

# EXECUTIVE BUDGET INSTRUCTIONS

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'17 B – Memo 8  
7 Attachments

located on Guest\FORMS&MEMOS\017B Memos

Updated August 13, 2014 – Revision 0 (see revisions log on Guest Directory)

## INTRODUCTION

The Governor's 2017 Biennium Executive Budget will be prepared and distributed in November 2014 in accordance with provisions of Title 17, Chapter 7, Part 1, MCA. The budget will be completed by state agencies using the Montana Budget Analysis and Reporting System (MBARS) in accordance with the technical manual available on the MINE page. The budget will be completed by the Governor's Office of Budget and Program Planning (OBPP) using the Internet Budget Analysis and Reporting System (IBARS). The purpose of these instructions is to provide the policy guidance and the specific schedules that are to be used in preparing the 2017 Biennium Executive Budget.

Agencies will submit budget requests to the OBPP on September 1 as scheduled in Attachment 1. Final drafts of legislation will be submitted by agencies to the OBPP for transmittal to the Legislative Services Division (LSD) between August 1 and November 15, with appropriations bills in October and early November. The statutory date for the OBPP to transmit personal services funding and the present law base to the Legislative Fiscal Division (LFD) is November 1. The projected date for the revenue committee to make changes to economic assumptions/revenue estimates is mid-November. The OBPP will provide a final copy of the executive budget (EB), including all long-range planning recommendations and the proposed pay plan schedule, to the LFD by the November 15 statutory deadline. The OBPP may submit amendments to the November 15 preliminary budget up to December 15. The 64th Legislative Assembly convenes on Monday, January 5, 2015.

## MBARS AND IBARS BUDGET REQUEST TRAINING

The OBPP will have training guides available for the training. Beginner sessions of the training are scheduled in Room 13B of the Mitchell Building on August 14<sup>th</sup> at 9:30 AM or 1:00 PM. Refresher classes will be held in the OBPP Conference Room (250) in the Capitol Building on August 15<sup>th</sup> at 9:00 AM or 11:00 AM and on August 18<sup>th</sup> at 9:00 AM or 11:00 AM. Contact Jeanne Nevins at x3616 if you need to sign up for a class. IBARS navigation and report training will be held for agencies in the month of October. Notification of the time and place for this training will be sent out in advance of the training sessions.

## BUDGET REQUEST PREPARATION AND SUBMISSION

On August 13, Adam Anfinson from the OBPP will advise each state agency when the MBARS agency budget "A" version is available for budget preparation. Security levels were established with each agency during the Executive Planning Process (EPP). Agency security officers should utilize the agency security pages via the MINE page to request new users.

### REQUEST PREPARATION TASKS:

1. Verify base and EPP pending decision package information
2. Review and update funding options by first level
3. Enter base adjustments; allocate the fixed costs (contained in Attachment 2) and the State Building Energy Conservation Program savings (contained in Attachment 4) to appropriate programs
4. Review FTE allocations and adjust among RLs within programs as necessary
5. Fund Adjusted Base Budget
6. Edit/Build present law decision packages (DPs)
7. Edit/Build new proposal decision packages (DPs)
8. Edit/enter new revenue estimates

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9. Enter/Edit narrative for the agency, each program, subprogram if previously agreed upon, and each decision package (DP)
10. Develop 17-7-111,(3)(f) 5% reduction plans in Excel spreadsheets
11. As applicable, prepare decision packages for all statutory authority
12. As applicable, prepare special information technology DPs and narrative
13. As applicable, enter "HB 576" data, proprietary rate information and narrative
14. Submit agency statement of goals and objectives
15. Confirm all elements are complete and submit

### DEFINITIONS OF TERMS

**Base Budget** means "the resources for the operation of state government that are of an ongoing and non-extraordinary nature in the current biennium. The base budget for the state general fund and the state special revenue funds may not exceed that level of funding authorized by the previous legislature." [17-7-102(4), MCA] The base budget for 2017 biennium budget development and analysis purposes will be the combined level of ongoing expenditures using FY 2014 actual expenditures from authority contained in HB 2 and other permanent appropriations bills. The FY 2015 authorized budget comparable to the FY 2014 base and/or the FY 2014 budget may also be shown in select budget and analysis tables.

**Present Law Base (PL)** means "that level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature, including but not limited to: (a) changes resulting from legally-mandated workload, caseload, or enrollment increases or decreases; (b) changes in funding requirements resulting from constitutional or statutory schedules or formulas; (c) inflationary or deflationary adjustments; and (d) elimination of nonrecurring appropriations." [17-7-102(10), MCA]

**New Proposals (NP)** means "requests to provide new non-mandated services, to change program services, to eliminate existing services, or to change sources of funding. For purposes of establishing the present law base, the distinction between new proposals and the adjustments to the base budget to develop the present law base is to be determined by the existence of constitutional or statutory requirements for the proposed expenditure. Any proposed increase or decrease that is not based on those requirements is considered a new proposal." [17-7-102(9), MCA]

**One-Time-Only Appropriations (OTOs)** refer to funding authorized by the previous legislature, which was assigned a separate subclass by the OBPP due to appropriation restrictions in HB 2 that a specific amount of the funding/FTE was not to be included in the base budget for the next biennium or the authority was administratively created.

**Reporting Levels (RLs)** are used to group expenditure and budget data for reporting and analysis. There are up to seven (7) different levels within a given RL, designated by a sixteen-digit string (5 levels in IBARS). Reports can be generated at levels 1 - 4. Level 4 (RL4) is the analytical level at which agencies submit budgets and at which both the OBPP and the LFD analyze, adjust, and maintain budget data. RL4s are used for clearly-defined functions within a state government program, primarily when funding sources and/or constraints are different for that function than for other functions within the program, but also for statutory and proprietary funds. Each budget decision package must be mapped to an RL4. In a few large, complex programs some functional areas may be significant enough to be isolated at RL3 (subprogram) for printing as informational tables in the EB or the LFD budget analysis.

Proprietary functions funded by HB 2 may be included in an RL4 with other HB 2 funds or may have a separate RL4. Proprietary functions funded outside HB 2 must have a distinct RL4.

**Adjusted Base** is the first column for each fiscal year in the MBARS screens B210 and B211 that shows the base budget *plus* personal services costs for all current level HB 2, non appropriated proprietary (HB 576), and statutory (SA) FTE, all OBPP adjustments for inflation/deflation for the ensuing biennium, and the fixed costs amounts charged to agencies by other state agencies that each agency is responsible for

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allocating in its budget request. The adjusted base amounts plus all of the approved and recommended PL decision packages comprise the PL Base Adjustment columns in the agency and program tables in the EB and in the LFD analysis books. The PL Base Adjustment total is the same as the statutory definition of the present law base.

**IBARS NOTE:** IBARS does not contain an adjusted base as it exists in MBARS. Instead IBARS contains a base budget plus what is called the Statewide Present Law (SWPL) sub-schedule. This subschedule is used to allocate fixed costs and to calculate the increases (or decreases) in personal services, fixed costs, and inflation/deflation. IBARS will generate a new type of decision package, called a SWPL change package, for each of these items. These change packages will replace what were known as the statewide present law adjustments in MBARS (essentially the difference between the adjusted base and the base for each year). These change packages will always be the same number for every program: SWPL 1 = Personal Services, SWPL 2 = Fixed Costs, and SWPL 3 = Inflation/Deflation.

For agencies with many reporting levels or complicated funding mixes, please keep a spreadsheet of how each of these change packages (difference between base and adjusted base) should be funded (BY SWPL CATEGORY, FUND, AND REPORTING LEVEL). OBPP budget analysts will need to enter this information into IBARS once the conversion of data between systems is made and the analysts will be asking the agencies for the information in order to do so. While it is understood that there may be some variation in the funding for these costs from how the base was funded, there should not be major funding switches occurring in the funding of the adjusted base or these SWPL change packages. If there are funding switches necessary, they should be made in an NP decision package.

