

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	32,519,743	36,160,749	3,641,006	11.20 %
Operating Expenses	41,736,697	42,983,188	1,246,491	2.99 %
Equipment & Intangible Assets	310,792	301,072	(9,720)	(3.13)%
Grants	24,432,268	23,622,602	(809,666)	(3.31)%
Transfers	4,344,354	5,286,520	942,166	21.69 %
Total Expenditures	\$103,343,854	\$108,354,131	\$5,010,277	4.85 %
General Fund	14,228,544	15,110,191	881,647	6.20 %
State/Other Special Rev. Funds	2,345,245	3,113,610	768,365	32.76 %
Federal Spec. Rev. Funds	86,770,065	90,130,330	3,360,265	3.87 %
Total Funds	\$103,343,854	\$108,354,131	\$5,010,277	4.85 %
Total Ongoing	\$103,343,854	\$108,354,131	\$5,010,277	4.85 %
Total OTO	\$0	\$0	\$0	0.00 %

Mission Statement

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

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

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

Agency Highlights

Department of Military Affairs Major Budget Highlights	
	<ul style="list-style-type: none"> • The Department of Military Affairs' biennium budget request is about \$5.0 million or 4.9% higher than the 2021 biennium budget • Proposed changes are included in the statewide present law adjustments for personal services, fixed costs, and inflation/deflation • In addition, the Department of Military Affairs is requesting an additional 5.00 FTE and about \$457,000 each year in personal services, mainly in federal funds in the ChalleNGe and Army National Guard Programs
Legislative Action Items	
	<ul style="list-style-type: none"> • The legislature may wish to consider reducing operating expenses and transfers appropriations in programs requesting budgets not supported by historic spending levels • Transferring authority from personal services to operating expenses in the FY 2021 base budget increases the 2023 biennium budget • State special revenue accounts within the Veterans' Affairs Division do not have enough revenues or fund balance to support proposed appropriations in 2023 biennium budget • The legislature may wish to consider expanding the uses of search and rescue funds due to the accumulating fund balance

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	213.25	213.25	220.25	220.25
Personal Services	15,444,871	16,265,865	16,253,878	18,054,862	18,105,887
Operating Expenses	19,658,418	20,823,445	20,913,252	21,559,942	21,423,246
Equipment & Intangible Assets	94,983	160,256	150,536	150,536	150,536
Grants	8,793,091	12,620,967	11,811,301	11,811,301	11,811,301
Transfers	538,060	1,701,094	2,643,260	2,643,260	2,643,260
Total Expenditures	\$44,529,423	\$51,571,627	\$51,772,227	\$54,219,901	\$54,134,230
General Fund	6,667,654	7,097,551	7,130,993	7,574,617	7,535,574
State/Other Special Rev. Funds	855,971	1,166,650	1,178,595	1,555,526	1,558,084
Federal Spec. Rev. Funds	37,005,798	43,307,426	43,462,639	45,089,758	45,040,572
Total Funds	\$44,529,423	\$51,571,627	\$51,772,227	\$54,219,901	\$54,134,230
Total Ongoing	\$44,529,423	\$51,571,627	\$51,772,227	\$54,219,901	\$54,134,230
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Discussion

FY 2020 Appropriation Compared to FY 2020 Actual Expenditures

The Department of Military Affairs expended 86.3% of its \$51.6 million FY 2020 modified HB 2 budget. Personal services were 94.9% expended, operating expenses were 94.4% expended, equipment & intangible assets were 59.3% expended, grants were 69.7% expended, and transfers were 31.6% expended.

Personal services are below levels anticipated in the budget due to turn over and related vacancies. Operating expenses and transfers were lower than budgeted levels, in part due appropriation levels in several divisions that are above historic spending levels. See the Program Discussion for LFD Issue on these appropriation levels. Equipment & intangible assets are included in the Army National Guard Program and mainly used for the purchase of vehicles. Purchases fluctuate based on the replacement cycle of the vehicles. FY 2020 vehicle replacements were extended into future fiscal years to conserve general fund.

Grants were 69.7% expended. The low percentage is primarily due to the timing of accruing valid obligations, timing related to grant disbursements, and fluctuations in the amount of federal grant funds received.

FY 2020 Appropriations Compared to FY 2021 Appropriations

Differences between FY 2020 and FY 2021 appropriations are mainly due to operating plan or program transfers. These are detailed in the various divisions under Program Discussion.

Comparison of the 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 finalized 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 Military Affairs				
	Legislative Action	Executive Modifications per Statutory Authority	Executive Base	% Change from Legislative Action
01 DIRECTORS OFFICE				
61000 Personal Services	1,120,932	-	1,120,932	0.0%
62000 Operating Expenses	207,030	-	207,030	0.0%
68000 Transfers-out	50,655	-	50,655	0.0%
01 DIRECTORS OFFICE Total	1,378,617	-	1,378,617	0.0%
02 CHALLENGE PROGRAM				
61000 Personal Services	3,394,182	(267,456)	3,126,726	-7.9%
62000 Operating Expenses	1,200,100	267,456	1,467,556	22.3%
02 CHALLENGE PROGRAM Total	4,594,282	-	4,594,282	0.0%
03 SCHOLARSHIP PROGRAM				
62000 Operating Expenses	207,362	-	207,362	0.0%
03 SCHOLARSHIP PROGRAM Total	207,362	-	207,362	0.0%
04 STARBASE				
61000 Personal Services	248,365	-	248,365	0.0%
62000 Operating Expenses	464,828	-	464,828	0.0%
04 STARBASE Total	713,193	-	713,193	0.0%
12 ARMY NATIONAL GUARD PGM				
61000 Personal Services	4,020,621	-	4,020,621	0.0%
62000 Operating Expenses	14,936,225	-	14,936,225	0.0%
63000 Equipment & Intangible Assets	150,536	-	150,536	0.0%
68000 Transfers-out	25,000	-	25,000	0.0%
12 ARMY NATIONAL GUARD PGM Total	19,132,382	-	19,132,382	0.0%
13 AIR NATIONAL GUARD PGM				
61000 Personal Services	3,881,614	-	3,881,614	0.0%
62000 Operating Expenses	1,902,428	-	1,902,428	0.0%
13 AIR NATIONAL GUARD PGM Total	5,784,042	-	5,784,042	0.0%
21 DISASTER & EMERGENCY SERVICES				
61000 Personal Services	1,942,440	-	1,942,440	0.0%
62000 Operating Expenses	1,357,748	-	1,357,748	0.0%
66000 Grants	11,776,301	-	11,776,301	0.0%
68000 Transfers-out	2,522,605	-	2,522,605	0.0%
21 DISASTER & EMERGENCY SERVICES Total	17,599,094	-	17,599,094	0.0%
31 VETERANS AFFAIRS PROGRAM				
61000 Personal Services	1,913,180	-	1,913,180	0.0%
62000 Operating Expenses	370,075	-	370,075	0.0%
66000 Grants	35,000	-	35,000	0.0%
68000 Transfers-out	45,000	-	45,000	0.0%
31 VETERANS AFFAIRS PROGRAM Total	2,363,255	-	2,363,255	0.0%
67010 DEPARTMENT OF MILITARY AFFAIRS Total	51,772,227	-	51,772,227	0.0%

The 2019 Legislature enacted:

- HB 158, a bill revising purple heart scholarship requirements and expanding the combat service-related medals that qualify a recipient for a scholarship
- HB 172, a bill that establishes county and multi-county service offices and provided a state grant program

Both bills contained appropriations and language that the legislature intended the appropriations to be considered part of the ongoing base in the 2023 biennium budget. The legislative action in Figure 1 includes \$45,000 in transfers out authority and \$30,000 in grant authority in the Veterans' Affairs Division as a result.

The ChalleNGe Program transferred \$267,456 in personal services to operating expenses in FY 2021. See the LFD Issue in the Program Personal Services narrative for a discussion of the impacts of this transfer.

Executive Request

The Department of Military Affairs' 2023 biennium budget is \$5.0 million or 4.9% higher than the 2021 biennium budget.

Personal services were about \$16.3 million or 31.4% of the FY 2021 base budget. The executive proposes an increase in general fund and state special revenues totaling about \$336,000 in FY 2022 and \$376,000 in FY 2023 in the statewide present law adjustments. The increase is due to adjustments for expected changes, management decisions, and budget modifications contained in the statewide present law adjustments for personal services. In addition, the Department of Military Affairs is requesting an additional 5.00 FTE and about \$457,000 annually, mainly in federal funds in the ChalleNGe and Army National Guard Programs.

Operating expenses were approximately \$20.9 million or 40.4% of the FY 2021 base budget. The executive proposes an increase of about \$39,000 in FY 2022 and a decrease of about \$60,000 in FY 2023 for fixed costs and inflation/deflation changes included in the statewide present law adjustments. The executive is also proposing additional operating expenses for operation and maintenance of facilities, support for airlift wing drop zone lease, and disaster mitigation efforts totaling about \$608,000 in FY 2022 and \$570,000 in FY 2023. These changes are discussed in detail in the Program Discussion narratives.

5.0% Plan

Statute requires that state agencies submit plans to reduce general fund and certain state special revenues by 5.0%. For the Department of Military Affairs, the 5.0% plan includes general fund reductions totaling about \$266,000. The plan includes potential reductions in funding for the Army and Air National Guard grounds and maintenance operations, eliminating FTE in the Director's Office, reduction of 20 cadets served in the ChalleNGe Program, veteran's affairs local support and training, and National Guard scholarships. In addition, since many of the program match general fund with federal special revenues, the reductions could result in reductions of up to \$411,000 in federal funds.

A summary of the entire 2023 biennium 5.0% plan submitted for the Department of Military Affairs 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	93,650	(84,841)	-	8,809
02 CHALLENGE PROGRAM	(19,014)	37,480	267,456	285,922
03 SCHOLARSHIP PROGRAM	-	-	-	-
04 STARBASE	(65,963)	11,054	-	(54,909)
05 MT MILITARY FAMILY RELIEF FUND	-	-	-	-
12 ARMY NATIONAL GUARD PGM	42,837	203,483	-	246,320
13 AIR NATIONAL GUARD PGM	(502,903)	84,412	-	(418,491)
21 DISASTER & EMERGENCY SERVICES	20,336	56,780	-	77,116
31 VETERANS AFFAIRS PROGRAM	22,317	168,902	-	191,219
Agency Total	\$ (408,739)	\$ 477,269	\$ 267,456	\$ 335,986

Personal services were about \$16.3 million or 31.4% of the FY 2021 base budget. The executive proposes an increase in general fund and state special revenues totaling about \$336,000 in FY 2022 and \$376,000 in FY 2023 in the statewide present law adjustments for personal services. In addition to expected changes, the statewide present law adjustment includes management decisions for broadband pay increases, wage changes associated with staff turnover, and reinstatement of personal services budget authority in the ChalleNGe Program that was shifted to operating expenses in a budget modification. The impacts of the budget modification are discussed in the Program Discussion narrative.

Funding

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

Total Department of Military Affairs Funding by Source of Authority 2023 Biennium Budget Request - Department of Military Affairs						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	15,110,191	0	0	90,000	15,200,191	13.79%
State Special Total	3,113,610	0	0	1,756,643	4,870,253	4.42%
Federal Special Total	90,130,330	0	0	0	90,130,330	81.79%
Proprietary Total	0	0	0	0	0	0.00%
Other Total	0	0	0	0	0	0.00%
Total All Funds	\$108,354,131	\$0	\$0	\$1,846,643	\$110,200,774	
Percent - Total All Sources	98.32%	0.00%	0.00%	1.68%		

HB 2 Funding

General fund comprises about 13.9% of total HB 2 funding in the 2023 biennium. General fund supports a portion of most programs in the Department of Military Affairs and the entire cost of the National Guard scholarships.

