



GOVERNOR
STEVE BULLOCK

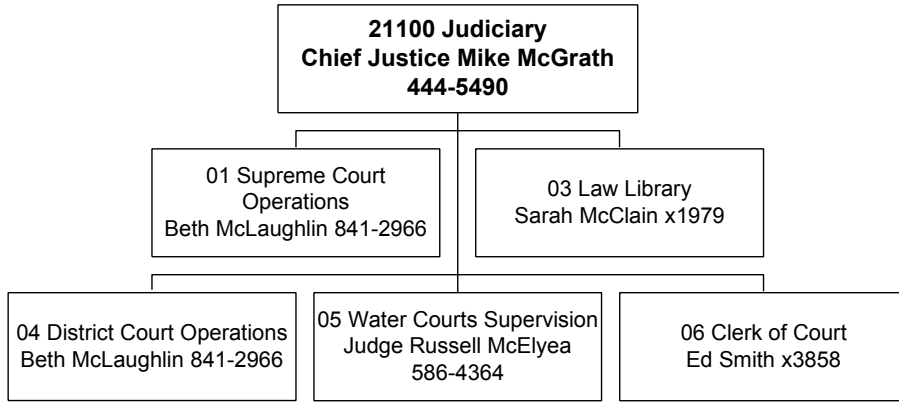
STATE OF MONTANA

SECTION P: PROPRIETARY FUNDS



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Judicial Branch - 21100



Mission Statement - The Judicial Branch’s mission is to provide an independent, accessible, responsive, impartial, and timely forum to resolve disputes; to preserve the rule of law; and to protect the rights and liberties guaranteed by the Constitutions of the United States and Montana.

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

Judicial Branch - 21100

Comparison of Judicial Branch Request to Executive Recommendation				
Budget Item	2019 Biennium		OBPP Over/(Under)	
	Judicial Submission	OBPP Recommendation	Judicial Submission	
FTE	467.58	450.08	(17.50)	
Personal Services	76,645,252	74,226,362	(2,418,890)	
Operating Costs	18,812,056	16,833,648	(1,978,408)	
Equipment	411,210	341,210	(70,000)	
Benefits & Claims	11,498,700	11,060,704	(437,996)	
Debt Service	17,750	17,750	-	
Total Costs	\$107,384,968	\$102,479,674	(\$4,905,294)	
General Fund	102,924,924	98,134,930	(4,789,994)	
State/Other Special	3,890,848	3,775,548	(115,300)	
Federal	201,656	201,656	-	
Proprietary	367,540	367,540	-	
Total Funds	\$107,384,968	\$102,479,674	(\$4,905,294)	
Items Not Included in Recommendation				
	FTE	FY 2018	FY 2019	Biennial Total
Gen. Fund FTE & State Special Fees Inc.	1.00	91,048	91,083	182,131
District Court Minimum Staffing	4.50	309,558	285,536	595,094
Drug Court Increase to Existing Funding		126,041	126,041	252,082
Judicial Standards (partial)		12,500	-	12,500
Funding for DUI Courts		136,956	136,956	273,912
Water Court Rent Increase		51,335	51,335	102,670
Park Avenue Building Rent Increase		2,737	5,571	8,308
IT System Maintenance Costs		30,357	30,357	60,714
New District Court Judges & Staff (partial)	12.00	-	1,360,332	1,360,332
Total Not Funded	17.50	\$760,532	\$2,087,210	\$2,847,742
Appropriation Rebase Added by OBPP		1,080,987	976,565	2,057,552
Total Difference	17.50	\$1,841,519	\$3,063,775	\$4,905,294

In accordance with 17-7-122 (3), MCA, the Executive is including the table above to show the Judicial Branch's budget proposals not included in the Executive's recommended budget.

Agency Proposed Budget			
Budget Item	Total Exec. Budget Fiscal 2018	Total Exec. Budget Fiscal 2019	Total Exec. Budget 2019 Biennium
Operating Expenses	183,770	183,770	367,540
Total Costs	\$183,770	\$183,770	\$367,540
Proprietary Funds	183,770	183,770	367,540
Total Funds	\$183,770	\$183,770	\$367,540

Judicial Branch - 21100

Law Library - 03

**03 Law Library
Sarah McClain x1979**

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2017	Adjustments Fiscal 2018	Exec. Budget Fiscal 2018	Adjustments Fiscal 2019	Exec. Budget Fiscal 2019	Budget Request 2019 Biennium
Operating Expenses	184,297	(527)	183,770	(527)	183,770	367,540
Total Costs	\$184,297	(\$527)	\$183,770	(\$527)	\$183,770	\$367,540
Proprietary Funds	184,297	(527)	183,770	(527)	183,770	367,540
Total Funds	\$184,297	(\$527)	\$183,770	(\$527)	\$183,770	\$367,540

**Proprietary Program Description -
Fund 06019 – Law Library Lexis Enterprise Account**

Program Description

The Law Library contracts with an on-line provider for access to a legal database and in turn bills public and private entities for their usage.

Revenues and Expenses

This enterprise program has only two expenses: 1) charges for searches and research of the on-line data base; and 2) an allocation for the statewide indirect cost pool.

Revenues for the services are payments made by the various public and private entities that use the services and are based on the cost of the search performed.

Rate(s) and Rate Explanation

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. No changes in the rates charged were made. This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for this program.

Projected Fund Balance, Including Cash Fluctuations

This enterprise program does not reserve any fund balance. Any slight balance remaining at the end of any fiscal year is used to pay bills at the beginning of the next fiscal year until revenue can be collected.

Working Capital Analysis

Working Capital Analysis does not apply to enterprise funds.

Judicial Branch - 21100

Law Library - 03

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 21100	Agency Name: Judicial Branch		Program Name: Law Library			
	Fund	Fund Name				
	06019	Lexis Proprietary Account				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY14	FY15	FY16	FY17	FY18	FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	189,750	194,921	210,792	220,000	220,000	220,000
Total Operating Revenues	189,750	194,921	210,792	220,000	220,000	220,000
Expenses:						
Other Operating Expenses						
Total Operating Expenses	187,755	197,403	202,991	184,297	183,770	183,770
Operating Income (Loss)	1,995	(2,482)	7,801	35,703	36,230	36,230
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	1,995	(2,482)	7,801	35,703	36,230	36,230
Change in Net Position	1,995	(2,482)	7,801	35,703	36,230	36,230
Beginning Net Position - July 1	9,686	11,681	9,199	17,000	52,703	88,933
Change in Net Position	1,995	(2,482)	7,801	35,703	36,230	36,230
Ending Net Position - June 30	11,681	9,199	17,000	52,703	88,933	125,163
Net Position (Fund Balance) Analysis						

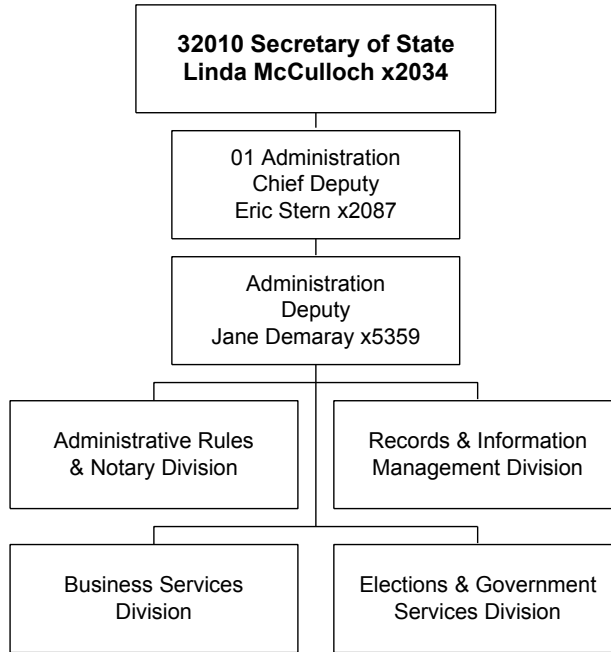
-----**Statewide Present Law Adjustments**-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$527)
FY 2019	\$0	(\$527)

SWPL - 2 - Fixed Costs -

The request includes a reduction of \$527 in each year of the biennium to adjust the funding required in the budget to make changes in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing and state building rent. The rates charged for these services are approved in a separate portion of the budget.

Secretary of State - 32010



Mission Statement - It is the mission of the Secretary of State to provide efficient services to Montana's voters, business community, and governmental agencies through open communications, effective use of technology, and transparent accountability.

Statutory Authority - Article VI, Section 1, Montana Constitution; 2-4-311-313, 2-6-1001, and 2-15-401-406, MCA.

Secretary of State - 32010

Business & Government Services - 01

Program Proposed Budget	Starting Point	Budget Adjustments	Total	Budget Adjustments	Total	Executive
Budget Item	Fiscal 2017	Fiscal 2018	Exec. Budget Fiscal 2018	Fiscal 2019	Exec. Budget Fiscal 2019	Budget Request 2019 Biennium
FTE	57.25	(2.75)	54.50	(2.75)	54.50	
Personal Services	4,302,784	(104,173)	4,198,611	(91,492)	4,211,292	8,409,903
Operating Expenses	2,008,360	(6,663)	2,001,697	(46,324)	1,962,036	3,963,733
Equipment & Intangible Assets	0	0	0	0	0	0
Debt Service	10,533	0	10,533	0	10,533	21,066
Total Costs	\$6,321,677	(\$110,836)	\$6,210,841	(\$137,816)	\$6,183,861	\$12,394,702
Proprietary Funds	6,321,677	(110,836)	6,210,841	(137,816)	6,183,861	12,394,702
Total Funds	\$6,321,677	(\$110,836)	\$6,210,841	(\$137,816)	\$6,183,861	\$12,394,702

Proprietary Program Description - Fund 06053 Secretary of State Business Services

Program Description

The Secretary of State has one program, the Business and Government Program, with five divisions.

Revenues and Estimates

The Secretary of State is primarily funded by proprietary funds received for fees for services from the Business Services Division, Administrative Rules and Notary Services Division, Records and Information Management Division, and Elections and Government Services. Revenues are received from fees charged to:

- Businesses and corporations for corporate filings, registration of assumed business names, and trademarks;
- State agencies and other ARM users for publishing and distributing the ARM and the MARS;
- State agencies for storage and management of public documents;
- Candidates who file for elections; and
- Montana citizens who apply to be notaries.

Revenues in the Business Services Division have been steadily increasing over the past few fiscal years and are not projected to deviate from this pattern. Revenues in Records and Information Management Division have been decreasing with the decrease in paper documents and the increase in more electronic files kept by the individual agencies. Revenue from the Administrative Rules and Certification and Notary Services Division has steadily declined over the past four years, and is expected to continue to decrease as better online services are provided. The improvement of online services has resulted in a decrease in the number of subscriptions.

The main cost drivers for the Secretary of State are personnel costs and the registration and document filing of Montana businesses. With the implementation of the new Secretary of State Information Management System, operating costs will continue to increase as a result of on-going yearly maintenance and hosting costs.

There are 57.25 FTE funded with proprietary funds

Rate(s) and Rate Explanation

Secretary of State charges fees for services.

Changes in Level of Fees and Charges

There are no anticipated changes in services or fees.

Projected Fund Balance, Including Cash Fluctuations

Secretary of State - 32010

Business & Government Services - 01

The fund balances are based on anticipated revenues and expenditures. Balances are based on conservative revenue estimates and one hundred percent (100%) of the budgeted expenditures being expended. The projected fiscal year fund balance is decreasing based on forecasted reductions in Records and Information Management Division and Administrative Rules and Notary Services Division revenues and increases in expenditures in the Business Services Division.

Working Capital and Fees Commensurate Analysis

Per MOM 302, Section XI(B), working capital does not apply to enterprise funds.

The fees charged by the Secretary of State are below those charged in both the public and private sectors for comparable services in Montana and surrounding states. The fees charged are commensurate with the overall costs to fund the operations of the Secretary of State.

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 32010	Agency Name: Secretary of State			Program Name: Business & Government Services		
	Fund	Fund Name				
	06053	Sec of St Business Services				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	5,020,724	5,288,971	6,329,573	6,321,677	6,103,492	6,076,512
Fee Revenue B	95,163	77,463	91,186	-	-	-
Other Operating Revenue	4,229	3,478	10,176	-	700	700
Total Operating Revenues	5,120,116	5,369,912	6,430,935	6,321,677	6,104,192	6,077,212
Expenses:						
Personal Services	3,342,875	3,818,062	4,293,439	4,302,784	4,198,611	4,211,292
Other Operating Expenses	1,100,099	1,999,181	1,970,750	2,008,575	1,222,570	1,248,794
Expense B	34,662	840,998	151,754	45,000	789,660	723,775
Total Operating Expenses	4,477,636	6,658,241	6,415,943	6,356,359	6,210,841	6,183,861
Operating Income (Loss)	642,480	(1,288,329)	14,992	(34,682)	(106,649)	(106,649)
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	642,480	(1,288,329)	14,992	(34,682)	(106,649)	(106,649)
Change in Net Position	642,480	(1,288,329)	14,992	(34,682)	(106,649)	(106,649)
Beginning Net Position - July 1	5,114,693	5,757,173	3,853,632	3,868,653	3,833,971	3,727,322
Prior Period Adjustments	-	(615,212)	29	-	-	-
Change in Net Position	642,480	(1,288,329)	14,992	(34,682)	(106,649)	(106,649)
Ending Net Position - June 30	5,757,173	3,853,632	3,868,653	3,833,971	3,727,322	3,620,673
Net Position (Fund Balance) Analysis						
Unrestricted Net Position	5,757,173	3,853,632	3,868,653	3,833,971	3,727,322	3,620,673

Secretary of State - 32010

Business & Government Services - 01

-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$99,267
FY 2019	\$0	\$112,088

SWPL - 1 - Personal Services -

The budget includes an increase of \$99,267 in FY 2018 and \$112,088 in FY 2019 to annualize various personal service costs including FY 2017 statewide pay plan adjustments and to fund increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$99,863
FY 2019	\$0	\$59,757

SWPL - 2 - Fixed Costs -

The request includes an increase of \$99,863 in FY 2018 and \$59,757 FY 2019 to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of other fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing fees, and other charges. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$5,494)
FY 2019	\$0	(\$5,189)

SWPL - 3 - Inflation Deflation -

This change package includes a reduction of \$5,494 in FY 2018 and \$5,189 in FY 2019 to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and in-state motor pool charges.

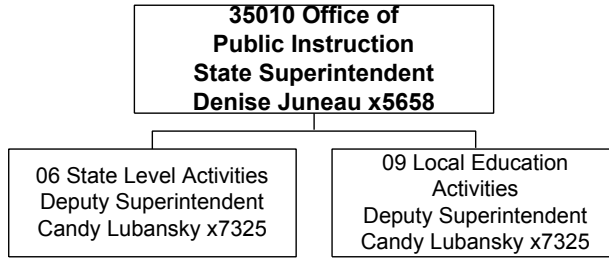
-----New Proposals-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$304,472)
FY 2019	\$0	(\$304,472)

NP - 555 - Appropriation Rebase -

The Executive Budget includes targeted budget reductions across most agencies. The Executive proposes a Business and Government Services Appropriation Rebase totaling \$304,472 each fiscal year, which is consistent with other agency reduction plans submitted in compliance with 17-7-111, MCA.

Office of Public Instruction - 35010



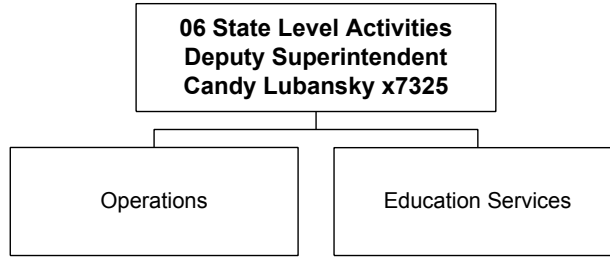
Mission Statement - The Montana Office of Public Instruction provides vision, advocacy, support and leadership for schools and communities to ensure that all students meet today's challenges and tomorrow's opportunities.

Statutory Authority - Title 20, MCA.

Agency Proposed Budget	Total Exec. Budget Fiscal 2018	Total Exec. Budget Fiscal 2019	Total Exec. Budget 2019 Biennium
Budget Item			
FTE	27.34	27.34	
Personal Services	1,874,166	1,879,716	3,753,882
Operating Expenses	876,425	788,154	1,664,579
Equipment & Intangible Assets	23,976	23,976	47,952
Total Costs	\$2,774,567	\$2,691,846	\$5,466,413
Proprietary Funds	2,774,567	2,691,846	5,466,413
Total Funds	\$2,774,567	\$2,691,846	\$5,466,413

Office of Public Instruction - 35010

State Level Activities - 06



Program Proposed Budget	Starting Point	Budget Adjustments	Total	Budget Adjustments	Total	Executive
Budget Item	Fiscal 2017	Fiscal 2018	Exec. Budget Fiscal 2018	Fiscal 2019	Exec. Budget Fiscal 2019	Budget Request 2019 Biennium
FTE	26.25	1.09	27.34	1.09	27.34	
Personal Services	2,180,218	(306,052)	1,874,166	(300,502)	1,879,716	3,753,882
Operating Expenses	864,320	12,105	876,425	(76,166)	788,154	1,664,579
Equipment & Intangible Assets	23,976	0	23,976	0	23,976	47,952
Total Costs	\$3,068,514	(\$293,947)	\$2,774,567	(\$376,668)	\$2,691,846	\$5,466,413
Proprietary Funds	3,068,514	(293,947)	2,774,567	(376,668)	2,691,846	5,466,413
Total Funds	\$3,068,514	(\$293,947)	\$2,774,567	(\$376,668)	\$2,691,846	\$5,466,413

Proprietary Program Description -

The State Level Activities program provides the following functions funded with proprietary funds. These programs are described separately along with a discussion of program expenses, revenues, and rates being requested to finance the program. There are two proprietary programs: Advanced Driver Education Program and Indirect Cost Pool

Fund 06067 Advanced Drivers (Montana DRIVE) Program in Lewistown

Program Description

The Advanced Driver Education program (also known as Montana DRIVE) is a seasonal hands-on behind-the wheel crash avoidance program operated by the Health Enhancement and Safety Division of the Office of Public Instruction at their training facility in Lewistown. The one-day and half-day refresher courses provide training to school bus drivers, driver education teachers, state employees, ambulance drivers, firefighters, road crews, and others who drive as a part of their employment. In operation since 1979, this program offers its services to employees of government services, fleet managers, and to the general public.

Revenues and Expenses

Revenues are generated from workshop fees collected from program users. Typically, the program serves 450-500 participants a season. The current fee is \$315 for a full-day workshop per person. Program fees should remain within a range of \$315 - \$350 for the biennium. This should cover any unusual maintenance costs that are incurred during a season. It is anticipated that services will remain approximately the same as present for the 2019 biennium.

Cost drivers for fees include instructor expenses (salaries, travel, and per diem); vehicle maintenance and operating expenses (fuel and repairs); classroom and track supplies; track lease; program advertising; and administration (planning, scheduling, registrations, advertising, professional development of staff, support services, etc.). The program continues to consider facility options to administer the program. Continued facility maintenance is anticipated to be an on-going cost.

Office of Public Instruction - 35010

State Level Activities - 06

Rates and Rate Explanation

Workshop rates are fixed rates evaluated against workshop personnel expenses, operating expenses, and depreciated vehicle costs on a seasonal basis to ensure workshop operating expenses are covered. Inflationary influences are anticipated as best as possible to ensure that inflation does not leave the program in a deficit situation. All attempts are made to keep workshop fees as low as possible.

Fund Balance, Including Cash Fluctuations

In addition to operating expenses during non-revenue months, the program also incurs periodic (every 2 - 5 years) expenditures for replacement of vehicles and facility maintenance/improvement. Payment of these services requires accumulation and carryover of revenue from year to year an amount of approximately 10% - 20% of its annual budget.

Working Capital Analysis

This program is a summer seasonal program that operates 45 - 55 days during June, July, and August utilizing 13 - 16 vehicles. The program typically employs four professional instructors for each workshop (10 - 11 hours per day each) totaling 1.30 FTE. A director (0.15 FTE) and a program specialist (0.23 FTE) provide administrative support during the year. Most revenue is received in April - June through pre-paid workshop registrations. Most expenses are realized June through August, with continuing administrative expenses during the remainder of the year. The program requires 30% - 45% of its annual budget to be carried over into the next fiscal year to cover working expenses paid out July - March.

Fund 06512 Indirect Cost Pool

Program Description

OPI's internal service fund is used to pool internal and statewide central service type costs that are charged back to all of the agency's state and federally funded programs using a pre-approved indirect cost rate.

