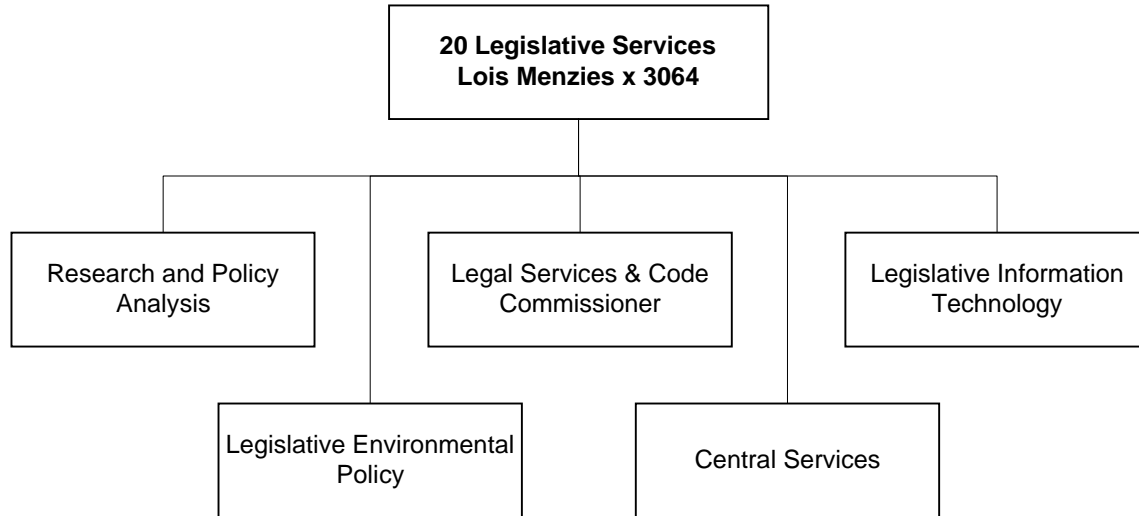


Mission Statement - The mission of the Legislature is to exercise the legislative power of state government vested in the Legislature by The Constitution of the State of Montana. The mission of the Legislative Branch, i.e., the consolidated legislative agency, is to provide the administrative structure to support accomplishment of the mission of the Legislature.

Statutory Authority - Principal statutory authority for the Legislative Services Division is found in Title 1, Chapter 11, and Title 5, Chapters 5 and 11, MCA. Principal statutory authority for the Legislative Fiscal Division is found in The Legislative Finance Act, Title 5, Chapter 12, MCA. The function of the Legislative Audit Division is constitutionally required, with principal statutory authority in The Legislative Audit Act, Title 5, Chapter 13, MCA.

Executive Budget Recommendation - In accordance with 17-7-122, MCA, no changes could be made to the budget request.

Agency Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	125.27	0.00	0.00	125.27	0.00	0.00	130.44
Personal Services	6,081,445	617,519	30,156	6,729,120	622,141	0	6,703,586
Operating Expenses	2,638,316	987,133	329,861	3,955,310	84,922	500,492	3,223,730
Equipment	125,954	(25,954)	0	100,000	(25,954)	75,247	175,247
Total Costs	\$8,845,715	\$1,578,698	\$360,017	\$10,784,430	\$681,109	\$575,739	\$10,102,563
General Fund	6,729,738	1,263,085	360,017	8,352,840	984,382	575,739	8,289,859
State/Other Special	2,115,977	315,613	0	2,431,590	(303,273)	0	1,812,704
Total Funds	\$8,845,715	\$1,578,698	\$360,017	\$10,784,430	\$681,109	\$575,739	\$10,102,563



Program Description - The Legislative Services Division provides research, reference, legal, technical, information technology, and administrative support services to the House, Senate, and other divisions of the Legislative Branch. Division services include: 1) bill and amendment drafting, preparation of bills for introduction, and engrossing and enrolling bills; 2) publication of legislative documents of record; 3) provision of legislative research and reference services; legal counseling on legislative matters and agency legal support; 4) agency management and business services; 5) planning, installation and maintenance of the agency computer network and applications; 6) legislative committee staffing and support; 7) preparation, publication and distribution of the Montana Code Annotated text and annotations; 8) review of the text of proposed ballot measures; and 9) provision of legislative information to the public. The Legislative Council provides policy guidance to the Legislative Services Division.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	49.50	0.00	0.00	49.50	0.00	0.00	54.67
Personal Services	2,473,993	129,854	0	2,603,847	226,972	0	2,700,965
Operating Expenses	2,048,542	546,104	50,000	2,644,646	281,912	475,492	2,805,946
Equipment	125,954	(25,954)	0	100,000	(25,954)	75,247	175,247
Total Costs	\$4,648,489	\$650,004	\$50,000	\$5,348,493	\$482,930	\$550,739	\$5,682,158
General Fund	3,650,692	729,948	50,000	4,430,640	1,040,989	550,739	5,242,420
State/Other Special	997,797	(79,944)	0	917,853	(558,059)	0	439,738
Total Funds	\$4,648,489	\$650,004	\$50,000	\$5,348,493	\$482,930	\$550,739	\$5,682,158

Significant Present Law Adjustments -

- Address non-base year session costs
- Cover cyclical Montana Codes Annotated production costs
- Continue the implementation of the Legislative Branch computer system plan
- Maintain technology infrastructure related to the Montana Codes Annotated

New Proposals -

- Broadcast 2003 Legislative session activities on the Internet
- Technology contingency fund to provide the ability to react to technology changes
- Pilot project to determine feasibility of legislator computers and chamber automation

**LEGISLATIVE BRANCH
LEGIS. COMMITTEES & ACTIVITIES**

**1104
21**

Program Description - The Legislative Committees and Activities Program processes and monitors the expenditures of various legislative committees and activities, particularly those conducted during the interim between legislative sessions. Services include: 1) limited support of interim studies activities established under 5-5-202 through 5-5-217, MCA; 2) support of interstate cooperation activities of the legislature; and 3) support of other legislative activities for which appropriations are made.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	0.97	0.00	0.00	0.97	0.00	0.00	0.97
Personal Services	53,512	62,982	30,156	146,650	(53,512)	0	0
Operating Expenses	263,447	370,828	229,861	864,136	(263,447)	0	0
Total Costs	\$316,959	\$433,810	\$260,017	\$1,010,786	(\$316,959)	\$0	\$0
General Fund	316,959	356,525	260,017	933,501	(316,959)	0	0
State/Other Special	0	77,285	0	77,285	0	0	0
Total Funds	\$316,959	\$433,810	\$260,017	\$1,010,786	(\$316,959)	\$0	\$0

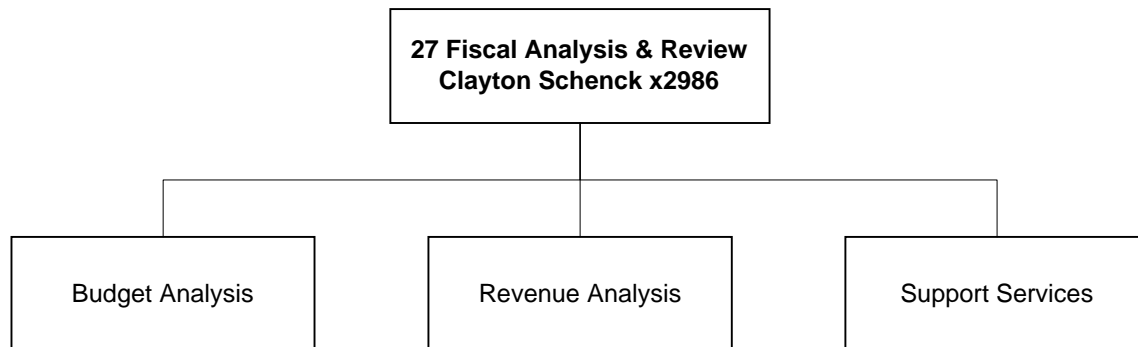
Significant Present Law Adjustments -

- Adjust budget to reflect biennial appropriation for the Interim Committees and Activities Program
- Extend the Districting and Apportionment Commission
- Continue the Utility Transition Advisory Committee

New Proposals -

- Participate as active members of the Council of State Governments
- Expand participation in the National Conference of State Legislatures

FISCAL ANALYSIS & REVIEW



Program Description - The Legislative Fiscal Division provides the legislature with objective fiscal information and analysis relevant to Montana public policy and budget determination. Division services include: 1) fiscal analysis of state government and the furnishing of information bearing upon the financial matters of the state; 2) identification of ways to effect economy and efficiency in state government; 3) estimation of revenue and analysis of tax policy; 4) analysis of the executive budget; 5) compiling and analyzing fiscal information for legislators and legislative committees; and 6) staffing and support for legislative committees, including the preparation and processing of the General Appropriations Act. The Legislative Finance Committee provides guidance to the Legislative Fiscal Division.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	18.80	0.00	0.00	18.80	0.00	0.00	18.80
Personal Services	978,955	48,862	0	1,027,817	55,986	0	1,034,941
Operating Expenses	53,063	1,576	25,000	79,639	39,482	25,000	117,545
Total Costs	\$1,032,018	\$50,438	\$25,000	\$1,107,456	\$95,468	\$25,000	\$1,152,486
General Fund	1,032,018	50,438	25,000	1,107,456	95,468	25,000	1,152,486
Total Funds	\$1,032,018	\$50,438	\$25,000	\$1,107,456	\$95,468	\$25,000	\$1,152,486

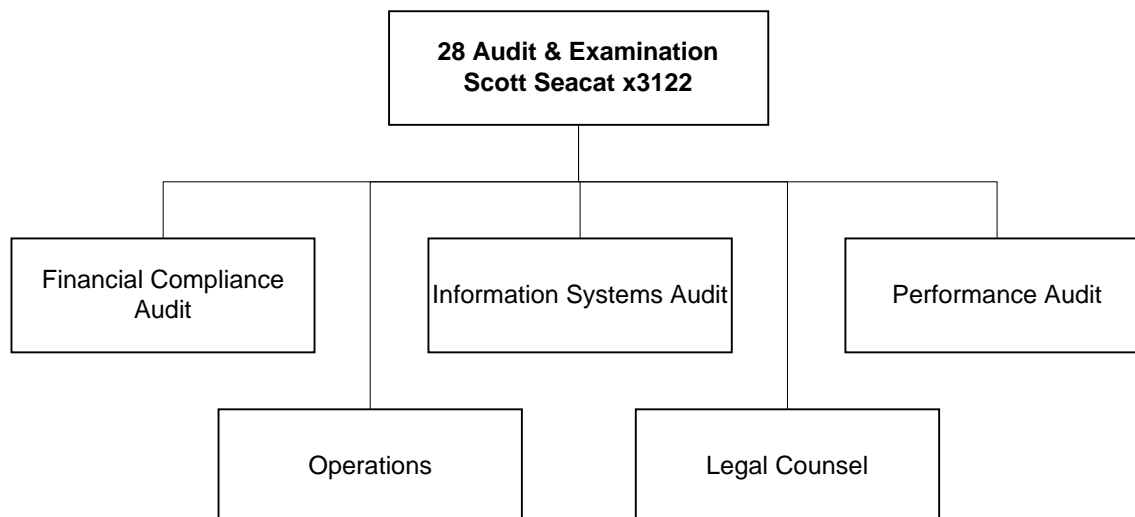
Significant Present Law Adjustments -

- Address non-base year session costs
- Adjust base budget for miscellaneous office supplies and telephone equipment

New Proposals -

- Purchase ergonomic furniture to increase efficiency and correspond with the Capitol restoration decor

AUDIT & EXAMINATION



Program Description - The Legislative Audit Division conducts independent audits and provides factual and objective information to the legislative and executive managers of the public trust. Division services include: 1) conducting and reporting of biennial financial-compliance audits, performance audits, information systems audits, and special audits of state agency operations; 2) reporting of violation of penal statutes, instances of misfeasance, malfeasance, or nonfeasance, and shortages discovered in an audit that are covered by surety; 3) auditing records of entities under contract with the state; and 4) assisting the legislature, its committees, and its members by providing information related to the fiscal affairs of state government. The Legislative Audit Committee provides policy guidance to the Legislative Audit Division.

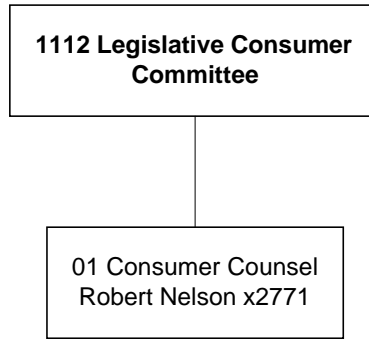
Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	56.00	0.00	0.00	56.00	0.00	0.00	56.00
Personal Services	2,574,985	375,821	0	2,950,806	392,695	0	2,967,680
Operating Expenses	273,264	68,625	25,000	366,889	26,975	0	300,239
Total Costs	\$2,848,249	\$444,446	\$25,000	\$3,317,695	\$419,670	\$0	\$3,267,919
General Fund	1,730,069	126,174	25,000	1,881,243	164,884	0	1,894,953
State/Other Special	1,118,180	318,272	0	1,436,452	254,786	0	1,372,966
Total Funds	\$2,848,249	\$444,446	\$25,000	\$3,317,695	\$419,670	\$0	\$3,267,919

Significant Present Law Adjustments -

- Pay cyclical audit costs associated with a financial audit of the Legislative Branch, Peer Review, and contracted actuarial services
- Adjust base budget for miscellaneous training and periodicals costs

New Proposals -

- Contract for an EDP security audit of the Legislative Branch



Mission Statement - To represent the utility and transportation consuming public of the State of Montana in hearings before the Public Service Commission or any other successor agency, and before state and federal courts and administrative agencies.

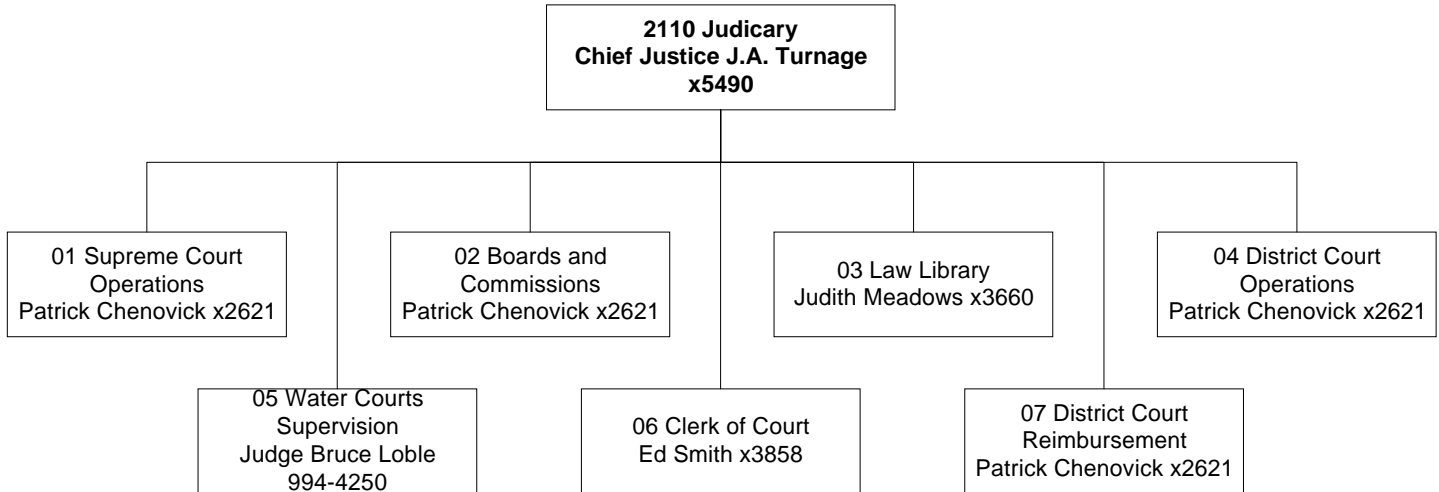
Statutory Authority - Article XIII, Section 2, 1972 Montana Constitution; Title 5, Chapter 15; Title 69, Chapters 1 and 2, MCA.

Program Description - The Office of the Consumer Counsel was created by Article XIII, Section 2 of the 1972 Montana Constitution. The consumer counsel is charged with the duty of representing consumer interests in hearings before the Public Service Commission or any other successor agency. The agency also may initiate, intervene in, or otherwise participate in appropriate proceedings in the state and federal courts and proceedings before federal administrative agencies on behalf of the public of Montana.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	5.04	0.00	0.00	5.04	0.00	0.00	5.04
Personal Services	343,423	22,939	0	366,362	25,199	0	368,622
Operating Expenses	524,093	215,621	0	739,714	215,418	0	739,511
Total Costs	\$867,516	\$238,560	\$0	\$1,106,076	\$240,617	\$0	\$1,108,133
State/Other Special	867,516	238,560	0	1,106,076	240,617	0	1,108,133
Total Funds	\$867,516	\$238,560	\$0	\$1,106,076	\$240,617	\$0	\$1,108,133

Significant Present Law Adjustments -

- The Consumer Counsel historically has received a \$100,000 per year contingency appropriation to cover unanticipated caseload increases. Since the contingency was not spent in the base year, the request restores the contingency fund and includes contracted services, travel and other minor present law adjustments.



Mission Statement - The judicial branch of state government is provided for in Article III, Section 1, and Article VII of the 1972 Montana Constitution. The jurisdiction of the Supreme Court consists of all appellate and original jurisdiction in petitions for writs of habeas corpus and other such writs, general supervisory control over all Montana courts, and rule making for those courts.

Statutory Authority - Article III, Section 1 and Article VII, Montana Constitution; Title 3, MCA.

Executive Budget Recommendation –

- Provide technical assistance and funding to local Court Appointed Special Advocate and Guardian Ad Litem programs
- Reduce backlog and process time for Supreme Court cases by hiring additional law clerks for the Justices
- Expand the Citizen Review Board Program to additional Montana communities
- Continue Federal Court Assessment Program for improving child abuse and neglect proceedings in Montana courts
- Add staff to accommodate ever-increasing case filings and workload in the Clerk of Court's office
- Begin process of converting a 63-year backlog of records to long-term storage medium

Agency Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	102.75	11.00	1.00	114.75	11.00	1.00	114.75
Personal Services	7,467,094	1,136,871	38,256	8,642,221	1,186,339	38,256	8,691,689
Operating Expenses	1,556,329	324,251	366,219	2,246,799	255,676	362,719	2,174,724
Equipment	280,966	28,061	0	309,027	30,868	0	311,834
Grants	434,371	201,822	100,000	736,193	199,969	100,000	734,340
Debt Service	28,510	0	0	28,510	0	0	28,510
Total Costs	\$9,767,270	\$1,691,005	\$504,475	\$11,962,750	\$1,672,852	\$500,975	\$11,941,097
General Fund	8,204,056	1,429,528	245,750	9,879,334	1,402,107	242,250	9,848,413
State/Other Special	1,488,214	181,477	0	1,669,691	190,745	0	1,678,959
Federal Special	75,000	80,000	258,725	413,725	80,000	258,725	413,725
Total Funds	\$9,767,270	\$1,691,005	\$504,475	\$11,962,750	\$1,672,852	\$500,975	\$11,941,097

The Judicial branch budget request is presented in the table below in accordance with 17-7-122(3), MCA, which states: "Judicial branch request must be included in the budget submitted by the governor, but expenditures above the current level funding need not be part of the balanced financial plan pursuant to 17-7-123, MCA."

Negotiations between the Executive and the Supreme Court during the planning process resulted in un-funded proposals being withdrawn from the Judicial submission. The Clerk of Court chose to include funded and un-funded requests in the budget submission. Three requests were not fully funded in the clerk's office. There is a proposal in the clerk's office to microfilm a 63-year backlog of court records in the 2003 biennium. The Executive approved a reduced amount for a combination of microfilm, microfiche, and imaged formats spread over the 2003 biennium and beyond. Another request to purchase a scanner for the office was reduced. A third request for 5.00 FTE additional staff was reduced to 1.00 FTE.

Note that the other funds category includes \$36,962 proprietary funds each year of the biennium in the law library program.

Judicial Branch 2003 Biennium Budget Request												
Program	FY2002						FY2003					
	Judicial			Executive			Judicial			Executive		
	FTE	General Fund	Other Funds	FTE	General Fund	Other Funds	FTE	General Fund	Other Funds	FTE	General Fund	Other Funds
Supreme Court Operations	47.75	\$3,509,851	\$1,413,725	47.75	\$3,509,846	\$1,413,725	47.75	\$3,467,143	\$1,413,725	47.75	\$3,467,138	\$1,413,725
Boards and Commissions	3.00	\$328,253	\$0	3.00	\$328,253	\$0	3.00	\$327,305	\$0	3.00	\$327,305	\$0
Law Library	7.50	\$796,477	\$36,962	7.50	\$796,477	\$36,962	7.50	\$791,985	\$36,962	7.50	\$791,985	\$36,962
District Court Operations	40.00	\$4,862,787	\$0	40.00	\$4,862,787	\$0	40.00	\$4,886,134	\$0	40.00	\$4,886,134	\$0
Water Court	11.00	\$0	\$669,691	11.00	\$0	\$669,691	11.00	\$0	\$678,959	11.00	\$0	\$678,959
Clerk of Court	9.50	\$636,154	\$0	5.50	\$381,971	\$0	9.50	\$599,969	\$0	5.50	\$375,854	\$0
Total	118.75	\$10,133,522	\$2,120,378	114.75	\$9,879,334	\$2,120,378	118.75	\$10,072,536	\$2,129,646	114.75	\$9,848,413	\$2,129,646

01 Supreme Court Operations
Patrick Chenovick x2621

Program Description -

The Supreme Court has appellate jurisdiction for the State of Montana. It has original jurisdiction to issue, hear, and determine writs of habeas corpus and other such writs as may be provided by law. It also has general supervisory control over all other courts in the state. The Supreme Court also is charged with establishing rules governing appellate procedure, the practice and procedure for all other courts, admission to the bar, and the conduct of its members. The Supreme Court consists of a chief justice and six justices. The Supreme Court Operations Program manages the day-to-day operations of the court and administers the local citizen review board pilot program for foster care placements, the federal court assessment program, and the district court criminal reimbursement program.

**JUDICIARY
SUPREME COURT OPERATIONS**

**2110
01**

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	37.75	9.00	1.00	47.75	9.00	1.00	47.75
Personal Services	2,280,357	446,757	38,256	2,765,370	460,407	38,256	2,779,020
Operating Expenses	898,617	215,672	307,719	1,422,008	161,167	307,719	1,367,503
Grants	434,371	201,822	100,000	736,193	199,969	100,000	734,340
Total Costs	\$3,613,345	\$864,251	\$445,975	\$4,923,571	\$821,543	\$445,975	\$4,880,863
General Fund	2,675,451	647,145	187,250	3,509,846	604,437	187,250	3,467,138
State/Other Special	862,894	137,106	0	1,000,000	137,106	0	1,000,000
Federal Special	75,000	80,000	258,725	413,725	80,000	258,725	413,725
Total Funds	\$3,613,345	\$864,251	\$445,975	\$4,923,571	\$821,543	\$445,975	\$4,880,863

Significant Present Law Adjustments -

- Reduce backlog and process time for Supreme Court cases by hiring additional law clerks for the Justices
- Maintain the Citizen Review Board Program as approved by the 1999 Legislature
- Provide continuing education for Supreme Court Justices
- Continue court filing surcharge to automate Montana courts

New Proposals -

- Continue Federal Court Assessment Program for improving child abuse and neglect proceedings in Montana courts
- Expand the Citizen Review Board Program to additional Montana communities
- Provide technical assistance and funding to local Court Appointed Special Advocate and Guardian Ad Litem programs
- Update computer hardware to operate the Court's case management system.
- Purchase electronic version of legal research material

BOARDS AND COMMISSIONS

02 Boards and Commissions
Patrick Chenovick x2621

Program Description - The Boards and Commissions Program oversees functions assigned to the Supreme Court either by legislative or constitutional mandate. The program manages judicial discipline, rules, and other substantive matters aimed at improving and maintaining the administration of justice. Commissions and boards included in the program are the Judicial Standards Commission; Sentence Review Division; Commission on Practice; Commission on Courts of Limited Jurisdiction; and the Judicial Nominations Commission.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	2.00	1.00	0.00	3.00	1.00	0.00	3.00
Personal Services	73,129	46,667	0	119,796	47,073	0	120,202
Operating Expenses	127,547	30,910	50,000	208,457	29,556	50,000	207,103
Total Costs	\$200,676	\$77,577	\$50,000	\$328,253	\$76,629	\$50,000	\$327,305
General Fund	200,676	77,577	50,000	328,253	76,629	50,000	327,305
Total Funds	\$200,676	\$77,577	\$50,000	\$328,253	\$76,629	\$50,000	\$327,305

**JUDICIARY
BOARDS AND COMMISSIONS**

**2110
02**

Significant Present Law Adjustments -

- Staff the Commission to Eliminate Gender Bias in the Courts, the Commission on Self-Represented Litigants, and the Commission on Practice.
- Investigate complaints regarding judicial conduct made to the Judicial Standards Commission

New Proposals -

- Audit courts of limited jurisdiction for instances of fraud and theft

LAW LIBRARY

03 Law Library
Judith Meadows x3660

Program Description - The State Law Library houses reference materials used by the Supreme Court, lower courts, the legislature, state officers and employees, members of the bar, and the general public. The collection includes legal materials from the federal government and all 50 states, as well as Canada. Some of the books and materials contained in the library include treatises, law reviews, reports, microfilm, and audio/video tapes for continuing legal education. Access to much of the information also is provided from the library's Internet site. The State Law Library is governed by a Board of Trustees which consists of the Supreme Court justices.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	7.50	0.00	0.00	7.50	0.00	0.00	7.50
Personal Services	281,861	52,187	0	334,048	53,851	0	335,712
Operating Expenses	102,306	17,586	5,000	124,892	8,623	5,000	115,929
Equipment	280,966	28,061	0	309,027	30,868	0	311,834
Debt Service	28,510	0	0	28,510	0	0	28,510
Total Costs	\$693,643	\$97,834	\$5,000	\$796,477	\$93,342	\$5,000	\$791,985
General Fund	693,643	97,834	5,000	796,477	93,342	5,000	791,985
Total Funds	\$693,643	\$97,834	\$5,000	\$796,477	\$93,342	\$5,000	\$791,985

Significant Present Law Adjustments -

- Provide safe and comfortable seating for the State Law Library
- Upgrade web server to accommodate increased access to information on the Internet
- Adjust budget for books and research materials for inflation
- Establish a comparable wage for State Law Library clerks

New Proposals -

- Convert legal documents to electronic format for accessibility via the Internet

Proprietary Rates

Program Description -Law Library Searches/Research Enterprise Fund - The law library is billed by the on-line provider for the air time, and the law library in turn bills the requesting entity for the cost of the search performed.