State special revenue makes up about 2.9% of the HB 2 funding in the 2023 biennium. The funding is used predominately in the Disaster and Emergency Services and Veterans' Affairs Divisions. The Veterans' Affairs Division receives a large portion of the state special revenues with funding generated through vehicle registration fees, specialty license plates, and donations.

Dominating the funding is federal special revenues at 83.2% of the HB 2 funding in the 2023 biennium. Federal government initiatives, programs and objectives guide the funding requirements for the Department of Military Affairs.

LFD COMMENT The November 15th budget submission included a funding shift, moving statewide present law adjustments to general fund in several programs. The Department of Military Affairs and the Office of Budget and Program Planning have notified the Legislative Fiscal Division that the funding will be corrected in the December 15th final budget submission.

Statutory Appropriations

The Montana Military Family Relief Fund (MMFRF) receives statutory appropriations to provide monetary grants to families of Montana National Guard and Reserve Component members who on or after April 28, 2007 are on active duty for federal service in a contingency operation. MMFRF grants are intended to help Montana families defray the costs of food, housing, utilities, medical services, and other expenses that become difficult to afford when the wage-earner has temporarily left civilian employment to be placed on active military duty. Costs for the program in FY 2020 were about \$140,000. The program was originally funded by a transfer of \$1.0 million in general fund. Ongoing revenues included interest and donations of about \$40,000 a year. The fund balance at the end of FY 2020 was \$456,673. This statutory appropriation is not reflected in the preceding table.

The Veterans' Affairs Division has a statutory appropriation for the operation of the Montana Veterans' Cemetery Program. The state special revenue funds associated with this appropriation are generated from license registration fees, cemetery plot allowances, and donations. The statutory appropriations for the Cemetery Program make up the majority of the state special revenue funds reflected in the preceding table.

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

LFD COMMENT In recent biennia a number of executive orders for disasters and emergencies have been issued by the Governor. The appropriations for these orders are authorized until the disaster is mitigated, unlike HB 2 temporary appropriations. A review of the appropriation authority for the executive orders shows that general fund authorized in previous biennia still has unused authority including:

- \$1.1 million for executive order 5-2011 flooding in 2011
- \$0.3 million for executive order 11-2016 storm in 2016

The legislature may wish to discuss the status of the executive orders with the agency to determine if unneeded general fund authority from past biennium should be reverted to the general fund.

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	7,130,993	7,130,993	14,261,986	94.39 %	51,772,227	51,772,227	103,544,454	95.56 %
SWPL Adjustments	270,795	242,533	513,328	3.40 %	363,120	309,589	672,709	0.62 %
PL Adjustments	0	0	0	0.00 %	667,821	678,536	1,346,357	1.24 %
New Proposals	172,829	162,048	334,877	2.22 %	1,416,733	1,373,878	2,790,611	2.58 %
Total Budget	\$7,574,617	\$7,535,574	\$15,110,191		\$54,219,901	\$54,134,230	\$108,354,131	

HB 2 Language

The executive has not proposed any HB 2 language for the Department of Military Affairs.

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	2,240,414	2,263,708	23,294	1.04 %
Operating Expenses	415,665	423,146	7,481	1.80 %
Transfers	101,310	101,310	0	0.00 %
Total Expenditures	\$2,757,389	\$2,788,164	\$30,775	1.12 %
General Fund	1,668,865	1,686,981	18,116	1.09 %
Federal Spec. Rev. Funds	1,088,524	1,101,183	12,659	1.16 %
Total Funds	\$2,757,389	\$2,788,164	\$30,775	1.12 %
Total Ongoing	\$2,757,389	\$2,788,164	\$30,775	1.12 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

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

Program Highlights

Director's Office Major Budget Highlights
<ul style="list-style-type: none"> • The Director's Office's 2023 biennium budget request is about \$31,000 or 1.1% higher than the 2021 biennium budget • Proposed changes are included in statewide present law adjustments for personal services, fixed costs, and inflation/deflation
Legislative Action Items
<ul style="list-style-type: none"> • The legislature may wish to consider reducing operating expenses appropriations in the Director's Office to historic spending levels

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	12.32	12.32	12.32	12.32
Personal Services	988,973	1,119,482	1,120,932	1,129,741	1,133,967
Operating Expenses	116,942	208,635	207,030	215,871	207,275
Transfers	32,400	50,655	50,655	50,655	50,655
Total Expenditures	\$1,138,315	\$1,378,772	\$1,378,617	\$1,396,267	\$1,391,897
General Fund	724,733	835,597	833,268	846,690	840,291
Federal Spec. Rev. Funds	413,582	543,175	545,349	549,577	551,606
Total Funds	\$1,138,315	\$1,378,772	\$1,378,617	\$1,396,267	\$1,391,897
Total Ongoing	\$1,138,315	\$1,378,772	\$1,378,617	\$1,396,267	\$1,391,897
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2020 Appropriations Compared to FY 2020 Actual Expenditures

The Director’s Office expended 82.5% of its \$1.4 million FY 2020 modified HB 2 budget. Personal services were 88.3% expended, operating expenses were 56.1% expended, and transfers were 64.0% expended. Personal services were slightly lower than anticipated in the budget due to vacancies and related turnover. The Director’s Office spending for operating expenses is consistent with levels in previous biennia.

**LFD
ISSUE**

The legislature may wish to consider reducing operating expenses appropriations to historic spending levels

In the 2023 biennium, the FY 2021 budgeted ongoing appropriations are used to establish the budget starting point for the 2023 biennium budget. The same method to establish the base budget has been used since FY 2016. The FY 2020 and FY 2021 operating expenses budget levels were enhanced by the addition of \$74,572 in additional authority from SB 9, enacted by the 2017 Legislature, above historic funding levels. Figure 3 shows the actual expenditures for operating expenses between FY 2014 and FY 2020, the percentage change in the level of expenditures, and the seven-year average.

Figure 3

Department of Military Affairs							
Director's Office							
Operating Expenses							
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Operating Expenses							
Other Services	\$51,679	\$31,261	\$87,764	\$21,129	\$26,276	\$50,671	\$45,895
Supplies and Materials	11,533	28,967	30,360	40,430	8,598	19,918	12,636
Communications	12,320	13,211	17,354	24,873	27,511	23,360	23,812
Travel	7,717	12,863	11,315	6,579	7,878	6,652	14,240
Rent	0	20,849	0	0	0	0	177
Repair & Maintenance	0	22,710	0	4,566	250	96	95
Other Expenses	13,353	5,872	19,677	25,492	26,729	14,705	20,087
Goods Purchased for Resale	<u>234</u>	<u>6,325</u>	<u>15,374</u>	<u>0</u>	<u>904</u>	<u>0</u>	<u>0</u>
Total Operating Expenses	<u>\$96,836</u>	<u>\$142,058</u>	<u>\$181,844</u>	<u>\$123,069</u>	<u>\$98,146</u>	<u>\$115,402</u>	<u>\$116,942</u>
% Change from Previous Fiscal Year		46.7%	28.0%	-32.3%	-20.3%	17.6%	1.3%
7 year Average Operating Expense							\$124,900

As reflected in Figure 3, spending on operating expenses has hovered around \$120,000 since FY 2017 or about \$89,000 lower than the base budget for operating expenses in the 2023 biennium. The \$207,030 base budget for the 2023 biennium is approximately \$82,000 higher than the seven-year average of operating expenses in the Director's Office.

General fund supports 60.4% of the FY 2021 base budget while federal special revenue funds support 39.6% of the Director's Office FY 2021 base budget.

Legislative Options:

- Reduce operating expenses in the Director's Office to align more closely with historic spending patterns
- Adopt the executive proposal for operating expenses appropriations

FY 2020 Appropriations Compared to FY 2021 Appropriations

Personal services FY 2021 appropriations are higher than FY 2020 appropriations mainly due to the pay plan approved by the 2019 Legislature.

Executive Request

The Director's Office 2023 proposed budget is \$31,000 or 1.1% higher than the 2021 biennium budget.

Personal services were about \$1.1 million or 81.3% of the FY 2021 base budget. The executive proposes an increase in general fund and federal special revenue of about \$8,800 in FY 2022 and \$13,000 in FY 2023. The increases are part of the statewide present law adjustments which are discussed in the Program Personal Services narrative.

Operating expenses were about \$207,000 or 15.0% of the FY 2021 base budget. The executive proposes to increase operating expenses by \$8,800 in FY 2022 and \$200 in FY 2023. The increases are proposed as part of the statewide present law adjustments for fixed costs due to biennial legislative audit costs and information technology charges.

Equipment and intangible assets were approximately \$51,000 or 3.7% of the FY 2021 base budget. The executive does not propose any adjustments to the base budget for the 2023 biennium.

Program Personal Services

Personal services were about \$1.1 million or 81.3% of the FY 2021 base budget in the Director's Office. The executive proposes a statewide present law increase of about \$8,800 in FY 2022 and \$13,000 in FY 2023. In addition to expected changes, the 2023 biennium personal services statewide present law request contains management decisions that include broadband pay raises and wage changes due to employee turnover.

Funding

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

Department of Military Affairs, 01-Director's Office Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,686,981	0	0	0	1,686,981	60.51 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
03132 National Guard	706,936	0	0	0	706,936	64.20 %	
03134 DES Emergency Mgmt Perf 97.042	135,993	0	0	0	135,993	12.35 %	
03453 Air National Guard	226,050	0	0	0	226,050	20.53 %	
03143 DES Homeland Security 97.067	32,204	0	0	0	32,204	2.92 %	
Federal Special Total	\$1,101,183	\$0	\$0	\$0	\$1,101,183	39.49 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$2,788,164	\$0	\$0	\$0	\$2,788,164		

General fund supports the majority of the program in accordance with federal-state agreements. Under the agreements, federal support is provided for the costs of positions and activities that meet the requirements for federal operations.

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	833,268	833,268	1,666,536	98.79 %	1,378,617	1,378,617	2,757,234	98.89 %
SWPL Adjustments	13,422	7,023	20,445	1.21 %	17,650	13,280	30,930	1.11 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$846,690	\$840,291	\$1,686,981		\$1,396,267	\$1,391,897	\$2,788,164	

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.

	-----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	4,581	0	4,228	8,809	0.00	6,778	0	6,257	13,035
DP 2 - Fixed Costs	0.00	8,872	0	0	8,872	0.00	265	0	0	265
DP 3 - Inflation Deflation	0.00	(31)	0	0	(31)	0.00	(20)	0	0	(20)
Grand Total All Present Law Adjustments	0.00	\$13,422	\$0	\$4,228	\$17,650	0.00	\$7,023	\$0	\$6,257	\$13,280

**"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.

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	6,464,425	6,980,711	516,286	7.99 %
Operating Expenses	2,669,357	2,949,592	280,235	10.50 %
Total Expenditures	\$9,133,782	\$9,930,303	\$796,521	8.72 %
General Fund	2,283,666	2,482,727	199,061	8.72 %
Federal Spec. Rev. Funds	6,850,116	7,447,576	597,460	8.72 %
Total Funds	\$9,133,782	\$9,930,303	\$796,521	8.72 %
Total Ongoing	\$9,133,782	\$9,930,303	\$796,521	8.72 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Montana National Guard Youth Challenge Program is a volunteer program for youth ages 16 to 18 who have stopped attending secondary school before graduating. Challenge is a 17-month, voluntary, two-phased military modeled training program targeting unemployed, drug-free, and crime-free high school dropouts. The program provides an opportunity for high school "at risk" youth to enhance their life skills and increase their educational levels and employment potential. Phase I of the program is a 22-week residential stay on the campus of Western Montana College of the University of Montana in Dillon focusing on physical training, classroom instruction, personal development, and life skills. Phase II is a year-long mentoring relationship with a specially trained member of the community where the youth resides to provide a positive role model and to assist the student in gaining employment or enrolling in post-secondary schooling.