### **IMPLEMENTATION OF THE BUDGET**

#### **Base Budget**

The OBPP has developed the **Base Budget** for the 2017 Biennium Executive Budget by working with each agency and the LFD to reach a consensus on which adjustments need to be made to the combined HB 2 and ongoing cats and dogs level of funding authorized by the previous legislature. The base budget includes all approved agency reorganizations, program transfers, and ongoing appropriations from other bills that were rolled into HB 2 from the previous session.

Actual FY 2014 expenditures of biennial appropriations are included in the FY 2016 and FY 2017 adjusted base budgets. The balance of a biennial appropriation will be shown in the FY 2015 authorized budget column (where applicable).

**Fixed Cost and Special Purpose Schedules** - The approved fixed cost and informational schedules are Attachment 2, which is in Guest\Forms&Memos\017B Fixed Costs. See task 3 for details.

#### **PRESENT LAW BASE**

Consistent with statute, the present law base will be expenditures, funding, and FTE required to maintain operations and services at the level authorized by the previous legislature, including legally-mandated workload, caseload, or enrollment increases or decreases, but excluding funding shifts which must be new proposals in accordance with 17-7-102(9), MCA.

**The present law base includes three adjustments common to all agencies statewide:**

1. **Personal Services** - OBPP has prepared FY 2016 and FY 2017 personal services budgets based upon the July snapshot to reflect workers comp, unemployment insurance, FICA, retirement contribution rates, number of hours each fiscal year, longevity adjustments, and health insurance rates. Personal services schedules in the present law base reflect current level positions authorized for FY 2015. Adjustments have been made to the snapshot to account for the FY 2015 salary increases that

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will occur due to HB 13 passed by the 2013 Legislature. In addition, some adjustments have been made for elected official salaries that are statutorily set as well as some adjustments for training assignments.

- 2. Inflation/Deflation** - OBPP has developed inflationary/deflationary adjustments on selected expenditure accounts for inclusion in the 2017 biennium present law base budgets.
- 3. Fixed Costs** - Charges to agencies by other agencies will be allocated and funded by each agency in its August budget request in accordance with Attachment 2. Each agency must allocate these amounts to the base budget. [See Attachment 2 and task 3 for specifics.]

**Vacancy Savings** – Due to language in HB 2 reflecting legislative intent of a 4% FTE reduction for agencies who had 4% vacancy savings assessed in the 2015 biennium, the FTE reduction replaces vacancy savings in the budget process and no vacancy savings is applied.

Each agency will need to review and update all other present law decision packages (adjustments) related to workload increases or decreases, equipment needs based on replacement schedules or workload, and other functional adjustments

### REQUEST PREPARATION TASKS

#### 1) VERIFY INFORMATION

You will receive an MBARS electronic “A” version of your agency download fiscal year end (FYE) 2014 budget data. Incorporated into the download are the pending EPP decision packages. Verify the information. In the event of questions, please call your executive budget analyst.

The Adjusted Base for FY 2016 and FY 2017 includes fully-funded personal services costs in the 61000 accounts. In addition, the following accounts have been inflated/deflated from the FY 2014 base amounts according the schedule that follows:

<u>Acct</u>	<u>Name</u>	<u>FY 2016</u>	<u>FY 2017</u>
62601	Electricity	2.30%	3.68%
62604	Laboratory Gas	0.39%	0.72%
62607	Propane	0.39%	0.72%
62216	Gasoline	(4.93%)	(5.80%)
62216A	Aviation Gasoline	(4.93%)	(5.80%)
62242	Diesel Fuel	(4.93%)	(5.80%)
62242A	Jet Fuel	(4.93%)	(5.80%)
Food Accounts (62205, 62205A, 62251, 62252, 62253, 62254, 62264, 62275, 62278, 62279, 62288, 62289, 62291, 62292, 62298)			
		3.98%	5.46%
Motor Pool (Accounts 62404, 62414, 62434, 62445, 62510)			
		(12.72%)	(11.02%)
63125	Library Books	3.32%	5.03%

No other inflation or deflation is included in the adjusted base budgets for FY 2016 and FY 2017. Agency requests for other changes to the adjusted base budget must be included in present law adjustment decision packages (DPs).

**IBARS NOTE:** Please keep a record of how these costs (personal services increase, fixed costs increase, and inflation/deflation increase/decrease) are funded. As noted previously in these instructions, since these adjustments will be segregated into separate change packages when the budget data is converted from MBARS to IBARS, they will need to be funded individually. Your OBPP budget analyst will be

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entering this funding into IBARS and will likely need agency input to get the funding entered correctly. The MBARS Budget Detail data extract contains each of these three components in separate columns (See underlined paragraph on page 3 of these instructions.)

### 2) REVIEW & UPDATE FUNDING OPTIONS

On MBARS, review and update the pay plan funding options for each RL (Preparation/General Budgeting/Fund Distribution). **The only task that must be completed is Pay Plan Funding - Group 2. A separate pay plan funding distribution must be completed in Group 2 for each budget RL that has an associated personal services budget.** If FTE are reallocated during the budgeting process [task 4], then you may need to revisit the funding option again prior to submission of your budget. This screen must be completed for each RL4, or you will not be able to submit the budget. These funding splits are used to calculate agency allocations for any legislatively approved pay plan as well as other personal services budgeting calculations.

There is one funding group besides group 2. This group shows percentage funding splits implicit in how the agency budget was funded based on actual FYE 2014 distribution of expenditures in the base year. You may choose to review the data for FY 2016 and FY 2017 projections. Note, however, that the budget will be funded manually and require direct funding on the B211 funding screen. The percentages appear as reference information only.

**If a new fund is required to complete the funding options detail for a group, please call or e-mail Adam Anfinson x3110 with information regarding the fund and its name.** The OBPP will assign the new number and make it available for your agency-specific use so the new row can be inserted on this screen. Adam will advise you when the new fund number is available, which will be the actual number that will be used in SABHRS during the turnaround process if the DP is approved. If the request is approved by the legislature, the agency will need to work with the Accounting Bureau to complete the processing to establish the new fund on SABHRS.

### 3) ENTER BASE ADJUSTMENTS

**3.1. Attachment 2** in the OBPP "Guest" directory shows the Fixed Cost allocation amounts by agency for the expenditure accounts listed below. Access the file at Guest\Forms&Memos\17B Memos\Memo 8 - Attachment 2. Although most agencies will be billed in the next biennium consistent with the amounts budgeted, there may be a few exceptions, such as warrant writing fees for warrants actually issued and that portion of lease vehicles based on number of miles driven.

<u>Account</u>	<u>Fixed Cost</u>
62104	DofA Insurance
62113	DofA Warrant Writing Fees
62114	DofA Human Resource Information Fees
62114A	DofA Workers' Comp Management Fee
62122	Legislative Audit Fees
62148	DofA SABHRS Costs
621ITSD	Adjustment Account for SITSD Charges
62307	DofA Messenger Services
62510	Motor Pool Lease Vehicles
62527	DofA Capitol Complex Rent
62770	DofA Capitol Complex Grounds Maintenance
62888	DOA SWCAP

**Allocate** the amounts for each fixed cost to your adjusted base budget in the first year and the second year [use the Budget Request Detail-B211 screen]. The data box for fixed cost expenditure accounts will

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appear white [rather than gray] on the MBARS screen, indicating that you can enter the fixed cost amounts. The Fixed Costs sub-schedules for Attachment 2 show details to assist you in determining the proper allocation to programs and RLs for HB 2, proprietary, or statutory sources of authority in MBARS, based on agency functions and internal management plans.

