851	\$9,249,959	\$9,528,147
General Fund	442,324	600,046	560,144	9,237,252	9,515,440
Federal Spec. Rev. Funds	1,265	8,307	12,707	12,707	12,707
Total Funds	\$443,589	\$608,353	\$572,851	\$9,249,959	\$9,528,147
Total Ongoing	\$443,589	\$608,353	\$572,851	\$9,249,959	\$9,528,147
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -*FY 2020 Appropriation Compared to FY 2020 Actual Expenditures*

The Director's Office HB 2 budget is primarily funded with general fund. The HB 2 modified budget of \$608,000 was 72.9%

expended as of the end of FY 2020. Lower expenditures were primarily in personal services and operating expenses.

Personal services appropriations of \$456,000 were 79.8% expended. A labor relations specialist position was vacant in FY 2020. The Director's Office has had difficulties recruiting for this position. Additionally, the office did not fill positions for an accounting technician and internal auditor immediately in an effort to achieve general fund savings.

Operating expenses appropriations of \$142,000 were 54.9% expended. Lower expenditures were due, in part, to the timing of legislative audit costs. This appropriation is biennial and can be used in both years of the biennium. Additionally, the Director's Office reduced operating expenses such as travel, training, supplies and materials as much as possible due to the COVID-19 pandemic.

Local assistance appropriations of \$10,000 were 12.8% expended. These federal funds are received for flood control payments. The revenue received for these reimbursements totaled \$1,265, which was the amount provided for local assistance.

FY 2020 Appropriations Compared to FY 2021 Appropriations

Overall, the FY 2021 appropriation is approximately \$36,000 or 5.8% lower than the FY 2020 appropriation. The significant differences are in personal services and operating expenses.

The difference in personal services is primarily due to the transfer of general fund from several other divisions in the Department of Administration to the Director's Office. This change also included the transfer of 1.00 FTE from the State Information Technology Services Division. This transfer increased staffing in the Office of Labor Relations, which facilitates and manages 60 collective bargaining agreements within state government. The general fund transfer in FY 2021 totaled approximately \$109,000, which was \$23,000 higher than the transfer in FY 2020.

The difference in operating expenses is due to legislative audit costs. Legislative audit appropriations are included in the first year of the biennium and totaled \$70,000 in FY 2020.

Executive Request

The Director's Office is requesting an increase of approximately \$8.7 million in FY 2022 and \$9.0 million in FY 2023 above the FY 2021 base appropriations. This increase is primarily due to the present law adjustment for general fund transfers to the major repair projects account. There is also a present law adjustment to transfer general fund to the capital development account; however, this transfer was eliminated in a new proposal.

**LFD
COMMENT**

The 2019 Legislature passed HB 553 that included two general fund appropriated transfers in the Department of Administration budget. According to the law, these transfers are to be included as present law appropriations. The appropriations are as follows:

- Major repairs: Current law requires that the state invests 0.6% of the current replacement value (CRV) of Long Range Building Program (LRBP) eligible buildings for purposes of major repairs and maintenance of the buildings. The general fund appropriations are equal to the difference between 0.6% of CRV and the LRBP dedicated revenues of cigarette taxes and coal severance taxes
- Capital development: Current law requires an appropriation transfer for capital developments of an amount equal to 1.0% of general fund revenues less current and authorized but unissued general fund general obligation bond debt service. The legislature would have the ability to authorize the use of these funds for state or local government infrastructure projects through new cash or bonded capital improvement programs, but only if the appropriations for maintaining existing state buildings has been funded at a level equal to or greater than the 0.6% of CRV as described above. The appropriation is also available for use if there are general fund shortfalls experienced in the state budget, or as a "working rainy day fund." The Governor may propose to reduce or increase the amount of the transfer, but it must be included in the executive budget request as a new proposal

Program Personal Services

Personal services were \$485,000 or 84.7% of total FY 2021 appropriations. The executive proposes a decrease of approximately \$24,000 in FY 2022 and \$22,000 in FY 2023. The table below shows the total adjustments for each personal services category.

Figure 3

Department of Administration Director's Office FY 2022 Statewide Present Law Adjustment for Personal Services		
Expected Changes	\$ (541)	
Management Decisions	(23,051)	
Budget Modifications	-	
Total Present Law Adjustment	\$ (23,592)	

Management decisions comprise the majority of the decrease in the statewide present law adjustment for personal services. The Department of Administration moved 1.00 FTE from the State Information Technology Services Division and funding from several programs into the Director's Office. This position was vacant at the time of the personal services snapshot. Vacant positions are funded at 83.0% of the market midpoint for the job code of the position.

Funding

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

Funds	Department of Administration, 01-Director's Office Funding by Source of Authority					
	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	18,752,692	0	0	199,892,261	218,644,953	79.86 %
02858 Mineral Impact	0	0	0	12,972,000	12,972,000	100.00 %
02936 2020C Bond Proceeds AcctHB652	0	0	0	0	0	0.00 %
State Special Total	\$0	\$0	\$0	\$12,972,000	\$12,972,000	4.74 %
03095 Taylor Grazing Act Dist.	0	0	0	250,000	250,000	0.69 %
03369 Flood Control Payments	25,414	0	0	0	25,414	0.07 %
03425 Forest Reserve Shared Revenue	0	0	0	36,034,000	36,034,000	99.24 %
03675 Coronavirus Relief Fund DOA	0	0	0	0	0	0.00 %
Federal Special Total	\$25,414	\$0	\$0	\$36,284,000	\$36,309,414	13.26 %
06534 Management Services	0	0	4,300,899	0	4,300,899	73.56 %
06535 Continuity Emergency Mgmt	0	0	1,545,586	0	1,545,586	26.44 %
Proprietary Total	\$0	\$0	\$5,846,485	\$0	\$5,846,485	2.14 %
Total All Funds	\$18,778,106	\$0	\$5,846,485	\$249,148,261	\$273,772,852	

HB 2 Appropriations

The general fund appropriations provide 99.9% of the funding in HB 2. This is primarily comprised of the transfer to the major repairs project account. General fund also supports the Burial Preservation Board and the Office of Labor Relations.

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

Non-Budgeted Proprietary Appropriations

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

Statutory Appropriations

In the Director's Office, statutory appropriations account for 91.0% of appropriations from all sources of authority. The executive proposes statutory appropriation authority of approximately \$122.9 million in FY 2022 and \$126.2 million in FY 2023. The figure below provides FY 2020 actual expenditures, FY 2021 appropriations, and current HJ 2 estimates for FY 2022 and FY 2023 appropriations, which are \$109.0 million and \$112.1 million. HJ 2 estimates are slightly below the executive's estimates at this time.

Figure 4

Department of Administration Director's Office Statutory Appropriations						
	FY 2020 Actual	FY 2021 Appropriated	FY 2022 Estimated	FY 2023 Estimated		
General Fund						
Debt Service	\$ 8,225,527	\$ 10,534,915	\$ 15,252,707	\$ 17,064,950		
Local Government PERD Contribution	529,533	541,683	564,512	582,859		
School District PERS Contribution	621,944	646,959	663,027	684,575		
TRS GABA Contribution	948,966	996,000	1,011,651	1,044,530		
TRS Supplemental Contribution	44,999,422	46,015,000	46,320,508	47,013,425		
State Fund Division	138,817	200,000	200,000	200,000		
Public Employees Retirement Transfer	33,951,150	34,290,660	34,633,568	34,979,904		
Total General Fund	89,415,359	93,225,217	98,645,973	101,570,242		
State Special Revenue						
Mineral Impact Fees	7,077,769	8,186,000	6,486,000	6,486,000		
Debt Service	256,223	338,200	-	-		
Total State Special Revenue	7,333,992	8,524,200	6,486,000	6,486,000		
Federal Special Revenue						
Taylor Grazing Fees	113,718	125,000	125,000	125,000		
Forest Reserve Funds	13,800,949	18,017,000	3,760,270	3,917,450		
Total Federal Special Revenue	13,914,667	18,142,000	3,885,270	4,042,450		
Total Statutory Appropriations	\$ 110,664,018	\$ 119,891,417	\$ 109,017,243	\$ 112,098,692		

**LFD
COMMENT**

The Revenue Interim Committee adopted revenue estimates that impact the level of some of the statutory appropriations in the figure above. LFD staff will update the information included in the figure to reflect current HJ 2 estimates.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the [glossary](#).

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	560,144	560,144	1,120,288	5.97 %	572,851	572,851	1,145,702	6.10 %
SWPL Adjustments	87,504	13,995	101,499	0.54 %	87,504	13,995	101,499	0.54 %
PL Adjustments	14,356,393	17,149,352	31,505,745	168.01 %	14,356,393	17,149,352	31,505,745	167.78 %
New Proposals	(5,766,789)	(8,208,051)	(13,974,840)	(74.52)%	(5,766,789)	(8,208,051)	(13,974,840)	(74.42)%
Total Budget	\$9,237,252	\$9,515,440	\$18,752,692		\$9,249,959	\$9,528,147	\$18,778,106	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
FTE	Fiscal 2022				Fiscal 2023				Total Funds	
	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special		
DP 1 - Personal Services	0.00	(23,592)	0	0	(23,592)	0.00	(22,324)	0	0	(22,324)
DP 2 - Fixed Costs	0.00	111,096	0	0	111,096	0.00	36,319	0	0	36,319
DP 3 - Inflation Deflation	0.00	0	0	0	0	0.00	0	0	0	0
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	701	0	0	701	0.00	696	0	0	696
DP 5 - ServiceNow	0.00	(976)	0	0	(976)	0.00	(976)	0	0	(976)
DP 103 - General Fund Transfer to Capital Development Authority	0.00	5,766,789	0	0	5,766,789	0.00	8,208,051	0	0	8,208,051
DP 104 - Establish Minimum Funding for Major Repair Projects	0.00	8,589,879	0	0	8,589,879	0.00	8,941,581	0	0	8,941,581
Grand Total All Present Law Adjustments	0.00	\$14,443,897	\$0	\$0	\$14,443,897	0.00	\$17,163,347	\$0	\$0	\$17,163,347

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

DP 1 - Personal Services -

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

- Expected changes
- Personal services management decisions
- Modifications made to the personal services budget in the 2021 biennium

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive requests an increase in general fund to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided, which include accounting, human resources, and legal support.

DP 5 - ServiceNow -

The executive requests a decrease in general fund because of the purchase of ServiceNow licenses and programs for the 2023 biennium. The Director's Office is anticipating operating efficiencies and other savings by using ServiceNow.

DP 103 - General Fund Transfer to Capital Development Authority -

The executive requests an increase in general fund for a transfer to the capital developments long-range building program account as required by 17-7-208, MCA.

DP 104 - Establish Minimum Funding for Major Repair Projects -

The executive requests an increase in general fund for a transfer to the major repair long-range building program account as required by 17-7-222, MCA.

New Proposals

The New Proposals table shows new changes to spending

New Proposals									
Fiscal 2022					Fiscal 2023				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 107 - Adjust Transfer for Capital Development Account									
0.00	(5,766,789)	0	0	(5,766,789)	0.00	(8,208,051)	0	0	(8,208,051)
Total	\$0.00	(\$5,766,789)	\$0	\$0 (\$5,766,789)	0.00	(\$8,208,051)	\$0	\$0	(\$8,208,051)

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

DP 107 - Adjust Transfer for Capital Development Account -

The executive requests a decrease in general fund transfers to the capital developments long-range building program account included in the present law decision package 103. This new proposal decreases the transfer because the funding will be used for debt service related to the bonding proposal in HB 14.

Other Issues -**Proprietary Rates**

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

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

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

Management Services Fund – 06534

Proprietary Program Description

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

- Office of Human Resources
 - Processes payroll
 - Assists with recruitment, selection, and orientation of new employees
 - Classifies positions
 - Develops policies for the department
- Office of Legal Services
 - Advises on legal matters
- Office of Finance and Budget
 - Prepares and presents the biennial budget
 - Processes budget change documents
 - Monitors budgets for compliance with state law and legislative intent
 - Provides accounting assistance

The management services fund supports 21.51 FTE.

Proprietary Program Narrative

The following 2023 Biennium Report on Internal Service and Enterprise Funds shows the actual and projected expenditures and related revenues associated with the management services fund.

2023 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Program Name
06534	Management Services	61010	Director's Office

	Actual FY 20	Estimated FY 21	Proposed FY 22	Proposed FY 23
Operating Revenues				
Fees and Charges				
Fee Revenue A	1,964,050	1,964,050	2,160,957	2,160,644
Fee Revenue B	805	12	12	12
Total Operating Revenues	1,964,855	1,964,062	2,160,969	2,160,656
Expenses				
Personal Services	1,836,368	1,832,558	1,866,757	1,875,556.00
Other Operating Expense	272,061	258,729	279,543	276,425
Total Operating Expense	2,108,429	2,091,287	2,146,300	2,151,981
Operating Income (Loss)	(143,574)	(127,225)	14,669	8,675
Nonoperating Revenues				
Other Revenue A				
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfers	(143,574)	(127,225)	14,669	8,675
Capital Contributions				
Transfers In				
Transfers Out				
Debt Service	(48)	(1,309)	(1,309)	(1,309)
Change in Net Position	(143,622)	(128,534)	13,360	7,366
Beginning Net Position - July 1	276,323	132,702	4,168	17,528
Prior Period Adjustments				
Change in Net Position	(143,622)	(128,534)	13,360	7,366
Ending Net Position - June 30	132,702	4,168	17,528	24,894
Net Position (Fund Balance) Analysis				
Restricted Net Postion (Enterprise Funds Only)				
Unrestricted Net Position				

Expenses

The executive proposes decreasing expenses in the management services fund by approximately \$79,000 in FY 2022 and approximately \$74,000 in FY 2023 when compared to the FY 2021 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Figure 5

Proposed Changes for the 2023 Biennium in the Budgeting System		
	FY 2022	FY 2023
Director's Office		
Statewide Present Law Adjustment - Personal Services	\$ (5,234)	\$ (2,641)
Adjust Management Services Personal Services	(87,055)	(87,119)
Statewide Present Law Adjustment - Fixed Costs	13,760	10,569
ServiceNow	<u>(1,084)</u>	<u>(1,084)</u>
Total	(79,613)	(80,275)
Office of Legal Services		
Statewide Present Law Adjustment - Personal Services	11,763	13,126
Adjust Management Services Personal Services	(57,782)	(56,986)
Statewide Present Law Adjustment - Fixed Costs	517	516
ServiceNow	<u>(397)</u>	<u>(397)</u>
Total	(45,899)	(43,741)
Office of Human Resources		
Statewide Present Law Adjustment - Personal Services	27,568	29,645
Statewide Present Law Adjustment - Fixed Costs	2,933	2,959
ServiceNow	<u>(1,518)</u>	<u>(1,518)</u>
Total	28,983	31,086
Office of Finance and Budget		
Statewide Present Law Adjustment - Personal Services	25,351	27,395
Adjust Management Services Personal Services	(14,609)	(14,619)
Statewide Present Law Adjustment - Fixed Costs	8,269	8,317
ServiceNow	<u>(1,666)</u>	<u>(1,666)</u>
Total	17,345	19,427
Total Proposed Decrease	\$ (79,184)	\$ (73,503)

The statewide present law adjustment for personal services increases appropriations by approximately \$59,000 in FY 2022 and \$68,000 in FY 2023 in the management services fund. This proposed increase is more than offset by a proposed decrease in personal services of \$159,000 in FY 2022 and \$159,000 in FY 2023. This decrease is proposed to more closely align personal services expenditures with agency projections.

Revenues

All divisions of the agency and some administratively attached boards and agencies use the services provided by the Director's Office. Administratively attached agencies or boards are not charged a fee if they do not use some of the services

because they have staff to perform these functions.

The revenues for this program are allocated in three ways:

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

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2023 biennium. The executive is proposing a 6.4% increase to the total allocation of costs and a 17.5% increase to the FTE component when compared to the FY 2021 base rates.

Figure 6

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Estimated FY 2020	Estimated FY 2021	Proposed FY 2022	Proposed FY 2023
Fee Description:				
Total Allocation of Costs	\$1,408,903	\$1,408,903	\$1,498,454	\$1,498,454
FTE Component	\$947	\$947	\$1,113	\$1,113

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

Continuity and Emergency Management – 06535

Proprietary Program Description

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

There are currently 5.00 FTE in the State Continuity and Emergency Management Office (SCEMO).

Proprietary Program Narrative

The following 2023 Biennium Report on Internal Service and Enterprise Funds shows the actual and projected expenditures and related revenues associated with the continuity and emergency management fund.

2023 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Program Name
06535	SCEMO	61010	Continuity and Emergency Mgmt.

	Actual FY 20	Budgeted FY 21	Proposed FY 22	Proposed FY 23
Operating Revenues				
Fees and Charges				
Fee Revenue A	758,029	757,972	780,770	780,713
Other Operating Revenues	1,877		-	-
Total Operating Revenues	759,906	757,972	780,770	780,713
Expenses				
Personal Services	568,974	571,510	562,673	566,789
Other Operating Expense	183,899	203,845	207,573	206,437
Debt Service	38	1,057	1,057	1,057
Total Operating Expense	752,911	776,412	771,303	774,283
Operating Income (Loss)	6,995	(18,440)	9,467	6,430
Nonoperating Revenues				
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfers	6,995	(18,440)	9,467	6,430
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position	6,995	(18,440)	9,467	6,430
Beginning Net Position - July 1	20,327	27,322	8,882	18,349
Prior Period Adjustments				
Change in Net Position	6,995	(18,440)	9,467	6,430
Ending Net Position - June 30	27,322	8,882	18,349	24,779

Expenses

The executive proposes decreasing expenses in the SCEMO by approximately \$4,500 in FY 2022 and approximately

\$1,500 in FY 2023. The decrease is due to the present law adjustment for personal services and ServiceNow. The following figure shows the changes as proposed by the executive as reflected in the budgeting system.

Figure 7

Department of Administration Director's Office Continuity and Emergency Management Fund Proposed Changes for the 2023 Biennium in the Budgeting System		
	FY 2022	FY 2023
Personal Services		
Statewide Present Law Adjustment - Personal Services	\$ (8,837)	\$ (4,721)
Personal Services Total	(8,837)	(4,721)
Operating Expenses		
Statewide Present Law Adjustment - Fixed Costs	3,103	1,973
Allocate Indirect/Administrative Costs	2,277	2,271
ServiceNow	(1,085)	(1,085)
Operating Expenses Total	4,295	3,159
Total Proposed Decrease	\$ (4,542)	\$ (1,562)

The statewide present law adjustment for personal services is primarily driving the proposed decrease in expenditures. The State Continuity and Emergency Management Office had 1.00 FTE retire. This position was reclassified, and a new staff member was hired at a lower pay rate.

Revenues

The SCEMO bills the State Information Technology Services Division and the General Services Division quarterly for their services. Fees are collected by both divisions through their respective enterprise rates charged to all agencies.

The executive proposes that SITSD pays approximately \$562,000 and GSD pays approximately \$219,000 annually in the 2023 biennium for this function.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2023 biennium. The proposed rates have increased by 3.0% for the 2023 biennium. There are two primary reasons for the proposed increase. Proposed personal services expenditures include a 2.0% vacancy savings. The SCEMO is currently fully staffed and there is a concern that the office may not be able to meet the vacancy savings built into the budget. The rates included in the table below would allow for sufficient revenue should vacancy savings not be achieved. Additionally, the proposed rates below allow the office to build its working capital closer to 60 days.

Figure 8

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information			
Actual FY 2020	Estimated FY 2021	Proposed FY 2022	Proposed FY 2023
Fee Description:			
Total Allocation of Costs \$ 758,029	\$ 757,972	\$ 780,770	\$ 780,713

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

Program Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	4,747,509	5,197,412	449,903	9.48 %
Operating Expenses	1,521,865	1,579,624	57,759	3.80 %
Debt Service	5,327	5,812	485	9.10 %
Total Expenditures	\$6,274,701	\$6,782,848	\$508,147	8.10 %
General Fund	5,786,053	6,204,278	418,225	7.23 %
State/Other Special Rev. Funds	370,648	402,438	31,790	8.58 %
Federal Spec. Rev. Funds	7,254	11,656	4,402	60.68 %
Proprietary Funds	110,746	164,476	53,730	48.52 %
Total Funds	\$6,274,701	\$6,782,848	\$508,147	8.10 %
Total Ongoing	\$6,274,701	\$6,782,848	\$508,147	8.10 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The State Financial Services Division performs many centralized functions and administers state and federal programs to state agencies, local government entities, and Montana citizens and businesses. The division consists of four bureaus – Statewide Accounting, State Procurement, Financial Services Technology, and Local Government Services, which includes the Social Security Administrator.

The Division Strategies and Solutions Team (DSST) provides resources at the division level and focuses on operational business strategies and technology solutions to support division-wide initiatives.

The Statewide Accounting Bureau (SAB) prepares and publishes the state's annual comprehensive financial report (CAFR) and maintains a statewide accounting structure with related policies and procedures to allow all branches of government to meet their individual reporting needs. The Daily Operations Unit includes both the Treasury and Warrant Writer services. The Treasury responsibilities include central banking functions and maintaining accountability of all money and securities belonging to or held in trust by the state. The Warrant Writer services include management of the state payment processes and state vendor file, and issuance of 1099 miscellaneous and 1042 forms. The bureau also serves as the process owner of the Statewide Accounting Budgeting & Human Resources System (SABHRS) financial modules and assists state agencies in operating the state's accounting system. The Department of Administration and the Board of Investments (BOI) work jointly to manage the State of Montana's cash. The Treasury within DOA reconciles the state's banking activity and movement of cash, manages bank contracts, and provides support to BOI and other agencies.

The State Procurement Bureau (SPB) provides professional procurement services to all state agencies for the acquisition of supplies and services. SPB advocates for compliance with all state statutes and procurement requirements, establishes statewide contracts for commonly used goods and services, manages the state's fuel and procurement card programs, and offers procurement and contract management training to state agencies. In addition, SPB promotes compliance with the Montana Procurement Act (MCA Title 18-4) and is the business process owner of the Montana Acquisition and Contracting System (eMACS).

The Financial Services Technology Bureau (FSTB) provides system analysis, support, configuration, development, and maintenance of the state's enterprise accounting and budgeting systems. The bureau also manages system architecture and provides database administration for the entire SABHRS application. FSTB partners with the Statewide Accounting Bureau, Governor's Office of Budget and Program Planning, Legislative Fiscal Division, and the State Human Resources Division to gather business requirements and develop application strategies. In addition, FSTB supports the Montana

Acquisition and Contracting System (eMACS).