Revenues and Expenses -

The law library staff performs on-line searches/research for public and private entities. The law library is billed by the on-line provider for the air time and the law library, in turn, bills the entity requesting the search/research, collects the money and pays the provider.

**JUDICIARY
DISTRICT COURT OPERATIONS**

**2110
04**

04 District Court Operations
Patrick Chenovick x2621

Program Description - The District Court Operations Program funds salaries, travel, and training for Montana's elected district judges. Other operational costs of the district courts are paid by other state agencies and local governments. District courts are general jurisdiction trial courts having original jurisdiction in all criminal felony cases, civil matters, and cases of law.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	40.00	0.00	0.00	40.00	0.00	0.00	40.00
Personal Services	4,076,004	489,946	0	4,565,950	513,186	0	4,589,190
Operating Expenses	283,536	13,301	0	296,837	13,408	0	296,944
Total Costs	\$4,359,540	\$503,247	\$0	\$4,862,787	\$526,594	\$0	\$4,886,134
General Fund	4,359,540	503,247	0	4,862,787	526,594	0	4,886,134
Total Funds	\$4,359,540	\$503,247	\$0	\$4,862,787	\$526,594	\$0	\$4,886,134

Significant Present Law Adjustments -

- Provide education and training to judges newly elected in 2000
- Increase budget for leased vehicles provided to judges with multi-county jurisdictions
- Compensate retired judges for serving temporarily as substitute judges

WATER COURTS SUPERVISION

05 Water Courts Supervision
Judge Bruce Loble 994-4250

Program Description - The Water Courts Supervision Program, located in Bozeman, adjudicates claims of existing water rights in Montana and supervises the distribution of water among the four water divisions of the state, as defined in 3-7-102, MCA.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	11.00	0.00	0.00	11.00	0.00	0.00	11.00
Personal Services	519,441	44,167	0	563,608	53,435	0	572,876
Operating Expenses	105,879	204	0	106,083	204	0	106,083
Total Costs	\$625,320	\$44,371	\$0	\$669,691	\$53,639	\$0	\$678,959
State/Other Special	625,320	44,371	0	669,691	53,639	0	678,959
Total Funds	\$625,320	\$44,371	\$0	\$669,691	\$53,639	\$0	\$678,959

Significant Present Law Adjustments -

- Increase salaries for the lowest paid water masters
- Cover overtime expenses for traveling water masters
- Maintain the Water Court's telephone system

06 Clerk of Court
Ed Smith x3858

Program Description - The Clerk of Court Program performs support and operational duties for the Supreme Court, as outlined in Title 3, Chapter 2, part 4, MCA. The program keeps the court records and files, issues writs and certificates, approves bonds, files all papers and transcripts, and performs other duties as required.

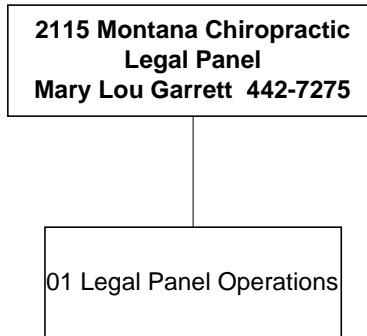
Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	4.50	1.00	0.00	5.50	1.00	0.00	5.50
Personal Services	236,302	57,147	0	293,449	58,387	0	294,689
Operating Expenses	38,444	46,578	3,500	88,522	42,718	0	81,162
Total Costs	\$274,746	\$103,725	\$3,500	\$381,971	\$101,105	\$0	\$375,851
General Fund	274,746	103,725	3,500	381,971	101,105	0	375,851
Total Funds	\$274,746	\$103,725	\$3,500	\$381,971	\$101,105	\$0	\$375,851

Significant Present Law Adjustments -

- Begin process of converting a 63-year backlog of records to long-term storage medium
- Increase budget to cover costs of storing court records
- Adjust operating budget for workload increases
- Add staff to accommodate ever-increasing case filings and workload

New Proposals -

- Purchase equipment to convert court filings to electronic formats



Mission Statement - To review potential malpractice claims against chiropractic physicians in order to prevent, if possible, filed court actions for professional liability in which the facts do not permit at least a reasonable inference of malpractice.

Statutory Authority - Title 27, Chapter 12, MCA.

Program Description - The Montana Chiropractic Legal Panel reviews all malpractice claims or potential claims against chiropractic physicians to: a) prevent, when possible, filed court actions against chiropractic physicians for professional liability in situations where the facts do not permit at least a reasonable inference of malpractice; and b) make possible the fair and equitable disposition of such claims against chiropractic physicians that are or reasonably may be well founded. A panel, consisting of three chiropractic physicians licensed in Montana and three attorneys who are members of the State Bar Association of Montana, is appointed to review each malpractice claim or potential claim. The panel is managed by a director appointed by the executive director of the Montana Chiropractic Association.

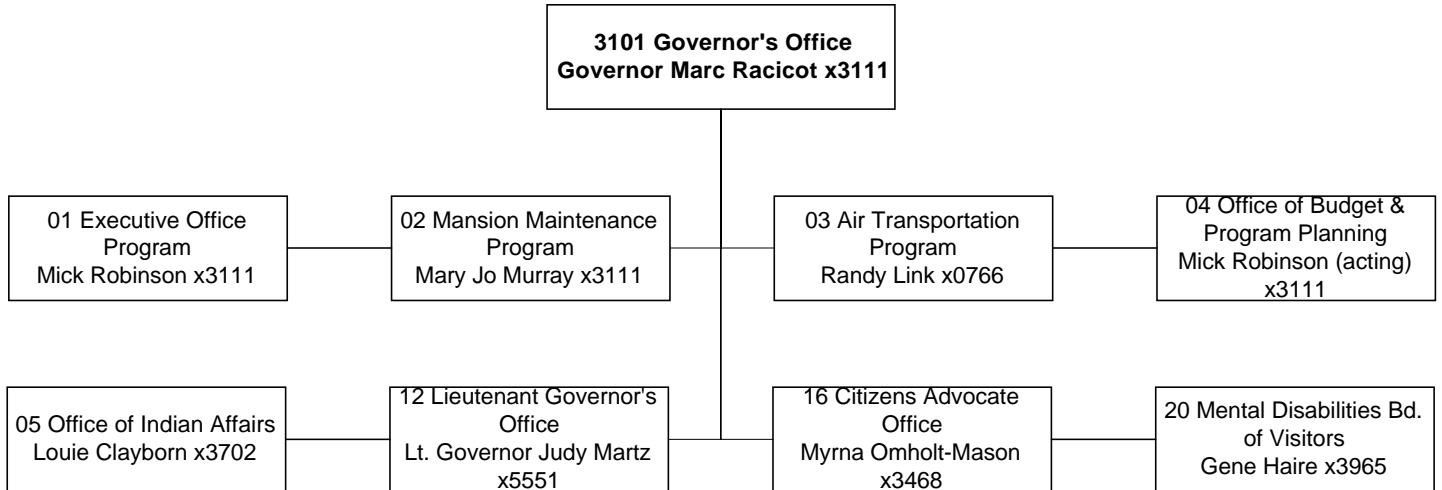
Program Indicators –

Indicator	Actual FY1998	Actual FY1999	Actual FY2000	Estimated FY2001	Requested FY2002	Requested FY2003
Claims Filed	5	3	3	3	3	3

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	10,539	4,461	0	15,000	4,461	0	15,000
Total Costs	\$10,539	\$4,461	\$0	\$15,000	\$4,461	\$0	\$15,000
State/Other Special	10,539	4,461	0	15,000	4,461	0	15,000
Total Funds	\$10,539	\$4,461	\$0	\$15,000	\$4,461	\$0	\$15,000

Significant Present Law Adjustments -

- Restore budget to the historical level

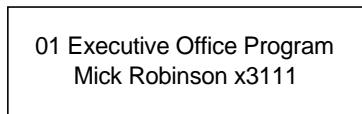


Mission Statement - To oversee and direct the activities of the executive branch of Montana state government, consistent with statutory and constitutional mandates, in a manner that provides necessary and affordable services to the citizens of Montana.

Statutory Authority - Primary authority is Article VI, Montana Constitution

Agency Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	50.00	0.00	0.00	50.00	0.00	0.00	50.00
Personal Services	2,423,695	161,884	0	2,585,579	174,744	0	2,598,439
Operating Expenses	862,472	2,316,060	30,000	3,208,532	99,057	30,000	991,529
Equipment	12,787	(12,787)	0	0	(12,787)	0	0
Total Costs	\$3,298,954	\$2,465,157	\$30,000	\$5,794,111	\$261,014	\$30,000	\$3,589,968
General Fund	3,024,552	239,844	30,000	3,294,396	184,497	30,000	3,239,049
State/Other Special	230,746	223,969	0	454,715	74,673	0	305,419
Federal Special	43,656	2,001,344	0	2,045,000	1,844	0	45,500
Total Funds	\$3,298,954	\$2,465,157	\$30,000	\$5,794,111	\$261,014	\$30,000	\$3,589,968

EXECUTIVE OFFICE PROGRAM



Program Description - The Executive Office Program aids the Governor in overseeing and coordinating the activities of the executive branch of Montana state government. The program provides administrative, legal, and press support and provides centralized services for the Office of the Governor. The Executive Office Program also administers programs with special impact on the citizens and governmental concerns of Montana. Special programs include one that coordinates services for senior citizens, one that seeks to preserve clean water in the Flathead Basin, and the Montana Consensus Council.

**GOVERNORS OFFICE
EXECUTIVE OFFICE PROGRAM**

**3101
01**

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	19.00	0.00	0.00	19.00	0.00	0.00	19.00
Personal Services	930,245	85,609	0	1,015,854	90,035	0	1,020,280
Operating Expenses	388,839	89,182	30,000	508,021	63,944	30,000	482,783
Equipment	12,787	(12,787)	0	0	(12,787)	0	0
Total Costs	\$1,331,871	\$162,004	\$30,000	\$1,523,875	\$141,192	\$30,000	\$1,503,063
General Fund	1,124,481	80,679	30,000	1,235,160	59,163	30,000	1,213,644
State/Other Special	207,390	81,325	0	288,715	82,029	0	289,419
Total Funds	\$1,331,871	\$162,004	\$30,000	\$1,523,875	\$141,192	\$30,000	\$1,503,063

Significant Present Law Adjustments -

- Purchase computers according the office computer replacement cycle.
- Increase budget authority to accommodate contracts with other state agencies

New Proposals -

- Participate in the Western Governor's Association

MANSION MAINTENANCE PROGRAM

02 Mansion Maintenance
Program
Mary Jo Murray x3111

Program Description - The Mansion Maintenance Program maintains the Governor's official residence.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	1.50	0.00	0.00	1.50	0.00	0.00	1.50
Personal Services	44,979	(717)	0	44,262	(535)	0	44,444
Operating Expenses	34,942	344	0	35,286	317	0	35,259
Total Costs	\$79,921	(\$373)	\$0	\$79,548	(\$218)	\$0	\$79,703
General Fund	79,921	(373)	0	79,548	(218)	0	79,703
Total Funds	\$79,921	(\$373)	\$0	\$79,548	(\$218)	\$0	\$79,703

03 Air Transportation Program
Randy Link x0766

Program Description - The Air Transportation Program provides the Governor with air transportation.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	1.00	0.00	0.00	1.00	0.00	0.00	1.00
Personal Services	41,888	5,392	0	47,280	6,116	0	48,004
Operating Expenses	144,820	(99)	0	144,721	476	0	145,296
Total Costs	\$186,708	\$5,293	\$0	\$192,001	\$6,592	\$0	\$193,300
General Fund	170,710	5,291	0	176,001	6,590	0	177,300
State/Other Special	15,998	2	0	16,000	2	0	16,000
Total Funds	\$186,708	\$5,293	\$0	\$192,001	\$6,592	\$0	\$193,300

OFFICE OF BUDGET & PROGRAM PLANNING

04 Office of Budget & Program
Planning
Mick Robinson (acting) x3111

Program Description - The Office of Budget and Program Planning (OBPP) assists the Governor in preparing the Governor's Executive Budget and administering the state government budget. In addition, the OBPP prepares and monitors revenue estimates and collections, prepares and publishes fiscal notes on proposed legislation and initiatives, and acts as approving authority for operational plan changes, program transfers, and budget amendments in the executive branch, in accordance with Title 17, Chapter 7, MCA. The OBPP acts as the lead executive branch agency for compliance with the federal Single Audit Act.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	17.00	0.00	0.00	17.00	0.00	0.00	17.00
Personal Services	906,551	27,743	0	934,294	33,015	0	939,566
Operating Expenses	144,623	54,525	0	199,148	14,885	0	159,508
Total Costs	\$1,051,174	\$82,268	\$0	\$1,133,442	\$47,900	\$0	\$1,099,074
General Fund	1,051,174	82,268	0	1,133,442	47,900	0	1,099,074
State/Other Special	0	0	0	0	0	0	0
Total Funds	\$1,051,174	\$82,268	\$0	\$1,133,442	\$47,900	\$0	\$1,099,074

Significant Present Law Adjustments -

- Continue the office computer replacement cycle
- Purchase video projector equipment for OBPP training sessions and presentations
- Publish the 2005 biennium Executive Budget

05 Office of Indian Affairs
Louie Clayborn x3702

Program Description - The Coordinator of Indian Affairs Program serves as the Governor's liaison with state Indian tribes, provides information and policy support on issues confronting the Indians of Montana, and advises and makes recommendations on these issues to the legislative and executive branches. The coordinator also serves the Montana congressional delegation as an advisor and intermediary in the field of Indian affairs and acts as spokesperson for representative Native American organizations and groups, both public and private, whenever that support is requested. The program is mandated by 2-15-217 and 90-11-101, MCA.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	2.00	0.00	0.00	2.00	0.00	0.00	2.00
Personal Services	78,179	10,755	0	88,934	11,073	0	89,252
Operating Expenses	26,937	2,147,496	0	2,174,433	(2,439)	0	24,498
Total Costs	\$105,116	\$2,158,251	\$0	\$2,263,367	\$8,634	\$0	\$113,750
General Fund	105,116	8,251	0	113,367	8,634	0	113,750
State/Other Special	0	150,000	0	150,000	0	0	0
Federal Special	0	2,000,000	0	2,000,000	0	0	0
Total Funds	\$105,116	\$2,158,251	\$0	\$2,263,367	\$8,634	\$0	\$113,750

Significant Present Law Adjustments -

- Continue State Tribal Economic Development Commission work using \$2 million federal funds

LT. GOVERNOR

12 Lieutenant Governor's Office
Lt. Governor Judy Martz x5551

Program Description - The Office of the Lieutenant Governor is responsible for carrying out duties prescribed by statute established by Article VI, Section 4 of the Montana Constitution, as well as those delegated by the Governor. Statutory authority is Title 2, Chapter 15, part 3, MCA.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	3.00	0.00	0.00	3.00	0.00	0.00	3.00
Personal Services	171,337	12,477	0	183,814	13,143	0	184,480
Operating Expenses	37,424	5,265	0	42,689	6,188	0	43,612
Total Costs	\$208,761	\$17,742	\$0	\$226,503	\$19,331	\$0	\$228,092
General Fund	208,761	17,742	0	226,503	19,331	0	228,092
Total Funds	\$208,761	\$17,742	\$0	\$226,503	\$19,331	\$0	\$228,092

16 Citizens Advocate Office
Myrna Omholt-Mason x3468

Program Description - The Citizens' Advocate Office exists to provide access to state government for Montana citizens. The office provides information to citizens and functions as a referral service for public comments, suggestions, and requests for information. The office provides a toll-free number to the public.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	1.50	0.00	0.00	1.50	0.00	0.00	1.50
Personal Services	67,522	1,165	0	68,687	1,403	0	68,925
Operating Expenses	12,319	186	0	12,505	159	0	12,478
Total Costs	\$79,841	\$1,351	\$0	\$81,192	\$1,562	\$0	\$81,403
General Fund	65,649	543	0	66,192	754	0	66,403
Federal Special	14,192	808	0	15,000	808	0	15,000
Total Funds	\$79,841	\$1,351	\$0	\$81,192	\$1,562	\$0	\$81,403

MENTAL DIS BD VISITORS

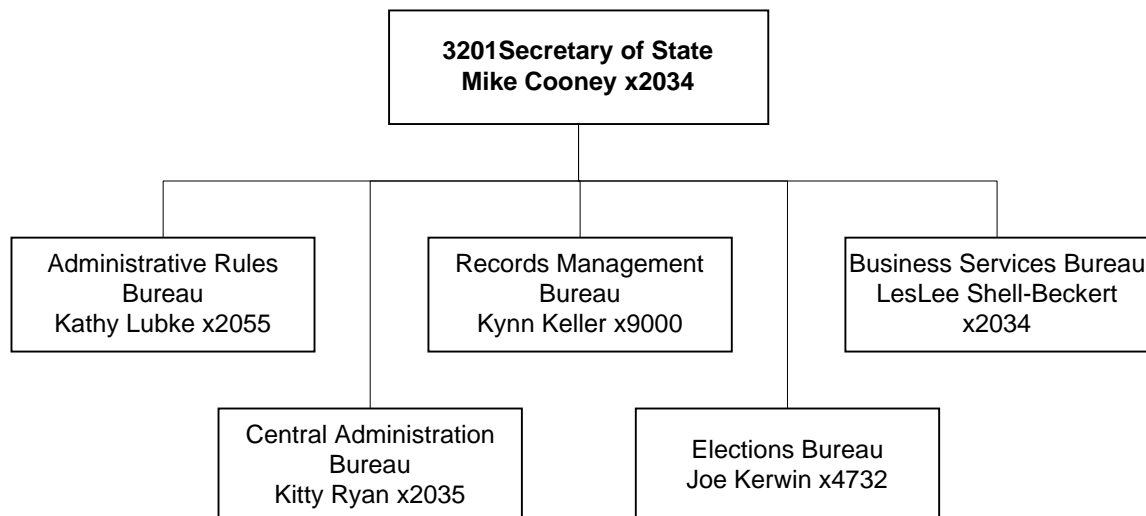
20 Mental Disabilities
Board of Visitors
Gene Haire x3965

Program Description - The Mental Disabilities Board of Visitors is charged with reviewing patient care at Montana's community mental health centers, and at the institutions for the mentally ill and the developmentally disabled. The board provides legal services for the residents at those institutions. The Governor appoints five board members who may be (but are not required to be) consumers, doctors of medicine, or behavioral scientists. The board employs administrative and legal staff and contracts with medical professionals to carry out its responsibilities for patient representation and facility review. The Mental Disabilities Board of Visitors Program was created by the Developmental Disabilities Act of 1975 and the Mental Commitment and Treatment Act of 1975 and exists as a state mandate.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	5.00	0.00	0.00	5.00	0.00	0.00	5.00
Personal Services	182,994	19,460	0	202,454	20,494	0	203,488
Operating Expenses	72,568	19,161	0	91,729	15,527	0	88,095
Total Costs	\$255,562	\$38,621	\$0	\$294,183	\$36,021	\$0	\$291,583
General Fund	218,740	45,443	0	264,183	42,343	0	261,083
State/Other Special	7,358	(7,358)	0	0	(7,358)	0	0
Federal Special	29,464	536	0	30,000	1,036	0	30,500
Total Funds	\$255,562	\$38,621	\$0	\$294,183	\$36,021	\$0	\$291,583

Significant Present Law Adjustments -

- Purchase computers according the office computer replacement cycle
- Improve and expand Board of Visitors site visits to Montana hospitals and clinics



Mission Statement - To provide quality customer service. In an ongoing effort to provide services to the customers of the Secretary of State, the office strives to promote an environment that nurtures and enhances the entrepreneurial spirit of Montana. In achievement of this mission, the Secretary of State advances the principle that government should work for and with its customers. Always striving to improve, not impede the process.

Statutory Authority - Article VI, Montana Constitution.

Program Description - The Office of the Secretary of State is established by Article VI, Section 1 of the Montana Constitution, and its duties are set forth in 2-4-311 and 312, 2-6-203, and 2-15-401, MCA. The office files, maintains, stores, and distributes corporate documents, agricultural lien information, official records of the executive branch, and acts of the legislature. It publishes the Administrative Rules of Montana and the Montana Administrative Register. It administers the state agency records management function and operates a central microfilm unit and the state records center. Because the Secretary of State is the chief election officer of the state, the office also interprets and applies election laws, except those pertaining to campaign finance.

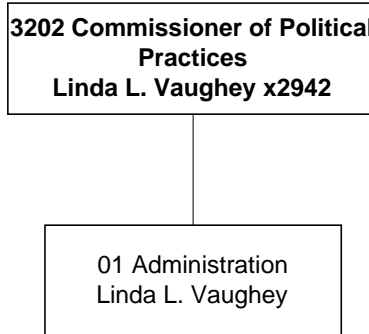
Proprietary Rates

Revenues and Expenses -

The Office of the Secretary of State administers two proprietary funds. The first, an internal service fund, receives revenue from fees charged to state agencies for managing agency records and for publishing and distributing the Administrative Rules of Montana (ARM) and the Montana Administrative Register (MAR). The second fund is an enterprise fund that receives revenues from fees charged to businesses and corporations for corporate filings, registration of assumed business names and trademarks, etc. The legislature does not set rates for the enterprise fund.

Rate Explanation –

Agency records management fees are based on microfilm size and service provided. Publication and distribution of the ARM is done at a rate of \$350 per set for quarterly updates and MAR at \$300 or \$35 per page for agencies. The detailed list is authorized in HB2 and presented to the appropriations subcommittee.



Mission Statement - To monitor and to enforce, in a fair and impartial manner, campaign practices and campaign finance disclosure, lobbying disclosure, business interest disclosure of statewide and state district candidates, elected state officials and state department directors, ethical standards of conduct for legislators, public officers and state employees and to investigate legitimate complaints that arise concerning any of the above.

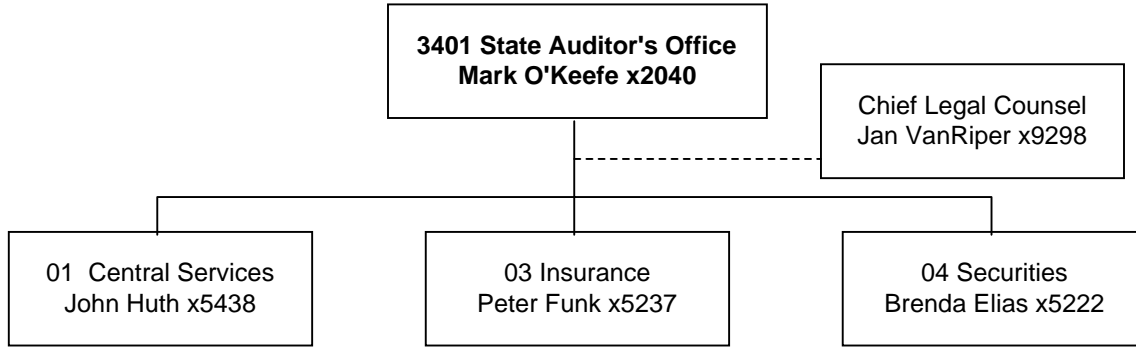
Statutory Authority - Title 13, Chapter 37; Title 2, Chapter 2

Program Description - The Commissioner of Political Practices is provided for in 13-37-102, MCA, which was enacted in 1975 as part of a campaign finance and practice law reform package, with duties and responsibilities set forth in Title 13, Chapter 37, part 1, MCA. Additional responsibilities for the office were created through passage of an initiative in 1980 which provided for both lobbying disclosure and disclosure of business interests of elected officials. In 1995 the Legislature enacted the code of ethics (Title 2, Chapter 2, MCA) and assigned to the commissioner the responsibility for administering ethical standards of conduct for legislators, public officers and state employees. Statutory authority resides in Title 13, Chapter 37 and Title 2, Chapter 2, MCA.