Note that the amount for **Legislative Audit Fees (account 62122)** is a biennial amount and should be entered entirely in FY 2016.

**IBARS NOTE:** As noted previously, please keep a record of how the fixed cost changes are funded to assist your OBPP budget analyst in entering this information following the MBARS to IBARS transition. (See underlined paragraph on page 3.)

Because the agency **adjusted base budget request total for all of the allocated fixed cost accounts should be equal to Attachment 2, any other adjustments involving fixed cost accounts must be made in other DPs.** If you have a question regarding a fixed cost amount, contact Sonia Powell at x4588.

**The agency legal services rate** will increase for the 2017 biennium to \$106.00 per hour for attorneys and \$62.00 per hour for paralegals. The Secretary of State **ARM filing fees** will remain unchanged and **Records Management fees** will incur very minor changes.

**3.2.** The rate structure for **Motor Pool Lease Vehicles (account 62510)** is based on both an assigned time rate and a mileage rate. This rate assesses a daily charge for the agency possessing the vehicle and a per mile charge for vehicle usage. The daily charge allows the Motor Pool to recover fixed costs such as principal and interest on the vehicle loans, personal services, and insurance. The per-mile charge allows the Motor Pool to recover variable costs such as gas, tires, and maintenance.

Each agency that has requested additional lease vehicles from the Motor Pool will find an Excel spreadsheet on the OBPP server at Guest\Forms&Memos\017B Fixed Costs with multiple sheets in the file. The **Attachment 4** summary sheets show all lease vehicle budgets an agency will receive in FY 2015 through FY 2017. The spreadsheet lists the vehicles that agencies have/will receive in FY 2015 based on estimated mileage. Since these vehicles have already been approved by the legislature but are not included in the base budget, they should be added to the adjusted base budget. Agencies should input the amounts on the spreadsheet in account 62510F (you will have to insert this account) in the adjusted base budget columns for the appropriate RL. OBPP will verify that the amounts in this account have been entered correctly.

For vehicles requested for the next biennium, the Excel file has tabs for FY 2016 and FY 2017. The amounts listed should be recorded in the appropriate DPs in account 62510. In addition, the offsetting costs should be recorded as a negative in the same DPs in accounts 62716 and 62216. OBPP will verify that the amounts have been fully allocated. For any vehicles that have been returned in FY 2014 or FY 2015 or will be returned to the Motor Pool in the next biennium, the cost reduction should also be reflected in account 62510 in a decision package.

For questions regarding the lease vehicle spreadsheets or if you are unable to access them on the OBPP guest directory, contact Gerry Murphy x3191.

**3.3. Adjust State Building Energy Conservation Program** amounts using Attachment 3 in the guest directory, as applicable. There are four tabs in this workbook.

The Department of Environmental Quality (DEQ) manages the State Building Energy Conservation Program (SBP) to reduce operating costs in state facilities by identifying and funding cost-effective energy efficiency improvements. Through this program, the state uses proceeds of general obligation bonds, state general funds, or federal ARRA funds to pay for energy-efficiency improvements, and uses the resulting energy cost savings to pay the debt service on the bonds, or to repay the revolving fund for the general

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fund or federal funds. The projects are designed so that the cost savings exceed the bond debt service and meet or exceed the investment of general or federal funds.

The agencies listed in Attachment 3 have completed or substantially completed projects. Bond funded projects will pay an amount of energy cost savings based on the length of the term of the bond plus an additional one year of savings, or a reduced amount over 5 years as agreed to in Memorandums of Agreement between DEQ and the agency. Projects funded with state funds or federal funds will repay the amount of the cost of the project plus 3% interest over various lengths of time as specified in the Memorandums of Agreement between DEQ and the agency.

See Attachment 3 for the energy savings which must be reallocated. For agreements with primary government agencies financed through GO Bond payments, payments made from participating agencies to DEQ should be recorded as transfers (68108). For general fund and ARRA funded projects, transaction payments should be in Principal Payment – SBECF (69205) and/or Interest Expense – SBECF (69206). For prior projects, confirm that the base budget includes the amounts contained in the FY 2016 and FY 2017 columns. If adjustments are necessary to achieve the amounts in the FY 2016 and FY 2017 columns, create a negative in new account 62609 Utility Reductions for SBP and increase 68108, 69205, or 69206 (as appropriate) by a like amount. For new projects, create a negative equal to the amount shown in the FY 2016 and FY 2017 columns in 62609 and increase 68108, 69205, or 69206 (as appropriate) by like amounts. Agencies located on the Capitol Complex, that are listed under the Department of Administration in Attachment 3, will not need to make any budget entries because DofA already has included the amounts in the rental rate.

#### 4) REVIEW FTE ALLOCATIONS AND ADJUST

The personal services allocations by position in each program have been downloaded to RLs based on actual FYE 2014 distribution of expenditures. For most agencies, a review of the data may be the only task, but others may have work to do. All positions must be allocated 100% to reporting levels in order for full funding for the positions to be posted to budgets. **Reallocation among RLs within a program [Personal Services Detail/Position Allocation] is the only allowable FTE change to the base budget.** In RLs with multiple funding sources, it also may be necessary to adjust the proportional splits used to fund positions in the affected RLs, as discussed under task 2 above [Preparation/General Budgeting/Fund Distribution]. Pay special attention to positions with no expenditures during FY 2014. **HB 2 positions MUST be allocated to HB 2 reporting levels, “HB 576” positions MUST be allocated to “HB 576” reporting levels, and SA positions MUST be allocated to SA reporting levels.** [HB 576 represents non-appropriated “N” subclass proprietary funding.] A POSITION MAY NOT BE REALLOCATED TO A NEW SOURCE OF AUTHORITY WITHOUT DECISION PACKAGES. There is a feature in MBARS that allows allocation of multiple positions at one time. See the MBARS training manual or the MBARS user’s guide on the MINE page for more details. The total FTE by bill number (HB 2, HB 576, SA) should match the totals in SABHRS HR.

Changes to FTE or personal services amounts (for example moving employees from training positions to permanent positions or adding overtime and differential pay) must be requested as part of DPs--either present law or new proposals--as discussed under tasks 6 and 7.

**IBARS Note:** “HB 576” is used in MBARS as a proxy for non-appropriated proprietary funds (enterprise and internal services funds not appropriated in HB 2). The bill number stems back to the 1995 Legislature. With the transition to IBARS, these funds will no longer be referred to as HB 576 funds but will be referred to as “NAPROP”. In the next biennium, when IBARS is used for the full budgeting cycle, this change will become more evident.

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### 5) FUND ADJUSTED BASE BUDGET

When the adjusted base budget request has been completed, each RL must be funded using the B211a Budget Request Funding Detail screen. Do task 5 after completing the funding options, the base adjustments for fixed costs and energy savings, and the FTE/personal services allocations. Remember that funding switches require an NP DP and cannot be completed in task 5.

**IBARS NOTE:** Please keep a record of how these costs (difference between base and adjusted base) are funded. As noted previously in these instructions, since these adjustments will be segregated in separate change packages when the budget data is converted from MBARS to IBARS, they will need to be funded individually. Your OBPP budget analyst will be entering this funding into IBARS and will likely need agency input to get the funding entered correctly. (See underlined paragraph on page 3.)

