

# EXECUTIVE BUDGET INSTRUCTIONS

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**'19 B – Memo 8  
8 Attachments  
located on Guest\FORMS&MEMOS\019B Memos**

## **INTRODUCTION**

The Governor's 2019 Biennium Executive Budget will be prepared and distributed in November 2016 in accordance with provisions of Title 17, Chapter 7, Part 1, MCA. The budget will be completed by state agencies and the Office of Budget and Program Planning (OBPP) using the Internet Budget Analysis and Reporting System (IBARS) in accordance with the training manual provided by OBPP. The purpose of these instructions is to provide the policy guidance and the specific schedules that are to be used in preparing the 2019 Biennium Executive Budget.

Agencies will submit budget requests to the OBPP on September 1 as shown 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 65th Legislative Assembly convenes on Monday, January 2, 2017.

OBPP will submit the 2019 Biennium Executive Budget upon agreement with members of the Legislative Finance Committee acting on behalf of their respective members with a "starting point," or base, of FY 2017 budget rather than actual FY 2016 expenditures. This was done to accommodate additional questions from legislators regarding interim changes. The Legislative Fiscal Division will be preparing tables in their analysis to show changes in the FY 2017 budget that necessarily occur and are authorized by the legislature through statute when the legislature is in session. This has driven some process changes in the Executive Budget development. Your assistance during this process is greatly appreciated.

In the event that the legislature does not comply with the provisions of the agreement reached between the Budget Director and members of the Legislative Finance Committee, the process could change in future biennia.

## **IBARS BUDGET REQUEST TRAINING**

The OBPP will have training guides available for the training. Budget request classes will be held in the OBPP Conference Room (250) in the Capitol Building on August 16<sup>th</sup>, 17<sup>th</sup>, and 18<sup>th</sup>. Contact Jeanne Nevins at x3616 if you need to sign up for a class.

## **BUDGET REQUEST PREPARATION AND SUBMISSION**

On August 15, Adam Anfinson from the OBPP will advise each state agency when the IBARS agency budget "E" 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.

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### REQUEST PREPARATION TASKS:

1. Verify 2016 actuals (the 2016 actuals are informational only and will be used in some reports)
2. Verify 2017 starting point (note this is captured before continuing approps are rolled forward)
3. Review 2018 and 2019 funded base
4. Review FTE allocations and adjust among RLs within programs and sources of authority as necessary
5. Enter pay plan funding percentages
6. Enter data into Statewide Present Law subschedule (SWPL)
7. Verify expenditure data and enter funding for SWPL change packages including narrative
8. Edit/Build present law change packages (PLs) including narrative
9. Edit/Build new proposal change packages (NPs) including narrative
10. Ensure budget request is in balance
11. Edit/enter new revenue estimates
12. Enter/Edit narrative for the agency, each program, and other required narrative as well as personal services narrative requested by the Legislative Fiscal Division.
13. Develop 17-7-111,(3)(f) 5% reduction plans in Excel spreadsheets
14. As applicable, prepare change packages for all statutory authority
15. As applicable, prepare special information technology CPs and narrative
16. As applicable, enter "NAPROP" data, proprietary rate information and narrative
17. Submit agency statement of goals and objectives
18. Confirm all elements are complete and submit

### DEFINITIONS OF TERMS

**FY 2016 Actuals** means expenditures and A-accruals incurred by state agencies during fiscal year 2016. On screen presentation of these actuals will include non-OTO items only. Expenditures and A-accruals incurred against one-time-only appropriations are captured in a separate area of IBARS. FY 2016 actuals will not be used as the starting point for the budget building process. They are provided in IBARS for comparative and informational purposes and will be included in some of the IBARS reports.

**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 2019 biennium budget development and analysis purposes will be the combined level of ongoing appropriations using FY 2017 standard budgets captured from SABHRS for authority contained in HB 2 and other permanent appropriations bills. The 2017 budget may also be referred to as the "**Starting Point**". [The FY 2017 starting point will not include the unspent balance of continuing appropriations from FY 2016.]

**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] This will include personal services base contingency funding and base contingency appropriated in the 2017 biennium as determined by the Budget Director for the 2019 biennium.

**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

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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. For the 2019 biennium, the Executive Budget will assume ongoing operations of the Office of the Public Defender and the Department of Livestock will be considered present law.

**Reporting Levels (RLs)** are used to group expenditure and budget data for reporting and analysis. There are five (5) different levels within a given RL, designated by a seventeen-digit string. 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 change 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.

**Funded Base** is used in IBARS to capture funding that should be included in a specific line item in HB 2. The funded base will be identical by fund to the FY 2017 starting point.

**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 generates a type of change 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.