Program Indicators -

Indicator	Actual FY1998	Actual FY1999	Actual FY2000	Estimated FY2001	Requested FY2002	Requested FY2003
Lobbyists registered	741	850	850	850	850	850
Committees registered (all types)	280	534	534	550	550	550
Candidates registered (State, State District, and Local)	1214	1812	1394	1550	1400	1550
Official complaints filed	5	18	7	20	10	20

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	5.00	0.00	0.00	5.00	0.00	0.00	5.00
Personal Services	149,492	29,050	0	178,542	30,256	0	179,748
Operating Expenses	167,637	6,481	0	174,118	1,658	0	169,295
Total Costs	\$317,129	\$35,531	\$0	\$352,660	\$31,914	\$0	\$349,043
General Fund	317,129	35,531	0	352,660	31,914	0	349,043
Total Funds	\$317,129	\$35,531	\$0	\$352,660	\$31,914	\$0	\$349,043



Mission Statement - The State Auditor is the Commissioner of Insurance and the Commissioner of Securities. The auditor also serves as a member of the Board of Land Commissioners and the Crop Hail Insurance Board. The auditor is charged with licensing, registering, and regulating insurance companies and producers, securities issuers, salespeople, broker-dealers, investment advisers, and investment adviser representative within the state.

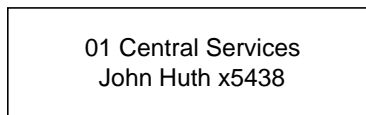
Statutory Authority - Title 30, Chapter 10, MCA, Securities Regulation, and Title 33, MCA, Insurance.

Executive Budget Recommendation –

- Increase state special appropriation authority to pay for non-state rental space
- Address the legal workload requirements by adding 1.00 FTE attorney position

Agency Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	67.00	1.50	0.00	68.50	1.50	0.00	68.50
Personal Services	2,517,995	234,498	0	2,752,493	251,034	0	2,769,029
Operating Expenses	694,976	188,819	0	883,795	103,044	0	798,020
Equipment	0	15,655	0	15,655	15,655	0	15,655
Total Costs	\$3,212,971	\$438,972	\$0	\$3,651,943	\$369,733	\$0	\$3,582,704
General Fund	1,006,595	(649,650)	0	356,945	(650,937)	0	355,658
State/Other Special	2,206,376	1,088,622	0	3,294,998	1,020,670	0	3,227,046
Total Funds	\$3,212,971	\$438,972	\$0	\$3,651,943	\$369,733	\$0	\$3,582,704

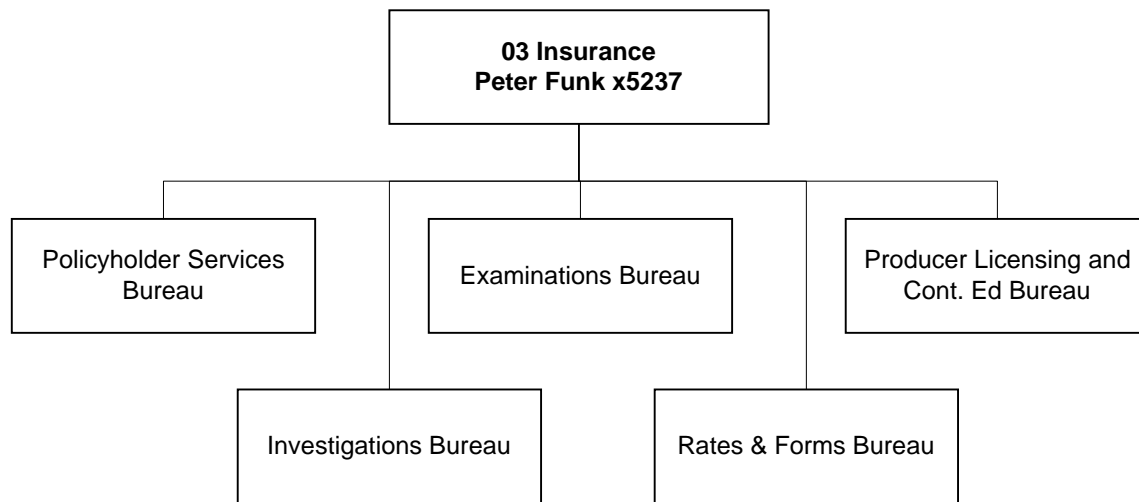
CENTRAL MANAGEMENT



Program Description - The Central Management Division is responsible for the administrative, personnel, budgeting, and accounting functions for the State Auditor's Office. The division also provides support to the auditor in fulfilling the duties as a member of the state land and hail insurance boards.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	9.50	0.50	0.00	10.00	0.50	0.00	10.00
Personal Services	332,473	76,442	0	408,915	78,921	0	411,394
Operating Expenses	91,019	35,957	0	126,976	27,154	0	118,173
Total Costs	\$423,492	\$112,399	\$0	\$535,891	\$106,075	\$0	\$529,567
General Fund	152,416	(152,416)	0	0	(152,416)	0	0
State/Other Special	271,076	264,815	0	535,891	258,491	0	529,567
Total Funds	\$423,492	\$112,399	\$0	\$535,891	\$106,075	\$0	\$529,567

INSURANCE



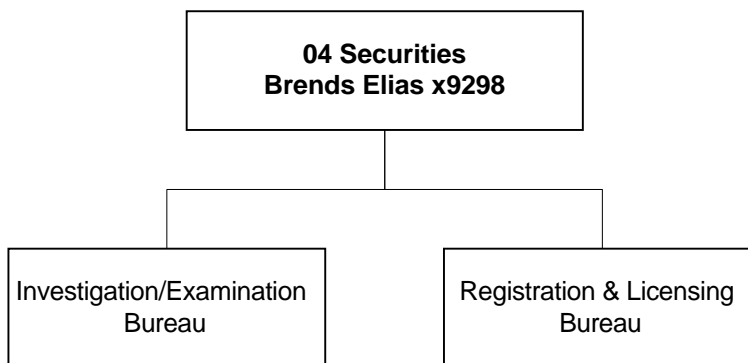
Program Description - The Insurance Division regulates the insurance industry in Montana. The Policyholder Services Bureau is responsible for resolving insurance consumer inquiries and complaints involving agents, coverage, and companies. The Examinations Bureau is responsible for monitoring the financial solvency of insurance companies, collecting premium taxes and company fees, and auditing insurance company annual statements. The Rates and Forms Bureau is responsible for reviewing form filings and rate filings to ensure compliance with the applicable insurance code. The Licensing Bureau is responsible for licensing and providing continuing education to insurance agents, agencies, and adjusters. The Investigations Bureau investigates insurance code and rule violations, including possible criminal violations, and refers cases to county attorneys for prosecution.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	46.00	0.50	0.00	46.50	0.50	0.00	46.50
Personal Services	1,804,457	102,364	0	1,906,821	113,298	0	1,917,755
Operating Expenses	507,730	125,795	0	633,525	55,006	0	562,736
Equipment	0	15,655	0	15,655	15,655	0	15,655
Total Costs	\$2,312,187	\$243,814	\$0	\$2,556,001	\$183,959	\$0	\$2,496,146
General Fund	512,384	(512,384)	0	0	(512,384)	0	0
State/Other Special	1,799,803	756,198	0	2,556,001	696,343	0	2,496,146
Total Funds	\$2,312,187	\$243,814	\$0	\$2,556,001	\$183,959	\$0	\$2,496,146

Significant Present Law Adjustments -

- Add 0.50 FTE attorney for insurance and securities workload
- Restrict insurance examination fees at \$107,234 in FY 2002 and \$52,234 in FY 2003

SECURITIES

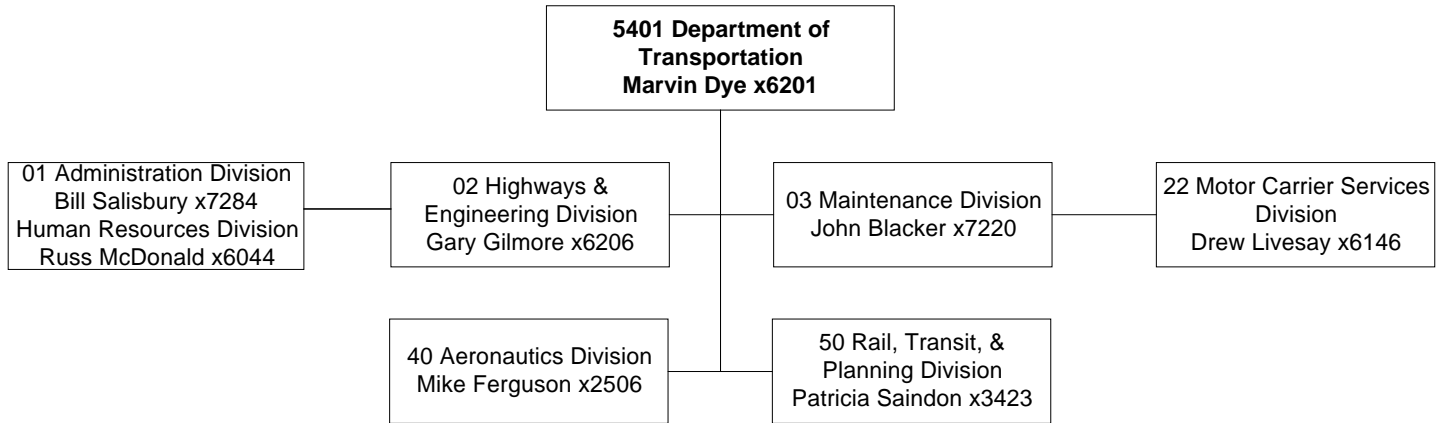


Program Description - The Securities Division is responsible for the administration and enforcement of the Securities Act of Montana and, in particular, for the registration of securities issuers, salespeople, broker-dealers, investment advisers, and investment adviser representatives. The division also is responsible for the investigation of unregistered and fraudulent securities transactions. The division has sole jurisdiction for investment advisor firms with assets of under \$25 million. The Investigations Bureau investigates securities code and rule violations, including possible criminal violations, and refers cases to county attorneys for prosecution.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	11.50	0.50	0.00	12.00	0.50	0.00	12.00
Personal Services	381,065	55,692	0	436,757	58,815	0	439,880
Operating Expenses	96,227	27,067	0	123,294	20,884	0	117,111
Total Costs	\$477,292	\$82,759	\$0	\$560,051	\$79,699	\$0	\$556,991
General Fund	341,795	15,150	0	356,945	13,863	0	355,658
State/Other Special	135,497	67,609	0	203,106	65,836	0	201,333
Total Funds	\$477,292	\$82,759	\$0	\$560,051	\$79,699	\$0	\$556,991

Significant Present Law Adjustments -

- Add 0.50 FTE attorney for insurance and securities workload
- Add \$12,000 restricted appropriation for securities examinations



Mission Statement - To serve the public by providing a transportation system and services that emphasize quality, safety, cost effectiveness, economic vitality and sensitivity to the environment.

Statutory Authority - Title 2, Chapter 15, part 25; and Titles 23 and 60, MCA; USC 134 and 135; Title 23, Chapter 1, CFR.

Executive Budget Recommendation –

- Implement Governmental Accounting Standards Board Standard 34 (GASB 34) for the department
- Design, implement, and maintain governmental electronic commerce for financial and related applications at the department
- Create an engineering oversight bureau to review, evaluate, and make recommendations to improve the highway construction process
- Increase preliminary survey support to address the survey needs of the department
- Implement the new mechanistic design procedure with additional staff in the Materials Bureau
- Reduce the department's pavement preservation program due to impacts from Legislative Referendum 115
- Maintain Secondary Roads throughout the State of Montana
- Provide quality assurance for weed control contracts with local governments
- Participate in the International Registration Plan which acts as a clearinghouse for interstate commercial vehicle fees collected by states
- Grant money to communities for airport safety and development
- Increase the number of community rest area programs and reinstate existing programs
- Enhance the department financial planning and program nomination process by implementing the Performance Programming Process
- Continue the Urban Planning Program for small urban areas in Montana

Language - The following language is recommended for HB 2:

"The department may adjust appropriations in the construction, maintenance, and transportation planning programs between state special and federal special revenue fund types if the total state special revenue authority for these programs is not increased by more than 10% of the total appropriations established by the legislature for each program. All transfers between fund types must be fully explained and justified by budget documents submitted to the office of budget and program planning, and all fund transfers of more than \$1 million in any 30 day period must be communicated to the legislative finance committee in a written report.

"All federal special revenue appropriations in the department are biennial."

Agency Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	2,116.66	62.14	48.00	2,226.80	65.80	49.25	2,231.71
Personal Services	80,918,034	10,852,406	1,680,608	93,441,853	11,374,333	1,738,517	94,030,884
Operating Expenses	321,866,888	39,075,699	2,540,477	363,483,064	47,828,045	1,819,803	371,514,736
Equipment	1,308,305	313,437	79,122	1,700,864	(35,063)	23,896	1,297,138
Capital Outlay	12,319,921	0	0	12,319,921	0	0	12,319,921
Local Assistance	250,000	0	0	250,000	0	0	250,000
Grants	6,253,311	1,680,403	0	7,933,714	1,090,294	0	7,343,605
Transfers	15,143	0	0	15,143	0	0	15,143
Debt Service	6,445	1,346	0	7,791	1,346	0	7,791
Total Costs	\$422,938,047	\$51,923,291	\$4,300,207	\$479,161,545	\$60,258,955	\$3,582,216	\$486,779,218
General Fund	250,000	0	0	250,000	0	0	250,000
State/Other Special	179,411,483	22,403,401	(26,329,106)	175,476,583	22,980,131	(25,532,793)	176,858,821
Federal Special	243,276,564	29,519,890	30,629,313	303,425,767	37,269,591	29,115,009	309,661,164
Total Funds	\$422,938,047	\$51,923,291	\$4,300,207	\$479,161,545	\$60,258,955	\$3,582,216	\$486,779,218

Working Capital Discussion –

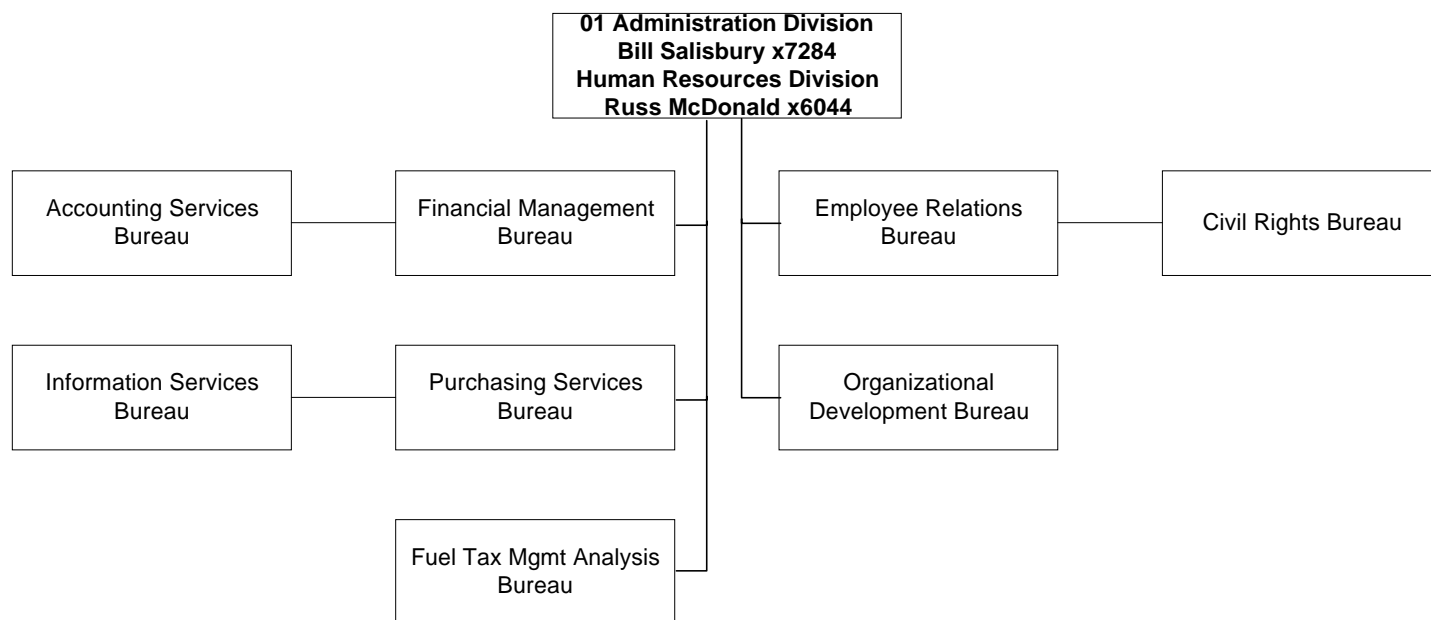
A significant issue surrounding all discussions about the Department of Transportation budget is the working capital balance in the highway state special revenue fund (HSSR). Several sources contribute to the incoming revenues of the fund including G.V.W. fees, gas and diesel taxes, and miscellaneous revenues.

The HSSR formerly received revenue from the new car sales tax. HB 540 passed by the 1999 Legislature and modified by the May 2000 special session submitted a referendum to the electorate to eliminate the new car sales tax and implement a fee system for licensing vehicles. The November 2000 passage of Legislative Referendum 115 resulted in a loss of revenue to the department of approximately \$6.1 million each fiscal year. The Executive Budget includes a reduction in the Maintenance Division in the area of pavement preservation projects to offset the loss of revenue. In addition, new proposals in the Long-Range Building Program were reduced, and a proposal to increase maintenance of interstate rest areas was withdrawn.

The reductions required due to the referendum, along with the retirement of some bonds in FY 2003, will allow the HSSR account to maintain a positive working capital balance through FY 2006.

**DEPARTMENT OF TRANSPORTATION
GENERAL OPERATIONS PROGRAM**

**5401
01**



Program Description - The General Operations Program administers motor fuel taxes and provides administrative support services for the department, including general administration and management; accounting and budgeting; public affairs; information technology services; human resources activities; compliance review; and goods and services procurement. The General Operations Program is authorized by 2-15-2501(3), MCA.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	151.27	0.00	11.00	162.27	0.00	12.00	163.27
Personal Services	5,899,056	668,991	420,644	6,988,691	714,944	455,457	7,069,457
Operating Expenses	7,926,923	2,999,619	542,191	11,468,733	2,914,695	488,378	11,329,996
Equipment	172,010	294,937	7,200	474,147	(60,063)	0	111,947
Grants	75,606	(606)	0	75,000	(606)	0	75,000
Debt Service	750	1,346	0	2,096	1,346	0	2,096
Total Costs	\$14,074,345	\$3,964,287	\$970,035	\$19,008,667	\$3,570,316	\$943,835	\$18,588,496
State/Other Special	13,356,684	3,427,562	970,035	17,754,281	3,099,741	943,835	17,400,260
Federal Special	717,661	536,725	0	1,254,386	470,575	0	1,188,236
Total Funds	\$14,074,345	\$3,964,287	\$970,035	\$19,008,667	\$3,570,316	\$943,835	\$18,588,496

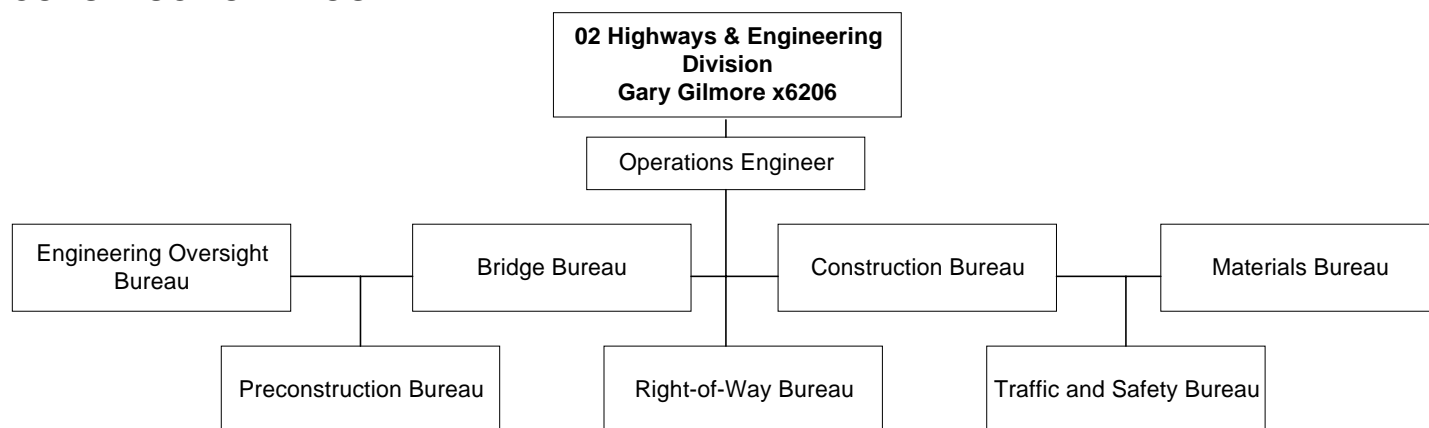
Significant Present Law Adjustments -

- Provide the department with additional servers and networking capability
- Replace 25 percent of department personal computers and laser printers each year
- Contract for development work on information technology related projects
- Implement the hazardous materials communications program and train staff
- Purchase software not covered by the ISD network rate
- Continue the contract with Lockheed Martin - IMS to provide services and system support to MDT for Montana Tax and Revenue System (MOTRS)
- Conduct specialized EEO and ADA training for the department administrative staff and Transportation Commission
- Reduce the evasion of motor fuel and other highway use taxes

New Proposals -

- Expand information technology staff to accommodate increased workload
- Cross-match motor fuel tax returns with information filed to determine whether all motor fuel reported sold to Montana licensed distributors was reported and that the motor fuel tax was paid
- Detect fuel tax fraud and evasion across Montana
- Design, implement, and maintain Governmental Electronic Commerce for financial and related applications at the Montana Department of Transportation
- Hire additional administrative support for the Disadvantaged Business Enterprise (DBE) program
- Implement Governmental Accounting Standards Board Standard 34 (GASB 34) for the Department
- Add a contracts officer to accommodate the additional workload due to the department taking over maintenance of secondary roads in the state
- Investigate irregularities relative to contract administration and fuel tax fraud

CONSTRUCTION PROGRAM



Program Description - The Construction Program is responsible for construction project planning and development from the time a project is included in the long-range work plan through the actual construction of the project. Program responsibilities include such tasks as project design, environmental documents and permits, right-of-way acquisitions, issuing contract bids, awarding contracts, and administering construction contracts. Contract administration is the documentation, inspection, and testing of highway construction projects from the time the contract is awarded to a private contractor until the project is completed and the work approved as meeting established construction standards. The program also provides traffic improvement and educational programs to promote public safety, health, and welfare. The Construction Program is mandated by 2-15-2501(1), MCA; Title 60, MCA; and 23 USC 116.