Revenues and Expenses

Indirect cost pool revenues are a function of the amount of expenditures recorded in the State Level Activities Program. Revenues are generated monthly by applying the approved indirect cost rate to the prior month's direct personal services and operating expenditures in both state and federally funded programs. In FY 2016, OPI federal programs contributed \$1,771,100 toward the cost of "indirects"; general and other state-funded programs contributed \$1,153,946. State and federal program payments to the indirect cost pool are recorded using SABHRS account 62827. OPI negotiates a three year "predetermined rate" with the US Department of Education. In FY 2016, OPI negotiated a one-year rate of 16% for FY 2017. OPI will renegotiate a three-year predetermined rate for FY 2018 through FY 2020. It is anticipated this rate will not exceed 17% which is the current legislatively approved rate. The rate is calculated in accordance with federal regulations and section 17-3-111(1), MCA.

Costs of OPI operations that are paid from the indirect cost pool include:

- Termination payouts (vacation/comp time/sick leave) for all staff (except the state superintendent and her personal staff).
- Services provided to OPI by other state agencies known as fixed costs.
- Payroll, personnel, accounting, budgeting, data management, cash management, financial reporting, purchasing, mail delivery, and resource center services to all OPI programs.
- Operating costs associated with 24.57 FTE are paid from the pool, including the cost of rent for space they occupy, office supplies, postage, long distance phone charges, equipment, training, travel, photocopy charges, etc.
- General-use items such as paper, FAX lines, and shared equipment, including maintenance contracts on that equipment.

Office of Public Instruction - 35010

State Level Activities - 06

It should be noted that the legislative audit costs are appropriated on a biennial basis. This is the reason the expenditures for the OPI indirect cost pool are higher in the first year of the biennium.

Rate and Rate Explanation

OPI negotiates a three year "predetermined rate" with the US Department of Education. The rate is calculated in accordance with federal regulations and section 17-3-111, MCA. The approved rate for FY 2017 is 16%. A new rate will be negotiated in December of 2016 and may be higher or lower than the budgeted rate. The new rate will be applicable to FY 2018 through FY 2020.

Projected Fund Balance, Including Cash Fluctuations

There is no requirement to reserve fund balance. Management's objective is to maintain the minimum balance necessary for on-going operations. If a significant balance accumulates because direct expenses increase at a faster rate than indirect expenses, the approved rate will adjust downward to reduce the excess over time.

Working Capital and Fees Commensurate Analysis

Working Capital is not considered in the rate determination. Sufficient working capital is needed for cashflow during the first 30 - 60 days of the fiscal year.

Office of Public Instruction - 35010

State Level Activities - 06

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 35010	Agency Name: Office of Public Instruction			Program Name: State Level Activities		
	Fund	Fund Name				
	06512	Indirect Cost Pool				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY14	FY15	FY16	FY17	FY18	FY19
Operating Revenues:						
Fee and Charges						
Revenue A	6,072	7,096	8,694	8,700	8,700	8,700
Total Operating Revenues	6,072	7,096	8,694	8,700	8,700	8,700
Expenses:						
Personal Services						
Other Operating Expenses	989,866	1,005,873	1,209,530	1,000,000	1,000,000	1,000,000
Total Operating Expenses	2,657,415	2,733,178	3,141,571	3,106,754	3,106,754	3,106,754
Operating Income (Loss)	(2,651,343)	(2,726,082)	(3,132,877)	(3,098,054)	(3,098,054)	(3,098,054)
Nonoperating Revenues:						
Other Revenue A						
Other Revenue B	1,168,561	1,168,087	1,153,946	1,200,000	1,200,000	1,200,000
Nonoperating Expenses:	1,460,451	1,639,663	1,771,100	1,800,000	1,800,000	1,800,000
Total Nonoperating Revenues (Expenses)	2,629,012	2,807,750	2,925,046	3,000,000	3,000,000	3,000,000
Income (Loss) Before Contributions and Transfers	(22,331)	81,668	(207,831)	(98,054)	(98,054)	(98,054)
Change in Net Position	(22,331)	81,668	(207,831)	(98,054)	(98,054)	(98,054)
Beginning Net Position - July 1	940,196	917,865	999,533	791,702	693,648	595,594
Change in Net Position	(22,331)	81,668	(207,831)	(98,054)	(98,054)	(98,054)
Ending Net Position - June 30	917,865	999,533	791,702	693,648	595,594	497,540
Net Position (Fund Balance) Analysis						

-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$357,199)
FY 2019	\$0	(\$351,791)

SWPL - 1 - Personal Services -

The OPI budget includes a reduction of funding to annualize various personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Office of Public Instruction - 35010

State Level Activities - 06

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$50,068
FY 2019	\$0	(\$38,468)

SWPL - 2 - Fixed Costs -

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$963)
FY 2019	\$0	(\$698)

SWPL - 3 - Inflation Deflation -

This change package includes funding to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, natural gas, electricity, gasoline, and others.

-----New Proposals-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$37,000)
FY 2019	\$0	(\$37,000)

NP - 556 - IT Convergence Savings -

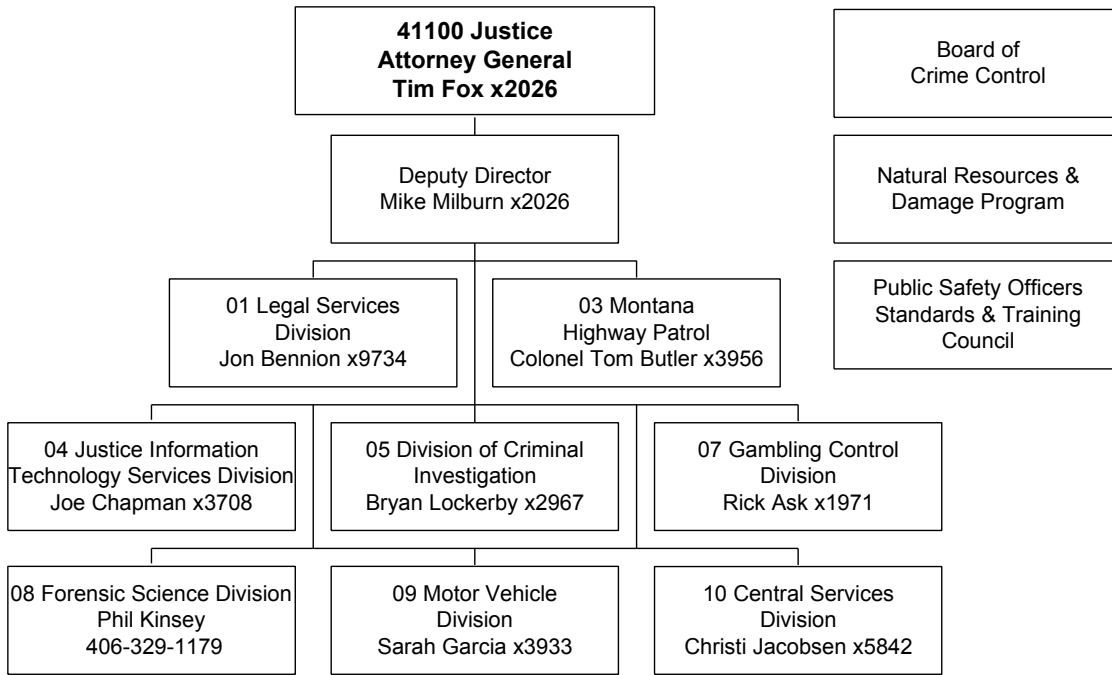
In accordance with Executive Order 09-2016, state agencies have migrated information technology assets to the state data center and taken advantage of other enterprise IT solutions. The estimated savings for the Office of Public Instruction is \$50,000 per year, including \$13,000 HB 2 general fund and \$37,000 non-appropriated proprietary funds.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$51,147
FY 2019	\$0	\$51,289

NP - 630 - Indirect Cost Pool FTE -

This request is for \$51,147 in FY 2018 and \$51,289 in FY 2019 to increase four partial FTE to 4.00 FTE, an increase of 1.09 FTE. These positions will be funded with proprietary funds.

Department of Justice - 41100



Mission Statement - The mission of the Department of Justice is "protecting and promoting public safety and the rule of law."

Statutory Authority - Statutory authority is provided in MCA, 2-15-501, 2-15-2001-2021, and Titles 44 & 61

Agency Proposed Budget	Total Exec. Budget Fiscal 2018	Total Exec. Budget Fiscal 2019	Total Exec. Budget 2019 Biennium
Budget Item			
FTE	14.00	14.00	
Personal Services	1,450,487	1,454,908	2,905,395
Operating Expenses	178,751	178,991	357,742
Total Costs	\$1,629,238	\$1,633,899	\$3,263,137
Proprietary Funds	1,629,238	1,633,899	3,263,137
Total Funds	\$1,629,238	\$1,633,899	\$3,263,137

Department of Justice - 41100

Agency Legal Services - 06

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2017	Adjustments Fiscal 2018	Exec. Budget Fiscal 2018	Adjustments Fiscal 2019	Exec. Budget Fiscal 2019	Budget Request 2019 Biennium
FTE	14.00	0.00	14.00	0.00	14.00	
Personal Services	1,121,400	329,087	1,450,487	333,508	1,454,908	2,905,395
Operating Expenses	179,164	(413)	178,751	(173)	178,991	357,742
Total Costs	\$1,300,564	\$328,674	\$1,629,238	\$333,335	\$1,633,899	\$3,263,137
Proprietary Funds	1,300,564	328,674	1,629,238	333,335	1,633,899	3,263,137
Total Funds	\$1,300,564	\$328,674	\$1,629,238	\$333,335	\$1,633,899	\$3,263,137

Proprietary Program Description - Fund 06500 Agency Legal Services

Program Description

The Agency Legal Services Bureau (ALS) provides legal, hearing examiner, and investigative services to state agency clients on a contract basis. ALS attorneys and investigators bill clients for their case related services and incidental costs. The division consists of 14.00 FTE funded from the revenues generated through internal service billing to customers. The customers served are state agencies, boards, and commissions that have entered into contracts with ALS.

Revenues and Expenses

Revenues are generated by fees charged by the Department of Justice to other state agencies for services provided. The primary expenses for the division are personal services and operating costs. Factors that influence expenses include the state pay plan, the ability to recruit and retain staff, and general inflationary pressures that increase costs for items such as utilities, rent, supplies, and equipment. There are no changes in services provided or fees collected upon.

Rate and Rate Explanation

The rates for the 2019 biennium are as follows:

- Attorney, \$106.00 per hour
- Investigator, \$62.00 per hour

The rates are determined using the fee revenue collected then applying the increase to the average amounts of billable hours compared to known levels of expenditures.

Projected Fund Balance, Including Cash Fluctuations

The most current audit report 12-18 found that Agency Legal Services needed to charge a rate commensurate with costs to remain compliant with state law. The proposed rates allow the agency to incrementally work toward the establishment of a fund balance at June 30 to be commensurate with the 60 day working capital requirement. As illustrated in the proprietary rate table, the change in net assets using the proposed rates is positive in FY 2018. The FY 2018 fund balance will allow the agency to work toward establishing a 60 day working capital in the future.

Working Capital Analysis

The rates maintain fees commensurate with costs and fulfilling the requirements to reserve a fund balance.

Department of Justice - 41100

Agency Legal Services - 06

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 41100	Agency Name: Department of Justice		Program Name: Agency Legal Services			
	Fund	Fund Name				
	06500	Agency Legal Services				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY14	FY15	FY16	FY17	FY18	FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	1,139,366	1,206,748	1,550,836	1,532,160	1,630,000	1,650,000
Total Operating Revenues	1,139,366	1,206,748	1,550,836	1,532,160	1,630,000	1,650,000
Expenses:						
Personal Services						
Other Operating Expenses	954,118	1,047,488	1,177,676	1,121,400	1,450,487	1,454,908
Total Operating Expenses	183,993	160,852	186,845	187,025	178,751	178,991
Operating Income (Loss)	1,255	(1,592)	186,315	223,735	762	16,101
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	1,255	(1,592)	186,315	223,735	762	16,101
Change in Net Position	1,255	(1,592)	186,315	223,735	762	16,101
Beginning Net Position - July 1	(107,616)	(106,361)	(107,953)	78,362	302,097	302,859
Change in Net Position	1,255	(1,592)	186,315	223,735	762	16,101
Ending Net Position - June 30	(106,361)	(107,953)	78,362	302,097	302,859	318,960
Net Position (Fund Balance) Analysis						

-----**Statewide Present Law Adjustments**-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$329,087
FY 2019	\$0	\$333,508

SWPL - 1 - Personal Services -

The budget includes \$329,087 in FY 2018 and \$333,508 in FY 2019 to annualize various personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Justice - 41100

Agency Legal Services - 06

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$358)
FY 2019	\$0	(\$142)

SWPL - 2 - Fixed Costs -

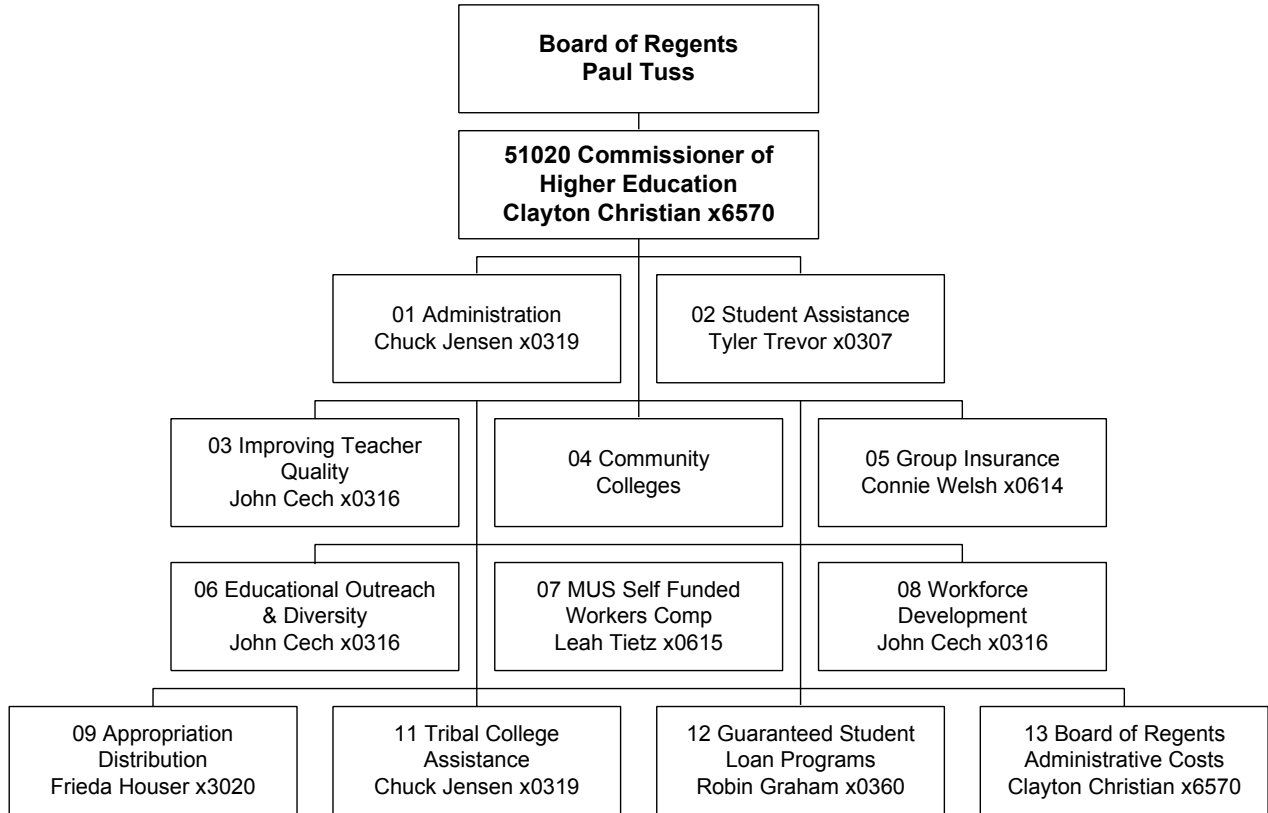
The request includes a reduction of \$358 in FY 2018 and \$142 in FY 2019 to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$55)
FY 2019	\$0	(\$31)

SWPL - 3 - Inflation Deflation -

This change package includes a reduction of \$55 in FY 2018 and \$31 in FY 2019 to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, natural gas, electricity, gasoline, and others.

Commissioner of Higher Education - 51020



Mission Statement - To serve students through the delivery of high quality, accessible postsecondary educational opportunities, while actively participating in the preservation and advancement of Montana's economy and society.

Statutory Authority - Article X, Section 9, Montana Constitution and 2-15-1506, MCA

Agency Proposed Budget	Total Exec. Budget Fiscal 2018	Total Exec. Budget Fiscal 2019	Total Exec. Budget 2019 Biennium
Budget Item			
FTE	7.00	7.00	
Personal Services	635,641	637,374	1,273,015
Operating Expenses	14,532,565	16,100,943	30,633,508
Benefits & Claims	112,728,293	125,895,688	238,623,981
Total Costs	\$127,896,499	\$142,634,005	\$270,530,504
Proprietary Funds	127,896,499	142,634,005	270,530,504
Total Funds	\$127,896,499	\$142,634,005	\$270,530,504

Commissioner of Higher Education - 51020

M U S Group Insurance Program - 05

**05 Group Insurance
Connie Welsh x0614**

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2017	Adjustments Fiscal 2018	Exec. Budget Fiscal 2018	Adjustments Fiscal 2019	Exec. Budget Fiscal 2019	Budget Request 2019 Biennium
FTE	6.00	0.00	6.00	0.00	6.00	
Personal Services	493,450	45,850	539,300	47,512	540,962	1,080,262
Operating Expenses	7,575,402	5,492,152	13,067,554	7,060,526	14,635,928	27,703,482
Benefits & Claims	88,163,646	21,564,647	109,728,293	34,732,042	122,895,688	232,623,981
Total Costs	\$96,232,498	\$27,102,649	\$123,335,147	\$41,840,080	\$138,072,578	\$261,407,725
Proprietary Funds	96,232,498	27,102,649	123,335,147	41,840,080	138,072,578	261,407,725
Total Funds	\$96,232,498	\$27,102,649	\$123,335,147	\$41,840,080	\$138,072,578	\$261,407,725

Proprietary Program Description -

This program is funded with three enterprise type proprietary funds: MUS Group Insurance, MUS Flexible Spending, and CHE Wellness Account.

Fund 06008 MUS Group Insurance

Program Description

The Board of Regents provides faculty and staff with group benefits through the MUS Group Insurance Program. The commissioner is authorized by Board of Regents policy to administer the program as a self-insured, group insurance plan. All university system employees, retirees, and eligible dependents are offered medical, dental, vision, and group life insurance, as well as long-term disability benefits. Retirees and their enrolled dependents are eligible to continue medical and pharmacy coverage on a self-pay basis. The community colleges also participate in this program.

Revenues and Expenses

Revenue in this program comes from:

- Employer-paid contributions toward insurance premiums
- Employee-paid contributions toward insurance premiums
- Employee payments to flexible spending accounts
- Investment earnings on the program fund

The agency is projecting relatively level revenues in the 2019 biennium compared to the base year FY 2017. The revenue projections exclude any premium rate increases or state share increase. The projected increase is due primarily to anticipated growth in retirees age 65 and over.

Significant costs for the program are for:

- Insurance claims payments
- Claims management
- Program administration (with a total of 6.00 FTE in FY 2017)
- Wellness program expense

The agency projects non-personnel expenses to increase on average 7.5% per year between FY 2017 and FY 2019. The primary cost drivers impacting claims expense increases are medical provider cost increases and increased utilization due to the increasing average age of insured covered in the plan and changes required by the affordable care act.

Commissioner of Higher Education - 51020

M U S Group Insurance Program - 05

Rates and Rate Explanation

The employer-paid portion of the group insurance premium is statutorily established in Section 2-18-703, MCA and is presently \$1054 per month per eligible, participating employee. The employee-paid portion of the group insurance premium is adjusted as needed by the Montana University System to cover the premium requirements of a variety of benefit options and to maintain employee group benefit plans on an actuarially sound basis.

Fund Balance, Including Cash Fluctuations

The plan is managed on an actuarially sound basis.

Working Capital Analysis

As a self-insured plan, the group insurance program must maintain sufficient working capital necessary to pay outstanding claims. The amount of cash needed to maintain an ongoing operation is dependent on many variables including projected premiums, claims costs and timing. The program engages the services of an actuary to project these amounts and calculate the incurred but not reported amounts. The plan is managed on an actuarially sound basis as required by state law.

Fund 06009 MUS Flex Spending and Fund 06010 CHE Wellness Account

The flexible spending account and the wellness program are on optional selection for each employee to participate in or not. The flexible spending funds are managed by a 3rd party and are distributed to employees as claims are made. The wellness account uses part of the system's premium to develop a reward program for participants.