### **IMPLEMENTATION OF THE BUDGET**

#### **BASE BUDGET**

The OBPP has developed the **Base Budget** for the 2019 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.

Only the FY 2017 budget portion of biennial appropriations are included in the FY 2018 and FY 2019 base budgets/starting points. The unexpended balance of a biennial appropriation from FY 2016 will not be included in the starting point.

**Fixed Cost and Special Purpose Schedules** - The approved fixed cost and informational schedules are Attachment 2, which is in Guest\Forms&Memos\019B Fixed Costs. See task 6 for details.

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### **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 2018 and FY 2019 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 2017. Adjustments have been made to the snapshot to account for the FY 2017 salary increases that will occur due to pay plan passed by the 2015 Legislature (50 cents per hour November 15, 2016). 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 2019 biennium present law base budgets. Because the FY 2017 starting point is captured in IBARS at either the first or second expenditure level and does not include third level detail, agencies will be required to enter the FY 2017 amounts (provided by OBPP) into the SWPL subschedule.
- 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 SWPL subschedule. Because the FY 2017 starting point is captured in IBARS at either the first or second expenditure level and does not include third level detail, agencies will be required to enter the FY 2017 amounts, as well as the FY 2018 and FY 2019 amounts (provided by OBPP) into the SWPL subschedule. [See Attachment 2 and task 6 for specifics.]

**Vacancy Savings** – For the 2019 biennium, a vacancy savings rate of 4% has been applied to all positions that are not otherwise exempted by policy or by statute. Exemptions include, agencies with less than 20 FTE, the Legislative Branch, the Judicial Branch, the Montana School for the Deaf and Blind, faculty at the Montana University System, Game Wardens, and Montana Highway Patrol officers. Any other specific exemptions will be communicated to agencies on a case-by-case basis. Vacancy savings will be posted to the SWPL change package for personal services.

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

### **REQUEST PREPARATION TASKS**

#### **1 & 2) VERIFY INFORMATION**

You will receive an IBARS electronic “E” version for your agency. The version will include fiscal year end (FYE) 2016 actuals including A-accruals for all non-OTO appropriations. The version will also include the FY 2017 starting point. Verify the information for these columns in each reporting level. In the event of questions, please call your assigned executive budget analyst.

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### 3) REVIEW FY 2018 AND FY 2019 FUNDED BASE

The IBARS General Budget Detail Screen will display two columns titled 2018 Funded Base and 2019 Funded Base. The values for expenditures and funding in these columns should be identical to the FY 2017 Starting Point. Agency users will see these columns as read only. If there is funding contained in the funded base that needs to be broken out into separate budget line items, please provide the information to your assigned OBPP budget analyst to create these line items in the system after the September 1 budget submission.

### 4) REVIEW FTE ALLOCATIONS AND MAKE ADJUSTMENTS

The personal services allocations by position in each program have been loaded to RL 4s based on actual FYE 2016 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 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. HB 2 positions must be allocated solely to HB 2 reporting levels. NAPROP positions must be allocated solely to NAPROP reporting levels. Positions funded by a statutory appropriation must be allocated solely to SA reporting levels. A POSITION MAY NOT BE REALLOCATED TO A NEW SOURCE OF AUTHORITY WITHOUT CHANGE PACKAGES. Pay special attention to positions with no expenditures during FY 2016. If a position had no expenditures in FY 2016, it has been allocated 100% to the first reporting level in the program the position belongs to. This may likely need reallocation. The total FTE by bill number (HB 2, NAPROP, SA) should match the totals in SABHRS HR. The SR14 Position Detail Report may be helpful in this exercise. Position Allocation data is located on the Pos Alloc tab of the Position Detail Data checklist item. ***IMPORTANT: ONCE THE POSITION ALLOCATION REVIEW IS COMPLETED AND ALL POSITIONS ARE MAPPED 100% TO THE CORRECT RL4s, THE CHECKLIST ITEM FOR POSITION DETAIL DATA MUST BE MARKED TO COMPLETE FROM THE CHECKLIST IN ORDER FOR PERSONAL SERVICES COSTS TO BE POSTED TO THE STATEWIDE PRESENT LAW SUBSCHEDULE (DESCRIBED IN ITEM NO. 6 BELOW).***

**NOTE:** Agencies may choose to designate one user within the agency that will initiate the position detail data posting process. The process involves multiple procedures in the IBARS system being run. This process may take several minutes to complete for large agencies. Multiple users attempting to kick off the process at the same time may cause data or system performance issues. There is no limit, however, on the number of times the procedure can be run throughout the budget development process. Alternatively, agencies may choose to require users to check with other users within the agency first prior to initiating the process.