Program Highlights

<p>Youth Challenge Program Major Budget Highlights</p>
<ul style="list-style-type: none"> • The Youth Challenge Program's 2023 biennium budget request is about \$797,000 or 8.7% higher than the 2021 biennium budget • Proposed changes include adjustments in general fund and federal special revenue for statewide present law adjustments for personal services, fixed costs, and inflation/deflation
<p>Legislative Action Items</p>
<ul style="list-style-type: none"> • Transferring authority from personal services to operating expenses in the FY 2021 base budget increases the 2023 biennium budget

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	53.15	53.15	53.15	53.15
Personal Services	3,265,165	3,337,699	3,126,726	3,487,491	3,493,220
Operating Expenses	1,087,477	1,201,801	1,467,556	1,481,899	1,467,693
Total Expenditures	\$4,352,642	\$4,539,500	\$4,594,282	\$4,969,390	\$4,960,913
General Fund	1,018,018	1,135,020	1,148,646	1,242,423	1,240,304
Federal Spec. Rev. Funds	3,334,624	3,404,480	3,445,636	3,726,967	3,720,609
Total Funds	\$4,352,642	\$4,539,500	\$4,594,282	\$4,969,390	\$4,960,913
Total Ongoing	\$4,352,642	\$4,539,500	\$4,594,282	\$4,969,390	\$4,960,913
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2020 Appropriations Compared to FY 2020 Actual Expenditures

The Youth ChalleNGe Program expended 95.9% of its \$4.5 million FY 2020 modified HB 2 budget. Personal services were 97.8% expended and operating expenses were 90.5% expended. Personal services expenditures are below levels anticipated in the budget due to turn over. Expenditures for rent were about \$200,000 less than budgeted driving the lower level of expenditures in operating expenses.

FY 2020 Appropriations Compared to FY 2021 Appropriations

FY 2020 appropriations are higher than FY 2021 for personal services due to a transfer of \$267,456 from personal services to operating expenses made for FY 2021. Refer to the LFD Issue under personal services in the agency narrative on the budget impacts of this transfer. Operating expenses appropriations are higher in FY 2021 due to the transfer.

Executive Request

The Youth ChalleNGe Program budget proposed by the executive is \$797,000 or 8.7% higher than the 2021 biennium budget.

Personal services were \$3.1 million or 68.1% of the FY 2021 base budget. The executive proposes an increase in general fund and federal special revenue of \$285,922 in FY 2022 and \$291,651 in FY 2023 as part of the personal services statewide present law adjustments are discussed in the Program Personal Services narrative.

Operating expenses were \$1.5 million or 31.9% of the FY 2021 base budget. The executive proposes increases in general fund and federal special revenue of \$17,780 in FY 2022 and \$2,292 in FY 2023 in the statewide present law adjustments for fixed costs and inflation/deflation. Increases for the biennial legislative appropriation and information technology services are partially offset by lower costs for motor pool vehicles and statewide indirect costs.

Program Personal Services

Personal services in the Youth ChalleNGe Program were \$3.1 million or 68.1% of the FY 2021 base budget. The executive proposes a statewide present law adjustment of about \$286,000 in FY 2022 and \$292,000 in FY 2023. In addition to the expected changes, the 2023 biennium statewide present law adjustment for personal services is due to:

- Management decisions for broadband pay raises and wage changes due to employee turnover
- Modification to the personal services base budget of \$267,000. Youth Challenge Program transferred FY 2021 base budget authority out of personal services and into operating expenses

The Challenge Program is proposing 1.00 FTE and \$75,000 a year for additional staff.

**LFD
ISSUE**

Transferring Authority from Personal Services to Operating Expenses in the FY 2021 Base Budget Increases the 2023 Biennium Budget

In FY 2021, the Youth Challenge Program transferred \$267,000 in personal services appropriations through modifications that transferred authority out of personal services and into operating expenses. The Youth Challenge Program did not eliminate FTE as part of the modifications. Personal services appropriations for the 2023 biennium use the salary and related benefits associated with FTE to establish the level of appropriation required for personal services. Since the Youth Challenge Program did not reduce FTE when it eliminated personal services funding in FY 2021, the personal services reduction automatically returns when the personal services snapshot is used to establish the level of funding required for the 2023 biennium. As a result, the Youth Challenge Program 2023 biennium budget has a base budget that is \$267,000 higher each year than it would have been had the appropriation remained in personal services instead of being transferred to operating expenses. Or, as an alternative, if FTE have been reduced for the transfer of authority from personal services to operating expenses.

Legislative Options:

- Reduce personal services funding and related FTE in the Youth Challenge program to offset the transfer of personal services funding in FY 2021
- Reduce operating expenses in the Youth Challenge Program by \$267,000
- Gain an understanding from the Youth Challenge Program of underlying funding requirements for personal services and operating expenses and adjust the budget as needed

Funding

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

Department of Military Affairs, 02-Youth Challenge Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	2,482,727	0	0	0	2,482,727	25.00 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
03132 National Guard	7,447,576	0	0	0	7,447,576	100.00 %	
Federal Special Total	\$7,447,576	\$0	\$0	\$0	\$7,447,576	75.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$9,930,303	\$0	\$0	\$0	\$9,930,303		

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

Program Budget Summary by Category

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

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	1,148,646	1,148,646	2,297,292	92.53 %	4,594,282	4,594,282	9,188,564	92.53 %
SWPL Adjustments	75,066	72,947	148,013	5.96 %	300,265	291,788	592,053	5.96 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	18,711	18,711	37,422	1.51 %	74,843	74,843	149,686	1.51 %
Total Budget	\$1,242,423	\$1,240,304	\$2,482,727		\$4,969,390	\$4,960,913	\$9,930,303	

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	71,480	0	214,442	285,922	0.00	72,913	0	218,738	291,651
DP 2 - Fixed Costs	0.00	4,445	0	13,335	17,780	0.00	573	0	1,719	2,292
DP 3 - Inflation Deflation	0.00	(859)	0	(2,578)	(3,437)	0.00	(539)	0	(1,616)	(2,155)
Grand Total All Present Law Adjustments	0.00	\$75,066	\$0	\$225,199	\$300,265	0.00	\$72,947	\$0	\$218,841	\$291,788

***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.

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 202 - CHALLENGE Modified to Permanent FTE	0.00	18,711	0	56,132	74,843	0.00	18,711	0	56,132	74,843
Total	0.00	\$18,711	\$0	\$56,132	\$74,843	0.00	\$18,711	\$0	\$56,132	\$74,843

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

DP 202 - CHALLENGE Modified to Permanent FTE -

The executive is proposing to add 1.00 FTE at the Montana Youth Challenge Academy (MYCA). The position is 75.0% federally funded and 25.0% general 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	
Operating Expenses	414,724	414,724	0	0.00 %	
Total Expenditures	\$414,724	\$414,724	\$0	0.00 %	
General Fund	414,724	414,724	0	0.00 %	
Total Funds	\$414,724	\$414,724	\$0	0.00 %	
Total Ongoing	\$414,724	\$414,724	\$0	0.00 %	
Total OTO	\$0	\$0	\$0	0.00 %	

Program Description

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

Program Highlights

NG Scholarship Program Major Budget Highlights
<ul style="list-style-type: none"> The National Guard Scholarship Program's proposed 2023 biennium budget is identical to the 2021 biennium budget

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
Operating Expenses	140,200	207,362	207,362	207,362	207,362
Total Expenditures	\$140,200	\$207,362	\$207,362	\$207,362	\$207,362
General Fund	140,200	207,362	207,362	207,362	207,362
Total Funds	\$140,200	\$207,362	\$207,362	\$207,362	\$207,362
Total Ongoing	\$140,200	\$207,362	\$207,362	\$207,362	\$207,362
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2020 Appropriations Compared to FY 2020 Actual Expenditures

The NG Scholarship Program expended 67.6% of its \$207,362 FY 2020 modified HB 2 budget, all in operating expenses. The program distributed scholarships at the level requested for the fiscal year.

FY 2020 Appropriations Compared to FY 2021 Appropriations

FY 2020 appropriations for scholarships are identical to the FY 2021 appropriations.

Executive Request

The National Guard Scholarship Program 2023 biennium budget proposed by the executive is unchanged from the FY 2021 base budget.

Funding

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

Department of Military Affairs, 03-Ng Scholarship Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	414,724	0	0	0	414,724	100.00 %
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$414,724	\$0	\$0	\$0	\$414,724	

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

Program Budget Summary by Category

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

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	207,362	207,362	414,724	100.00 %	207,362	207,362	414,724	100.00 %
SWPL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$207,362	\$207,362	\$414,724		\$207,362	\$207,362	\$414,724	

Program Biennium Comparison

The following table compares the 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	493,731	387,747	(105,984)	(21.47)%
Operating Expenses	930,562	931,498	936	0.10 %
Total Expenditures	\$1,424,293	\$1,319,245	(\$105,048)	(7.38)%
Federal Spec. Rev. Funds	1,424,293	1,319,245	(105,048)	(7.38)%
Total Funds	\$1,424,293	\$1,319,245	(\$105,048)	(7.38)%
Total Ongoing	\$1,424,293	\$1,319,245	(\$105,048)	(7.38)%
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Montana STARBASE Program is a United States Department of Defense (DoD) premiere education program, sponsored by the Office of the Assistant Secretary of Defense for Reserve Affairs. The DoD funded STARBASE Program in Montana currently hosts two of the nation’s 70 STARBASE academies, which are located on military installations. STARBASE Montana currently offers fifth grade students an opportunity to visit the Montana Air National Guard 120th Airlift Wing in Great Falls and the Montana Army National Guard at Fort Harrison. While at STARBASE, students engage in hands-on activities designed to increase their knowledge and understanding of science, technology, engineering, and mathematics (STEM). The STARBASE experience promotes teamwork, collaboration, positive self-esteem, helps students set and achieve personal goals, raises higher education and career awareness and elevates student confidence in problem solving. The five-day program covers 25 hours of challenging and engaging STEM curriculum that meets or exceeds national standards.

Program Highlights

STARBASE Major Budget Highlights
<ul style="list-style-type: none"> • The STARBASE Program’s 2023 biennium budget request is about \$105,000 or 7.4% lower than the 2021 biennium budget request • Proposed changes are included in the statewide present law adjustments for personal services and 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	2.00	2.00	2.00	2.00
Personal Services	210,660	245,366	248,365	193,456	194,291
Operating Expenses	445,466	465,734	464,828	467,184	464,314
Total Expenditures	\$656,126	\$711,100	\$713,193	\$660,640	\$658,605
Federal Spec. Rev. Funds	656,126	711,100	713,193	660,640	658,605
Total Funds	\$656,126	\$711,100	\$713,193	\$660,640	\$658,605
Total Ongoing	\$656,126	\$711,100	\$713,193	\$660,640	\$658,605
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2020 Appropriations Compared to FY 2020 Actual Expenditures

STARBASE expended 92.3% of its \$711,100 FY 2020 modified HB 2 budget. Personal services were 85.6% expended and operating expenses were 95.6% expended. Personal services expenditures were below budgeted levels due to turn over.