Program Indicators –

Indicator	Actual FY1998	Actual FY1999	Actual FY2000	Estimated FY2001	Requested FY2002	Requested FY2003
Percentage of all projects finalized within 120 days of certificate of completion	16.7%	5.3%	11.0%	50.0%	85.0%	85.0%
Develop plans for and let 85% of planned fiscal year projects	N/A	N/A	88.2%	85.0%	85.0%	85.0%
Maintain statewide average construction engineering costs under 8.5% of total contract costs	8.1%	8.1%	7.95%	8.2%	8.5%	8.5%
Maintain statewide final costs under 10% above award amount	4.2%	3.7%	1.4%	2.5%	2.5%	2.5%

**DEPARTMENT OF TRANSPORTATION
CONSTRUCTION PROGRAM**

**5401
02**

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	1,055.23	(2.21)	33.00	1,086.02	1.45	34.00	1,090.68
Personal Services	41,389,329	3,296,769	1,149,121	45,835,219	3,561,164	1,189,866	46,140,359
Operating Expenses	270,122,733	28,760,997	540,588	299,424,318	38,027,426	315,594	308,465,753
Equipment	934,442	0	0	934,442	15,000	0	949,442
Capital Outlay	12,253,537	0	0	12,253,537	0	0	12,253,537
Local Assistance	250,000	0	0	250,000	0	0	250,000
Grants	2,834,614	626,901	0	3,461,515	626,901	0	3,461,515
Debt Service	5,695	0	0	5,695	0	0	5,695
Total Costs	\$327,790,350	\$32,684,667	\$1,689,709	\$362,164,726	\$42,230,491	\$1,505,460	\$371,526,301
General Fund	250,000	0	0	250,000	0	0	250,000
State/Other Special	90,693,250	6,637,746	(25,290,320)	72,040,676	8,093,495	(24,139,175)	74,647,570
Federal Special	236,847,100	26,046,921	26,980,029	289,874,050	34,136,996	25,644,635	296,628,731
Total Funds	\$327,790,350	\$32,684,667	\$1,689,709	\$362,164,726	\$42,230,491	\$1,505,460	\$371,526,301

Significant Present Law Adjustments -

- Contract for legal services and expert witnesses in contract claims cases
- Reauthorize the wetlands program for mitigation of impacts on wetlands from highway construction projects
- Receive staff training in traffic signal design
- Provide ongoing maintenance and support for CADD and photogrammetry software
- Adjust budget for accounting changes recommended by the Legislative Auditor
- Increase contractor payments for anticipated construction projects
- Conduct additional research with increased federal research dollars

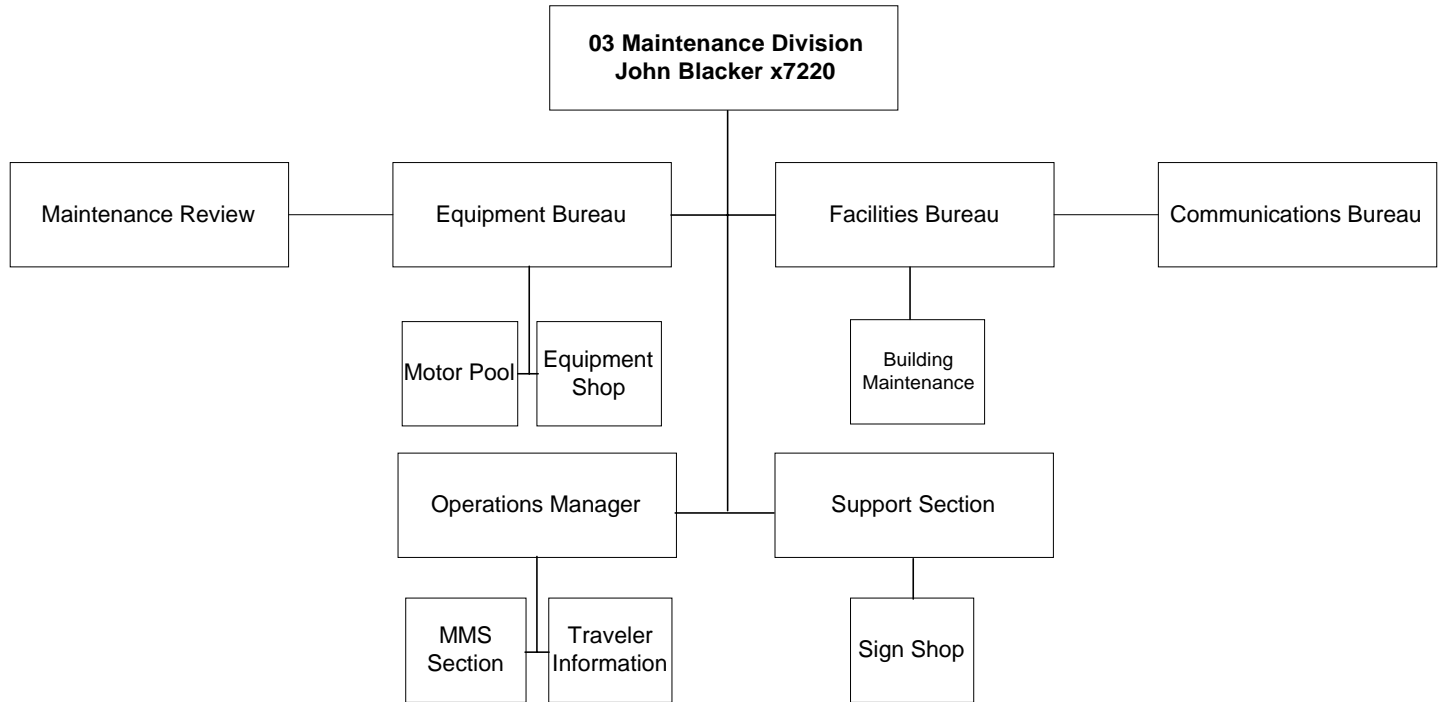
New Proposals -

- Create an engineering oversight bureau to review, evaluate, and make recommendations to improve the highway construction process
- Increase preliminary survey support to address the survey needs of the department
- Perform additional right-of-way duties required due to expanded federal-aid construction program
- Add traffic engineering staff to address traffic related design and support issues in the department
- Purchase traffic accident analysis software for the safety management section
- Expand legal services staff due to increased federal aid program
- Support specialized pavement analysis and research software with additional staff
- Implement the new mechanistic design procedure with additional staff in the Materials Bureau
- Adjust funding from state special revenue to federal special revenue

Language - The following language is recommended for HB 2:

"Item 2 includes a total of \$63,690 for the 2003 biennium for the Montana natural resources information system. Quarterly payments must be made upon receipt of the bills from the state library up to the total amount appropriated."

"All construction program appropriations are biennial."



Program Description - The Maintenance Program provides for repairs and preventive maintenance of state highways and the various signs and structures within the highway right-of-way. Winter plowing and sanding and year-round repairs to the state highway system are the responsibility of the staff in the Maintenance Program. The Maintenance Program is authorized by 2-15-2501(1), MCA; Title 60, MCA; and 23 USC 116.

Program Indicators –

Indicator	Actual FY1998	Actual FY1999	Actual FY2000	Estimated FY2001*	Requested FY2002*	Requested FY2003*
Miles of road plowed during Winter Maintenance	2,000,000	3,067,406	2,151,278	2,800,000	3,000,000	3,000,000
Square yards of Chipseal on Montana highways	6,100,000	6,407,822	6,780,238	6,200,000	7,000,000	7,000,000
Miles of 4" stripes applied to Montana highways	14,817	17,272	14,000	14,000	17,000	17,000

*Includes Secondary Roads takeover – SB 333.

**DEPARTMENT OF TRANSPORTATION
MAINTENANCE PROGRAM**

**5401
03**

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	717.93	64.35	1.00	783.28	64.35	1.00	783.28
Personal Services	26,665,520	6,533,126	28,401	33,227,047	6,705,842	28,498	33,399,860
Operating Expenses	42,079,789	5,693,598	394,660	48,168,047	5,919,964	373,660	48,373,413
Equipment	160,428	0	71,922	232,350	0	23,896	184,324
Capital Outlay	66,384	0	0	66,384	0	0	66,384
Total Costs	\$68,972,121	\$12,226,724	\$494,983	\$81,693,828	\$12,625,806	\$426,054	\$82,023,981
State/Other Special	68,159,583	10,810,769	(2,367,133)	76,603,219	11,209,851	(2,436,062)	76,933,372
Federal Special	812,538	1,415,955	2,862,116	5,090,609	1,415,955	2,862,116	5,090,609
Total Funds	\$68,972,121	\$12,226,724	\$494,983	\$81,693,828	\$12,625,806	\$426,054	\$82,023,981

Significant Present Law Adjustments -

- Maintain Secondary Roads throughout the State of Montana
- Employ additional staff for peak seasonal maintenance work
- Provide road condition, construction and load limit information about Montana roadways to the traveling public
- Reduce the department's pavement preservation program due to impacts from Legislative Referendum 115
- Administer cleaning contracts for non-interstate rest areas
- Rent additional office special in the private sector for the Transportation Planning Division

New Proposals -

- Purchase two-way radio equipment for department staff
- Adjust funding from state special revenue to federal special revenue
- Supply two Maintenance areas with modern effective communications equipment
- Provide quality assurance for weed control contracts with local governments
- Contract with the private sector to provide repair and maintenance on highway lighting

Language – The following language is recommended for HB 2:

“All maintenance program appropriations are biennial.”

Proprietary Rates

Program Description -The State Motor Pool operates and maintains a fleet of vehicles available to all state offices and employees to conduct official state business. The State Motor Pool has two basic components - the daily rental fleet and the out-stationed lease fleet. The daily rental program operates out of the Helena headquarters facility and provides vehicles for short-term use. The leasing program provides vehicles for extended assignment to agencies statewide. The program has 6.00 FTE.

Program Indicators –

Indicator	Actual FY1998	Actual FY1999	Actual FY2000	Estimated FY2001	Requested FY2002	Requested FY2003
Number of vehicles maintained and provided for state employee use	389	481	616	655	774	834

Revenues and Expenses -

Change in Services or Fees. There have been no significant changes in the current services provided by the State Motor Pool Program. There is a projected increase in fleet size and mileage as the program continues to expand to service a wide variety of customer agencies. The program has increased from 197 units in FY 1994 to 640 in FY 2000. During that time, mileage increased from 4.1 million to 10.2 million miles, and the program projects an additional 2.5 million miles by the end of FY 2003. The motor pool is responsible for expenditures associated with the acquisition, repair, maintenance, and routine operating costs of a fleet of approximately 640 vehicles. The operating costs and revenues for the fleet are functionally tied to the travel requirements of the various user agencies.

Working Capital Discussion. The program uses loans from the Board of Investments (BOI) to fund vehicle purchases. The interest rates on BOI loans are adjusted annually and vary from one purchase cycle to the next. The outstanding loan balance and the interest and principal payments have the greatest impacts on motor pool rental rates. Rental rates are set to recover sufficient revenue to meet loan principal and interest payments, operating costs, and maintain no more than a 60-day working capital balance. If the program does not generate sufficient revenue to make interest and principal payments, assets would have to be sold.

Cash Flow Discussion. Revenue is generated through rental rates and the sales of surplus assets. The majority of the program revenue is from vehicle rental rates. The motor pool also receives revenue for accident damages that are reimbursed by private individuals or insurance companies. The amount generally covers the expenditures to repair the damage. The motor pool is obligated to pay interest and the principle payment for the loan from BOI for the acquisition of the vehicles.

Rate Explanation -The motor pool rental rates are based on a "dual rate" structure, meaning the users will reimburse the program for actual miles driven (usage rate) and a possession rate (assigned time rate). The dual rate structure was instituted to ensure adequate revenue to make loan payments and meet all obligations, while ensuring that all vehicles pay a fair share with no vehicle class subsidizing another class.

The usage rate is a per mile rate that is designed to recover "direct operation costs" such as repair labor and parts, fuel, lubricants, tires, and tubes. The assigned rate is a possession rate that is designed to recover "fixed costs" such as insurance, interest, principal payment, depreciation, and indirect expenses.

Due to the "dual rate" structure, there will be changes in the rates, both upward and downward, depending on the vehicle class.

New Proposals -

- Implement a new system to incorporate and diversify three old computer systems currently being used by the Motor Pool and Equipment Programs
- Develop and implement a system for users to reserve motor pool vehicles by phone.

Language Recommendations – The following language is recommended for HB2:

"The motor pool program may charge rates necessary to establish and maintain a 60-day working capital balance to operate the program."

Proprietary Rates

Program Description -The Equipment Program is responsible for the acquisition, disposal, and repair and maintenance of a fleet of approximately 4,000 individual units used by the Department of Transportation. The fleet is comprised of light duty vehicles, single and tandem axle dump trucks, specialized snow removal units, roadway maintenance units, and other specialized equipment. The program has 120.00 FTE.

Program Indicators -

Indicator	Actual FY1998	Actual FY1999	Actual FY2000	Estimated FY2001	Requested FY2002	Requested FY2003
Number of units maintained and provided for MDT use	4,039	4,169	4,282	4,360	4,429	4,429

Revenues and Expenses -

Change in Services or Fees. The Equipment Program fleet size will increase over the 2003 biennium due to the department taking over maintenance of secondary roads. Revenue generated by the program supports the operating costs associated with the fleet. The program is requesting 2.00 FTE due to the increase in fleet size. Operation costs and revenue for the fleet are functionally tied to the severity of the winter, construction program workload, and travel requirements of the various department users. Annual mileage and hours of usage can vary significantly. The program anticipates an increase in miles of travel and hours of usage due to the secondary road program. Additional funding will be used to cover anticipated increased expenditures for fuel, cutting edges for snowplows, and repair parts that are a result of the increased usage. The program rental rates will be sufficient to recover revenue to meet program obligations.

Working Capital Discussion. The program rental rates are set to recover sufficient revenue to purchase assets, cover normal operating expenses, and maintain no more than a 60-day working capital balance. Revenue is generated through rental rates, sale of surplus assets, and damage settlements. The primary source of revenue is from user rental rates charged for the use and possession of vehicles and equipment. The program rental rates are based on a "dual rate" structure. Users will reimburse the program for actual miles driven (usage rate) and a possession rate (assigned rate). Actual miles of travel and hours of usage are reported biweekly and billings are generated on the same schedule as payrolls. Approximately \$650,000 in rental revenue is generated every two weeks. Rental revenue varies with the season, weather conditions, and workloads. Auction revenue varies depending number and types of units being sold. The program also receives incidental revenue for accident damages that are reimbursed by private individuals or insurance companies. The amount generally covers the expenditures to repair the damage. If the program doesn't generate sufficient revenue to meet these obligations, then the program would have to either liquidate assets or receive a loan.

Cash Flow Discussion. The Equipment Program is internal to the Department of Transportation only. The cash flow is dependent on the rental revenue received and on the auction proceeds of fleet units sold. Rental revenue varies with the season, weather conditions, and workloads. If there is a light winter season, there is low usage on the equipment, which generates little revenue. If there is a heavy winter season, there is high usage on the equipment and additional rental is received on the equipment. The program cash balance is generally less than the allowable 60-day maximum. With less than 60-day cash, the program does not have sufficient cash to cover obligations that must be paid at the beginning of each fiscal year. To meet those obligations, the program negotiates an inter-entity loan from the Construction Program. The loan covers day-to-day operating expenses and the annual insurance payment until revenues have a chance to catch up with expenses. The loan is repaid by fiscal year end. The program rental rates will generate sufficient revenue to purchase assets, cover normal operating expenses, and not exceed the 60-day operating cash balance.

Rate Explanation -The program rental rates are based on a "dual rate" structure. The users will reimburse the program for actual miles/hours of usage (usage rate) and a rate for possession of a vehicle or piece of equipment (assigned rate).

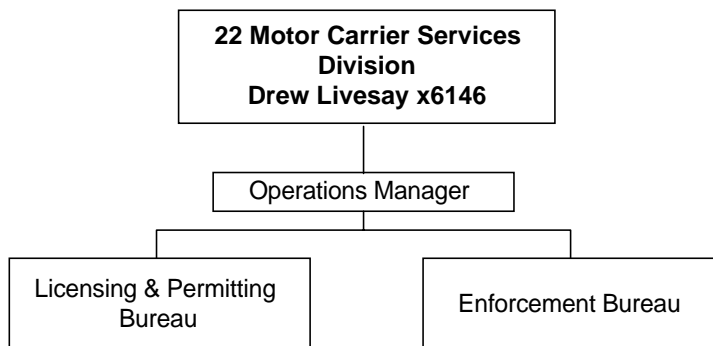
The usage rate is a per mile or hourly rate that is applied to a vehicle or piece of equipment for the actual miles/hours used and is designed to recover "direct costs" that include labor, parts, fuel, lubricants, tires, and tubes. The assigned rate is designed to recover "fixed costs" such as insurance, loan repayment, depreciation, indirect cost, etc. Rental rates are adjusted yearly. The rates are based on the actual operational costs for each subclass for the base rental period. These costs are adjusted to reflect changes in operations or operating costs from the base. The financial position of the program is also considered in the rate development process in order to maintain a cash balance that will not exceed the 60-day maximum cash balance requirement.

New Proposals -

- Implement a new system to incorporate and diversify three old computer systems currently being used by the Motor Pool and Equipment Programs
- Add 2.00 FTE to maintain increased vehicle and equipment requirements

Language Recommendations – “The equipment program may charge rates necessary to establish and maintain a 60-day working capital balance to operate the program.”

MOTOR CARRIER SERVICES DIV.



Program Description - The Motor Carrier Services Division enforces state and federal commercial motor carrier laws including laws on vehicle size and weight, insurance, licensing, fuel, and vehicle and driver safety. The Licensing and Permit Bureau registers interstate fleet vehicles, issues commercial vehicle licenses, issues oversize/overweight permits, and collects and distributes fees and taxes. The Enforcement Bureau operates a statewide weigh station and mobile enforcement program and assigns uniformed officers to inspect commercial vehicles for compliance with state and federal safety, registration, fuel, insurance and size/weight laws. The Motor Carrier Services Program is mandated by Title 61, Chapter 9, MCA.

Program Indicators -

Indicator	Actual SFY1998	Actual SFY1999	Actual SFY2000	Estimated SFY2001	Requested SFY2002	Requested SFY2003
Service and enforcement contacts*	115,051	132,649	130,614	130,600	128,002	126,043
Trucks weighed	661,071	680,286	559,539	462,567	462,567	462,567

* A contact includes issuing oversize/overweight permits, performing commercial vehicle and driver safety inspections, issuing citations, taking commercial vehicle samples, and weighing trucks.

**DEPARTMENT OF TRANSPORTATION
MOTOR CARRIER SERVICES DIV.**

**5401
22**

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	112.63	0.00	0.00	112.63	0.00	0.00	112.63
Personal Services	3,958,614	158,627	0	4,117,241	181,505	0	4,140,119
Operating Expenses	839,889	62,793	19,200	921,882	63,974	13,000	916,863
Total Costs	\$4,798,503	\$221,420	\$19,200	\$5,039,123	\$245,479	\$13,000	\$5,056,982
State/Other Special	4,798,503	221,420	19,200	5,039,123	245,479	13,000	5,056,982
Total Funds	\$4,798,503	\$221,420	\$19,200	\$5,039,123	\$245,479	\$13,000	\$5,056,982

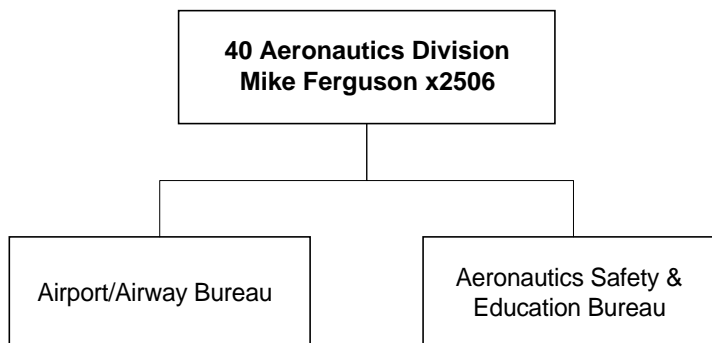
Significant Present Law Adjustments -

- Maintain and repair truck scales used in the Motor Carrier Services Program

New Proposals -

- Participate in the International Registration Plan which acts as a clearinghouse for interstate commercial vehicle fees collected by states
- Provide laptop computers for Mobile Officer Vehicle Enforcement Program

AERONAUTICS PROGRAM



Program Description - The Montana Aeronautics Division: 1) facilitates the maintenance of airports and the various components of airport infrastructure, including visual and electronic navigational facilities and flying aids; 2) fosters, promotes, and supervises aviation and aviation safety through educational efforts and programs; 3) registers aircraft and pilots in accordance with Montana laws and regulations; and 4) coordinates and supervises aerial search and rescue operations. In accordance with the maintenance and safety aspects of the division's purpose, it administers a loan and grant program to municipal governments to fund airport improvement projects. The Aeronautics Board approves all loan and grant requests and advises on matters pertaining to aeronautics.

The division serves in a liaison capacity between the State of Montana and various entities including the U.S. Department of Transportation, the Federal Aviation Administration (FAA), other federal and state entities, and commercial airlines to assure the retention and continuation of airline service to the rural communities of the state. The division also is responsible for operation of the air carrier airport at West Yellowstone and for 12 other state-owned airports. Montana Aeronautics Division is authorized by 2-15-2501(2), MCA; Title 67, MCA; and various federal laws.

Program Indicators -

Indicator	Actual FY1998	Actual FY1999	Actual FY2000	Estimated FY2001	Requested FY2002	Requested FY2003
Pilots registered	2,488	2,496	2,500	2,550	2,600	2,600
Aircraft registered	3,132	3,200	3,200	3,250	3,300	3,300
Search and Rescue incidences	93	95	81	95	95	95
Loans administered	5	5	1	4	5	5
Grants distributed	9	11	5	13	14	14

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	10.00	0.00	0.00	10.00	0.00	0.00	10.00
Personal Services	377,421	33,363	0	401,589	34,906	0	412,327
Operating Expenses	324,931	65,851	0	390,782	90,267	0	415,198
Equipment	1,105	18,500	0	19,605	10,000	0	11,105
Grants	58,550	641,450	0	700,000	(58,550)	0	0
Transfers	15,143	0	0	15,143	0	0	15,143
Total Costs	\$777,150	\$759,164	\$0	\$1,536,314	\$76,623	\$0	\$853,773
State/Other Special	712,150	738,664	0	1,450,8149	56,123	0	768,273
Federal Special	65,000	20,500	0	85,500	20,500	0	85,500
Total Funds	\$777,150	\$759,164	\$0	\$1,536,314	\$76,623	\$0	\$853,773

Significant Present Law Adjustments -

- Grant money to communities for airport safety and development
- Provide grants to air-carrier airports to assist with pavement preservation projects

Proprietary Rates

Program Description -The West Yellowstone Airport provides a fly-in gateway to the town of West Yellowstone, Yellowstone Park, and surrounding US Forest Service area recreational opportunities. The airport is seasonal in its operation matching the peak tourist demand of the area from June 1st to September 30th annually. The airport serves as an Inter-Agency Fire Control Center with both smoke jumpers and fire retardant bombers located at the airport. The airport accomplishes these missions with extensive facilities to accommodate aircraft that range in size from C-5 Galaxy to Cessna 172, general aviation type aircraft.

Facilities are a terminal building that has as tenants a café, gift shop, two car rental agencies, fixed based operation (FBO) serving general aviation, and Skywest Airlines. The airport has an 8,399' X 150' runway with full parallel taxiway. The airport is fully instrumented for landings in inclement weather. Additionally, the airport has a crash fire rescue building with a crash fire rescue truck for airport emergencies. The airport is certified by the Federal Aviation Administration in the Limited Operating Class category.

Fees for provided services are market based. There are no increases planned in the 2003 biennium for landing fees, building fees, fuel flowage fees, sales receipts, and non-aero rentals.

The West Yellowstone Airport is funded with an enterprise proprietary fund. There are 1.29 FTE budgeted to this fund.

Revenues and Expenses -

Change in Services or Fees. No change in services or fees will occur in the 2003 biennium.

Working Capital Discussion. Annual expenses at the airport average \$80,000/year. Based on this history, the fund must maintain a balance of \$14,000 to comply with the 60-day expense formula.

Fund Equity and Reserved Fund Balance. The West Yellowstone Airport proprietary fund balance continues to increase. Management objectives are to continue to increase the fund balance.

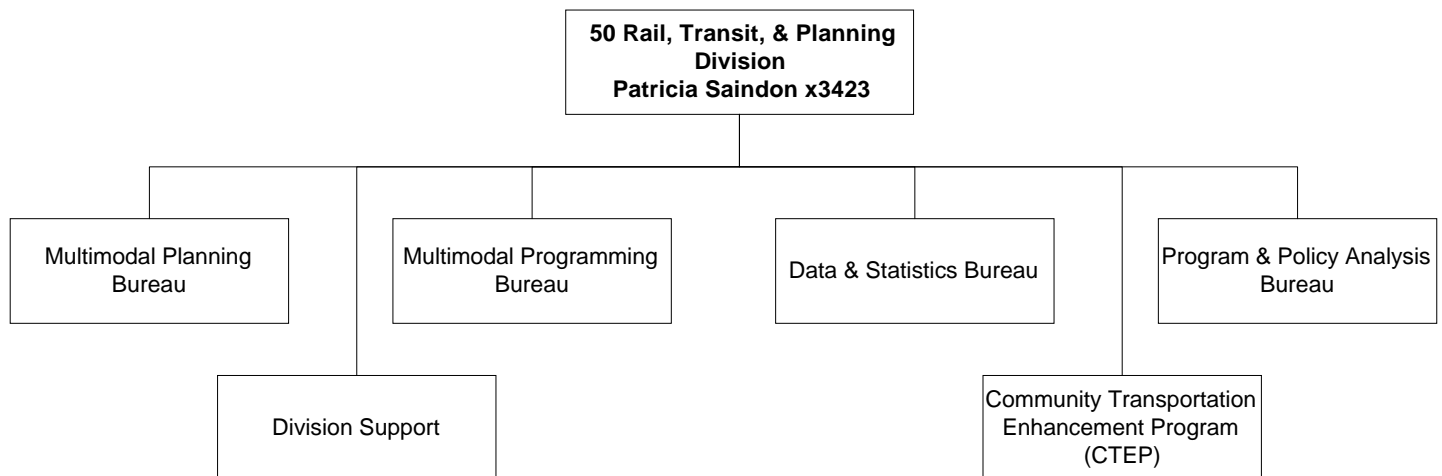
Cash Flow Discussion. There is no fluctuation of cash into the program. A steady increase in the fund balance continues each year. There is not any significant reoccurring cash obligations that must be covered by cash on hand or loans.

Rate Explanation -Fees for provided services are market based. There are no increases planned in the 2003 biennium for landing fees, building fees, fuel flowage fees, sales receipts, and non-aero rentals.

Significant Present Law -

- Implement West Yellowstone Airport certification and terminal upgrades

TRANSPORTATION PLANNING DIVISION



Program Description - The Rail, Transit and Planning Division provides: 1) an inventory of transportation infrastructure to allocate funds, maintain Department of Transportation eligibility for grant and federal funds, and aid the process of project prioritization and selection; 2) a statewide planning program and assistance to local area transportation planning; and 3) response to legislative or regulatory actions necessitating representation before courts, congressional hearings, the US DOT, the Surface Transportation Board, and others. This planning results in a program of projects which includes buses for transit systems, street and highway improvements, railroad track rehabilitation, transportation enhancements for non-motorized use and beautification improvements. The division is authorized by 7-14-102, 15-70-101, Title 60, Chapters 3 & 11, and Title 61, Chapter 2, part 1, MCA.