### 6) EDIT/BUILD PRESENT LAW DECISION PACKAGES

Your MBARS A Version includes all submitted present law (PL) requests that were considered pending or approved through EPP. You are encouraged to adjust and edit these PL DPs consistent with accounting changes, fiscal year end data, and additional planning information unknown last spring. **For all approved/pending EPP request DPs copied forward, you must allocate the placeholder accounts 61098, 62098, 63098, etc. to third level accounts and zero out the xxx98 accounts. When a DP copied forward involves FTE, you will need to update the position record [Preparation/General Budgeting/Personal Services Detail]. When this update occurs, the results will be posted to the parent DP.**

For many PL requests, there will be adjustments or additional information required. Examples of possible adjustments to pended/approved DPs include: revising the name to better reflect the key action being requested of the Legislature; adding accounts; increasing/decreasing FTE and expenditure amounts based on workload indicators; adjusting the funding; updating the narrative justification and documentation. Remember that the DP name is to be no more than 50 characters (counting spaces) and *legislator friendly*. The name you give it will be the name that appears in the Present Law Adjustments Table for legislative action on this program budget.

Consistent with 17-7-102(10), MCA, **PL adjustments will include “that level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature, including but not limited to:**

- (a) changes resulting from legally-mandated workload, caseload, or enrollment increases or decreases;**
- (b) changes in funding requirements resulting from constitutional or statutory schedules or formulas;**
- (c) inflationary or deflationary adjustments; and**
- (d) elimination of nonrecurring appropriations.”**

**Agencies are encouraged to group all like and similar changes into as few DPs as possible. Focus on functions and funding rather than accounts, however use as many DPs as is logical to be able to clearly define what the requests are for.** For example, a workload decrease DP may include adjustments for FTE, contract services and equipment, as well as benefits and a funding match rate change for that function. A DP can be associated with multiple RLs within a program. The DP narrative would reference the entire program.

There are no zero-based items in the expenditure account 62000 through 69000 series. The FY 2014 actual expenditures serve as the base budget and PL adjustments are recommended relative to that base. The narrative for the request should briefly address increases/decreases to base budget amounts including contract services, equipment, or other items being requested. More explanation may be required to address specifics contained within a particular DP. For example, the narrative might say something like, “In

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addition to the normal replacement schedule [in the base], the budget recommends replacement of a mass spectrometer required to meet the new EPA analysis standards at a one-time cost of \$250,000. The current spectrometer is 12 years old and replacement parts are no longer available.”

When preparing a PL DP with equipment, use the approved budget amounts listed below. Your budget analyst will evaluate all other equipment requests on a case-by-case basis.

<b>New Employee Office Package</b> (including Chair, Desk, File Cabinet, Side Chair, & Bookcase)	\$1,600
<b>Computer Equipment:</b> Desktop w/ Monitor	\$1,275
Laptop	\$1,300

Some of the components which may be edited in pending or approved PL DP requests include:

- **Phased-in 2015 Biennium Modifications** - A statutorily-mandated workload phased-in modification for the current biennium will appear in a PL request that includes justification for the increased/decreased operating expenses for the entire 2017 biennium. There may be a pending PL to be adjusted based on FYE data. If a modified FTE is moving to a permanent position in the PL proposal, it should be possible to adjust the position detail budgeted amount to match the modified position. Enter the current position number.
- **Caseload/Workload Increases/Decreases** - Workload increases/decreases from the FY 2014 actual expenditure levels will be incorporated in PL DPs: for example, foster care, public school enrollment, inmate populations, some inspections, some permit processing, and primary care. Other, less significant workload adjustments will be incorporated in approved or pending DPs.
- **Account 61000 Series [Differential, Overtime, Holidays Worked, etc.] - Personal services in MBARS is driven by the position detail computations and ONLY contains budget authority based on that information. All other 61000 series expenditures {except accounts} have been zeroed out, consistent with prior biennia.** This means that one important component of a PL adjustment DP may include a number of objects in the 61000 series such as overtime or differential pay, etc. These items will likely be included in a DP with other operating and equipment adjustments for the RL/program.
- **Match Rate Changes** - If federal participation in non-discretionary programs is changing, for example from 25 percent general fund/75 percent federal funds appropriated for FY 2014 to 40 percent general fund/60 percent federal funds for FY 2016 and FY 2017, this change would be part of a PL DP.
- **Contract Rate Changes** – Adjustments for most ongoing contracts will be incorporated into a PL decision package as rate increases/decreases for persons, businesses, and organizations providing services for the state. Provider rate increases are in NPs.
- **Federal Medical Assistance Percentage (FMAP)** - An adjustment from the current rate to the following projection for the 2017 biennium budget may be incorporated in a PL adjustment:

	General Fund	Federal Revenue
<b>FFY 2016</b>	34.58%	65.42%
<b>FFY 2017</b>	34.99%	65.01%

- **State Motor Pool Lease Vehicles** – An Excel spreadsheet for each agency that uses lease vehicles is located on the OBPP server at Guest\FORMS&MEMOS\017B\Fixed Costs. Those vehicles that have offsetting costs can be included in a PL DP. Those new vehicles with no offsetting costs should be included in a NP DP. See further discussion of lease vehicles under fixed costs. (page 6)

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- **Biennial Appropriations** – Actual FY 2014 expenditures of biennial appropriations are included in the FY 2014 base budget. The balance of a biennial appropriation will be included in the FY 2015 authorized budget amount. For balance sheet purposes, it is preferred that biennial approps are split between fiscal years as they are anticipated to be spent. Please make the necessary adjustments in a DP to record biennial approps in your budget request. If you have questions about how to make these adjustments, contact your assigned budget analyst.
- **NEW 4% FTE Reduction** – In accordance with legislative intent language included in HB 2 passed by the 2015 Legislature regarding the 2015 biennium 4% vacancy savings, agencies will be required to create present law change packages to reduce their 2017 biennium budget. The reductions are based upon a calculation using 2015 biennium 4% vacancy savings amounts and the “average state employee” as published in the State Employee Profile produced by the State Human Resources Division. Attachment 6 includes the amounts each agency must reduce. State facilities that are operated 24/7 have been exempted from this reduction. Values in the Attachment 6 have been adjusted to remove these facilities from the calculation. An agency may make a request to OBPP to adjust the FTE amount up or down based on positions that are budgeted more or less than the average. OBPP will consider the request as long as the total dollar amount of the reduction is maintained. OBPP may also consider requests to change the funding source of the reduction on a case-by-case basis with the exception of the general fund. Dollar amounts are shown in the attachment at the program level for informational purposes only. To allow the agencies maximum flexibility in implementing the reductions, the reduction amount needs to be met at the agency level. The Present Law Decision Packages should be numbered PL 444. The decision package name should be “Statewide 4% FTE Reduction – Program xx”.

Agencies are encouraged to use actual vacant positions with their position numbers for the FTE reduction, however if this is not feasible for an agency then dummy position numbers may be used with an hourly rate of \$21.77.

### 7) EDIT/BUILD NEW PROPOSAL DECISION PACKAGES

Your download data includes all submitted NPs that were approved or that are still pending through the EPP for the 2017 biennium. You are encouraged to adjust and edit these NPs consistent with accounting changes, fiscal year end data, and additional planning information. Many pending NPs were only preliminary placeholders. Remember that the DP name is to be no more than 50 characters (counting spaces) and easily understood. The name you give it will be the name that appears in the New Proposal Table for legislative action on this program budget.

In accordance with 17-7-102(9), MCA, **new proposal “means requests to provide new non-mandated services, to change program services, to eliminate existing services, or to change sources of funding...the distinction between new proposals and the adjustments to the base budget to develop the present law base is to be determined by the existence of constitutional or statutory requirements for the proposed expenditure. Any proposed increase or decrease that is not based on those requirements is considered a new proposal.”** One-time-only appropriations in the 2015 biennium, if re-requested for the 2017 biennium, must be requested as a new proposal.

**Already-approved Budget Amendments** - If information is available that a budget amendment (BA) will be continuing through the 2015 biennium and into the 2017 biennium, the projected request must be included in the budget [via HB 2 or HB 4] in accordance with 17-7-402(6), MCA.

The NP decision package request name should be clear. The BCD reference number, subclass number and name must be included in the narrative justification. If there are any FTE, the current SABHRS position number and attributes must be used.