### 5) ENTER PAYPLAN FUNDING PERCENTAGES

In order to accurately project the cost of any payplan proposals that the Governor may bring forward as a part of his Executive Budget, the OBPP must have data regarding how a payplan proposal would be funded for each reporting level. For these users who have previously used MBARS, this information was collected by using the Group 2 Funding screen. In IBARS, this information is captured using the Def Alloc tab of the Position Detail Data screen. Click on the Def Alloc tab for any position in the reporting level 4, enter one or multiple rows (using the insert button) so that allocation(s) total 100%. Do this for each year. This must be done for every reporting level 4 that has at least one position allocated to it.

**If a new fund is required to complete the payplan funding percentages, 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.

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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 request 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.

### **6) ENTER STATEWIDE PRESENT LAW (SWPL) ADJUSTMENTS DATA INCLUDING NARRATIVE**

Navigating to the Statewide Present Law Adjustment checklist item in IBARS will bring up the Statewide Present Law Adjustment Subschedule. This subschedule is used to create the SWPL change packages for (1) Personal Services, (2) Fixed Costs, and (3) Inflation/Deflation.

The first two columns on the subschedule (described earlier in these instructions) are for the 2016 Actuals and the 2017 Budget Starting Point. The 2016 Actuals column is provided for informational purposes. The 2017 Budget Starting Point Column will be used as described in the following paragraphs.

- A. **PERSONAL SERVICES:** For personal services, the 2017 Budget Starting Point Column will contain the 2017 budgets captured from SABHRS standard budgets for all orgs mapped to a given reporting level 4. There are two columns, labeled 2018 Personal Services and 2019 Personal Services, which will contain projected personal services costs based upon the personal services snapshot taken July 2016. The difference between the starting point and the projected costs will be posted to the SWPL 1 change package.
  - a. The FY 2017 budget starting point includes personal services items such as overtime, differential pay, per diem etc. (to the extent that these items were funded by the previous legislature). However, these items are not re-projected by the snapshot. Therefore, these items must be manually re-entered in order to be included in the personal services budget request. Third level budgets for these items have been included in attachment 6. Please enter the amounts in the attachment into the FY 2018 personal services and FY 2019 personal services columns of the appropriate reporting level 4 budgets in the SWPL subschedule in the corresponding third level account. The total for these accounts in the SWPL subschedule should not exceed the amounts in attachment 6 by bill type for each program (exceptions to this program requirement will be made for agencies that may have had a reorganization during the fiscal year – but the total may not exceed the amount for the agency in the attachment). If a program plans to request more (or less) funding for one of these personal services items than was approved for FY 2017, then the difference should be included in a Present Law Change Package.
- B. **FIXED COSTS:** Because the 2017 Budget Starting Point Column would contain all operating expense funding from the 2017 budgets captured from SABHRS standard budgets for all orgs mapped to a given reporting level 4, fixed costs budgets could not be distinguished from other operating funds. Therefore, the starting point budget for fixed costs must be manually recreated. There are three columns that will require data entry for fixed cost budgeting. Agencies will be provided with FY 2017 fixed cost budgets in attachment 6. Amounts from this attachment should be entered in the column labeled FY 2017 Fixed Costs distributed among all of the appropriate reporting level 4s to properly represent accurate budget allocations. The allocation should be made appropriately by bill type and must not exceed the amounts in attachment 6. Agencies will also be provided with 2019 biennium fixed cost allocations in attachment 2. These amounts should also be allocated in the SWPL subschedule in the columns labeled 2018 Fixed Costs and 2019 Fixed Costs. The incremental change in fixed costs from FY 2017 to FY 2018 and FY 2017 to FY 2019 will be posted to the SWPL 2 change package.

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\19B

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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

Note that the amount for **Legislative Audit Fees (account 62122)** is a biennial amount and should be entered entirely in FY 2018. There should be no entry for Legislative Audit Fees in the FY 2017 Starting Point column of the SWPL subschedule as the entire amount was budgeted in FY 2016.

**The agency legal services rate** at the Attorney General's office 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.

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\019B Fixed Costs with multiple sheets in the file. The **Attachment 4** summary sheets show all lease vehicle budgets an agency will receive in FY 2017 through FY 2019. Unlike in previous budget cycles, the budget for vehicles received in FY 2017 will already be included in the FY 2017 Starting Point and therefore does not require any manual adjustment.

For vehicles requested for the next biennium, the Excel file has tabs for FY 2018 and FY 2019. The amounts listed should be recorded in the appropriate CPs in account 62510. In addition, the offsetting costs should be recorded as a negative in the same CPs in accounts 62716 and 62216. OBPP will verify that the amounts have been fully allocated. For any vehicles that have been returned in FY 2016 or FY 2017 or will be returned to the Motor Pool in the next biennium, the cost reduction should also be reflected in account 62510 in a change package.