Commissioner of Higher Education - 51020

M U S Group Insurance Program - 05

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 51020	Agency Name: Commissioner of Higher Education		Program Name: M U S Group Insurance Program			
	Fund	Fund Name				
	06008	MUS Group Insurance Program				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	81,192,472	84,696,136	95,104,271	95,133,930	111,494,984	124,799,348
Total Operating Revenues	81,192,472	84,696,136	95,104,271	95,133,930	111,494,984	124,799,348
Expenses:						
Personal Services						
Other Operating Expenses	80,106,334	97,058,964	98,523,138	108,378,397	110,855,213	124,157,839
Total Operating Expenses	80,617,604	97,523,751	99,152,760	108,981,484	111,396,175	124,799,348
Operating Income (Loss)	574,868	(12,827,615)	(4,048,489)	(13,847,554)	98,809	-
Nonoperating Revenues:						
Other Revenue A						
	707,482	594,094	603,232	575,000	560,000	550,000
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	707,482	594,094	603,232	575,000	560,000	550,000
Income (Loss) Before Contributions and Transfers	1,282,350	(12,233,521)	(3,445,257)	(13,272,554)	658,809	550,000
Change in Net Position	1,282,350	(12,233,521)	(3,445,257)	(13,272,554)	658,809	550,000
Beginning Net Position - July 1	39,119,046	40,401,396	28,167,875	24,722,618	11,450,064	12,108,873
Change in Net Position	1,282,350	(12,233,521)	(3,445,257)	(13,272,554)	658,809	550,000
Ending Net Position - June 30	40,401,396	28,167,875	24,722,618	11,450,064	12,108,873	12,658,873
Net Position (Fund Balance) Analysis						

Commissioner of Higher Education - 51020

M U S Group Insurance Program - 05

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 51020	Agency Name: Commissioner of Higher Education			Program Name: M U S Group Insurance Program		
	Fund	Fund Name				
	06009	MUS Flexible Spending Account				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	8,466,765	10,359,692	5,456,978	6,000,000	11,941,449	11,802,542
Total Operating Revenues	8,466,765	10,359,692	5,456,978	6,000,000	11,941,449	11,802,542
Expenses:						
Other Operating Expenses						
Total Operating Expenses	7,104,269	8,175,949	7,873,254	7,860,569	11,941,449	13,374,422
Operating Income (Loss)	1,362,496	2,183,743	(2,416,276)	(1,860,569)	-	(1,571,880)
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	1,362,496	2,183,743	(2,416,276)	(1,860,569)	-	(1,571,880)
Change in Net Position	1,362,496	2,183,743	(2,416,276)	(1,860,569)	-	(1,571,880)
Beginning Net Position - July 1	2,302,486	3,664,982	5,848,725	3,432,449	1,571,880	1,571,880
Change in Net Position	1,362,496	2,183,743	(2,416,276)	(1,860,569)	-	(1,571,880)
Ending Net Position - June 30	3,664,982	5,848,725	3,432,449	1,571,880	1,571,880	-
Net Position (Fund Balance) Analysis						

-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$45,850
FY 2019	\$0	\$47,512

SWPL - 1 - Personal Services -

The budget includes \$45,850 in FY 2018 and \$47,512 in FY 2019 to annualize various personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Commissioner of Higher Education - 51020

M U S Group Insurance Program - 05

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$815)
FY 2019	\$0	(\$645)

SWPL - 3 - Inflation Deflation -

This change package includes a reduction of \$815 in FY 2018 and \$645 in FY 2019 to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, natural gas, electricity, gasoline, and others.

-----Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$27,057,614
FY 2019	\$0	\$41,793,213

PL - 501 - MUS Group Health Insurance Inflation -

Additional authority is requested of \$27,057,614 in FY 2018 and \$41,793,213 in FY 2019 to match projected expenses of the program including increasing costs related to pharmacy and medical costs.

Commissioner of Higher Education - 51020

M U S Workers Comp Program - 07

<p align="center">07 MUS Self Funded Workers Comp Leah Tietz x0615</p>

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2017	Adjustments Fiscal 2018	Exec. Budget Fiscal 2018	Adjustments Fiscal 2019	Exec. Budget Fiscal 2019	Budget Request 2019 Biennium
FTE	1.00	0.00	1.00	0.00	1.00	
Personal Services	95,251	1,090	96,341	1,161	96,412	192,753
Operating Expenses	1,195,002	270,009	1,465,011	270,013	1,465,015	2,930,026
Benefits & Claims	3,000,000	0	3,000,000	0	3,000,000	6,000,000
Total Costs	\$4,290,253	\$271,099	\$4,561,352	\$271,174	\$4,561,427	\$9,122,779
Proprietary Funds	4,290,253	271,099	4,561,352	271,174	4,561,427	9,122,779
Total Funds	\$4,290,253	\$271,099	\$4,561,352	\$271,174	\$4,561,427	\$9,122,779

Proprietary Program Description -
Program Description

The Montana Board of Regents created the Montana University System Self-Funded Workers' Compensation Program in April 2003 as allowed by the Workers' Compensation Act in Title 39, Chapter 71 of the Montana Codes Annotated. This program, which became effective in July 2003, provides workers' compensation insurance coverage for all university system employees and employees of the Office of Commissioner of Higher Education.

Revenues and Expenses

This program is an enterprise fund in which the funding is derived from premiums and investment earnings. Expenditures include claims, reinsurance premiums, debt service, and administrative costs. Debt service is for the bonds that were issued to establish the claim reserve for the program.

Rate Explanation

Premium rates for the program are based upon commonly accepted actuarial principles developed by a qualified actuary and reviewed by an oversight committee comprised of university system representatives and the administrator of the State of Montana Risk Management and Tort Defense Division.

Commissioner of Higher Education - 51020

M U S Workers Comp Program - 07

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 51020	Agency Name: Commissioner of Higher Education			Program Name: M U S Workers Comp Program		
	Fund	Fund Name				
	06082	MUS Self-Funded Workers Comp				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	2,169,693	4,603,374	4,264,187	4,400,000	4,000,000	4,000,000
Total Operating Revenues	2,169,693	4,603,374	4,264,187	4,400,000	4,000,000	4,000,000
Expenses:						
Personal Services						
Other Operating Expenses	91,690	95,999	97,446	99,788	101,784	103,819
Total Operating Expenses	3,196,561	4,127,799	2,428,867	4,294,790	4,561,343	4,561,414
Operating Income (Loss)	(1,026,868)	475,575	1,835,320	105,210	(561,343)	(561,414)
Nonoperating Revenues:						
Other Revenue A						
Nonoperating Expenses:	24,936	23,116	137,575	138,000	139,000	140,000
Total Nonoperating Revenues (Expenses)	24,936	23,116	137,575	138,000	139,000	140,000
Income (Loss) Before Contributions and Transfers	(1,001,932)	498,691	1,972,895	243,210	(422,343)	(421,414)
Change in Net Position	(1,001,932)	498,691	1,972,895	243,210	(422,343)	(421,414)
Beginning Net Position - July 1	11,392,905	10,390,973	10,889,664	12,862,559	13,105,769	12,683,426
Change in Net Position	(1,001,932)	498,691	1,972,895	243,210	(422,343)	(421,414)
Ending Net Position - June 30	10,390,973	10,889,664	12,862,559	13,105,769	12,683,426	12,262,012
Net Position (Fund Balance) Analysis						

-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$1,090
FY 2019	\$0	\$1,161

SWPL - 1 - Personal Services -

The budget includes \$1,090 in FY 2018 and \$1,161 in FY 2019 to annualize various personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Commissioner of Higher Education - 51020

M U S Workers Comp Program - 07

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$9
FY 2019	\$0	\$13

SWPL - 3 - Inflation Deflation -

This change package includes an increase of \$9 in FY 2018 and \$13 in FY 2019 to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, natural gas, electricity, gasoline, and others.

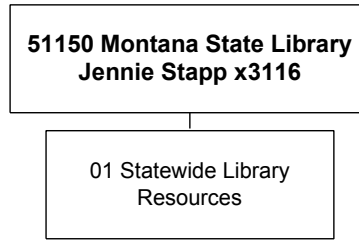
-----Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$270,000
FY 2019	\$0	\$270,000

PL - 701 - MUS Workers' Comp Inflation -

Inflationary increases necessary to continue operation of the workers' compensation program will be \$270,000 per fiscal year.

Montana State Library - 51150



Mission Statement - The Montana State Library is committed to strengthening libraries and information services for all Montanans through leadership, advocacy, and service.

Statutory Authority - Title 22, Chapter 1, MCA; Title 90, Chapter 15, MCA; and Title 90, Chapter 1, Part 4, MCA.

Montana State Library - 51150

Statewide Library Resources - 01

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2017	Adjustments Fiscal 2018	Exec. Budget Fiscal 2018	Adjustments Fiscal 2019	Exec. Budget Fiscal 2019	Budget Request 2019 Biennium
FTE	2.62	0.00	2.62	0.00	2.62	
Personal Services	159,079	(8,272)	150,807	(8,175)	150,904	301,711
Operating Expenses	192,391	21,356	213,747	21,379	213,770	427,517
Total Costs	\$351,470	\$13,084	\$364,554	\$13,204	\$364,674	\$729,228
Proprietary Funds	351,470	13,084	364,554	13,204	364,674	729,228
Total Funds	\$351,470	\$13,084	\$364,554	\$13,204	\$364,674	\$729,228

Proprietary Program Description - Fund 06021 Montana Shared Catalog

Program Description

The Montana Shared Catalog (MSC) is a cooperative project involving 180 libraries. Public libraries, school libraries, academic libraries, medical libraries, and other special libraries have pooled resources to purchase a robust library automation system. Members enjoy the benefits of shared expertise and the ability to provide great service to library customers. The Montana State Library became the fiscal agent for the MSC in FY 2008.

Revenue and Expenses

Shared Catalog members pay membership dues that are used to pay operating expenses. There are approximately 180 member libraries that pay membership fees each year. Expenditures include payment of required fees for software licensing, user interface, and indexing to make the system run; payment for required yearly catalog maintenance; a travel budget that includes membership meetings twice a year to make decisions on the future of the shared catalog and conference attendance; training to new library members as well as ongoing training to current members; and equipment replacement.

Rates and Rate Explanation

In accord with the written agreement each participating Montana Shared Catalog (MSC) library signs upon joining this library consortium, annual fees assessed each library are established on the basis of a membership-approved cost formula. The goal of the cost formula is to distribute MSC annual operational costs as fairly and evenly as possible based on the following: the individual library's titles count (formula weighting=30%), patron count (formula weighting=30%), circulation count (formula weighting=10%), and an equal share contribution (formula weighting=30%). Libraries which fall below a set threshold in their title counts and patron counts receive a fixed discount in accordance with criteria set forth in the cost formula.

Projected Fund Balance, Including Cash Fluctuations

By 2018 the fund balance will be aligned with the goal of a 60-day working capital fund.

Working Capital Analysis

Sixty-day working capital fund was reached in FY 2016.

Montana State Library - 51150

Statewide Library Resources - 01

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 51150	Agency Name: Montana State Library			Program Name: Statewide Library Resources		
	Fund	Fund Name				
	06021	MT Shared Catalog				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	248,662	316,852	321,516	351,470	364,554	364,554
Total Operating Revenues	248,662	316,852	321,516	351,470	364,554	364,554
Expenses:						
Personal Services						
Other Operating Expenses	192,381	214,623	216,579	192,391	213,747	213,770
Total Operating Expenses	277,559	329,182	354,342	351,470	364,554	364,674
Operating Income (Loss)	(28,897)	(12,330)	(32,826)	-	-	(120)
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	(28,897)	(12,330)	(32,826)	-	-	(120)
Change in Net Position	(28,897)	(12,330)	(32,826)	-	-	(120)
Beginning Net Position - July 1	109,749	80,852	68,522	35,696	35,696	35,696
Change in Net Position	(28,897)	(12,330)	(32,826)	-	-	(120)
Ending Net Position - June 30	80,852	68,522	35,696	35,696	35,696	35,576
Net Position (Fund Balance) Analysis						

-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$8,272)
FY 2019	\$0	(\$8,175)

SWPL - 1 - Personal Services -

The budget includes a reduction of funding to annualize various personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Montana State Library - 51150

Statewide Library Resources - 01

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$26
FY 2019	\$0	\$49

SWPL - 3 - Inflation Deflation -

This change package includes funding to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, natural gas, electricity, gasoline, and others.

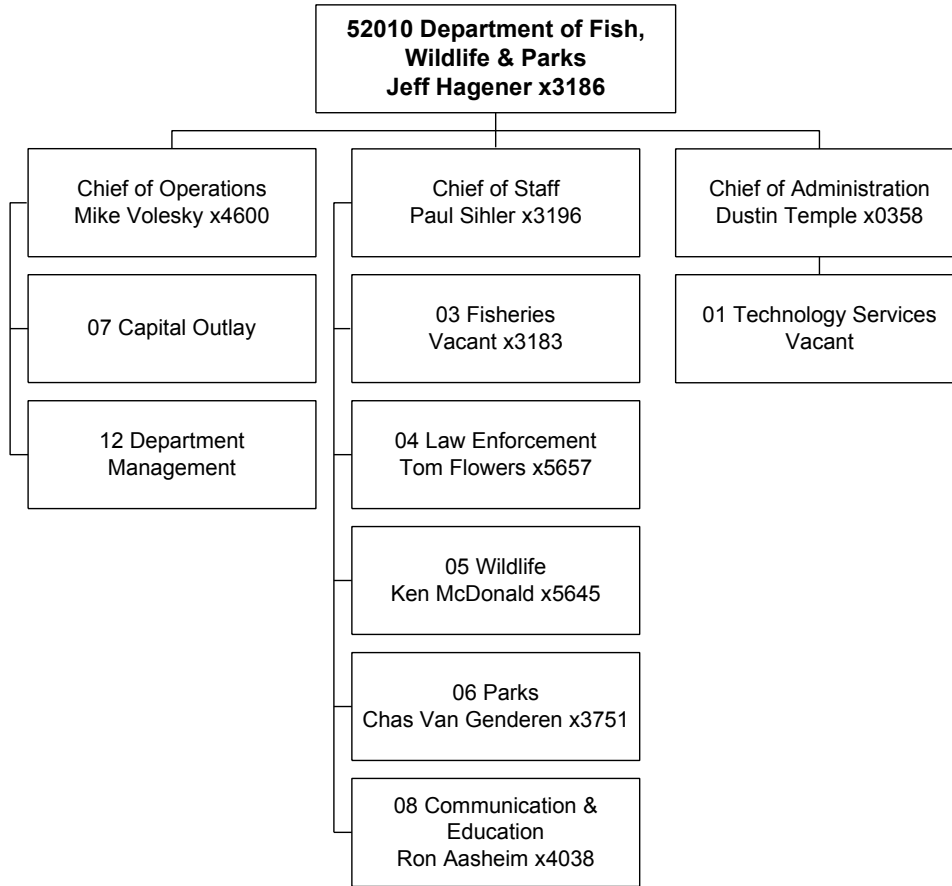
-----Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$21,330
FY 2019	\$0	\$21,330

PL - 6 - Cost Adjustments for MT Shared Catalog -

The Montana Shared Catalog (MSC) requests \$21,330 additional proprietary authority in each year of the 2019 biennium for inflationary costs associated with licensing software contracts and maintenance for the consortia to run the catalog.

Department of Fish, Wildlife, and Parks - 52010



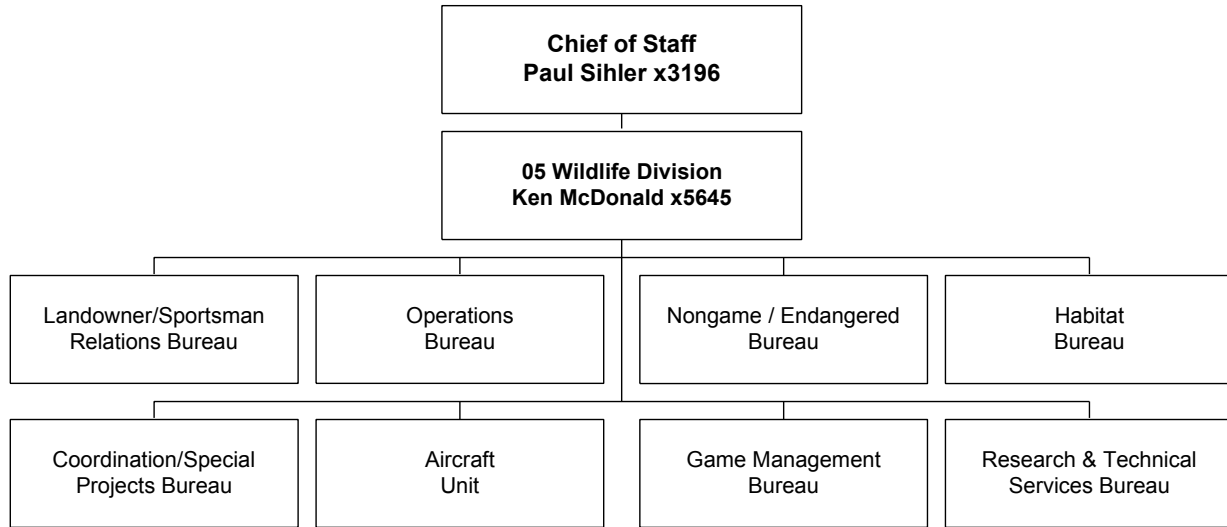
Mission Statement - Montana Fish, Wildlife & Parks, through its employees and citizen commission, provides for the stewardship of the fish, wildlife, parks, and recreational resources of Montana while contributing to the quality of life for present and future generations.

Statutory Authority - Title 87 and 23, MCA.

Agency Proposed Budget	Total Exec. Budget Fiscal 2018	Total Exec. Budget Fiscal 2019	Total Exec. Budget 2019 Biennium
FTE	5.81	5.81	
Personal Services	340,058	340,291	680,349
Operating Expenses	2,603,125	2,682,820	5,285,945
Equipment & Intangible Assets	1,026,766	1,026,766	2,053,532
Total Costs	\$3,969,949	\$4,049,877	\$8,019,826
Proprietary Funds	3,969,949	4,049,877	8,019,826
Total Funds	\$3,969,949	\$4,049,877	\$8,019,826

Department of Fish, Wildlife, and Parks - 52010

Wildlife Division - 05



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2017	Adjustments Fiscal 2018	Exec. Budget Fiscal 2018	Adjustments Fiscal 2019	Exec. Budget Fiscal 2019	Budget Request 2019 Biennium
Operating Expenses	390,180	(27,763)	362,417	(26,065)	364,115	726,532
Total Costs	\$390,180	(\$27,763)	\$362,417	(\$26,065)	\$364,115	\$726,532
Proprietary Funds	390,180	(27,763)	362,417	(26,065)	364,115	726,532
Total Funds	\$390,180	(\$27,763)	\$362,417	(\$26,065)	\$364,115	\$726,532

Proprietary Program Description - Fund 06540 - Aircraft Fund

Program Description

The department's aircraft fund provides specialized flying services using fixed wing and helicopter aircraft to department employees including low level flying in various terrains to survey fish and wildlife, plant fish, and radio telemetry locations. These users are mostly fish and wildlife biologists. Every month, users are charged for the hours flown during the previous month.

Revenues and Expenses

The objective of the aircraft fund is to recover sufficient funds to cover insurance costs, fuel, repair costs, and general operational costs of the aircraft. Personal Services are not covered by this fund. The two largest costs are fuel and repairs. The average annual repair costs for the past four years have been \$164,000. In FY 2016, the department flew approximately 2,400 hours in department aircrafts.

The costs of the Aircraft Unit to FWP are a combination of hourly rates to operate, scheduled and non-scheduled maintenance, and associated costs such as hanger rental, insurance, and airport fees. The department attempts to ensure that fees are commensurate with costs over time. It does this in two ways. First, proposed rates for the next biennium take into consideration any excess income or loss generated from previous periods. Second, prior to finalizing new rates at the beginning of a new fiscal year, the rates are recalculated based on actual information.

	FY2016	FY2017	FY2018	FY2019
Two place-single engine - per hour	\$150.00	\$150.00	\$150.00	\$150.00
Four Place-single engine - per hour	\$500.00	\$500.00	\$500.00	\$500.00
Turbine helicopter - per hour	\$500.00	\$500.00	\$500.00	\$500.00

Department of Fish, Wildlife, and Parks - 52010

Wildlife Division - 05

Changes in Level of Fees and Charges

No changes in services or fees are proposed.

Projected Fund Balance, Including Cash Fluctuations

A portion of the program's net position has been reserved for the book value (original cost less accumulated depreciation) of department aircraft which was \$193,155 at FYE 2016. The net position as of FYE 2016 was \$492,045 and the cash balance was \$323,697.

The maintenance of aircraft involves the expenditures of large sums of money on a periodic basis for the overhaul or replacement of major components. The sums of money involved are often very large compared to the cost of other maintenance. For example, a set of rotor blades for a helicopter can cost \$200,000. Therefore a larger cash balance needs to be maintained in order to pay for these large periodic expenditures when required.