## EXECUTIVE BUDGET INSTRUCTIONS

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Continue to submit all BA BCDs as soon as possible throughout budget development and the legislative session.

### 1. Processing BA BCDs up until the legislature convenes (January 5, 2015)

**IF:** This is a one-time award that will not extend beyond June 30, 2015 (or September 30, 2015 for federal funds).

**THEN:** Agency and OBPP do not need to put any authority into HB 2 (General Appropriations Act) or HB 4 (Budget Amendment Bill). [17-7-402\(1\)\(f\)](#) allows the budget amendment to extend to the end of the federal fiscal year for federal funds.

**IF:** This is a one-time federal award that goes past the end of the federal fiscal year (September 30, 2015), but does not continue beyond the federal FY 2016.

**THEN:** OBPP will include language in HB 4 for "...all remaining federal authority from FY 2015 can continue into FY 2016."

**IF:** This is a one-time award that extends beyond the 2019 biennium, or an ongoing award that extends beyond the 2017 biennium.

**THEN:** The agency may budget an amount in MBARS for HB 2.

### 2. Processing BA BCDs after the legislature convenes but before Senate Finance & Claims meets to hear HB 4 (approx April 6, 2015)

For all BAs received during the legislative session, regardless of duration, OBPP will draft an amendment to HB 4 and HB 2 if necessary. BCDs will not be processed until after the Governor has signed HB 4. Each agency must submit a BCD IMMEDIATELY upon receipt of the award to ensure inclusion in HB 4. If an agency receives a federal award during the legislative session and fails to submit a BA BCD for inclusion in HB 4, OBPP cannot approve the BCD after session.

### 3. Processing BA BCDs after Senate Finance & Claims Committee meets on HB 4 (approx April 6, 2015)

Submit BCDs as usual. Agency must not have had knowledge of award prior to this date, or OBPP cannot approve the BCD.

**Funding shifts** will require a NP in the budget request. If a funding shift or new source of funding is dependent upon legislation being passed and approved during the 2015 legislative session, the DP should be created using a DP Type of "Legislation". Write a bullet for such proposals under the agency narrative section called "Executive Recommended Legislation."

## 8) EDIT/ENTER NEW REVENUE ESTIMATES

From the Preparation/General Budgeting/Revenue Estimates screen, estimates can be updated. Your download includes the revenue accounts and funds from FY 2014 actuals and the SABHRS budgeted revenue estimate amounts for FY 2015. **Your first task is to review and update the FY 2015 column.** This task is important because the executive budget must be balanced for all funds and your requested expenditures may be reduced if you have a shortfall in revenue over the three-year period. **The second task is to add the projected revenue in the FY 2016 and FY 2017 columns.** In addition, you may insert a row to enter a revenue estimate for a new fund or revenue account.

Revenue projections for sources with multi-agency or multi-fund impacts may be available from our office. Contact your budget analyst for specific information regarding revenue sources for your agency.

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### 9) ENTER ALL NARRATIVE {Reference Memo 3 – Attachment 1: Narrative Style Sheet}

MBARS headers that identify the narrative blocks that will be published in the Governor's Executive Budget and completed as part of the agency budget request are listed below. The executive budget must be succinct and easy to read. You will be able to copy text prepared in Microsoft Word into MBARS. When in MBARS, use Ctrl/Enter to skip a line for paragraphs. Do not type the header information within the narrative boxes (except as noted in the proprietary narrative section). The headers will be generated automatically as part of the narrative processing.

Narrative fields for Mission, Agency Description, Statutory Authority, Program Description, and Proprietary Program Description have been copied forward from the MBARS 2015 versions into your "A" version for your review and edits. The executive budget will include the following fields:

#### Agency Level Only:

Mission Statement – [Edit]  
Statutory Authority – [Edit]  
Executive Budget Recommendation - [Please leave this field blank for OBPP use]  
[Optional] Language - [for HB 2 at the agency level]

#### Program Level Only:

Program Description - [Edit this BRIEF description and short statutory reference]  
Executive Budget Recommendation - [Please leave this field blank for OBPP use]  
[Optional] Language - [for HB authority at the program level]  
Decision Package (DP) Narrative - There is space to describe and justify each DP. For all of those EPP requests approved or still pending, the "EPP Request Justification" has been included in the 'A' version under the new heading DP "Narrative". The first paragraph should be a concise request description that states what, where, when, why, and how. The cost or savings should be stated as a total biennial amount, with an indication of how much general fund, if any, supports the DP. Additional supporting information may be included in paragraphs following the initial summary paragraph. These paragraphs would not be printed in the Executive Budget publication.

For examples of DP narratives, see the 2015 biennium Executive Budget. The purpose of the DP narrative is threefold: (1) Present the concise request description paragraph as you would like it to appear in the EB and LFD budget analysis; (2) Provide adequate information for analysis as you work with the OBPP to finalize your budget recommendations; and (3) Present the additional justification that the LFD may use and/or publish in its analysis of the budget.

In addition, the LFD will prepare additional narrative for its analysis. You are requested to enter this information in the MBARS as well: **Agency Description** [copied forward from 2015 for your edits].

#### Agency Organization Charts

The OBPP will be inserting **agency organization charts** into the executive budget publication. The org charts are in electronic files at OBPP in ViSio software. A hard copy was distributed on May 23rd with Memo 7 for your updates and is due back on or before September 10<sup>th</sup>.

#### Agency Personal Services Narrative

The Legislative Fiscal Division (LFD) has prepared the following questions to be answered by agencies when preparing their budget request. The answers will be used by the LFD when preparing the Personal Services Analysis section of their budget analysis. Answers to the questions should be submitted in MBARS in the "Agency Personal Services Narrative" section under Preparation/General Budgeting/Narrative Input. While answers to the questions will likely include both agency and program specific information, there is not a separate set of questions to be answered for each program in an agency.

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Responses to the following questions should describe the agency policies and decisions addressing the agency-wide approach to the question. If there is no overall agency approach, state this and describe the most significant approaches covering the majority of the agency.

The following questions are intended to describe agency management decisions for personal services under the broadband pay plan. Responses are expected to be:

- brief statements that describe management decisions for the issue referenced in the question,
- provided for management decisions that apply generally to the agency or program with material exceptions identified and described, unless the question specifies a response to a subgroup, such as when high turnover may be occurring for an occupation in a certain geographic area of the state, and
- focused on explaining agency or program actions under the current agency policy for establishing pay for positions in relationship to increases in the agency's personal services expense.

If a question asks for a response for a singular or generalized instance of an action, but multiple instances or significant exceptions apply within the agency, describe the issue addressing the majority of the agency or program positions as well as the exceptions.

The questions are as follows:

### A-1: Pay philosophy and the agency pay rules

Please make sure the most current version of the agency pay plan rules is on the MINE site.

- What difficulty is the agency experiencing in following the agency rules?
- How did HB 13 of the 2013 session help or hinder the implementation of the agency pay rules?
- What was the agency's pay philosophy when it implemented the 2015 biennium pay adjustments?
- What will be the agency's pay philosophy for the 2017 biennium and beyond? In responding, address the following areas:
  - New hire placement into salary ranges
  - Use of pay in succession planning
  - Use of pay in career tracks
  - Use of pay adjustments for current employees

### A-2: Agency issues on recruitment and retention

Responses to the following questions should describe issues, impacts, and management actions associated with positions with high turnover and increased vacancy rates. While the discussion is primarily to be at the agency level, please describe any impacts on programs as necessary.