Local Government Services Bureau (LGSB) works with local governments (counties, cities and towns, school districts, and special districts) to support uniform financial accountability and to assist the local governments in complying with their statutory, financial, and budgetary reporting requirements, including provisions of the Montana Single Audit Act. LGSB receives and makes the local government financial, budget, and audit reports available to the public.

The State Social Security Administrator is a part of the Local Government Services Bureau. The State Social Security Administrator is responsible for administering Section 218 of the Social Security Act by providing education and outreach and ensuring proper application of Social Security coverage to all state and local government employees.

Program Highlights

State Financial Services Division Major Budget Highlights
<ul style="list-style-type: none">• The State Financial Services Division's 2023 biennium requested appropriations are approximately \$508,000 or 8.1% higher than the 2021 biennium• The proposed increase in general fund is primarily due to the statewide present law adjustment for personal services and a present law adjustment for indirect costs paid to the Director's Office• The executive is proposing a fund switch from general fund to a budgeted proprietary fund to fund a position in the program entirely with proprietary funding• The majority of the funding in the division is from non-budgeted proprietary funds. The legislature approves the rates for the SABHRS and warrant writing internal service funds in HB 2 and reviews the local government services enterprise fund. The executive is not proposing rate increases for either of the internal service funds

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	28.92	28.92	28.92	28.92
Personal Services	2,440,912	2,359,146	2,388,363	2,592,009	2,605,403
Operating Expenses	480,460	760,789	761,076	789,878	789,746
Debt Service	2,179	2,421	2,906	2,906	2,906
Total Expenditures	\$2,923,551	\$3,122,356	\$3,152,345	\$3,384,793	\$3,398,055
General Fund	2,688,683	2,877,133	2,908,920	3,096,068	3,108,210
State/Other Special Rev. Funds	173,666	184,023	186,625	200,708	201,730
Federal Spec. Rev. Funds	5,828	5,827	1,427	5,828	5,828
Proprietary Funds	55,374	55,373	55,373	82,189	82,287
Total Funds	\$2,923,551	\$3,122,356	\$3,152,345	\$3,384,793	\$3,398,055
Total Ongoing	\$2,923,551	\$3,122,356	\$3,152,345	\$3,384,793	\$3,398,055
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2020 Appropriation Compared to FY 2020 Actual Expenditures

The State Financial Services Division is funded in HB 2 with general fund, state special revenue, federal special revenue, and proprietary funds. The HB 2 modified budget of \$3.1 million was 93.6% expended as of the end of FY 2020. Lower expenditures were primarily in operating expenses.

Operating expenses of approximately \$761,000 were 63.2% expended. Lower expenditures were due to the COVID-19 pandemic. The division decreased travel and training expenses.

FY 2020 Appropriations Compared to FY 2021 Appropriations

Overall, the FY 2021 appropriation is approximately \$30,000 or 1.0% higher than the FY 2020 appropriation. The FY 2020 and FY 2021 appropriations are not significantly different. The minor difference is primarily due to the pay plan allocation in each fiscal year.

Executive Request

The State Financial Services Division is requesting an increase of approximately \$232,000 in FY 2022 and \$246,000 in FY 2023 above the FY 2021 base appropriations. The increase primarily due to the statewide present law adjustment for personal services. Personal services are discussed in more detail in the next section.

Program Personal Services

Personal services were \$2.4 million or 75.8% of total FY 2021 appropriations. The executive proposes a statewide present law increase of approximately \$199,000 in FY 2022 and \$213,000 in FY 2023. The table below shows the total adjustments for each personal services category.

Figure 9

Department of Administration State Financial Services Division FY 2022 Statewide Present Law Adjustment for Personal Services	
Expected Changes	\$ 72,001
Management Decisions	127,244
Budget Modifications	<hr/> -
Total Present Law Adjustment	\$ 199,245

Management decisions is the category that is primarily causing the increase in the statewide present law adjustment for personal services. These changes are primarily comprised of market adjustments, performance adjustments, reclassifications, a training assignment progression, and a supervisory adjustment.

Funding

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

Funds	Department of Administration, 03-State Financial Services Division Funding by Source of Authority						% Total All Funds
	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources		
01100 General Fund	6,204,278	0	0	5,272,140	11,476,418		46.83 %
02211 Procurement Special Revenue State Special Total	402,438 \$402,438	0 \$0	0 \$0	0 \$0	402,438 \$402,438		100.00 % 1.64 %
03320 CMIA Funds 03675 Coronavirus Relief Fund DOA Federal Special Total	11,656 0 \$11,656	0 0 \$0	0 0 \$0	0 0 \$0	11,656 0 \$11,656		100.00 % 0.00 % 0.05 %
06042 Local Govt Svcs AuditRportng 06511 SABHRS 06527 Investment Division 06564 Warrant Writing Proprietary Total	0 0 164,476 0 \$164,476	0 0 0 0 \$0	1,666,712 9,247,981 0 1,537,443 \$12,452,136	0 0 0 0 \$0	1,666,712 9,247,981 164,476 1,537,443 \$12,616,612		13.21 % 73.30 % 1.30 % 12.19 % 51.48 %
Total All Funds	\$6,782,848	\$0	\$12,452,136	\$5,272,140	\$24,507,124		

HB 2 Appropriations

HB 2 appropriations support 27.7% of the costs in the State Financial Services Division.

General fund is the primary funding source for the functions approved in HB 2. General fund supports the development of statewide accounting standards, treasury functions, procurement functions, accounting assistance for local governments, and the State Social Security Administrator function.

The procurement state special revenue fund receives revenue from all rebates credited to the department from using state procurement cards and term contracts. The revenue must be used to administer the state's procurement card programs, administer term contracts established by the department, and reimburse applicable funds to the federal government. The unreserved, unexpended balance of the funds collected must be deposited in the general fund by the end of the fiscal year.

Federal special revenues provide for cash management services related to the federal Cash Management Improvement Act. These funds are deposited into the general fund.

Proprietary funding in HB 2 is a direct appropriation from the Board of Investments proprietary fund for services the

Treasury Unit provides to the BOI.

Non-Budgeted Proprietary Funds

Approximately 50.8% of the SFSD functions are supported with non-budgeted proprietary funds. These funds are discussed in the Proprietary Rates section of the narrative.

Statutory Appropriations

Approximately 21.5% of the funding in SFSD is statutorily appropriated. The state treasurer may contract with a financial institution to provide general depository banking services. The cost of contracting for banking services is statutorily appropriated from the general fund (17-6-101, MCA). In addition, the state treasurer has statutory authority to return any federal funds and the interest earned on the funds that may not be retained by the state according to federal law or the terms of the federal grant (17-3-106, MCA).

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the [glossary](#).

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	2,908,920	2,908,920	5,817,840	93.77 %	3,152,345	3,152,345	6,304,690	92.95 %
SWPL Adjustments	185,920	198,143	384,063	6.19 %	209,792	223,085	432,877	6.38 %
PL Adjustments	1,228	1,147	2,375	0.04 %	22,656	22,625	45,281	0.67 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$3,096,068	\$3,108,210	\$6,204,278		\$3,384,793	\$3,398,055	\$6,782,848	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
FTE	Fiscal 2022				Fiscal 2023				Total Funds	
	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special		
DP 1 - Personal Services	0.00	181,384	7,724	0	199,245	0.00	193,452	9,002	0	212,639
DP 2 - Fixed Costs	0.00	4,632	6,017	0	10,649	0.00	4,751	5,759	0	10,510
DP 3 - Inflation Deflation	0.00	(96)	(6)	0	(102)	0.00	(60)	(4)	0	(64)
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	24,179	738	0	24,917	0.00	24,148	738	0	24,886
DP 5 - ServiceNow	0.00	(6,272)	(390)	0	(6,662)	0.00	(6,272)	(390)	0	(6,662)
DP 301 - Treasury Position Funding Adjustment	0.00	(16,679)	0	0	0	0.00	(16,729)	0	0	0
DP 303 - Increase CMIA authority	0.00	0	0	4,401	4,401	0.00	0	0	4,401	4,401
Grand Total All Present Law Adjustments	0.00	\$187,148	\$14,083	\$4,401	\$232,448	0.00	\$199,290	\$15,105	\$4,401	\$245,710

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

DP 1 - Personal Services -

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

- Expected changes
- Personal services management decisions
- Modifications made to the personal services budget in the 2021 biennium

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive requests an increase in general fund and state special revenue to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided, which include accounting, human resources, and legal support.

DP 5 - ServiceNow -

The executive requests a decrease in general fund and state special revenue because of the purchase of ServiceNow licenses and programs for the 2023 biennium. The State Financial Services Division is anticipating operating efficiencies and other savings by using ServiceNow.

DP 301 - Treasury Position Funding Adjustment -

The executive requests a decrease in general fund and an increase in budgeted proprietary funds for a position in the division. This change will ensure that this position is fully funded in the proprietary fund.

**LFD
ISSUE**

Fund Switches are New Proposals

The requested present law adjustment for the treasury position includes a fund switch that should be considered as a new proposal.

DP 303 - Increase CMIA authority -

The executive requests an increase in federal special revenue for expenditures related to the federal Cash Management Improvement Act (CMIA) agreement. The federal government reimburses the costs for staff time spent reviewing the CMIA agreement.

Other Issues -**Proprietary Rates**

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

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

SABHRS - 06511*Proprietary Program Description*

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

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

Proprietary Program Narrative

The following 2023 Biennium Report on Internal Service and Enterprise Funds shows the actual and projected expenditures and related revenues associated with the SABHRS fund.

2023 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Program Name
06511	SABHRS	61010	State Financial Services Division

	Actual FY20	Budgeted FY21	Proposed FY22	Proposed FY23
Operating Revenues				
Fees and Charges				
SABHRS Services	4,168,577	3,971,661	4,168,577	3,971,661
Other Operating Revenues	204,980	203,120	203,120	203,120
Other Revenue	6,900			
Total Operating Revenues	4,380,457	4,174,781	4,371,697	4,174,781
Expenses				
Personal Services	1,929,163	2,064,035	2,018,984	1,966,601
Other Operating Expense	2,309,852	2,713,434	2,555,353	2,704,711
	4,239,015	4,777,469	4,574,337	4,671,312
Operating Income (Loss)	141,442	(602,688)	(202,640)	(496,531)
Nonoperating Revenues				
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfers	141,442	(602,688)	(202,640)	(496,531)
Capital Contributions				
Transfers In				
Transfers Out				
Debt Service	(42)	(1,166)	(1,166)	(1,166)
Change in Net Position	141,400	(603,854)	(203,806)	(497,697)
Beginning Net Position - July 1	1,168,697	1,310,097	706,243	502,437
Prior Period Adjustments				
Change in Net Position	141,400	(603,854)	(203,806)	(497,697)
Ending Net Position - June 30	1,310,097	706,243	502,437	4,740
Net Position (Fund Balance) Analysis				
Restricted Net Postion (Enterprise Funds Only)				
Unrestricted Net Position				

Expenses

The executive proposes decreasing expenses in the SABHRS fund by approximately \$341,000 in FY 2022 and approximately \$244,000 in FY 2023 when compared to the FY 2021 base budget. The decrease is primarily due to an adjustment to more closely align personal service and operating expenditures with projections. The following figure shows the changes as proposed by the executive as reflected in the budgeting system.

Figure 10

Proposed Changes for the 2023 Biennium in the Budgeting System		
	FY 2022	FY 2023
Personal Services		
Statewide Present Law Adjustment - Personal Services	\$ (72)	\$ 7,061
Adjust SABHRS Proprietary	<u>(103,695)</u>	<u>(163,211)</u>
Personal Services Total	(103,767)	(156,150)
Operating Expenses		
Statewide Present Law Adjustment - Fixed Costs	54,673	(32,969)
Allocate Indirect/Administrative Costs	4,001	4,001
ServiceNow	(4,554)	(4,554)
Adjust SABHRS Proprietary	<u>(291,000)</u>	<u>(54,000)</u>
Operating Expenses Total	(236,880)	(87,522)
Total Proposed Decrease	<u>\$ (340,647)</u>	<u>\$ (243,672)</u>

Revenues

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

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2023 biennium. The rates charged in the base year are shown for comparison purposes. The executive is not proposing rate increases for SABHRS when comparing to the 2021 biennium.

"Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information" Actual Budgeted Budgeted Budgeted FY
2020 FY 2021 FY 2022 FY 2023 SABHRS Services \$4,168,579 \$3,974,661 \$4,168,579 \$3,974,661

Figure 11

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

Actual FY 2020	Budgeted FY 2021	Budgeted FY 2022	Budgeted FY 2023
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SABHRS Services \$4,168,579 \$3,974,661 \$4,168,579 \$3,974,661

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 - 06564*Proprietary Program Description*

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

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

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

Proprietary Program Narrative

The following 2023 Biennium Report on Internal Service and Enterprise Funds shows the actual and projected expenditures and related revenues associated with the warrant writing proprietary fund.

2023 Biennium Report on Internal Service and Enterprise Funds				
Fund	Fund Name	Agency #	Program Name	
06564	Warrant Writing	61010	State Financial Services Division	
			Actual FY 20	Budgeted FY 21
Operating Revenues				Proposed FY 22
Fees and Charges				Proposed FY 23
Warrant Writing Revenue			749,372	732,912
Total Operating Revenues			749,372	732,912
				728,632
				730,491
Expenses				
Personal Services			245,174	263,731
Other Operating Expense			526,205	489,656
Debt Service			24	655
Total Operating Expense			771,403	754,042
				761,640
				762,595
Operating Income (Loss)			(22,031)	(21,130)
				(33,008)
				(32,104)
Nonoperating Revenues				
Other Revenue A			-	-
Other Revenue B			-	-
Nonoperating Expenses				
Debt Service			-	-
Other Expense B			-	-
Total Nonoperating Revenues (Expenses)			-	-
			-	-
Income (Loss) Before Contributions and Transfers			(22,031)	(21,130)
				(33,008)
				(32,104)
Capital Contributions				
Transfers In			-	-
Transfers Out			-	-
Change in Net Position			(22,031)	(21,130)
				(33,008)
				(32,104)
Beginning Net Position - July 1			200,750	178,719
Prior Period Adjustments			-	-
Change in Net Position			(22,031)	(21,130)
				(33,008)
				(32,104)
Ending Net Position - June 30			178,719	157,589
				124,581
				92,477
Net Position (Fund Balance) Analysis				
Restricted Net Postion (Enterprise Funds Only)				
Unrestricted Net Position			178,719	157,589
				124,581
				92,477

Expenses

The executive proposes increasing expenses in the warrant writing fund by approximately \$15,000 in FY 2022 and \$16,000 in FY 2023 when compared to the FY 2021 base budget. The following figure shows the changes as proposed by the executive as reflected in the budgeting system.

Figure 12

Proposed Changes for the 2023 Biennium in the Budgeting System		
	FY 2022	FY 2023
Personal Services		
Statewide Present Law Adjustment - Personal Services	\$ 13,243	\$ 14,966
Personal Services Total	13,243	14,966
Operating Expenses		
Statewide Present Law Adjustment - Fixed Costs	(670)	(1,438)
Allocate Indirect/Administrative Costs	3,119	3,119
ServiceNow	(939)	(939)
Operating Expenses Total	1,510	742
Total Proposed Increase	\$ 14,753	\$ 15,708

The proposed increases are primarily due to the statewide present law adjustment for personal services. These present law adjustments include increases related to the reclassification of positions. There was a full classification review conducted in the WWU which resulted in classification changes to more accurately reflect duties performed. There was also a market adjustment for one position in the unit.

Revenues

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

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2023 biennium. The rates charged in the base year are shown for comparison purposes. The executive is not proposing rate increases for the warrant writing proprietary fund when comparing to the 2021 biennium.

Figure 13

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Actual FY 2020	Budgeted FY 2021	Budgeted FY 2022	Budgeted FY 2023
Mailer	\$0.83386	\$0.83386	\$0.83386	\$0.83386
Non-Mailer	\$0.36059	\$0.36059	\$0.36059	\$0.36059
Emergency	\$13.52212	\$13.52212	\$13.52212	\$13.52212
Duplicate	\$9.01475	\$9.01475	\$9.01475	\$9.01475
Payroll - Printed Warrants	\$0.15206	\$0.15206	\$0.15206	\$0.15206
External - University System	\$0.12170	\$0.12170	\$0.12170	\$0.12170
Direct Deposit Mailer	\$0.99162	\$0.99162	\$0.99162	\$0.99162
Direct Deposit Non-mailer	\$0.13522	\$0.13522	\$0.13522	\$0.13522
UI - Warrant Printing Only	\$0.11847	\$0.11847	\$0.11847	\$0.11847
UI - Direct Deposit	\$0.02982	\$0.02982	\$0.02982	\$0.02982

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 – 06042

Proprietary Program Description

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

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

- Receives annual financial reports, budgets, audits and reviews local governments and posts them to the transparency website for public viewing
- Provides technical assistance on accounting, reporting, auditing, and legal compliance matters to local governments and certified public accountants conducting local government audits
- Maintains the roster of independent auditors authorized to conduct local government audits
- Maintains the legal compliance supplement for use by independent auditors in conducting local government audits
- Verifies that all local governments that are required to have audits do so
- Receives and reviews local government audit reports to determine whether the audits have been conducted in accordance with required standards
- Receives and reviews each local government's response to the audit report findings; follows up on corrective plans as necessary

Proprietary Program Narrative

The following 2023 Biennium Report on Internal Service and Enterprise Funds shows the actual and projected expenditures and related revenues associated with the local government audit and reporting proprietary fund.

2021 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Program Name
06042	Single Audit Review - HB328	61010	State Financial Services Division

	Actual FY 20	Budgeted FY 21	Proposed FY 22	Proposed FY 23
Operating Revenues				
Revenue from Audit Review Roster Fee				
Revenue from Annual Report Filing Fee	654,462	635,000	635,000	635,000
Other Operating Revenues				
Revenue from Delinquent Report Submissions	50,524	80,000	80,000	80,000
Miscellaneous Revenue	25,574			
Total Operating Revenues	730,560	715,000	715,000	715,000
Expenses				
Personal Services	524,083	500,040	541,639	542,369
Other Operating Expense	273,303	286,193	291,498	290,444
Debt Service	14	381	381	381
Total Operating Expense	797,400	786,614	833,518	833,194
Operating Income (Loss)	(66,840)	(71,614)	(118,518)	(118,194)
Nonoperating Revenues				
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfers	(66,840)	(71,614)	(118,518)	(118,194)
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position	(66,840)	(71,614)	(118,518)	(118,194)
Beginning Net Position - July 1	380,416	313,576	241,962	123,444
Prior Period Adjustments				
Change in Net Position	(66,840)	(71,614)	(118,518)	(118,194)
Ending Net Position - June 30	313,576	241,962	123,444	5,250

Expenses

The executive proposes increasing expenses in the local government audit and reporting program by approximately \$48,000 in FY 2022 and \$47,000 in FY 2023. The following figure shows the changes as proposed by the executive as reflected in the budgeting system.

Figure 14

Department of Administration State Financial Services Division Local Government Services Fund Proposed Changes for the 2023 Biennium in the Budgeting System		
	FY 2022	FY 2023
Personal Services		
Statewide Present Law Adjustment - Personal Services	\$ 41,599	\$ 42,329
Personal Services Total	41,599	42,329
Operating Expenses		
Statewide Present Law Adjustment - Fixed Costs	6,962	5,859
Statewide Present Law Adjustment - Inflation/Deflation	(132)	(83)
Allocate Indirect/Administrative Costs	384	384
ServiceNow	(1,301)	(1,301)
Operating Expenses Total	5,913	4,859
Total Proposed Increase	\$ 47,512	\$ 47,188

The proposed increases are primarily due to the statewide present law adjustment for personal services. These present law adjustments include increases related to the reclassification of positions. There was a full classification review conducted in the Local Government Audit and Reporting Program which resulted in classification changes to more accurately reflect duties performed. There was also a supervisory adjustment for one position in the program.

Revenues

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

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

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2023 biennium. The rates charged in the base year are shown for comparison purposes. The executive is not proposing rate increases for the program.

Figure 15

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Actual FY 2020	Budgeted FY 2021	Proposed FY 2022	Proposed FY 2023
Fee Description:				
Annual revenues equal to or greater than \$750,000 but less than \$1,000,0000	\$550	\$550	\$550	\$550
Annual revenues equal to or greater than \$1,000,000 but less than \$1,500,0000	\$800	\$800	\$800	\$800
Annual revenues equal to or greater than \$1,500,000 but less than \$2,500,0000	\$950	\$950	\$950	\$950
Annual revenues equal to or greater than \$2,500,000 but less than \$5,000,0000	\$1,300	\$1,300	\$1,300	\$1,300
Annual revenues equal to or greater than \$5,000,000 but less than \$10,000,0000	\$1,700	\$1,700	\$1,700	\$1,700
Annual revenues equal to or greater than \$10,000,000 but less than \$50,000,0000	\$2,500	\$2,500	\$2,500	\$2,500
Annual revenues equal to or greater than \$50,000,000	\$3,000	\$3,000	\$3,000	\$3,000
Local Government Financial Review Fee	\$75	\$75	\$75	\$75
Roster Fee	\$100	\$100	\$100	\$100

The funding for this program is provided through an enterprise fund. As such, the legislature does not approve rates or appropriate funds for this proprietary fund.

Program Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	3,521,042	3,545,746	24,704	0.70 %
Operating Expenses	1,270,503	1,328,460	57,957	4.56 %
Debt Service	3,098	3,540	442	14.27 %
Total Expenditures	\$4,794,643	\$4,877,746	\$83,103	1.73 %
State/Other Special Rev. Funds	4,794,643	4,877,746	83,103	1.73 %
Total Funds	\$4,794,643	\$4,877,746	\$83,103	1.73 %
Total Ongoing	\$4,794,643	\$4,877,746	\$83,103	1.73 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Architecture and Engineering Division manages remodeling and construction of state buildings. Its functions include:

- Planning new projects and remodeling projects
- Advertising, bidding, and awarding construction contracts
- Administering contracts with architects, engineers, and contractors
- Disbursing building construction payments
- 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 and Engineering Division Major Budget Highlights
<ul style="list-style-type: none"> • The Architecture and Engineering Division's 2023 biennium requested appropriations are approximately \$83,000 or 1.7% higher than the 2021 biennium • The executive requests a decrease in state special revenue funding due to statewide present law adjustments for fixed costs and inflation/deflation • The executive requests an increase in state special revenue funding for licensing a new software system for the facility condition assessment and indirect costs paid to the Director's Office

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	17.50	17.50	17.50	17.50
Personal Services	1,644,952	1,749,892	1,771,150	1,769,654	1,776,092
Operating Expenses	645,841	636,316	634,187	661,098	667,362
Debt Service	1,328	1,328	1,770	1,770	1,770
Total Expenditures	\$2,292,121	\$2,387,536	\$2,407,107	\$2,432,522	\$2,445,224
State/Other Special Rev. Funds	2,292,121	2,387,536	2,407,107	2,432,522	2,445,224
Total Funds	\$2,292,121	\$2,387,536	\$2,407,107	\$2,432,522	\$2,445,224
Total Ongoing	\$2,292,121	\$2,387,536	\$2,407,107	\$2,432,522	\$2,445,224
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2020 Appropriation Compared to FY 2020 Actual Expenditures

The Architecture and Engineering Division is entirely funded in HB 2 with state special revenue funds. The HB 2 modified budget of \$2.4 million was 96.0% expended as of the end of FY 2020. This is in line with anticipated expenditures at the end of the fiscal year.