Working Capital and Fees Commensurate Analysis

The department attempts to manage this account so that a 60-day working capital amount of cash is available when the cash balance is at its lowest level.

The department attempts to ensure that fees are commensurate with costs over time. It does this in two ways. First, proposed rates for the next biennium take into consideration any excess income or loss generated from previous periods. Second, prior to finalizing new rates at the beginning of a new fiscal year, the rates are recalculated based on actual information.

Cash balances fluctuate during the year for two reasons. Monthly flight hours vary due to optimum times to do species counts, and major repairs and scheduled maintenance occur sporadically throughout the year.

Department of Fish, Wildlife, and Parks - 52010

Wildlife Division - 05

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 52010	Agency Name: Department of Fish, Wildlife, and Parks			Program Name: Wildlife Division		
	Fund	Fund Name				
	06540	DFWP Aircraft				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
	464,771	586,332	571,445	575,000	575,000	575,000
	464,771	586,332	571,445	575,000	575,000	575,000
Expenses:						
Other Operating Expenses						
	415,539	442,732	441,061	390,190	359,196	360,894
	415,539	442,732	441,061	390,190	359,196	360,894
Operating Income (Loss)	49,232	143,600	130,384	184,810	215,804	214,106
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	49,232	143,600	130,384	184,810	215,804	214,106
Change in Net Position	49,232	143,600	130,384	184,810	215,804	214,106
Beginning Net Position - July 1	124,023	173,255	316,855	447,239	632,049	847,853
Change in Net Position	49,232	143,600	130,384	184,810	215,804	214,106
Ending Net Position - June 30	173,255	316,855	447,239	632,049	847,853	1,061,959
Net Position (Fund Balance) Analysis						
Unrestricted Net Position	173,255	316,855	492,045	676,865	892,669	1,106,775

-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$706
FY 2019	\$0	(\$4,712)

SWPL - 2 - Fixed Costs -

The request includes \$706 in FY 2018 and a reduction of \$4,712 in FY 2019 to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

Department of Fish, Wildlife, and Parks - 52010

Wildlife Division - 05

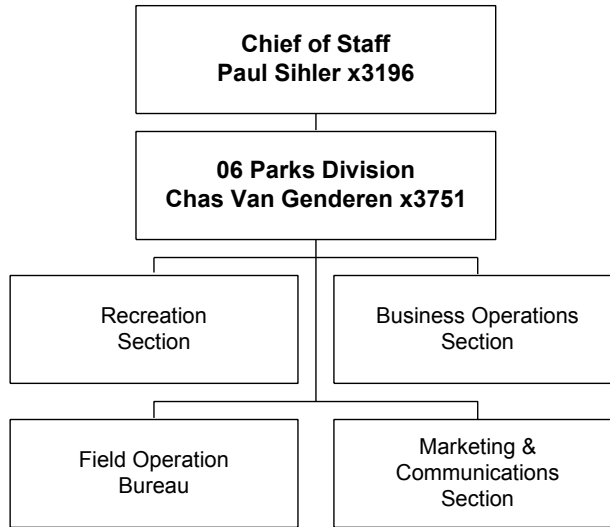
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$28,469)
FY 2019	\$0	(\$21,353)

SWPL - 3 - Inflation Deflation -

This change package includes funding to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, natural gas, electricity, gasoline, and others.

Department of Fish, Wildlife, and Parks - 52010

Parks Division - 06



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2017	Adjustments Fiscal 2018	Exec. Budget Fiscal 2018	Adjustments Fiscal 2019	Exec. Budget Fiscal 2019	Budget Request 2019 Biennium
FTE	1.25	0.00	1.25	0.00	1.25	
Personal Services	79,484	(4,839)	74,645	(4,775)	74,709	149,354
Operating Expenses	197,393	15	197,408	33	197,426	394,834
Total Costs	\$276,877	(\$4,824)	\$272,053	(\$4,742)	\$272,135	\$544,188
Proprietary Funds	276,877	(4,824)	272,053	(4,742)	272,135	544,188
Total Funds	\$276,877	(\$4,824)	\$272,053	(\$4,742)	\$272,135	\$544,188

Proprietary Program Description - Fund 06068 - Enterprise Account

Proprietary Program Description

Section 23-1-105 (5), MCA, authorizes the Parks Division of Montana Fish, Wildlife and Parks to establish an enterprise fund for the purpose of managing state park visitor services revenue.

The fund is used by the department to provide inventory through purchase, production, or donation and for the sale of educational, commemorative, and interpretive merchandise and other related goods and services at department sites and facilities.

The fund was established primarily to better manage Montana State Parks visitor centers that sell books, clothing, and commemorative items at parks like First Peoples Buffalo Jump, Makoshika, and Chief Plenty Coups as well as parks that sell items like firewood and ice. Monies generated go back into the purchase of inventory and also the improvement of visitor services in state parks and FWP overall.

Revenues and Expenses

Revenues are generated by the sales of interpretive and educational merchandise at park visitor centers and regional offices. The expenses associated with the enterprise fund include personal services, office supplies, merchandising materials, and the purchase of inventory to replenish stock. In FY 2016, this fund accounted for \$255,276 of earned revenue, \$170,038 of expenditures, and a fund balance in the amount of \$558,069.

Department of Fish, Wildlife, and Parks - 52010

Parks Division - 06

Rates and Rate Explanation

A markup of 40% - 50% on goods sold is applied to ensure sufficient revenues are collected to cover expenses.

Changes in Level of Fees and Charges

There are no changes in fees.

Projected Fund Balance, Including Cash Fluctuations

The objective is to maintain a fund balance as compared to the FY 2016 base year fund balance. The cash balances are highest in the winter after the parks season ends and lowest in the spring when stock is purchased to replenish inventory.

Working Capital and Fees Commensurate Analysis

The program objective is to maintain fees commensurate with costs by using a markup rate on goods for resale that is sufficient to cover costs.

Department of Fish, Wildlife, and Parks - 52010

Parks Division - 06

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 52010	Agency Name: Department of Fish, Wildlife, and Parks			Program Name: Parks Division		
	Fund	Fund Name				
	06068	MFWP Visitor Services				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	238,014	238,400	249,397	250,000	250,000	250,000
Fee Revenue B	-	-	4,169	5,000	5,000	5,000
Fee Revenue C	362	384	1,372	1,500	1,500	1,500
Total Operating Revenues	238,376	238,784	254,938	256,500	256,500	256,500
Expenses:						
Personal Services						
	6,237	25,495	44,124	79,484	74,645	74,708
Other Operating Expenses						
	175,377	170,197	125,137	197,393	197,408	197,426
Total Operating Expenses	181,614	195,692	169,261	276,877	272,053	272,134
Operating Income (Loss)	56,762	43,092	85,677	(20,377)	(15,553)	(15,634)
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	56,762	43,092	85,677	(20,377)	(15,553)	(15,634)
Change in Net Position	56,762	43,092	85,677	(20,377)	(15,553)	(15,634)
Beginning Net Position - July 1	384,443	441,205	484,297	569,974	549,597	534,044
Change in Net Position	56,762	43,092	85,677	(20,377)	(15,553)	(15,634)
Ending Net Position - June 30	441,205	484,297	569,974	549,597	534,044	518,410
Net Position (Fund Balance) Analysis						
Unrestricted Net Position	441,205	484,297	569,974	549,597	534,044	518,410

-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$4,839)
FY 2019	\$0	(\$4,775)

SWPL - 1 - Personal Services -

The budget includes a reduction in funding to annualize various personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Fish, Wildlife, and Parks - 52010

Parks Division - 06

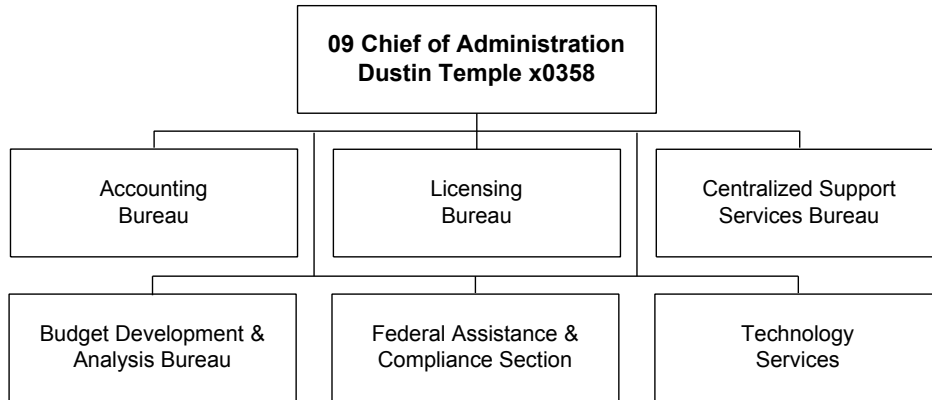
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$15
FY 2019	\$0	\$33

SWPL - 3 - Inflation Deflation -

This change package includes funding to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, natural gas, electricity, gasoline, and others.

Department of Fish, Wildlife, and Parks - 52010

Administration - 09



Program Proposed Budget	Starting Point Fiscal 2017	Budget Adjustments Fiscal 2018	Total Exec. Budget Fiscal 2018	Budget Adjustments Fiscal 2019	Total Exec. Budget Fiscal 2019	Executive Budget Request 2019 Biennium
FTE	4.56	0.00	4.56	0.00	4.56	
Personal Services	267,202	(1,789)	265,413	(1,620)	265,582	530,995
Operating Expenses	2,326,780	(283,480)	2,043,300	(205,501)	2,121,279	4,164,579
Equipment & Intangible Assets	1,026,766	0	1,026,766	0	1,026,766	2,053,532
Total Costs	\$3,620,748	(\$285,269)	\$3,335,479	(\$207,121)	\$3,413,627	\$6,749,106
Proprietary Funds	3,620,748	(285,269)	3,335,479	(207,121)	3,413,627	6,749,106
Total Funds	\$3,620,748	(\$285,269)	\$3,335,479	(\$207,121)	\$3,413,627	\$6,749,106

Proprietary Program Description -

The Administration Branch provides the following functions funded with proprietary funds. These programs are described separately along with a discussion of the program expenses, revenues, and rates being requested to finance the program:

- Duplicating Center
- Vehicle Fund
- Supply Warehouse

Fund 06501 Duplicating Center

Program Description

The department's duplicating center provides duplicating and bindery services to department employees. The duplicating center has 1.00 FTE and whenever the demand for services becomes too great or a particular job is considered too large, the excess jobs are taken to Publications and Graphics in the Department of Administration to be completed.

Revenues and Expenses

Revenues are generated from charges on a per page basis for both copying and binding. Expenses recovered in the rates are the personal services of 1.00 FTE, operating expenses, and the raw materials needed for duplicating.

Rates and Rate Explanation

Rates have been historically adjusted based on the need to increase or decrease the cash balances in the account. Prior to requesting new rates, a review of the cash balance is completed. At FYE 2016, the cash balance was \$2,687.

Department of Fish, Wildlife, and Parks - 52010

Administration - 09

Item	FY2016	FY2017	FY2018	FY2019
Per Copy				
1-20	\$0.075	\$0.075	\$0.075	\$0.075
21-100	\$0.055	\$0.055	\$0.055	\$0.055
101-1,000	\$0.056	\$0.056	\$0.056	\$0.056
1,001-5,000	\$0.045	\$0.045	\$0.045	\$0.045
Color- per sheet	\$0.25	\$0.25	\$0.25	\$0.25
Binding				
Collating - per sheet	\$0.010	\$0.010	\$0.010	\$0.010
Hand Stapling - per set	\$0.020	\$0.020	\$0.020	\$0.020
Saddle Stitch - per set	\$0.035	\$0.035	\$0.035	\$0.035
Folding - per sheet	\$0.010	\$0.010	\$0.010	\$0.010
Punching - per sheet	\$0.005	\$0.005	\$0.005	\$0.005
Cutting - per minute	\$0.600	\$0.600	\$0.600	\$0.600
Desktop Publishing – Per Hour	\$0.00	\$0.00	\$46.36	\$46.36

Department of Fish, Wildlife, and Parks - 52010

Administration - 09

Changes in Level and Fees and Charges

No changes in services are proposed. In recent years there has been an increased demand for graphic design and layout. With more time spent performing this function rather than printing, a new fee has been proposed to recover the time spent in this area.

Projected Fund Balance, Including Cash Fluctuations

A portion of the program's net position has been reserved for the duplicating center's equipment and inventory. At FYE 2016 the net position was \$5,107 and the fund had \$7,545 in inventory. Field projects are billed monthly for the services provided during the month. The workload is fairly consistent so there is little fluctuation in cash balances except when additional inventory is purchased.

Working Capital and Fees Commensurate Analysis

The 60-day working capital requirement provides sufficient cash to fund on-going operations of this program. Rates have been historically adjusted based on the need to increase or decrease the cash balance in the account. Prior to requesting new rates, a review of the cash balance is completed. At FYE 2016, the cash balance was \$2,687. The rate methodology attempts to determine a rate for various duplicating, bindery, and desktop publishing services that allow the fund to recover both the cost of the raw materials and all associated personal services and operating costs. Rates have been historically adjusted based on the need to increase or decrease the cash balance.

Fund 06502 Equipment Fund

Program Description

The department's equipment fund provides a fleet of vehicles to department employees. The users are department employees, mostly enforcement wardens, fish and wildlife biologists, and park employees. Every month, users are charged for the miles driven during the previous month.

Revenues and Expenses

The objective of the vehicle account is to recover (through rates and annual auction sales) sufficient funds to cover administrative costs to operate the program (personal services and operations), fuel and repair costs of the fleet, and replacement of fleet vehicles at approximately 120,000 miles. A total of 3.06 FTE are funded in this fund. The two largest costs are fuel and repairs. In FY 2015, the fund spent over \$1.23 million on fuel and \$489,000 on repairs. In FY 2016, the fund spent \$1.00 million on fuel and \$483,000 on repairs. The volatility of gasoline prices continues to be a major challenge in estimating future rates.

Each year, department employees drive approximately 6.2 million miles in department owned vehicles. The department currently has a fleet of over 522 vehicles, which are mainly used by enforcement officers, fish and wildlife biologists and parks employees. The department's request for vehicle replacement is for 40 vehicles in both FY 2018 and FY 2019. This is based on replacing vehicles after a minimum of 120,000 miles. This replacement schedule does not require a present law adjustment.

Rates and Rate Explanation

The department attempts to ensure that fees are commensurate with costs over time. It does this in two ways. First, proposed rates for the next biennium take into consideration any excess income or loss generated from previous periods.

Department of Fish, Wildlife, and Parks - 52010

Administration - 09

Second, prior to finalizing new rates at the beginning of a new fiscal year, the rates are recalculated based on actual information.

Description	FY2014	FY2015	FY2016	FY2017
Per Mile Rates:				
Sedans	\$0.46	\$0.46	\$0.46	\$0.46
Vans	\$0.53	\$0.53	\$0.53	\$0.53
Utilities	\$0.58	\$0.58	\$0.58	\$0.58
Pickup 1/2 Ton	\$0.53	\$0.53	\$0.53	\$0.53
Pickup 3/4 Ton	\$0.61	\$0.61	\$0.61	\$0.61

Vehicles will be assessed a minimum overhead charge in addition to the regular rates if not driven a minimum number of miles.

Changes in Level of Fees and Charges

No changes in rates are proposed.

Projected Fund Balance, Including Cash Fluctuations

At FYE 2016, the vehicle fund had total assets of \$7,975,638 and the book value (original cost less accumulated depreciation) of the fleet was \$6,248,717. A portion of the program's net position has been reserved for the book value of department vehicles. The fund's cash balance fluctuates during the year for two reasons. The first is that more miles are driven during in the summer and fall than during the winter and spring. The second reason is that new vehicles are purchased in the spring. Thus, the cash balance is normally highest in December after the hunting season and lowest in the spring after purchasing the new vehicles. Fiscal year end balances tend to be significantly higher than spring balances.

Working Capital and Fees Commensurate Analysis

The department attempts to manage this fund so that a 60-day working capital amount of cash is available when the cash balance is at its lowest level. During FY 2016, the volatility of gasoline prices was a major contributing factor in the increased cash balance. Excess income generated from the previous periods will be reviewed in the detail and an adjustment to the rates will be made to ensure the fees are commensurate with costs.

Department of Fish, Wildlife, and Parks - 52010

Administration - 09

Fund 06503 Warehouse Inventory

Program Description

The department's warehouse contains mainly uniform items (both for wardens and non-wardens) and items specifically related to the duties of the department such as gill nets for the fisheries biologists. Overhead costs are recovered by charging a predetermined fixed percentage to all sales.

Revenues and Expenses

Revenues come from the sales of inventory items to department employees. There was a change in the uniform policy during FY 2015 and therefore the replacement of uniforms caused an abnormal increase in the revenue for FY 2016. The department anticipates revenues to be around \$140,000 per year for FY 2018 and FY 2019. The expenses associated with the warehouse include personal services, miscellaneous office supplies and expenses for the warehouse worker, and inventory purchased to replenish existing stock.

Rate and Rate Explanation

The rate requested for the warehouse is an overhead rate that is added to the cost of the inventory items. The overhead rate is expected to generate sufficient revenue to cover the administrative costs of the program. In 2016 the overhead rate was 25% and generated sufficient revenue to cover the administrative costs of the program. No change in the overhead rate is being requested for FY 2018 and FY 2019. The rate is calculated by estimating the support costs required to maintain the warehouse function such as personal services, office supplies, and other miscellaneous office costs. Based on estimated warehouse sales, a fixed overhead percentage is determined that allows the department to recover the warehouse support costs. This rate is also adjusted for any previous over or under collections. Due to the size of this operation, a simple warehouse overhead rate has been considered the most logical.

Changes in Level of Fees and Charges

There are no changes in fees proposed.

Projected Fund Balance, Including Cash Fluctuations

The net position in FY 2016 was \$142,461. A portion of the program's net position has been reserved for the warehouse inventory. At FYE 2016, the warehouse inventory was \$86,842.

The cash balance is lowest during the winter when stock is replenished and highest during the summer when temporary and seasonal employees are hired and issued uniform items.

Working Capital and Fees Commensurate Analysis

The 60-day working capital requirement provides sufficient cash to fund on-going operations of this program. The department attempts to ensure that fees are commensurate with costs over time by adjusting the proposed rates for excess income or loss from previous periods.