For questions regarding the lease vehicle spreadsheets or if you are unable to access them on

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the OBPP guest directory, contact **Gerry Murphy x3191**.

**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 state special revolving 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 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 – SBCEP (69205) and/or Interest Expense – SBCEP (69206). For prior projects, the FY2017 Starting Point should already include the proper budget. However, if adjustments are necessary to achieve the amounts in the FY 2018 and FY 2019 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 2018 and FY 2019 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.

- C. **INFLATION/DEFLATION:** Because the 2017 Budget Starting Point Column would contain all operating expense funding from the 2017 budgets captured from SABHRS standard budgets for all orgs mapped to a given reporting level 4, inflation/deflation account budgets could not be distinguished from other operating funds. Therefore, the starting point budget for inflation/deflation accounts must be manually recreated. There is one column that will require data entry for inflation/deflation account budgeting. Agencies will be provided with FY 2017 inflation/deflation account budgets in attachment 6. Amounts from this attachment should be entered in the column labeled FY 2017 Inflation/Deflation distributed among all of the appropriate reporting level 4s to properly represent accurate budget allocations. The allocation should be made appropriately by bill type and must not exceed the amounts in attachment 6. Once these amounts are entered, inflation factors will automatically be applied. The incremental change in inflation/deflation accounts from FY 2017 to FY 2018 and FY 2017 to FY 2019 will be posted to the SWPL 3 change package.



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The following accounts have been inflated/deflated from the FY 2017 starting point amounts entered above as follows:

<u>Acct</u>	<u>Name</u>	<u>FY 2018</u>	<u>FY 2019</u>
62601	Electricity	1.15%	3.48%
62603	Natural Gas	(29.18%)	(29.18%)
62604	Laboratory Gas	(33.46%)	(33.46%)
62607	Propane	(33.46%)	(33.46%)
62216	Gasoline	(24.06%)	(18.08%)
62216A	Aviation Gasoline	(24.06%)	(18.08%)
62242	Diesel Fuel	(24.06%)	(18.08%)
62242A	Jet Fuel	(24.06%)	(18.08%)
*	Food Accounts	1.19%	4.16%
62304	Postage & Mailing	(4.08%)	(4.08%)
**	Motor Pool	6.51%	9.04%

\* (62205, 62205A, 62251, 62252, 62253, 62254, 62264, 62275, 62278, 62279, 62288, 62289, 62291, 62292, 62298)

\*\* (62404, 62414, 62434, 62445, 62510)

No other inflation or deflation is included for FY 2018 and FY 2019. Agency requests for other budgetary changes must be included in present law adjustment change packages (PLs).

### 7) VERIFY DATA & ENTER FUNDING FOR STATEWIDE PRESENT LAW (SWPL) CHANGE PACKAGES

When data has been entered into the SWPL subschedule, a posting process needs to be initiated in order to get that expenditure data into the SWPL change packages. To post data, navigate to the checklist tab in IBARS and then check the box immediately following the Statewide Present Law Adjustment checklist item. This will initiate an IBARS Process Status box to appear on your screen. When the process is complete, a message appears indicating the box was checked to complete causing the general budget box to become unchecked. This process must be re-initiated if any additional data entry or data changes are made in order for the data to update in the SWPL change packages.

Agencies should be aware as to not have multiple users checking the SWPL checklist item to complete at the same time as it may cause data or system performance issues.

Once the expenditure data has been posted to the SWPL change packages, the change packages must be funded. To enter funding, navigate to the Checklist and click on the General Budget checklist item. On the left hand side of the screen, using the reporting level tree, select a reporting level 4. Click on the Chg Pkg tab. The expenditure screen will appear. You may filter data by account and change package if desired. If data in the SWPL change does not appear as anticipated, changes may be required in the SWPL subschedule using the process described in the preceding paragraph.

If the expenditure data appears to be accurate, then navigate to the funding screen by selecting Funding from the Group drop down box. A blank funding screen will appear. Select a change package to fund from the Chg Pkg drop down box or leave the box with the ALL selection. If you choose to fund multiple change packages at once, you will need to select a change package on the data entry portion of the screen. Select LITM from the Tree Edit drop down box. Select a fund from the drop down box. Click Save. Use the add button in the upper left hand corner to add additional funds. Enter funding amounts in the 2018 and 2019 SWPL Adjustments columns. When change packages are in balance, (after clicking save) the dark blue highlight box will disappear.

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Repeat this funding step for each SWPL change package in each reporting level 4.