FY 2020 Appropriations Compared to FY 2021 Appropriations

Overall, the FY 2021 appropriation is approximately \$20,000 or 0.8% higher than the FY 2020 appropriation. The FY 2020 and FY 2021 appropriations are not significantly different. The minor difference is primarily due to the pay plan allocation in each fiscal year.

Executive Request

The Architecture and Engineering Division is requesting an increase of approximately \$25,000 in FY 2022 and \$38,000 in FY 2023 above the FY 2021 base appropriations. The increase is primarily due to a requested software system that will assist with the facility condition assessment mandated in 17-7-202, MCA and indirect costs paid to the Director's Office. This increase is offset by decreases in statewide present law adjustments for fixed costs and inflation/deflation and the present law adjustment for efficiencies gained through using ServiceNow.

Program Personal Services

Personal services were \$1.8 million or 73.6% of total FY 2021 appropriations. The executive proposes a decrease of approximately \$1,500 in FY 2022 and an increase of \$5,000 in FY 2023. The table below shows the total adjustments for each personal services category.

Figure 16

Department of Administration Architecture and Engineering Division FY 2022 Statewide Present Law Adjustment for Personal Services	
Expected Changes	\$ 10,749
Management Decisions	(12,245)
Budget Modifications	<u>-</u>
Total Present Law Adjustment	\$ (1,496)

Expected changes partially offset the decrease in management decisions in the statewide present law adjustment for personal services. The annualization of the legislatively approved pay plan and statutorily required adjustments for longevity are the primary drivers for the increase in this category.

The decrease in management decisions is primarily driven by changes in staffing, which includes a retirement and hiring a new employee at a lower pay rate due to experience.

Funding

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

Funds	Department of Administration, 04-Architecture & Engineering Pgm Funding by Source of Authority						
	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
02030 Arch & Engin Construction	4,877,746	0	0	0	4,877,746	100.00 %	
State Special Total	\$4,877,746	\$0	\$0	\$0	\$4,877,746	100.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$4,877,746	\$0	\$0	\$0	\$4,877,746		

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

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the [glossary](#).

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	0	0	0	0.00 %	2,407,107	2,407,107	4,814,214	98.70 %
SWPL Adjustments	0	0	0	0.00 %	(61,600)	(57,006)	(118,606)	(2.43)%
PL Adjustments	0	0	0	0.00 %	7,821	7,800	15,621	0.32 %
New Proposals	0	0	0	0.00 %	79,194	87,323	166,517	3.41 %
Total Budget	\$0	\$0	\$0		\$2,432,522	\$2,445,224	\$4,877,746	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
FTE	Fiscal 2022				Fiscal 2023				Total Funds	
	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special		
DP 1 - Personal Services	0.00	0	(1,496)	0	(1,496)	0.00	0	4,942	0	4,942
DP 2 - Fixed Costs	0.00	0	(56,496)	0	(56,496)	0.00	0	(59,685)	0	(59,685)
DP 3 - Inflation Deflation	0.00	0	(3,608)	0	(3,608)	0.00	0	(2,263)	0	(2,263)
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	11,616	0	11,616	0.00	0	11,595	0	11,595
DP 5 - ServiceNow	0.00	0	(3,795)	0	(3,795)	0.00	0	(3,795)	0	(3,795)
Grand Total All Present Law Adjustments	0.00	\$0	(\$53,779)	\$0	(\$53,779)	0.00	\$0	(\$49,206)	\$0	(\$49,206)

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

DP 1 - Personal Services -

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

- Expected changes
- Personal services management decisions
- Modifications made to the personal services budget in the 2021 biennium

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive requests an increase in state special revenue to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided, which include accounting, human resources, and legal support.

DP 5 - ServiceNow -

The executive requests a decrease in state special revenue because of the purchase of ServiceNow licenses and programs for the 2023 biennium. The Architecture and Engineering Division is anticipating operating efficiencies and other savings by using ServiceNow.

New Proposals

The New Proposals table shows new changes to spending

New Proposals										
	Fiscal 2022				Fiscal 2023				Total Funds	
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	
DP 401 - Facility Condition Software	0.00	0	79,194	0	79,194	0.00	0	87,323	0	87,323
Total	0.00	\$0	\$79,194	\$0	\$79,194	0.00	\$0	\$87,323	\$0	\$87,323

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

DP 401 - Facility Condition Software -

The executive requests an increase in state special revenue for software licensure and subscription costs. The Architecture and Engineering Division is required by statute (17-7-202, MCA) to provide:

- The location, agency, and usage of all of buildings within the state's building inventory
- A statewide facility condition assessment for all buildings that are eligible for Long-Range Building Program funds. The condition assessments must be provided in an itemized format of the deficiencies in every building, a calculation of the deferred maintenance backlog for each building, and the deficiency ratios for each building

There are currently no platforms available within the enterprise services offering or by other agencies that can provide this functionality. The division has selected the Archibus platform as the most economical and efficient tool readily available to meet the statute's requirements.

Program Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	10,488,299	10,146,747	(341,552)	(3.26)%
Operating Expenses	34,553,982	35,196,109	642,127	1.86 %
Equipment & Intangible Assets	826,330	826,330	0	0.00 %
Transfers	802,897	444,000	(358,897)	(44.70)%
Debt Service	398,128	432,814	34,686	8.71 %
Total Expenditures	\$47,069,636	\$47,046,000	(\$23,636)	(0.05)%
Proprietary Funds	47,069,636	47,046,000	(23,636)	(0.05)%
Total Funds	\$47,069,636	\$47,046,000	(\$23,636)	(0.05)%
Total Ongoing	\$47,069,636	\$47,046,000	(\$23,636)	(0.05)%
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

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

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

Program Highlights

General Services Division Major Budget Highlights
<ul style="list-style-type: none"> • The General Services Division's 2023 biennium requested appropriations are approximately \$24,000 or 0.1% lower than the 2021 biennium • The executive requests present law decreases in proprietary funds because of savings related to contracted services expenses • The executive proposes increases in proprietary funds for office rent and non-office rent

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	72.35	72.35	72.35	72.35
Personal Services	5,341,139	5,414,030	5,074,269	5,068,853	5,077,894
Operating Expenses	16,510,818	17,037,921	17,516,061	17,608,770	17,587,339
Equipment & Intangible Assets	101,774	413,165	413,165	413,165	413,165
Transfers	390,250	559,897	243,000	243,000	201,000
Debt Service	223,555	198,474	199,654	216,407	216,407
Total Expenditures	\$22,567,536	\$23,623,487	\$23,446,149	\$23,550,195	\$23,495,805
Proprietary Funds	22,567,536	23,623,487	23,446,149	23,550,195	23,495,805
Total Funds	\$22,567,536	\$23,623,487	\$23,446,149	\$23,550,195	\$23,495,805
Total Ongoing	\$22,567,536	\$23,623,487	\$23,446,149	\$23,550,195	\$23,495,805
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2020 Appropriation Compared to FY 2020 Actual Expenditures

The General Services Division expended 95.5% of its \$23.6 million budget as of the end for FY 2020. This is in line with anticipated expenditures at the end of the fiscal year.

FY 2020 Appropriations Compared to FY 2021 Appropriations

Overall, the FY 2021 appropriation is approximately \$177,000 or 0.8% lower than the FY 2020 appropriation. The FY 2020 and FY 2021 appropriations are not significantly different.

Executive Request

The General Services Division is requesting an increase of approximately \$104,000 in FY 2022 and \$50,000 in FY 2023 above the FY 2021 base appropriations. This increase is primarily due to the statewide present law adjustment for fixed costs, indirect costs paid to the Director's Office, and property assessment increases. These increases are partially offset by requested decreases due to savings in contracted services.

Funding

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

Funds	Department of Administration, 06-General Services Division Funding by Source of Authority						% Total All Funds
	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources		
01100 General Fund	0	0	0	0	0	0	0.00 %
02518 Capitol Security Contract	0	0	0	0	0	0	0.00 %
State Special Total	\$0	\$0	\$0	\$0	\$0	\$0	0.00 %
Federal Special Total	\$0	\$0	\$0	\$0	\$0	\$0	0.00 %
06066 Surplus Property	0	0	1,491,052	0	1,491,052		3.17 %
06528 Rent And Maintenance	0	0	23,431,211	0	23,431,211		49.80 %
06530 Print & Mail Services	0	0	22,123,737	0	22,123,737		47.03 %
Proprietary Total	\$0	\$0	\$47,046,000	\$0	\$47,046,000		100.00 %
Total All Funds	\$0	\$0	\$47,046,000	\$0	\$47,046,000		

Proprietary Funds

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

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the [glossary](#).

Budget Item	General Fund				Total Funds			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
	2021 Base Budget	0	0	0.00 %	23,446,149	23,446,149	46,892,298	99.67 %
SWPL Adjustments	0	0	0	0.00 %	370,668	353,277	723,945	1.54 %
PL Adjustments	0	0	0	0.00 %	(266,622)	(303,621)	(570,243)	(1.21)%
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$23,550,195	\$23,495,805	\$47,046,000	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
FTE	Fiscal 2022				FTE	Fiscal 2023				
	General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds	
DP 1 - Personal Services	0.00	0	0	0	(5,416)	0.00	0	0	0	3,625
DP 2 - Fixed Costs	0.00	0	0	0	376,094	0.00	0	0	0	349,658
DP 3 - Inflation Deflation	0.00	0	0	0	(10)	0.00	0	0	0	(6)
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	0	0	45,744	0.00	0	0	0	45,744
DP 5 - ServiceNow	0.00	0	0	0	(10,486)	0.00	0	0	0	(10,486)
DP 6 - SCEMO Increase	0.00	0	0	0	6,367	0.00	0	0	0	6,368
DP 602 - Property Assessments Increase	0.00	0	0	0	35,000	0.00	0	0	0	40,000
DP 605 - SBECP Adjustments	0.00	0	0	0	16,753	0.00	0	0	0	(25,247)
DP 607 - Contracted Services Decrease	0.00	0	0	0	(360,000)	0.00	0	0	0	(360,000)
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$104,046	0.00	\$0	\$0	\$0	\$49,656

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

DP 1 - Personal Services -

The executive requests adjustments to annualize personal services costs including FY 2021 statewide pay plan adjustments, benefit rate adjustments, vacancy savings adjustments and longevity adjustments related to incumbents in each position at the time of the personal services snapshot.

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments for budgetary changes in inflationary or deflationary adjustments of affected expenditure accounts, including food, postage, gasoline, and others.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive requests an increase in proprietary funding to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided, which include accounting, human resources, and legal support.

DP 5 - ServiceNow -

The executive requests a decrease in proprietary funding because of the purchase of ServiceNow licenses and programs for the 2023 biennium. The General Services Division is anticipating operating efficiencies and other savings by using ServiceNow.

DP 6 - SCEMO Increase -

The executive requests an increase in proprietary funds for the General Services Division's portion of the costs paid to the State Continuity and Emergency Office.

DP 602 - Property Assessments Increase -

The executive requests an increase in proprietary funding for assessment paid to the City of Helena.

DP 605 - SBECP Adjustments -

The executive requests an increase in proprietary funding in FY 2022 and a decrease in FY 2023 to adjust for payments made by Capitol Facilities Management to the state building energy conservation program.

DP 607 - Contracted Services Decrease -

The executive requests a decrease in proprietary funding to reflect savings in contracted services expense. In FY 2021 Capitol Facilities Management took over the state's mechanical contract, which resulted in savings to this program.

Other Issues -**Proprietary Rates**

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

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

Capitol Facilities Management – Rent and Maintenance (06528)*Proprietary Program Description*

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

Operational authority for the bureau is provided by Title 2, Chapter 17, Part 8, Section 811, MCA. The bureau currently has 34.00 FTE.

Proprietary Program Narrative

The following 2023 Biennium Report on Internal Service and Enterprise Funds shows the actual and projected expenditures and related revenues associated with the rent and maintenance proprietary fund.

2023 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Program Name
06528	Rent & Maintenance	61010	General Services

	Actual FY 20	Estimated FY 21	Proposed FY 22	Proposed FY 23
Operating Revenues				
Fees and Charges				
Revenue from Office Rental Rate	9,511,457	9,593,518	10,176,627	10,187,351
Revenue from Warehouse Rental Rate	637,580	574,194	853,837	855,079
Revenue from Handyman Charges	225,977	225,977	226,170	226,170
Revenue from Project Work	595,273	595,273	494,254	494,254
Revenue from Construction Supervisory Fees	80,412	80,412	66,094	66,094
Access and ID Card Revenue	22,382	22,382	22,017	22,017
Other Operating Revenues	52,360	50,360	28,052	28,052
Total Operating Revenues	11,125,441	11,142,116	11,867,051	11,879,017
Expenses				
Personal Services	3,013,107	2,549,861	2,664,256	2,668,262
Operating Expense	8,117,142	8,047,808	8,555,489	8,548,406
Equipment	-	141,394	141,394	141,394
Total Operating Expense	11,130,249	10,739,063	11,361,139	11,358,062
Operating Income (Loss)	(4,808)	403,053	505,912	520,955
Nonoperating Revenues				
Gain (Loss) Sale of Fixed Assets	18,990			
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	18,990			
Income (Loss) Before Contributions and Transfers	14,182	403,053	505,912	520,955
Transfers In	364,156	-	-	-
Transfers Out	(390,251)	(243,000)	(243,000)	(201,000)
Loans and Lease Payments	(37,588)	(117,252)	(134,005)	(134,005)
Change in Net Position	(49,501)	42,801	128,907	185,950
Beginning Net Position - July 1	1,225,044	1,175,543	1,218,344	1,347,251
Prior Period Adjustments				
Change in Net Position	(49,501)	42,801	128,907	185,950
Ending Net Position - June 30	1,175,543	1,218,344	1,347,251	1,533,201

Expenses

The executive proposes to decrease total expenses by approximately \$78,000 in FY 2022 and \$123,000 in FY 2023 when compared to the FY 2021 base budget. The following figure shows the changes as proposed by the executive as reflected in the budgeting system.

Figure 17

Proposed Changes for the 2023 Biennium in the Budgeting System		
	FY 2022	FY 2023
Personal Services		
Statewide Present Law Adjustment	39,395	43,401
Personal Services Total	39,395	43,401
Operating Expenses		
Statewide Present Law Adjustment - Fixed Costs	158,770	146,682
Statewide Present Law Adjustment - Inflation	(10)	(6)
Allocate Indirect/Administrative Costs	29,293	29,293
ServiceNow	(3,253)	(3,253)
Property Assessment Increase	35,000	40,000
Contracted Services Decrease	(360,000)	(360,000)
State Continuity and Emergency Management Fee Increase	6,367	6,368
Operating Expenses Total	(133,833)	(140,916)
Transfers		
State Building Energy Conservation Program Adjustment	-	(42,000)
Transfers Total	-	(42,000)
Debt Service		
State Building Energy Conservation Program Adjustment	16,753	16,753
Debt Service Total	16,753	16,753
Total Proposed Decrease	(77,685)	(122,762)

The executive proposes increased expenditures due, in part, to the statewide present law adjustment for fixed costs. Capitol Facilities Management is responsible for paying the property insurance on the buildings within the capitol complex. The increase in fixed costs for this program are primarily because of the rate increase from Risk Management and Tort Defense.

The proposed increases are more than offset by proposed decreases in expenditures. The most significant decrease is due to contracted services. In FY 2021, CFM took over the state's mechanical contract, which resulted in savings of \$360,000 each fiscal year.

Revenues

Revenues are based on square footage rental rates charged for office and non-office space billed to agencies occupying space in state owned buildings overseen by the Department of Administration.

Proprietary Rates

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

The figure below shows the rates proposed by the executive for the 2023 biennium. The rates charged in the 2021 biennium are shown for comparison purposes. The executive is proposing rate increases of approximately 6.0% for office rent and 49.0% for non-office rent when compared to the base year of FY 2021.

Figure 18

Requested Rates for Internal Service Funds Fee/Rate Information				
	Actual FY 2020	Actual FY 2021	Projected FY 2022	Projected FY 2023
Fee Description:				
Office Rent (per sq. ft.)	\$ 10.540	\$ 10.736	\$ 11.357	\$ 11.369
Non-office Rent (per sq. ft.)	\$ 5.546	\$ 5.546	\$ 8.247	\$ 8.259
Grounds Maintenance (per sq. ft.)	\$ 0.615	\$ 0.615	\$ 0.615	\$ 0.615
Project Mgmt. (In-house)	15%	15%	15%	15%
Project Mgmt. (Consultation)	Actual Cost	Actual Cost	Actual Cost	Actual Cost
State Employee Access ID Card	Actual Cost	Actual Cost	Actual Cost	Actual Cost

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 Bureau - 06530*Proprietary Program Description*

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

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

The State Print and Mail Bureau has authority for 32.60 FTE.

Proprietary Program Narrative

The following 2023 Biennium Report on Internal Service and Enterprise Funds shows the actual and projected expenditures and related revenues associated with the print and mail services proprietary fund.

2023 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Program Name		
			Actual FY 20	Budgeted FY 21	Proposed FY 22
					Proposed FY 23
Operating Revenues					
Fees and Charges					
Charges for Services			10,664,395	10,950,000	10,950,000
Other Operating Revenue			-	-	-
Total Operating Revenues			10,664,395	10,950,000	10,950,000
Expenses					
Personal Services			1,914,098	1,972,192	2,004,606
Other Operating Expense			8,521,888	8,834,177	8,980,026
Debt Service			15,445	81,724	81,724
Total Operating Expense			10,451,431	10,888,093	11,066,356
Operating Income (Loss)			212,964	61,907	(116,356)
Nonoperating Revenues					
Other Revenue A			74	12	12
Nonoperating Expenses					
Other Expense A			74	12	12
Total Nonoperating Revenues (Expenses)			74	12	12
Income (Loss) Before Contributions and Transfers			213,038	61,919	(116,344)
Capital Contributions					
Transfers In					
Transfers Out					
Change in Net Position			213,038	61,919	(116,344)
Beginning Net Position - July 1			2,415,044	2,628,082	2,690,001
Prior Period Adjustments					
Change in Net Position			213,038	61,919	(116,344)
Ending Net Position - June 30			2,628,082	2,690,001	2,573,657
					2,466,288

Expenses

The executive proposes to increase expenditures by approximately \$186,000 in FY 2022 and \$177,000 in FY 2023 when compared to the FY 2021 base year. The following figure shows the changes as proposed by the executive as reflected in the budgeting system.

Figure 19

Department of Administration General Services Division Print and Mail Services Proposed Changes for the 2023 Biennium in the Budgeting System	FY 2022	FY 2023
Personal Services		
Statewide Present Law Adjustment	<u>32,414</u>	<u>36,157</u>
Personal Services Total	<u>32,414</u>	<u>36,157</u>
Operating Expenses		
Statewide Present Law Adjustment - Fixed Costs	<u>145,249</u>	<u>132,531</u>
Allocate Indirect/Administrative Costs	<u>13,700</u>	<u>13,700</u>
ServiceNow	<u>(5,769)</u>	<u>(5,769)</u>
Operating Expenses Total	<u>153,180</u>	<u>140,462</u>
Total Proposed Increase	<u>185,594</u>	<u>176,619</u>

Increases are primarily due to statewide present law adjustments for fixed costs. State Information Technology Services Division (SITSD) costs are increasing by approximately \$82,000 each fiscal year. The State Print and Mail Bureau is enhancing its print management information system and it is anticipated that more SITSD services will be required.

Revenues

All state agencies in Helena use the services of the State Print and Mail Bureau depending on their printing and mail needs. Printing revenue is based on the actual type and volume of printing provided and mail services is based on agency service frequency.

Proprietary Rates

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

The figure below shows the rates proposed by the executive for the 2023 biennium. The rates charged in the 2021 biennium are shown for comparison purposes. The executive is proposing to keep the majority of the rates unchanged. The only rate that the executive is proposing to increase is the interagency mail rate. This would be an increase of 3.8% when compared to the base year of FY 2021 in order to adjust for an increase in personal services.

Figure 20

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Actual FY 2020	Budgeted FY 2021	Proposed FY 2022	Proposed FY 2023
Fee Description:				
Internal Printing				
Impressions	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%
Large Format Color per ft.	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%
Ink	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%
Bindery work	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%
Variable data printing	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%
Pick and Pack Fulfillment	\$1.00	\$1.00	\$1.00	\$1.00
Overtime	\$30.00	\$30.00	\$30.00	\$30.00
Desktop	\$75.00	\$75.00	\$75.00	\$75.00
Scan	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%
IT Programming	\$95.00	\$95.00	\$95.00	\$95.00
File Transfer	\$25.00	\$25.00	\$25.00	\$25.00
Mainframe Print	\$0.071	\$0.071	\$0.071	\$0.071
Warrant Printing	\$0.250	\$0.250	\$0.250	\$0.250
CD/DVD duplicating	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%
Pre-Press work	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%
Inventory Mark Up	20.00%	20.00%	20.00%	20.00%
External Printing				
Percent of Invoice Mark-Up	8.8%	8.8%	8.8%	8.8%
Managed Print				
Percent of Invoice Mark-Up	15.9%	15.9%	15.9%	15.9%
Mail Preparation				
Tabbing	\$0.023	\$0.023	\$0.023	\$0.023
Labeling	\$0.023	\$0.023	\$0.023	\$0.023
Ink Jet	\$0.036	\$0.036	\$0.036	\$0.036
Inserting	\$0.045	\$0.045	\$0.045	\$0.045
Waymark	\$0.069	\$0.069	\$0.069	\$0.069
Permit mailings	\$0.069	\$0.069	\$0.069	\$0.069
Mail Operations				
Machinable	\$0.043	\$0.043	\$0.043	\$0.043
Non-Machinable	\$0.110	\$0.110	\$0.110	\$0.110
Seal Only	\$0.020	\$0.020	\$0.020	\$0.020
Postcards	\$0.070	\$0.070	\$0.070	\$0.070
Certified Mail	\$0.620	\$0.620	\$0.620	\$0.620
Registered Mail	\$0.614	\$0.614	\$0.614	\$0.614
International Mail	\$0.510	\$0.510	\$0.510	\$0.510

Flats	\$0.150	\$0.150	\$0.150	\$0.150
Priority	\$0.614	\$0.614	\$0.614	\$0.614
Express Mail	\$0.614	\$0.614	\$0.614	\$0.614
USPS Parcels	\$0.510	\$0.510	\$0.510	\$0.510
Insured mail	\$0.614	\$0.614	\$0.614	\$0.614
Media Mail	\$0.320	\$0.320	\$0.320	\$0.320
Standard Mail	\$0.200	\$0.200	\$0.200	\$0.200
Postage Due	\$0.061	\$0.061	\$0.061	\$0.061
Fee Due	\$0.061	\$0.061	\$0.061	\$0.061
Tapes	\$0.245	\$0.245	\$0.245	\$0.245
Express Services	\$0.500	\$0.500	\$0.500	\$0.500
Mail tracking	\$0.250	\$0.250	\$0.250	\$0.250
Cass letters/postcards	\$0.047	\$0.047	\$0.047	\$0.047
Cass flats	\$0.100	\$0.100	\$0.100	\$0.100
Flat sorter	\$0.250	\$0.250	\$0.250	\$0.250
Interagency Mail				
Dollars-yearly	\$362,325	\$362,325	\$376,025	\$376,025
Postal Contract (Capitol)				
Dollars-yearly	\$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.