FY 2020 Appropriations Compared to FY 2021 Appropriations

Personal services FY 2021 appropriations are higher than FY 2020 appropriations mainly due to the pay plan approved by the 2019 Legislature.

Executive Request

The STARBASE Program budget proposed by the executive is about \$105,000 or 7.4% lower than the 2021 biennium budget.

Personal services were about \$248,000 or 34.8% of the FY 2021 base budget. The executive proposes a decrease of about \$55,000 in FY 2022 and \$54,000 in FY 2023. The decrease is included in the statewide present law adjustment and is discussed in the Program Personal Services narrative.

Operating expenses were about \$465,000 or 65.2% of the FY 2021 base budget. The STARBASE Program budget proposed for operating expenses is about \$2,400 higher in FY 2022 and \$514 lower in FY 2023. The changes are included in the statewide present law adjustments for fixed costs and inflation/deflation. Increased appropriations for biennial legislative audit costs and information technology charges are partially offset by reductions for statewide indirect costs in FY 2022. In FY 2023 increases included in fixed costs for information technology are offset by the reductions in the statewide indirect costs.

Program Personal Services

Personal services were about \$248,000 or 34.8% of the STARBASE Program FY 2021 base budget appropriations. The executive proposes a decrease of \$55,000 in FY 2022 and \$54,000 in FY 2023 in the statewide present law adjustments for personal services. The 2019 Legislature provided \$72,566 in unallocated personal services to provide funding for an office manager/financial specialist for the Great Falls site. The legislature did not authorize FTE for the position. While the funding is included in the FY 2021 personal services base budget, because there is not FTE the statewide present law adjustment is decreased to the level of funding needed for the salaries and benefits associated with the authorized FTE.

Funding

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

Department of Military Affairs, 04-Starbase Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
03453 Air National Guard	1,319,245	0	0	0	1,319,245	100.00 %	
Federal Special Total	\$1,319,245	\$0	\$0	\$0	\$1,319,245	100.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$1,319,245	\$0	\$0	\$0	\$1,319,245		

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

Program Budget Summary by Category

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

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 %	713,193	713,193	1,426,386	108.12 %
SWPL Adjustments	0	0	0	0.00 %	(52,553)	(54,588)	(107,141)	(8.12)%
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$660,640	\$658,605	\$1,319,245	

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	(54,909)	(54,909)	0.00	0	0	(54,074)	(54,074)
DP 2 - Fixed Costs	0.00	0	0	2,356	2,356	0.00	0	0	(514)	(514)
Grand Total All Present Law Adjustments	0.00	\$0	\$0	(\$52,553)	(\$52,553)	0.00	\$0	\$0	(\$54,588)	(\$54,588)

***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.

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	7,750,333	9,302,533	1,552,200	20.03 %
Operating Expenses	30,164,835	30,095,806	(69,029)	(0.23)%
Equipment & Intangible Assets	301,072	301,072	0	0.00 %
Transfers	50,000	50,000	0	0.00 %
Total Expenditures	\$38,266,240	\$39,749,411	\$1,483,171	3.88 %
General Fund	3,471,801	3,526,388	54,587	1.57 %
State/Other Special Rev. Funds	840	840	0	0.00 %
Federal Spec. Rev. Funds	34,793,599	36,222,183	1,428,584	4.11 %
Total Funds	\$38,266,240	\$39,749,411	\$1,483,171	3.88 %
Total Ongoing	\$38,266,240	\$39,749,411	\$1,483,171	3.88 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Army National Guard (ARNG), until federalized, is a state military organization that provides trained and equipped military units for use in the event of a state or national emergency. The federal/state cooperative agreement provides funding for facilities management, environmental, and communications support to the organization by: 1) providing professional and skilled personnel for the administration, planning, and execution of statewide repair and maintenance functions on facilities and training areas; 2) planning, programming, and contracting for construction; 3) ensuring all activities and facilities comply with environmental regulations; and 4) providing statewide communication services, security contracts, and leases for buildings and land used by the Army National Guard. The program is mandated by the U.S. and Montana Constitutions and Title 10, Chapters 1-3, MCA.

Program Highlights

Army National Guard Program Major Budget Highlights
<ul style="list-style-type: none"> • The Army National Guard Program’s 2023 biennium budget request is \$1.5 million or 3.9% higher than the 2021 biennium budget. Proposed changes include: <ul style="list-style-type: none"> ◦ Changes in general fund and federal special revenue for statewide present law adjustments for personal services, fixed costs, and inflation/deflation ◦ New proposals for 5.00 FTE and personal services supported by federal special revenue

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	51.30	51.30	56.30	56.30
Personal Services	3,583,079	3,729,712	4,020,621	4,645,564	4,656,969
Operating Expenses	15,120,305	15,228,610	14,936,225	15,066,984	15,028,822
Equipment & Intangible Assets	85,264	150,536	150,536	150,536	150,536
Transfers	0	25,000	25,000	25,000	25,000
Total Expenditures	\$18,788,648	\$19,133,858	\$19,132,382	\$19,888,084	\$19,861,327
General Fund	1,735,935	1,745,741	1,726,060	1,767,879	1,758,509
State/Other Special Rev. Funds	100	420	420	420	420
Federal Spec. Rev. Funds	17,052,613	17,387,697	17,405,902	18,119,785	18,102,398
Total Funds	\$18,788,648	\$19,133,858	\$19,132,382	\$19,888,084	\$19,861,327
Total Ongoing	\$18,788,648	\$19,133,858	\$19,132,382	\$19,888,084	\$19,861,327
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2020 Appropriations Compared to FY 2020 Actual Expenditures

The Army National Guard Program expended 98.2% of its \$19.1 million FY 2020 modified HB 2 budget. Personal services were 96.1% expended, operating expenses were 99.3% expended, equipment & intangible assets were 56.6% expended, and transfers were 0.0% expended. Personal services expenditures are below levels anticipated in the budget due to turn over. Equipment & intangible assets included in the Army National Guard Program, are mainly use for the purchase of vehicles. Vehicle purchases fluctuate based on the replacement cycle of the vehicles. FY 2020 vehicle replacements were extended into future fiscal years to conserve general fund.

FY 2020 Appropriations Compared to FY 2021 Appropriations

In FY 2020, the Army National Guard Program transferred \$224,050 in personal services appropriations to operating expenses. This is the main reason for the differences in appropriation authority between FY 2020 and FY 2021.

Executive Request

The Army National Guard Program 2023 biennium budget proposal is \$1.5 million or 3.9% higher than the 2021 biennium budget.

Personal services were about \$4.0 million or 21.0% of the FY 2021 base budget. The executive proposes increases of about \$246,000 in FY 2022 and \$257,000 in FY 2023 supported by general fund and federal special revenue in the statewide present law adjustments and is discussed further in the Program Personal Services narrative. In addition, the Army National Guard Program is proposing an additional 5.00 FTE and \$379,000 annually in personal services supported by federal special revenue.

Operating expenses were approximately \$14.9 million or 78.1% of the FY 2021 base budget. The executive proposes increases of \$131,000 in FY 2022 and decreases of about \$93,000 in FY 2023. A portion of the increases are included in the statewide present law adjustments for fixed costs and inflation/deflation. In FY 2022 increases are mainly due to a biennial appropriation for legislative audit costs and information technology costs. In FY 2023 the changes are mainly due to adjustments for information technology costs. New proposals increase operating expense appropriations by \$124,000 annually for operations and maintenance of Army National Guard Program facilities.

Equipment & intangible assets were about \$151,000 or 0.8% of the FY 2021 base budget. The executive is not proposing any adjustments to the FY 2021 base budget.

Transfers were about \$25,000 or 0.1% of the FY 2021 base budget. The executive is not proposing any adjustments to the FY 2021 base budget.

Program Personal Services

Personal services were about \$4.0 million or 21.0% of the FY 2021 base budget. The executive proposes increases of about \$246,000 in FY 2022 and \$257,000 in FY 2023 in the statewide present law adjustment. In addition to the expected changes, the 2023 biennium personal services adjustment includes management decisions for broadband pay raises and wage changes due to employee turnover.

The Army National Guard Program is proposing 5.00 new FTE and \$379,000 in federal special revenue annually for a:

- Natural resource officer
- Environmental compliance specialist
- Ground maintenance
- Construction manager
- Contract oversight

Funding

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

Department of Military Affairs, 12-Army National Guard Pgm Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	3,526,388	0	0	0	3,526,388	8.87 %	
02343 Armory Rental Funds	840	0	0	0	840	100.00 %	
02002 Purple Heart & Higher Schlshp	0	0	0	0	0	0.00 %	
State Special Total	\$840	\$0	\$0	\$0	\$840	0.00 %	
03132 National Guard	36,222,183	0	0	0	36,222,183	100.00 %	
Federal Special Total	\$36,222,183	\$0	\$0	\$0	\$36,222,183	91.13 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$39,749,411	\$0	\$0	\$0	\$39,749,411		

The funding ratio between general fund and federal funds depends on the nature of the activity, the uses or location of the facility being funded, and the goals of the operation. While the descriptions below discuss state funds, for the Army National Guard Program, state fund support is provided by the general fund. Different funding scenarios include:

- When a facility is owned by the state and located on state land, maintenance and utility costs are split 50/50 with the federal government
- When a facility is state owned, but located on federal land, the maintenance and utility costs are funded 75.0% with federal funds and 25.0% with state funds
- When a facility is classified as a logistics facility, the funding is 100.0% federal for the entire facility
- When a facility is owned federally and located on federal lands and when a facility serves training missions, funding is mainly 100.0% federal, except when the building is used as an armory
- When an armory is constructed with federal funds and located on federal land, maintenance and utility costs are funded 75.0% federal funds and 25.0% state funds. When armories are rented to groups, the state special revenue funds generated from the rental fees are used to augment general fund support of the facilities

Program Budget Summary by Category

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

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	1,726,060	1,726,060	3,452,120	97.89 %	19,132,382	19,132,382	38,264,764	96.27 %
SWPL Adjustments	11,819	2,449	14,268	0.40 %	253,079	226,051	479,130	1.21 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	30,000	30,000	60,000	1.70 %	502,623	502,894	1,005,517	2.53 %
Total Budget	\$1,767,879	\$1,758,509	\$3,526,388		\$19,888,084	\$19,861,327	\$39,749,411	

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.

	-----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	9,853	0	236,467	246,320	0.00	10,299	0	247,155	257,454
DP 2 - Fixed Costs	0.00	2,000	0	4,898	6,898	0.00	(7,829)	0	(23,487)	(31,316)
DP 3 - Inflation Deflation	0.00	(34)	0	(105)	(139)	0.00	(21)	0	(66)	(87)
Grand Total All Present Law Adjustments	0.00	\$11,819	\$0	\$241,260	\$253,079	0.00	\$2,449	\$0	\$223,602	\$226,051

**"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.

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 1201 - Natural Resource Manager FTE	1.00	0	0	77,262	77,262	1.00	0	0	77,318	77,318
DP 1202 - Environmental Compliance Specialist FTE	1.00	0	0	77,262	77,262	1.00	0	0	77,318	77,318
DP 1203 - CFMO Grounds Maintenance FTE	1.00	0	0	58,403	58,403	1.00	0	0	58,442	58,442
DP 1204 - O&M Branch FTE	1.00	0	0	58,402	58,402	1.00	0	0	58,442	58,442
DP 1205 - CFMO Division Modified to Permanent FTE	1.00	0	0	107,294	107,294	1.00	0	0	107,374	107,374
DP 1206 - CFMO Spending Operation and Maint of Facilities	0.00	30,000	0	94,000	124,000	0.00	30,000	0	94,000	124,000
Total	5.00	\$30,000	\$0	\$472,623	\$502,623	5.00	\$30,000	\$0	\$472,894	\$502,894

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

DP 1201 - Natural Resource Manager FTE -

This proposal is for 1.00 FTE for a Natural Resources Manager for the Environmental Office to maintain compliance with the Sikes Act and manage natural resources on Montana Army National Guard training lands at Fort Harrison and Limestone Hills. This is 100.0% federally funded.