Legislative Audit – When funding SWPL 2 for reporting level 4s that include all or a portion of the cost of the Legislative Audit fees, please insert a row for an additional LITM value and select LITM value 1 – Legislative Audit (Restricted/Biennial) and associate funding for the audit. Insert additional funds associated with LITM value 1 if needed to completely create the HB 2 line-item for your agency's legislative audit.

Each SWPL change package must have a narrative explanation for each program. The change package narrative screen is located at Checklist/General Budget/Descr tab/Narr tab. Note: you must first click on the Descr tab in order to access the Narr tab. Otherwise you will be accessing the general narrative input screen discussed in section 11 of these instructions. Select Change Package Narrative from the Narrative Type drop down box, select a change package from the Change Package drop down box. Select the Program from the Reporting Level drop down box. Remember for each SWPL change package, each program must have its own narrative.

The following canned narrative can be used for these requests (do not include SWPL #):

SWPL 1: The budget includes \$xx in FY 2018 and \$xx in FY 2019 to annualize various personal services costs include FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings. [optional sentence] Additional factors contributing to the budget request include:

SWPL 2: The request includes \$xx in FY 2018 and \$xx in FY 2019 to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

SWPL 3: This change package includes an increase/reduction of \$xx in FY 2018 and \$xx in FY 2019 to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, natural gas, electricity, gasoline, and others.

### **8) EDIT/BUILD PRESENT LAW CHANGE PACKAGES**

Your IBARS E Version includes all submitted present law (PL) requests that were designated pending or approved through EPP. You are encouraged to adjust and edit these PL requests consistent with accounting changes, fiscal year end data, and additional planning information unknown last spring. For all approved/pending EPP requests copied forward, most of which were placeholders, populate the request with dollar amounts and funding. When a CP copied forward involves FTE, you should verify FTE attributes are still correct, including verifying the positions are allocated to the correct reporting levels, and make any necessary updates or adjustments.

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.”

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Agencies are encouraged to group all like and similar changes into as few requests as possible. Focus on functions and funding rather than accounts, however use as many change packages as is logical to be able to clearly define what the requests are for. For example, a workload decrease request may include adjustments for FTE, contract services and equipment, as well as benefits and a funding match rate change for that function.

A new feature in IBARS is that change packages are created at the agency level and a single change package can be used for the same purpose in multiple or all programs within an agency. A change package can also be associated with multiple RLs within a program. The request narrative should reference the entire program and individual change package narrative entries should be entered for each program when a change package is used across multiple programs.

The narrative for a request should briefly address increases/decreases from the FY 2017 Starting Point including contract services, equipment, or other items being requested. More explanation may be required to address specifics contained within a particular request. Update/enter change package narrative to succinctly describe what the request is for including dollar amounts and funding. Reference the 2017 Governor's Executive Budget for examples. The change package narrative screen is located at Checklist/General Budget/Descr tab/Narr tab. **Note:** you must first click on the Descr tab in order to access Change Package narrative within the Narr tab. Otherwise you will be accessing the general narrative input screen discussed in section 11 of these instructions. Select Change Package Narrative from the Narrative Type drop down box, select a change package from the Change Package drop down box. Select the Program from the Reporting Level drop down box. Remember if you are using a single change package for multiple programs, each program must have its own narrative.

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

**New Employee Office Package** (including Chair, Desk, File Cabinet, Side Chair, & Bookcase) \$1,600

**Computer Equipment:** Desktop or Laptop Computer \$1,200

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

- **Phased-in 2017 Biennium Modifications** – Since the 2017 Budget is being used as the budget starting point 2017 biennium, there should be little or no need for change packages to annualize programs or funding. In some cases, 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 2017 budgeted level would be incorporated in PL change packages: for example, foster care, public school enrollment, inmate populations, some inspections, some permit processing, and primary care. Other, less significant workload adjustments may be incorporated in approved or pending CPs.
- **Account 61000 Series [Differential, Overtime, Holidays Worked, etc.]** - Personal services in IBARS is driven by the position detail computations and ONLY contains budget authority based on that information. The opportunity to adjust for non-snapshot related personal services expenditures is afforded in Step 6A in the Statewide Present Law subschedule. Agencies are allowed to reestablish personal services items such as overtime, differential pay, per diem, etc. in the SWPL subschedules. Any requests above or below the 2017 budgeted amounts must be included in a

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separate change package.