- Describe the agency's experience in effectively competing for qualified applicants to fill vacant positions. In responding, address the following areas:
  - Experience with recent hiring pool sizes with regard to minimally qualified applicants
  - Turnover trends
  - Frequency of the need to offer multiple recruitments to fill positions
  - Frequency of employment offers being rejected and reasons for rejection
- Are there any occupations with high turnover rates or high rates of vacancy because of factors other than keeping positions open to manage vacancy savings? If so, what occupations? Is this different than the previous biennium and if so how? Please describe the factors determined to be the cause of the high turnover rates or frequent vacancies. (e.g. Correctional Officers – job factors and overall work environment; Nursing staff – difficult to hire positions due to outside market competition and job factors; Entry level staff in high wage/high costs towns)
- What actions have been taken to address the factors that are causing turnover or frequent vacancies? (e.g. pay plan adjustments; additional benefits such as assistance with transportation to/from work; alternate shift options (10 or 12 hour shifts, 6 days on 4 days off)

## EXECUTIVE BUDGET INSTRUCTIONS

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- How did these vacancies affect agency operations? (e.g. increased overtime; desirable but optional tasks not completed or delayed in completion; increased workload for other employees)

### A-3: Retirements

- Please discuss the agency plan to address pending retirements.
- What portion of the agency workforce is eligible for early or regular retirement in the 2017 biennium?
- Does the agency anticipate retirements between now and the end of the 2017 biennium that could impact operations? (e.g. retirements of key people with very specialized knowledge or skill sets) If so, what are the steps the agency is taking to minimize the impact? (e.g. planning in progress and it's too early to specify what steps we will take; management has developed creative recruitment options (list); succession planning by double filling key positions to promote knowledge transfer)

### A-4: FTE Reduction

Please discuss the agency's experience with the implementation of the HB 2 boiler plate language,

- How did the reduction in FTE impact the agency?

## **10) 5 PERCENT BUDGET REDUCTION PLANS - IMPLEMENTING 17-7-111(3)(f), MCA - DUE SEPT. 1<sup>st</sup>**

The provision in 17-7-111(3)(f), MCA, requires that reductions in state agency base budgets be available to the legislature and the Governor. The statute states:

(f) for only agencies with more than 20 FTE, a plan to reduce the proposed base budget for the general appropriations act and the proposed state pay plan to 95% of the current base budget **or lower if directed by the budget director**. Each agency plan must include base budget reductions that reflect the required percentage reduction by fund type for the general fund and state special revenue fund types. Exempt from the calculations of the 5% target amounts are legislative audit costs, administratively attached entities that hire their own staff under 2-15-121, and state special revenue accounts that do not transfer their investment earnings or fund balances to the general fund. The plan must include:

- (i) a prioritized list of services that would be eliminated or reduced;
- (ii) for each service included in the prioritized list, the savings that would result from the elimination or reduction; and
- (iii) the consequences or impacts of the proposed elimination or reduction of each service.

Note that most state special revenue funds are exempt from these 5% reduction plans, but some state special funds are still subject to these provisions. It is difficult to determine if some state special funds should be excluded from the calculations. If you have questions or concerns about what was included or excluded, please contact Ryan Evans at x3163.

An agency plan may reduce one or more programs in the agency, one or more field offices that may contain multiple programs, or any other combination of programs and services. The plan could include efficiencies and savings generated by such things as server consolidation or moving to the new State of Montana Data Center. It is suggested that each agency assess the impact on services, workload, employees and constituents in making those determinations based upon affecting the least impact to the citizens of Montana.

A likely item in each agencies plan, is the 4% personal services reduction included due to the language in HB 2 passed by the 2015 Legislature (See section 6 – page 10).

Sometimes the services listed for possible reduction or elimination will be required by statute and sometimes they will be either implied or assumed to be necessary under the law. The agency plan will explain the specific authority for providing the services and identify what statutory or rule change would be necessary if the reduction plan were to be implemented.

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### **To Implement These Provisions During Budget Development**

1. The file Memo 8 - Attachment 5 – 5% Targets.pdf shows agency target amounts based on FY 2014 HB 2 expenditures, excluding OTO expenditures, and other exemptions provided by the law.
2. Go to the OBPP Guest directory and open the folder called 5PrctPlans. Open the file called 5%\_form.xls. SAVE as Guest\5% Plans\XXXX\XXXX.xls where XXXX is your agency code. Copy the general fund and the state special revenue fund target amounts for your agency to your new XXXX file in Form A.
3. Complete Form A - a list of the services that would be eliminated or reduced.
4. Complete Form B for each service listed on Form A. [Ten copies have been provided. Duplicate Form B if necessary—right click on the tab, move or copy, check create a copy, and OK.] Form B is designed to provide:
  - a brief description of the service, including why it can be considered for elimination or reduction;
  - the savings that are expected (# of FTE but no position numbers; personal service costs, operating, equipment, etc. at 1st level);
  - the consequences or impacts of the proposed elimination or reduction;
  - how the impacts to constituents and staff might be mitigated; and
  - whether the service is specifically required by statute – yes or no (if yes, provide the statutory cite; if no, provide the authority under which the services are provided).
5. Complete by September 1st and send an e-mail to your budget analyst with a copy to Jeanne Nevins ([jnevins@mt.gov](mailto:jnevins@mt.gov)) when your forms are saved.

### **11) REPORTING LEVELS FOR STATUTORY AUTHORITY**

Your agency download contains RLs with FY 2014 actual expenditures of statutory authority, which is treated just like any other budget. The base expenditures are projected for FY 2016 and FY 2017, including inflation/deflation, just like any other base budget. Use Preparation/General Budgeting/Budget Request and select the statutory authority RL(s) for review and update. Follow the same tasks as for other budgets, including building PL adjustment DPs to increase or decrease the expected level.

The DofA will budget the total statutory authority for general obligation (G.O.) bond debt service for which it is responsible statewide. Agencies will budget all other funds for G.O. debt service bills from DofA. Agencies also will budget the statutorily-appropriated general fund and other funds for other purposes.

### **12) INFORMATION TECHNOLOGY SPECIAL PROVISIONS**

**NOTE: As a means of challenging every expense, any budget proposal that includes the purchase or replacement of servers within Helena agencies must have the associated equipment placed in the State of Montana Data Center (SMDC). Executive Branch agencies will no longer build or maintain agency data centers unless granted an exemption from the Budget Director for good cause. Further, for all IT equipment purchases, agencies must follow Energy Star procurement practices and check with utility providers for Energy Star incentives to offset purchase costs prior to making such purchases.**

**New Proposals for Information Technology (IT)** – “New investments” in information technology can be included in the Governor’s budget only if the project is contained in the approved agency information technology plan. (2-17-523 and 17-7-111(3)(g), MCA). New investments can include IT projects and activities that are funded through an agency’s base budget or grants, and are not limited to just IT projects and activities funded through Decision Package (EPP) requests.

#### **Definition of a Major IT Investment**

The OBPP and the SITSD are defining a *major IT investment* as (1) \$500,000 or \$100,000 and 25 percent

## EXECUTIVE BUDGET INSTRUCTIONS

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of the IT base year expenditures of the agency; or (2) an inter-agency system change that affects IT plans of another agency or the state. **Total investment is the sum of all internal agency costs, staff time, and external IT expenses, and may be funded entirely from the agency base budget, federal grants, a Decision Package request, or any other combination of funds.**

**Major IT investments must be disclosed in section 11. IT Projects of your agency IT plan AND in an IT supplement. IT Plans, including supplements, that are missing major IT investments will be required to be updated prior to September 15 for executive budget consideration.**

**IT Supplements** – OBPP and SITSD are gathering background information on *all major IT investments* through **MBARS agency IT plan Supplements**. Supplements should have been submitted on MBARS already. Recommendations and decisions on your agencies IT investments and EPP requests will depend heavily on the information supplied in MBARS. Each proposed project that costs more than \$500,000 or those that have statewide implications will be scrutinized by SITSD and OBPP information resource staff prior to recommendation in the Executive Budget. SITSD will schedule conferences with you regarding your requests. OBPP will hold conferences on an as needed basis.

