

**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	7,523,533	7,507,086	(16,447)	(0.22)%
Operating Expenses	1,741,099	3,358,524	1,617,425	92.90 %
Debt Service	12,160	12,160	0	0.00 %
<b>Total Expenditures</b>	<b>\$9,276,792</b>	<b>\$10,877,770</b>	<b>\$1,600,978</b>	<b>17.26 %</b>
State/Other Special Rev. Funds	8,729,436	10,330,388	1,600,952	18.34 %
Federal Spec. Rev. Funds	547,356	547,382	26	0.00 %
<b>Total Funds</b>	<b>\$9,276,792</b>	<b>\$10,877,770</b>	<b>\$1,600,978</b>	<b>17.26 %</b>
<b>Total Ongoing</b>	<b>\$9,076,792</b>	<b>\$10,877,770</b>	<b>\$1,800,978</b>	<b>19.84 %</b>
<b>Total OTO</b>	<b>\$200,000</b>	<b>\$0</b>	<b>(\$200,000)</b>	<b>(100.00)%</b>

**Mission Statement**

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

**Agency Highlights**

<b>Public Service Commission Major Budget Highlights</b>
<p>The Public Service Commission's 2023 biennium budget is 17.3% or \$1.6 million higher than the 2021 biennium budget. Significant changes for the 2023 biennium include:</p> <ul style="list-style-type: none"> <li>• A 92.9% increase or \$1.6 million in operating expenses as a result of fixed cost adjustments for information technology improvements associated with the agency's docketing and case management system</li> <li>• Requests for approximately \$525,000 over the biennium and 2.50 FTE to assist with the hearings examiner process relating to HB 597 from the 2019 Legislature</li> </ul>

**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	35.00	35.00	37.50	37.50
Personal Services	3,368,999	3,745,645	3,777,888	3,748,705	3,758,381
Operating Expenses	755,653	887,897	853,202	1,696,130	1,662,394
Debt Service	2,557	6,080	6,080	6,080	6,080
<b>Total Expenditures</b>	<b>\$4,127,209</b>	<b>\$4,639,622</b>	<b>\$4,637,170</b>	<b>\$5,450,915</b>	<b>\$5,426,855</b>
State/Other Special Rev. Funds	3,987,529	4,365,957	4,363,479	5,177,224	5,153,164
Federal Spec. Rev. Funds	139,680	273,665	273,691	273,691	273,691
<b>Total Funds</b>	<b>\$4,127,209</b>	<b>\$4,639,622</b>	<b>\$4,637,170</b>	<b>\$5,450,915</b>	<b>\$5,426,855</b>
<b>Total Ongoing</b>	<b>\$4,127,209</b>	<b>\$4,539,622</b>	<b>\$4,537,170</b>	<b>\$5,450,915</b>	<b>\$5,426,855</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$0</b>	<b>\$0</b>

**Agency Discussion**

*FY 2020 Appropriation Compared to FY 2020 Actual Expenditures*

The Public Service Commission’s HB 2 modified budget was 90.0% expended at the end of FY 2020 leaving a balance of \$512,000 at fiscal year end. Personal services were 89.9% expended leaving approximately \$377,000 in unspent authority.

Operating expenses were 85.1% expended at the end of FY 2020, leaving approximately \$132,000 in unspent authority. The majority of the unused authority was the result of \$100,000 in unspent appropriations in consulting contingency. Consulting contingency funding was established for the 2021 biennium for such items as outside counsel, consultants, or expert witnesses needed in litigation or other unanticipated cases. The 2019 Legislature approved the consulting contingency funding as restricted and one-time-only. In FY 2020, 0.0% of the consulting contingency funding was expended. The Public Service Commission expended 42.1% of debt service, with approximately \$3,500 remaining at fiscal year end.

*FY 2020 Appropriations compared to FY 2021 Appropriations*

The FY 2021 appropriations are not significantly different from the FY 2020 appropriations. The difference from FY 2020 to FY 2021 appropriations is approximately \$2,500.

*Comparison of FY 2021 Legislative Budget to FY 2021 Base*

Figure 1 illustrates the beginning FY 2021 budget as adopted by the 2019 Legislature compared to the finalized FY 2021 base budget, which included modifications as approved by the executive (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 - Public Service Commission				
	Legislative Action	Executive Modifications per Statutory Authority	Executive Base	% Change from Legislative Action
01 PUBLIC SERVICE REGULATION PROG				
61000 Personal Services	3,777,888	-	3,777,888	0.0%
62000 Operating Expenses	753,202	-	753,202	0.0%
69000 Debt Service	6,080	-	6,080	0.0%
01 PUBLIC SERVICE REGULATION PROG Total	4,537,170	-	4,537,170	0.0%
42010 PUBLIC SERVICE COMMISSION Total	4,537,170	-	4,537,170	0.0%

Legislative action for the Public Service Commission includes base appropriations contained in HB 2, and an additional appropriations authority of \$270,000 in state special revenue for funding related to HB 715. HB 715 required the funding to be included in the 2023 biennium base budget. The table above provides a comparison of the change in the executive base from legislative action. There were no executive modifications in the Public Service Commission.