DP 1202 - Environmental Compliance Specialist FTE -

This request is for 1.00 FTE for an Environmental Compliance Specialist to perform regulatory driven tasks under the Resource Conservation and Recovery Act, Executive Order 13834: Efficient Federal Operations, and Toxic Substances Control Act. This request is 100.0% federally funded.

DP 1203 - CFMO Grounds Maintenance FTE -

This request is for 1.00 FTE for a grounds maintenance position. The Construction and Facilities Management Office is responsible for the maintenance services, including regularly scheduled adjustments and inspections, preventative maintenance, landscaping, mowing, snowplowing, and similar municipal services on facilities used to support the mission of the Montana Army National Guard. This request is 100.0% federally funded.

DP 1204 - O&M Branch FTE -

This request is for 1.00 FTE for the Operations & Management Branch of the Construction and Facilities Management Office. The addition of this FTE will increase the staffing level to 1.00 FTE per 150,000 SF. This request is 100.0% federally funded. If added, the FTE would eliminate the need to hire two temporary FTE during the summer months and would be responsible for regular maintenance on 100.0% federally funded facilities, which includes an additional 31,000 SF of facility space constructed at Fort Harrison and brought online in federal FY 2021.

DP 1205 - CFMO Division Modified to Permanent FTE -

This request is for 1.00 FTE in the Construction and Facilities Management Office (CFMO.) The position is 100.0% federally funded. The FTE would maintain state contracting documents, develop and implement CFMO contracting policies and procedures, evaluate and ensure contractor performance, and ensure compliance with state and federal regulations. The position would assist the CFMO to align the structure of the CFMO with the procedures and guidance issued by the National Guard Bureau.

DP 1206 - CFMO Spending Operation and Maint of Facilities -

The Army National Guard Program proposes an increase in operating expenses to operate and maintain eight new facilities. The operation and maintenance costs for the additional 72,249 square feet of facility space include utilities, janitorial services, ground maintenance and fire protection costs. Of the eight facilities, only the Malta Readiness Center has a state share, which is \$30,000 per year. The other seven facilities are 100.0% federally operated and maintained, therefore the remaining \$94,000 is federally reimbursed.

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	7,622,051	8,281,449	659,398	8.65 %
Operating Expenses	3,857,258	3,901,137	43,879	1.14 %
Equipment & Intangible Assets	9,720	0	(9,720)	(100.00)%
Total Expenditures	\$11,489,029	\$12,182,586	\$693,557	6.04 %
General Fund	865,050	825,384	(39,666)	(4.59)%
Federal Spec. Rev. Funds	10,623,979	11,357,202	733,223	6.90 %
Total Funds	\$11,489,029	\$12,182,586	\$693,557	6.04 %
Total Ongoing	\$11,489,029	\$12,182,586	\$693,557	6.04 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

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

Program Highlights

Air National Guard Program Major Budget Highlights
<ul style="list-style-type: none"> • The Air National Guard Program’s 2023 biennium budget request is about \$694,000 or 6.0% higher than the 2021 biennium budget • Proposed changes are included in: <ul style="list-style-type: none"> ◦ Statewide present law adjustments for personal services and fixed costs ◦ Present law adjustments for firefighter pay adjustments ◦ New proposal for an airlift wing drop zone lease related to the 120th Airlift Wing mission

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	46.00	46.00	46.00	46.00
Personal Services	3,344,918	3,740,437	3,881,614	4,130,944	4,150,505
Operating Expenses	1,947,766	1,954,830	1,902,428	1,957,271	1,943,866
Equipment & Intangible Assets	9,719	9,720	0	0	0
Total Expenditures	\$5,302,403	\$5,704,987	\$5,784,042	\$6,088,215	\$6,094,371
General Fund	430,453	430,943	434,107	416,212	409,172
Federal Spec. Rev. Funds	4,871,950	5,274,044	5,349,935	5,672,003	5,685,199
Total Funds	\$5,302,403	\$5,704,987	\$5,784,042	\$6,088,215	\$6,094,371
Total Ongoing	\$5,302,403	\$5,704,987	\$5,784,042	\$6,088,215	\$6,094,371
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2020 Appropriations Compared to FY 2020 Actual Expenditures

The Air National Guard Program expended 92.4% of its \$5.7 million FY 2020 modified HB 2 budget. Personal services were 89.4% expended, operating expenses were 99.6% expended, and equipment & intangible assets were 100.0% expended. Personal services are lower than anticipated in the budget due to vacancies in firefighter positions.

FY 2020 Appropriations Compared to FY 2021 Appropriations

Personal services FY 2021 appropriations are higher than FY 2020 appropriations mainly due to the pay plan approved by the 2019 Legislature.

Executive Request

The Air National Guard Program 2023 biennium budget proposed by the executive is \$624,000 or 5.6% higher than the 2021 biennium budget.

Personal services were \$3.9 million or 67.1% of FY 2021 base budget appropriations. The executive proposes a net change in general fund and federal special revenue of approximately \$249,000 in FY 2022 and \$269,000 in FY 2023 in the statewide present law adjustment and present law adjustment for personal services. Further information on the proposed changes are included in the following Program Personal Services narrative.

Operating expenses were about \$1.9 million or 32.9% of FY 2021 base budget appropriations. The executive proposes an increase of about \$20,000 in FY 2022 and \$6,400 in FY 2023 to support the biennial legislative audit and information technology costs included in the statewide present law adjustments for fixed costs and inflation/deflation. The Air National Guard Program proposes \$35,000 a year for an airlift drop lease related to the mission of the 120th Airlift Wing mission as a new proposal.

Program Personal Services

Personal services were \$3.9 million or 67.1% of FY 2021 base budget appropriations. The executive proposes a net change in general fund and federal special revenue of approximately \$249,000 in FY 2022 and \$269,000 in FY 2023 in the statewide present law adjustment and present law adjustment for personal services. Included in the statewide present law adjustment are expected changes and management decisions. Management decisions include broadband pay raises and wages changes due to employee turnover.

The Air National Guard Program has a number of fire firefighters that work 24 hour shifts due to the 24/7 nature of the Fire

Protection Services at the Montana Air National Guard. Hours over 2,080 per FTE are zero-based and are removed in the statewide present law adjustment. The Air National Guard proposes the additional salaries and benefits for the hours over 2,080 in present law. The Air National Guard is also requesting additional personal services for hourly pay scale increases for the 30 state firefighters.

Funding

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

Department of Military Affairs, 13-Air National Guard Pgm Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	825,384	0	0	0	825,384	6.78 %
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %
03453 Air National Guard	11,357,202	0	0	0	11,357,202	100.00 %
Federal Special Total	\$11,357,202	\$0	\$0	\$0	\$11,357,202	93.22 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$12,182,586	\$0	\$0	\$0	\$12,182,586	

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

Program Budget Summary by Category

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

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	434,107	434,107	868,214	105.19 %	5,784,042	5,784,042	11,568,084	94.96 %
SWPL Adjustments	(17,895)	(24,935)	(42,830)	(5.19)%	(398,648)	(403,207)	(801,855)	(6.58)%
PL Adjustments	0	0	0	0.00 %	667,821	678,536	1,346,357	11.05 %
New Proposals	0	0	0	0.00 %	35,000	35,000	70,000	0.57 %
Total Budget	\$416,212	\$409,172	\$825,384		\$6,088,215	\$6,094,371	\$12,182,586	

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	(20,924)	0	(397,567)	(418,491)	0.00	(25,845)	0	(383,800)	(409,645)
DP 2 - Fixed Costs	0.00	3,029	0	16,814	19,843	0.00	910	0	5,528	6,438
DP 1301 - ANG Firefighter Federal Authority Pay Increase	0.00	0	0	103,424	103,424	0.00	0	0	105,673	105,673
DP 1302 - ANG Fire FLSA Salaries Federal Authority	0.00	0	0	564,397	564,397	0.00	0	0	572,863	572,863
Grand Total All Present Law Adjustments	0.00	(\$17,895)	\$0	\$287,068	\$269,173	0.00	(\$24,935)	\$0	\$300,264	\$275,329

***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 1301 - ANG Firefighter Federal Authority Pay Increase -

The executive is requesting federal special revenue for hourly pay scale increases for the 30 state firefighters employed at the 120th Airlift Wing, Montana Air National Guard base in Great Falls. MANG firefighters are also Emergency Medical Technicians. They are required to complete a higher level of training and certification than their civilian counterparts across the state yet are paid less. The current hourly pay offered to state firefighters at MANG ranks in the bottom 25.0% of pay across the fire departments in Montana. These pay issues have resulted in staff recruitment and retention problems, and turnover. The executive proposes a 5.4% overall increase in the salary and benefits for the MANG fire department. This plan has been approved by the National Guard Bureau to bring MANG firefighter pay scales in line with Montana market pay rates.

DP 1302 - ANG Fire FLSA Salaries Federal Authority -

The executive is requesting additional federal spending authority for firefighter salaries and benefits that exceed those of a traditional FTE, due to the 24/7 nature of the fire protection services at the Montana Air National Guard. Hours over 2,080 per FTE are not captured in the personal services snapshot used for initial budget preparation.

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 1303 - ANG Airlift Wing Drop Zone Lease Federal Authority	0.00	0	0	35,000	35,000	0.00	0	0	35,000	35,000
Total	0.00	\$0	\$0	\$35,000	\$35,000	0.00	\$0	\$0	\$35,000	\$35,000

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

DP 1303 - ANG Airlift Wing Drop Zone Lease Federal Authority -

This request for \$35,000 annually in federal special revenue to fund a new 640-acre drop zone land lease near Fort Benton, Montana and located on farm and ranch property. The operating lease is essential to the 120th Airlift Wing mission, supported by the National Guard Bureau. The 640-acre drop zone lease supports the 120th Airlift Wing federal flying mission. The corresponding operating license for this lease falls under the state of Montana Adjutant General's authority.