Department of Fish, Wildlife, and Parks - 52010

Administration - 09

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 52010	Agency Name: Department of Fish, Wildlife, and Parks			Program Name: Administration		
	Fund	Fund Name				
	06502	Equipment Enterprise Fund				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
	2,781,145	3,001,612	3,067,770	2,500,000	2,500,000	2,500,000
	2,781,145	3,001,612	3,067,770	2,500,000	2,500,000	2,500,000
Expenses:						
Personal Services						
	156,059	153,380	166,656	182,942	182,728	182,849
Other Operating Expenses						
	2,537,345	2,296,115	2,162,533	2,192,347	1,839,084	1,916,463
	2,693,404	2,449,495	2,329,189	2,375,289	2,021,812	2,099,312
Operating Income (Loss)						
	87,741	552,117	738,581	124,711	478,188	400,688
Nonoperating Revenues:						
Nonoperating Expenses:						
Other Expense A						
	5,755	479,709	280,856	250,000	250,000	250,000
Total Nonoperating Revenues (Expenses)						
	5,755	479,709	280,856	250,000	250,000	250,000
Income (Loss) Before Contributions and Transfers						
	93,496	1,031,826	1,019,437	374,711	728,188	650,688
Transfers In						
	257,919	353,603	413,492	400,000	400,000	400,000
Change in Net Position						
	351,415	1,385,429	1,432,929	774,711	1,128,188	1,050,688
Beginning Net Position - July 1						
	6,158,660	6,510,075	7,895,504	9,328,433	10,103,144	11,231,332
Change in Net Position						
	351,415	1,385,429	1,432,929	774,711	1,128,188	1,050,688
Ending Net Position - June 30						
	6,510,075	7,895,504	9,328,433	10,103,144	11,231,332	12,282,020
Net Position (Fund Balance) Analysis						
Unrestricted Net Position						
	6,498,565	6,924,576	7,795,793	8,070,504	8,698,692	9,249,380

Department of Fish, Wildlife, and Parks - 52010

Administration - 09

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 52010	Agency Name: Department of Fish, Wildlife, and Parks			Program Name: Administration		
	Fund	Fund Name				
	06503	F & G Warehouse Inventory				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY14	FY15	FY16	FY17	FY18	FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A						
	85,132	130,141	173,835	140,000	140,000	140,000
Total Operating Revenues	85,132	130,141	173,835	140,000	140,000	140,000
Expenses:						
Personal Services						
Other Operating Expenses						
	22,060	26,214	6,297	34,677	33,977	33,995
Total Operating Expenses	94,035	150,129	153,616	138,792	137,962	138,000
Operating Income (Loss)	(8,903)	(19,988)	20,219	1,208	2,038	2,000
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	(8,903)	(19,988)	20,219	1,208	2,038	2,000
Change in Net Position	(8,903)	(19,988)	20,219	1,208	2,038	2,000
Beginning Net Position - July 1	151,133	142,230	122,242	142,461	143,669	145,707
Change in Net Position	(8,903)	(19,988)	20,219	1,208	2,038	2,000
Ending Net Position - June 30	142,230	122,242	142,461	143,669	145,707	147,707
Net Position (Fund Balance) Analysis						
Unrestricted Net Position	142,230	122,242	142,461	143,669	145,707	147,707

Department of Fish, Wildlife, and Parks - 52010

Administration - 09

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 52010	Agency Name: Department of Fish, Wildlife, and Parks			Program Name: Administration		
	Fund	Fund Name				
	06501	Duplicating Center				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A						
	58,327	64,590	75,710	80,000	80,000	80,000
Total Operating Revenues	58,327	64,590	75,710	80,000	80,000	80,000
Expenses:						
Personal Services						
Other Operating Expenses						
	42,970	45,879	47,379	49,583	48,708	48,739
Total Operating Expenses	64,340	77,428	77,101	79,901	79,038	79,093
Operating Income (Loss)	(6,013)	(12,838)	(1,391)	99	962	907
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	(6,013)	(12,838)	(1,391)	99	962	907
Change in Net Position	(6,013)	(12,838)	(1,391)	99	962	907
Beginning Net Position - July 1	25,349	19,336	6,498	5,107	5,206	6,168
Change in Net Position	(6,013)	(12,838)	(1,391)	99	962	907
Ending Net Position - June 30	19,336	6,498	5,107	5,206	6,168	7,075
Net Position (Fund Balance) Analysis						
Unrestricted Net Position	19,336	6,498	5,107	5,206	6,168	7,075

-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$1,789)
FY 2019	\$0	(\$1,620)

SWPL - 1 - Personal Services -

The budget includes reductions of funding to annualize various personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Fish, Wildlife, and Parks - 52010

Administration - 09

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$26,989
FY 2019	\$0	\$27,545

SWPL - 2 - Fixed Costs -

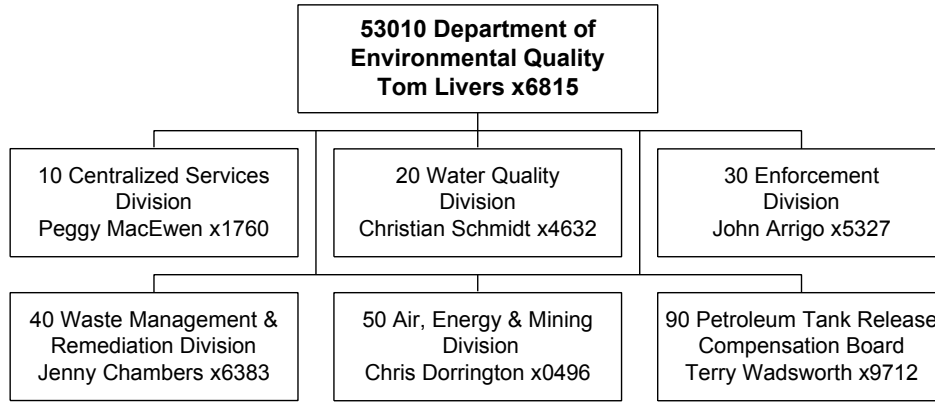
The request includes the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others.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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$310,469)
FY 2019	\$0	(\$233,046)

SWPL - 3 - Inflation Deflation -

This change package includes reductions to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, natural gas, electricity, gasoline, and others.

Department of Environmental Quality - 53010



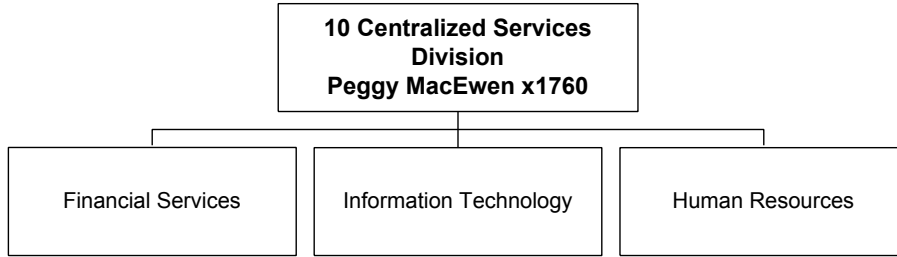
Mission Statement - To protect, sustain, and improve a clean and healthful environment to benefit present and future generations.

Statutory Authority - Titles 2, 7, 37, 50, 69, 75, 76, 80, 82 and 90, MCA; USC 24, 30, 33 and 42; PL No. 92-500, 95-87, 91, 95-224 and 99-519.

Agency Proposed Budget	Total Exec. Budget Fiscal 2018	Total Exec. Budget Fiscal 2019	Total Exec. Budget 2019 Biennium
Budget Item			
FTE	55.50	55.50	
Personal Services	4,694,934	4,713,289	9,408,223
Operating Expenses	3,843,811	3,736,067	7,579,878
Equipment & Intangible Assets	119,739	119,739	239,478
Total Costs	\$8,658,484	\$8,569,095	\$17,227,579
Proprietary Funds	8,658,484	8,569,095	17,227,579
Total Funds	\$8,658,484	\$8,569,095	\$17,227,579

Department of Environmental Quality - 53010

Central Management - 10



Program Proposed Budget	Starting Point	Budget Adjustments	Total	Budget Adjustments	Total	Executive
Budget Item	Fiscal 2017	Fiscal 2018	Exec. Budget	Fiscal 2019	Exec. Budget	Budget Request
			Fiscal 2018		Fiscal 2019	2019 Biennium
FTE	55.50	0.00	55.50	0.00	55.50	
Personal Services	4,313,895	381,039	4,694,934	399,394	4,713,289	9,408,223
Operating Expenses	3,596,876	246,935	3,843,811	139,191	3,736,067	7,579,878
Equipment & Intangible Assets	119,739	0	119,739	0	119,739	239,478
Total Costs	\$8,030,510	\$627,974	\$8,658,484	\$538,585	\$8,569,095	\$17,227,579
Proprietary Funds	8,030,510	627,974	8,658,484	538,585	8,569,095	17,227,579
Total Funds	\$8,030,510	\$627,974	\$8,658,484	\$538,585	\$8,569,095	\$17,227,579

Proprietary Program Description - Fund 06509 DEQ Indirects

The Central Management Program consists of the Director's Office and the Centralized Services Division. The Central Management Program is responsible and accountable for the administration, management, planning, and evaluation of agency performance in carrying out the department's mission to protect, sustain, and improve a clean and healthful environment to benefit present and future generations.

The Director's Office includes the director's staff, a centralized legal pool, the Montana Environmental Policy Act and the Montana Facility Siting Act functions, as well as the Public Policy Director for the agency.

The Centralized Services Division (CSD) provides the following agency support services: human resources, information technology, fiscal, safety, emergency management, records management and operations project management.

Revenues and Expenses

The Internal Service Fund revenue is derived by application of two approved percentages, one applied to all personal services and the other applied to all operating expenses across all the agency's funds. The operating expense allocation made only on the first \$150,000 paid for contracted services. The department completes a complex calculation of revenue and expenditures each fall that is submitted to the Environmental Protection Agency as the cognizant agency for review and approval of the rate for the next state fiscal year. DEQ has requested approval from the legislature for the personal services and operating expense rates not to exceed the caps of 24% and 4%, respectively.

The major cost drivers for the fund are personal service expenses for 55.5 FTE, fixed costs, and retirement costs, which began to be paid using this fund in FY 2013.

The services provided using this fund do not change significantly in volume from year to year. There has been a growth in the total costs that must be covered by the programs due to inflation, salary increases, etc. However, the base in the programs has increased by similar percentages. The largest impact to the fund was the inclusion of the agency's payment of accrued leave for employee retirements.

Department of Environmental Quality - 53010

Central Management - 10

The expenses of the internal service fund do not fluctuate significantly. Each fall when the indirect rate calculation is prepared, both the historical data and the projections are reviewed by management. These allow the department to include one-time-only or upcoming expenses that might otherwise impact the budget after the rate is calculated and approved.

Rate(s) and Rate Explanation

The rate being requested is a fixed rate that will not exceed 24% of the personal services base or 4% of the operating services base. This rate structure has been effective in providing the needed revenue to the internal service fund to provide services to all of the programs.

Requested Rates for Internal Service Fund						
Fee/Rate Information						
	Actual	Actual	Actual	Actual	Budgeted	Budgeted
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Fee Description:						
Personal Services	22.96%	23.25%	23.59%	22.90%	24.00%	24.00%
Operating	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

Changes in Level of Fees and Charges

There are no changes in services or fees requested.

Projected Fund Balance, Including Cash Fluctuations

DEQ reduced fund balance below the 60 day guide allowance because of the expense and revenue predictability. In 2013, management decided to include retirement leave payouts from the internal service fund. Budgets include estimates for retirement expense as an on-going internal service cost. The department's goal is to maintain a fund balance of approximately 45 to 50 days working capital reserve. Cash flows are fairly stable and fluctuations are predictable.

Working Capital and Fees Commensurate Analysis

The goal is to maintain adequate working capital to satisfy ongoing operations while minimizing rate changes. The internal service fees charged to programs directly affect operating expense, so significant rate fluctuations are avoided.

Department of Environmental Quality - 53010

Central Management - 10

2019 Internal Service Fund

Working Capital and Fees Commensurate Analysis

Fund	Fund Name	Agency #	Agency Name	Program Name
6509	DEQ Indirect	53010	Environmental Quality	Centralized Services Division

	Actual FY 14	Actual FY 15	Actual FY 16	Budgeted FY 17	Budgeted FY 18	Budgeted FY 19
Cash Available for Fund Operations (Working Capital)						
Current Assets	1,188,889	1,368,279	1,269,167	1,269,167	1,269,167	1,269,167
Less Current Liabilities	(775,444)	(741,164)	(834,538)	(834,538)	(834,538)	(834,538)
Working Capital (WC)	413,445	627,115	434,628	932,240	932,240	932,240
Cash Required for Fund Operations						
60 Days Operations Expense	1,202,997	1,225,213	1,296,402	1,338,418	1,453,138	1,438,208
Difference	(789,551)	(598,099)	(861,773)	(406,178)	(520,897)	(505,968)

Budgeted WC = Actual WC FY2016 + or - Budgeted FY2017, FY2018, and
FY2019 Change in Net Position

Department of Environmental Quality - 53010

Central Management - 10

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 53010	Agency Name: Department of Environmental Quality			Program Name: Central Management		
	Fund	Fund Name				
	06509	DEQ Indirects				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	4,622,768	5,041,812	5,171,864	5,431,584	5,897,544	5,836,679
Other Operating Revenue	2,639	4,424	21,793	22,887	24,851	24,594
Total Operating Revenues	4,625,407	5,046,236	5,193,657	5,454,471	5,922,395	5,861,273
Expenses:						
Personal Services						
Other Operating Expenses	4,063,841	3,999,831	4,609,113	4,313,895	4,694,934	4,713,289
Total Operating Expenses	2,964,897	2,970,321	3,227,041	3,596,876	3,873,811	3,766,067
Operating Income (Loss)	(2,403,331)	(1,923,916)	(2,642,497)	(2,456,300)	(2,646,350)	(2,618,083)
Nonoperating Revenues:						
Other Revenue B	2,461,335	2,518,714	2,453,804	2,577,029	2,798,105	2,769,227
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	2,461,335	2,518,714	2,453,804	2,577,029	2,798,105	2,769,227
Income (Loss) Before Contributions and Transfers	58,004	594,798	(188,693)	120,729	151,755	151,144
Transfers In						
Transfers Out	33,883	-	-	-	-	-
Change in Net Position	91,887	594,588	(189,927)	120,729	151,755	151,144
Beginning Net Position - July 1	510,800	602,687	1,197,275	1,009,908	1,130,637	1,282,392
Prior Period Adjustments	-	-	2,560	-	-	-
Ending Net Position - June 30	91,887	594,588	(189,927)	120,729	151,755	151,144
Ending Net Position - June 30	602,687	1,197,275	1,009,908	1,130,637	1,282,392	1,433,536
Net Position (Fund Balance) Analysis						

-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$381,039
FY 2019	\$0	\$399,394

SWPL - 1 - Personal Services -

The budget includes adjustments to annualize various personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Environmental Quality - 53010

Central Management - 10

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$277,366
FY 2019	\$0	\$169,213

SWPL - 2 - Fixed Costs -

The request includes \$277,366 in FY 2018 and \$169,213 in FY 2019 to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$431)
FY 2019	\$0	(\$22)

SWPL - 3 - Inflation Deflation -

This change package includes reductions in FY 2018 and FY 2019 to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, natural gas, electricity, gasoline, and others.

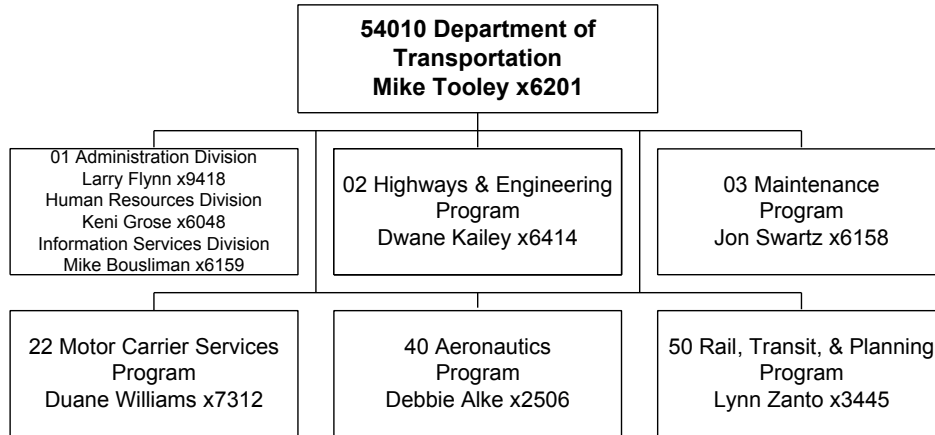
-----New Proposals-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$30,000)
FY 2019	\$0	(\$30,000)

NP - 556 - IT Convergence Savings -

In accordance with Executive Order 09-2016, state agencies have migrated information technology assets to the state data center and taken advantage of other enterprise IT solutions. The estimated savings for the Department of Environmental Quality is \$30,000 per year.

Department of Transportation - 54010



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 15-70, 60, 61, and 67 MCA; Title s 23 and 49 USC, Titles 23 and 49 CFR .

Agency Proposed Budget	Total Exec. Budget Fiscal 2018	Total Exec. Budget Fiscal 2019	Total Exec. Budget 2019 Biennium
Budget Item			
FTE	131.00	131.00	
Personal Services	9,800,537	9,816,245	19,616,782
Operating Expenses	15,832,698	16,318,396	32,151,094
Equipment & Intangible Assets	10,916,881	10,916,881	21,833,762
Debt Service	19,449	19,449	38,898
Total Costs	\$36,569,565	\$37,070,971	\$73,640,536
Proprietary Funds	36,569,565	37,070,971	73,640,536
Total Funds	\$36,569,565	\$37,070,971	\$73,640,536

Department of Transportation - 54010

Motor Pool Program - 07

Program Proposed Budget	Starting Point	Budget Adjustments	Total	Budget	Total	Executive
Budget Item	Fiscal 2017	Fiscal 2018	Exec. Budget Fiscal 2018	Fiscal 2019	Exec. Budget Fiscal 2019	Budget Request 2019 Biennium
FTE	6.00	0.00	6.00	0.00	6.00	
Personal Services	414,763	5,380	420,143	5,900	420,663	840,806
Operating Expenses	2,448,354	(318,969)	2,129,385	(226,447)	2,221,907	4,351,292
Equipment & Intangible Assets	3,801,753	0	3,801,753	0	3,801,753	7,603,506
Debt Service	19,449	0	19,449	0	19,449	38,898
Total Costs	\$6,684,319	(\$313,589)	\$6,370,730	(\$220,547)	\$6,463,772	\$12,834,502
Proprietary Funds	6,684,319	(313,589)	6,370,730	(220,547)	6,463,772	12,834,502
Total Funds	\$6,684,319	(\$313,589)	\$6,370,730	(\$220,547)	\$6,463,772	\$12,834,502

Proprietary Program Description - Motor Pool Program-06506

The State Motor Pool operates and maintains a fleet of vehicles available to all state offices and employees who conduct official state business. The State Motor Pool has two basic components: 1) the daily rental fleet and 2) 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 Motor Pool supports 6.00 FTE.

Section 2-17-411, MCA, establishes that the Department of Transportation's Motor Pool is responsible for the acquisition, operations, maintenance, repair, and administration of all motor vehicles in the custody of the Motor Pool (this does not apply to motor vehicles used in the service of the governor, attorney general or the highway patrol).

Use of the program is optional to agencies when personnel are required to travel by vehicle for official state business, but is encouraged in the Montana Operations Manual (MOM). Other options to use by state employees are: 1) other state-owned vehicles not part of the State Motor Pool fleet; 2) personal vehicles, with authorization provided by the agency director; or 3) vehicles from a private rental agency contract. The rate for the use of personal vehicles, for state business travel, are set at \$0.54 per mile by the Internal Revenue Service for the current year if the state employee qualifies according to the conditions as discussed in the Employee Travel policy of the MOM manual.

The program does not expect any major changes to the customer base. The program has received requests from state agencies to purchase 44 additional vehicles for lease during the 2019 Biennium.

Department of Transportation - 54010

Motor Pool Program - 07

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 54010	Agency Name: Department of Transportation			Program Name: Motor Pool Program		
	Fund	Fund Name				
	06506	Motor Pool - Int Svc				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	3,784,024	4,330,515	3,956,055	6,684,319	6,370,731	6,463,771
Other Operating Revenue	-	135	-	-	-	-
Total Operating Revenues	3,784,024	4,330,650	3,956,055	6,684,319	6,370,731	6,463,771
Expenses:						
Personal Services	341,244	402,608	400,378	414,763	420,143	420,662
Other Operating Expenses	3,691,153	3,841,651	3,578,046	6,269,556	5,950,588	6,043,109
Total Operating Expenses	4,032,397	4,244,259	3,978,424	6,684,319	6,370,731	6,463,771
Operating Income (Loss)	(248,373)	86,391	(22,369)	-	-	-
Nonoperating Revenues:						
Other Revenue A	74,908	235,542	168,199	-	-	-
Other Revenue B	-	-	156,122	-	-	-
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	74,908	235,542	324,321	-	-	-
Income (Loss) Before Contributions and Transfers	(173,465)	321,933	301,952	-	-	-
Change in Net Position	(173,465)	321,933	301,952	-	-	-
Beginning Net Position - July 1	6,167,989	5,994,524	6,316,457	6,618,409	6,618,409	6,618,409
Change in Net Position	(173,465)	321,933	301,952	-	-	-
Ending Net Position - June 30	5,994,524	6,316,457	6,618,409	6,618,409	6,618,409	6,618,409
Net Position (Fund Balance) Analysis						

-----**Statewide Present Law Adjustments**-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$5,482
FY 2019	\$0	\$6,002

SWPL - 1 - Personal Services -

The budget includes \$5,482 in FY 2018 and \$6,002 in FY 2019 to annualize various personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Transportation - 54010

Motor Pool Program - 07

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$87,411
FY 2019	\$0	\$78,998

SWPL - 2 - Fixed Costs -

The request includes \$87,411 in FY 2018 and \$78,998 in FY 2019 to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$406,380)
FY 2019	\$0	(\$305,445)

SWPL - 3 - Inflation Deflation -

This change package includes a reduction of (\$406,380) in FY 2018 and (\$305,445) in FY 2019 to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, natural gas, electricity, gasoline, and others.

-----Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$102)
FY 2019	\$0	(\$102)

PL - 703 - Overtime/Differential -

This change package adjusts overtime by \$102 each year.

Department of Transportation - 54010

Equipment Program - 08

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2017	Adjustments Fiscal 2018	Exec. Budget Fiscal 2018	Adjustments Fiscal 2019	Exec. Budget Fiscal 2019	Budget Request 2019 Biennium
FTE	123.00	0.00	123.00	0.00	123.00	
Personal Services	9,327,504	(139,567)	9,187,937	(125,437)	9,202,067	18,390,004
Operating Expenses	15,353,031	(1,793,228)	13,559,803	(1,329,073)	14,023,958	27,583,761
Equipment & Intangible Assets	7,115,128	0	7,115,128	0	7,115,128	14,230,256
Total Costs	\$31,795,663	(\$1,932,795)	\$29,862,868	(\$1,454,510)	\$30,341,153	\$60,204,021
Proprietary Funds	31,795,663	(1,932,795)	29,862,868	(1,454,510)	30,341,153	60,204,021
Total Funds	\$31,795,663	(\$1,932,795)	\$29,862,868	(\$1,454,510)	\$30,341,153	\$60,204,021

Proprietary Program Description - Equipment Program-06508

The Equipment Program is responsible for the acquisition, disposal, repair and maintenance of a fleet of approximately 4,700 individual units. 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. Exclusively, the various programs within the Montana Department of Transportation (MDT) such as Construction, Motor Carrier Services, Maintenance, and Right-of-Way use the fleet. All units are assigned to the various user programs and are charged rental on a bi-weekly basis. The Equipment Program supports 123 FTE. Alternate sources for vehicles and equipment include renting heavy equipment from a rental company and renting or leasing light duty vehicles from a private rental agency contract.