Program Indicators –

Indicator	Actual FY1998	Actual FY1999	Actual FY2000	Estimated FY2001	Requested FY2002	Requested FY2003
Federal aid resources for Montana which lapsed and were made available to other states	0%	0%	0%	0%	0%	0%
High priority goals and objectives in the DOT long-range plan which progressed significantly or were completed	93%	95%	95%	96%	96%	97%

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	69.60	0.00	3.00	72.60	0.00	2.25	71.85
Personal Services	2,628,094	161,530	82,442	2,872,066	175,972	64,696	2,868,762
Operating Expenses	572,623	1,492,841	1,043,838	3,109,302	811,719	629,171	2,013,513
Equipment	40,320	0	0	40,320	0	0	40,320
Grants	3,284,541	412,658	0	3,697,199	522,549	0	3,807,090
Total Costs	\$6,525,578	\$2,067,029	\$1,126,280	\$9,718,887	\$1,510,240	\$693,867	\$8,729,685
State/Other Special	1,691,313	567,240	339,112	2,597,665	284,675	85,609	2,061,597
Federal Special	4,834,265	1,499,789	787,168	7,121,222	1,225,565	608,258	6,668,088
Total Funds	\$6,525,578	\$2,067,029	\$1,126,280	\$9,718,887	\$1,510,240	\$693,867	\$8,729,685

Significant Present Law Adjustments -

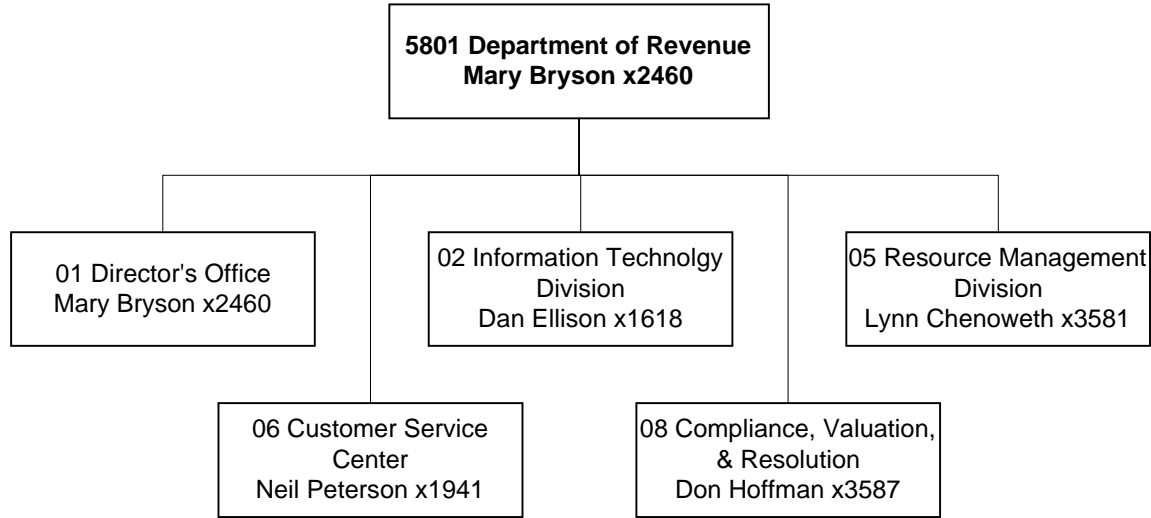
- Continue the Urban Planning Program for small urban areas in Montana
- Improve the bicycle and pedestrian facilities within the City of Great Falls
- Design statistical gathering software and hire a consultant to assist in highway performance data collection and database update
- Adjust budget for accounting changes recommended by the Legislative Auditor
- Expand Transportation Planning activities due to future TEA-21 federal funding increases

New Proposals -

- Enhance the department financial planning and program nomination process by implementing the Performance Programming Process
- Develop the Planning Processes/Requirements for conforming to the new TEA-21 planning regulations
- Complete the Statewide Truck Activity Reporting System (STARS) program projects
- Conduct the TranPlan 21 Public Involvement Survey
- Increase the number of community rest area programs and reinstate existing programs
- Adjust funding from state special revenue to federal special revenue

Language – The following language is recommended for HB 2:

“All appropriations in the transportation planning program are biennial.”



Mission Statement - To be a service-oriented and accountable organization where customers and employees are treated with courtesy, respect, and fairness; and where effective revenue, compliance, and collection services are provided to the public and to other governmental units in a fast, accurate, and cost effective manner.

Statutory Authority - Titles 2, 15, 16, 39, MCA

Program Indicators –

Indicator	Actual FY1998	Actual FY1999	Actual FY2000	Estimated FY2001	Requested FY2002	Requested FY2003
Individual income tax returns filed electronically*	26,258	37,602	56,411	90,400	122,950	155,650
Individual Income Tax returns filed by TELEFILE	19,724	21,698	20,663	24,000	28,000	32,000

NOTE: FY 1999 – FY 2003 figures identified above are actually “Calendar Year 1999 – 2003” figures. The Actual FY 2000 column reflects calendar year figures for year 2000 from January through September.

Non-Financial Program Indicators

Indicator	Actual 1998	Actual 1999	Projected 2000	Projected 2001	Projected 2002	Projected 2003
1. Customer Service Call Center	NA	70%	84%	85%	85%	85%
2. Timeliness of Refunds	45 Days	45 Days	46 Days	45 Days	42 Days	40 Days
3. Electronically Filed Tax Returns	26,258	59,300 (14%)	77,074 (19%)	28%	37%	46%

NOTE: This table represents “calendar year” statistics. The figures and percentages identified above are (averages) based on weekly or monthly statistics

1. Customer Service Call Center – These performance indicators are quality and efficiency measures. They represent the percentage of incoming phone calls answered by call center representatives without transferring them to a specialist. The percentages are based on the overall average.
2. Timeliness of Refunds – These performance indicators are efficiency measures. They represent the average number of days for a tax refund to be issued. It is based on the timeframe between the applicant’s “date of signature” to the date the refund was issued by the department. Refund claims received early in the filing season are normally processed within a matter of two weeks from date of signature. Claims received later in the processing season require a longer turn around time. Taking into account a more representative weighted averaging, internal processing improvements, and the increase utilization of electronic filing, the department expects to make significant improvement in the timeliness of refund processing.
3. Electronically Filed Tax Returns – These performance indicators are efficiency measures. They represent the annual increase in the number of electronically filed returns received by the Department (E-File, T-File, On-line filing). (Calendar year 2000 data for this indicator is based on information through September)

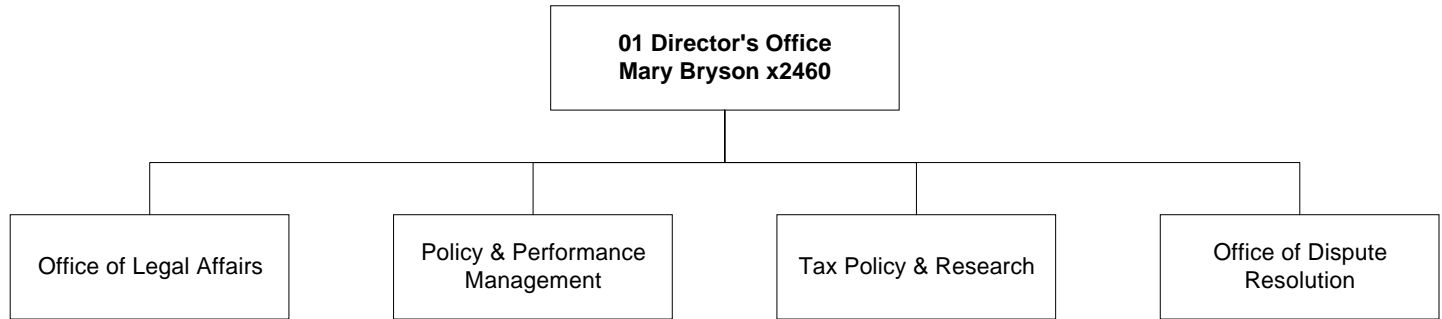
Executive Recommended Legislation -

- Clarify DOR employees' legal ability to ingress/egress property in the course of property valuation work
- Address filing responsibilities for pass through entities such as partnerships, Sub Chapter S Corporations, LLCs and LLPs.
- File warrants for distraint in a single location
- Restrict the direct shipment of alcoholic beverages into the state
- Permit the DOR to file a warrant for distraint on any debt assigned to the agency for collection

Executive Budget Recommendation –

- Subscribe to the essential services provided by the Customer Service Center
- Compensate local governments for loss of tax base from the actions taken in the 1999 legislature
- Continue to apply META efficiencies by reducing 4.00 FTE in 2002 and 8.00 FTE in 2003

Agency Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	538.56	(4.00)	0.00	534.56	(8.00)	0.00	530.56
Personal Services	18,569,050	1,246,594	0	19,815,644	1,264,414	0	19,833,464
Operating Expenses	11,634,282	1,047,129	214,580	12,895,991	1,396,556	199,200	13,230,038
Equipment	40,177	(7,155)	71,484	104,506	(7,155)	0	33,022
Capital Outlay	0	0	0	0	0	0	0
Local Assistance	13,812,774	41,121,618	0	54,934,392	41,121,618	0	54,934,392
Debt Service	6,834	0	0	6,834	0	0	6,834
Total Costs	\$44,063,117	\$43,408,186	\$286,064	\$87,757,367	\$43,775,433	\$199,200	\$88,037,750
General Fund	39,981,718	42,821,972	286,064	83,089,754	43,119,426	199,200	83,300,344
State/Other Special	252,985	(39,340)	0	213,645	(39,771)	0	213,214
Federal Special	1,997,926	133,655	0	2,131,581	183,304	0	2,181,230
Proprietary	1,830,488	491,899	0	2,322,387	512,474	0	2,342,962
Total Funds	\$44,063,117	\$43,408,186	\$286,064	\$87,757,367	\$43,775,433	\$199,200	\$88,037,750



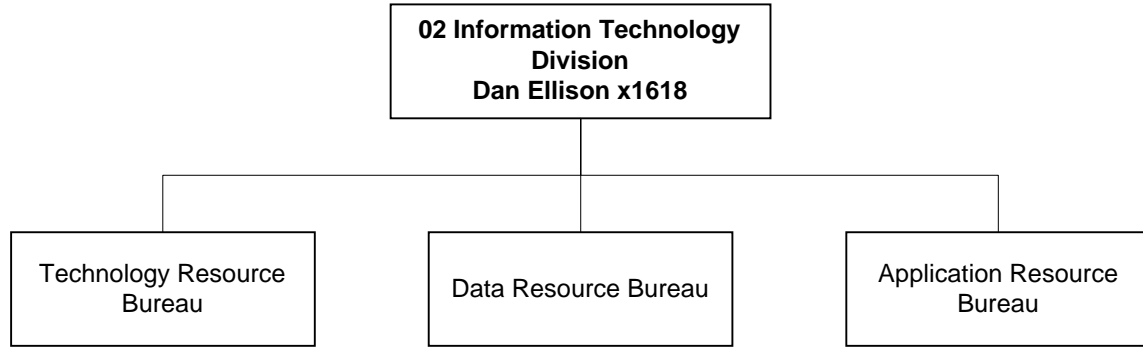
Program Description - The Director's Office provides management control, policy direction, strategic planning, and legal services to assist the tax and liquor programs in fulfilling their responsibilities. The legal services staff advise other program staff and handle tax appeals before the State Tax Appeal Board and state courts. The Director's Office also includes the Policy and Performance Management unit, the Tax Policy and Research unit, and the Office of Dispute Resolution.

The Policy and Performance Management unit supports the department's core processes and is responsible for coordinating the strategic development of operating policies, budgets, rules, performance management, change management, and strategic planning for the department. The Tax Policy and Research (TPR) unit is responsible for estimating state revenue, coordinating Department of Revenue (DOR) legislation and fiscal notes, reviewing all legislation related to revenue, and conducting revenue-related research. The Office of Dispute Resolution has consolidated the department's dispute resolution efforts, including informal tax appeals, into a single location and process.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	38.50	0.00	0.00	38.50	0.00	0.00	38.50
Personal Services	1,894,413	62	0	1,894,475	9,907	0	1,904,320
Operating Expenses	877,649	146,239	214,580	1,238,468	8,317	199,200	1,085,166
Equipment	0	0	71,484	71,484	0	0	0
Total Costs	\$2,772,062	\$146,301	\$286,064	\$3,204,427	\$18,224	\$199,200	\$2,989,486
General Fund	2,631,010	61,013	286,064	2,978,087	(70,445)	199,200	2,759,765
State/Other Special	574	(274)	0	300	(574)	0	0
Federal Special	805	(5)	0	800	(805)	0	0
Proprietary	139,673	85,567	0	225,240	90,048	0	229,721
Total Funds	\$2,772,062	\$146,301	\$286,064	\$3,204,427	\$18,224	\$199,200	\$2,989,486

New Proposals -

- Fund Geographic Information System (GIS) database maintenance with \$199,200 on-going appropriations and \$86,864 OTO general fund

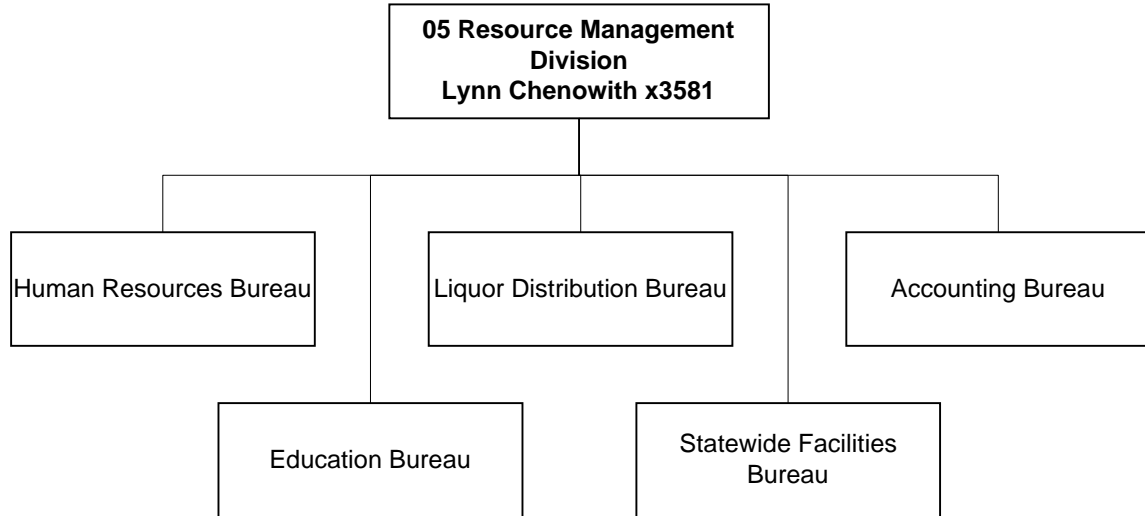


Program Description - The Information Technology (IT) unit is responsible for the delivery of information services and the planning, coordination, and control of information resources for the department. The department uses technology extensively to effectively and efficiently administer over 30 different taxes. The IT unit is responsible for the management of all computing services provided to the department including integration and management of the desktop, mid-tier, and mainframe applications as well as network support services.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	37.25	0.00	0.00	37.25	0.00	0.00	37.25
Personal Services	1,672,539	36,837	0	1,709,376	48,494	0	1,721,033
Operating Expenses	728,356	5,849	0	734,205	108,303	0	836,659
Total Costs	\$2,400,895	\$42,686	\$0	\$2,443,581	\$156,797	\$0	\$2,557,692
General Fund	1,899,468	(156,858)	0	1,742,610	(58,619)	0	1,840,849
Federal Special	178,339	12,323	0	190,662	18,043	0	196,382
Proprietary	323,088	187,221	0	510,309	197,373	0	520,461
Total Funds	\$2,400,895	\$42,686	\$0	\$2,443,581	\$156,797	\$0	\$2,557,692

Significant Present Law Adjustments -

- Implement a compatible Computer Assisted Mass Appraisal (CAMA) software with POINTS II



Program Description - The Resource Management unit provides service and support to the department by integrating the human resources, accounting, facilities management, communications, and training and education functions of the department. The Liquor Distribution unit is also managed in this program.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	43.00	0.00	0.00	43.00	0.00	0.00	43.00
Personal Services	1,481,530	182,292	0	1,663,822	191,835	0	1,673,365
Operating Expenses	1,023,783	412,375	0	1,436,158	423,471	0	1,447,254
Equipment	28,622	0	0	28,622	0	0	28,622
Debt Service	455	0	0	455	0	0	455
Total Costs	\$2,534,390	\$594,667	\$0	\$3,129,057	\$615,306	\$0	\$3,149,696
General Fund	1,166,663	375,556	0	1,542,219	390,253	0	1,556,916
Proprietary	1,367,727	219,111	0	1,586,838	225,053	0	1,592,780
Total Funds	\$2,534,390	\$594,667	\$0	\$3,129,057	\$615,306	\$0	\$3,149,696

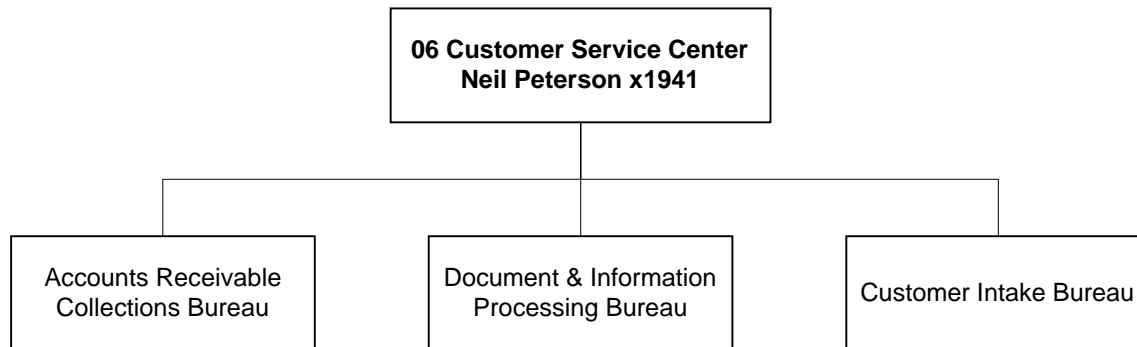
Significant Present Law Adjustments -

- Rent county office space based on 15-8-102, MCA, for a biennial general fund impact of \$673,414

Language Recommendations - The following language is recommended in HB 2:

"In the event the department is unable to meet statutory service levels due to the increase in demand for liquor products, the department is allowed to hire additional temporary employees or pay overtime, whichever is determined to be the more cost effective, to maintain required service levels to stores. The amount authorized is limited to a percentage of the approved personal services budget and is calculated as the year-to-date percentage increase in sales as compared to the same time period in the previous fiscal year. The office of budget and program planning may not authorize any increase until following the tenth month of the fiscal year."

"Liquor division proprietary funds necessary to maintain adequate inventories, pay freight charges, and transfer profit and taxes to appropriate accounts are appropriated to the department in amounts not to exceed \$64,200,950 in fiscal year 2002 and \$67,857,880 in fiscal year 2003."



Program Description -The department plans for the Customer Service Center (CSC) to be a statewide enterprise, operating as a self-supporting business funded with revenue from an internal service fund. The center will combine the Customer Intake function, the Document and Information Processing function, and the Accounts Receivable and Collections function into a single business unit designed to provide centralized and consistent customer service, data and information processing, and accounts receivable collections for the department and its agency partners.

The Customer Intake function represents the initial contact point for customers. The department plans to have customer service representatives supported by up-to-date technology so they will have the ability to answer customer inquiries for all tax types and to approve registration and application inquiries. The Customer Intake function will also be responsible for the development and design of "user friendly" forms and instructions.

The Document and Information Processing function will provide data capture, remittance processing, records management, direct deposit of cash receipts and revenue, and mail processing and distribution. The function will provide these services in several forms and plans to expand existing methods of electronic commerce.

The Accounts Receivable and Collections function will provide a single point of contact for debtors. It will be responsible for delinquent account collection and enforcement activities.

Revenues and Expenses -

The program is forecasting revenues of \$18.2 million over the biennium, to come mostly from other programs within the department. Furthermore, the program is forecasting expenses that will match revenues in the two fiscal years. The Department of Revenue Director's Office, Resource Management, and Compliance Valuation and Resolution programs all subscribe to the services provided by CSC and pay for those services with general fund, federal funds, and liquor enterprise funds. As charges for CSC services increase, these programs are required to seek additional funds to pay for the essential services provided. The requested increases listed below are predicated on conservative estimates of growth in transaction volumes and the requested increases in the CSC rate structure.

	FY 2002	FY 2003
General Fund:		
Director's Office	\$ 31,090	\$ 23,713
Resource Management	19,381	14,782
Compliance Valuation & Resolution	339,011	258,574
Total General Fund	\$389,482	\$297,069
State Special Revenue Fund:		
Accommodation Tax	2,188	1,669
Federal Special Revenue Fund:		
Unemployment Insurance	28,445	21,696
Enterprise Fund:		
Liquor Enterprise	17,505	13,351
Total	\$437,620	\$333,785

Conversely, the CSC pays the Directors Office, Resource Management, and Information Technology for management services, accounting and human resource support, and information technology support. These payments from CSC to these programs represent a material proprietary funding source, which ultimately suppresses the request for general funds.

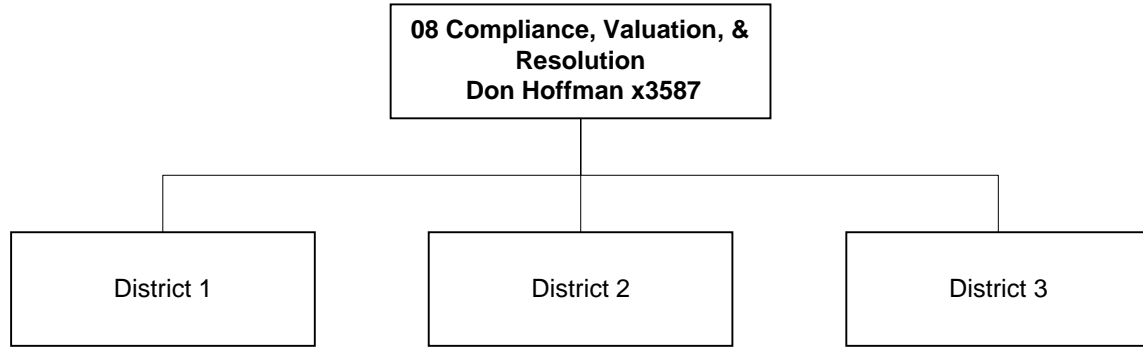
At present, the DOR is the largest customer of the CSC but it is not the only customer. The CSC program also provides data capture services for DPHHS, registration and remittance processing for seven agencies participating in the One-Stop Licensing and Registration Program, and collection services on behalf of many agencies through its offset and confiscation procedures. This is significant because the costs of the CSC are shared among all of its customers. The greater the transaction volume, the lower the per unit cost and the greater the opportunity to obtain cost savings for its customers. The department is continuing to aggressively pursue agreements with sister agencies to enroll them as customers of these services. Over time, as the CSC gains more customers, the general fund request to support both the CSC and the department should decline.

Rate Explanation -

<u>Service</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>Rate</u>
One-Stop	\$ 5.29	\$ 5.38	per license
Forms Design	461.00	469.00	per form
Call Center	3.58	3.65	per call
Liquor License	225.00	229.00	per application
Licensing/Registration	8.10	8.25	per application
Input Manual Cash	2.10	2.10	per document
Input Mail	.20	.20	per document
Outgoing Mail	.41	.41	per document
E-File/T-File	.0014	.0014	per byte
Capture Image	.0134	.0134	per byte
Capture Paper	1.97	1.97	per document
Validation	.28	.28	per document
Retention-Return Processing	.53	.53	per document
Retention-Return Storage	.04	.04	per document
Warrant Writing/Mailin	.72	.72	per document
Manual Coupon	1.00	1.00	per document
Coupon Payment	.46	.46	per document
Unclaimed Property Commission	11%	11%	per collection
Accounts Receivable Commission	11%	11%	per collection

**DEPARTMENT OF REVENUE
COMPLIANCE VALUATION AND RESOLUTION**

**5801
08**

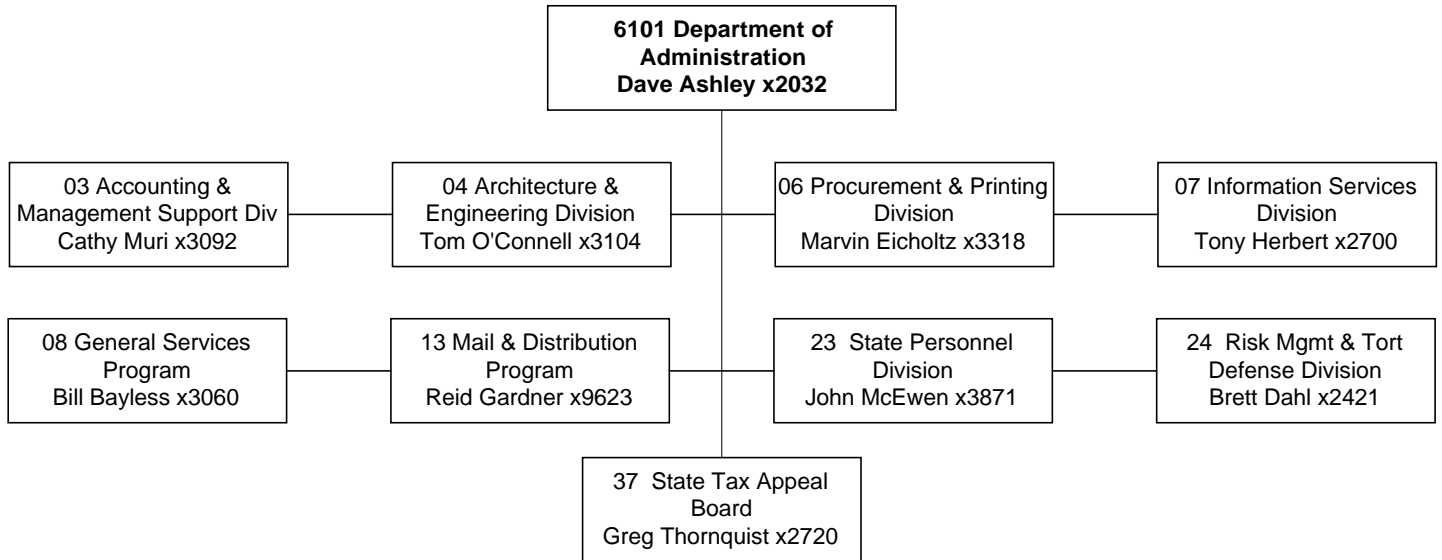


Program Description - The Compliance, Valuation, and Resolution (CVR) program oversees audits and measures to verify taxpayers are complying with the laws. The Compliance, Valuation, and Resolution unit also is responsible for consistent valuation of properties statewide for purposes of property taxation. Program employees are presently located in all 56 counties.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	419.81	(4.00)	0.00	415.81	(8.00)	0.00	411.81
Personal Services	13,520,568	1,027,403	0	14,547,971	1,014,178	0	14,534,746
Operating Expenses	9,004,494	482,666	0	9,487,160	856,465	0	9,860,959
Equipment	11,555	(7,155)	0	4,400	(7,155)	0	4,400
Local Assistance	13,812,774	41,121,618	0	54,934,392	41,121,618	0	54,934,392
Debt Service	6,379	0	0	6,379	0	0	6,379
Total Costs	\$36,355,770	\$42,624,532	\$0	\$78,980,302	\$42,985,106	\$0	\$79,340,876
General Fund	34,284,577	42,542,261	0	76,826,838	42,858,237	0	77,142,814
State/Other Special	252,411	(39,066)	0	213,345	(39,197)	0	213,214
Federal Special	1,818,782	121,337	0	1,940,119	166,066	0	1,984,848
Total Funds	\$36,355,770	\$42,624,532	\$0	\$78,980,302	\$42,985,106	\$0	\$79,340,876

Significant Present Law Adjustments -

- Request spending authority for funds collected in the property valuation improvement fund
- Reduce FTE and related operating costs as a result of the department's reengineering project
- Reimburse local governments for loss of tax base from 1999 session actions



Mission Statement - The Department of Administration seeks to deliver superior and responsive services to agencies, employees and the public while minimizing costs and maximizing effectiveness. These services are delivered through:

1. continuing to refine procedures;
2. fostering government coordination and cooperation;
3. promoting access to services; and
4. developing innovative uses for emerging technologies.