Surplus Property – 06066

Proprietary Program Description

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

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

The program has authority for 5.75 FTE.

Proprietary Program Narrative

The following 2023 Biennium Report on Internal Service and Enterprise Funds shows the actual and projected expenditures and related revenues associated with the surplus property proprietary fund.

2023 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Program Name
06066	Surplus Property	61010	General Services Division

	Actual FY 20	Budgeted FY 21	Proposed FY 22	Proposed FY 23
Operating Revenues				
Fees and Charges				
State Surplus Property Handling Fee	617,539	615,000	615,000	615,000
Federal Surplus Property Handling Fee	137,812	135,000	135,000	135,000
Other Operating Revenue	-	-		
Total Operating Revenues	755,351	750,000	750,000	750,000
Expenses				
Personal Services	417,598	477,216	399,991	401,283
Other Operating Expense	1,130,640	272,201	345,026	343,396
Debt Service	25	678	678	678
Total Operating Expense	1,548,262	750,095	745,695	745,357
Operating Income (Loss)	(792,912)	(95)	4,305	4,643
Nonoperating Revenues				
Other Revenue A				
Nonoperating Expenses				
Other Expense A				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfers	(792,912)	(95)	4,305	4,643
Capital Contributions	927,061	700,000	700,000	700,000
Transfers In	-			
Transfers Out				
Change in Net Position	134,149	699,905	704,305	704,643
Beginning Net Position - July 1	788,086	922,235	1,622,140	2,326,445
Prior Period Adjustments				
Change in Net Position	134,149	699,905	704,305	704,643
Ending Net Position - June 30	922,235	1,622,140	2,326,445	3,031,088

Expenses

The executive proposes to decrease expenditures by approximately \$4,000 in FY 2022 and \$4,000 in FY 2023 when compared to the FY 2021 base year. The following figure shows the changes as proposed by the executive as reflected in the budgeting system.

Figure 21

Proposed Changes for the 2023 Biennium in the Budgeting System		
	FY 2022	FY 2023
Personal Services		
Statewide Present Law Adjustment	(77,225)	(75,933)
Personal Services Total	(77,225)	(75,933)
Operating Expenses		
Statewide Present Law Adjustment - Fixed Costs	72,075	70,445
Allocate Indirect/Administrative Costs	2,751	2,751
ServiceNow	(1,464)	(1,464)
Operating Expenses Total	73,362	71,732
Total Proposed Decrease	(3,863)	(4,201)

The proposed decrease is primarily due to the statewide present law adjustment for personal services. This decrease is mainly because of the inclusion of funding for a modified position in the 2021 biennium personal services. The snapshot for personal services does not include funding for modified positions, so personal services appropriations for the 2023 biennium is reduced.

The proposed decreases are partially offset by the statewide present law adjustment for fixed cost. This increase is primarily due to increases in rent. Prior to FY 2020, surplus property paid their utilities and contracted their own janitorial services. Any needed repairs were contracted and paid directly by surplus property. It was determined by the Department of Administration that it would be better to have regular maintenance on the building performed by CFM because of the age and condition of the building. CFM assumed all utility bills, janitorial services, security, and grounds and building maintenance. In FY 2020 surplus property began paying the non-office rate to CFM.

Revenues

The surplus property and recycling program is an enterprise fund which sells property to the general public. The program operates by charging up to \$750 plus 5.0% per item sold. The fee was raised from \$500 to \$750 at the beginning of FY 2020. There is some growth in the fund balance that occurs when taking into account nonbudgeted inventory adjustments. According to the department, the program needs to increase its working capital for future expenses. The lease on the current property expires in four years. If the lease is not extended, the program will need to acquire a new facility.

Proprietary Rates

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

Figure 22

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

Actual FY 20	Budgeted FY 21	Proposed FY 22	Proposed FY 23
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Fee Description:

The State Surplus handling fees are: If property is sold for less than \$750, the program retains the proceeds. The program retains \$750 plus 5.0% and unusual expenses for property sold for more than \$750. The Federal Surplus Property Program fees are an allocation of freight expenses and 14.0% of acquisition costs. This is included in the Federal Plan of Operation, which has been approved by the Federal General Services Administration.

Program Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	2,524,275	847,274	(1,677,001)	(66.43)%
Operating Expenses	4,880,102	400,457	(4,479,645)	(91.79)%
Equipment & Intangible Assets	201,000	0	(201,000)	(100.00)%
Total Expenditures	\$7,605,377	\$1,247,731	(\$6,357,646)	(83.59)%
General Fund	6,709,153	385,661	(6,323,492)	(94.25)%
State/Other Special Rev. Funds	896,224	862,070	(34,154)	(3.81)%
Total Funds	\$7,605,377	\$1,247,731	(\$6,357,646)	(83.59)%
Total Ongoing	\$7,605,377	\$1,247,731	(\$6,357,646)	(83.59)%
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

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

Program Highlights

State Information Technology Services Division Major Budget Highlights
<ul style="list-style-type: none"> • The State Information Technology Division's 2023 biennium requested appropriations are approximately \$6.3 million or 83.6% lower than the 2021 biennium • The proposed decreases in general fund are primarily due to executive moving the Montana cybersecurity enhancement project from HB 2 to the proprietary rates • The majority of the funding in the State Information Technology Services Division is from non-budgeted proprietary funds <ul style="list-style-type: none"> ◦ The executive is proposing to increase state agency costs by \$8.0 million in FY 2022 and \$8.5 million in FY 2023. The legislature approves the rates for the SITSD internal service fund in HB 2 ◦ The executive is proposing a new eGovernment services enterprise fund. The legislature reviews enterprise funds

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	14.49	14.49	14.49	14.49
Personal Services	784,738	1,082,426	1,441,849	423,114	424,160
Operating Expenses	2,325,182	2,525,494	2,354,608	200,476	199,981
Equipment & Intangible Assets	200,979	201,000	0	0	0
Total Expenditures	\$3,310,899	\$3,808,920	\$3,796,457	\$623,590	\$624,141
General Fund	2,864,805	3,362,561	3,346,592	192,721	192,940
State/Other Special Rev. Funds	446,094	446,359	449,865	430,869	431,201
Total Funds	\$3,310,899	\$3,808,920	\$3,796,457	\$623,590	\$624,141
Total Ongoing	\$3,310,899	\$3,808,920	\$3,796,457	\$623,590	\$624,141
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2020 Appropriation Compared to FY 2020 Actual Expenditures

The State Information Technology Service Division is funded in HB 2 with general fund and state special revenue. The HB 2 modified budget of \$3.8 million was 86.9% expended as of the end of FY 2020. General fund expenditures comprised nearly the entire amount of that was under expended.

The primary contributor to the lower percentage expended was the Montana cybersecurity enhancement project. This project, approved by the 2019 Legislature, was funded with approximately \$3.2 million each fiscal year. In FY 2020, SITSD expended \$2.7 million or 84.4% of its appropriation. There are several reasons for the remaining authority, which include not increasing salaries for cybersecurity staff in FY 2020 as planned and delayed hiring of positions to not overload existing staff with training. There were also impacts from COVID-19 which included decreased travel and training and not hiring an apprentice position because recruitment on college campuses was impacted.

FY 2020 Appropriations Compared to FY 2021 Appropriations

Overall, the FY 2021 appropriation is approximately \$12,000 or 0.3% lower than the FY 2020 appropriation. The FY 2020 and FY 2021 appropriations are not significantly different.

Executive Request

The State Information Technology Services Division is requesting a decrease of approximately \$3.2 million in FY 2022 and \$3.2 million in FY 2023 compared to the FY 2021 base appropriations. The decrease is primarily due to the request to move the Montana cybersecurity enhancement project from HB 2 to the proprietary rates. This transfer will be discussed in further detail in the Proprietary Rates section of the narrative.

Program Personal Services

Personal services were \$1.4 million or 38.0% of total FY 2021 appropriations. The executive proposes a statewide present law decrease of approximately \$158,000 in FY 2022 and \$156,000 in FY 2023. The table below shows the total adjustments for each personal services category.

Figure 23

Department of Administration State Information Technology Services Division FY 2022 Statewide Present Law Adjustment for Personal Services	
Expected Changes	\$ (11,036)
Management Decisions	(146,934)
Budget Modifications	<hr/> <hr/>
Total Present Law Adjustment	<u><u>\$ (157,970)</u></u>

Management decisions are mainly causing the decrease in the statewide present law adjustment for personal services. HB 2 included funding for 10.00 FTE as part of the cybersecurity enhancement project. Of the 10.00 FTE, 6.00 FTE were vacant at the time of the personal services snapshot. This is primarily driving the decrease in personal services.

Funding

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

Department of Administration, 07-State Information Technology Division Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	385,661	0	0	0	385,661	0.26 %
02594 Statewide 911 Services Admin	862,070	0	0	0	862,070	2.67 %
02997 911 Distribution	0	0	0	23,590,500	23,590,500	73.00 %
02998 911 Grants	0	0	0	7,863,500	7,863,500	24.33 %
State Special Total	\$862,070	\$0	\$0	\$31,454,000	\$32,316,070	22.01 %
03276 DES Project Grants	0	0	0	0	0	0.00 %
03254 Coronavirus Relief Fund DOA SI	0	0	0	0	0	0.00 %
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %
06522 ISD Proprietary	0	0	109,838,991	0	109,838,991	96.27 %
06004 Electronic Government Services	0	0	4,256,068	0	4,256,068	3.73 %
Proprietary Total	\$0	\$0	\$114,095,059	\$0	\$114,095,059	77.72 %
Total All Funds	\$1,247,731	\$0	\$114,095,059	\$31,454,000	\$146,796,790	

HB 2 Appropriations

General fund appropriations provide funding for the administrative portion of the Public Safety Bureau. State special revenue appropriations 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 landline or wireless services.

Non-Budgeted Proprietary Appropriations

The majority of the functions within SITSD are funded with non-budgeted proprietary funds. The executive has an internal service fund that receives revenues from information technology costs charged to state agencies. The executive also has a newly created enterprise fund for eGovernment Services. These proprietary funds are discussed in more detail in the Proprietary Rates 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.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the [glossary](#).

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	3,346,592	3,346,592	6,693,184	1,735.51 %	3,796,457	3,796,457	7,592,914	608.54 %
SWPL Adjustments	(129,627)	(128,780)	(258,407)	(67.00)%	(153,533)	(152,350)	(305,883)	(24.52)%
PL Adjustments	(3,479)	(3,479)	(6,958)	(1.80)%	1,431	1,427	2,858	0.23 %
New Proposals	(3,020,765)	(3,021,393)	(6,042,158)	(1,566.70)%	(3,020,765)	(3,021,393)	(6,042,158)	(484.25)%
Total Budget	\$192,721	\$192,940	\$385,661		\$623,590	\$624,141	\$1,247,731	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments									
FTE	Fiscal 2022				Fiscal 2023				Total Funds
	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	
DP 1 - Personal Services	0.00	(127,736)	(30,234)	0	(157,970)	0.00	(127,037)	(29,259)	0 (156,296)
DP 2 - Fixed Costs	0.00	(1,620)	6,328	0	4,708	0.00	(1,573)	5,689	0 4,116
DP 3 - Inflation Deflation	0.00	(271)	0	0	(271)	0.00	(170)	0	0 (170)
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	(3,479)	4,910	0	1,431	0.00	(3,479)	4,906	0 1,427
Grand Total All Present Law Adjustments	0.00	(\$133,106)	(\$18,996)	\$0	(\$152,102)	0.00	(\$132,259)	(\$18,664)	\$0 (\$150,923)

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

DP 1 - Personal Services -

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

- Expected changes
- Personal services management decisions
- Modifications made to the personal services budget in the 2021 biennium

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive requests a decrease in general fund and an increase in state special revenue to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided, which include accounting, human resources, and legal support.

New Proposals

The New Proposals table shows new changes to spending

New Proposals										
	Fiscal 2022				Fiscal 2023				Total Funds	
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	
DP 703 - Move SITSD Cybersecurity to Proprietary	0.00	(3,020,765)	0	0	(3,020,765)	0.00	(3,021,393)	0	0	(3,021,393)
Total	0.00	(\$3,020,765)	\$0	\$0	(\$3,020,765)	0.00	(\$3,021,393)	\$0	\$0	(\$3,021,393)

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

DP 703 - Move SITSD Cybersecurity to Proprietary -

The executive is requesting a decrease in general fund to move the State Information Technology Services Division's cybersecurity costs to proprietary rates in the 2023 biennium.

LFD COMMENT The 2019 Legislature approved \$3.2 million general fund in HB 2 for the Montana cybersecurity enhancement project. This included funding of \$1.0 million for 10.00 FTE. HB 2 included language stating, "It is the intent of the legislature that funding for the Montana Cybersecurity Enhancement Project be moved to the State Information Technology Services Division's proprietary rates in the 2023 biennium if the project is successful." The executive is currently proposing moving the funding to the proprietary rates, but they are not proposing moving FTE. The December 15th submission of the Governor's budget will include a move of 10.00 FTE to the proprietary fund.

Other Issues -**Proprietary Rates**

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

- State Information Technology Services
- eGovernment Services

SITSD Proprietary Fund - 06522*Proprietary Program Description*

SITSD is a proprietary program that provides central computing, data network, and telecommunications services to more than 100 government customers throughout the state. SITSD manages two data centers, a statewide data network, and provides information technology (IT) services to all branches of state government, the Commissioner of Higher Education, and various city and county municipalities. Responsibilities include:

- Information Systems Security
 - Manages solutions and services to ensure continuity of enterprise operations and security of data through risk assessment and mitigation, planning and monitoring, detailed recovery planning, incident response, and periodic testing
 - Coordinates security policies and procedures
- Network Technology Services
 - Manages the statewide network which connects 22,000 devices at over 600 locations and provides prioritized voice, video, data, and wireless services
 - Develops and implements network solutions that support customer needs for bandwidth and connectivity
- Enterprise Technology Services
 - Designs, implements and manages shared IT hardware and software infrastructure in a highly-efficient virtualized environment
 - Provides platforms for application and database hosting services using enterprise-class computing and storage capacity
- Enterprise Support Services
 - Manages the service desk to assist customers regarding hardware and software applications, including email and telecommunications
 - Manages desktop lifecycle for customers, including software and hardware ordering, deployment, updates, remote control, and disposal
- Montana Data Centers
 - Manages state data center facilities in Helena (primary) and Miles City (disaster recovery)
 - Maintains the reliability, efficiency, security, and availability of computer processing and storage for all customers
- Application Technology Services
 - Supports the state's mt.gov websites
 - Assists customers with designing and deploying customized applications and online services, including eGovernment applications
- Public Safety Communications Services
 - Supports the Statewide Interoperability Governing Board and 9-1-1 Advisory Council in the areas of governance, policy, and planning
 - Manages federal and state funding sources to support maintenance of public safety communications systems and equipment
 - Manages statewide licenses for mutual aid frequencies
- Strategic Planning Services
 - Ensures IT operations are conducted in an organized, deliberative, and cost-effective manner through planning, periodic performance reports, and oversight of agency IT procurements and plans
 - Publishes the State IT Strategic Plan and Biennial Report
- Financial Management Services
 - Manages budget, billing, acquisition, and contract management services for SITSD
 - Sets rates and manages the revenues and expenses for more than 200 enterprise services provided to state and local government IT customers
- State IT Project Management Services
 - Provides expertise, assistance, tools, methodologies, and training to customers to ensure IT projects are conducted in an organized, deliberative, and cost-effective manner

Proprietary Program Narrative

The following 2023 Biennium Report on Internal Service and Enterprise Funds shows the actual and projected expenditures and related revenues associated with the SITSD proprietary fund.

2023 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Program Name			
06522	SITSD Proprietary	61010	State Information Technology Services Div.			
Operating Revenues						
Fees and Charges						
Charges for Services - Agency			47,470,836	47,173,114	48,311,695	48,311,695
Charges for Services - Additional ServiceNow - Agency Offset					106,813	552,693
Cybersecurity					2,405,133	2,405,133
Charges for Services - Outside Revenues			653,484	526,973	573,715	573,715
Other Operating Revenues			-	860,027		
Total Operating Revenues			48,124,320	48,560,114	53,954,548	54,400,428
Expenses						
Personal Services			17,833,084	16,220,371	17,722,437	17,722,399
Operating Expense			31,100,945	26,581,603	34,843,778	35,278,655
Equipment			-	370,861	370,861	370,861
Total Operating Expense			48,934,029	43,172,835	52,937,076	53,371,915
Operating Income (Loss)			(809,709)	5,387,279	1,017,472	1,028,513
Nonoperating Revenues						
Nonoperating Expenses						
Total Nonoperating Revenues (Expenses)			-	-	-	-
Income (Loss) Before Contributions and Transfers			(809,709)	5,387,279	1,017,472	1,028,513
Capital Contributions						
Transfers In			146,955	146,955	150,629	150,629
Transfers Out			(430)	4,263,000	2,473,000	1,422,000
Loans and Lease Payments			(235,901)	(3,950,000)	(2,360,000)	(1,170,000)
Change in Net Position			(899,085)	5,847,234	1,281,101	1,431,142
Beginning Net Position - July 1			(910,248)	(1,809,333)	4,037,901	5,319,002
Prior Period Adjustments						
Change in Net Position			(899,085)	5,847,234	1,281,101	1,431,142
Ending Net Position - June 30			(1,809,333)	4,037,901	5,319,002	6,750,144

Expenses

The executive proposes to increase total expenses by approximately \$8.2 million in FY 2022 and \$7.4 million in FY 2023 when compared to the FY 2021 base budget. The following figure shows the changes as proposed by the executive as reflected in the budgeting system.

Figure 24

Department of Administration State Information Technology Services Division State Information Technology Services Division Fund Proposed Changes for the 2023 Biennium in the Budgeting System	FY 2022	FY 2023
Personal Services		
Statewide Present Law Adjustment - Personal Services	\$ 1,191,301	\$ 1,260,635
Adjust SITSD Proprietary	(550,000)	(620,000)
Move SITSD Cybersecurity to Proprietary	<u>860,765</u>	<u>861,393</u>
Personal Services Total	1,502,066	1,502,028
Operating Expenses		
Statewide Present Law Adjustment - Fixed Costs	182,168	116,391
Statewide Present Law Adjustment - Inflation/Deflation	(1,747)	(1,096)
Allocate Indirect/Administrative Costs	55,606	55,606
Continuity and Emergency Management Increase	16,373	16,376
Adjust SABHRS Proprietary	5,849,775	6,349,775
Move SITSD Cybersecurity to Proprietary	<u>2,160,000</u>	<u>2,160,000</u>
Operating Expenses Total	8,262,175	8,697,052
Debt Service		
Adjust SABHRS Proprietary	(1,590,000)	(2,780,000)
Debt Service Total	(1,590,000)	(2,780,000)
Total Proposed Increase	<u><u>\$ 8,174,241</u></u>	<u><u>\$ 7,419,080</u></u>

There are three primary factors contributing to the increase in expenses, which include:

- Statewide present law adjustment for personal services
- Adjusting the SABHRS proprietary fund expenses
- Moving the Montana cybersecurity enhancement project funding from general fund in HB 2 to non-budgeted proprietary funds

The statewide present law adjustment for personal services increases appropriations by \$1.2 million in FY 2022 and \$1.3 million in FY 2023. Increases in personal services are primarily due to the legislatively approved pay plan and management decisions regarding pay adjustments. Increases in pay were the result of market adjustments, reclassifications, and progression in training assignments.

There is a present law adjustment that increases appropriations by \$3.7 million in FY 2022 and \$2.9 million in FY 2023. This adjustment decreases personal services and debt service and increases operating expenses. This adjustment was made to align expenses with established rates and budgetary need for SITSD.

There is a new proposal that moves the Montana cybersecurity enhancement project from HB 2 to the proprietary rates. This proposal increases appropriations by \$3.0 million each fiscal year. The 2019 Legislature approved this project

in HB 2 and included language stating, "It is the intent of the legislature that funding for the Montana Cybersecurity Enhancement Project be moved to the State Information Technology Services Division's proprietary rates in the 2023 biennium if the project is successful." The executive is proposing reducing general fund appropriations in HB 2 and creating a cybersecurity enterprise rate that will be charged to agencies.

Revenues

Budget authority to pay the SITSD allocation is a fixed cost item in each agency's budget. The statewide fixed costs for information technology included in the executive proposal are \$8.0 million higher in FY 2022 and \$8.5 million higher in FY 2023 when compared to the FY 2021 base year. This includes a new proposal that moves \$3.0 million in each fiscal year for the Montana cybersecurity enhancement project from HB 2 to the proprietary rates. The table below shows the changes requested from the FY 2021 base appropriation.