- **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 2017 to 40 percent general fund/60 percent federal funds for FY 2018 and FY 2019, this change would be part of a PL change package.
- **Contract Rate Changes** – Adjustments for most ongoing contracts will be incorporated into a PL change package as rate increases/decreases for persons, businesses, and organizations providing services for the state. Provider rate increases are in NPs and will be coordinated with OBPP.
- **Federal Medical Assistance Percentage (FMAP)** - An adjustment from the current rate to the following projection for the 2019 biennium budget may be incorporated in a PL adjustment:

	<u>General Fund</u>	<u>Federal Revenue</u>
<b>FFY 2018</b>	33.99%	66.01%
<b>FFY 2019</b>	33.77%	66.23%

- **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\019B\Fixed Costs. Those vehicles that have offsetting costs can be included in a PL change package. Those new vehicles with no offsetting costs should be included in a NP change packages. See further discussion of lease vehicles under fixed costs. (page 6/7)
- **Biennial Appropriations** – FY 2017 amounts (before the unspent balance of FY 2016 continuing appropriations is carried forward) is included in the FY 2017 Starting Point. If adjustments are required to restore biennial appropriations, they can be made in a PL change package. For balance sheet purposes, it is preferred that biennial approps are split between fiscal years as they are anticipated to be spent. If you have questions about how to make these adjustments, contact your assigned budget analyst.

### 9) EDIT/BUILD NEW PROPOSAL CHANGE PACKAGES

Your download data includes all submitted NPs that were approved or that are still pending through the EPP process for the 2019 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. Update/enter change package narrative to succinctly describe what the request is for including dollar amounts and funding. Reference the 2017 Governor’s Executive Budget for examples. The change package narrative screen is located at Checklist/General Budget/Descr tab/Narr tab. **Note:** you must first click on the Descr tab in order to access Change Package narrative within the Narr tab. Otherwise you will be accessing the general narrative input screen discussed in section 11 of these instructions. Select Change Package Narrative from the Narrative Type drop down box, select a change package from the Change Package drop down box. Select the Program from the Reporting Level drop down box. Remember if you are using a single change package for multiple programs, each program must have its own narrative.

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 2017 biennium, if re-requested for the 2019 biennium, must be requested as a new proposal.

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**Already-approved Budget Amendments** - If information is available that a budget amendment (BA) will be continuing through the 2019 biennium and into the 2021 biennium, the projected request may be included in the budget [via HB 2 or HB 4] in accordance with 17-7-402(6), MCA.

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

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 2, 2017)**

**IF:** This is a one-time award that will not extend beyond June 30, 2017 (or September 30, 2017 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, 2017), but does not continue beyond the federal FY 2017.

**THEN:** OBPP will include language in HB 4 for "...all remaining federal authority from FY 2017 can continue into FY 2018."

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

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

### **2. Processing BA BCDs after the legislature convenes but before Senate Finance & Claims meets to hear HB 4 (approx April 6, 2017)**

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 and will not approve the BCD after session.

### **3. Processing BA BCDs after Senate Finance & Claims Committee meets on HB 4 (approx April 6, 2017)**

Submit BCDs as usual. Agency must not have had knowledge of award prior to this date, or OBPP cannot and will not 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 2017 legislative session, the change package should be created using a CP Type of "Legislation". Write a bullet for such proposals under the agency narrative section called "Executive Recommended Legislation."

## **10) ENSURING BUDGET REQUEST IS IN BALANCE**

Once an agency has completed entering budget requests and funding, the General Budget checklist item must be marked to complete. Checking on this checklist item will initiate a set of budget validations. If there

## EXECUTIVE BUDGET INSTRUCTIONS

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are issues, the checkbox will be unchecked. Users can run the SR06 Budget Validation report to identify where the issues lie. Once the issues have been corrected, the checklist item can be marked complete again. If the check box stays checked, the budget has passed all validations. If it still remains unchecked, the user can re-run the SR06 report to identify further issues. **NOTE:** If the user does not re-run the validations by checking the Budget Request checklist items to complete after corrections have been made, the data in the SR06 report will NOT be updated.

### 11) EDIT/ENTER NEW REVENUE ESTIMATES

From the Checklist/Fund Balance/Detail screen, estimates can be updated. Note this screen may take some time to load. The E version includes the revenue accounts and funds from FY 2016 actuals and the SABHRS budgeted revenue estimate amounts for FY 2017. The first task is to review and update the FY 2017 column. This task is important because the executive budget must be balanced for all funds and requested expenditures may be reduced if there is a shortfall in revenue over the three-year period. The second task is to add the projected revenue in the FY 2018 and FY 2019 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 OBPP. Contact your budget analyst for specific information regarding revenue sources for your agency.

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

IBARS 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 can copy text prepared in Microsoft Word into IBARS. Narrative edit tools are available on the narrative screen similar to those found in Microsoft Word. 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 IBARS 2017 versions into the “E” version for review and edits. To edit narratives, navigate to Checklist/Narrative. Select Department or Program from the Level drop down box. Select an option from the Narrative Title drop down box. The executive budget will include the following fields:

#### Agency Level Only:

- Agency Description – [Edit]
- 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]
- Executive Budget Recommendation - [Please leave this field blank for OBPP use]
- Language - [please enter all language at the agency level]

#### Change Package (CP) Narrative:

Change package narrative is not located within the Narrative Checklist and is explained under the sections for SWPL, PL, and NP change packages.