The Equipment Program is funded under the rules and guidelines of a proprietary program. No specific statutory authority is established for the program as the program is strictly internal to the Department of Transportation and is not used by any outside entity.

Department of Transportation - 54010

Equipment Program - 08

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 54010	Agency Name: Department of Transportation			Program Name: Equipment Program		
	Fund	Fund Name				
	06508	Highway Equipment - Int Svc.				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	30,205,454	30,189,244	26,534,287	31,795,663	29,862,868	30,357,461
Revenue A	118,447	221,813	172,467	-	-	-
Total Operating Revenues	30,323,901	30,411,057	26,706,754	31,795,663	29,862,868	30,357,461
Expenses:						
Personal Services	7,941,631	8,392,437	8,433,368	9,327,504	9,187,937	9,202,067
Other Operating Expenses	22,713,908	21,422,332	16,428,875	22,468,159	20,674,931	21,139,086
Total Operating Expenses	30,655,539	29,814,769	24,862,243	31,795,663	29,862,868	30,341,153
Operating Income (Loss)	(331,638)	596,288	1,844,511	-	-	16,308
Nonoperating Revenues:						
Other Revenue A	8,219	5,445	5,430	-	-	-
Other Revenue B	781,722	5,520	16,187	-	-	-
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	789,941	10,965	21,617	-	-	-
Income (Loss) Before Contributions and Transfers	458,303	607,253	1,866,128	-	-	16,308
Capital Contributions						
Transfers In	783,065	2,385,353	576,691	-	-	-
Transfers Out	-	12,128	-	-	-	-
Change in Net Position	1,241,368	3,004,734	2,440,237	-	-	16,308
Beginning Net Position - July 1	71,344,770	72,557,025	75,572,294	78,012,531	78,012,531	78,012,531
Prior Period Adjustments	(29,113)	10,535	-	-	-	-
Change in Net Position	1,241,368	3,004,734	2,440,237	-	-	16,308
Ending Net Position - June 30	72,557,025	75,572,294	78,012,531	78,012,531	78,012,531	78,028,839
Net Position (Fund Balance) Analysis						

-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$108,521)
FY 2019	\$0	(\$94,391)

SWPL - 1 - Personal Services -

The budget includes a reduction of \$108,521 in FY 2018 and \$94,391 in FY 2019 to annualize various personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Transportation - 54010

Equipment Program - 08

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$191,783
FY 2019	\$0	\$163,184

SWPL - 2 - Fixed Costs -

The request includes \$191,783 in FY 2018 and \$163,184 in FY 2019 to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$1,985,011)
FY 2019	\$0	(\$1,492,257)

SWPL - 3 - Inflation Deflation -

This change package includes a reduction of \$1,985,011 in FY 2018 and \$1,492,257 in FY 2019 to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, natural gas, electricity, gasoline, and others.

-----**Present Law Adjustments**-----

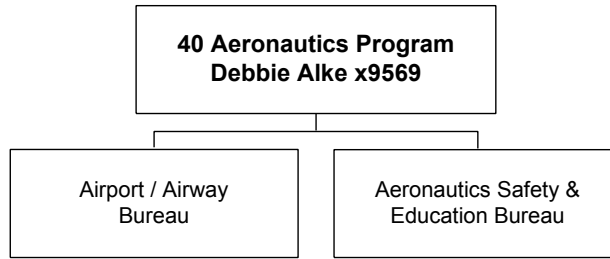
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$31,046)
FY 2019	\$0	(\$31,046)

PL - 803 - Overtime/Differential -

This request reduces overtime and differential pay by \$31,046 each year of the biennium to anticipated levels.

Department of Transportation - 54010

Aeronautics Program - 40



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2017	Adjustments	Exec. Budget	Adjustments	Exec. Budget	Budget Request
		Fiscal 2018	Fiscal 2018	Fiscal 2019	Fiscal 2019	2019 Biennium
FTE	2.00	0.00	2.00	0.00	2.00	
Personal Services	195,291	(2,834)	192,457	(1,776)	193,515	385,972
Operating Expenses	75,253	68,257	143,510	(2,722)	72,531	216,041
Equipment & Intangible Assets	0	0	0	0	0	0
Total Costs	\$270,544	\$65,423	\$335,967	(\$4,498)	\$266,046	\$602,013
Proprietary Funds	270,544	65,423	335,967	(4,498)	266,046	602,013
Total Funds	\$270,544	\$65,423	\$335,967	(\$4,498)	\$266,046	\$602,013

Proprietary Program Description - West Yellowstone Airport - 06007

Program Description

The Yellowstone Airport located in West Yellowstone, Montana provides the closest private and commercial air service to Yellowstone National Park, located just 1 mile away, as well as service for a multitude of other recreational opportunities in the surrounding greater Yellowstone area. Commercial air service is available seasonally from June 1st to September 30th and the airport is open for private aircraft operations usually from mid-May through mid-November. The airport accomplishes these missions with extensive facilities to accommodate all sized aircraft and operations ranging from large, 4 engine, commercial service jets, to small, single engine, piston aircraft.

Airside facilities at the airport include an 8,400-foot runway and taxiway, as well as large ramp and hangar areas for all types of aircraft operations. The runway is also equipped with a precision instrument landing system (ILS) and GPS approaches, allowing flights in any kind of weather as well as full approach, runway, and taxiway lighting. The airport also supports and maintains an Automated Weather Observation Station (AWOS). Other airport facilities include a commercial terminal building with tenants that include a restaurant/gift shop and two car rental agencies, airport administration and Transportation Security Administration (TSA) offices, and Delta connection served by SkyWest Airlines. Also located on the field are several outbuildings and other facilities housing bulk fuel storage, a fixed based operation (FBO) serving aviation needs, and full airport crash fire rescue services. The USFS operates an inter-agency fire control center with both a smoke jumper and fire retardant bomber base. The airport also has a large on field pilot campground for fly-in camping trips. A security/wildlife fence surrounds the entire airport property.

Revenues and Expenses

Fees for leases and other business services are both market and recovery based. Additional operating expenses planned in the 2019 biennium include a runway maintenance project, and terminal, tree/object removal funded with 90% FAA money and performed in accordance with FAA mandates and advisory circulars.

The West Yellowstone Airport is an enterprise proprietary fund. There is one airport manager who works 8 months' full time and 4 months' part time. The airport also has two other employees, an airport operations chief and an airport fire fighter who are employed seasonally.

Department of Transportation - 54010

Aeronautics Program - 40

Rates and Rate Explanation

There are no planned fee increases for the 2019 biennium. Rates will increase for the following: Yamaha Snowmobile rates will increase from \$9,000 per year to \$9,250 per year and the Chamber Snow Shoot will increase from \$1,250 + \$130 per day occupancy + \$250 Groomer Storage to \$1,375 + \$145 per day occupancy + \$275 Groomer Storage.

Projected Fund Balance, Including Cash Fluctuations

The enterprise revenue sources when combined with existing working capital balances are projected to recover sufficient cash to fund projected expenditures at the airport. The cash needed for 60-days of personal services and operating expenses average, for the three-year period (FY 2014 – FY 2016), out to approximately \$39,152.

Annual budgeted expenses at the Yellowstone Airport for the three-year period (FY 2014 – FY 2016) average \$169,819 per year. The Yellowstone Airport currently supports 2.00 FTE. The FTE are needed to maintain federal airport certification requirements.

The Yellowstone Airport proprietary fund balance is forecast to increase with an increase in expenses for FY 2017 and FY 2018 tapering down for FY 2019. Management objectives are to use part of the available fund balance as needed to satisfy recent necessary federal airport certification requirements. There is no anticipated fluctuation of cash into the program and conservation of fund equity remains a high priority to offset additional Federal Airport Certification and Security requirements.

Working Capital Analysis

In past biennia, the West Yellowstone Airport has maintained an adequate cash balance to meet operational needs and provide the required match for federal airport improvement grants. Certain projects are necessary to meet FAR 139 requirements and TSA security requirements to maintain the airport's commercial operating certificate to host scheduled air carrier service. Safety is of the highest priority at West Yellowstone Airport and maintaining the pavement surfaces is crucial.

The total estimated cost of the projects is \$642,577 and the required match is \$71,398. The West Yellowstone Airport is anticipating an increase in revenues for FY 2017 and 2018 then tapering off for FY 2019, MDT continues working on a funding solution for the necessary match so it can maintain its commercial operating certificate. Change package (CP) 4012, 4013, and 4014 addresses the match portion of the project while CP 4007, 4008, and 4010 is for the HB-2 federal portion of the project. Budget authority should be in place while funding solutions are determined; ensuring commercial flights continue into the West Yellowstone region as tourism is a major factor to the area.

Department of Transportation - 54010

Aeronautics Program - 40

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 54010	Agency Name: Department of Transportation			Program Name: Aeronautics Program		
	Fund	Fund Name				
	06007	West Yellowstone Airport				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY14	FY15	FY16	FY17	FY18	FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	68,994	59,102	83,215	73,517	73,944	74,160
Other Operating Revenue	369,115	322,332	433,117	774,251	583,662	323,938
Total Operating Revenues	438,109	381,434	516,332	847,768	657,606	398,098
Expenses:						
Personal Services						
Other Operating Expenses	143,577	165,230	178,646	195,291	192,457	193,515
Total Operating Expenses	404,043	297,015	220,946	555,253	143,510	72,531
Operating Income (Loss)	(109,511)	(80,811)	116,740	97,224	321,639	132,052
Nonoperating Revenues:						
Other Revenue A	23,015	800	3,338	-	-	-
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	23,015	800	3,338	-	-	-
Income (Loss) Before Contributions and Transfers	(86,496)	(80,011)	120,078	97,224	321,639	132,052
Capital Contributions						
Transfers In	1,000	251,000	1,003,769	1,000	1,000	1,000
Change in Net Position	6,901	6,595	6,267	6,267	6,267	6,267
Beginning Net Position - July 1	(78,595)	177,584	1,130,114	104,491	328,906	139,319
Prior Period Adjustments	2,641,437	2,562,842	2,637,252	3,870,540	3,975,031	4,303,937
Change in Net Position	-	(103,174)	103,174	-	-	-
Ending Net Position - June 30	(78,595)	177,584	1,130,114	104,491	328,906	139,319
Ending Net Position - June 30	2,562,842	2,637,252	3,870,540	3,975,031	4,303,937	4,443,256
Net Position (Fund Balance) Analysis						

-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$2,834)
FY 2019	\$0	(\$1,776)

SWPL - 1 - Personal Services -

The budget includes funding to annualize various personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Transportation - 54010

Aeronautics Program - 40

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$3,141)
FY 2019	\$0	(\$2,722)

SWPL - 3 - Inflation Deflation -

This change package includes funding to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, natural gas, electricity, gasoline, and others.

-----**New Proposals**-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$10,000
FY 2019	\$0	\$0

NP - 4012 - West Yellowstone Airport Obstruction Removal -

This is the proprietary match portion request in the amount of \$10,000 for HB 2 request NP4007.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$16,953
FY 2019	\$0	\$0

NP - 4013 - West Yellowstone Airport Pavement Maintenance -

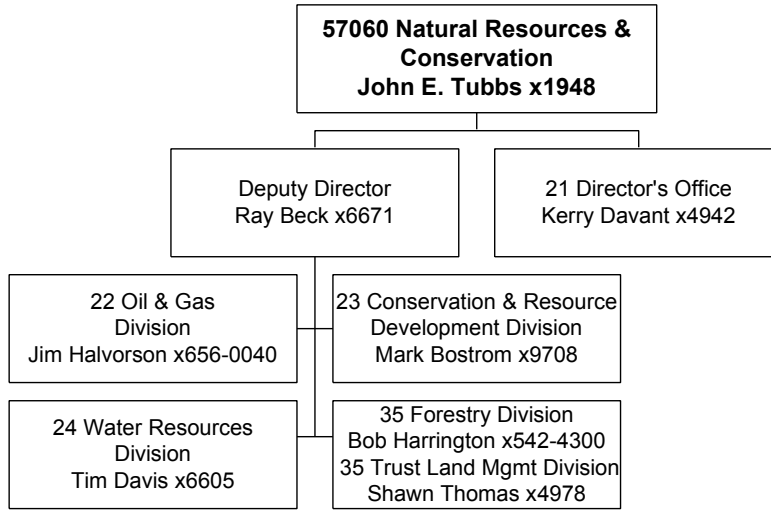
This is the proprietary match portion request in the amount of \$16,953 for HB 2 request NP4008.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$44,445
FY 2019	\$0	\$0

NP - 4014 - West Yellowstone Airport Terminal Improvements -

This is the proprietary match portion request in the amount of \$44,445 for HB 2 request NP4010.

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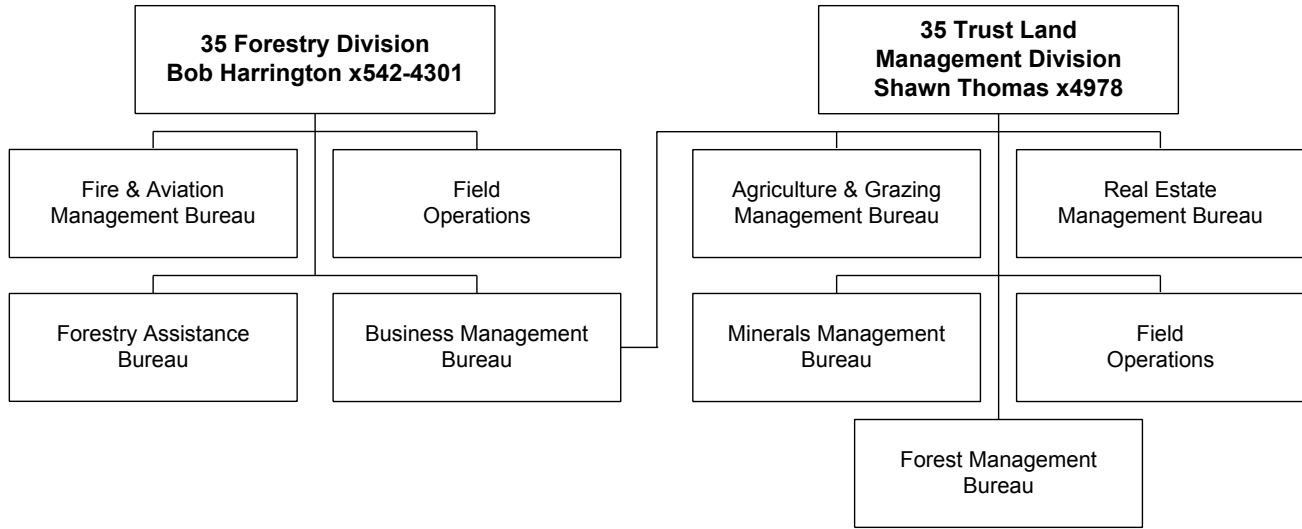
Mission Statement - To ensure Montana's land and water resources provide benefits for present and future generations.

Statutory Authority - 2-15-104 and Title 2, chapter 15, part 33, MCA.

Agency Proposed Budget	Total Exec. Budget Fiscal 2018	Total Exec. Budget Fiscal 2019	Total Exec. Budget 2019 Biennium
Budget Item			
FTE	25.15	25.15	
Personal Services	1,994,974	2,000,453	3,995,427
Operating Expenses	1,397,092	1,434,301	2,831,393
Equipment & Intangible Assets	57,500	57,500	115,000
Total Costs	\$3,449,566	\$3,492,254	\$6,941,820
Proprietary Funds	3,449,566	3,492,254	6,941,820
Total Funds	\$3,449,566	\$3,492,254	\$6,941,820

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Forestry & Trust Lands Management Division - 35



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2017	Adjustments Fiscal 2018	Exec. Budget Fiscal 2018	Adjustments Fiscal 2019	Exec. Budget Fiscal 2019	Budget Request 2019 Biennium
FTE	25.15	0.00	25.15	0.00	25.15	
Personal Services	1,712,808	282,166	1,994,974	287,645	2,000,453	3,995,427
Operating Expenses	1,427,012	(29,920)	1,397,092	7,289	1,434,301	2,831,393
Equipment & Intangible Assets	57,500	0	57,500	0	57,500	115,000
Total Costs	\$3,197,320	\$252,246	\$3,449,566	\$294,934	\$3,492,254	\$6,941,820
Proprietary Funds	3,197,320	252,246	3,449,566	294,934	3,492,254	6,941,820
Total Funds	\$3,197,320	\$252,246	\$3,449,566	\$294,934	\$3,492,254	\$6,941,820

Proprietary Program Description - Fund 06003 - State Nursery Enterprise Fund

Program Description

The Montana State Conservation Seedling Nursery produces and distributes seedlings for conservation plantings, including applications such as fire and logging reforestation, farmstead windbreaks, shelterbelts, wildlife habitat, stream stabilization and restoration, and other conservation uses. The program's mission is to produce the highest quality, locally-adapted, source-identified seedlings available for conservation practices in Montana and to ensure affordable seedlings are available to Montana landowners. The nursery grows an average of 900,000 seedlings annually on 87 acres of state land and in 13,500 square feet of greenhouse space. Sixty-seven plant species are currently in production. The nursery program is funded solely from the nursery proprietary account. The revenue generated funds the 10.92 FTE. Statutory authority for the program is in 77-5-404, MCA.

Revenues and Expenses

The primary source of revenue is seedling sales. Other revenue sources are such services as seed collection, cleaning, and storage and selling products for seedling care and protection. The customer base for nursery products and services is comprised of private landowners in Montana, the DNRC Trust Land Management Division, the Department of Fish, Wildlife and Parks, Department of Environmental Quality, Montana Natural Resource Damage Program, the Conservation Reserve Program (CRP), Native American Tribal Governments, the Wildlife Habitat Incentives Program (WHIP), Pheasants Forever, and numerous other conservation programs and organizations. Historic and projected trends in nursery revenue are dependent on conservation activity in the state, landowner access to cost-share dollars for implementation of conservation projects, and long-term seedling production contracts from large scale conservation activities. Revenue potential is also

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dependent on the number of seedlings available for sale each fiscal year. Sales are predicted two to three years in advance due to the two to three-year production time needed for each seedling type. This can lead to seedling shortages or surpluses when unforeseen events such as extended drought or extreme fire seasons alter demand for seedlings.

The determining factors that set seedling prices are the actual fixed and variable costs of producing the seedlings. Market pressures from other out-of-state seedling producers can also influence prices. Prices are set to recover all program costs and to increase the year-end carryover balance. Year-end carryover dollars are used for non-typical expenses such as large equipment replacement or for unforeseen expenses such as weather-related crop losses. Since the nursery is funded primarily by seedling sales, all personal services, operating, and capital equipment costs are included when setting prices.

Rate(s) and Rate Explanation

The price of each seedling type is set at the end of the previous fiscal year. Prices are based on the actual production costs for each seedling type. The variables involved in seedling production include seedling stock type (bareroot vs. container), seed cost, propagation difficulty, cull rates, seedling age class, quantity produced, equipment costs, labor costs, and overhead charges. Given these variables, each of the 125-plus seedling types can have a different price, and the price must be adjusted annually to account for changes in fixed and variable costs.

Projected Fund Balance, Including Cash Fluctuations

The projected fund balance for the program is anticipated to increase gradually over the next three fiscal years.

Fund 06538 - Air Operations Internal Svc

Program Description

The air operations program in the Forestry Division is funded by revenue generated by the aircraft rates and the general fund and fire protection tax revenues for fixed costs. The program operates five medium helicopters, two light helicopters, and three single engine fixed-wing airplanes. The aircraft are primarily used for fire detection, support, and suppression of wildfires, as well as reclamation work in the Department of Environmental Quality. Fixed costs are paid by the general fund and the fire protection tax revenues since these costs must be paid regardless of the number of hours flown. These costs include hangar rent, insurance, and personnel costs (14.23 FTE). The general fund and fire protection taxes are appropriated by the legislature and transferred to and spent from the proprietary account. Variable costs that are dependent on the hours flown, such as fuel and maintenance, are recovered through an hourly rate charged to all users of the aircraft.

Users of the aircraft include DNRC, other state agencies, local government, and federal agencies. This revenue is deposited in the proprietary account. Statutory authority for the program is in 77-5-103, MCA.