Statutory Authority - Title 2, MCA.

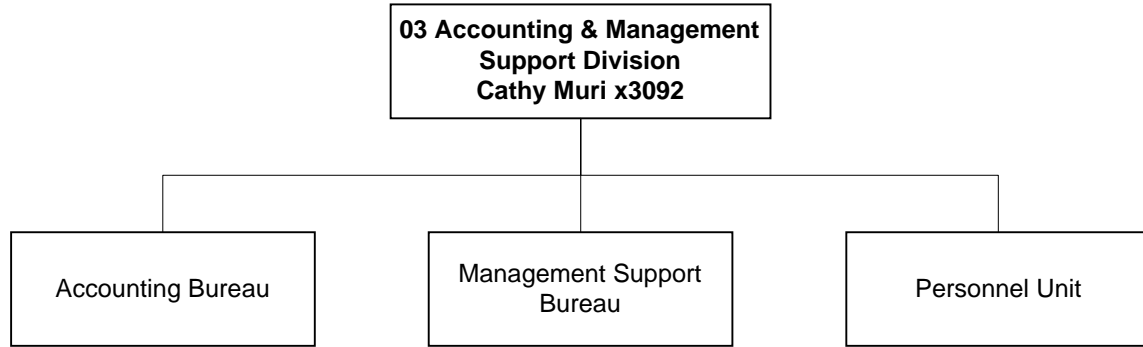
Executive Recommended Legislation -

- Establish a private purpose trust fund for geographic information system projects

Executive Budget Recommendation -

- Implement GASB 34 and maintain compliance with it by the 2003 biennium
- Preserve interest earnings on state funds by fully utilizing the Cash Management Improvement Act
- Coordinate Montana's Geographic Information Systems in a federal, state and local government partnership
- Oversee the Public Safety Communications program with general fund

Agency Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	81.78	0.83	2.00	84.61	0.83	2.00	84.61
Personal Services	3,219,035	340,977	94,957	3,654,969	361,213	95,295	3,675,543
Operating Expenses	1,767,512	484,462	210,298	2,462,272	(379,257)	8,303	1,396,558
Equipment	6,074	0	0	6,074	0	0	6,074
Local Assistance	42,990	0	0	42,990	0	0	42,990
Debt Service	32,050	0	0	32,050	0	0	32,050
Total Costs	\$5,067,661	\$825,439	\$305,255	\$6,198,355	(\$18,044)	\$103,598	\$5,153,215
General Fund	3,955,998	(116,810)	262,676	4,101,864	(169,711)	62,881	3,849,168
State/Other Special	1,041,985	148,503	0	1,190,488	157,749	0	1,199,734
Federal Special	28,670	793,519	42,579	864,768	(6,481)	40,717	62,906
Proprietary	41,008	227	0	41,235	399	0	41,407
Total Funds	\$5,067,661	\$825,439	\$305,255	\$6,198,355	(\$18,044)	\$103,598	\$5,153,215



Program Description - The Accounting and Management Support Program consists of several units. The Director's Office is responsible for overall supervision and coordination of agency programs and administratively-attached boards and agencies. The Legal Unit provides legal services to agency and administratively-attached programs. The Accounting Bureau is the process owner of the financial portion of the Statewide Budgeting, Accounting and Human Resource Systems (SABHRS), establishes state accounting policies and procedures, administers the federal Cash Management Improvement Act, processes warrants for all state agencies, and prepares the state Comprehensive Annual Financial Report (CAFR). The Management Support Bureau and Personnel function provides financial, budgeting, accounting, personnel, payroll, and data processing functions for the department.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	20.42	0.50	1.00	21.92	0.50	1.00	21.92
Personal Services	894,623	66,852	39,539	1,001,014	72,652	39,677	1,006,952
Operating Expenses	245,883	38,396	203,040	487,319	(14,444)	1,040	232,479
Local Assistance	40,231	0	0	40,231	0	0	40,231
Total Costs	\$1,180,737	\$105,248	\$242,579	\$1,528,564	\$58,208	\$40,717	\$1,279,662
General Fund	1,108,502	109,002	200,000	1,417,504	61,790	0	1,170,292
State/Other Special	2,557	2,500	0	5,057	2,500	0	5,057
Federal Special	28,670	(6,481)	42,579	64,768	(6,481)	40,717	62,906
Proprietary	41,008	227	0	41,235	399	0	41,407
Total Funds	\$1,180,737	\$105,248	\$242,579	\$1,528,564	\$58,208	\$40,717	\$1,279,662

New Proposals -

- Purchase consultant services to implement GASB 34 for a biennial general fund restricted and OTO cost of \$200,000
- Add 1.00 FTE to focus on the federal Cash Management Investment Act (CMIA) in order to maximize interest earned on state funds

Proprietary Rates

Program Description –

Legal Services Unit (Fund 06504)

The Legal Unit of the Director's Office advises all divisions within the department on legal matters. The unit receives the majority of its funding through the Legal Services internal service fund by charging the non-general fund divisions for services provided.

Network Support Unit (Fund 06560)

The Network Support Unit administers all data processing functions of the department except those of the Information Services Division. The unit provides network support services, including installing software and hardware, responding to computer problems, and answering software questions. The unit also provides computer-programming services.

Warrant Writer Program (Fund 06564)

The Department of Administration provides the services of the Warrant Writer Program to most state agencies for check writing and automatic-deposit capabilities for financial transactions. The program produces and processes warrants and tracks them on the warrant writer system. The program generates, mails, tracks, and cashes each warrant. The services the program offers include direct deposit, warrant consolidation, stopping of payments, warrant cancellations, emergency warrants, duplicate warrants, warrant certification, warrant research, payee file data, and federal 1099-MISC processing.

The system handles about two million payment transactions per year. Payment transactions include warrant writing and electronic transfers for vendor payments, retirement payments for public employees and teachers, payroll, worker's compensation, income tax refunds, special refunds, and public assistance benefit payments. In addition, the program maintains a central payee file to facilitate payment processing. The program is also responsible for consolidation of 1099-MISC information for the Internal Revenue Service (IRS). The program coordinates compliance with IRS rules governing 1099 MISC-filings and error reports.

Revenues and Expenses -

Legal Unit

The calculation that gives the amount of revenue the unit should derive from the internal service fund is based on the assumption (derived from a time study) that the Legal Services Unit will devote 1.33 FTE of their 2.00 FTE to the legal matters of the non-general fund divisions. The internal service fund must therefore derive at least enough revenue to pay the personal services and associated operating costs of the 1.33 FTE. The costs of the remaining 0.67 FTE are paid by the general fund (and are included in the main budget table). Since the Legal Services Unit bills the divisions and programs on a semi-annual basis (in July and January), the unit will charge enough to generate a minimal cash reserve.

Network Support Unit

The unit anticipates revenues of \$165,149 in FY 2002 and \$168,482 in FY 2003. These amounts are increases of 40 percent and 43 percent over base year revenue. The unit anticipates expenses of \$166,368 in FY 2002 and \$167,177 in FY 2003. These amounts are both increases of 37 percent over base year amounts and are mainly due to increases in salaries for information technology employees, increased data network costs, and increased programming needs.

Warrant Writer Unit

The program uses historical data to forecast the following categories of payments: mailer warrants, non-mailer warrants, emergency warrants, duplicate warrants, external warrants and electronic fund transfers. The program forecasts revenues of \$831,766 in FY 2002 and \$845,138 in FY 2003. These are increases of 11 percent and 12 percent from base year revenues. The program forecasts expenses of \$807,975 in FY 2002 and \$824,609 in FY 2003, which is an increase from FY 2000 base year expenses. The increases in revenues and expenditures are because of a projected increase in postage and warrant stock.

Rate Explanation –

Network Support Unit

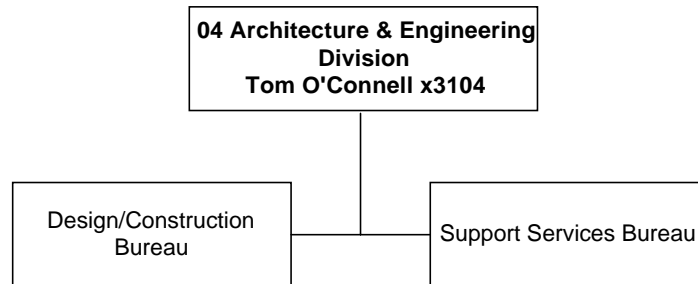
The financial objective of the Network Support Unit is to operate on a break-even basis. The unit charges other divisions in the department a fixed fee per computer and server to cover the costs of providing network support services, which it bills in July of each fiscal year to build up the working capital balance it requires. It charges a set fee per hour for computer programming, which it bills on an actual-hours-used basis.

The unit requests that the Legislature approve a rate of \$714 per computer and \$1,072 per server for FY 2002 and \$732 per computer and \$1,098 per server for FY 2003 for network service charges. A separate server rate has been established due to increased use of network support resources in this area. For computer programming charges, the unit requests the Legislature approve a 60-day working capital rate. The unit will charge the per-hour fee necessary to maintain 60 days of working capital.

Warrant Writer Unit

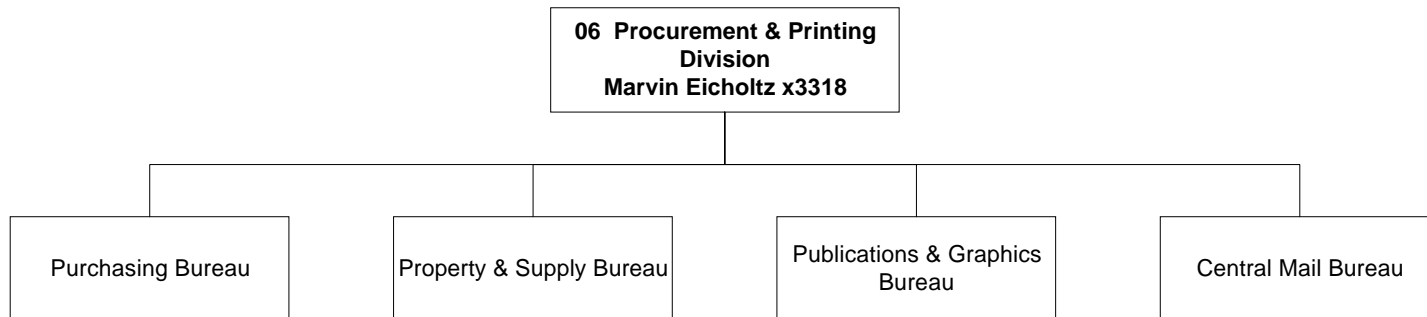
The program determines the proposed rate structure for each type of warrant or payment by conducting time, supply, and processing analysis studies to determine the "estimated actual cost" of each payment type. Where possible, personal service costs are allocated to specific types of transactions before allocating the remaining costs to all other transactions. Fixed expenses such as audit fees, miscellaneous supplies, rent, and telephone charges are allocated to all transactions. Variable costs such as postage, maintenance, computer processing, and warrant stock are allocated at a fixed rate against those items that utilized them.

ARCH & ENGINEERING PGM



Program Description - The Architecture and Engineering Division (A&E) manages remodeling and construction of state buildings. Its functions include planning new projects and remodeling projects; advertising, bidding, and awarding construction contracts; administering contracts with architects, engineers, and contractors; disbursing building construction payments; and providing design services for small projects. The division also formulates a long-range building plan for legislative consideration each session. This division operates under the authority found in Titles 17 and 18, MCA, as well as other state mandates.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	17.50	0.00	0.00	17.50	0.00	0.00	17.50
Personal Services	761,997	88,857	0	850,854	93,861	0	855,858
Operating Expenses	272,835	33,142	0	305,977	36,584	0	309,419
Total Costs	\$1,034,832	\$121,999	\$0	\$1,156,831	\$130,445	\$0	\$1,165,277
State/Other Special	1,034,832	121,999	0	1,156,831	130,445	0	1,165,277
Total Funds	\$1,034,832	\$121,999	\$0	\$1,156,831	\$130,445	\$0	\$1,165,277



Program Description - The Procurement and Printing Division is divided into the following four categories:

- 1) the Publications and Graphics Bureau, which provides printing, duplicating, desktop publishing, layout and design, graphic and illustrative art, forms design, photo-reprographics, binding and quick copy, and photocopier pool services for state agencies;
- 2) the Property and Supply Bureau, which purchases, stocks, and sells office supplies, paper, janitorial supplies, and packaged computer software to state agencies and administers the sale of state and federal surplus property;
- 3) the State Procurement Bureau, which manages centralized purchasing for state agencies by investigating possible sources for products, determining alternate product possibilities, preparing specifications, enforcing the terms and conditions outlined in purchase orders, and providing technical assistance to state agencies regarding purchasing laws; and
- 4) the Vehicle Fueling, Energy Procurement, and State Procurement Card functions, which administer contracts for the statewide fueling network, the deregulated purchase of electricity and natural gas, and the state MasterCard contract for the automated processing of small purchases. This division operates under the authority of Title 18, MCA.

Executive Budget Recommendation -

- Support the growth of electronic government by the addition of a computer programmer to this division.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	10.36	0.33	0.00	10.69	0.33	0.00	10.69
Personal Services	407,827	24,061	0	431,888	25,929	0	433,756
Operating Expenses	94,623	8,613	0	103,236	8,688	0	103,311
Equipment	6,074	0	0	6,074	0	0	6,074
Total Costs	\$508,524	\$32,674	\$0	\$541,198	\$34,617	\$0	\$543,141
General Fund	508,524	32,674	0	541,198	34,617	0	543,141
Total Funds	\$508,524	\$32,674	\$0	\$541,198	\$34,617	\$0	\$543,141

Significant Present Law Adjustments -

- Obtain technical expertise by adding a programmer to the workforce, at a general fund biennial cost of \$31,000.

Proprietary Rates

Program Description -

Procurement and Printing Division

The Procurement and Printing Division manages the following six proprietary accounts: Publications and Graphics account, Central Stores, Surplus Property, Vehicle Fueling, Natural Gas and Electricity Procurement, and the Procard account. The Surplus Property account is an enterprise fund for which the legislature does not approve rates.

Publications and Graphics Account (Fund 06530)

The Publications and Graphics Bureau provides printing, duplicating, desktop publishing, layout and design, graphic and illustrative art, photo-reprographics, binding and quick copy, photocopier pool services and contracted printing for state agencies.

Central Stores Account (Fund 06531)

Central Stores, of the Property and Supply Bureau, purchases, warehouses, sell, and delivers commonly used items to all state agencies in the following categories: office supplies, coarse paper, fine paper, computer paper, janitorial supplies, printed forms, and software.

Surplus Property Account (Fund 06066)

The Property and Supply Bureau operates the surplus property program to administer the sale of state and federal surplus property no longer needed by state agencies. The bureau attempts to extend the life of state property by providing a mechanism to transfer surplus property between agencies. It also attempts to create a broad and efficient market for selling state surplus property and to provide accountability in the disposal of surplus state property. The surplus property account is an enterprise fund for which the legislature does not approve rates.

Natural Gas and Electricity Procurement Account (Fund 06558)

This account purchases natural gas and electricity competitively from outside suppliers for qualifying agencies.

Statewide Fueling Network Account (Fund 06561)

The Purchasing Bureau Vehicle Fueling Program provides for fueling of public vehicles through an integrated commercial fueling network. The program, which is available to all public agencies in the state, offers an alternative to state ownership and operation of fuel storage tanks. The program automates the accounting and transaction processing functions associated with vehicle fueling, offers a system of security, maintains agency tax-exempt status for transactions anywhere on the network and provides monthly comprehensive fuel management reports that fleet managers can use to track and control fuel costs.

State Procurement Card Account (Fund 06571)

The State Procurement Card Program administers the state MasterCard contract for the automated processing of small purchases.

Revenues and Expenses -

Publications and Graphics

The program anticipates revenues of \$5,736,992 in FY 2002 and \$6,074,862 in FY 2003. These amounts are increases of approximately 8 percent and 14 percent, respectively, over base year revenue. The program anticipates expenses of \$5,812,387 in FY 2002 and \$6,178,736 in FY 2003. These amounts are increases of approximately 8 percent and 16 percent, respectively, over base year expenses.

Central Stores Account

The program anticipates revenues of \$4,677,771 in FY 2002 and \$4,676,102 in FY 2003. These amounts are increases of approximately 11 percent over base year revenue. The program anticipates expenses of \$4,651,180 in FY 2002 and \$4,639,608 in FY 2003. These amounts are increases of approximately 5 percent over base year expenses.

Natural Gas and Electricity Procurement

The program anticipates revenues of \$104 in FY 2002 and FY 2003. These amounts are decreases of 74 percent over base year revenue. The program anticipates expenses of \$104 in FY 2002 and FY 2003. These amounts are decreases of approximately 77 percent over base year expenses.

Statewide Fueling Network

The program anticipates revenues of \$12,560 in FY 2002 and \$12,757 in FY 2003. These amounts are decreases of 22 percent and 21 percent over base year revenue. The program anticipates expenses of \$16,742 in FY 2002 and \$17,005 in FY 2003. These amounts are increases of approximately 2 percent and 4 percent, respectively, over base year expenses.

State Procurement Card

The program anticipates revenues of \$3,709 in FY 2002 and FY 2003. These amounts are decreases of 50 percent over base year revenue. The program anticipates expenses of \$3,704 in FY 2002 and FY 2003. These amounts are decreases of approximately 51 percent over base year expenses.

Rate Explanation –

Publications and Graphics –

The program must maintain a break-even approach in its operations and have a large number of individual rates for the various products sold or services provided. Therefore, previous legislatures defined "rates and fees" for the program to mean a specific working capital reserve balance. The Publications and Graphics Bureau requests a 60-day working capital reserve.

Central Stores Account –

The program must maintain a break-even approach in its operations and have a large number of individual rates for the various products sold or services provided. Therefore, previous legislatures defined "rates and fees" for the program to mean a specific working capital reserve balance. The department requests a 60-day working capital reserve.

Natural Gas and Electricity Procurement Account –

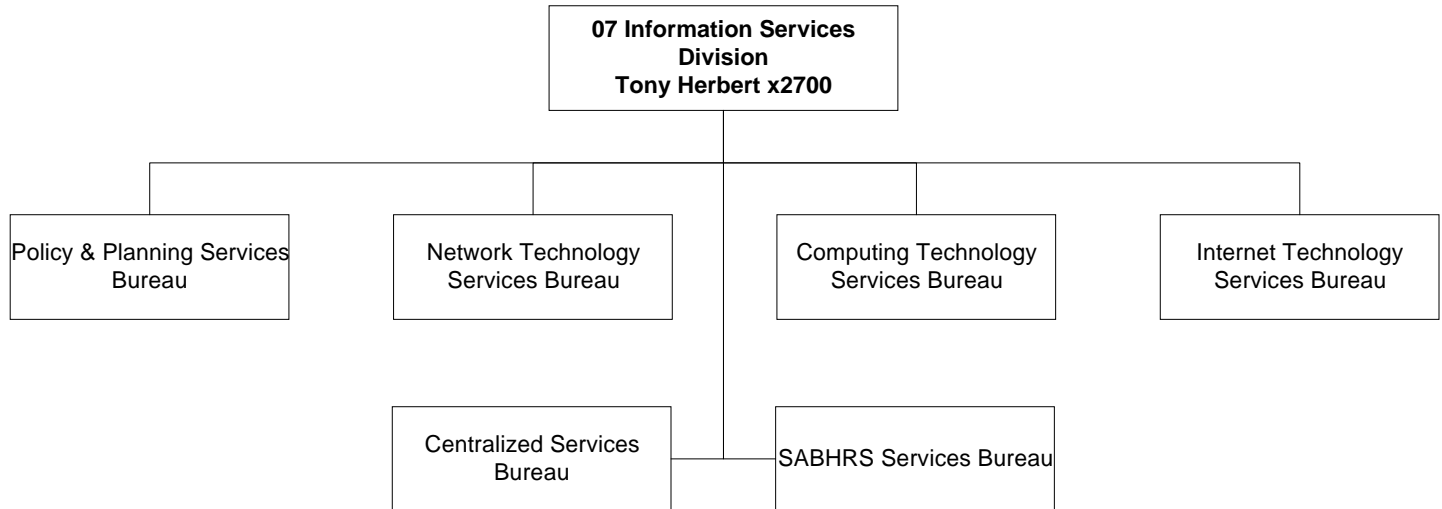
The natural gas and electricity procurement account staff requests a break-even rate (no capital reserve) and will charge back actual expenses to the applicable agencies.

Statewide Fueling Network Account –

The department requests a 60-day working capital reserve for this account. The program must maintain a break-even approach in its operations and have a large number of individual rates for the various products sold or services provided. Therefore, previous legislatures defined "rates and fees" for the program to mean a specific working capital reserve balance.

State Procurement Card Account –

A 60-day working capital reserve also is recommended for this account. The program must maintain a break-even approach in its operations. Therefore, previous legislatures defined "rates and fees" for the program to mean a specific working capital reserve balance.



Program Description - Although the Information Services Division (ISD) manages the 911 program, some GIS functions, and is proposing to have a Public Safety Communications program under HB 2, ISD is primarily a proprietary program which manages central computer services and telecommunications services for state government. Through its central computing services function, the division provides central mainframe computer processing services and network services for statewide data communications networks that access the central mainframe computer. The division plans and coordinates data processing for state agencies and reviews and approves equipment and software acquisitions. It designs and develops data processing applications and provides continuous maintenance support. The division also provides data processing training and support and consulting services for microcomputer and office automation systems. The division manages disaster recovery facilities for critical data processing applications.

The division telecommunications function provides local and long distance telephone network services and designs, develops telephone equipment network applications, and serves other telecommunications needs for state agencies. The division also oversees Geographic Information Systems (GIS) development and houses the Statewide Accounting, Budgeting, and Human Resources Systems (SABHRS) program.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	2.00	0.00	1.00	3.00	0.00	1.00	3.00
Personal Services	97,055	136	55,418	152,609	746	55,618	153,419
Operating Expenses	501,057	331,351	7,258	839,666	(471,052)	7,263	37,268
Total Costs	\$598,112	\$331,487	\$62,676	\$992,275	(\$470,306)	\$62,881	\$190,687
General Fund	598,112	(468,513)	62,676	192,275	(470,306)	62,881	190,687
Federal Special	0	800,000	0	800,000	0	0	0
Total Funds	\$598,112	\$331,487	\$62,676	\$992,275	(\$470,306)	\$62,881	\$190,687

Significant Present Law Adjustments -

- Reduce general fund obligation to support SABHRS
- Increase in the 911 Program for supplies, conferences, seminars, communications, travel, maintenance, association fees, and training for a biennial general fund impact of \$7,630
- Using \$800,000 of federal money, coordinate with state, local, federal, and private users to automate land parcel information.

New Proposals -

- Change the source of funding for the management of the state's public safety communication program, as prescribed in 2-17-311 through 2-17-313, MCA for a biennial general fund impact of \$125,557

Proprietary Rates

Program Description - The Information Services Division (ISD) manages Information Technology (IT) services for state government. IT includes:

1. Shared statewide desktop and data network services.
2. Central mainframe computer processing.
3. Mid-tier access and production services.
4. Local and long-distance telephone networking.
5. IT planning, research and coordination.
6. Design, development, and continuous maintenance support of IT applications.
7. Personal computer (PC) and office automation support and consultation.
8. Design and development of telephone equipment, networking applications, and other telecommunication needs.
9. Internet and intranet services.
10. Electronic government planning and coordination.
11. Central imaging
12. Geographic information systems (GIS) coordination
13. Disaster recovery facilities for critical data processing applications.
14. IT training.