*Executive Request*

The executive proposes an 17.3% increase in total funding when compared to the 2021 biennium. Increases include:

- A 92.9% increase or \$1.6 million in operating expenses, the majority is the result of information technology improvements associated with a new docketing and case management database that was completed in July 2019
- A request for \$0.5 million over the biennium and 2.50 FTE for hearings examiner relating to HB 597, which was passed and approved in the 2019 Legislature

*5.0% Plan*

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. A summary of the entire 2021 biennium 5.0% plan can be found on the [Section D subcommittee](#) page under 'Tab D Materials.' The PSC had no funding from the general fund. The 5.0% plan reduction in state special revenue is \$196,729 per year. Reductions proposed would be taken in consulting, supplies, communications, travel and subscriptions. While reductions in multiple categories rather than a large reduction in one area helps to mitigate impact, reducing consulting costs may lead to further staff time needed on cases or projects. This could potentially cause delays in current cases or projects.

**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)

Figure 2

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

Personal Services Present Law DP 1 - FY 2022				
Program	Expected Changes	Management Decisions	Budget Modifications	DP1 SWPL
01 PUBLIC SERVICE REGULATION PROG	(19,010)	(272,793)	-	(291,803)
Agency Total	\$ (19,010)	\$ (272,793)	\$ -	\$(291,803)

Personal services were \$3.8 million or 81.5% of the agency’s fiscal year 2021 appropriation. The Public Service Commission did not have any budget modifications within personal services during FY 2021. Expected changes in the Public Service Commission include pay plan adjustments, changes to benefit rates and longevity within the agency.

DP 1 SWPL includes a decrease of \$291,803 in FY 2022 and a decrease of \$282,319 in FY 2023. The majority of this decrease is due to 2.50 FTE for hearings examiners as a result of HB 597 in the 2019 Legislature. Appropriation authority was given, but FTE were not permanently authorized. Therefore, SWPL 1 removes the funding for the position, which is why there is a negative adjustment in DP 1 SWPL. The PSC is requesting the 2.50 FTE hearings examiner be made permanent in the 2023 biennium in a new proposal.

The remaining changes in DP 1 include the annualization of various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings. Additional management decisions include increases for staff for career ladder promotions and hiring new employees at a lower rate.

**Funding**

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

Total Public Service Commission Funding by Source of Authority 2023 Biennium Budget Request - Public Service Commission						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0	0.00 %
State Special Total	10,330,388	0	0	0	10,330,388	94.97 %
Federal Special Total	547,382	0	0	0	547,382	5.03 %
Proprietary Total	0	0	0	0	0	0.00 %
Other Total	0	0	0	0	0	0.00 %
<b>Total All Funds</b>	<b>\$10,877,770</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,877,770</b>	
<b>Percent - Total All Sources</b>	<b>100.00 %</b>	<b>0.00 %</b>	<b>0.00 %</b>	<b>0.00 %</b>		

The Public Service Commission is funded by a combination of state and federal special revenue. State special revenue comprises 95.0% of the PSC funding in the 2021 biennium. The majority of the state special revenue is derived from a fee that is levied on regulated companies. The amount of the fee is based on the level of funding appropriated by the legislature for a specific fiscal year and the percentage of the gross operating revenue from all activities regulated by the PSC for the calendar quarter of operation as outlined in 69-1-402, MCA. Figure 3 shows the state special revenue for this account.