Alternate sources of aviation services are available from private contractors, but historically the costs for these services have been two to three times more than the cost of the state run aircraft. Additionally, contracted services are often not available for the extended timeframes currently covered by the state operated aircraft. An aviation program that is integrated with DNRC firefighters and managers, and is committed to safe and aggressive fire suppression, is the safest and most effective aviation model for the State of Montana.

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Revenues and Expenses

Flight rates are proposed to increase for DNRC operated aircraft to meet increased costs of fuel and replacement parts. All revenues and expenditures are managed through an internal service fund to account for the operational costs of the program. Current rates are: UH-1H \$1,650/hr., Jet Ranger \$515/hr., and Cessna \$175/ hr.

The primary source of revenue is the collection of aircraft flight charges. Additional transfer-in revenue is received from HB 2 transfers of fixed costs from the general fund and the fire protection tax revenues. The department has limited cooperative agreements to assist federal agencies (U.S. Forest Service, BLM, USFWS, BIA, & NPS) and counties with fire protection. The department also has agreements with other state agencies for non-fire related aircraft rental services. The customers served are comprised primarily of state and private landowners within Montana through initial attack of fires under state direct protection, assistance with fires on county protection, and assistance to federal agencies. Historic and projected trends are dependent on length and severity of the fire seasons. Base year funding by fund type would be comprised primarily from state responsibility and county assistance fires paid by the fire suppression fund (state special revenue) and FEMA and U.S. Forest Service (federal special revenue).

The cost drivers for the aircraft rates are to recover the actual expenses needed to maintain the aircraft in an air worthy condition and remain mission ready for the purpose of initial attack on wildfires on state, private, and federal ownership. This includes all costs associated with the maintenance and operation of the aircraft. There are some factors that contribute to the uncertainty in forecasting future expenses. This includes unforeseen events such as FAA and manufacturer repair and maintenance directives, aircraft incidents resulting in unplanned maintenance, cost fluctuations in fuel and parts, and the length and severity of the fire season. Average fire season and routine maintenance of aircraft are used to determine the anticipated future costs.

Charges for services do not support any FTE for the aviation section. All FTE are supported by the general fund and fire protection tax transfers.

Rate(s) and Rate Explanation

The reimbursement rates for the operation of the department aircraft are based on 5,000 hours of aircraft usage. The rate has been determined to maintain the aircraft in its original condition. At the end of 5,000 hours, all parts should have been replaced and a new maintenance/operation cycle started.

The section provides aircraft services and charges for reimbursement by hours and tenths of hours at the following rates:

Dept. Aircraft	Current 2017 Bien
Bell UH-1H Helicopters	\$1,650.00/hr.
Jet Ranger Helicopter	\$515.00/hr.
Cessna 180 Series Aircraft	\$175.00/hr.

Changes in Level of Fees and Charges

No changes in fees or charge are requested

Projected Fund Balance, Including Cash Fluctuations

The projected fund balance for the program is anticipated to increase gradually over the next three fiscal years.

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Working Capital and Fees Commensurate Analysis

Working Capital is estimated to in excess of the 60 days of cash required to fund operations by \$237,000 in FY 2017, by \$210,000 in FY 2018 and by \$203,000 in FY 2019.

2019 Internal Service Fund			Working Capital and Fees Commensurate Analysis					
Fund	Fund Name	Agency #	Agency Name	Program Name				
06003	State Nursery Enterprise Fund	57060	Dept. of Natural Resources & Conservation	Forestry/Trust Lands Division				
			Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
			FY14	FY15	FY16	FY17	FY18	FY19
Cash Available for Fund Operations (Working Capital)								
Current Assets			379,198	307,184		359,711		
Less Current Liabilities			(192,943)	(50,941)		(111,183)		
Working Capital (WC)			186,255	256,243	248,528	248,528	248,528	248,528
Cash Required for Fund Operations								
60 Days Operations Expense			81,099	85,288	91,115	108,543	108,543	108,543
Difference			105,156	170,956	157,413	139,985	139,985	139,985
Budgeted WC = Actual WC FY2016 + or - Budgeted FY2017, FY2018, and FY2019 Net Income or Net Loss								

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**Requested Rates for Internal Service Funds
Fee/Rate Information**

	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Fee Description:						
Bell UH-1H Helicopter	1225	1225	1,650	1,650	1,650	1,650
Bell Jet Ranger Helicopter	515	515	515	515	515	515
Cessna 180 Fixed Wing	175	175	175	175	175	175

2019 Biennium Report on Internal Service and Enterprise Funds

Agency #
57060

Agency Name:
Natural Resources and Conservation

Program Name:
Forestry & Trust Lands Management
Division

Fund Fund Name
06538 Air Operations Internal Svc.

	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	511,560	599,883	1,366,695	1,000,000	1,000,000	1,000,000
Fee Revenue B	35,728	45,400	65,876	50,000	50,000	50,000
Fee Revenue C	74,760	52,780	71,418	25,000	25,000	25,000
Total Operating Revenues	622,048	698,063	1,503,989	1,075,000	1,075,000	1,075,000
Expenses:						
Personal Services	1,224,561	1,327,649	1,331,803	1,203,080	1,394,846	1,399,626
Other Operating Expenses	817,881	667,070	1,099,531	1,298,372	1,270,303	1,309,177
Total Operating Expenses	2,042,442	1,994,719	2,431,334	2,501,452	2,665,149	2,708,803
Operating Income (Loss)	(1,420,394)	(1,296,656)	(927,345)	(1,426,452)	(1,590,149)	(1,633,803)
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	(1,420,394)	(1,296,656)	(927,345)	(1,426,452)	(1,590,149)	(1,633,803)
Transfers In	1,323,797	1,317,694	1,446,923	1,444,652	1,644,652	1,644,652
Change in Net Position	(96,597)	21,038	519,578	18,200	54,503	10,849
Beginning Net Position - July 1	234,130	137,546	158,584	673,109	691,309	745,812
Prior Period Adjustments	13	-	(5,053)	-	-	-
Change in Net Position	(96,597)	21,038	519,578	18,200	54,503	10,849
Ending Net Position - June 30	137,546	158,584	673,109	691,309	745,812	756,661

Net Position (Fund Balance) Analysis

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2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 57060	Agency Name: Natural Resources and Conservation			Program Name: Forestry & Trust Lands Management Division		
	Fund	Fund Name				
	06003	State Nursery Enterprise Fund				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A						
	769,689	568,994	584,794	700,000	785,000	787,000
Total Operating Revenues	769,689	568,994	584,794	700,000	785,000	787,000
Expenses:						
Personal Services						
Other Operating Expenses						
	388,296	385,267	424,787	555,548	555,548	555,548
Total Operating Expenses	486,596	511,725	546,690	651,260	651,260	651,260
Operating Income (Loss)	283,093	57,269	38,104	48,740	133,740	135,740
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	283,093	57,269	38,104	48,740	133,740	135,740
Change in Net Position	283,093	57,269	38,104	48,740	133,740	135,740
Beginning Net Position - July 1	(71,948)	211,145	268,414	306,518	355,258	488,998
Change in Net Position	283,093	57,269	38,104	48,740	133,740	135,740
Ending Net Position - June 30	211,145	268,414	306,518	355,258	488,998	624,738
Net Position (Fund Balance) Analysis						

-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$282,166
FY 2019	\$0	\$287,645

SWPL - 1 - Personal Services -

The budget includes funding to annualize various personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

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	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$61,611
FY 2019	\$0	\$75,958

SWPL - 2 - Fixed Costs -

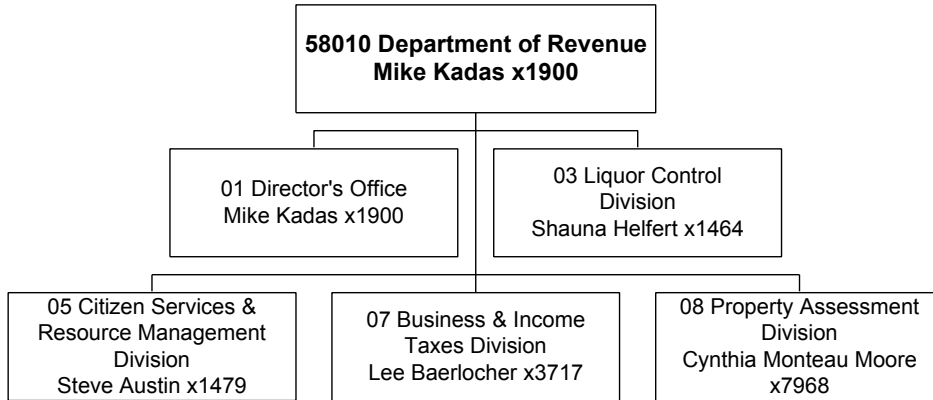
The request includes funding in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$91,531)
FY 2019	\$0	(\$68,669)

SWPL - 3 - Inflation Deflation -

This change package includes funding to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, natural gas, electricity, gasoline, and others.

Department of Revenue - 58010



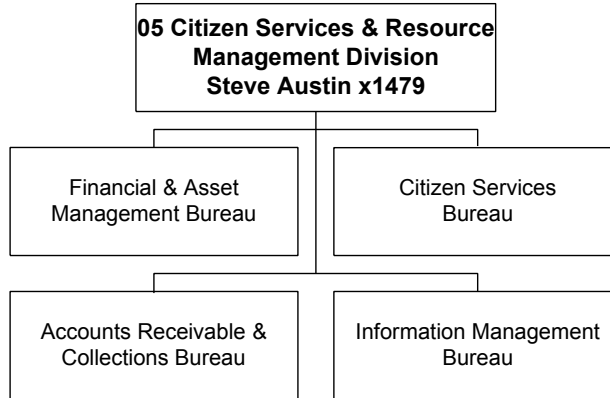
Mission Statement - The quality of life for all Montanans is better because we excel at public service and effective administration of the tax and liquor laws. We do this by ensuring that revenues intended by the legislature to be raised are collected to serve Montanans; advancing equity and integrity in taxation; providing innovative and respectful service; protecting the public health and safety; and achieving efficiency in liquor administration; and improving public understanding of Montana's revenue system.

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

Agency Proposed Budget	Total Exec. Budget Fiscal 2018	Total Exec. Budget Fiscal 2019	Total Exec. Budget 2019 Biennium
Budget Item			
FTE	3.50	3.50	
Personal Services	193,548	193,795	387,343
Operating Expenses	25,556	25,556	51,112
Total Costs	\$219,104	\$219,351	\$438,455
Proprietary Funds	219,104	219,351	438,455
Total Funds	\$219,104	\$219,351	\$438,455

Department of Revenue - 58010

Citizen Services & Resource Mgmt - 05



Program Proposed Budget	Starting Point Fiscal 2017	Budget Adjustments Fiscal 2018	Total Exec. Budget Fiscal 2018	Budget Adjustments Fiscal 2019	Total Exec. Budget Fiscal 2019	Executive Budget Request 2019 Biennium
FTE	3.50	0.00	3.50	0.00	3.50	
Personal Services	170,582	22,966	193,548	23,213	193,795	387,343
Operating Expenses	26,065	(509)	25,556	(509)	25,556	51,112
Total Costs	\$196,647	\$22,457	\$219,104	\$22,704	\$219,351	\$438,455
Proprietary Funds	196,647	22,457	219,104	22,704	219,351	438,455
Total Funds	\$196,647	\$22,457	\$219,104	\$22,704	\$219,351	\$438,455

Proprietary Program Description -
06554 Collection Services Program
Program Description

Montana law authorizes the Department of Revenue to assist other agencies in the collection of delinquent accounts. The department retains a percentage of these collections for the costs of assistance in conjunction with 17-4-103 (3)(a), MCA. The department established the Collections Services Program, which includes 3.50 FTE, to administer its statutory responsibilities under Title 17, chapter 4, MCA. These responsibilities include providing collection services for the purpose of centralizing debt collection for the State of Montana.

Revenues and Expenses

The department is currently authorized to charge a commission rate of up to 5 percent for its collection services excluding the collection of overpaid child support payments made to custodial parents and collection of delinquent child support payments from noncustodial parents. The commissions collected are used to pay the expenses of the Collection Services Program. Approximately 85 percent of the expenditures are paid in salaries and benefits with the remaining expenditures representing operating expenses of the program.

Administration of this program has required a minimum of a 9-month working capital balance due to the timing of program collections through offset of other state monies, as the program collects the largest amount of revenues on delinquent accounts during the income tax season and the hunting permitting season.

Rates and Rate Explanation

The department requests that a maximum commission rate of 5 percent continue into the 2019 biennium. Exempted from this rate is collection of overpaid child support payments made to custodial parents or collection of delinquent child support payments from noncustodial parents. Commissions associated with child support payments are charged against a separate general fund appropriation designated by the legislature in a prior legislative session.

Department of Revenue - 58010

Citizen Services & Resource Mgmt - 05

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information						
	Actual FY 14	Actual FY 15	Actual FY 16	Budgeted FY 17	Budgeted FY 18	Budgeted FY 19
Fee Description:	3.5	3.5	1.5	1.5	2.75	2.75

Changes in Level of Fees and Charges

The commission rate was lowered to 1.5 percent in October 2015. The rate change lowered the fund fee revenue to approximately \$140,126 in fiscal year 2016.

Projected Fund Balance, Including Cash Fluctuations

This rate reduction of 1.5 will continue into FY 2017 and will reduce the fund's net position to approximately \$167,348 by the end of fiscal year 2017 assuming all positions in the other agency debts unit remain filled and operating expense decreased slightly due to inflation and deflation. Cash fluctuations are due to the timing of when commissions are received because the majority of revenues are collected during the income tax season when income tax refunds are offset.

FY16 Ending Net Position	\$272,342
FY17 Estimated Revenue	\$91,653
FY17 Estimated Expenses	-\$196,647
FY17 Projected Net Position	\$167,348

Working Capital and Fees Commensurate Analysis

Based on the projection above, net position will be reduced to approximately \$167,348 in fiscal year 2017. This will provide the department with approximately nine months' worth of working capital. It is necessary to maintain a nine month working capital balance to pay expenses as they are incurred as the majority of commission revenue is not collected until the income tax filing season each year, some six to nine months after the start of the fiscal year. The department will continue to evaluate the commission rate as actual revenues and expenditures are received and incurred.

Department of Revenue - 58010

Citizen Services & Resource Mgmt - 05

2019 Internal Service Fund Working Capital and Fees Commensurate Analysis

Fund	Fund Name	Agency #	Agency Name	Program Name
06554	CSRM Collection Services	58010	Department of Revenue	Citizen Services and Resource Management

	Actual FY 14	Actual FY 15	Actual FY 16	Budgeted FY 17	Budgeted FY 18	Budgeted FY 19
Cash Available for Fund Operations (Working Capital)						
Current Assets	271,511	268,806	280,283			
Less Current Liabilities	(14,283)	(8,660)	(14,188)			
Working Capital (WC)	257,228	260,146	266,095	161,101	154,462	147,576
Cash Required for Fund Operations						
Nine Months Operations Expense	123,650	128,957	97,575	147,485	164,328	164,513
Difference	133,578	131,190	168,520	13,616	(9,866)	(16,937)

Department of Revenue - 58010

Citizen Services & Resource Mgmt - 05

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 58010	Agency Name: Department of Revenue			Program Name: Citizen Services & Resource Mgmt		
	Fund	Fund Name				
	06554	CSC Collection Services				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY14	FY15	FY16	FY17	FY18	FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	201,092	177,935	140,126	91,653	212,465	212,465
Total Operating Revenues	201,092	177,935	140,126	91,653	212,465	212,465
Expenses:						
Personal Services						
Other Operating Expenses	22,041	31,995	19,541	26,065	25,556	25,556
Total Operating Expenses	164,867	171,943	130,100	196,647	219,104	219,351
Operating Income (Loss)	36,225	5,992	10,026	(104,994)	(6,639)	(6,886)
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	36,225	5,992	10,026	(104,994)	(6,639)	(6,886)
Change in Net Position	36,225	5,992	10,026	(104,994)	(6,639)	(6,886)
Beginning Net Position - July 1	220,096	256,321	262,313	272,339	167,345	160,706
Change in Net Position	36,225	5,992	10,026	(104,994)	(6,639)	(6,886)
Ending Net Position - June 30	256,321	262,313	272,339	167,345	160,706	153,820
Net Position (Fund Balance) Analysis						

-----**Statewide Present Law Adjustments**-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$22,966
FY 2019	\$0	\$23,213

SWPL - 1 - Personal Services -

The budget includes funding to annualize various personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Revenue - 58010

Citizen Services & Resource Mgmt - 05

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$303)
FY 2019	\$0	(\$303)

SWPL - 2 - Fixed Costs -

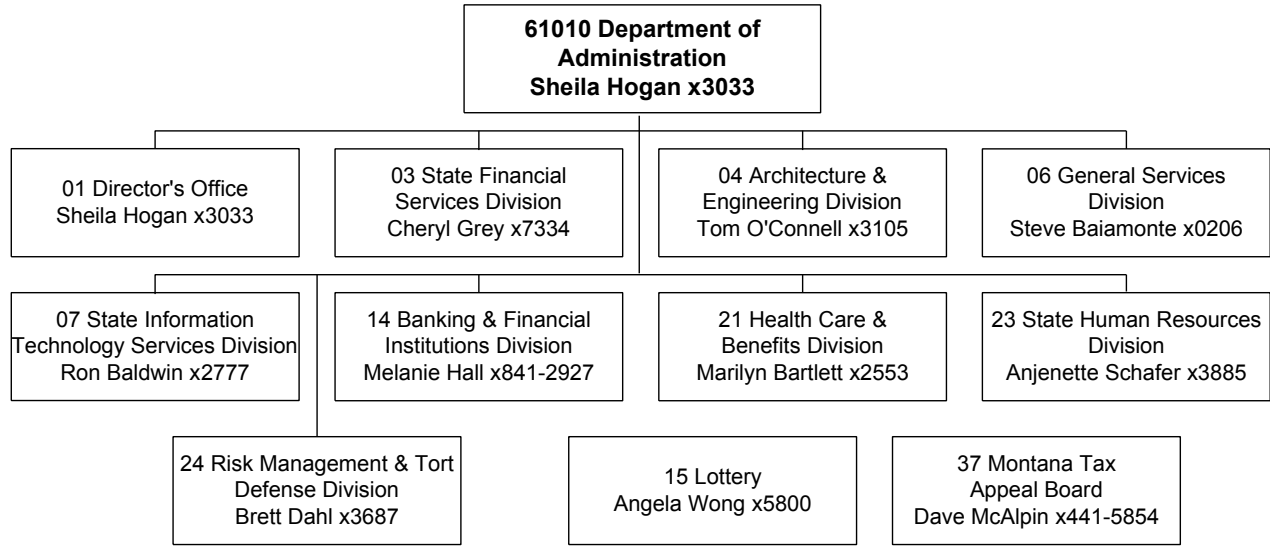
The request includes funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, warrant writer, payroll processing, and others. The rates charged for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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$206)
FY 2019	\$0	(\$206)

SWPL - 3 - Inflation Deflation -

This change package includes funding to cover budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, natural gas, electricity, gasoline, and others.

Department of Administration - 61010



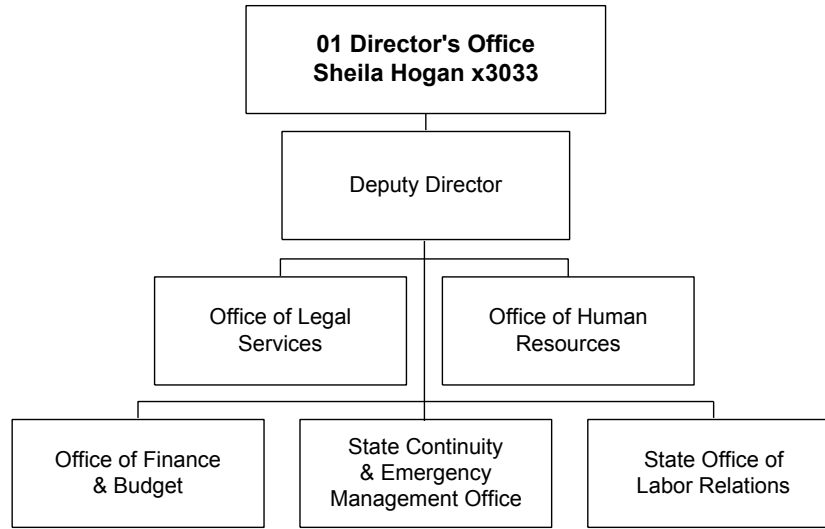
Mission Statement - The Department of Administration's mission is to serve as the backbone of state government by providing leading edge services to our customers and business partners.

Statutory Authority - Title 2, Chapters 7, 9, 15, 17 and 18; Title 10, Chapter 4; Title 15, Chapter 2; Title 17; Title 18; Title 23, Chapter 7; Title 31; Title 32; Title 39, Chapter 71; and Title 47, Chapter 1 MCA.