ISD also manages the State Accounting, Budgeting and Human Resource System's (SABHRS) operational support unit, which is responsible for the operation and maintenance of the state's budget development system (MBARS) and the PeopleSoft human resource, financial, and asset management systems.

The ISD operates generally under state mandates as specified in Title 2, Chapter 17, parts 3 and 5, MCA.

Funding for the ISD is primarily from charges to state agencies for computer processing, desktop services, and state telephone support services as well as direct charges to state agencies and other entities. In order to coordinate the state communication function, the division also receives a significant amount of "pass-through" funds paid on behalf of state agencies to communications vendors such as AT&T and Qwest.

ISD costs are based on predicted utilization and projects planned in all service categories. As services and costs increase or decrease, the management of ISD strives to ensure that the fees being charged to state agencies remain commensurate with the costs. ISD will fund 177.50 FTE in HB 576 in FY 2002 and FY 2003 from the revenues generated in all areas.

Revenues and Expenses -

Change in Services or Fees. ISD fees are based on predicted utilization and expenses. As utilization increases over the predicted expenses, ISD is able to lower IT fees appropriately. As the demand for products and services increase so do the expenses. New technology, software, equipment and support must be provided to keep up with the growing demand and needs of ISD's customers. With the need for expanding networks, ISD is required to expand the Local Area and Wide Area networks, add additional sites and support new applications being developed for the delivery of services by state agencies.

Working Capital discussion. ISDs working capital is predicted to be 25-30 days, well below the allowable 60-day working capital balance. Revenues and expenses for ISD do not always follow the same pattern. State agencies and other entities are billed monthly. Most of these revenues collected and expenses incurred occur simultaneously. However, mid-tier, maintenance, desktop services and a few other charges from vendors are paid in lump sums or sporadically throughout the year. These revenues and expenses will balance out at the end of the fiscal year. Working capital is considered but not currently used in ISD's determination of the rates. ISD maintains fees commensurate with costs in determining rates.

Fund Equity and Reserved Fund Balance. A portion of the fund balance to this proprietary fund does relate to the

investment in equipment. Management objective is to maintain fund balance at the 2001 biennium level.

Cash Flow Discussion. ISD invoices state agencies and other entities for services rendered in mainframe and mid-tier processing, desktop services, and telecommunications services monthly. Receipt of revenues is typically collected within 30-60 days; however, ISD does occasionally have delayed payments from agencies. ISD's major expenses are from annual payments for software and maintenance, the majority of which occur during the beginning of the fiscal year; bi-monthly payroll; and monthly communications and hardware maintenance.

Rate Explanation – ISD rates are based on predicted expenses, utilization and projects planned in all service categories. ISD strives to ensure that the rates being charged to state agencies remain commensurate with the expenses.

Revenues relating to the internal service fund are mainly from four major revenue centers:

- Computing Technology Services Bureau (CTSB): revenues are generated from state mainframe and midtier processing rates based upon central processing unit (CPU) seconds or other per transaction rates and client server contracts. Local area network support is based upon an hourly service rate.
- Network Technology Services Bureau (NTSB) - Network Services Section: desktop services rates charged on a monthly or yearly basis per workstation or installation.
- Network Technology Services Bureau (NTSB) - Voice Services Section: voice telecommunication rates charged on equipment and long distance usage basis.
- SABHRS Services Bureau: SABHRS support unit rates are based on FTE with exceptions to the Benefits Bureau of the Department of Administration and the Montana University System, which are agreed-upon amounts.

Charges to state agencies are budgeted in several ways:

Percentage factors: Mainframe processing rates will have a 20 percent decrease while laser print will have a 10 percent increase in the 2003 biennium relative to the FY 2000 base year. Telephone equipment rates will remain the same while long distance (daytime) charges will decrease by 7 percent and Megacom 800 rates will decrease by 9 percent in the 2003 biennium relative to the FY 2000 base.

Fixed costs assigned to agencies: The projected costs for the monthly desktop services rate are assigned to agencies as fixed costs based upon a monthly rate and projected number of network devices. The monthly rate increases from \$64.50 per month per intelligent device (PC) to \$73.50 per month per device in FY 2002 and FY 2003. The monthly rate for non-intelligent devices (terminals) remains constant at \$30.00 per month. The SABHRS support fee is also a fixed cost based on FTE for each agency.

The hourly rates charged for local area network (LAN) administration is requested and budgeted based upon projected hours of service. The FY 2000 base of \$53.00 per hour for LAN administration is projected to decrease to \$50.00 per hour in FY 2002 and FY 2003.

Significant Present Law -

Oracle Enterprise License Agreement (ELA): The purpose of this request is to propose funding of the Oracle Enterprise Licensing Agreement (ELA) through the desktop services rate.

Total cost of present law adjustment: FY 2002 \$720,000 - FY 2003 \$720,000

100 percent allocated to the desktop services rate.

Rate Impact: FY 2002 \$ 5.63 increase and FY 2003 \$ 5.63 increase.

Wide Area Network and Internet Growth: This request provides for hardware, software and circuits for the state wide area data networks (SUMMITNET). The state will need to install a second Internet connection to SUMMITNET, expand the current network, add additional bandwidth at existing sites, and support new applications to be developed for the delivery of services by state agencies.

Total cost of present law adjustment: FY 2002 \$246,000 - FY 2003 \$537,000

**DEPARTMENT OF ADMINISTRATION
INFORMATION SERVICES DIVISION**

**6101
07**

100 percent allocated to desktop services rate.
Rate Impact: FY 2002 \$ 1.92 - FY 2003 \$ 4.20

PeopleSoft Maintenance: During the 2001 biennium the PeopleSoft maintenance was funded through the general fund. This request is to shift the maintenance costs to the proprietary fund to spread the costs to all funds equitably.

Total cost of present law adjustment: FY 2002 \$533,000 - FY 2003 \$555,000.
100 percent allocated to SABHRS operational support rate.

SABHRS Finance & HRMS Upgrade Support: The SABHRS Finance and HRMS sections need a team to work through the ongoing cycle of upgrades to the PeopleSoft software. The establishment of a team such as this provides the state with a stable rate model which avoids spiking upgrade efforts whose costs (and funding) would ebb and flow.

Total cost of present law adjustment: FY 2002 \$380,361 - FY 2003 \$390,504.
100 percent allocated to SABHRS operational support rate.

SABHRS Finance & HRMS Production Support: This is a request for 2.00 FTE and related funding that would provide needed production support services for the Finance and Human Resource Management System (HRMS) Sections.

Total cost of present law adjustment: FY 2002 \$112,246 - FY 2003 \$116,598.
100 percent allocated to SABHRS operational support rate.

SABHRS Archival and Retrieval: Managing the growing volume of data requires staff to develop archiving and reporting solutions, tuning of the production databases, archiving data from the production databases, and developing and maintaining the archival environment.

This is a biennial appropriation request.
Total cost of present law adjustment: FY 2002 \$122,000.
100 percent allocated to SABHRS operational support rate.

SABHRS Consultant Services: This request provides funding to allow the SABHRS Support Bureau to contract with consulting groups when it is necessary to obtain specific expertise.

Total cost of Present law adjustment: FY 2002 \$120,000 - FY 2003 \$140,000.
100 percent allocated to SABHRS operational support rate.

New Proposals -

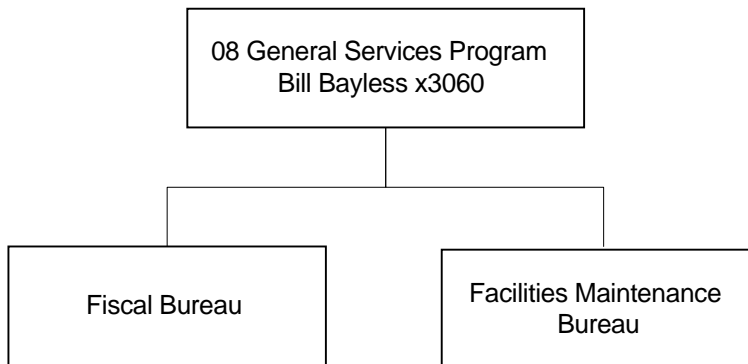
Electronic Government: To efficiently move the State of Montana into the e-government arena and make state services available on the Internet, shared goals and a common infrastructure need to be established. This item deals with implementing e-government using a self-funded portal model strategy.

An important aspect of outsourcing e-government functions and the state Internet portal to a private vendor is the oversight role the state has of that vendor. The oversight includes financial audits of the vendor, verification of code in escrow, knowledge of what source code belongs to what applications, maintaining documentation on all applications, knowledge of all security processes (including passwords), ensuring contract compliance, staffing of the governing board, and having a point of contact for agencies with complaints about the vendor. Furthermore, the state needs to be in a position to have the ability to assume the function, or keep things running during a transition phase to a new vendor. It is also crucial that the state ensure that all aspects of the contract with the private vendor are being followed.

Total cost of new proposal: FY 2002 \$52,909 - FY 2003 \$53,099
Will be funded 100 percent against the desktop services rate.
Rate Impact: FY 2002 \$0.40 - FY 2003 \$0.40.

**DEPARTMENT OF ADMINISTRATION
GENERAL SERVICES PROGRAM**

**6101
08**



Program Description - Except for the general fund renting common space on the Capitol Complex, the General Services Program manages repair, maintenance and construction services for state agencies in the Capitol Complex and several state-owned buildings in the Helena area through a proprietary fund. Services the program provides include all utilities consumed on the complex (water, sewer, electricity and natural gas), locksmith services, painting, remodeling, architectural, a recycling program, and construction services. The program supervises contracts for mechanical maintenance, pest control, janitorial services, elevator repair/maintenance, security, major maintenance, and garbage collections for state-owned buildings. The program also provides professional and technical assistance to agencies that are located within a ten-mile radius of the Capitol Complex. The program provides professional assistance to all state agencies, on a state-wide basis, to procure leased space. This program operates under the authority found in 2-17-101, -111, and -811, MCA.

Program Indicators –

Indicator	Actual FY1998	Actual FY1999	Actual FY2000	Estimated FY2001	Requested FY2002	Requested FY2003
Work Orders Issued	7,580	6,823	6,159	6,300	6,350	6,400
Active Leases	240	250	220	220	220	220
# of Buildings serviced by GSD staff	41	44	44	44	45	45

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	309,360	64,094	0	373,454	71,124	0	380,484
Capital Outlay	0	0	0	0	0	0	0
Debt Service	32,050	0	0	32,050	0	0	32,050
Total Costs	\$341,410	\$64,094	\$0	\$405,504	\$71,124	\$0	\$412,534
General Fund	341,410	64,094	0	405,504	71,124	0	412,534
Capital Projects	0	0	0	0	0	0	0
Total Funds	\$341,410	\$64,094	\$0	\$405,504	\$71,124	\$0	\$412,534

The table shows only general fund rent for common space on the Capitol Complex.

Proprietary Rates –

Proprietary Program Description – The GSD manages the Capitol Complex and state-owned building in the Helena area.

New Proposals -

- Add 1.00 FTE engineer, 1.00 FTE security and safety manger, and 0.50 FTE laborer in proprietary funds

**DEPARTMENT OF ADMINISTRATION
GENERAL SERVICES PROGRAM**

**6101
08**

Revenues and Expenses -

The program is forecasting revenues of \$5,813,885 in FY 2002 and \$5,916,575 in FY 2003. These are increases of 13 percent and 15 percent over base year revenues. Revenue forecasts were made assuming there would be an increase in personal services in the next biennium. The program forecasts expenses of \$5,779,832 in FY 2002 and \$5,840,288 in FY 2003. These are increases of 6 percent and 7 percent over the base year. Increases are directly related to the addition of 2.50 FTE, contracted services increases, and projected increases in utility costs. Fund balance is expected to reach an all time low at the end of FY 2001 of \$179,307, but by fiscal year end 2003 the program estimates it will have increased fund balance to approximately \$289,647.

Program staff try to maintain a 65-day reserve of working capital in the rent and maintenance account. The program bills state agencies monthly and normally collects its accounts within 30 to 45 days. Due to a miscalculation in the current biennium, the program will have eroded its working capital balance to approximately 20 days at fiscal year end 2001. The program attempts to build reserves to the end of May of each fiscal year because most major maintenance projects are bid in April, May, and June; the program also makes its major inventory and equipment purchases towards the end of the fiscal year. The program prioritizes its major maintenance projects early in the fiscal year and monitors its cash reserve to determine which projects to proceed with in the last quarter of the fiscal year. The program's goal is to rebuild its fund balance to the acceptable 60-65 day reserve, while maintaining the level of service our customers have come to expect.

Rate Explanation -The program allocates rent to agencies occupying space in the buildings controlled by the Department of Administration on a per-square-foot basis. The rates are established to cover the cost of personal services, operating expenses (including major maintenance), and new and replacement equipment. The program charges for project work completed for agencies by in-house staff or contracts with an outside vendor on a cost recovery basis.

The following rates have been established for the program for the next biennium:

Office Space

Fiscal 2002	\$5.90 per square foot
Fiscal 2003	\$6.017 per square foot

Warehouse Space

Fiscal 2002	\$2.12 per square foot
Fiscal 2003	\$2.12 per square foot

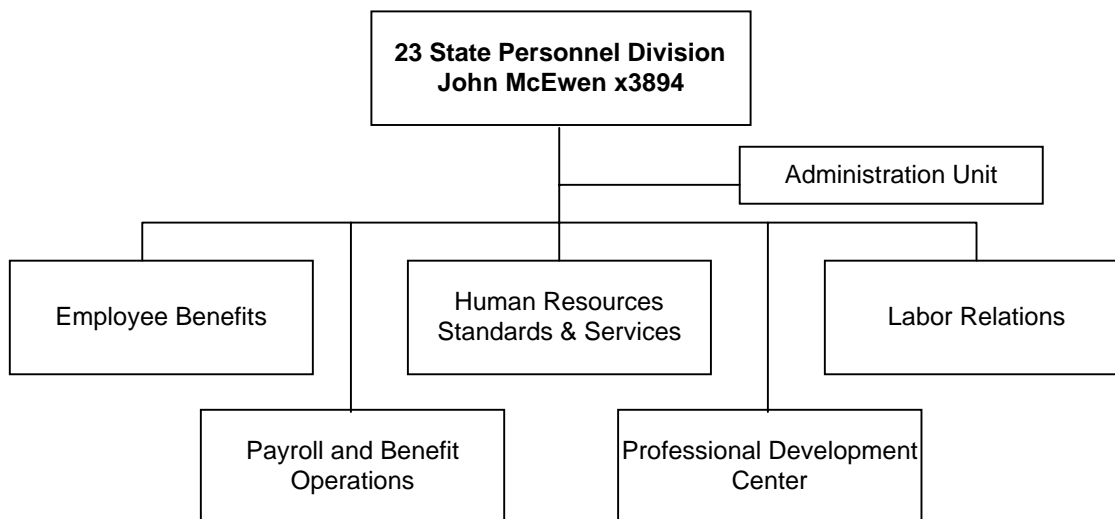
MAIL & DISTRIBUTION PROGRAM

Proprietary Rates

Program Description -The Central Mail Program provides: 1) mail pick-up and delivery in agencies' offices; 2) metering of all out-going U.S. mail; 3) bar coding qualified mailing to qualify for postal rate savings; 4) delivery of all inter-agency printed communications; 5) a Postal Contract Station with locked mail boxes; 6) for the services of 3rd party carriers; and 7) express mail service.

Revenues and Expenses - The program anticipates revenues of \$3,619,227 in FY 2002 and \$3,616,809 in FY 2003. These amounts are decreases of 2 percent over base year revenue. The program anticipates expenses of \$3,636,276 in FY 2002 and \$3,614,613 in FY 2003. These amounts are increases of approximately 7 percent and 6 percent, respectively, over base year expenses.

Rate Explanation -The Central Mail Program requests a 60-day working capital reserve, except for the rate for interagency mail. The legislature defined the rate for interagency mail to mean the total amount allocated for interagency mail charges in the fixed cost portion of agency budgets.



Program Description - See General Fund Program Description and Proprietary Rates Program Description. The Human Resources standards and Services Bureau and Labor Relations Bureau functions are governed by 2-18-2; 2-18-102; 2-18-301 through 303; 2-18-604; 2-18-1011 through 1013; 39-29-112; 39-30-106; and 39-31-101 through 409, MCA. The payroll unit is governed by 2-18-401 through 412, MCA. Functions administered by the Employee Benefits Bureau are governed by 2-18-808 through 814; 2-18-1101 through 1106; and 33-2-712, MCA. The Professional Development Center is governed by 2-18-102 (1)(b), MCA.

Program Indicators –

TABLE 1: Program Indicators for the State Benefit Plan 2003 Biennium

Indicator	Actual FY1998	Actual FY1999	Actual FY2000	Estimated FY2001	Requested FY2002	Requested FY2003
State Benefit Plan – Monthly average total cost per member, including claims, administrative and operating costs	\$304.67	\$319.26	\$354.39	\$379.07	\$404.10	\$438.94

TABLE 2: Program Indicators for the Professional Development Center 2003 Biennium

Indicator	Actual FY1998	Actual FY1999	Actual FY2000	Estimated FY2001	Estimated FY2002	Estimated FY2003
Central Training Program (PDC) – Student hours of training delivered	26,099	19,013	22,717	25,400	30,100	30,500

TABLE 3: Program Indicators for the General Personnel Administration Program 2003 Biennium

Indicator	Actual FY2000	Estimated FY2001	Estimated FY2002	Estimated FY2003
Personnel Administration Program:				
Grievances/Arbitrations	30	30	30	30
Competency Demonstration Projects	13	15	20	25
Number of employees covered under demonstration projects	2,500	3,200	4,900	6,200
Classification actions processed	200	200	200	200
Classification appeals	4	15	10	10
Policy revisions	4	4	8	4
Pay exception reviews	13	13	13	13
Collective bargaining agreements conducted during the biennium	N/A	65	N/A	65

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	22.50	0.00	0.00	22.50	0.00	0.00	22.50
Personal Services	862,205	62,794	0	924,999	67,932	0	930,137
Operating Expenses	258,516	14,057	0	272,573	(5,364)	0	253,152
Total Costs	\$1,120,721	\$76,851	\$0	\$1,197,572	\$62,568	\$0	\$1,183,289
General Fund	1,116,125	52,847	0	1,168,972	37,764	0	1,153,889
State/Other Special	4,596	24,004	0	28,600	24,804	0	29,400
Total Funds	\$1,120,721	\$76,851	\$0	\$1,197,572	\$62,568	\$0	\$1,183,289

Significant Present Law Adjustments -

- Facilitate the state-sponsored daycare with a \$48,008 biennial state special revenue appropriation

General Fund Program Description:

The general fund program of the State Personnel Division is comprised of the Administrative Unit, which provides overall program management, accounting, legal, and clerical services; the Human Resources Standards and Services (HRSS) Bureau; and the Labor Relations Bureau. The HRSS Bureau develops, maintains and provides oversight for systems and standards and provides technical assistance, data analysis and reporting, training and consulting services to state agencies in the following areas: employee compensation, recruitment, selection, performance management and position classification. The HRSS Bureau also provides policy development and interpretation for federal and state employment law and state policy in areas such as ADA, EEO, FMLA, and FLSA, veterans and handicapped person's employment preference and sick and annual leave. The Labor Relations Bureau provides support to executive branch agencies in all collective bargaining and labor relations matters including:

- Contract negotiation and contract administration,
- Representation before the Board of Personnel Appeals,
- Representation in arbitration cases.

In addition to maintaining existing services and standards, a major project of the general fund program is the human resources competency project. The goal of this project is to develop an alternative classification and pay system and to introduce competency-based human resource practices into all major human resource management activities. Staff from both bureaus work with agencies to develop and implement competency models and new approaches to performance management and pay. Program staff is also involved in implementing the new human resources functionality of the SABHRS.

Another initiative is work force planning. The Division is examining the consequences of the "baby boom bubble" on recruitment and selection, pay and benefits, training and other human resources activities. State government needs to respond to the fact that 20 percent of its workforce will be eligible for retirement in the next several years.

Proprietary Rates

Program Description –

State Personnel Division

The State Personnel Division manages three proprietary programs: 1) the Professional Development Center; 2) the Employee Benefits program, which includes the state's health insurance plan; and 3) the State Payroll Unit.

Professional Development Center (Fund 06525)

The Professional Development Center (PDC) provides a variety of training and facilitation services to state agencies on a fee reimbursement basis. About one percent of the program revenue comes from the sale of guidebooks and other publications. The program has a staff of 3.00 FTE and also funds a small portion of an accounting technician position in the division.

Employee Benefits Program (Fund 06559)

The Employee Benefits program provides a variety of insurance products for 30,000 state employees, former employees, and their dependents. Funding for the insurance comes from paid premiums. The State of Montana, as the employer, pays a state share contribution toward premium costs as part of the employees' benefits. Additional premiums are collected for dependent, retiree, and COBRA benefit coverage. The Employee Benefits program is charged with aggressively monitoring the health care market, providers and regulatory agencies in order to maintain a high quality, cost effective, employee benefit plan that insulates state employees, retirees, and their families, from financial harm due to illness or injury. The program works with the Montana Association of Health Care Purchasers on joint purchasing of cost-effective managed care plans. The program currently has a staff of 9.64 FTE and is requesting an additional 2.75 FTE in FY 2002 and FY 2003.

State Payroll Unit (Fund 06563)

The Payroll and Benefits Operations Unit operates the PeopleSoft payroll, benefits and human resources system (SABHRS) to process, distribute, report and account for payroll, benefits and associated withholding and deductions for 12,000+ state employees in the executive, legislative and judicial branches. The bureau establishes and maintains standards, processes and procedures to be followed by state agencies in preparing and submitting payroll, benefits and related human resources data into the system. The system operated by the bureau provides information and processing in support of division and statewide functions and programs including employee benefits (group insurance, FSA, deferred compensation) classification, pay, labor relations, policy and training. The Payroll Unit is staffed with 5.50 FTE currently, and is requesting an additional 0.50 FTE in FY 2002 and FY 2003.

Revenues and Expenses -

Professional Development Center (Fund 06525)

Demand for services has historically been measured by the number of participants served. This measure is variable and difficult to predict from quarter to quarter. Total participants served in recent fiscal years are as follows: FY 1998-2,898; FY 1999-2,279; FY 2000-3,210. The program projects revenues of \$238,380 in FY 2002 and \$239,654 in FY 2003 which is approximately a 0.5 percent increase each year through FY 2003, over base year revenues. It projects expenses of \$235,022 in FY 2002 and \$235,577 in FY 2003, which are increases of 1.0 percent and 1.2 percent over base year expenses. By the end of the biennium the program will have built up a fund balance of approximately \$7,400. Optimally, the PDC should have a 60-day operating reserve (about \$39,000). The program faced a severe revenue shortfall in FY 1999, just prior to the implementation of SABHRS, due to unusually low registrations. Agency demands for PDC trainings were down during this period when employees required extensive computer trainings, which are not offered by the PDC. PDC did increase its rates in mid-FY 2000 to \$90 for a full day course and \$60 for a half-day course, in an effort to boost revenues. The program is reluctant to increase its rates again in the too near future as this may discourage attendance rather than increase revenues.

Employee Benefits Program (Fund 06559)

The program projects revenues of \$66,636,200 in FY 2002 and \$76,010,000 in FY 2003, which are increases of 12 percent and 27 percent over FY 2000 revenues. Expenses are projected at \$71,576,304 in FY 2002 and \$78,538,081 in FY 2003, which are increases of 15 percent and 26 percent over FY 2000 expenses.

State Payroll Unit (Fund 06563)

The unit is projecting revenues of \$358,604 in FY 2002 and \$367,908 in FY 2003. Expenses are projected to be \$369,127 in FY 2002 and \$325,964 in FY 2003. The rates charged to state agencies will allow the program to maintain a

60-day working capital reserve.

Rate Explanation –

Professional Development Center (Fund 06525)

The Professional Development Center (PDC) establishes rates by separating fixed costs from the variable costs directly associated with producing a specific service, such as a training workshop. The total projected fixed costs are divided by an estimate of total billable hours to allocate fixed costs to billable staff hours.

Estimated billable hours for the three training FTE in the program stem from an analysis of the past five fiscal years. General preparation time, planning, administrative tasks, personal leave, and unbilled travel time are subtracted from the total available hours. This analysis indicates that 25 percent of total staff time can be billed to specific products or services. The remaining 75 percent are personal services and other fixed costs that must be allocated as overhead. The percentage allocated as fixed costs is an increase over previous biennia, as the PDC has cut variable costs where possible. The base price for services is calculated as:

$$(\text{Total Costs} \times 75\%) / (\text{Total Hours} \times 25\%) = \text{Staff Cost per Hour}$$

The base price is used to set the price of individual workshops by analyzing the staff time required to develop and provide the workshop, along with other variable costs associated with conducting the training. The base price is also used to set a general schedule of prices where staff time and variable expenses can be projected consistently. Using the projected total costs for the 2003 biennium, the department projects the following base prices:

$$\text{FY02 base price} = (\$235,022 \times .75) / (6,240 \times .25) = \$113/\text{hour}$$

$$\text{FY03 base price} = (\$235,577 \times .75) / (6,240 \times .25) = \$113/\text{hour}$$

Employee Benefits Program (Fund 06559)

The following schedule shows historical rates for the state contribution to employee insurance coverage. Rates for FY 2002 and FY 2003 have not been determined at this time.