Figure 3

Public Service Commission Public Service Commission - 02281						
	Actuals FY 2018	Actuals FY 2019	Actuals FY 2020	Appropriated FY 2021	Proposed FY 2022	Proposed FY 2023
Beginning Fund Balance	\$2,214,796	\$1,941,103	\$472,049	\$1,778,712	2,342,540	2,115,316
<b>Revenue</b>						
Taxes	3,993,536	2,295,668	5,249,566	4,900,000	4,900,000	4,900,000
Licenses & Permits	17,205	6,075	11,610	15,000	15,000	15,000
Grants/Transfers/Misc	0	0	9,870	0	0	0
Charges for Services	<u>22,348</u>	<u>19,092</u>	<u>30,109</u>	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>
<b>Total Revenue</b>	<b>4,033,088</b>	<b>2,320,835</b>	<b>5,301,155</b>	<b>4,950,000</b>	<b>4,950,000</b>	<b>4,950,000</b>
<b>Expenditures</b>						
Personal Services	2,964,281	3,088,985	3,239,164	3,574,730	3,443,792	3,454,124
Operating Expenses	1,065,536	700,721	747,628	811,442	1,733,431	1,699,040
Equipment & Intangible Assets	0	0	5,143	0	0	0
Transfers Out	276,964	0	0	0	0	0
Debt Service	<u>0</u>	<u>0</u>	<u>2,557</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Expenditures</b>	<b>4,306,782</b>	<b>3,789,706</b>	<b>3,994,492</b>	<b>4,386,172</b>	<b>5,177,224</b>	<b>5,153,164</b>
Adjustments	0	(183)	0	0	0	0
<b>Ending Fund Balance</b>	<b>\$1,941,103</b>	<b>\$472,049</b>	<b>\$1,778,712</b>	<b>\$2,342,540</b>	<b>2,115,316</b>	<b>1,912,152</b>

As reflected above, the ending fund balance for FY 2020 is \$1.8 million, which is in line with past fund balances for the PSC. Based on the proposed budget, the PSC will have a fund balance of \$1.9 million at the end of the 2023 biennium.

**Budget Summary by Category**

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	0	0	0	0.00 %	4,537,170	4,537,170	9,074,340	83.42 %
SWPL Adjustments	0	0	0	0.00 %	655,168	630,916	1,286,084	11.82 %
PL Adjustments	0	0	0	0.00 %	(4,250)	(4,250)	(8,500)	(0.08)%
New Proposals	0	0	0	0.00 %	262,827	263,019	525,846	4.83 %
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$5,450,915</b>	<b>\$5,426,855</b>	<b>\$10,877,770</b>	

**HB 2 Language**

The executive is not proposing HB 2 language for the Public Service Commission.

**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	(291,803)	0	(291,803)	0.00	0	(282,319)	0	(282,319)
DP 2 - Fixed Costs	0.00	0	948,731	0	948,731	0.00	0	914,339	0	914,339
DP 3 - Inflation Deflation	0.00	0	(1,760)	0	(1,760)	0.00	0	(1,104)	0	(1,104)
DP 4 - SITSD SericeNow reduction	0.00	0	(4,250)	0	(4,250)	0.00	0	(4,250)	0	(4,250)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$650,918</b>	<b>\$0</b>	<b>\$650,918</b>	<b>0.00</b>	<b>\$0</b>	<b>\$626,666</b>	<b>\$0</b>	<b>\$626,666</b>

\*"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.

<b>LFD COMMENT</b>	<p><u>Fixed Costs Adjustments Result of SITSD Technology Improvements</u></p> <p>In July 2019, PSC implemented a new docketing and case management system database built by SITSD. SITSD improvements are considered fixed costs for the services they provide. Additional improvements and enhancements to the docketing and case management system will be implemented through fixed costs for SITSD in the 2023 biennium. Therefore, there is a larger increase in fixed costs during the 2023 biennium to account for these technology upgrades.</p>
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DP 3 - Inflation Deflation -

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

DP 4 - SITSD SericeNow reduction -

The executive requests a decrease in funding because of the purchase of ServiceNow licenses and programs for the 2023 biennium. The executive is anticipating operating efficiencies and other savings by using ServiceNow. This proposal reduces the operating budget by \$4,250 in FY 2022 and \$4,250 in FY 2023 due to the projected operating efficiencies and other savings achieved using ServiceNow.

**New Proposals**

The New Proposals table shows new changes to spending

New Proposals	-----Fiscal 2022-----					-----Fiscal 2023-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - HB 597 Hearings Examiner FTE	2.50	0	262,620	0	262,620	2.50	0	262,812	0	262,812
DP 5 - NRIS/GIS Fixed Costs	0.00	0	207	0	207	0.00	0	207	0	207
<b>Total</b>	<b>2.50</b>	<b>\$0</b>	<b>\$262,827</b>	<b>\$0</b>	<b>\$262,827</b>	<b>2.50</b>	<b>\$0</b>	<b>\$263,019</b>	<b>\$0</b>	<b>\$263,019</b>

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

DP 1 - HB 597 Hearings Examiner FTE -

The 2019 Legislature provided funding but no permanent FTE for the roughly 80 contested cases per year that will require hearings examiner processes relating to HB 597 passed by the 2019 Legislature. Because the FTE were not permanently authorized, SWPL 1 removes the funding for the positions, and this change package restores the funding along with 2.50 FTE.

DP 5 - 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.