**IT Investment Budget Summary** – The OBPP is required to prepare, in cooperation with the Department of Administration SITSD, a statewide summary of *major new IT investments* contained in the state budget. The project summary will include:

A listing by agency of all major new IT budget requests included in the state budget, including:

- i. Description of the project
- ii. Project purpose and objectives
- iii. Business and IT Problems addressed
- iv. Alternatives Considered
- v. Estimated Cost of project
- vi. The funding sources(s) for the request
- vii. The proposed cost of operating the new information technology system

**You will need to address each of these points in your IT supplements. If IT supplements need to be revised, they must be revised by September 15.**

A listing of internal service rates proposed for providing IT services, with

- a description of the services provided and
- a breakdown, aggregated by fund type, of requests included in the state budget to support the rate

### 13) PREPARE PROPRIETARY (HB 576 - NAPROP) DATA, RATE INFORMATION & NARRATIVES

**IBARS Note:** “HB 576” is used in MBARS as a proxy for non-appropriated proprietary funds (enterprise and internal services funds not appropriated in HB 2). The bill number stems back to the 1995 Legislature. With the transition to IBARS, these funds will no longer be referred to as HB 576 funds but will be referred to as “NAPROP”. In the next biennium, when IBARS is used for the full budgeting cycle, this change will become more evident.

**Proprietary Programs** - Passage and approval of HB 576 in 1995 eliminated the requirement that internal service and enterprise funds collected in return for the provision of service or product be appropriated (except for proprietary funds that transfer their balances to the general fund or if the funding is a part of an appropriated program). In lieu of appropriation, 17-8-101, MCA, states:

“(6) Fees and charges for services deposited in the internal service fund type must be based upon commensurate costs. The legislative auditor, during regularly scheduled audits of state agencies, shall audit and report on the reasonableness of internal service fund type fees and charges and on the fund equity balances.

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“(7) The creation of accounts in the enterprise fund or the internal service fund must be approved by the department (of Administration), using conformity with generally accepted accounting principles as the primary approval criteria. The department shall report annually to the office of budget and program planning and the legislative finance committee on the nature, status, and justification for all new accounts in the enterprise fund and the internal service fund.

“(8) Enterprise and internal service funds must be appropriated if they are used as a part of a program that is not an enterprise or internal service function and that otherwise requires an appropriation. An enterprise fund that transfers its ending fund balance to the general fund is subject to appropriation. The payment of funds into an internal service fund must be authorized by law.”

The form of the Executive Budget required by 17-7-123, MCA, includes:

“(f) A report on:

(i) enterprise funds..., including retained earnings and contributed capital, projected operations and charges, and projected fund balances; and

(ii) fees and charges in the internal service fund type, including changes in the level of fees and charges, projected use of the fees and charges, and projected fund balances. Fees and charges in the internal service fund type must be approved by the legislature in the general appropriations act. Fees and charges in a biennium may not exceed the level approved by the legislature in the general appropriations act effective for that biennium.”

In accordance with 17-8-101(8), MCA, the EB program tables will show only those proprietary funds that are part of a program that requires an appropriation. If planned actions would affect the rates charged to budgeted programs, for example, expansion of non-appropriated management services for an agency, then the action requires a decision package request. The rate approved by the legislature for the 2015 biennium will be the present law base, as will the three adjustments common to all agencies, discussed throughout these instructions, i.e., personal services, inflation/deflation and fixed costs. Any issue that changes the legislatively-adopted rate must be submitted in MBARS and should quantify the impact to the base rate as part of the decision package justification.

Agencies are to submit DP requests for all budgets funded with proprietary funds [with or without HB 2 authority]. To work on the MBARS portion of a proprietary budget request, click on the Preparation/General Budgeting/ Budget Request and select the proprietary authority RL(s) for review and update. Complete as many NP or PL decision packages as necessary. Under Preparation/General Budgeting/Narrative Input (at the program level), click on the proprietary narrative selections as described below. Please edit/write the narrative in accordance with the following instructions.

**IBARS Note:** In order to accommodate the MBARS to IBARS conversion and the way that the budget book will be generated by IBARS, please enter ALL proprietary narrative for each proprietary fund in the program in the PROPRIETARY PROGRAM DESCRIPTION field in the exact format that follows:

NOTE: Other proprietary narrative fields have been copied forward in MBARS for your reference – please delete content from the other proprietary narrative fields in MBARS after the Proprietary Program Description field has been updated and saved as described in the following information.

**NEW** For Enterprise Funds (Type these headers as indicated within the Proprietary Program Description Narrative Block with each narrative item followed by the appropriate narrative explanation):

**Fund Number and Fund Description (Bold)**

*Program Description (Italics)*

Briefly describe what the program does.

*Revenues and Expenses (Italics)*

Describe the fees and charges for services (revenues) and major expenses for each proprietary fund in the program. Explain and compare the cost drivers, the expected volume, or any other

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relevant points if there are any changes. If none, state that there are no changes in services or fees.

### *Rate(s) and Rate Explanation (Italics)*

Describe very specifically the type of rate being requested (such as percentage of personal services, a fixed amount of working capital, a fixed rate, or an amount which maintains a certain ending fund balance). Explain why the rate requested is the most logical type, how the rates were determined, and any requested changes in the rates.

### *Projected Fund Balance, Including Cash Fluctuations (Italics)*

Net Position – Restricted and Unrestricted: Describe, for all years, any requirement that the program has to reserve fund balance. The difference between the Net Position – June 30 and any amounts reserved is to be entered on the Excel spreadsheet line Net Position – July 1. Explain management objectives to increase/decrease/maintain fund balances as compared to the FY 2014 base year fund balance.

Cash Flow Discussion: Explain the fluctuation of cash into the program, if any, and any significant reoccurring cash obligations that must be covered by cash on hand or loans.

### *Working Capital Analysis (Italics)*

Working Capital Discussion: Using the Working Capital and Fees Commensurate analysis, explain the amount of cash needed to maintain an ongoing operation. If there is a need to vary from this formula, document and explain the variance. The new definition of working capital is found in MOM 302 Governmental Accounting Overview, pages 20 to 21: [Working Capital](#)

**NEW** For Internal Service Funds (Type these headers as indicated within the Proprietary Program Description Narrative Block with each narrative item followed by the appropriate narrative explanation):

### **Fund Number and Fund Description (Bold)**

#### *Program Description (Italics)*

Briefly describe what the program does.

#### *Revenues and Expenses (Italics)*

Describe the fees and charges for services (revenues) and major expenses for each proprietary fund in the program. Explain and compare the cost drivers, the expected volume, or any other relevant points if there are any changes. If none, state that there are no changes in services or fees.

For each rate charged, identify the specific service(s) provided in exchange for customer payments and the SABHRS account(s) used by customers to record the expenditures for payment of fees and charges (6xxxx).

Only if different from the customer base for the fund described above under the program description, cite the customer base for the specific service funded by the particular fee or charge.

Discuss the historical and projected trends associated with the volume of services provided, with justification for projected changes.

Include base year funding, by fund type, for customer payments made to the program.

For expenses, discuss the major cost drivers of each separate rate, including the assumptions used to anticipate future expenses related to the cost drivers, and any factors contributing to uncertainty in forecasting these expenses.

Describe any non-typical and one-time expenses included in the data range, if applicable as well as any variations in expense patterns.

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Include the number of FTE funded during the base year.

### *Rate(s) and Rate Explanation (Italics)*

Describe very specifically the type of rate being requested (such as percentage of personal services, a fixed amount of working capital, a fixed rate, or an amount which maintains a certain ending fund balance). Explain why the rate requested is the most logical type, how the rates were determined, and any requested changes in the rates.