Department of Administration State Information Technology Services Division State Agency Fixed Costs for Information Technology						
	Budgeted FY 2021	Requested FY 2022	Change Between FY 2021 and FY 2022	Requested FY 2023	Change Between FY 2021 and FY 2023	
Legislative Branch	\$ 811,698	\$ 850,278	\$ 38,580	\$ 1,113,188	\$ 301,490	
Consumer Counsel	23,474	32,762	9,288	32,762	9,288	
Judiciary	1,951,709	2,940,627	988,918	2,986,522	1,034,813	
Governor's Office	262,771	312,697	49,926	308,935	46,164	
Secretary of State's Office	295,263	508,778	213,515	509,851	214,588	
Commissioner of Political Practice	181,177	91,539	(89,638)	92,041	(89,136)	
State Auditor's Office	191,111	189,225	(1,886)	189,225	(1,886)	
Office of Public Instruction	595,683	808,992	213,309	809,889	214,206	
Department of Justice	3,490,395	3,676,954	186,559	3,633,438	143,043	
Public Service Regulation	181,556	1,099,821	918,265	1,099,821	918,265	
Board of Public Education	11,428	16,414	4,986	16,414	4,986	
Commissioner of Higher Education	1,720	2,000	280	2,000	280	
University of Montana	-	561	561	561	561	
University of Montana Western	-	14,401	14,401	14,401	14,401	
School for the Deaf & Blind	100,406	106,434	6,028	106,434	6,028	
Montana Arts Council	30,059	28,520	(1,539)	28,520	(1,539)	
Library Commission	347,882	594,167	246,285	594,167	246,285	
Historical Society	215,891	269,273	53,382	303,873	87,982	
Department of Fish, Wildlife & Parks	1,698,894	2,371,017	672,123	2,385,971	687,077	
Department of Environmental Quality	1,290,281	1,654,882	364,601	1,635,890	345,609	
Department of Transportation	5,024,340	6,137,726	1,113,386	6,202,311	1,177,971	
Department of Livestock	253,560	323,583	70,023	323,982	70,422	
Department Natural Resource & Conservation	2,386,612	2,649,060	262,448	2,685,834	299,222	
Department of Revenue	2,229,484	2,647,956	418,472	2,650,604	421,120	
Department of Administration	2,557,783	2,803,867	246,084	2,806,699	248,916	
Montana State Fund	704,109	1,016,155	312,046	1,020,187	316,078	
MT Public Employee Retirement	287,104	324,565	37,461	325,696	38,592	
Teachers Retirement Board	110,927	157,301	46,374	157,659	46,732	
Public Defender	911,706	950,396	38,690	951,361	39,655	
Department of Agriculture	315,166	431,849	116,683	428,513	113,347	
Department of Corrections	3,000,158	3,986,856	986,698	3,993,364	993,206	
Department of Commerce	617,346	694,928	77,582	694,928	77,582	
Department Labor & Industry	3,114,584	3,517,046	402,462	3,480,111	365,527	
Department of Military Affairs	183,584	184,854	1,270	184,854	1,270	
Public Health & Human Services	11,964,460	11,985,350	20,890	12,056,707	92,247	
Total	\$ 45,342,321	\$ 53,380,833	\$ 8,038,512	\$ 53,826,712	\$ 8,484,391	

The State Information Technology Services Division has revised the rate structure for the 2023 biennium. In the 2021 biennium there were three established rates:

- Enterprise rates:
 - Enterprise service allocation (ESA)
 - Microsoft enterprise agreement
- Service rates:
 - TechBudget

In the 2023 biennium, there will be five established rates:

- Enterprise Rates:
 - Enterprise service allocation
 - Microsoft enterprise agreement
 - Cybersecurity enterprise rate
 - ServiceNow enterprise agreement
- Service rates:
 - TechBudget

The table below provides a comparison of the 2023 biennium rates to the 2021 biennium rates (note: the FY 2021 total for the cybersecurity enterprise rate is the base appropriation of \$3.2 million included in HB 2 less the statewide present law adjustment for personal services). The table below shows the FY 2021 base year information technology costs to the requested FY 2022 and FY 2023 costs. The executive is requesting a \$10.5 million or 10.8% increase when comparing the FY 2021 base year to the 2023 biennium.

Figure 25

State Agency Fixed Costs for Information Technology by Rate Category			
	FY 2021	FY 2022	FY 2023
Enterprise Services Allocation	\$ 9,438,887	\$ 5,753,508	\$ 5,753,508
Microsoft Enterprise Agreement	4,523,966	4,090,531	4,117,370
Cybersecurity Enterprise Rate*	3,020,765	8,744,581	8,744,581
ServiceNow Enterprise Agreement	-	2,405,133	2,405,133
Service Rates	31,379,467	32,387,080	32,806,120
Total	\$ 48,363,084	\$ 53,380,833	\$ 53,826,712

*The FY 2021 total for the cybersecurity enterprise rate is the base appropriation of \$3.2 million included in HB 2 less the statewide present law adjustment for personal services

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

Enterprise Service Allocation

Enterprise services are information technology services and staff time provided by SITSD that are used by and benefit the entire enterprise (all state agencies). State agencies are charged for their portion of the enterprise service allocation based on the active directory within an agency. The enterprise service allocation totaled \$9.4 million in the FY 2021 base year. The executive is proposing that the ESA rate will be \$5.8 million in each fiscal year of the 2023 biennium, which is a 39.0% decrease in the rate. However, according to SITSD, \$6.2 million per fiscal year was moved from the enterprise service allocation to the newly created cybersecurity enterprise rate. When adjusting for this change, the FY 2021 base would have been \$3.2 million and there is a proposed increase of \$2.5 million each fiscal year. This is a 78.3% increase over the biennium.

Microsoft Enterprise Agreement

The Microsoft enterprise agreement is primarily the cost of licensing agreement for Microsoft services. The Microsoft enterprise agreement totaled \$4.5 million in the FY 2021 base year. The executive is proposing that the ESA rate will be \$4.1 million in each fiscal year of the 2023 biennium, which is a 9.3% decrease in the rate over the biennium.

Cybersecurity Enterprise Rate

The Montana cybersecurity enhancement project was funded in HB 2 with \$3.2 million general fund in each fiscal year of the 2021 biennium. The 2019 Legislature included language in HB 2 that stated, "It is the intent of the legislature that funding for the Montana Cybersecurity Enhancement Project be moved to the State Information Technology Services Division's proprietary rates in the 2023 biennium if the project is successful." SITSD has included a new proposal that reduces the general fund appropriation in HB 2 and increases proprietary funding.

The proposed cybersecurity enterprise rate is \$8.7 million in each year of the biennium. According to SITSD, this is comprised of \$6.2 million transferred from the enterprise service allocation and \$2.5 million from HB 2. The table below provides a breakdown of the costs associated with each of the items included in the rate. The rate shown below is for one fiscal year.

Figure 26

Department of Administration State Information Technology Services Division Cybersecurity Enterprise Rate Cost per Fiscal Year in the 2023 Biennium		
Application Development	\$	24,000
Cybersecurity Enterprise Services - ESP		1,010,155
Cybersecurity Enterprise Services - IRTS		1,599,872
Directory Services - Identity Management		167,068
eGov Identity Management		56,642
Expert Time - AHS		336,000
Expert Time – Enterprise Security Risk Management		514,775
Expert Time – Forensic Investigations or Technical Security		614,788
Expert Time - NOSC		924,696
Expert Time - Supervision CISO		458,383
File and Object Storage		18,766
Live Storage		94,722
MFA Service		931,101
Network Security		785,633
Software Configuration Management		95,314
Splunk Service		812,462
Virtual Server		300,205
Total	\$	8,744,581

ServiceNow Enterprise Agreement

The ServiceNow enterprise agreement is a new enterprise rate for the 2023 biennium. The costs to agencies for the ServiceNow enterprise agreement totals \$2.4 million in FY 2022 and \$2.4 million in FY 2023. This cost is allocated to agencies based on FTE, excluding modified positions and FTE who only use the human resources function to enter time.

ServiceNow is intended to improve workflows for agencies, which leads to operating efficiencies and other cost savings for agencies. Some functions of ServiceNow include:

- Decreasing call volumes and quickly answering customer questions by using virtual agents
- Digitizing professional licensing to reduce in person requests, decrease call volume, and eliminate manual effort
- Scheduling in person meetings and requests to limit exposure by waiting in line
- Improving onboarding and communication with new employees working remotely
- Integrating with applications like Microsoft Teams, Zoom, and DocuSign for improved automation
- Quickly collaborating and responding to complex security issues caused by employees working remotely

The Office of Budget and Program Planning in the Governor's Office worked with agencies to identify operating efficiencies and other cost savings that may occur as a result of using ServiceNow. The table below shows the savings identified by agency and fund type over the 2023 biennium. Savings identified total \$1.8 million in FY 2022 and \$1.8 million in FY 2023. As agencies continue to implement ServiceNow into their business processes additional operational savings may be identified in future fiscal years.

Figure 27

Department of Administration ServiceNow Cost Savings Identified by State Agencies HB 2, Non-Budgeted Proprietary, and Statutory Appropriations		
	FY 2022	FY 2023
General Fund		
Department of Justice	\$ (50,460)	\$ (50,460)
School for the Deaf and Blind	(15,698)	(15,698)
Montana State Library	(3,930)	(3,930)
Department of Natural Resources and Conservation	(57,768)	(57,768)
Department of Revenue	(9,024)	(9,024)
Department of Administration	(11,315)	(11,315)
Office of State Public Defender	(50,246)	(50,246)
Department of Corrections	(235,587)	(235,587)
Department of Commerce	(2,945)	(2,945)
Department of Public Health and Human Services	<u>(240,413)</u>	<u>(240,413)</u>
General Fund Total	(677,386)	(677,386)
State Special Revenue		
Department of Justice	(90,330)	(90,330)
Public Service Commission	(4,250)	(4,250)
Department of Transportation	(391,941)	(391,941)
Department of Natural Resources and Conservation	(38,997)	(38,997)
Department of Administration	(11,559)	(11,559)
Department of Agriculture	(21,200)	(21,200)
Department of Commerce	(11,887)	(11,887)
Department of Public Health and Human Services	<u>(40,177)</u>	<u>(40,177)</u>
State Special Revenue Total	(610,341)	(610,341)
Federal Special Revenue		
Department of Natural Resources and Conservation	(5,090)	(5,090)
Department of Commerce	(2,345)	(2,345)
Department of Public Health and Human Services	<u>(262,620)</u>	<u>(262,620)</u>
Federal Special Revenue	(270,055)	(270,055)
Proprietary Funds		
Secretary of State	(10,070)	(10,070)
Office of Public Instruction	(33,997)	(33,997)
Department of Justice	(4,143)	(4,143)
Department of Environmental Quality	(77,794)	(77,794)
Department of Administration	(37,231)	(37,231)
Department of Corrections	(17,810)	(17,810)
Department of Commerce	(21,417)	(21,417)
Department of Labor and Industry	<u>(49,842)</u>	<u>(50,158)</u>
Proprietary Funds Total	(252,304)	(252,620)
Grand Total	\$ (1,810,086)	\$ (1,810,402)

Service Rates

TechBudget is an activity-based budgeting model that allocates costs to individual services. SITSD's TechBudget model employs a separate unit for each service. The unit is the increment in which the agency buys the service or product. SITSD provides more than 200 services, resulting in a wide variety of units. The allocation of units of service is by agency planned utilization. The table below shows the FY 2021 base budget, requested changes for FY 2022 and FY 2023, and the change between the 2023 biennium and the base year. The executive is requesting a \$2.4 million or 3.9% increase when comparing the FY 2021 base year to the 2023 biennium.

Department of Administration State Information Technology Services Division State Agency Fixed Costs for Information Technology Service Rates						
	Budgeted FY 2021	Requested FY 2022	Requested FY 2023	Change Between 2023 Biennium and FY 2021 Base Year	% Change Between 2023 Biennium and FY 2021 Base Year	
Legislative Branch	\$ 591,330	\$ 622,181	\$ 858,252	\$ 297,772	25.2%	
Consumer Counsel	17,161	22,656	22,656	10,991	32.0%	
Judiciary	1,356,978	1,705,327	1,751,222	742,592	27.4%	
Governor's Office	204,406	224,572	220,810	36,571	8.9%	
Secretary of State's Office	238,111	423,295	424,368	371,441	78.0%	
Commissioner of Political Practice	174,559	79,325	79,827	(189,967)	-54.4%	
State Auditor's Office	111,583	88,919	88,919	(45,328)	-20.3%	
Office of Public Instruction	333,015	464,287	465,185	263,442	39.6%	
Department of Justice	2,554,107	2,035,452	1,991,936	(1,080,825)	-21.2%	
Public Service Regulation	144,727	1,050,315	1,050,315	1,811,177	625.7%	
Board of Public Education	8,271	12,003	12,003	7,465	45.1%	
Commissioner of Higher Education	1,720	2,000	2,000	561	16.3%	
University of Montana	-	561	561	1,121	100.0%	
University of Montana Western	-	14,401	14,401	28,801	100.0%	
School for the Deaf & Blind	1,142	916	916	(454)	-19.9%	
Montana Arts Council	23,442	19,246	19,246	(8,391)	-17.9%	
Library Commission	297,652	457,576	457,576	319,848	53.7%	
Historical Society	146,488	165,430	200,030	72,484	24.7%	
Department of Fish, Wildlife & Parks	951,205	1,175,470	1,190,424	463,484	24.4%	
Department of Environmental Quality	858,901	1,076,965	1,057,973	417,137	24.3%	
Department of Transportation	2,791,681	3,161,395	3,225,980	804,013	14.4%	
Department of Livestock	125,605	155,311	155,711	59,812	23.8%	
Department Natural Resource & Conservation	1,808,407	1,642,232	1,679,007	(295,575)	-8.2%	
Department of Revenue	1,599,693	1,652,573	1,655,220	108,407	3.4%	
Department of Administration	2,210,724	2,273,000	2,275,831	127,383	2.9%	
Montana State Fund	362,495	428,699	432,732	136,441	18.8%	
MT Public Employee Retirement	230,234	222,950	224,082	(13,437)	-2.9%	
Teachers Retirement Board	85,485	112,021	112,378	53,429	31.3%	
Public Defender	612,233	516,517	517,481	(190,469)	-15.6%	
Department of Agriculture	199,346	270,049	266,713	138,069	34.6%	
Department of Corrections	1,642,183	2,004,253	2,010,761	730,647	22.2%	
Department of Commerce	419,615	388,383	388,383	(62,463)	-7.4%	
Department Labor & Industry	2,318,467	2,330,269	2,293,334	(13,332)	-0.3%	
Department of Military Affairs	42,769	48,176	48,176	10,813	12.6%	
Public Health & Human Services	8,915,730	7,540,356	7,611,713	(2,679,393)	-15.0%	
	<u>\$ 31,379,467</u>	<u>\$ 32,387,080</u>	<u>\$32,806,120</u>	<u>\$ 2,434,267</u>	<u>3.9%</u>	

Proprietary Rates

For the 2023 biennium the following rates are proposed by the executive. The rates charged in the base year are shown for comparison purposes.

Figure 28

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information			
	Actual FY 20	Estimated FY 21	Proposed FY 22
Fee Description:	30-day working capital reserve	30-day working capital reserve	30-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.

**LFD
COMMENT**

The legislature may wish to consider adding the following language to HB 2:

The 30-day working capital reserve used to establish state information technology services division rates for state agencies included in HB 2 is based on personal services of \$17,722,437 in FY 2022 and \$17,722,399 in FY 2023, operating expenses of \$34,843,778 in FY 2022 and \$35,278,655 in FY 2023, equipment and intangible assets of \$370,861 in FY 2022 and \$370,861 in FY 2023, and debt service of \$2,360,000 in FY 2022 and \$1,170,000 in FY 2023. The state information technology services division shall report to the legislative finance committee at its June 2021 meeting on how it implemented the state agency rates for information technology. The state information technology services division shall also report any adjustments to state agency rates for information technology or changes of 5.0% or greater to each expenditure category at each subsequent meeting of the legislative finance committee.

**LFD
COMMENT**

The legislature may wish to consider adding the following language to HB 2:

The office of budget and program planning shall establish a separate appropriation on the statewide accounting, budgeting, and human resource system for the funding included in each executive branch agency's budget to pay fixed cost allocations to the state information technology services division of the department of administration. The appropriations must be designated as restricted.

eGovernment Services - 06004

Proprietary Program Description

Digital government services include permitting, registration, licensing, inspections, financial reconciliation, reporting, point of sale card swipe devices and mobile payments, monthly billing, and management and collection of customer accounts. Currently, Montana Interactive operates and maintains more than 400 digital government services for Montana agencies and local governments.

The current contract with Montana Interactive will expire on December 31, 2020. Upon expiration, the transaction fund that supports digital government will transfer to the Department of Administration. The State Information Technology Services Division has established an enterprise fund for the management of these fees.

Proprietary Program Narrative

Proprietary Program Narrative

The following 2023 Biennium Report on Internal Service and Enterprise Funds shows the actual and projected expenditures and related revenues associated with the eGovernment services proprietary fund.

2023 Biennium Report on Internal Service and Enterprise Funds				
Fund	Fund Name	Agency #	Program Name	
06004	eGovernment Services	61010	State Information Technology Services Div.	
			Actual FY 20	Budgeted FY 21
Operating Revenues				Proposed FY 22
Fees and Charges				Proposed FY 23
Fee Revenue A			-	2,814,855
Fee Revenue B			-	-
Other Operating Revenues				
Total Operating Revenues			-	2,814,855
				5,629,710
				5,629,710
Expenses				
Personal Services				
Other Operating Expense				3,800,352
Total Operating Expense			-	3,800,352
				3,103,034
				1,153,034
Operating Income (Loss)				
			-	(985,497)
				2,526,676
				4,476,676
Nonoperating Revenues				
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)			-	-
Income (Loss) Before Contributions and Transfers				
			-	(985,497)
				2,526,676
				4,476,676
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position				
			-	(985,497)
				2,526,676
				4,476,676
Beginning Net Position - July 1				
			-	-
				(985,497)
				1,541,179
Prior Period Adjustments				
Change in Net Position				
			-	(985,497)
				2,526,676
				4,476,676
Ending Net Position - June 30				
			-	(985,497)
				1,541,179
				6,017,855

Expenses

Fees earned will be used to help offset the costs for a new vendor, as well as for costs to administer the program and other expenses associated with the development of enterprise electronic government services.

Revenues

Revenues will be earned through a fee that is charged to each eGovernment transaction.

Proprietary Rates

Transaction fees can either be a set rate per transaction or a percentage of the total transaction costs. Once the State Information Technology Services Division takes over the administration of the eGovernment program, both possibilities will be analyzed to determine the best rate to use.

The funding for this program is provided through an enterprise fund. As such, the legislature does not approve rates or appropriate funds for this proprietary fund.

Program Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	6,629,328	6,851,930	222,602	3.36 %
Operating Expenses	1,884,786	2,003,772	118,986	6.31 %
Equipment & Intangible Assets	71,398	0	(71,398)	(100.00)%
Debt Service	3,262	3,728	466	14.29 %
Total Expenditures	\$8,588,774	\$8,859,430	\$270,656	3.15 %
State/Other Special Rev. Funds	8,588,774	8,859,430	270,656	3.15 %
Total Funds	\$8,588,774	\$8,859,430	\$270,656	3.15 %
Total Ongoing	\$8,588,774	\$8,859,430	\$270,656	3.15 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Division of Banking and Financial Institutions licenses, supervises, regulates, and examines financial institutions doing business in Montana. Those institutions include 39 banks and trust companies, with 469 branch banks, 10 credit unions, 335 consumer finance companies, 161 sales finance companies, and 8 escrow businesses. The division also licenses and examines 5,245 residential mortgage loan service providers. All program functions are statutorily mandated in Title 32, Chapters 1-11, and Title 31, Chapter 1, Parts 2 & 7, MCA.

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

Program Highlights

Division of Banking and Financial Institutions Major Budget Highlights
<ul style="list-style-type: none"> The Banking and Financial Institutions Division's 2023 biennium requested appropriations are approximately \$271,000 or 3.2% higher than the 2021 biennium The executive proposes increases in state special revenue funding for statewide present law adjustment for personal services and fixed costs The executive proposes present law increases in state special revenue for contractual increases in rent and indirect costs paid to the Director's Office

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	34.00	34.00	34.00	34.00
Personal Services	3,185,893	3,268,482	3,360,846	3,420,187	3,431,743
Operating Expenses	920,792	933,842	950,944	1,003,945	999,827
Equipment & Intangible Assets	71,396	71,398	0	0	0
Debt Service	1,398	1,398	1,864	1,864	1,864
Total Expenditures	\$4,179,479	\$4,275,120	\$4,313,654	\$4,425,996	\$4,433,434
State/Other Special Rev. Funds	4,179,479	4,275,120	4,313,654	4,425,996	4,433,434
Total Funds	\$4,179,479	\$4,275,120	\$4,313,654	\$4,425,996	\$4,433,434
Total Ongoing	\$4,179,479	\$4,275,120	\$4,313,654	\$4,425,996	\$4,433,434
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2020 Appropriation Compared to FY 2020 Actual Expenditures

The Division of Banking and Financial Institutions is funded entirely with state special revenue. The HB 2 modified budget of \$4.3 million was 97.8% expended as of the end of FY 2020. This is in line with anticipated expenditures at the end of the fiscal year.

FY 2020 Appropriations Compared to FY 2021 Appropriations

Overall, the FY 2021 appropriation is approximately \$39,000 or 0.9% higher than the FY 2020 appropriation. The FY 2020 and FY 2021 appropriations are not significantly different. The minor difference is primarily due to the pay plan allocation in each fiscal year.

Executive Request

The Banking and Financial Institutions Division is requesting an increase of approximately \$112,000 in FY 2022 and \$120,000 in FY 2023 above the FY 2021 base appropriations. The increase is primarily due to the statewide present law adjustments for personal services and fixed costs. The division is also proposing present law increases for contractual increases in rent and indirect costs paid to the Director's Office. These increases are slightly offset by proposed decreases for inflation/deflation and operational efficiency gained by using ServiceNow.

Program Personal Services

Personal services were \$3.4 million or 77.9% of total FY 2021 appropriations. The executive proposes an increase of approximately \$59,000 in FY 2022 and \$71,000 in FY 2023. The table below shows the total adjustments for each personal services category.

Figure 29

Department of Administration Banking and Financial Services Division FY 2022 Statewide Present Law Adjustment for Personal Services	
Expected Changes	\$ 24,850
Management Decisions	34,491
Budget Modifications	-
Total Present Law Adjustment	<u>\$ 59,341</u>

Expected changes comprise a portion of the increase in the statewide present law adjustment for personal services. The annualization of the legislatively approved pay plan and statutorily required adjustments for longevity are the primary drivers for the increase in this category.

Management decisions comprise the majority of the increase in the statewide present law adjustment for personal services. These changes primarily consist of pay increases for career ladder and market adjustments.