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	4,090,008	4,382,739	292,731	7.16 %
Operating Expenses	2,607,438	3,262,733	655,295	25.13 %
Grants	24,362,268	23,552,602	(809,666)	(3.32)%
Transfers	4,103,044	5,045,210	942,166	22.96 %
Total Expenditures	\$35,162,758	\$36,243,284	\$1,080,526	3.07 %
General Fund	2,759,844	3,146,983	387,139	14.03 %
State/Other Special Rev. Funds	413,360	413,360	0	0.00 %
Federal Spec. Rev. Funds	31,989,554	32,682,941	693,387	2.17 %
Total Funds	\$35,162,758	\$36,243,284	\$1,080,526	3.07 %
Total Ongoing	\$35,162,758	\$36,243,284	\$1,080,526	3.07 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

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

Program Highlights

Disaster and Emergency Services Major Budget Highlights
<ul style="list-style-type: none"> • The Disaster and Emergency Services Division’s 2023 biennium budget request is about \$1.1 million or 3.1% higher than the 2021 biennium budget • Proposed changes include: <ul style="list-style-type: none"> ◦ Statewide present law adjustments for personal services, fixed costs, and inflation/deflation ◦ New proposals for additional emergency managers, Federal Emergency Management Administration (FEMA) hazard mitigation plans, and fixed costs for the Montana State Library
Legislative Action Items
<ul style="list-style-type: none"> • The legislature may wish to consider reducing operating expenses and transfers appropriations to historic spending levels • The legislature may wish to consider expanding the uses of search and rescue funds due to the accumulating fund balance

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	22.89	22.89	24.89	24.89
Personal Services	2,138,859	2,147,568	1,942,440	2,188,267	2,194,472
Operating Expenses	573,890	1,249,690	1,357,748	1,659,328	1,603,405
Grants	8,763,091	12,585,967	11,776,301	11,776,301	11,776,301
Transfers	505,660	1,580,439	2,522,605	2,522,605	2,522,605
Total Expenditures	\$11,981,500	\$17,563,664	\$17,599,094	\$18,146,501	\$18,096,783
General Fund	1,273,742	1,370,054	1,389,790	1,579,035	1,567,948
State/Other Special Rev. Funds	30,855	206,680	206,680	206,680	206,680
Federal Spec. Rev. Funds	10,676,903	15,986,930	16,002,624	16,360,786	16,322,155
Total Funds	\$11,981,500	\$17,563,664	\$17,599,094	\$18,146,501	\$18,096,783
Total Ongoing	\$11,981,500	\$17,563,664	\$17,599,094	\$18,146,501	\$18,096,783
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2020 Appropriations Compared to FY 2020 Actual Expenditures

The Disaster & Emergency Services Program expended 68.2% of its \$17.6 million FY 2020 modified HB 2 budget. Personal services were 99.6% expended, operating expenses were 45.9% expended, grants were 69.6% expended, and transfers were 32.0% expended.

**LFD
ISSUE**

The legislature may wish to consider reducing operating expenses and transfers appropriations to historic spending levels

In the last several biennia, budgeted appropriations were used to establish the budget starting point for the budget. Figure 4 shows the budget and actual expenditures for operating expenses between FY 2014 and FY 2020, the percentage of the budget expended, and the seven-year average of operating expenses.

Figure 4

Department of Military Affairs Disaster and Emergency Services Operating Expenses							
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Budgeted	\$575,541	\$927,148	\$1,102,605	\$985,654	\$1,217,874	\$1,044,683	\$1,249,690
Actual	<u>462,334</u>	<u>708,791</u>	<u>508,026</u>	<u>402,239</u>	<u>496,288</u>	<u>(229,208)</u>	<u>560,599</u>
Budget Remaining	<u>\$113,207</u>	<u>\$218,357</u>	<u>\$594,579</u>	<u>\$583,415</u>	<u>\$721,586</u>	<u>\$1,273,891</u>	<u>\$689,091</u>
% Expended	80.3%	76.4%	46.1%	40.8%	40.8%	-21.9%	44.9%
7-year Average							\$415,581

As reflected in Figure 4, spending on operating expenses has been between 40.8% and 46.1% of the budgeted appropriation level since FY 2016. In FY 2019 a credit of \$689,175 in supplies and materials offsets other expenditures of about \$460,000 in operating expenses. The percentage of the budget that was expended for FY 2019 would have been 44.0% without the credit for supplies and materials.

General fund supports 7.9% of the FY 2021 base budget, state special revenue supports 1.2%, and federal special revenue funds support 90.9% of the Disaster and Emergency Services Division FY 2021 base budget.

Figure 5 shows the budget and actual expenditures for transfers between FY 2014 and FY 2020, the percentage of the budget expended, and the seven-year average of the transfers.

Figure 5

Department of Military Affairs Disaster and Emergency Services Transfers							
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Budgeted	\$3,006,674	\$2,532,674	\$2,542,904	\$2,533,919	\$2,522,605	\$2,021,361	\$1,580,439
Actual	<u>761,548</u>	<u>861,184</u>	<u>950,119</u>	<u>571,620</u>	<u>438,540</u>	<u>561,141</u>	<u>550,693</u>
Budget Remaining	<u>\$2,245,126</u>	<u>\$1,671,490</u>	<u>\$1,592,785</u>	<u>\$1,962,299</u>	<u>\$2,084,065</u>	<u>\$1,460,220</u>	<u>\$1,029,746</u>
% Expended	25.3%	34.0%	37.4%	22.6%	17.4%	27.8%	34.8%
7-year Average							\$670,692

As shown in Figure 5, spending on transfers has been historically below the level of the budgeted appropriations, less than

40.0% of the appropriations in all cases and less than 20.0% in FY 2018. This level of unneeded appropriation authority allows the Disaster and Emergency Services Division the flexibility to transfer the unneeded authority to other expenditures categories. For example, in FY 2020 \$942,166 was moved out of transfers and into personal services and grants.

Disaster and Emergency Services Division proposes to reduce appropriations for operating expenses by \$300,000 and transfers by \$1.0 million annually and increase appropriations for grants by \$1.3 million each year of the biennium to align the appropriations with projected division needs.

As discussed under the narrative for operating expenses, general fund supports 7.9% of the FY 2021 base budget, state special revenue supports 1.2%, and federal special revenue funds support 90.9% of the Disaster and Emergency Services Division FY 2021 base budget.

Legislative Options

- Realign appropriations in the Disaster and Emergency Services Division to meet projected division needs
- Adopt the executive proposal for transfers appropriations

The lower percentage expended for grants is due to receiving authority for federal grants which are expended over several fiscal years, resulting in expenditures in FY 2020 which are lower than the budgeted amount.

FY 2020 Appropriations Compared to FY 2021 Appropriations

In FY 2020, Disaster and Emergency Services Division transferred:

- \$250,237 into personal services
- \$117,737 out of operating expenses
- \$809,666 into grants
- \$942,166 out of transfers

These transfers are the main reason for the differences between appropriations in FY 2020 and FY 2021.

Executive Request

The Disaster and Emergency Services Division's 2023 biennium budget proposal is about \$1.1 million or 3.1% higher than the 2021 biennium budget.

Personal services were \$1.9 million or 11.0% of the FY 2021 base budget. The executive proposes changes in general fund and federal special revenue, totaling about \$53,000 in FY 2022 and \$47,000 in FY 2023 in the statewide present law adjustments for personal services. These changes are discussed in detail in the Program Personal Services narrative. In addition, the Disaster and Emergency Services Division is requesting 2.00 FTE and about \$149,000 for emergency managers.

Operating expenses were about \$1.4 million or 7.7% of the FY 2021 base budget. The executive proposes reductions of about \$24,000 in FY 2022 and \$37,000 in FY 2023. The reductions are included in the statewide present law adjustments for fixed costs and inflation/deflation. Reductions for statewide indirect costs and motor pool leased vehicles drive the lower expenditures. New proposals to implement FEMA hazardous mitigation plans and establish a fixed cost for the Montana State Library increase operating expenses by \$326,000 in FY 2022 and \$282,000 in FY 2023.

Grants were about \$11.8 million or 66.9% of the FY 2021 base budget. The executive is not proposing any adjustments to the FY 2021 base budget in this category.

Transfers were about \$2.5 million or 14.3% of the FY 2021 base budget. The executive is not proposing any adjustments to the FY 2021 base budget in this category.

Program Personal Services

Personal services were \$1.9 million or 11.0% of the FY 2021 base budget. The executive proposes changes in general fund and federal special revenue, totaling about \$53,000 in FY 2022 and \$47,000 in FY 2023 in the statewide present law adjustment for personal services. In addition to expected changes, the 2023 biennium personal services statewide present law adjustments include management decisions with changes for broadband pay raises and wage changes due to employee turnover.

Disaster and Emergency Services is requesting 2.00 FTE for emergency managers and \$148,000 annually. The proposal includes about \$37,000 in general fund and \$112,000 in federal special revenue.

Funding

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

Department of Military Affairs, 21-Disaster & Emergency Services Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	3,146,983	0	0	90,000	3,236,983	8.91 %	
02156 SAR DES DFWP Fees	139,848	0	0	0	139,848	33.83 %	
02170 SAR DES Off Road Vehicle	264,308	0	0	0	264,308	63.94 %	
02335 DES Training Conference	9,204	0	0	0	9,204	2.23 %	
02847 Fire Suppression Fund	0	0	0	0	0	0.00 %	
State Special Total	\$413,360	\$0	\$0	\$0	\$413,360	1.14 %	
03134 DES Emergency Mgmt Perf 97.042	10,120,186	0	0	0	10,120,186	30.96 %	
03143 DES Homeland Security 97.067	15,210,732	0	0	0	15,210,732	46.54 %	
03166 DES Hazard Mitigation 97.039	2,601,426	0	0	0	2,601,426	7.96 %	
03191 DES Pre-Disaster Mit 97.047	3,413,875	0	0	0	3,413,875	10.45 %	
03208 DES Hazardous Materials 20.703	360,136	0	0	0	360,136	1.10 %	
03239 DES Flood Mitigation 97.029	862,326	0	0	0	862,326	2.64 %	
03429 Disaster & Emergency Services	2,204	0	0	0	2,204	0.01 %	
03267 Nonprofit Security 97.008	99,914	0	0	0	99,914	0.31 %	
03717 Nat Earthquake Haz Red Prg	12,142	0	0	0	12,142	0.04 %	
Federal Special Total	\$32,682,941	\$0	\$0	\$0	\$32,682,941	89.95 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$36,243,284	\$0	\$0	\$90,000	\$36,333,284		

HB 2 Funding

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

- Administration and coordination
- Search and rescue
- Grant programs

Administrative and coordination functions are primarily funded with 50.0% general fund and 50.0% federal funds. Disaster coordination functions are typically funded 100.0% with federal funds. Search and rescue activities are funded through state special revenue funds derived from surcharges on conservation licenses and off-road vehicle licenses. Grant activities typically utilize federal funds. The amount of this funding budgeted in HB 2 can vary greatly depending on the federal source and available amounts known at the time of budget submission.

LFD ISSUE	<u>Legislature may wish to consider expanding the uses of search and rescue funds due to the accumulating fund balance</u>
----------------------	--

A review of the fund balances in the three state special revenue accounts that are set aside to assist local governments with the costs of conducting search and rescue missions shows that the accumulated fund balance in the three accounts is over \$1.5 million at the end of FY 2020.

To support search and rescue operations within the various counties across Montana statute requires that:

- 0.04% of the motor vehicle revenue deposited into the general fund each year be transferred into a state special revenue account
- \$0.25 of each wildlife conservation license is termed a search and rescue surcharge and must be deposited into a state special revenue account administered by the Disaster and Emergency Services Division

10-3-801, MCA requires that not less than 50.0% of the money in the account be used to defray the costs of local search and rescue units for search and rescue missions conducted through a county sheriff's office. The maximum reimbursement for each rescue mission, regardless of the number of counties or search and rescue missions is \$6,000 and the maximum any county sheriff's office can receive per mission is \$6,000. Up to 5.0% of the funds may be used to administer the search and rescue funds and allocations to counties. The remaining funds may be used to:

- Match local funds for the purchase of equipment for use by local search and rescue units at a maximum of \$6,000 for each unit each year. Equipment purchases must be matched with 35.0% local funds
- Reimburse training expenses for search and rescue volunteers

Additional Limitations on Reimbursement

The Department of Fish, Wildlife, and Parks (FWP) has established an account in the state special revenue fund for the deposit of the \$0.25 search and rescue surcharge of each conservation license. According to 87-1-601, (10) (a), MCA, FWP reimburses the Department of Military Affairs for search and rescue missions involving individuals who were hunting, fishing, or trapping. Many of the search and rescue missions that are conducted are for individuals who have been outdoors recreating – hiking, back packing, rafting, cross country skiing for example. These search and rescues are not reimbursable under the current restrictions outlined in statute. It should be noted that while the vast majority of fees for conservation licenses are purchased to allow individuals to obtain hunting and fishing licenses, FWP also requires individuals who are applying for floating permits on the Smith River to obtain a conservation license thus expanding the usage of conservation licenses. While federal statutes restrict the use of revenues from hunting and fishing licenses, it does not restrict the use of funds derived from the search and rescue surcharge included in conservation licenses.