Fiscal Year	Monthly Contribution	Percent Increase over Previous Year
1994	\$210	
1995	\$230	9.5%
1996	\$220	-4.3%
1997	\$225	2.3%
1998	\$245	8.9%
1999	\$270	10.2%
2000	\$285	5.5%
2001	\$295	3.5%

*The FY 2001 rate becomes effective January 1, 2001.

The operating expenses incurred directly by the Employee Benefits program accounts for about \$5.30 of the monthly premium and does not significantly contribute to the request for premium increases. The most significant cost impact is from medical, pharmaceutical, and dental claims, which make up over 85 percent of total plan costs.

The state contribution is established by projecting plan costs and estimating the revenue necessary to maintain adequate actuarial reserves. Reserves are calculated as a percentage of claims and consist of two components; incurred but not reported (IBNR) reserves and claims fluctuation reserves. As a component of employee compensation, the state contribution is a subject of collective bargaining.

State Payroll Unit (Fund 06563)

Payroll fees, which are collected from each state agency, fund payroll staff and operations. After a budget is established for the 2003 biennium, costs are allocated to state agencies based on the number of employees each agency pays. Agencies are billed and payments collected at the beginning of each fiscal year. The estimate of the number of employees each agency pays is determined from actual employee numbers in FY 1999 and FY 2000. The 1999 Legislature allowed the payroll unit to charge fees which allow the program to maintain a 60-day working capital balance.

The proposed rates for FY 2002 and FY 2003 have increased over those charged in the 2001 biennium primarily because the rates charged in FY 2000 and FY 2001 were set below the actual cost requirements in order to use up

excess cash reserves which were carried over from the 1999 biennium. In addition, payroll fees for the 2003 biennium are increased to cover budget increases necessary to operate the payroll unit efficiently and with accuracy.

Significant Present Law -

State Payroll Unit (Fund 06563)

Significant budget changes proposed for the 2003 biennium include an increase in personal services for the addition of 0.50 FTE to perform help desk and accounting duties. The demands of the new payroll system have added workload for the existing staff. Adding this FTE will decrease overtime for the existing staff and improve the accuracy of payroll submitted by state agencies as a result of the help desk support the position provides.

Employee Benefits Program (Fund 06559)

The Payroll/Benefit Operations Unit, of the Employee Benefits program, is requesting an increase in personal services for the addition of 2.75 FTE. The additional FTE are needed to assist the program in computer programming and system analysis, providing member services through help desk activities and benefit problem resolution, and to assist with heavy workloads during the annual change period. The additional staff will also help minimize the overtime put in by existing staff as a result of the greater variety of benefit options provided by the program and the additional workload which resulted from the conversion to SABHRS.

The Benefits program plans to embark on a special project to negotiate discounts with medical providers in FY 2002. Work on this project will be contracted out due to the lack of available staff time to dedicate to this project. Costs for this project are expected to be \$25,000.

The program undergoes audits of its medical and pharmacy plans, in addition to the audit of the program. These audits occur during the second year of the biennium and cost around \$23,600. In addition, the program plans to republish the benefits booklet, which is provided to all state employees. Revising and printing the booklet in FY 2002 is expected to cost \$15,000.

The Benefits program rebid its contract for a claims administrator at the end of FY 2000. The contract price, as a result of this process, will increase 85 percent over the fees paid in FY 2000.

The program expects that enrollment in the Flexible Spending Account (FSA) benefit program will continue to increase annually, along with the dollar amount members elect to deposit in the FSA. The allowable contribution levels an employee may select have increased. Overall, the program anticipates that the FSA contributions and claims will increase 16 percent annually in FY 2002 and FY 2003. Contract prices for administration of the FSA program will increase to \$2.35 per member per month during the first half of FY 2002, and will increase again in the second half of FY 2002 to \$2.40. In the second half of FY 2003 the fee will increase to \$2.45 per member per month.

In FY 2000 the Benefits Program experienced an upturn in medical claims costs from an average annual increase of 6 percent to 12 percent. Annual increases in prescription drug claim costs have slowed, but are still running at 14 percent. The Benefits program projects that the cost of medical, dental, and pharmaceutical claims will continue to increase annually despite numerous measures to control these costs. The program is requesting present law increases for medical and dental claims of 13 percent in FY 2002 and 23 percent in FY 2003. For pharmaceutical claims the program requests present law increases of 22 percent in FY 2002 and 41 percent in FY 2003 over the base year.

24 Risk Mgmt Tort Defense
Brett Dahl x2421

Program Indicators

Indicator	Actual FY1998	Actual FY1999	Actual FY2000	Estimated FY2001	Requested FY2002	Requested FY2003
No. of claims/suits received	799	1034	1172	*	*	*
No. of claims/suits resolved	703	1067	1220	*	*	*
\$ Indemnity paid by year	\$2.8M	\$4.0M	\$7.4M	*	*	*

* The services provided by RMTD are unique. It is impossible to predict the number of claims that will be filed against state agencies and how much it will cost to resolve those claims in any given year.

Proprietary Rates

Program Description -The Risk Management & Tort Defense Division (RMTD) insures state agencies against risk of loss for property, commercial vehicles, boiler, airport, aircraft, fidelity bond and fine arts. The state self-insures against property losses under \$150,000 (\$250,000 for the prison), and claims for general liability, errors and omissions, inland marine, auto liability, and foster care liability. The state carries full coverage auto insurance on certain state-owned vehicles and on all leased or loaned vehicles. The division also provides risk management and safety training, consultation services, claims administration and legal defense to prevent or minimize the adverse effects of physical or financial loss.

The Department of Administration is authorized by 2-9-202, MCA, to accumulate a self-insurance fund to pay for self-insured losses, to purchase insurance, and to fund operations. The stated funding objective for the self-insurance portion of the program is to maintain insurance rates sufficient to sustain consecutive "three year average" loss experiences of \$4.7 million over FY 2002 and FY 2003. This \$4.7 million dollar amount is based on average costs sustained. The State of Montana has tort damage caps of \$750,000 per claim, \$1,500,000 per occurrence. Because the state performs diverse and high-risk functions, three or four large catastrophic claims in any given year could drive the self-insurance fund balance to zero.

To set rates for the commercial insurance premium cost portion of the program, which is allocated to agency budgets as part of fixed costs, the program calculates the actual base year premiums paid to commercial carriers and adds on a percentage of increase. The program determines the amount of the percentage increase by talking to industry experts and brokers to get their opinions about how much commercial premiums will be in the upcoming biennium.

Revenues and Expenses -

The program anticipates revenue of \$8,488,668 in FY 2002 and \$9,092,896 in FY 2003. These amounts are approximately 24 percent and 33 percent increases respectively over base year revenue. At that level of funding, the program will generate enough revenue to fund the average of losses sustained in the last three years. The program experienced a 71 percent increase in estimated tort claims liability in FY 2000 that significantly increased the base year operations. The program actual base year operations expenses were \$11,754,270. The program anticipates actual expenses of \$12,235,265 in FY 2002 and \$12,315,783 in FY 2003, which are both increases of approximately 4 percent over base year not including estimated tort claims liability. The program anticipates estimated tort claims liability to remain at this level for the 2003 biennium.

Rate Explanation -The goal of the program is to maintain insurance rates sufficient to sustain losses in each year of the biennium equal to the average losses sustained in the last three years. In the last three years the state sustained an average loss of \$4.7 million per year. The program's goal therefore is to generate enough premiums to sustain back-to-back losses of \$4.7 million per year. The program has not adjusted the \$4.7 million three-year average loss for inflation.

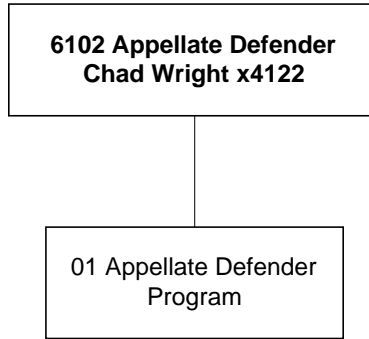
37 State Tax Appeal Board
Greg Thornquist x2720

Program Description - The State Tax Appeal Board, established by Article VIII, Section 7 of the Montana Constitution and 15-2-101, MCA, provides a tax appeal system for all actions of the Department of Revenue. It hears appeals from decisions of the 56 county tax appeal boards and takes original jurisdiction in matters involving income taxes, corporate taxes, severance taxes, centrally assessed property and new industry property, gasoline and vehicle fuels taxes, and cabin site leases. The board travels throughout the state to hear appeals from decisions of the county tax appeal boards and to conduct informational meetings for the various county tax appeal boards. The State Tax Appeal Board directs the county tax appeal board secretaries, who are state employees, and pays their salaries and employee benefits from its personal services appropriation. The board also reviews and pays the expenses, including employee benefits, of those county tax appeal board secretaries who are county employees. In addition, the board pays the clerical-related expenses for all 56 county tax appeal boards, including supplies, postage, and copies, but excluding office equipment.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	9.00	0.00	0.00	9.00	0.00	0.00	9.00
Personal Services	195,328	98,277	0	293,605	100,093	0	295,421
Operating Expenses	85,238	(5,191)	0	80,047	(4,793)	0	80,445
Local Assistance	2,759	0	0	2,759	0	0	2,759
Total Costs	\$283,325	\$93,086	\$0	\$376,411	\$95,300	\$0	\$378,625
General Fund	283,325	93,086	0	376,411	95,300	0	378,625
Total Funds	\$283,325	\$93,086	\$0	\$376,411	\$95,300	\$0	\$378,625

**APPELLATE DEFENDER
APPELLATE DEFENDER PROGRAM**

**6102
01**



Mission Statement - To permit state courts to fulfill, in a cost-effective manner, federal and state constitutional and statutory obligations to appoint counsel to effectively represent indigent persons who wish to pursue their rights to challenge criminal convictions, by means of appeals to the supreme court or by other post-conviction challenges; to assist defense counsel in appeals on request; to aid the Appellate Defender Commission in promulgating standards for the appointment of trial and appellate counsel in Montana; and to develop and maintain a roster of defense attorneys eligible for appointment in Montana.

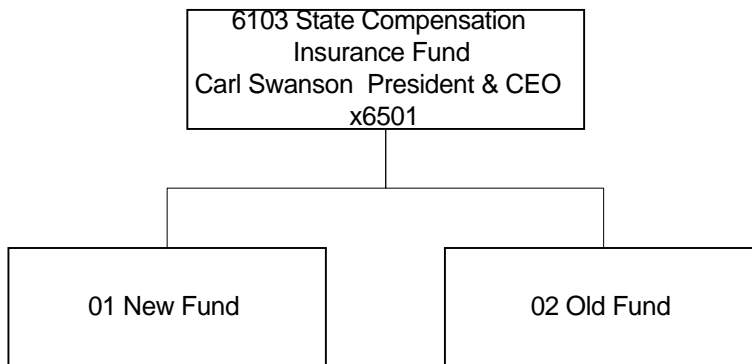
Statutory Authority - State mandates are established at 46-8-210 through -213, MCA.

Program Description - The Office of the Appellate Defender is an agency administratively attached to the Department of Administration. Prior to creation of the agency by the 1995 Legislature, the Appellate Defender Program was administratively attached to the Department of Administration and funded by a statutory appropriation. The appellate defender is hired by, and serves at the pleasure of, the Appellate Defender Commission. The appellate defender provides legal counsel for indigent persons who have been convicted and then appeal their district court conviction or petition for post-conviction relief from proceedings in district court. The appellate defender also aids the commission in compiling and keeping current a roster of Montana attorneys eligible for appointment by an appropriate court as trial and appellate defense counsel for the indigent.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	3.00	0.00	0.00	3.00	0.00	0.00	3.00
Personal Services	129,908	2,523	0	132,431	3,423	0	133,331
Operating Expenses	40,983	7,720	0	48,703	8,187	0	49,170
Total Costs	\$170,891	\$10,243	\$0	\$181,134	\$11,610	\$0	\$182,501
General Fund	0	0	0	0	0	0	0
State/Other Special	170,891	10,243	0	181,134	11,610	0	182,501
Total Funds	\$170,891	\$10,243	\$0	\$181,134	\$11,610	\$0	\$182,501

Significant Present Law Adjustments -

- Attend training seminars dealing with issues particular to appellate defense
- Contract for expert witnesses in certain court cases

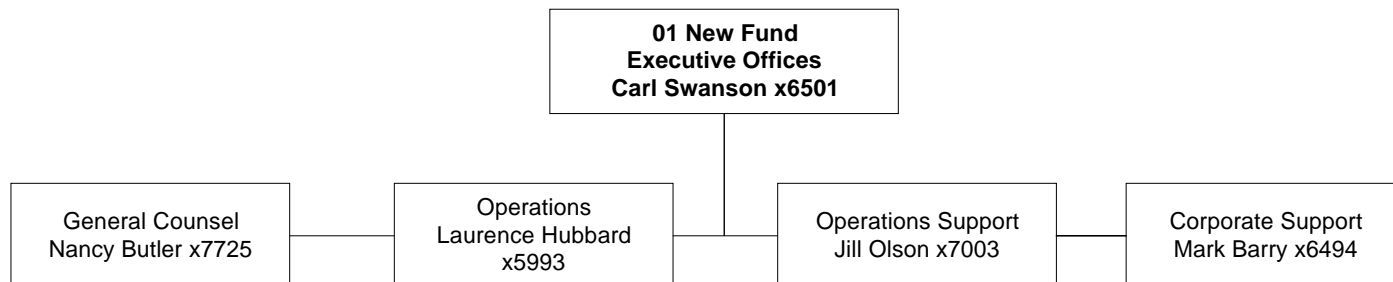


Mission Statement - The State Fund is Montana's insurance carrier of choice and industry leader in service.

Statutory Authority - The State Compensation Insurance Fund (State Fund) provides liability insurance for workers' compensation and occupational disease and may not refuse coverage to any employer requesting coverage (Title 39, Chapter 71, MCA).

Section 39-71-2321, MCA, provides that all funds deposited in the State Fund may be expended as provided in 17-8-101(2)(b), under general laws, or contracts entered into in pursuance of law permitting the disbursement. Based on this statutory provision, the State Fund is not budgeted in the general appropriations act.

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003
FTE	234.75	(10.25)	0.00	224.50	(10.25)	0.00	224.50
Personal Services	9,905,399	1,511,046	0	11,416,445	1,654,416	0	11,559,815
Operating Expenses	10,009,553	729,732	0	10,739,285	968,603	0	10,978,156
Equipment	762,856	(273,356)	0	489,500	(272,356)	0	490,500
Benefits & Claims	70,721,356	367,577	0	71,088,933	2,049,197	0	72,770,553
Total Costs	\$91,399,164	\$2,334,999	\$0	\$93,734,163	\$4,399,860	\$0	\$95,799,024
Proprietary	91,399,164	2,334,999	0	93,734,163	4,399,860	0	95,799,024
Total Funds	\$91,399,164	\$2,334,999	\$0	\$93,734,163	\$4,399,860	\$0	\$95,799,024



Program Description -The State Fund provides liability insurance for workers' compensation and occupational disease and may not refuse coverage to any employer requesting coverage (Title 39, Chapter 71, MCA). The Montana Workers' Compensation Act requires all employers in Montana who have employees in service to carry workers' compensation insurance. The Department of Labor and Industry regulates the workers' compensation industry in Montana. Three plans exist for coverage: Plan I-self-insured; Plan II-Private Insurance Companies; or Plan III-State Compensation Insurance Fund (State Fund). The State Fund is a nonprofit public corporation.

The State Fund guarantees the availability of workers' compensation coverage for all employers in Montana. Montana law requires the State Fund to insure any employer in the state who requests coverage, except those in default of a prior payment to the fund. As provided in law, the State Fund insures all state agencies.

Under the workers' compensation laws of Montana, the State Fund is liable for payment of benefits to employees for injuries arising out of and in the course of employment, or in the case of death or injury, to the beneficiaries.

The State Fund oversees two programs:

- 1) The State Fund is responsible for managing claims and benefits payments for injuries occurring on or after July 1, 1990.
- 2) The State Fund is responsible for administering claims of the Old Fund, claims occurring before July 1, 1990.

All premiums and other money paid to the State Fund, all property and securities acquired through the use of money belonging to the State Fund and, all interest and dividends earned upon money belonging to the State Fund are the sole property of the State Fund. The money must be used exclusively for the operations and obligations of the State Fund. The money collected by the State Fund can not be used for any other purpose (39-71-2320 (1), MCA).

Management of the State Fund is vested in a seven-member board of directors appointed by the Governor. Statute requires the State Fund to set premium rates at levels sufficient, when including future investment income, to fund the insurance program. This includes the cost of administration, benefits, and adequate reserves. The State Fund is subject to the laws governing state agencies, unless specifically exempted by statute.

Section 39-71-2321, MCA, provides that all funds deposited in the State Fund may be expended as provide in 17-8-101(2)(b), under general laws, or contracts entered into in pursuance of law, permitting the disbursement. Based on this statutory provision the State Fund is not budgeted in the general appropriations act.

The board is statutorily required to establish a business plan (39-71-2315,MCA) and an annual budget within parameters defined in law (39-71-2363,MCA). State law requires the State Fund to submit its annual budget to the Legislative Finance Committee for review. The Board may approve administrative expenditures in excess of 15 percent of prior year's premium, but the excess amount may not to exceed one-half of prior fiscal year's earned investment income. Dividends may not be included as administrative expenditures.

The State Fund's 2003 biennial projected expenditures and funding are based on the State Fund's FY 2001 Strategic Business Plan projected through the biennium. The annual budgets shall consist of an estimate of the entire expense of

**STATE COMPENSATION INSURANCE FUND
NEW FUND**

**6103
01**

administering the State Fund for the succeeding fiscal year, with due regard for the business interests and contract obligations of the State Fund. Workers' compensation premiums and investment earnings on State Fund assets fund the State Fund operations. The State Fund does not receive general fund.

Priority issues established in the State Fund's FY 2001 Strategic Business Plan, as approved by the State Fund Board of Directors, are:

- 1) Redesign and Reorganization for Customer Focus;
- 2) Continue to enhance the functionality and utility of State Fund information systems;
- 3) Continue to build on the State Fund's agency distribution and delivery system;
- 4) Increase the 'Ease of doing business' with the State Fund;
- 5) Upgrade and expand the State Fund's marketing strategy and capacity to become more competitive in the marketplace.

During the latter half of FY 2000 and the first half of FY 2001 the State Fund underwent a significant reorganization to develop efficiencies in work processes, as was part of the Strategic Business Plan. A team environment was established to enable the State Fund to increase responsiveness toward our customers and business partners. As a result of the reorganization the staff was reduced from 234.75 to 224.50 FTE.

The State Fund Board of Directors is the approving authority for the State Fund budget. The board approves an annual budget. The State Fund board has not approved the expenditure levels in the following budget table for the 2003 biennium.

The budget table shown below reflects projected operating, claim expenses, and funding. The data cited in the table is for informational purposes only and is based on a two-year State Fund staff projection of operations. Estimates for claim expenditures and funding are periodically updated by staff and are subject to change.

Program Indicators -

Indicator	Actual FY1998	Actual FY1999	Actual FY2000	Estimated FY2001	Requested FY2002	Requested FY2003
Net Premium (000's)	\$76,421	\$70,170	\$76,421	\$70,507	\$75,392	\$82,547
Policyholders As of 6/30	24,043	24,823	23,481	23,320	23,903	24,501
Claims Reported	11,363	10,800	10,933	11,479	12,053	12,656

Rate Explanation -39-71-2330. Rate setting -- surplus. (1) The board has the authority to establish the rates to be charged by the State Fund for insurance. The board shall engage the services of an independent actuary who is a member in good standing with the American academy of actuaries to develop and recommend actuarially sound rates. Rates must be set at amounts sufficient, when invested, to carry the estimated cost of all claims to maturity, to meet the reasonable expenses of conducting the business of the State Fund, and to amass and maintain an excess of surplus over the amount produced by the national association of insurance commissioners' risk-based capital requirements for a casualty insurer.

(2) Because surplus is desirable in the insurance business, the board shall annually determine the level of surplus that must be maintained by the state fund pursuant to this section, but shall maintain a minimum surplus of 25 percent of annual earned premium. The state fund shall use the amount of the surplus above the risk-based capital requirements to secure the State Fund against various risks inherent in or affecting the business of insurance and accounted for or only partially measured by the risk-based capital requirements.

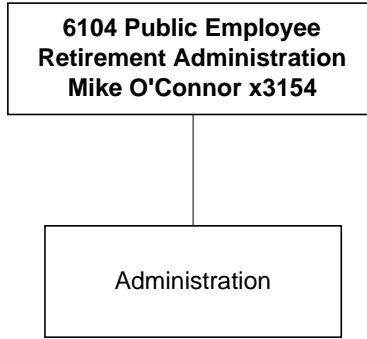
OLD FUND

02 Old Fund

Program Description -The State Fund administers the claims of the Old Fund and charges the cost of administering the claims to the Old Fund. The State Fund is limited in law to charge no more than \$1.25 million per year to the Old Fund for claims administration.

The Old Fund was funded through the Old Fund liability tax (OFLT), enacted in 1993 and administered by the Department of Revenue. The Old Fund liability tax was eliminated January 1, 1999. State law established parameters for the termination of the OFLT. The State of Montana budget director certified that the statutory parameters had been satisfied and that the Old Fund liability was adequately funded.

At the September 16, 1998, State Fund board meeting, the consulting actuary advised the board that as of 12/31/98 the Old Fund would be fully funded including a contingency of 10 percent. As a result of this action, the board in turn advised the State of Montana budget director that the Old fund would be fully funded as of 12/31/98. On September 16, 1998, the budget director submitted written notice to the Department of Revenue to begin efforts to provide for terminating the collection of the Old Fund liability tax on January 1, 1999.



Mission Statement – The Montana Public Employee Retirement Administration will efficiently provide quality benefits, education and service to help our plan members and beneficiaries achieve a quality retirement.

Statutory Authority – Title 2, Chapter 15; Title 19, Chapters 2, 3, 5, 6, 7, 8, 9, 13, 17, and 50, MCA; and Internal Revenue Service codes

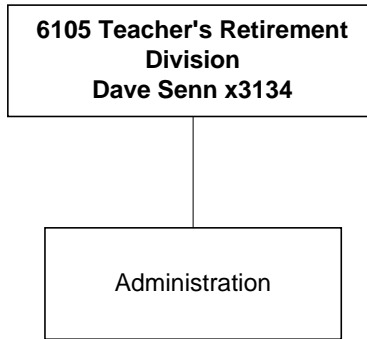
Program Description – The Public Employees’ Retirement Board administers eight statutorily distinct public retirement systems: Public Employees’, Judges’, Game Wardens and Peace Officers’, Sheriffs’, Highway Patrol Officers’, Municipal Police, and Firefighters’ Unified retirement systems, and the Volunteer Firefighter’s Compensation Act. The board also administers the state’s Deferred Compensation Program. The board is allocated to the Department of Administration, which means that the board hires the staff for the Public Employee Retirement Administration, which carries out the daily administration of the systems. The Public Employees’ Retirement Board has 30 employees. This agency accounts for over \$3.7 billion held in trust for the eight public pension plans and a deferred compensation plan administered by the board. Monthly retirement, disability, and death benefits are paid to over 16,000 recipients. Annual benefit payments exceed \$128 million. Contributions from over 32,000 active members are collected and accounted.

Program Indicators -

Indicator	Actual FY 1998	Actual FY1999	Actual FY2000	Estimated FY2001	Estimated FY2002	Estimated FY2003
Benefits	122,530,311	128,654,433	135,925,468	144,080,996	152,725,856	161,889,407
Defined Benefit Assets	2,899,348,488	3,245,111,997	3,497,845,464	3,920,479,169	4,390,936,669	4,180,171,709
Deferred Comp Assets	163,969,000	179,924,000	202,162,660	222,208,727	244,429,599	268,872,559

Summary of FY 2000 Expenditures	
FTE	30.00
Personal Services	\$875,604
Operating Expenses	\$713,623
Equipment	\$ 36,191
Total	\$1,625,418

The 1997 Legislature made pension trust fund expenditures non-budgeted. To ensure unbiased and effective administration, total administrative expenses may not and do not exceed 1.5 percent of the total retirement benefits paid.



Mission Statement - To maintain a financially sound system that is actuarially funded that will provide the broadest and fairest possible range of disability, death and retirement benefits to teachers and other eligible members of the State of Montana as prescribed by state statutes.

Statutory Authority – Montana Constitution, Article VIII, Sections 13 and 15, Title 19, Chapter 20, MCA; and Internal Revenue Service codes

Program Description - The Teachers' Retirement Board, which consists of six members appointed by the Governor, is responsible for the administration of the Teachers' Retirement System (TRS). To assist in fulfilling its duties, the board employs a full-time staff. The TRS administers retirement, disability, and survivor benefits for all Montana teachers and their beneficiaries.

Program Indicators -

Indicator	Actual FY 1998	Actual FY1999	Actual FY2000	Estimated FY2001	Estimated FY2002	Estimated FY2003
Contributions	86,613,910	87,731,106	93,593,966	98,000,000	112,000,000	116,000,000
Benefits	94,204,970	100,028,083	113,974,674	120,000,000	126,000,000	132,000,000

Summary of FY 2000 Expenditures	
FTE	14.00
Personal Services	\$ 560,224
Operating Expenses*	\$ 733,581
Total	\$1,293,805

* Includes depreciation and amortization

The 1997 Legislature made pension trust fund expenditures non-budgeted. To ensure unbiased and effective administration, total administrative expenses may not and do not exceed 1.5 percent of the total retirement benefits paid.