Funding

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

Funds	Department of Administration, 14-Banking and Financial Institutions Division Funding by Source of Authority						
	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0	0.00 %
02077 Financial Institutions Div State Special Total	8,859,430	0	0	0	8,859,430	\$8,859,430	100.00 %
Federal Special Total	\$0	\$0	\$0	\$0	\$0	\$0	0.00 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$8,859,430	\$0	\$0	\$0	\$8,859,430		

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

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the [glossary](#).

Budget Item	General Fund				Total Funds			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	0	0	0	0.00 %	4,313,654	4,313,654	8,627,308	97.38 %
SWPL Adjustments	0	0	0	0.00 %	96,703	104,182	200,885	2.27 %
PL Adjustments	0	0	0	0.00 %	15,639	15,598	31,237	0.35 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$4,425,996	\$4,433,434	\$8,859,430	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	Fiscal 2022					Fiscal 2023				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 1 - Personal Services	0.00	0	59,341	0	59,341	0.00	0	70,897	0	70,897
DP 2 - Fixed Costs	0.00	0	43,890	0	43,890	0.00	0	37,379	0	37,379
DP 3 - Inflation Deflation	0.00	0	(6,528)	0	(6,528)	0.00	0	(4,094)	0	(4,094)
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	15,247	0	15,247	0.00	0	15,206	0	15,206
DP 5 - ServiceNow	0.00	0	(7,374)	0	(7,374)	0.00	0	(7,374)	0	(7,374)
DP 1401 - Contracted Rent Increase	0.00	0	7,766	0	7,766	0.00	0	7,766	0	7,766
Grand Total All Present Law Adjustments										
	0.00	\$0	\$112,342	\$0	\$112,342	0.00	\$0	\$119,780	\$0	\$119,780

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

DP 1 - Personal Services -

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

- Expected changes
- Personal services management decisions
- Modifications made to the personal services budget in the 2021 biennium

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive requests an increase in state special revenue to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided, which include accounting, human resources, and legal support.

DP 5 - ServiceNow -

The executive requests a decrease in state special revenue funds because of the purchase of ServiceNow licenses and programs for the 2023 biennium. The Banking and Financial Institutions Division is anticipating operating efficiencies and other savings by using ServiceNow.

DP 1401 - Contracted Rent Increase -

The executive requests an increase in state special revenue funds for an increase in rent. The Banking and Financial Institutions Division leases office space. The current contract term is December 1, 2019 through November 30, 2039, with an incremental rate increase beginning in year two and then occurring every fifth year for the duration of the agreement.

Program Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	5,293,516	5,513,581	220,065	4.16 %
Operating Expenses	6,720,327	6,745,521	25,194	0.37 %
Equipment & Intangible Assets	100,000	100,000	0	0.00 %
Total Expenditures	\$12,113,843	\$12,359,102	\$245,259	2.02 %
Proprietary Funds	12,113,843	12,359,102	245,259	2.02 %
Total Funds	\$12,113,843	\$12,359,102	\$245,259	2.02 %
Total Ongoing	\$12,113,843	\$12,359,102	\$245,259	2.02 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Montana State Lottery was created in November 1986 by a referendum vote of the people of Montana. The general purpose is to allow lottery games in which players purchase from the state, through the administration of the lottery, a chance to win a prize. A five-member Lottery Commission, appointed by the Governor, sets policy and oversees program activities and procedures. Lottery's operations are accounted for in an enterprise fund. Lottery is required to transfer its net revenue to the general fund on a quarterly basis. The Montana State Lottery is attached to the Department of Administration for administrative purposes only.

Program Highlights

Montana State Lottery Major Budget Highlights
<ul style="list-style-type: none"> • The Montana State Lottery's 2023 biennium requested appropriations are approximately \$245,000 or 2.0% higher than the 2021 biennium • The executive proposes increases in proprietary funding for statewide present law adjustment for personal services and fixed costs and a present law adjustment for indirect costs paid to the Director's Office • The executive proposes increases in proprietary funding for 1.00 FTE for a network administrator position

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	35.00	35.00	36.00	36.00
Personal Services	2,405,667	2,627,900	2,665,616	2,753,104	2,760,477
Operating Expenses	2,862,114	3,476,286	3,244,041	3,444,124	3,301,397
Equipment & Intangible Assets	24,515	50,000	50,000	50,000	50,000
Total Expenditures	\$5,292,296	\$6,154,186	\$5,959,657	\$6,247,228	\$6,111,874
Proprietary Funds	5,292,296	6,154,186	5,959,657	6,247,228	6,111,874
Total Funds	\$5,292,296	\$6,154,186	\$5,959,657	\$6,247,228	\$6,111,874
Total Ongoing	\$5,292,296	\$6,154,186	\$5,959,657	\$6,247,228	\$6,111,874
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2020 Appropriation Compared to FY 2020 Actual Expenditures

The Montana State Lottery is funded entirely with proprietary funds. The HB 2 modified budget of \$6.2 million was 86.0% expended as of the end of FY 2020. Operating expenses and equipment and intangible assets contributed to the lower expenditures.

Operating expenses appropriations of \$3.5 million were 82.3% expended. Lower expenditures were partly due to the timing of legislative audit costs. This appropriation of approximately \$133,000 was 49.4% expended but is a biennial appropriation that can be used in both years of the biennium. Additionally, funding was transferred to Montana State Lottery for sports wagering. This transfer allocated \$555,000 to operating expenses and was 28.6% expended. The sports wagering program was implemented in early March 2020. The COVID-19 pandemic caused closures of nearly all establishments that could host sports wagering and cancellations of many sporting events. This impacted the launch of sports wagering in Montana and contributed to the lower percentage expended.

Equipment and intangible assets appropriations of \$50,000 were 49.0% expended. The Lottery has regional representatives that travel across the state. Vehicles are replaced at a certain mileage or if there is an unforeseen need for replacement (e.g. mechanical issue or accident). The Lottery only needed to replace one vehicle during FY 2020.

FY 2020 Appropriations Compared to FY 2021 Appropriations

Overall, the FY 2021 appropriation is approximately \$195,000 or 3.2% lower than the FY 2020 appropriation. The significant differences are primarily in operating expenses. These differences include:

- Legislative audit appropriations, which are included in the first year of the biennium and totaled \$133,000 in FY 2020
- A transfer of proprietary funding included in HB 715 from the 2019 Legislative Session for sport wagering. The transfer in FY 2021 was \$455,000, which was \$100,000 lower than the transfer in FY 2020

Executive Request

The Montana State Lottery is requesting an increase above the FY 2021 base appropriations of approximately \$288,000 in FY 2022 and \$152,000 in FY 2023. The proposed increases in FY 2022 and FY 2023 are primarily due to the statewide present law adjustments for fixed costs, funding for 1.00 FTE, and indirect costs paid to the Director's Office. The requested appropriations in FY 2022 are higher than FY 2023 because the legislative audit costs are included entirely in the FY 2022 appropriation.

Program Personal Services

Personal services comprise \$2.7 million or 44.7% of total FY 2021 appropriations. The executive proposes a statewide present law increase of approximately \$4,000 in FY 2022 and \$11,000 in FY 2023. The table below shows the total adjustments for each personal services category.

Figure 30

Department of Administration Montana State Lottery FY 2022 Statewide Present Law Adjustment for Personal Services	
Expected Changes	\$ 14,616
Management Decisions	(10,805)
Budget Modifications	-
Total Present Law Adjustment	\$ 3,811

Expected changes comprise the increase in the statewide present law adjustment for personal services. The annualization of the legislatively approved pay plan and statutorily required adjustments for longevity are the primary drivers for the increase in this category.

Management decisions partially offset the increases from expected changes. These changes primarily consist of positions being filled with less experienced individuals at a lower pay rate.

Funding

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

Funds	Department of Administration, 15-Montana State Lottery Funding by Source of Authority						% Total All Funds
	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources		
General Fund	0	0	0	0	0	0	0.00 %
02029 Board of Horse Racing State Special Total	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0.00 % 0.00 %
Federal Special Total	\$0	\$0	\$0	\$0	\$0	\$0	0.00 %
06001 State Lottery Fund Proprietary Total	12,359,102 \$12,359,102	0 \$0	0 258,349,151 \$0 258,349,151	270,708,253 \$270,708,253	270,708,253 \$270,708,253	270,708,253 \$270,708,253	100.00 % 100.00 %
Total All Funds	\$12,359,102	\$0	\$0	\$258,349,151	\$270,708,253		

HB 2

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

The 2019 Legislature passed SB 60 which revised laws related to financial aid for resident Montana students. This bill clarified the funding and distribution of science, technology, engineering, and math (STEM) scholarships. The statutory appropriation for STEM scholarships continue to be funded with revenue from lottery proceeds; however, STEM scholarships are now funded with the first dollars before the remaining lottery proceeds are transferred to the general fund.

Statutory Appropriations

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

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

LFD COMMENT The statutory appropriation for the state lottery proprietary fund is too high. The executive will be correcting this in its December 15th submission of the Governor's budget.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the [glossary](#).

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	0	0	0	0.00 %	5,959,657	5,959,657	11,919,314	96.44 %
SWPL Adjustments	0	0	0	0.00 %	187,960	52,709	240,669	1.95 %
PL Adjustments	0	0	0	0.00 %	15,934	15,891	31,825	0.26 %
New Proposals	0	0	0	0.00 %	83,677	83,617	167,294	1.35 %
Total Budget	\$0	\$0	\$0		\$6,247,228	\$6,111,874	\$12,359,102	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments									
FTE	Fiscal 2022				Fiscal 2023				Total Funds
	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	
DP 1 - Personal Services	0.00	0	0	0	3,811	0.00	0	0	0
DP 2 - Fixed Costs	0.00	0	0	0	184,160	0.00	0	0	41,472
DP 3 - Inflation Deflation	0.00	0	0	0	(11)	0.00	0	0	(7)
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	0	0	15,934	0.00	0	0	15,891
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$203,894	0.00	\$0	\$0	\$68,600

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

DP 1 - Personal Services -

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

- Expected changes
- Personal services management decisions
- Modifications made to the personal services budget in the 2021 biennium

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive requests an increase in proprietary funding to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided, which include accounting, human resources, and legal support.

New Proposals

The New Proposals table shows new changes to spending

New Proposals									
Fiscal 2022					Fiscal 2023				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1501 - Make Modified Lottery Position Permanent									
1.00	0	0	0	83,677	1.00	0	0	0	83,617
Total	1.00	\$0	\$0	\$83,677	1.00	\$0	\$0	\$0	\$83,617

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

DP 1501 - Make Modified Lottery Position Permanent -

The executive requests an increase in proprietary funding and 1.00 FTE for a network administrator. The 2019 Legislature provided funding for this position but eliminated 1.00 FTE. The position is responsible for the administration of network and computer systems, user support, system operation, documentation and testing in support of the Lottery. The position also manages the network infrastructure, computer systems and information technology equipment as well as provides technical support and training to all Lottery users. The information technology department at the Lottery is made up of five people with one position dedicated to network support.

Program Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	3,896,122	3,862,741	(33,381)	(0.86)%
Operating Expenses	30,859,701	30,145,392	(714,309)	(2.31)%
Benefits & Claims	412,514,460	513,622,929	101,108,469	24.51 %
Debt Service	5,058	5,518	460	9.09 %
Total Expenditures	\$447,275,341	\$547,636,580	\$100,361,239	22.44 %
Proprietary Funds	447,275,341	547,636,580	100,361,239	22.44 %
Total Funds	\$447,275,341	\$547,636,580	\$100,361,239	22.44 %
Total Ongoing	\$447,275,341	\$547,636,580	\$100,361,239	22.44 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Health Care and Benefits Division (HCBD) provides state employees, retirees, members of the legislature, judges and judicial branch employees, and their dependents with group benefits in an efficient manner and at an affordable cost by administering a solvent, prudent benefits program. The division administers benefits plans including health, dental, prescription drug, life, 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.

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

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

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

Program Highlights
**Health Care and Benefits Division
Major Budget Highlights**

- The Health Care and Benefits Division's 2023 biennium proposed appropriations are approximately \$100.4 million or 22.4% higher than the 2021 biennium. Reasons for the difference between the 2021 biennium and 2023 biennium appropriations include:
 - The division reduced FY 2020 authority to more closely reflect the reduced medical claims because of the COVID-19 pandemic
 - The division is proposing increased claims costs of \$58.4 million over the 2023 biennium
- The Health Care and Benefits Division is funded entirely with proprietary funds

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	21.87	21.87	21.87	21.87
Personal Services	1,786,528	1,943,989	1,952,133	1,927,730	1,935,011
Operating Expenses	14,091,821	15,436,283	15,423,418	15,043,985	15,101,407
Benefits & Claims	178,367,045	184,807,230	227,707,230	250,590,441	263,032,488
Debt Service	2,300	2,299	2,759	2,759	2,759
Total Expenditures	\$194,247,694	\$202,189,801	\$245,085,540	\$267,564,915	\$280,071,665
Proprietary Funds	194,247,694	202,189,801	245,085,540	267,564,915	280,071,665
Total Funds	\$194,247,694	\$202,189,801	\$245,085,540	\$267,564,915	\$280,071,665
Total Ongoing	\$194,247,694	\$202,189,801	\$245,085,540	\$267,564,915	\$280,071,665
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -*FY 2020 Appropriation Compared to FY 2020 Actual Expenditures*

The Health Care and Benefits Division is funded entirely with proprietary funds and is not included in HB 2. The FY 2020 budget of \$202.2 million was 96.1% expended as of the end of the fiscal year.

FY 2020 Appropriations Compared to FY 2021 Appropriations

Overall, the FY 2021 appropriation is approximately \$42.9 million or 21.2% higher than the FY 2020 appropriation. The difference is primarily in benefits and claims. HCBD reduced appropriation authority in FY 2020 to more closely match anticipated benefits and claims.

Executive Request

The Health Care and Benefits Division is proposing an increase of approximately \$22.5 million in FY 2022 and \$35.0 million in FY 2023 above the FY 2021 base appropriations. These proposed changes are primarily to align the budget with the division's administration and claims expense projections. Additional information on these proposed adjustments are included in the Present Law Adjustments section below.

LFD COMMENT	The Health Care and Benefits Division will update its decision package for projected claims expenses in the December 15th submission of the Governor's budget. Decision package 2101 will request a reduction in proprietary funding of \$25.5 million in FY 2022 and \$12.9 million in FY 2023.
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Funding

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

Funds	Department of Administration, 21-Health Care & Benefits Division Funding by Source of Authority						% Total All Funds
	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources		
General Fund	0	0	0	0	0	0	0.00 %
State Special Total	\$0	\$0	\$0	\$0	\$0	\$0	0.00 %
Federal Special Total	\$0	\$0	\$0	\$0	\$0	\$0	0.00 %
06027 Flexible Spending Funds	0	0	15,758,186	0	15,758,186		2.88 %
06559 Group Benefits Claims A/C	0	0	531,168,926	0	531,168,926		96.99 %
06575 Workers Comp Mgmt Program	0	0	709,468	0	709,468		0.13 %
Proprietary Total	\$0	\$0	\$547,636,580	\$0	\$547,636,580		100.00 %
Total All Funds	\$0	\$0	\$547,636,580	\$0	\$547,636,580		

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

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

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

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the [glossary](#).

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	0	0	0	0.00 %	245,085,540	245,085,540	490,171,080	89.51 %
SWPL Adjustments	0	0	0	0.00 %	(459,644)	(457,733)	(917,377)	(0.17)%
PL Adjustments	0	0	0	0.00 %	22,939,019	35,443,858	58,382,877	10.66 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$267,564,915	\$280,071,665	\$547,636,580	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
FTE	Fiscal 2022				Fiscal 2023					
	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 1 - Personal Services	0.00	0	0	0	(24,403)	0.00	0	0	0	(17,122)
DP 2 - Fixed Costs	0.00	0	0	0	(434,870)	0.00	0	0	0	(440,378)
DP 3 - Inflation Deflation	0.00	0	0	0	(371)	0.00	0	0	0	(233)
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	0	0	(5,107)	0.00	0	0	0	(5,107)
DP 5 - ServiceNow	0.00	0	0	0	(4,062)	0.00	0	0	0	(4,062)
DP 2101 - Health Plan Claims	0.00	0	0	0	22,941,288	0.00	0	0	0	35,445,507
DP 2102 - Workers Comp Management Bureau Operating Increase	0.00	0	0	0	6,900	0.00	0	0	0	7,520
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$22,479,375	0.00	\$0	\$0	\$0	\$34,986,125

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

DP 1 - Personal Services -

The executive requests adjustments to annualize personal services costs including FY 2021 statewide pay plan adjustments, benefit rate adjustments, vacancy savings adjustments and longevity adjustments related to incumbents in each position at the time of the personal services snapshot.

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive requests a decrease in proprietary funds to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided, which include accounting, human resources, and legal support.

DP 5 - ServiceNow -

The executive requests a decrease in proprietary funds because of the purchase of ServiceNow licenses and programs for the 2023 biennium. The Director's Office is anticipating operating efficiencies and other savings by using ServiceNow.

DP 2101 - Health Plan Claims -

The executive requests an increase in proprietary funds to align the budget with projected claims expenses. The State of Montana employee benefits plan projects an average annual trend of 6.0% in medical claims and 9.0% in prescription drug costs. Additional budget authority requests totals \$22.9 million in FY 2022 and \$35.3 million in FY 2023 for healthcare coverage.

Claims administration and operating costs are also predicted to increase with contract renewals. The changes are due to increased third party administrator fees. The executive requests an additional \$58,000 in FY 2022 and \$120,000 in FY 2023 to administer the state's benefit programs.

**LFD
COMMENT**

The Health Care and Benefits Division will update this decision package in the December 15th submission of the Governor's budget. The updated decision package will request a reduction in proprietary funding of \$25.5 million in FY 2022 and \$12.9 million in FY 2023.

DP 2102 - Workers Comp Management Bureau Operating Increase -

The Workers' Compensation Management Bureau requests an increase in propriety funds for operating expenses. The requested increases are for an Occupational Safety and Health Administration (OSHA) training, rent and computer replacement scheduled for the 2023 biennium.

Other Issues -**Proprietary Rates**

The Heath Care and Benefits Division manages two proprietary programs:

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

Employee Benefits Program – Group Benefits and Claims – 06559*Proprietary Program Description*

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

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

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

The program is funded by the state contribution for group benefits and by contributions and fees paid by plan members. The program currently supports 18.73 FTE.

Proprietary Program Narrative

The following 2023 Biennium Report on Internal Service and Enterprise Funds shows the actual and projected expenditures and related revenues associated with the group benefits and claims proprietary fund.

2023 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Program Name		
			Actual FY 20	Budgeted FY 21	Proposed FY 22
					Proposed FY 23
Operating Revenues					
Fees and Charges					
Fee Revenue A					
Other Operating Revenues					
Investment Earnings			2,788,195	515,000	670,000
Group Benefit Plan Contributions			217,031,613	237,000,000	214,000,000
Other Operating Revenues			5,500,740	3,850,000	5,500,000
Total Operating Revenues			225,320,548	241,365,000	220,170,000
					219,950,000
Expenses					
Personal Services			1,532,072	1,771,664	1,735,013
Other Operating Expense					1,743,576
Operating			14,063,745	15,231,458	14,841,267
Claims			171,958,990	220,222,480	243,105,691
Total Operating Expense			187,554,807	237,225,602	259,681,971
					272,189,769
Operating Income (Loss)			37,765,741	4,139,398	(39,511,971)
					(52,239,769)
Nonoperating Revenues			44,486		
Nonoperating Expenses					
Total Nonoperating Revenues (Expenses)			44,486	-	-
Income (Loss) Before Contributions and Transfers			37,810,227	4,139,398	(39,511,971)
					(52,239,769)
Capital Contributions					
Transfers In					
Transfers Out					
Loans and Lease Payments			(127)	(2,759)	(2,759)
Change in Net Position			37,810,100	4,136,639	(39,514,730)
					(52,242,528)
Beginning Net Position - July 1			101,206,065	138,519,759	142,656,398
Prior Period Adjustments			(496,406)		103,141,668
Change in Net Position			37,810,100	4,136,639	(39,514,730)
Ending Net Position - June 30			138,519,759	142,656,398	103,141,668
					50,899,140

Expenses

The COVID-19 pandemic impacted expenses in FY 2020 and is causing uncertainty with determining claims in the relatively near future. When the Governor ordered the stay at home order in March 2020, HCBD noticed an immediate impact on the reduction of services and claims costs. There was an increase in medical claims for a few months in late summer and early fall 2020; however, many hospital facilities are nearing capacity in late fall 2020, which may result in a decrease in medical claims again. HCBD does expect those members that delayed procedures and services during this time will still receive them, and there may be a delayed increase in claims as a result.

The HCBD is also tracking COVID-19 related expenses to the plan and there have been additional costs. However, these additional costs have not outpaced the savings related to delayed procedures.

HCBD is seeing an increase in pharmacy trends which occurred slowly over 2019. The analysis showed that there were additional specialty medication utilizers. Since specialty medication are more expensive, this has had a large impact. Additionally, when the COVID-19 pandemic began and the shutdown started, the rules were relaxed regarding filling prescriptions early and many members moved to 90-day prescription fills. This resulted in larger expenditures in March 2020 but has since leveled off.

The Health Care and Benefits Division receives an actuarial analysis from Actuaries Northwest, LLC that analyzes both medical and prescription drug claims. The tables below show two trend scenarios that were included in the June 2020 actuarial report. One scenario calculates projections based on an increase in medical costs of 6.0% and prescription costs of 9.0%. A second scenario calculates projections based on an increase in medical costs of 9.0% and prescription costs of 11.0%.