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### **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 12<sup>th</sup>.

### **Agency Personal Services (Informational Only)**

The personal services questions that the Legislative Fiscal Division (LFD) typically requests for submission with Agency Budget Requests, will be requested this budget cycle by your Fiscal Analyst in mid-September. The LFD will be evaluating personal services requests relative to the FY2017 personal services budget and the LFD estimate of how those costs would be annualized. This preliminary comparison point will be available in mid-September for agencies to double check for accuracy and to use as a comparison point for answering personal services questions. Similar to last session, the legislature will be evaluating the differences between the annualized legislative budget and the agency personal services request. Your LFD Fiscal Analyst will reach out to agency and OBPP staff to ensure understanding of the comparisons in mid-September.

The following sections give you the general questions you will be asked in September. Agencies do not need to submit this narrative in IBARS, but will be asked these questions in September by their LFD Fiscal Analyst.

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.

- In addition to the pay raise of \$0.50 an hour provided in FY 2016, what pay adjustments were made between July 2015 and July 2016? What necessitated the pay adjustments?
- What will be the agency's pay philosophy for the 2019 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 outside of the legislative pay plan 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

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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? 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 and how have these actions been successful in addressing the issues? (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)
- 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.
- How many current employees will be eligible for early or regular retirement during the 2019 biennium?
- What percentage of the agency workforce is eligible for early or regular retirement in the 2019 biennium?
- Does the agency anticipate retirements between now and the end of the 2019 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)

### 13) 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.



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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 the convergence initiative with the State Information Technology Services Division required by Executive Order. 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.

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.

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

1. The file Memo 8 - Attachment 5 – 5% Targets.pdf shows agency target amounts based on FY 2016 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.

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

Your agency version contains RLs for applicable statutory appropriations, which are treated just like any other budget. The reporting level includes a 2017 Starting Point. The budget level will be carried forward into FY 2018 and FY 2019. If applicable, the reporting level may also require SWPL subschedule adjustments if applicable. Follow the same tasks as for other budgets, including building PL adjustments 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.

### **15) INFORMATION TECHNOLOGY SPECIAL PROVISIONS**

**NOTE: In order to facilitate the implementation of the Executive Order directing agency convergence to the state data center and to SITSD services, agency fixed cost budgets for SITSD services were developed to reflect the costs of these services to state agencies. Agencies should begin analyzing**

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**what expenses in other areas of their budgets will no longer be required as a result of the convergence effort, including but not limited to hardware and software costs. OBPP analysts will be working and meeting with agency staff as well as staff of SITSD during September and October to capture identified and projected savings.**

**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 Change Packages.

### **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 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 Change Package request, or any other combination of funds.**

***Major IT investments must be disclosed in the IT Projects section of your agency IT Plans, including supplements. Plans that are missing major IT investments will be required to be updated prior to September 15 for Executive Budget consideration.***

OBPP will be working with SITSD staff to evaluate any IT project requests for compliance with both agency and statewide IT strategic plans and prioritize projects based on the components of the statewide IT strategic plan. Any projects that are included in the final Governor’s Budget presented to the legislature may be included in HB 2 or HB 10, depending on the project size and duration.

### **Volume 10 - IT Report –**

SITSD, in cooperation with OBPP, will be producing a new volume of the Executive Budget this session. In addition to several items required by the Montana Information Technology Act (MITA), the volume will include a comprehensive expenditure report of IT expenditures by state agencies made both internal (to SITSD) and external to state government. This report was developed based upon a set of IT expenditure accounts and IT job codes and was discussed at length by various groups such as ITMC, Enterprise IT Working Group, and the ITB throughout the interim.

**In order to report detailed expenditure and funding data for FY 2017, FY2018, and FY 2019, OBPP will be sending out an Excel spreadsheet for agencies to enter additional information. The basis of the report will be the new SABHRS IT Expenditure Report, supplemented with data from IBARS. This report will be sent out in mid-September and must be returned to OBPP on October 3<sup>rd</sup>. Additional details will be forthcoming.**

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 now be printed in Volume 10 and 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

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- vii. The proposed cost of operating the new information technology system

Volume 10 will also include 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

### 16) PREPARE PROPRIETARY “NAPROP” DATA, RATE INFORMATION & NARRATIVES

**IBARS Note:** “HB 576” was 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”.

**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.”

“(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 change package request. The rate approved by the legislature for the 2019 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 IBARS and should quantify the impact to the base rate as part of the change package justification.