The same statute further restricts the reimbursement available for training and equipment costs. Under 87-1-601, (10)(c), MCA matching for reimbursement of training and equipment are limited to the proportion that the number of search and rescue missions involving persons engaged in hunting, fishing, or trapping bears to the statewide total of search and rescue missions. The combination of this restriction and the \$6,000 per search and rescue unit results in a very limited amount of training and equipment reimbursements to local governments.

The result of the reimbursement limitations is that the fund balance in the state special revenue account in the Department of Fish, Wildlife, and Parks has been accumulating, growing an average of 11.8% a year over the last 9 years.

Figure 6 shows the fund balance, revenues, and expenditures of the FWP state special revenue account established to support local search and rescue operations.

Figure 6

Department of Fish, Wildlife, and Parks Search and Rescue Account									
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Beginning Fund Balance	\$507,802	\$574,181	\$681,190	\$782,486	\$893,138	\$1,006,647	\$1,034,536	\$1,169,075	\$1,253,438
Revenues	120,285	125,547	123,499	134,502	137,235	126,808	134,915	131,960	150,804
Expenditures									
Transfers Out	<u>53,906</u>	<u>18,538</u>	<u>22,202</u>	<u>23,850</u>	<u>23,726</u>	<u>98,919</u>	<u>377</u>	<u>47,596</u>	<u>10,925</u>
Total Expenditures	53,906	18,538	22,202	23,850	23,726	98,919	377	47,596	10,925
Adjustments	<u>0</u>	<u>0</u>	<u>(1)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>(1)</u>	<u>(1)</u>
Ending Fund Balance	<u>\$574,181</u>	<u>\$681,190</u>	<u>\$782,486</u>	<u>\$893,138</u>	<u>\$1,006,647</u>	<u>\$1,034,536</u>	<u>\$1,169,075</u>	<u>\$1,253,438</u>	<u>\$1,393,316</u>

As shown in Figure 6, the fund balance associated with search and rescue funding in FWP has been growing, from \$574,181 in FY 2012 to \$1,393,316 in FY 2020. In contrast, reimbursement to local sheriff's departments as reflected in the transfers out in Figure 6 has averaged \$33,338 a year, far below the revenues generated through conservation licenses.

Figure 7 shows the total funding available for reimbursement of local search and rescue missions, equipment purchases, training, and administration based on revenues generated between FY 2012 and FY 2020. For this discussion, the fund balance available at the end of FY 2012 is allocated in FY 2012. Remaining funding after allocated 50.0% of the funds to mission reimbursement and 5.0% to administration is allocated 50/50 between equipment purchases and training.

Figure 7

Search and Rescue Funding Funding Available for Reimbursement									
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenue									
FWP conservation licenses	\$120,285	\$125,547	\$123,499	\$134,502	\$137,235	\$126,808	\$134,915	\$131,960	\$150,804
DMA - off road vehicles	39,906	39,658	40,386	42,527	43,441	43,630	62,200	43,711	43,408
Beginning Fund Balance FY 2012	<u>708,718</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total revenue available	868,909	165,205	163,885	177,029	180,676	170,438	197,115	175,671	194,212
Funding Allocation									
Reimbursement of Local SAR	434,455	82,603	81,943	88,515	90,338	85,219	98,558	87,836	97,106
Equipment purchases	195,505	37,171	36,874	39,832	40,652	38,349	44,351	39,526	43,698
Training	195,505	37,171	36,874	39,832	40,652	38,349	44,351	39,526	43,698
Administration	<u>43,445</u>	<u>8,260</u>	<u>8,194</u>	<u>8,851</u>	<u>9,034</u>	<u>8,522</u>	<u>9,856</u>	<u>8,784</u>	<u>9,711</u>
Total Available Funding	<u>\$868,909</u>	<u>\$165,205</u>	<u>\$163,885</u>	<u>\$177,029</u>	<u>\$180,676</u>	<u>\$170,438</u>	<u>\$197,115</u>	<u>\$175,671</u>	<u>\$194,212</u>

Legislative Options

The legislature may wish to expand the reimbursements of local search and rescue missions to include those conducted

for individuals recreating in Montana and limit restrictions on the level of reimbursement of training and equipment to the level established in 10-3-801, MCA of \$6,000 per search and rescue unit.

Statutory Funding

Statutory appropriations available to the Disaster and Emergency Services Division include:

- Federal special revenue payments for disasters and fire suppression – 10-3-203, MCA
- General fund for local incidence response by the state – 10-3-310, MCA
- General fund for a Governor declared emergency or disaster – 10-3-312(1), MCA
- State special revenue for contingencies to address environmental problems – 75-1-1101, MCA

Statutory funding is provided in the event of a declared emergency or disaster. The expenditures are authorized through executive order.

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	1,389,790	1,389,790	2,779,580	88.33 %	17,599,094	17,599,094	35,198,188	97.12 %
SWPL Adjustments	65,127	64,821	129,948	4.13 %	53,140	46,548	99,688	0.28 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	124,118	113,337	237,455	7.55 %	494,267	451,141	945,408	2.61 %
Total Budget	\$1,579,035	\$1,567,948	\$3,146,983		\$18,146,501	\$18,096,783	\$36,243,284	

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.

	-----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	77,116	0	0	77,116	0.00	83,095	0	0	83,095
DP 2 - Fixed Costs	0.00	(9,380)	0	(9,379)	(18,759)	0.00	(16,638)	0	(16,637)	(33,275)
DP 3 - Inflation Deflation	0.00	(2,609)	0	(2,608)	(5,217)	0.00	(1,636)	0	(1,636)	(3,272)
Grand Total All Present Law Adjustments	0.00	\$65,127	\$0	(\$11,987)	\$53,140	0.00	\$64,821	\$0	(\$18,273)	\$46,548

**"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.

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 2103 - Mitigation Plans	0.00	85,838	0	257,514	343,352	0.00	75,000	0	225,000	300,000
DP 2104 - Mitigation FTE	2.00	37,178	0	111,533	148,711	2.00	37,235	0	111,702	148,937
DP 2199 - NRIS/GIS Fixed Costs	0.00	1,102	0	1,102	2,204	0.00	1,102	0	1,102	2,204
Total	2.00	\$124,118	\$0	\$370,149	\$494,267	2.00	\$113,337	\$0	\$337,804	\$451,141

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

DP 2103 - Mitigation Plans -

The Federal Emergency Management Administration requires states and counties to each have a FEMA approved hazard mitigation plan to apply for or receive federal mitigation funds either pre or post disaster. FEMA has prioritized mitigation, increasing the funding available and allowing the state to apply for up to \$35.0 million in federal funding each building resilient infrastructure communities grant cycle. To reduce redundancy, costs, and man hours required for each county to maintain a plan, regional plans will be done to cover counties with similar hazards. Plans are good for five years. This funding request is 75.0% federal and 25.0% general fund. State matching funds are required to be eligible for federal mitigation funds.

DP 2104 - Mitigation FTE -

The executive requests 2.00 FTE as emergency managers in the Disaster and Emergency Services Division. DES is responsible for ensuring the state is able to deal with disasters or emergencies in order to protect public health and safety, and to preserve lives and property of the people of Montana. This includes mitigating anticipated weaknesses, developing plans to effectively respond when an incident occurs, and helping communities recover from disasters by repairing public infrastructure to a pre-disaster condition.

DP 2199 - 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.

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	3,858,781	4,561,862	703,081	18.22 %
Operating Expenses	676,858	1,004,552	327,694	48.41 %
Grants	70,000	70,000	0	0.00 %
Transfers	90,000	90,000	0	0.00 %
Total Expenditures	\$4,695,639	\$5,726,414	\$1,030,775	21.95 %
General Fund	2,764,594	3,027,004	262,410	9.49 %
State/Other Special Rev. Funds	1,931,045	2,699,410	768,365	39.79 %
Total Funds	\$4,695,639	\$5,726,414	\$1,030,775	21.95 %
Total Ongoing	\$4,695,639	\$5,726,414	\$1,030,775	21.95 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

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

Program Highlights

Veterans' Affairs Division Major Budget Highlights
<ul style="list-style-type: none"> • The Veterans' Affairs Division's 2023 biennium budget request is about \$1.0 million or 22.0% higher than the 2021 biennium budget • Proposed changes are included in: <ul style="list-style-type: none"> ◦ Statewide present law adjustments for personal services, fixed costs, and inflation/deflation ◦ New proposals for additional spending authority from the veterans' services account including \$110,000 annually that is dependent on legislation
Legislative Action Items
<ul style="list-style-type: none"> • The veterans' services account does not have enough revenues or fund balance to support proposed appropriations in the 2023 biennium • The patriotic license plate account does not have sufficient revenues or fund balance to support budgeted and proposed appropriations in FY 2021 and both years of the 2023 biennium • The purple heart and higher medal scholarship account does not have ongoing funding to support the \$100,000 of appropriations included in the 2023 biennium budget

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	25.59	25.59	25.59	25.59
Personal Services	1,913,217	1,945,601	1,913,180	2,279,399	2,282,463
Operating Expenses	226,372	306,783	370,075	504,043	500,509
Grants	30,000	35,000	35,000	35,000	35,000
Transfers	0	45,000	45,000	45,000	45,000
Total Expenditures	\$2,169,589	\$2,332,384	\$2,363,255	\$2,863,442	\$2,862,972
General Fund	1,344,573	1,372,834	1,391,760	1,515,016	1,511,988
State/Other Special Rev. Funds	825,016	959,550	971,495	1,348,426	1,350,984
Total Funds	\$2,169,589	\$2,332,384	\$2,363,255	\$2,863,442	\$2,862,972
Total Ongoing	\$2,169,589	\$2,332,384	\$2,363,255	\$2,863,442	\$2,862,972
Total OTO	\$0	\$0	\$0	\$0	\$0

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

The Veterans Affairs Division expended 93.0% of its \$2.3 million FY 2020 modified HB 2 budget. Personal services were 98.3% expended, operating expenses were 73.8% expended, grants were 85.7% expended, and transfers were 0.0% expended. Personal services were slightly below levels anticipated in the budget due to turnover. Operating expenses budgeted appropriations included \$135,000 in unallocated operating expenses for FY 2020. The Veterans' Affairs Division did not require \$80,411 of the additional authority in operating expenses in FY 2020.

The 2019 Legislature enacted HB 158, to revise and fund purple heart scholarships and including eligibility for the scholarship if the recipient received a higher medal for combat-related service in the armed forces. In FY 2020, Veterans' Affairs Division did not award any scholarships which would have resulted in transfers to the Montana University System.

FY 2020 Appropriations Compared to FY 2021 Appropriations

In FY 2020 the Veterans' Affairs Division transferred \$65,000 out of operating expenses and into personal services. This transfer is the main difference between the appropriation levels of FY 2020 compared to FY 2021.

Executive Request

The Veterans' Affairs Program's proposed 2023 biennium budget is about \$1.0 million or 22.0% higher than the 2021 biennium budget.