Figure 31

Health Care and Benefits Division Group Benefits Claims 6.0% Medical Trend and 9.0% Prescription Trend Trend Assumptions by Actuaries Northwest, LLC						
	Projected Plan Year 2020	Projected Plan Year 2021	Projected Plan Year 2022	Projected Plan Year 2023	\$ Change 21B - 23B	% Change 21B - 23B
Medical Claims	\$ 136,132,654	\$ 147,023,266	\$ 155,844,662	\$ 165,195,342	\$ 37,884,084	13.4%
Rx Claims	36,757,459	40,433,205	44,072,193	48,038,691	14,920,220	19.3%
Part D	(12,819,488)	(14,101,436)	(15,370,566)	(16,753,917)	(5,203,559)	19.3%
Dental Claims	6,106,667	7,222,668	7,511,574	7,812,037	1,994,276	15.0%
Change in IBNR	33,534	-	-	-	(33,534)	-100.0%
Total Claims Expense	\$ 166,210,826	\$ 180,577,703	\$ 192,057,863	\$ 204,292,153	\$ 49,561,487	14.3%

Health Care and Benefits Division Group Benefits Claims 9.0% Medical Trend and 11.0% Prescription Trend Trend Assumptions by Actuaries Northwest, LLC						
	Projected Plan Year 2020	Projected Plan Year 2021	Projected Plan Year 2022	Projected Plan Year 2023	\$ Change 21B - 23B	% Change 21B - 23B
Medical Claims	\$ 137,074,626	\$ 152,152,835	\$ 165,846,590	\$ 180,772,784	\$ 57,391,913	19.8%
Rx Claims	36,949,211	41,752,609	46,762,922	52,374,472	20,435,574	26.0%
Part D	(12,819,488)	(14,101,436)	(15,370,566)	(16,753,917)	(5,203,559)	19.3%
Dental Claims	6,138,791	7,259,610	7,695,186	8,156,897	2,453,682	18.3%
Change in IBNR	33,534	-	-	-	(33,534)	-100.0%
Total Claims Expense	\$ 167,376,674	\$ 187,063,618	\$ 204,934,132	\$ 224,550,236	\$ 75,044,076	21.2%

Revenues

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

Plan revenues are estimated at approximately \$220.0 million each fiscal year.

Proprietary Rates

For the 2023 biennium the following rates are proposed by the executive. The rates charged in the base year are shown for comparison purposes.

Figure 32

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information			
Actual FY 20	Budgeted FY 21	Proposed FY 22	Proposed FY23
Fee Description:			
State Share Contribution	\$1,054	\$1,054	\$1,054
Rates are established to maintain adequate reserves. Actual state share rates are set for each calendar year as opposed to a fiscal year. This table shows the average month state share rate for each fiscal year			

The amounts shown as rates above are the state share contribution for each state employee each month. The state share contribution amounts are contained in statute. For the 2023 biennium the executive is not proposing any additional funding for the state share contribution in the pay plan. The various contribution costs for the program are not limited through the legislative process but are determined by the division based on actuarial estimates of the claim costs for each insurance type. Any difference between the state share contribution and actual costs are made up by employee and retiree contributions and investment income. As the plan year for the state employee health insurance is a calendar year, the revenues for the plans are a combination of contributions for two years.

Workers' Compensation Management Program – 06575

Proprietary Program Description

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

The program is funded through a fixed cost rate charged to state agencies. The program currently supports 3.14 FTE.

Proprietary Program Narrative

The following 2023 Biennium Report on Internal Service and Enterprise Funds shows the actual and projected expenditures and related revenues associated with the workers' compensation management proprietary fund.

2023 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Program Name
06575	Workers' Comp Management	61010	Workers' Comp

	Actual FY 20	Proposed FY 21	Proposed FY 22	Proposed FY 23
Operating Revenues				
Fees and Charges				
Fee Revenue A	344,997	345,000	349,313	349,312
Total Operating Revenues	344,997	345,000	349,313	349,312
Expenses				
Personal Services	310,599	304,005	308,263	308,823
Other Operating Expense	38,879	41,015	46,149	46,233
Total Operating Expense	349,478	345,020	354,412	355,056
Operating Income (Loss)	(4,481)	(20)	(5,099)	(5,744)
Nonoperating Revenues				
Other Revenue A				
Other Revenue B				
Nonoperating Expenses				
Other Expense A				
Other Expense B				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfers	(4,481)	(20)	(5,099)	(5,744)
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position	(4,481)	(20)	(5,099)	(5,744)
Beginning Net Position - July 1	38,228	33,747	33,727	28,628
Prior Period Adjustments				
Change in Net Position	(4,481)	(20)	(5,099)	(5,744)
Ending Net Position - June 30	33,747	33,727	28,628	22,884

Expenses

The executive proposes an increase in expenses of approximately \$24,000 in FY 2022 and \$25,000 in FY 2023 when compared to the FY 2021 base year. The following figure shows the changes as proposed by the executive as reflected in the budgeting system.

Figure 33

Department of Administration Health Care and Benefits Division Workers' Compensation Management Proposed Changes for the 2023 Biennium in the Budgeting System		
	FY 2022	FY 2023
Personal Services		
Statewide Present Law Adjustment	<u>12,953</u>	<u>13,513</u>
Personal Services Total	12,953	13,513
Operating Expenses		
Statewide Present Law Adjustment - Fixed Costs	3,703	3,167
Allocate Indirect/Administrative Costs	868	868
Operating Increase	<u>6,900</u>	<u>7,520</u>
Operating Expenses Total	11,471	11,555
Total Proposed Increase	<u>24,424</u>	<u>25,068</u>

The largest proposed increases are from statewide present law adjustments for personal services and a present law change for operating expenses. The statewide present law increases personal services by approximately \$13,000 in FY 2022 and \$14,000 in FY 2023 and is primarily due to the legislatively approved pay plan, benefits changes, and the movement of 0.07 FTE into the program.

The present law adjustment proposed for operating expense increases totals approximate \$7,000 in FY 2022 and \$7,500 in FY 2023. These increases are for an Occupational Safety and Health Administration (OSHA) training, an increase in rent, and scheduled computer replacement.

Revenues

The workers' compensation management program fees are composed of a fixed cost rate allocated to each state agency based on the average number of payroll warrants issued each pay period.

Proprietary Rates

For the 2023 biennium the following rates are proposed by the executive. The rates charged in the base year are shown for comparison purposes. The executive is proposing a 2.1% increase in the rates in the 2023 biennium when compared to FY 2021.

Figure 34

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information			
	Actual FY 20	Budgeted FY 21	Proposed FY 22
Fee Description:			Proposed FY 23
Workers' Compensation Management	\$0.95	\$0.95	\$0.97

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

Proprietary Program Description

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

Federal rules govern the use of and the amount that can be contributed to flexible spending accounts. The current contribution maximums are \$2,750 per year for medical and \$5,000 per year for dependent care. In the fall of 2013, the Internal Revenue Service announced the ability for participants to roll over up to \$500 from the medical flexible spending account into the next benefit year. Employees forfeit any unspent funds beyond the \$500 rollover for medical and any remaining dependent care balance at the end of the year.

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

Proprietary Program Narrative

The following 2023 Biennium Report on Internal Service and Enterprise Funds shows the actual and projected expenditures and related revenues associated with the flexible spending proprietary fund.

2023 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Program Name
06027	Flexible Spending	61010	Health Care & Benefits Division

	Actual FY 20	Budgeted FY 21	Proposed FY 22	Proposed FY 23
Operating Revenues				
Fees and Charges				
Administration Fee	122,318	171,863	171,863	171,863
Investment Earnings	20,809	1,000	1,000	1,000
FSA Account Contributions	7,335,592	7,741,250	7,741,250	7,741,250
Total Operating Revenues	7,478,719	7,914,113	7,914,113	7,914,113
Expenses				
Personal Services				
Other Operating Expense				
Administration	122,366	171,863	171,863	171,863
FSA Distributions	6,709,229	7,707,230	7,707,230	7,707,230
Total Operating Expense	6,831,595	7,879,093	7,879,093	7,879,093
Operating Income (Loss)	647,124	35,020	35,020	35,020
Nonoperating Revenues				
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfers	647,124	35,020	35,020	35,020
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position	647,124	35,020	35,020	35,020
Beginning Net Position - July 1	2,484,443	3,131,567	3,166,587	3,201,607
Prior Period Adjustments				
Change in Net Position	647,124	35,020	35,020	35,020
Ending Net Position - June 30	3,131,567	3,166,587	3,201,607	3,236,627

Expenses

The executive proposes that expenditures in FY 2022 and FY 2023 are unchanged from FY 2021.

Revenues

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

Proprietary Rates

For the 2023 biennium the following rates are proposed by the executive. The rates charged in the base year are shown for comparison purposes. The executive is not proposing any changes to the rates.

Figure 35

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information			
	Actual FY 20	Budgeted FY 21	Proposed FY 22
Fee Description:			
FSA Account	\$2.26	\$2.26	\$2.26

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

Program Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	2,515,741	2,681,656	165,915	6.60 %
Operating Expenses	879,547	782,213	(97,334)	(11.07) %
Debt Service	660	754	94	14.24 %
Total Expenditures	\$3,395,948	\$3,464,623	\$68,675	2.02 %
General Fund	3,395,948	3,464,623	68,675	2.02 %
Total Funds	\$3,395,948	\$3,464,623	\$68,675	2.02 %
Total Ongoing	\$3,395,948	\$3,464,623	\$68,675	2.02 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

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

- The Human Resources Policy and Programs Bureau, which establishes the human resource rules, policies, and standards for Montana's executive branch
- The Professional Development Center, offering training and other professional development services to Montana state government and other organizations
- The Human Resources Information Systems Bureau, which processes the biweekly payroll, and other human resources information systems, for all branches of state government

Program Highlights

State Human Resources Division Major Budget Highlights
<ul style="list-style-type: none"> • The State Human Resources Division's 2023 biennium requested appropriations are approximately \$69,000 or 2.0% higher than the 2021 biennium • The executive proposes increases in general fund for statewide present law adjustment for personal services and a present law adjustment for indirect costs paid to the Director's Office • The majority of the funding in the division is from non-budgeted proprietary funds. The legislature approves the rates for the Professional Development Center and the human resource information system internal service funds in HB 2. The executive is proposing a rate increase for the human resource information system internal service fund

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	13.75	13.75	13.75	13.75
Personal Services	1,164,368	1,250,247	1,265,494	1,338,113	1,343,543
Operating Expenses	505,910	439,432	440,115	391,064	391,149
Debt Service	283	283	377	377	377
Total Expenditures	\$1,670,561	\$1,689,962	\$1,705,986	\$1,729,554	\$1,735,069
General Fund	1,670,561	1,689,962	1,705,986	1,729,554	1,735,069
Total Funds	\$1,670,561	\$1,689,962	\$1,705,986	\$1,729,554	\$1,735,069
Total Ongoing	\$1,670,561	\$1,689,962	\$1,705,986	\$1,729,554	\$1,735,069
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2020 Appropriation Compared to FY 2020 Actual Expenditures

The State Human Resources Division is funded in HB 2 with general fund. The HB 2 modified budget of \$1.7 million was 98.9% expended as of the end of FY 2020. This is in line with anticipated expenditures at the end of the fiscal year.

FY 2020 Appropriations Compared to FY 2021 Appropriations

Overall, the FY 2021 appropriation is approximately \$16,000 or 0.9% higher than the FY 2020 appropriation. The FY 2020 and FY 2021 appropriations are not significantly different. The minor difference is primarily due to the pay plan allocation in each fiscal year.

Executive Request

The State Human Resources Division is requesting an increase of approximately \$24,000 in FY 2022 and \$29,000 in FY 2023 above the FY 2021 base appropriations. The proposed increases are due to the statewide present law adjustments for personal services and indirect costs paid to the Director's Office. The proposed increases are partially offset by requested reductions in fixed costs, inflation/deflation, and operational efficiency gained by using ServiceNow.

Program Personal Services

Personal services comprise \$1.3 million or 74.2% of total FY 2021 appropriations. The executive proposes an increase of approximately \$73,000 in FY 2022 and \$78,000 in FY 2023. The table below shows the total adjustments for each personal services category.

Figure 36

Department of Administration State Human Resources Division FY 2022 Statewide Present Law Adjustment for Personal Services	
Expected Changes	\$ 40,587
Management Decisions	32,032
Budget Modifications	-
Total Present Law Adjustment	\$ 72,619

Expected changes comprise the majority of the increase in the statewide present law adjustment for personal services. The remainder of the increase is due to management decisions.

**LFD
COMMENT**

The increase related to management decisions is partly due to 0.50 FTE being included in the HB 2 budget and it should have been included in the HRIS proprietary fund. The executive will be correcting this in its December 15th submission of the Governor's budget.

Funding

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

Funds	Department of Administration, 23-State Human Resources Division Funding by Source of Authority						% Total All Funds
	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources		
01100 General Fund	3,464,623	0	0	0	3,464,623		28.94 %
State Special Total	\$0	\$0	\$0	\$0	\$0		0.00 %
Federal Special Total	\$0	\$0	\$0	\$0	\$0		0.00 %
06525 Intergovernmental Training	0	0	921,579	0	921,579		10.83 %
06559 Group Benefits Claims A/C	0	0	708,332	0	708,332		8.33 %
06563 HR Info Services	0	0	6,878,510	0	6,878,510		80.84 %
Proprietary Total	\$0	\$0	\$8,508,421	\$0	\$8,508,421		71.06 %
Total All Funds	\$3,464,623	\$0	\$8,508,421	\$0	\$11,973,044		

HB 2 Appropriations

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

Non-Budgeted Proprietary

The majority of the State Human Resources Division's operations are supported by proprietary funds. This includes:

- Professional Development Center (PDC)
- Human Resource Information Services (HRIS) Bureau

The PDC is supported through fees in the form of tuition paid by state agencies that enroll employees in various classes provided by the PDC and fees for other services offered by the PDC. The HRIS Bureau is funded through a fee charged to state agencies for each employee payroll processed in a pay period. Both funds are considered and approved as rates charged to other state agencies and are discussed in the Proprietary Rates section of the narrative.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the [glossary](#).

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	1,705,986	1,705,986	3,411,972	98.48 %	1,705,986	1,705,986	3,411,972	98.48 %
SWPL Adjustments	21,022	26,553	47,575	1.37 %	21,022	26,553	47,575	1.37 %
PL Adjustments	2,546	2,530	5,076	0.15 %	2,546	2,530	5,076	0.15 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$1,729,554	\$1,735,069	\$3,464,623		\$1,729,554	\$1,735,069	\$3,464,623	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments									
FTE	Fiscal 2022				Fiscal 2023				Total Funds
	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	
DP 1 - Personal Services	0.00	72,619	0	72,619	0.00	78,049	0	0	78,049
DP 2 - Fixed Costs	0.00	(51,556)	0	(51,556)	0.00	(51,470)	0	0	(51,470)
DP 3 - Inflation Deflation	0.00	(41)	0	(41)	0.00	(26)	0	0	(26)
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	5,420	0	5,420	0.00	5,404	0	0	5,404
DP 5 - ServiceNow	0.00	(2,874)	0	(2,874)	0.00	(2,874)	0	0	(2,874)
Grand Total All Present Law Adjustments	0.00	\$23,568	\$0	\$23,568	0.00	\$29,083	\$0	\$0	\$29,083

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

DP 1 - Personal Services -

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

- Expected changes
- Personal services management decisions
- Modifications made to the personal services budget in the 2021 biennium

DP 2 - Fixed Costs -

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

pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive requests an increase in general fund to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided, which include accounting, human resources, and legal support.

DP 5 - ServiceNow -

The executive requests a decrease in general fund because of the purchase of ServiceNow licenses and programs for the 2023 biennium. The State Human Resources Division is anticipating operating efficiencies and other savings by using ServiceNow.

Other Issues -

Proprietary Rates

The State Human Resources Division provides the following programs funded through proprietary rates:

- Professional Development Center
- Human Resources Information Services Bureau

Professional Development Center / Training Program - 06525

Proprietary Program Description

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

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

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

Proprietary Program Narrative

The following 2023 Biennium Report on Internal Service and Enterprise Funds shows the actual and projected expenditures and related revenues associated with the PDC/training program fund.

2023 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Program Name
06525	Intergovernmental Training	61010	State Human Resources Division

	Actual FY 20	Budgeted FY 21	Proposed FY 22	Proposed FY 23
Operating Revenues				
Fees and Charges				
Fee Revenue A	362,136	370,000	415,000	415,000
Fee Revenue B	90	48,500	2,500	2,500
Other Operating Revenues				
Total Operating Revenues	362,226	418,500	417,500	417,500
Expenses				
Personal Services	208,562	287,480	305,812	306,715
Other Operating Expense	208,968	144,059	154,461	153,859
Total Operating Expense	417,530	431,539	460,273	460,574
Operating Income (Loss)	(55,303)	(13,039)	(42,773)	(43,074)
Nonoperating Revenues				
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfers	(55,303)	(13,039)	(42,773)	(43,074)
Capital Contributions				
Transfers In	72,928	47,400	62,400	62,400
Transfers Out				
Loans and Lease Payments	(13)	(366)	(366)	(366)
Change in Net Position	17,611	33,995	19,261	18,960
Beginning Net Position - July 1	26,417	44,028	78,023	97,284
Prior Period Adjustments				
Change in Net Position	17,611	33,995	19,261	18,960
Ending Net Position - June 30	44,028	78,023	97,284	116,244

Expenses

The executive proposes to increase total expenses by approximately \$29,000 each fiscal year when compared to the FY 2021 base budget. The following figure shows the changes as proposed by the executive as reflected in the budgeting system.

Figure 37

Department of Administration State Financial Services Division Professional Development Center Fund Proposed Changes for the 2023 Biennium in the Budgeting System		
	FY 2022	FY 2023
Personal Services		
Statewide Present Law Adjustment - Personal Services	\$ 18,332	\$ 19,235
Personal Services Total	18,332	19,235
Operating Expenses		
Statewide Present Law Adjustment - Fixed Costs	10,455	9,829
Statewide Present Law Adjustment - Inflation/Deflation	(73)	(46)
Allocate Indirect/Administrative Costs	1,006	1,003
ServiceNow	<u>(651)</u>	<u>(651)</u>
Operating Expenses Total	10,737	10,135
Total Proposed Increase	\$ 29,069	\$ 29,370

This proposed increase is primarily due to the statewide present law adjustment for personal services and fixed costs. Of the approximately \$10,000 increase in fixed costs in FY 2022 and FY 2023, approximately \$7,300 is due to SITSD costs. The PDC anticipates holding more virtual classes, which is causing the increase in SITSD costs.

The statewide present law adjustment for personal services increases appropriations by approximately \$18,000 in FY 2022 and \$19,000 in FY 2023. There are primarily two reasons for this increase, which include:

- One position was vacant in the snapshot for the last biennium and filled for the 2023 biennium snapshot. Vacant positions are not included in the budget at the full market rate, so when this position was filled the pay rate increased
- One position received a market adjustment to align the pay rate for this position with peers having similar duties

Revenues

Funding for the PDC is generated through two rates:

- Open-enrollment fees, which are a per-person tuition charged for attendance. Tuition rates are based on two factors: projected attendance and competitive pricing. Tuition rates for the 2023 biennium are based on the proportion of fixed and personal services costs to the overall anticipated program cost. The amount per person varies by length of the course and number of people attending from a single agency
- Contract fees, which are a flat fee charged for providing a service. The amount per service varies by length of the service and number of services arranged in a single contract

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2023 biennium. The rates charged in the 2021 biennium are shown for comparison purposes. The executive is not proposing rate change from the 2021 biennium.

Figure 38

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Actual FY 2020	Budgeted FY 2021	Proposed FY 2022	Proposed FY 2023
Fee Description:				
Open Enrollment Courses				
Two-Day Course (per participant)	\$190	\$190	\$190	\$190
One-Day Course (per participant)	\$123	\$123	\$123	\$123
Half-Day Course (per participant)	\$95	\$95	\$95	\$95
Eight-Day Management Series (per participant)	\$800	\$800	\$800	\$800
Six-Day Management Series (per participant)	\$600	\$600	\$600	\$600
Four-Day Management Series (per participant)	\$400	\$400	\$400	\$400
Contract Courses				
Full Day Training (flat fee)	\$830	\$830	\$830	\$830
Half Day Training (flat fee)	\$570	\$570	\$570	\$570
Computer Maintenance Charge (course specific)	\$10	\$10	\$10	\$10

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

Proprietary Program Description

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

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

The program staff consists of 21.25 FTE. Statutory authority is 2-18-401, MCA, and 2-18-403, MCA.

Proprietary Program Narrative

The following 2023 Biennium Report on Internal Service and Enterprise Funds shows the actual and projected expenditures and related revenues associated with the HRIS fund.

2023 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Program Name
06563	Human Resources Information Services	61010	State Human Resources Division

	Actual FY 20	Proposed FY 21	Proposed FY 22	Proposed FY 23
Operating Revenues				
Fees and Charges				
Revenue from HRIS Fees	3,228,135	3,241,775	3,597,099	3,607,489
Revenue from HCBD	160,000	120,000		
Other Operating Revenues				
Revenue A	29		500	500
Total Operating Revenues	<u>3,388,164</u>	<u>3,361,775</u>	<u>3,597,599</u>	<u>3,607,989</u>
Expenses				
Personal Services	2,151,413	2,141,480	2,079,615	2,083,298
Other Operating Expense	1,264,902	1,312,427	1,399,234	1,314,373
Total Operating Expense	<u>3,416,315</u>	<u>3,453,907</u>	<u>3,478,849</u>	<u>3,397,671</u>
Operating Income (Loss)	<u>(28,151)</u>	<u>(92,132)</u>	<u>118,750</u>	<u>210,318</u>
Nonoperating Revenues				
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfers	<u>(28,151)</u>	<u>(92,132)</u>	<u>118,750</u>	<u>210,318</u>
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments	(36)	(995)	(995)	(995)
Change in Net Position	<u>(28,187)</u>	<u>(93,127)</u>	<u>117,755</u>	<u>209,323</u>
Beginning Net Position - July 1	216,760	175,813	82,686	200,441
Prior Period Adjustments	(12,760)			
Change in Net Position	<u>(28,187)</u>	<u>(93,127)</u>	<u>117,755</u>	<u>209,323</u>
Ending Net Position - June 30	<u>175,813</u>	<u>82,686</u>	<u>200,441</u>	<u>409,764</u>

Expenses

The executive proposes a decrease of approximately \$202,000 in FY 2022 and \$283,000 in FY 2023 when compared to the FY 2021 base year. The following figure shows the changes as proposed by the executive as reflected in the budgeting system.