Explain the methodology used to allocate each unit of service to customers, such as per occurrence, percentage of base year personal services or fixed rate.

If applicable, explain and justify any instance where the methodology used to develop the requested fee or rate is different than the methodology used to develop the fee or rate actually billed to the customers.

Explain how the requested rates were determined.

For programs with more than one rate providing revenues to a single internal service fund, explain the allocation methodology for distributing indirect costs to separate rates. Provide a supplemental schedule with the following information for *each rate*:

- Actual rate(s) charged or anticipated to be charged to the customers;
- Legislatively approved rate(s);
- Actual and forecasted volume of services used in rate requests;
- Allocation of indirect costs broken out by first level SABHRS expense accounts;
- Direct costs broken out into first level SABHRS expense accounts and designated with the percentage of direct costs that are fixed or variable costs.

### *Changes in Level of Fees and Charges (Italics)*

Describe the fees and charges for services (revenues) and major expenses for each proprietary fund in the program. Explain and compare the cost drivers, the expected volume, or any other relevant points if there are any changes. If none, state that there are no changes in services or fees.

### *Projected Fund Balance, Including Cash Fluctuations (Italics)*

Net Position: Describe, for all years, any requirement that the program has to reserve fund balance. The difference between the Net Position – June 30 and any amounts reserved is to be entered on the Excel spreadsheet line Net Position – July 1. Explain management objectives to increase/decrease/maintain fund balances as compared to the FY 2014 base year fund balance.

Cash Flow Discussion: Explain the fluctuation of cash into the program, if any, and any significant reoccurring cash obligations that must be covered by cash on hand or loans.

### *Working Capital and Fees Commensurate Analysis (Italics)*

Working Capital Discussion: Using the Working Capital and Fees Commensurate analysis, explain the amount of cash needed to maintain an ongoing operation. If there is a need to vary from this formula, document and explain the variance. The new definition of working capital is found in MOM 302 Governmental Accounting Overview, pages 20 to 21: [Working Capital](#)

Describe the program objectives for maintaining the fees commensurate with costs, including any requirements to reserve a fund balance.

**REPEAT THIS SET OF HEADERS AND ASSOCIATED NARRATIVE FOR EACH PROPRIETARY FUND IN A PROGRAM. PLEASE ORDER THEM IN NUMERICAL ORDER BY FUND NUMBER.**

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### Decision Package Narrative for Proprietary Fund Decision Packages

The purpose of the DP narrative is threefold: (1) Present the concise request description paragraph as you would like it to appear in the EB and LFD budget analysis; (2) Provide adequate information for analysis as you work with the OBPP to finalize your budget recommendations; and (3) Present the additional justification that the LFD may use and/or publish in its analysis of the budget. In addition, decision package narrative for internal service fund decision packages should consider the following items.

**Significant Present Law.** Internal service programs ONLY will:

- List separately and describe all significant Present Law (PL) adjustments (those which have an effect on the requested rate or that change a current service).
- Provide the amounts associated with each PL adjustment.
- Explain the impact of each PL on the requested rate and on the unreserved fund balance.

**New Proposals.** Internal service programs ONLY will:

- List separately and describe all new proposals (NPs) associated with this rate.
- Provide the amounts associated with each NP.
- Explain the impact of each NP on the requested rate and on the unreserved fund balance.
- If there is a funding switch NP for the program, describe fully in the NP narrative the total dollar amount and justification for the request and, to comply with the above referenced memo, complete the Excel spreadsheet without showing the funding switch. Call the OBPP for further instructions if this issue affects you. The legislature will consider the proprietary information from the Excel spreadsheet in making the final decision on the NP.

**Impact on Rates.** Agency must show the impact of decision packages on your rates. Be able to break new funding requests into decision packages (both PL and NP) that show how it will affect rates.

- For example, a 10% increase in elevator service contracts equals a 5 cent square foot increase in rental rates.
- Rate impact has been a major issue in past sessions, so please ensure that you have documented your increases for your decision packages and that you show the effect on the rates.

### Internal Service and Enterprise Fund Tables

**IBARS Note:** This will be the LAST biennium that the proprietary fund analysis spreadsheets will be done in Excel. In the future, they will be submitted in IBARS as a part of the budget submission. For the 2017 biennium, the OBPP budget analysts will enter the data from the Excel spreadsheet into IBARS for publication in the Executive Budget. In preparation for the conversion to IBARS there are also changes previously mentioned to the format of narrative for proprietary funds. Please READ CAREFULLY to avoid duplication of work in the fall months.

The Internal Service and Enterprise fund tables (Excel Spreadsheets) will need to be updated by the agency for the FY 2012 through FY 2017 period.

The financial tables from the last biennium are stored under each agency number in the “proprietary folder” on OBPP’s guest directory. Open the 2017 Proprietary Fund Excel template – Attachment 7 (in the forms& memos folder of the guest directory). Save the template in the Guest/Proprietary/xxxx directory with a file name of xxxx\_06yyy.xlsx (where xxxx is the agency number and 06yyy is the fund number). Enter the appropriate data in the designated fields.

FY 2012, 2013, and 2014 actuals data and FY 2015 budgeted data will be available under the subfolder “17\_budget spreadsheets”. Update your tables with this data. SABHRS Data Mine Reports would be

## EXECUTIVE BUDGET INSTRUCTIONS

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another source of data. After MBARS has been completed with FY 2016 and 2017 budgets, these columns should also be updated. The FY 2016 and FY 2017 columns in the table should reconcile back to MBARS data when you are complete.

In addition, in IBARS, rates will not be produced as a part of the proprietary fund table. In the Excel template, there is an additional tab containing a table to enter rates. Please complete this table for each fund. This table will be pasted into IBARS by OBPP. Please do not change the formatting of the table.

Finally, there is a Working Capital table that is contained in the Excel template. This table will also be pasted into IBARS by OBPP. Please complete the table for each fund and please do not change the formatting of the table.

### 14) SUBMIT STATEMENT OF AGENCY GOALS AND OBJECTIVES

Memo 5 from the Budget Director, dated May 29, 2014, gives state agencies guidance on the development of a statement of goals and objectives for the 2017 biennium. The goals and objectives should be submitted to OBPP along with all other components of the agency budget submission no later than September 1. The goals and objectives can be emailed to Jeanne Nevins at OBPP ([jnevins@mt.gov](mailto:jnevins@mt.gov)). Once approved, OBPP will work with agencies to identify a web location for goals and objectives as they are required to be published on the internet in accordance with 17-7-123 (2), MCA.

### 15) CONFIRM ALL ELEMENTS COMPLETE AND SUBMIT

**To submit your budget request, you will need to change the “Not Complete” status indicated on the Budget Control Checklist to “Complete” [Preparation\General Budgeting\Budget Control Checklist].** You will be notified by MBARS if you are missing any mandatory narrative and/or if your budget is not balanced when you change these status indicators. You will need to complete the required task prior to having a successful completion.

**Once all status boxes indicate “Complete”, exit the Budget Control Checklist. Select File\Version Control, highlight the version you wish to submit, and click the Submit Button at the bottom of the screen.** In addition, send an e-mail to your executive budget analyst with a copy to Jeanne Nevins [jnevins@mt.gov](mailto:jnevins@mt.gov) to advise her that your budget request has been submitted.

Attachments:

Available at  
GUEST\Forms&Memos\017B Memos\

- 1 - Agency Budget Submission Schedule
- 2 - Fixed Cost Detail by Agency
- 3 - State Building Program - Energy Savings
- 4 - Lease Vehicle Addendum
- 5 - 5 Percent Reduction Information
- 6 - 4 Percent FTE Reduction Allocations
- 7 - Proprietary Fund Excel Template