Personal services were about \$1.9 million or 81.0% of the FY 2021 base budget. The executive proposes an increase in general fund and state special revenue appropriations of about \$191,000 in FY 2022 and \$194,000 in FY 2023 in the statewide present law adjustments for personal services and discussed in the Program Personal Services narrative. The Veterans Affairs Division is also proposing to increase personal services by \$175,000 annually above the level required for salaries and benefits for permanent FTE in two new proposals to increase state special revenue appropriations.

**LFD
COMMENT**

As the Department of Military Affairs is not requesting permanent ongoing positions as part of the proposal to increase state special revenue funds supporting personal services, the funds can be used for:

- Modified positions
- Broadband pay increases for existing staff
- Retirement or termination payouts required in statute
- Other miscellaneous personal service expenditures

Operating expenses were approximately \$370,000 or 15.7% of the FY 2021 base budget. The executive proposes a decrease in the statewide present law adjustments for fixed costs and inflation/deflation of \$1,000 in FY 2022 and \$5,000 in FY 2023. The decrease is mainly due to reductions for insurance and motor vehicle leases. The Veterans Affairs Division is requesting an additional \$135,000 annually in unallocated operating expenses as part of two new proposals. Unallocated operating expenses are not budgeted to a specific category such as supplies and materials or communications.

Grants were \$35,000 or 1.5% of the FY 2021 base budget. The executive does not propose any changes to the FY 2021 base budget for grants to counties that have established veterans' service offices.

Transfers were \$45,000 or 1.9% of the FY 2021 base budget. The executive does not propose any changes to the FY 2021 base budget for purple heart scholarships.

Program Personal Services

Personal services were about \$1.9 million or 81.0% of the FY 2021 base budget. The executive proposes increased general fund and state special revenue totaling approximately \$191,000 in FY 2022 and \$194,000 in FY 2023 in the statewide present law adjustments. In addition to expected changes, the 2023 biennium budget personal services statewide present law adjustment request includes management decisions for broadband pay raises and wage changes due to employee turnover.

Funding

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

Department of Military Affairs, 31-Veterans Affairs Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	3,027,004	0	0	0	3,027,004	40.89 %	
02214 Veterans Affairs Cemeteries	0	0	0	1,576,643	1,576,643	36.03 %	
02222 Patriotic License Plate Fees	400,848	0	0	100,000	500,848	11.45 %	
02548 Veterans Affairs SB401	2,198,562	0	0	0	2,198,562	50.24 %	
02002 Purple Heart & Higher Schlshp	100,000	0	0	0	100,000	2.29 %	
State Special Total	\$2,699,410	\$0	\$0	\$1,676,643	\$4,376,053	59.11 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$5,726,414	\$0	\$0	\$1,676,643	\$7,403,057		

HB 2 Funding

General fund supports the Veterans' Affairs Program functions. State special revenue includes three accounts:

- Veterans' services account (shown in the table as the veterans' affairs SB 401 account), enacted by the 2003 Legislature, allocating proceeds from the sale of veterans' specialty plates and a portion of all motor vehicle registration revenues that are deposited into the general fund each year. The 2013 Legislature increased the percentage of motor vehicle fees into this fund from 0.64% to 0.81%.

LFD ISSUE The veterans' services account does not have enough revenues or fund balance to support proposed appropriations in FY 2023

The veterans' services account is a state special revenue account intended for use of the Board of Veterans' Affairs and its purposes. Funds may be use to advocate for fair treatment of veterans, development of a services and benefits directory, assist with health screenings and treatments related to depleted uranium exposure, maintain a website, seek grants to help fund veterans' programs, and otherwise promote the general welfare of veterans and their families.

Figure 8 shows the fund balance, revenues, and expenditures for the veterans' services account from FY 2018 through FY 2023. The Department of Military Affairs is proposing legislation to increase the percentage of motor vehicle registration revenues that are transferred from the general fund to the veterans' affairs SB 401 account each year. The proposed additional revenues are included in Figure 8.

Figure 8

Department of Military Affairs Veterans' Affairs Division Veterans' Services Account						
	Actual FY 2018	Actual FY 2019	Actual FY 2020	Budgeted FY 2021	Proposed FY 2022	Proposed FY 2023
Beginning Fund Balance	\$174,216	\$219,601	\$227,994	\$216,891	\$156,734	(\$168,268)
Revenues						
Current revenue	668,768	667,885	664,447	663,000	663,000	663,000
Increased revenue proposed	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>110,000</u>	<u>110,000</u>
Total Revenues	668,768	667,885	664,447	663,000	773,000	773,000
Expenditures						
Personal Services	615,509	656,277	638,310	660,289	904,199	905,332
Operating Expenses	<u>7,874</u>	<u>3,215</u>	<u>37,240</u>	<u>62,868</u>	<u>193,803</u>	<u>195,228</u>
Total Expenditures	623,383	659,492	675,550	723,157	1,098,002	1,100,560
Ending Fund Balance	<u>\$219,601</u>	<u>\$227,994</u>	<u>\$216,891</u>	<u>\$156,734</u>	<u>(\$168,268)</u>	<u>(\$495,828)</u>

As reflected in Figure 8, the fund balance of about \$217,000 that is available at the beginning of FY 2021 is reduced by \$60,000 in FY 2021 and eliminated completely in FY 2022 due to higher ongoing expenditures. As shown, the account is over-appropriated in both years of the 2023 biennium with a projected ending fund balance of (\$168,268) in FY 2022 and (\$495,828) in FY 2023 if all budgeted appropriations were expended.

Statute does not allow state agencies to over expend state special revenue funds. Without available funding, the division will be forced to reduce personal services and operating expenses in FY 2022 by up to about \$168,500 and \$496,000 in FY 2023. The legislature may wish to direct the level of reductions in each expenditure category.

Legislative Options

- Reduce personal services and operating expense appropriations supported by the veterans' service account by \$168,500 in FY 2022 and \$496,000 in FY 2023
- Adopt the executive proposal

- Patriotic license plate fees account receives revenue from a \$15 surcharge on original licensing and renewal of patriotic license plates issued in Montana

**LFD
ISSUE**

The patriotic license plate account does not have sufficient revenues or fund balance to support budgeted and proposed appropriations in FY 2021 and both years of the 2023 biennium

The patriotic license plate fee account is a state special revenue account intended for use of the Board of Veterans' Affairs and its purposes. Funds may be use to advocate for fair treatment of veterans, development of a services and benefits directory, assist with health screenings and treatments related to depleted uranium exposure, maintain a website, seek grants to help fund veterans' programs, and otherwise promote the general welfare of veterans and their families.

Figure 9 shows the fund balance, revenues, and expenditures for the patriotic license plate fee account from FY 2018

through FY 2023.

Figure 9

Department of Military Affairs Veterans' Affairs Division Patriotic License Plate Fee Account						
	Actual FY 2018	Actual FY 2019	Actual FY 2020	Budgeted FY 2021	Proposed FY 2022	Proposed FY 2023
Beginning Fund Balance	\$162,995	\$118,264	\$130,953	\$57,497	(\$70,648)	(\$198,793)
Revenues	90,080	79,380	76,455	72,279	72,279	72,279
Expenditures						
Personal Services	0	49,947	64,814	0	0	0
Operating Expenses	<u>134,811</u>	<u>16,744</u>	<u>85,097</u>	<u>200,424</u>	<u>200,424</u>	<u>200,424</u>
Total Expenditures	134,811	66,691	149,911	200,424	200,424	200,424
Ending Fund Balance	<u>\$118,264</u>	<u>\$130,953</u>	<u>\$57,497</u>	<u>(\$70,648)</u>	<u>(\$198,793)</u>	<u>(\$326,938)</u>

As shown, the account is over-appropriated beginning in FY 2021 with a projected ending fund balance of (\$70,648) if all budgeted appropriations were made and ending FY 2023 with (\$326,938).

Statute does not allow state agencies to over expend state special revenue funds. Without available funding, the division will be forced to reduce operating expenses. In the 2023 biennium, this would require the Veterans' Affairs Division to reduce budgeted operating expenses by about \$128,000 each year.

Legislative Options

- Reduce operating expense appropriations supported by patriotic license plate fees by \$128,000 each year of the 2023 biennium
- Adopt the executive proposal

- Purple heart and higher medal scholarship account was revised by the 2019 Legislature. The legislature transferred \$50,000 of general fund into the account and required that the state special revenue appropriation be included in the base budget for the 2023 biennium

**LFD
ISSUE**

The purple heart and higher medal scholarship account does not have ongoing funding to support the \$100,000 of appropriations included in the 2023 biennium budget

HB 158, enacted by the 2019 Legislature, included a transfer of \$50,000 in general fund to the state special revenue account for purple heart and higher medal scholarships. The transfer was made only in FY 2020. The bill also provided a biennial appropriation of \$50,000 of state special revenue. In FY 2020, the Veterans' Affairs Division did not distribute any scholarships leaving \$50,000 available for FY 2021.

HB 158 required that the Veterans' Affairs Division include \$50,000 for the scholarship program in its base budget for the 2023 biennium, but the bill did not require an additional transfer of \$100,000 of general fund to fund the program. As of November 15, 2020, 4 and ½ months into FY 2021, no scholarships have been awarded.

The legislature may wish to:

- Discuss anticipated usage of the scholarship funds with the Veterans’ Affairs Division and adjust appropriations for the account to the level of scholarships anticipated to be awarded in the 2023 biennium
- Adopt the proposed level of appropriations included in the executive proposal

Statutory Appropriations

The Veterans’ Affairs Division has a statutory appropriation for the operation of the Montana Veterans’ Cemetery Program. The state special revenue account is funded through a portion of motor vehicle registration fees, cemetery plot allowances, and donations.

Program Budget Summary by Category

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

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	1,391,760	1,391,760	2,783,520	91.96 %	2,363,255	2,363,255	4,726,510	82.54 %
SWPL Adjustments	123,256	120,228	243,484	8.04 %	190,187	189,717	379,904	6.63 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	310,000	310,000	620,000	10.83 %
Total Budget	\$1,515,016	\$1,511,988	\$3,027,004		\$2,863,442	\$2,862,972	\$5,726,414	

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.

	-----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	120,468	70,751	0	191,219	0.00	122,399	71,884	0	194,283
DP 2 - Fixed Costs	0.00	2,788	0	0	2,788	0.00	(2,171)	0	0	(2,171)
DP 3 - Inflation Deflation	0.00	0	(3,820)	0	(3,820)	0.00	0	(2,395)	0	(2,395)
Grand Total All Present Law Adjustments	0.00	\$123,256	\$66,931	\$0	\$190,187	0.00	\$120,228	\$69,489	\$0	\$189,717

**"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.

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 3101 - MVAD License Plate Increase	0.00	0	110,000	0	110,000	0.00	0	110,000	0	110,000
DP 3102 - SB401 Additional Authority	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
Total	0.00	\$0	\$310,000	\$0	\$310,000	0.00	\$0	\$310,000	\$0	\$310,000

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

DP 3101 - MVAD License Plate Increase -

The Veterans Affairs Division is proposing legislation to increase the percentage of motor vehicle registration fees transferred from the general fund from 0.81% to 0.94% providing an additional \$110,000 a year in state special revenue funding.

LFD COMMENT	The legislature may wish to consider making the appropriation contingent on the passage and approval of LC 0546, Revise allocation of vehicle license revenue for Veterans Affairs Division.
--------------------	--

DP 3102 - SB401 Additional Authority -

As Montana is a rural state, a large portion of Montana veterans do not live in close proximity of a regional office. As a large portion of the division's operations are outreach to rural communities, Veterans Affairs Division requests additional authority to provide new locations to serve Montana veterans.