Figure 39

Department of Administration State Financial Services Division Human Resources Information System Fund Proposed Changes for the 2023 Biennium in the Budgeting System		
	FY 2022	FY 2023
Personal Services		
Statewide Present Law Adjustment - Personal Services	\$ (104,574)	\$ (100,891)
Personal Services Total	(104,574)	(100,891)
Operating Expenses		
Statewide Present Law Adjustment - Fixed Costs	113,895	26,937
Allocate Indirect/Administrative Costs	(3,781)	(3,807)
ServiceNow	(4,717)	(4,717)
HRIS Online Learning System	80,000	80,000
Software Contract Increases	42,455	44,578
Adjust HRIS Operating Budget	(325,000)	(325,000)
Operating Expenses Total	(97,148)	(182,009)
Total Proposed Decrease	\$ (201,722)	\$ (282,900)

The requested decreases are primarily due to:

- The statewide present law adjustment for personal services that reduces the budget by \$105,000 in FY 2022 and \$101,000 in FY 2023. The bureau had several positions that were vacant due to resignations and a retirement. These positions were reclassified, and new staff members were hired at a lower pay rate. Additionally, 1.50 FTE were transferred out of the HRIS Bureau (Note: 0.50 FTE was included in HB 2 and should have been included in this proprietary fund. The executive is correcting this in the December 15th budget submission)
- The present law adjustment to the operating budget that reduces appropriations by \$325,000 each fiscal year. The HRIS Bureau no longer contracts with the Health Care and Benefits Division to provide certain payroll services. This reduction in the operating budget reflects the costs associated with administering this contract

These decreases are partially offset by proposed increase due to:

- A statewide present law adjustment in FY 2022 of approximately \$87,000 for audit costs
- Present law increases of approximately \$42,000 in FY 2022 and \$45,000 in FY 2023 for the Oracle software contract. A 5.0% increase in license fees and maintenance costs are projected. License, subscription, and maintenance fees are needed for continued support and updates to the enterprise's payroll, benefit administration, time and labor, human resources, recruitment, and talent management products supporting SABHRS-HR
- New proposal increases of approximately \$80,000 in each fiscal year for an online learning system. The online enterprise learning management system costs are going to be paid for by the HRIS Bureau starting May 2021. The costs were previously paid for by SITSD but are going to be transferred to HRIS

Revenues

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

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2023 biennium. The rates charged in the 2021 biennium are shown for comparison purposes. The executive is proposing rate increases of approximately 12.4% when compared to the base year of FY 2021.

Figure 40

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information			
	Estimated FY 2020	Estimated FY 2021	Proposed FY 2022
Fee Description:			Proposed FY 2023
HRIS Fees (per employee process per pay period)	\$ 8.89	\$ 8.89	\$ 9.99
			\$ 9.99

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

Program Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	3,396,718	3,591,723	195,005	5.74 %
Operating Expenses	22,468,684	26,945,634	4,476,950	19.93 %
Grants	1,040,226	1,040,226	0	0.00 %
Benefits & Claims	28,470,174	30,470,174	2,000,000	7.02 %
Debt Service	3,482	3,980	498	14.30 %
Total Expenditures	\$55,379,284	\$62,051,737	\$6,672,453	12.05 %
Proprietary Funds	55,379,284	62,051,737	6,672,453	12.05 %
Total Funds	\$55,379,284	\$62,051,737	\$6,672,453	12.05 %

Program Description

The Risk Management and Tort Defense Division (RMTD) 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, foreign specialties, foster care, HIPAA, medical malpractice, property, professional liability, and miscellaneous.

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

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

Program Highlights

Risk Management and Tort Defense Division Major Budget Highlights
<ul style="list-style-type: none"> • The Risk Management and Tort Defense Division's 2023 biennium requested appropriations are approximately \$6.7 million or 12.1% higher than the 2021 biennium • The executive proposes increases in proprietary funds for insurance premiums. This increase is requested due to unfavorable market conditions and significant loss in the recent past • The majority of the funding in the division is from non-budgeted proprietary funds. The legislature approves the rates in HB 2. The executive is proposing a rate increase

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	17.00	17.00	17.00	17.00
Personal Services	1,717,924	1,686,480	1,710,238	1,793,989	1,797,734
Operating Expenses	9,056,179	10,463,756	12,004,928	13,478,549	13,467,085
Grants	236,350	520,113	520,113	520,113	520,113
Benefits & Claims	12,899,826	13,235,087	15,235,087	15,235,087	15,235,087
Debt Service	1,492	1,492	1,990	1,990	1,990
Total Expenditures	\$23,911,771	\$25,906,928	\$29,472,356	\$31,029,728	\$31,022,009
Proprietary Funds	23,911,771	25,906,928	29,472,356	31,029,728	31,022,009
Total Funds	\$23,911,771	\$25,906,928	\$29,472,356	\$31,029,728	\$31,022,009

Program Discussion -

FY 2020 Appropriation Compared to FY 2020 Actual Expenditures

The Risk Management and Tort Defense Division is funded with proprietary funds and not included in HB 2. The FY 2020 budget of \$25.9 million was 92.3% expended as of the end of the fiscal year. Benefits and claims were 97.5% expended and operating expenses were 86.5% expended.

FY 2020 Appropriations Compared to FY 2021 Appropriations

Overall, the FY 2021 appropriation is approximately \$3.6 million or 13.8% higher than the FY 2020 appropriation. The difference is primarily in operating expenses and benefits and claims. The difference between the two fiscal years is primarily due to a catastrophic property loss on the MSU Bozeman campus in March 2019. Due to this claim and other insurance market factors, the commercial premium payments increased. Additionally, RMTD needed additional authority in order to pay claims related to this loss from the commercial insurance proceeds received.

Executive Request

The Risk Management and Tort Defense Division is requesting an increase of approximately \$1.6 million in FY 2022 and \$1.5 million in FY 2023 above the FY 2021 base appropriations. This increase is primarily due to the present law adjustment for additional commercial insurance premiums of \$1.4 million in FY 2022 and \$1.4 million in FY 2023.

Funding

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

Funds	Department of Administration, 24-Risk Management and Tort Defense Funding by Source of Authority						% Total All Funds
	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources		
General Fund	0	0	0	0	0	0	0.00 %
02098 Insurance Proceeds - State Bld State Special Total	0 \$0	0 \$0	0 \$0	91,000 \$91,000	91,000 \$91,000	91,000 \$91,000	100.00 % 0.15 %
Federal Special Total	\$0	\$0	\$0	\$0	\$0	\$0	0.00 %
06532 Agency Insurance Int. Svc. Proprietary Total	0 \$0	0 \$0	62,051,737 \$62,051,737	0 \$0	62,051,737 \$62,051,737	62,051,737 \$62,051,737	100.00 % 99.85 %
Total All Funds	\$0	\$0	\$62,051,737	\$91,000	\$62,142,737		

Non-Budgeted Proprietary Appropriations

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

Statutory Appropriations

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

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the [glossary](#).

Budget Item	General Fund				Total Funds			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	0	0	0	0.00 %	29,472,356	29,472,356	58,944,712	94.99 %
SWPL Adjustments	0	0	0	0.00 %	181,649	173,951	355,600	0.57 %
PL Adjustments	0	0	0	0.00 %	1,375,723	1,375,702	2,751,425	4.43 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$31,029,728	\$31,022,009	\$62,051,737	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	Fiscal 2022					Fiscal 2023				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 1 - Personal Services	0.00	0	0	83,751	0.00	0	0	0	87,496	
DP 2 - Fixed Costs	0.00	0	0	99,208	0.00	0	0	0	87,276	
DP 3 - Inflation Deflation	0.00	0	0	(1,310)	0.00	0	0	0	(821)	
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	0	5,803	0.00	0	0	0	5,782	
DP 5 - ServiceNow	0.00	0	0	(4,554)	0.00	0	0	0	(4,554)	
DP 2401 - Increase Commercial Insurance Premium	0.00	0	0	1,374,474	0.00	0	0	0	1,374,474	
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$1,557,372	0.00	\$0	\$0	\$0	\$1,549,653

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

DP 1 - Personal Services -

The executive requests adjustments to annualize personal services costs including FY 2021 statewide pay plan adjustments, benefit rate adjustments, vacancy savings adjustments and longevity adjustments related to incumbents in each position at the time of the personal services snapshot.

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive requests an increase in proprietary funding to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided, which include accounting, human resources, and legal support.

DP 5 - ServiceNow -

The executive requests a decrease in proprietary funding because of the purchase of ServiceNow licenses and programs for the 2023 biennium. The Risk Management and Tort Defense Division is anticipating operating efficiencies and other savings by using ServiceNow.

DP 2401 - Increase Commercial Insurance Premium -

The executive requests an increase in proprietary funding for anticipated increases in commercial insurance premium charges for FY 2022 and FY 2023.

Other Issues -

Proprietary Rates

Agency Insurance Fund - 06532

Proprietary Program Description

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

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

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

Proprietary Program Narrative

The following 2023 Biennium Report on Internal Service and Enterprise Funds shows the actual and projected expenditures and related revenues associated with the agency insurance fund.

2023 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Program Name			
			Actual FY 20	Budgeted FY 21	Proposed FY 22	Proposed FY 23
Operating Revenues						
	Fees and Charges					
	Premium		22,483,041	23,735,573	25,612,316	25,612,316
	Other Operating Revenues - Motorcycle Training		3,362	6,000	6,000	6,000
	Investment Earnings		636,033	590,000	590,000	590,000
	Total Operating Revenues		23,122,436	24,331,573	26,208,316	26,208,316
Expenses						
	Personal Services		1,747,751	1,710,238	1,793,989	1,797,734
	Other Operating Expense		4,204,685	5,479,050	5,574,188	5,562,724
	Insurance Premiums		5,319,557	7,050,000	8,424,474	8,424,474
	Claims		50,579,100	15,235,087	15,235,087	15,235,087
	Total Operating Expense		61,851,093	29,474,375	31,027,738	31,020,019
	Operating Income (Loss)		(38,728,657)	(5,142,802)	(4,819,422)	(4,811,703)
Nonoperating Revenues						
	Other Revenue A - Subrogation Proceeds		150,517	205,000	205,000	205,000
	Other Revenue B					
Nonoperating Expenses						
	Other Expense A					
	Other Expense B					
	Total Nonoperating Revenues (Expenses)		150,517	205,000	205,000	205,000
	Income (Loss) Before Contributions and Transfers		(38,578,140)	(4,937,802)	(4,614,422)	(4,606,703)
Capital Contributions						
	Transfers In - Insurance Proceeds Transfer		34,086,792	45,500	45,500	45,500
	Transfers Out					
	Loans and Lease Payments		(72)	(1,990)	(1,990)	(1,990)
	Change in Net Position		(4,491,420)	(4,894,292)	(4,570,912)	(4,563,193)
	Beginning Net Position - July 1		11,378,233	6,479,261	1,584,969	(2,985,943)
	Prior Period Adjustments		(407,552)			
	Change in Net Position		(4,491,420)	(4,894,292)	(4,570,912)	(4,563,193)
	Ending Net Position - June 30		6,479,261	1,584,969	(2,985,943)	(7,549,136)

Expenses

Overall, the executive is proposing an increase in personal services and operating expenses of \$1.5 million in each fiscal year. The increases in personal services totals approximately \$84,000 in FY 2022 and \$87,000 in FY 2023. This increase is primarily due to the legislatively approved pay plan and management decisions for market increases.

The increase in operating expenses is due to an increase in insurance premiums. The state's commercial excess insurance premiums are projected to increase due to unfavorable market conditions. In addition, state government and the university system have experienced historically significant events such as the Montana State University - Bozeman roof collapse which is expected to increase the states premium by at least 30.0%.

LFD COMMENT	The Risk Management and Tort Defense Division anticipates reserves to be \$5.7 million in FY 2020, \$4.6 million in FY 2021, \$10.6 million in FY 2022, and \$16.5 million in FY 2023. The actuarial target reserve is \$30.9 million for this time period. At the end of the 2023 biennium the reserve will be approximately \$14.4 million below the target reserve amount.
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Revenues

Montana self-insures its insurance risks for automobile, aviation, general liability, and property via this program. All state agencies pay insurance premiums to the Risk Management and Tort Defense Division. The following figure shows insurance premiums for state agencies in the 2021 biennium and the 2023 biennium and changes in the costs between biennia.

Figure 41

State Agency	Department of Administration Risk Management and Tort Defense Division State Agency Insurance Costs					
	2021 Biennium	2023 Biennium	Change	% Change		
	\$ 97,449	\$ 104,710	\$ 7,261	7.5%		
Legislative Branch	\$ 2,897	\$ 2,919	\$ 22	0.8%		
Consumer Counsel	325,337	329,961	4,624	1.4%		
Judicial Branch	58,519	57,040	(1,479)	-2.5%		
Governor's Office	30,393	27,743	(2,650)	-8.7%		
Secretary of State's Office	3,302	3,291	(11)	-0.3%		
Commissioner of Political Practices	47,566	48,329	763	1.6%		
State Auditor's Office	93,937	95,050	1,113	1.2%		
Office of Public Instruction	1,681,643	1,672,951	(8,692)	-0.5%		
Department of Justice	33,908	34,028	120	0.4%		
Public Service Commission	1,835	1,884	49	2.7%		
Board of Education	15,985,932	18,837,260	2,851,328	17.8%		
School for Deaf & Blind	134,509	152,703	18,194	13.5%		
Montana Arts Council	4,572	4,560	(12)	-0.3%		
Montana State Library	30,805	29,838	(967)	-3.1%		
Montana Historical Society	205,827	217,968	12,141	5.9%		
Department of Fish, Wildlife, & Parks	1,100,857	1,229,719	128,862	11.7%		
Department of Environmental Quality	696,181	688,972	(7,209)	-1.0%		
Department of Transportation	11,036,162	11,099,855	63,693	0.6%		
Department of Livestock	183,680	179,563	(4,117)	-2.2%		
Department of Natural Resources and Conservation	981,006	991,319	10,313	1.1%		
Department of Revenue	502,011	509,830	7,819	1.6%		
Department of Administration	1,552,819	1,872,819	320,000	20.6%		
Montana State Fund	1,074,562	1,096,181	21,619	2.0%		
Public Employees Retirement Board	33,480	33,245	(235)	-0.7%		
Teachers Retirement Board	13,257	12,955	(302)	-2.3%		
Public Defenders Office	201,731	207,918	6,187	3.1%		
Department of Agriculture	172,945	174,297	1,352	0.8%		
Department of Corrections	3,555,391	3,721,687	166,296	4.7%		
Department of Commerce	409,044	536,492	127,448	31.2%		
Department of Labor & Industry	621,233	621,178	(55)	0.0%		
Department of Military Affairs	594,709	668,540	73,831	12.4%		
Department of Public Health and Human Services	5,924,033	5,959,826	35,793	0.6%		
	\$ 47,391,532	\$ 51,224,631	\$ 3,833,099	8.1%		

Overall, revenues generated through premiums allocated to state agencies increased by 8.1%. Depending on the number and types of assets owned and/or the agency's loss history, insurance premiums paid by agencies may vary. Premium amounts for state agencies are determined based on the predicted costs of losses the state may incur as a result of claims and the costs for operating the division. The division utilizes industry standards and practices employed by other municipalities and municipal risk pools in setting rates. Budgeted authority to pay insurance premiums is a fixed cost item in agency budgets.

Premiums for the 2023 biennium are apportioned based upon exposure and loss experience as follows:

- **Automobile** – comprised of two separate components 1) comprehensive and collision based upon total values

of reported vehicles; and 2) auto liability premium based on agency losses over the past 4 years and number of vehicles reported

- **Aviation** – allocated to those agencies that have aircraft based on charges on commercial insurance carriers for each aircraft, depending on the year, make, model, and value of the aircraft. Airport premium is apportioned to those agencies that have airports based upon the number of airports
- **General Liability** – comprised of commercial coverage negotiated with commercial insurance carriers and self-insurance for those risks that are not insurable through commercial coverage based on number of exposures
- **Property** – allocated to each agency based on its percentage of reported exposures (e.g. building replacement cost values, boilers and machinery, etc.)

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2023 biennium. The rates charged in the 2021 biennium are shown for comparison purposes. The executive is proposing rate changes for premiums related to automobile, general liability and property/miscellaneous insurance.

Figure 42

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Actual FY 20	Budgeted FY 21	Proposed FY 22	Proposed FY 23
Fee Description:				
Auto - Comprehensive/Collision	\$2,022,570	\$2,022,570	\$1,820,313	\$1,820,313
Aviation	\$169,961	\$169,961	\$169,961	\$169,961
General Liability	\$14,573,235	\$14,573,236	\$14,613,042	\$14,613,042
Property/Miscellaneous	\$6,930,000	\$6,930,000	\$9,009,000	\$9,009,000

The changes in rates, when compared to the base year of FY 2021, result in a:

- Decrease of 10.0% for automobile premiums
- Increase of 0.3% for general liability premiums
- Increase of 30.0% for property and miscellaneous premiums

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

Program Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	1,024,968	1,030,395	5,427	0.53 %
Operating Expenses	307,746	330,067	22,321	7.25 %
Local Assistance	29,366	29,366	0	0.00 %
Total Expenditures	\$1,362,080	\$1,389,828	\$27,748	2.04 %
General Fund	1,362,080	1,389,828	27,748	2.04 %
Total Funds	\$1,362,080	\$1,389,828	\$27,748	2.04 %
Total Ongoing	\$1,362,080	\$1,389,828	\$27,748	2.04 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

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

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

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

Program Highlights	Montana Tax Appeal Board Major Budget Highlights
<ul style="list-style-type: none"> • The Montana Tax Appeal Board's 2023 biennium requested appropriations are approximately \$28,000 or 2.0% higher than the 2021 biennium • The executing proposes increases in general fund for statewide present law adjustment for fixed costs and a new proposal for fixed costs 	

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	5.50	5.50	5.50	5.50
Personal Services	440,693	509,042	515,926	514,608	515,787
Operating Expenses	122,565	154,968	152,778	164,971	165,096
Local Assistance	2,188	14,683	14,683	14,683	14,683
Total Expenditures	\$565,446	\$678,693	\$683,387	\$694,262	\$695,566
General Fund	565,446	678,693	683,387	694,262	695,566
Total Funds	\$565,446	\$678,693	\$683,387	\$694,262	\$695,566
Total Ongoing	\$565,446	\$678,693	\$683,387	\$694,262	\$695,566
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2020 Appropriation Compared to FY 2020 Actual Expenditures

The Montana Tax Appeal Board is funded entirely with general fund. The HB 2 modified budget of \$679,000 was 83.3% expended as of the end of FY 2020. Personal services were 86.6% expended, operating expenses were 79.1% expended and local assistance was 14.9% expended.

The COVID-19 pandemic impacted Montana Tax Appeal Board expenditures. The hearings that were scheduled from March through May 2020 were rescheduled for July through September 2020. MTAB pays the salaries for the county secretaries and the per diem for the County Tax Appeal Board members, so the delayed hearings impacted expenditures. In addition to the impacts of COVID-19, there was a position that was not fully utilized and a short vacancy in the law clerk position.

FY 2020 Appropriations Compared to FY 2021 Appropriations

Overall, the FY 2021 appropriation is approximately \$5,000 or 0.7% higher than the FY 2020 appropriation. The FY 2020 and FY 2021 appropriations are not significantly different. The minor difference is primarily due to the pay plan allocation in each fiscal year.

Executive Request

The Montana Tax Appeal Board is requesting an increase of approximately \$11,000 in FY 2022 and \$12,000 in FY 2023 above the FY 2021 base appropriations. The proposed increases are primarily due to the statewide present law adjustments for fixed costs and a new proposal for a fixed cost related to natural resource information system (NRIS) and the geographic information system (GIS). The proposed increases are partially offset by requested reductions in personal services and operational efficiency gained by using ServiceNow.

Program Personal Services

Personal services \$516,000 or 75.5% of total FY 2021 appropriations. The executive proposes a decrease of approximately \$1,300 in FY 2022 and \$140 in FY 2023. The table below shows the total adjustments for each personal services category.

Figure 43

Department of Administration Montana Tax Appeal Board FY 2022 Statewide Present Law Adjustment for Personal Services	
Expected Changes	\$ 915
Management Decisions	(2,233)
Budget Modifications	-
Total Present Law Adjustment	\$ (1,318)

The management decisions category is the cause of the decrease in the statewide present law adjustment for personal services. This decrease is primarily due to the law clerk position being vacant at the time of the personal services snapshot. Vacant positions are funded at 83.0% of the market midpoint for the job code of the position.

Funding

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

Funds	Department of Administration, 37-Montana Tax Appeal Board Funding by Source of Authority						% Total All Funds
	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources		
01100 General Fund	1,389,828	0	0	0	1,389,828		100.00 %
State Special Total	\$0	\$0	\$0	\$0	\$0		0.00 %
Federal Special Total	\$0	\$0	\$0	\$0	\$0		0.00 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0		0.00 %
Total All Funds	\$1,389,828	\$0	\$0	\$0	\$1,389,828		

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

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the [glossary](#).

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	683,387	683,387	1,366,774	98.34 %	683,387	683,387	1,366,774	98.34 %
SWPL Adjustments	8,805	10,116	18,921	1.36 %	8,805	10,116	18,921	1.36 %
PL Adjustments	(651)	(658)	(1,309)	(0.09)%	(651)	(658)	(1,309)	(0.09)%
New Proposals	2,721	2,721	5,442	0.39 %	2,721	2,721	5,442	0.39 %
Total Budget	\$694,262	\$695,566	\$1,389,828		\$694,262	\$695,566	\$1,389,828	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
FTE	Fiscal 2022				Fiscal 2023				Total Funds	
	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special		
DP 1 - Personal Services	0.00	(1,318)	0	0	(1,318)	0.00	(139)	0	0	(139)
DP 2 - Fixed Costs	0.00	10,152	0	0	10,152	0.00	10,273	0	0	10,273
DP 3 - Inflation Deflation	0.00	(29)	0	0	(29)	0.00	(18)	0	0	(18)
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	542	0	0	542	0.00	535	0	0	535
DP 5 - ServiceNow	0.00	(1,193)	0	0	(1,193)	0.00	(1,193)	0	0	(1,193)
Grand Total All Present Law Adjustments	0.00	\$8,154	\$0	\$0	\$8,154	0.00	\$9,458	\$0	\$0	\$9,458

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

DP 1 - Personal Services -

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

- Expected changes
- Personal services management decisions
- Modifications made to the personal services budget in the 2021 biennium

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive requests an increase in general fund to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided, which include accounting, human resources, and legal support.

DP 5 - ServiceNow -

The executive requests a decrease in general fund because of the purchase of ServiceNow licenses and programs for the 2023 biennium. The executive is anticipating operating efficiencies and other savings in the Montana Tax Appeal Board by using ServiceNow.

New Proposals

The New Proposals table shows new changes to spending

New Proposals									
Fiscal 2022					Fiscal 2023				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 37 - NRIS/GIS Fixed Costs	0.00	2,721	0	2,721	0.00	2,721	0	0	2,721
Total	0.00	\$2,721	\$0	\$2,721	0.00	\$2,721	\$0	\$0	\$2,721

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

DP 37 - NRIS/GIS Fixed Costs -

The 2019 Legislature enacted HB 633 requiring the Legislative Finance Committee (LFC) to conduct a study of the funding of digital library services. The LFC recommended that the Office of Budget and Program Planning include an assessment for the natural resource information system (NRIS) and the geographic information system (GIS) as a fixed cost to state agencies beginning in the 2023 biennium. The assessment is made to those agencies that utilize the NRIS/GIS.