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Agencies are to submit budget requests for all budgets funded with proprietary funds [with or without HB 2 authority]. To work on the IBARS portion of a proprietary budget request, click on the Checklist, General Budget, and select a reporting level. Once the reporting level is selected, you can add change packages in the Description and Narrative tabs. Complete as many NP or PL change packages as necessary.

### **Internal Service and Enterprise Fund Tables**

In order to assist agencies with their budget development process, Attachment 7 has been provided as part of these instructions. Agencies will input their information from this template directly into IBARS, as described below, so there is no longer any requirement to forward the completed template to OBPP.

In addition to the revenue and expense table, there are separate tabs in the spreadsheet to record rates and to complete the internal service fund working capital/fees commensurate analysis.

**Note:** Attachment 7 is the same template previously provided to agencies in Memo 6. If this information has been already completed, then there is no need to duplicate this information within an additional document.

### **IBARS Proprietary Fund Revenue and Expense Entries**

For the 2019 biennium, each agency will need to input their proprietary fund information into IBARS as part of their budget submission. From the Checklist in IBARS, select Proprietary Fund and then the appropriate reporting level to update information for each fund.

Agencies will input actual revenues and expenditures for fiscal year 2014, 2015, and 2016, and budgeted revenues and expenditures for fiscal years 2017, 2018, and 2019. Accounts are provided within the IBARS tables to classify fee revenues, personal services, operating expenses, and other income and expense categories. Transfers, capital contributions, prior period adjustments, and beginning and ending net position amounts are also included in the IBARS table and will need to be updated to show the change in net position for each fiscal year.

Amounts shown in the IBARS proprietary tables should be presented on a cash basis, which excludes agency other post-employment benefits and pension liability adjustments. Instructions for converting enterprise and internal service funds to a cash basis can be found in Attachment 8.

After IBARS has been completed with FY 2018 and 2019 budgets, these columns should also be updated. The FY 2018 and FY 2019 columns in the table should reconcile back to IBARS data when you are complete.

### **IBARS Proprietary Fund Narrative and Tables**

Narrative for proprietary fund descriptions will vary slightly, depending on whether the fund is an enterprise or an internal service fund, as noted below. To input narrative, go to Checklist, General Budget, and select the reporting level for each proprietary fund. Select Narrative, Program Description, and then the appropriate program to begin each fund description.

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.

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### *Revenues and Expenses (Italics)*

Describe the fees and charges for services (revenues) and major expenses for each enterprise 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.

### *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.

Using the template provided in Attachment 7, copy and paste the rates for each of your enterprise funds into your narrative.

### *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. Explain management objectives to increase/decrease/maintain fund balances as compared to the FY 2016 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.

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 internal service 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.

Using the template provided in Attachment 7, copy and paste the rates for each of your internal service funds into your narrative.

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.

## EXECUTIVE BUDGET INSTRUCTIONS

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

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 direct and indirect costs, broken out by first level SABHRS expense account, to each separate rate.

Using the template provided in Attachment 7, copy and paste the rates for each of your internal service funds into your narrative

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

Describe the fees and charges for services (revenues) and major expenses for each internal service 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. Explain management objectives to increase/decrease/maintain fund balances as compared to the FY 2016 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: 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.

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

Using the template provided in Attachment 7, copy and paste the working capital/fees commensurate table for each of your internal service funds into your narrative.

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

## EXECUTIVE BUDGET INSTRUCTIONS

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### Change Package Narrative for Proprietary Fund Change Packages

The purpose of the CP 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, change package narrative for internal service fund change packages should consider the following items.

**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 IBARS tables in making the final decision on the NP.

**Impact on Rates.** Agency must show the impact of change packages on your rates. Be able to break new funding requests into change 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 change packages and that you show the effect on the rates.

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

Memo 5 from the Budget Director, dated May 29, 2016, gives state agencies guidance on the development of a statement of goals and objectives for the 2019 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.

### 18) CONFIRM ALL ELEMENTS COMPLETE AND SUBMIT

**To submit your budget request, you will need to ensure every item on the Checklist has been marked complete. Validations exist for checklist items to ensure your budget work has been completed. If the checklist items do not remain checked, you can run the SR06 report to determine what additional work may be required.**

## EXECUTIVE BUDGET INSTRUCTIONS

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**Once all status boxes on the checklist remain checked through validations, navigate to the Versions tab. On the versions tab, for the E version line, click Submit.** This will create an F submitted version.

NOTE: Agencies should select one user on behalf of the agency who is authorized to create the submitted version.

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\019B 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 - Statewide Present Law Adjustment Addendum
- 7 - Proprietary Fund Excel Template and other tables
- 8 - Proprietary Fund Cash Basis Instructions