Agency Proposed Budget	Total Exec. Budget Fiscal 2018	Total Exec. Budget Fiscal 2019	Total Exec. Budget 2019 Biennium
Budget Item			
FTE	380.23	380.23	
Personal Services	32,703,059	32,791,437	65,494,496
Operating Expenses	77,096,100	76,927,487	154,023,587
Equipment & Intangible Assets	790,630	790,630	1,581,260
Grants	520,113	520,113	1,040,226
Benefits & Claims	202,495,675	220,996,797	423,492,472
Transfers	160,000	160,000	320,000
Debt Service	860,855	818,773	1,679,628
Total Costs	\$314,626,432	\$333,005,237	\$647,631,669
Proprietary Funds	314,626,432	333,005,237	647,631,669
Total Funds	\$314,626,432	\$333,005,237	\$647,631,669

Department of Administration - 61010

Director's Office - 01



Program Proposed Budget	Starting Point Fiscal 2017	Budget Adjustments Fiscal 2018	Total Exec. Budget Fiscal 2018	Budget Adjustments Fiscal 2019	Total Exec. Budget Fiscal 2019	Executive Budget Request 2019 Biennium
Budget Item						
FTE	30.01	0.00	30.01	0.00	30.01	
Personal Services	2,632,695	(849)	2,631,846	7,914	2,640,609	5,272,455
Operating Expenses	451,743	10,229	461,972	8,591	460,334	922,306
Transfers	0	0	0	0	0	0
Total Costs	\$3,084,438	\$9,380	\$3,093,818	\$16,505	\$3,100,943	\$6,194,761
Proprietary Funds	3,084,438	9,380	3,093,818	16,505	3,100,943	6,194,761
Total Funds	\$3,084,438	\$9,380	\$3,093,818	\$16,505	\$3,100,943	\$6,194,761

Proprietary Program Description - 06534 Director's Office (Management Services)

Program Description

The Director's Office is funded by the revenues generated from the internal fees charged to the Department of Administration's divisions and its attached-to agencies.

A major reorganization occurred at the beginning of FY 2015, which increased indirect costs for the 2017 biennium. The budgeting and accounting work done within the State Human Resources Division and General Services Division were transitioned into the Office of Finance & Budget. This brought more operational efficiencies, consistency, and stronger internal controls to these processes. 6.50 FTE were transferred into the Office of Finance and Budget.

The total number of IBARS FTE is 30.01 FTE. Only 27 FTE, however, are billed out in rates.

These FTE provide services in the areas of legal, human resources, and financial management. The Office of Legal Services advises the divisions on legal matters. The Office of Human Resources processes payroll, assists with recruitment, selection and orientation of new employees, classifies positions, and develops policies for the department. The Office of Finance and Budget prepares and presents the biennial budget, processes budget change documents, monitors approved budgets for compliance with state law and legislative intent, and provides accounting assistance.

The customers served are internal to the Department of Administration and two of its attached-to agencies. The Montana Public Employees Retirement System and the Teachers Retirement System pay for human resource services only.

Department of Administration - 61010

Director's Office - 01

An alternative to the office's proprietarily-funded services would be to hire staff within each division for budgeting and accounting functions, contract with outside legal resources, hire attorneys within each division, or fund the human resources and executive functions through the general fund.

Revenue and Expenses

The allocation methodology is threefold. The Director's Office and the Office of Finance and Budget costs are allocated based on percentage of base year expenses by division. The Office of Human Resources costs are allocated based on the number of FTE within a program. The Office of Legal Services costs are allocated to divisions in the department based on a time-use study. The allocations may be realigned if there are changes to the customer base.

Fees are billed out quarterly to all of the programs.

Rate(s) and Rate Explanation

The Director's Office proprietary fund requests that the Legislature approve an all-inclusive rate (Total Allocation of Costs) of \$2,115,255 in FY 2018 and FY 2019. Excluding the effect of the attorney position that was moved into the office, the rate is approximately a 5.7% decrease from FY 2016 and a 2.8% decrease FY 2017.

These rates will enable the program to function and achieve its objectives effectively. The rate covers the internal indirect costs of the Department of Administration and will be recovered from programs internal to the department and its attached-to agencies.

Changes in Level of Fees and Charges

There were two significant changes:

In May of 2015, the office utilized an existing position to serve as its Safety and Occupational Health Specialist. This position plans, implements, and maintains the department's safety, occupational health, worker's compensation program, and emergency response processes to ensure program compliance with federal, state, and local requirements; develops programs to reduce workplace injuries and associated costs; and formulates and implements safety training programs required by law. This position will be billed out for the first time during the 2019 biennium.

At the end of FY 2016, a legal position (1.00 FTE) was moved into the Director's Office from the Health Care Benefits program. This position will equally support both the Health Care and Benefits Division and the State Information Services Technology Division. Although this was an increase in indirect costs to these two programs, it decreased personal services costs for the Health Care and Benefits Division.

The rate is set with the goal of ensuring that fees remain commensurate with costs while maintaining an adequate fund balance. The rate is determined by estimating the amount of revenue necessary to cover all personal services and operating costs while maintaining a sufficient working capital balance. The department intends to spend down working capital to help keep the rates low.

Projected Fund Balance, Including Cash Fluctuations

The fund balance (net position) was \$263,674 at the end of FY 2016, which was approximately \$61,500 over the 60 day requirement.

Working Capital and Fees Commensurate with Costs

The office strives to maintain about 45 to 50 days of working capital and is reducing their rates for the 2019 biennium to spend down this excess working capital.

Department of Administration - 61010

Director's Office - 01

06535 Continuity, Emergency Preparedness and Security Program

Program Description

The Department of Administration is responsible for providing centralized management and coordination of the continuity, emergency preparedness, and security program for state agencies to ensure the ability to protect and recover state essential functions of government at the time of an event. The emergency preparedness activities are no longer focused only on the Helena area but have been expanded to cover state government facilities and employees across the state.

This program has historically been accomplished, and funded, by two divisions within the Department of Administration - the General Services Division (GSD) and the State Information Technology Services Division (SITSD). In calendar year 2013, the department consolidated this activity within the State Continuity and Emergency Management Office (SCEMO) housed in the Director's Office. The program was established as an individual internal service fund in FY 2014 when the function was moved to the Director's Office

Currently there are 5.00 FTE in the program.

Revenues and Expenses

The program costs primarily consist of personal services processed bi-weekly and monthly operating costs, such as software licensing and maintenance costs, contracted services, rent, phone, and other overhead charges. The program has been conservative in its spending in order to build up working capital.

Rate(s) and Rate Explanation

The SCEMO program bills the State Information Technology Services Division and General Services Division quarterly for their services. Fees are collected by both divisions through their respective enterprise rates charged to all agencies. SITSD has historically paid 72% of the cost of the program, while GSD had paid 28%.

3.00 FTE are associated with SITSD and 2.00 FTEs are associated with GSD.

This rate request has added back in the vacancy savings reduction calculated by IBARS (22,357) as the program only has 5.00 FTE. No retirements are expected in the next two years.

Projected Fund Balance, Including Cash Fluctuations

The fund equity is \$23,698 at the end of FY 2016.

Working Capital and Fees Commensurate Analysis:

Because the fund was established in FY 2014, it has taken a few years to build working capital and a fund balance. At the end of FY 2016, the program had approximately \$48,000 of working capital, which is less than the 60-day threshold.

Department of Administration - 61010

Director's Office - 01

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: Director's Office		
	Fund	Fund Name				
	06534	Management Services				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY14	FY15	FY16	FY17	FY18	FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	1,625,016	1,624,847	2,104,767	2,065,944	2,115,255	2,115,255
Other Operating Revenue	547	749	729	-	12	12
Total Operating Revenues	1,625,563	1,625,596	2,105,496	2,065,944	2,115,267	2,115,267
Expenses:						
Personal Services						
Other Operating Expenses	1,302,589	1,572,455	1,673,424	1,855,697	1,866,434	1,873,447
Total Operating Expenses	188,606	275,161	314,476	261,805	258,640	257,700
Operating Income (Loss)	134,368	(222,020)	117,596	(51,558)	(9,807)	(15,880)
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	134,368	(222,020)	117,596	(51,558)	(9,807)	(15,880)
Transfers In						
Transfers Out	-	353,662	6,520	-	-	-
Change in Net Position	(19,522)	(288)	(1,564)	(51,558)	(9,807)	(15,880)
Beginning Net Position - July 1	(105,078)	9,768	141,122	263,674	212,116	202,309
Change in Net Position	114,846	131,354	122,552	(51,558)	(9,807)	(15,880)
Ending Net Position - June 30	9,768	141,122	263,674	212,116	202,309	186,429
Net Position (Fund Balance) Analysis						

Department of Administration - 61010

Director's Office - 01

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: Director's Office		
	Fund	Fund Name				
	06535	Continuity Emergency Mgmt				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	-	-	725,967	725,967	762,357	762,357
Other Operating Revenue	-	835	365	-	-	-
Total Operating Revenues	-	835	726,332	725,967	762,357	762,357
Expenses:						
Personal Services						
Other Operating Expenses	446,626	425,051	512,427	548,998	535,747	536,640
Total Operating Expenses	600,586	544,941	663,557	739,651	739,079	739,274
Operating Income (Loss)	(600,586)	(544,106)	62,775	(13,684)	23,278	23,083
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	(600,586)	(544,106)	62,775	(13,684)	23,278	23,083
Transfers In						
Change in Net Position	552,134	553,481	-	-	-	-
	(48,452)	9,375	62,775	(13,684)	23,278	23,083
Beginning Net Position - July 1	-	(48,452)	(39,077)	23,698	10,014	33,292
Change in Net Position	(48,452)	9,375	62,775	(13,684)	23,278	23,083
Ending Net Position - June 30	(48,452)	(39,077)	23,698	10,014	33,292	56,375
Net Position (Fund Balance) Analysis						

-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$849)
FY 2019	\$0	\$7,914

SWPL - 1 - Personal Services -

The budget includes adjustments in FY 2018 and FY 2019 to annualize various personal services costs including FY 2017 statewide pay plan adjustments and to fund increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Administration - 61010

Director's Office - 01

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$19,703
FY 2019	\$0	\$18,065

SWPL - 2 - Fixed Costs -

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

-----**Present Law Adjustments**-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$7,000
FY 2019	\$0	\$7,000

PL - 101 - Emergency Notification System Recipient Increase -

The State of Montana uses a system from SunGard to provide emergency notifications to state employees and external stakeholders. This is a "recipient based" system, meaning the potential recipients, and all of their contact information, need to be known in advance. This system is available to all state agencies for emergency notification purposes.

The state currently pays \$45,000 per year for these services with unlimited message use based on 10,000 pre-identified recipients. The State Continuity and Emergency Management Office is requesting an additional \$7,000 per year to add an additional 7,000 recipients to the system. This increase will cover all state employees and approximately 2,500 external stakeholders being identified in the emergency notification system.

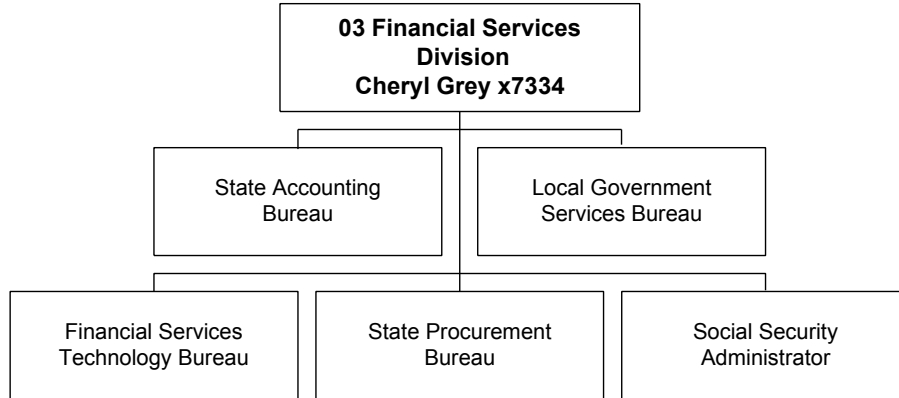
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$16,474)
FY 2019	\$0	(\$16,474)

PL - 4 - Allocate Department Indirect/Administrative Costs -

This request funds the division's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

Department of Administration - 61010

State Financial Services Division - 03



Program Proposed Budget	Starting Point Fiscal 2017	Budget Adjustments Fiscal 2018	Total Exec. Budget Fiscal 2018	Budget Adjustments Fiscal 2019	Total Exec. Budget Fiscal 2019	Executive Budget Request 2019 Biennium
FTE	31.33	0.00	31.33	0.00	31.33	
Personal Services	2,766,634	(88,303)	2,678,331	(80,063)	2,686,571	5,364,902
Operating Expenses	2,373,338	986,969	3,360,307	808,167	3,181,505	6,541,812
Equipment & Intangible Assets	6,604	0	6,604	0	6,604	13,208
Total Costs	\$5,146,576	\$898,666	\$6,045,242	\$728,104	\$5,874,680	\$11,919,922
Proprietary Funds	5,146,576	898,666	6,045,242	728,104	5,874,680	11,919,922
Total Funds	\$5,146,576	\$898,666	\$6,045,242	\$728,104	\$5,874,680	\$11,919,922

Proprietary Program Description -

Fund 06511 SABHRS Financial Services Technology Bureau

Program Description

The SABHRS Financial Services Technology Bureau (FSTB) is responsible for the operational support, hosting, and maintenance of the enterprise financial (SABHRS Financials) and budget development information (IBARS) systems as well as supporting the enterprise acquisition and contracting system (eMACS) to effectively meet legislative and management needs and to serve the citizens of Montana. FSTB is also responsible for providing hosting services, system architecture, and maintenance for the SABHRS HR information system for the HR Information Systems Bureau. The bureau works in partnership with the State Accounting Bureau, OBPP, LFD, SITSD, and the State Human Resources Division.

The financial and accounting business processes are supported by seven PeopleSoft Applications/Modules and is the repository for all state accounting transactions and operating budgets. The use of the general ledger and asset management is mandated for all agencies except the university system. There are approximately 900 core users, and 1,100 management users, accessing the SABHRS Financials system.

Budget development business processes are supported by the Internet Budget, Analysis, and Reporting System (IBARS) modules. IBARS supports the executive planning process (EPP), long range building program, general budget building process, narrative publications, and budget implementation. The use of IBARS is required for budgetary development for all agencies including the universities. There are approximately 400 IBARS users.

FSTB has a total of 21.00 FTE supporting these applications, including upgrades, enhancements, testing, user training, database maintenance, and system architecture.

Department of Administration - 61010

State Financial Services Division - 03

Revenues and Expenses

FSTB is funded as a fixed cost component of agency budgets. All of the services provided by the bureau are funded under a single fixed cost rate.

Changes in Services or Fees

Financials software maintenance will increase by 3% each fiscal year. Software licensing costs increased with the incorporation of the eMACS application into the state ERP system. Rates remain flat and are identical to the 2017 biennium.

Rate and Rate Explanation

The rate for FSTB is calculated based upon the projected expenditures. The major cost drivers for the FSTB include the SITSD application hosting and processing services, personal services, and software licensing and maintenance.

Changes in Level of Fees and Charges

Services provided remain the same and rates remain flat as they are identical to the 2017 biennium.

Projected Fund Balance, Including Cash Fluctuations

Due to excess working capital at fiscal year-end 2016, a planned spend down over the next biennium is projected to eliminate any excess working capital. While the fund equity was \$2.8 million at fiscal year-end 2016, \$1.8 million of that is related to long term assets and liabilities – mostly construction work in progress and intangible assets, such as the SABHRS software. The remaining \$1 million was working capital, which included an excess of approximately \$350,000. To achieve this, fees over the 2019 biennium remain the same as the 2017 biennium.

Working Capital and Fees Commensurate Analysis

The ending working capital for FY 2016 was \$1.037 million or approximately 92 days. The agency anticipates that a working capital balance of 20 to 60 days will be sufficient for the bureau.

Fund 06564 Warrant Writer Program

Program Description

The Warrant Writer Unit (WWU) provides the check writing and direct-deposit services for most state agencies, including the university system. The WWU processes agency approved payments and tracks the payment status on SABHRS. Warrant printing is provided to the WWU by Print and Mail Services within the General Services Division. The WWU generates, tracks, and reconciles each payment.

The services the WWU offer include direct deposit, warrant consolidation, stopping of payments, warrant cancellations, emergency warrants, duplicate warrants, warrant certification, warrant research, vendor file maintenance, and federal 1099-MISC processing.

The program funds 4.33 FTE and is authorized through 17-8-305, MCA.

Revenues and Expenses

The Warrant Writer Unit is funded using the rates included in the rate schedule for Warrant Writer Services.

Rate and Rate Explanation

The rates for WWU are calculated based on upon the projected expenditures. Major rate cost drivers include postage, personal services, and printing charges for warrants and advices. All rates charged to agencies will stay flat relative to the 2017 biennium.

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The rates developed are based on the payment type - mailer, non-mailer, payroll, emergency, external (university system), payroll (print only warrants), duplicate, direct deposit (mailed advice), direct deposit (no mailed advice), Unemployment Insurance (UI) warrant (print only), and UI direct deposit (no advice). Payroll direct deposits do not process through warrant writer and are not included in these counts. Agencies are billed based on actual payments processed.

Changes in Services or Fees

All rates charged to agencies will stay flat relative to the 2017 biennium. Beginning in fiscal year 2017, additional services provided by the WWU will include enterprise electronic content management of W-9s and the implementation of emergency backup measures as coordinated with Print and Mail Services (General Services Division) and the State Information Technology Services Division.

Projected Fund Balance, Including Cash Fluctuations

No fund balance is required to be reserved for this program. Rates proposed for the 2019 biennium are intended to stabilize fund balance. Fund balance and projected working capital will continue to be monitored in the event rate adjustments are needed to avoid excess working capital.

Working Capital and Fees Commensurate Analysis

Billing for payments is performed monthly and is based on actual payments issued by type. Turnaround time for payments takes around 45 days. Working capital is factored into the rate after expenditures are calculated. If working capital is too high, revenues (through the rates that generate the revenue) are reduced or a refund is provided to the agencies.

At fiscal year-end 2016, working capital was approximately \$199,000, which represents about 117 days of working capital reserves. A 15 to 60 day working capital balance should provide sufficient cash to fund operations for the 2019 biennium. With rates remaining flat relative to the prior biennium, revenue and expenditure projections indicate no excess working capital at the end of the 2019 biennium.

Fund 06042 Local Government Audit and Reporting Program

Program Description

The Local Government Audit and Reporting Program is responsible for administering the provisions of the Montana Single Audit Act, which specifies the financial reporting and audit requirements for all Montana local government entities.

The work of the program is mandated primarily in 2-7-5, MCA, and funds 6.00 FTE.

The program performs the following services:

- Collects and makes available to the public annual financial reports from approximately 900 local governments;
- Collects and makes available to the public annual budgets from local governments;
- Determines which local government entities are subject to audit under the act and notifies them of the audit requirements;
- Accepts applications from, and maintains a roster of, independent auditors authorized to conduct local government audits;
- Provides technical advice on accounting, auditing, and legal compliance matters to local governments and certified public accountants conducting local government audits;
- Prepares and keeps current a legal compliance supplement for use by independent auditors in conducting local government audits;
- Receives and approves audit contracts for local government audits;
- Verifies that all local governments that are required to have audits do so;
- Publishes notices in local newspapers of delinquent annual reports and audits;
- Receives and reviews local government audit reports to determine whether the audits have been conducted in accordance with required standards;
- Notifies state agencies of audit findings related to financial assistance programs that they administer;
- Receives and reviews each local government's response to the audit report findings;

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- Maintains copies of all local government entity audit reports, and the local governments' responses to audit findings, and makes those reports and responses available through a public website or upon request;
- Investigates or refers to auditors for follow-up action complaints or allegations received from the public, either directly or through the Legislative Auditor's hotline; and
- Provides information regarding local government audits, audit findings, entity responses to findings, and legal compliance and accounting requirements to the public.

Prior to the 54th Legislature, local governments could elect to have either the state or a private auditor conduct its audit. Based upon an executive recommendation, the 54th Legislature privatized the state audit program that conducted local government audits. With the privatization, the legislature recognized that the state would no longer have any practicing local government audit staff. Now private sector auditors perform all local government audits.

Additionally, this program provides technical accounting and reporting assistance to local governments and the other staff within the bureau as needed.

Revenues and Expenses

Revenues are derived from fees charged to the local governments, as described below. Major cost drivers for the program include personal services and operating costs associated with administering the program. Recently, a new entity management system allows for electronic submission of reports by local governments and auditors as well as public transparency of financial reports, budgets, and audits.

Rate(s) and Rate Explanation

The fund receives revenues from the following:

1. A report filing fee as required by 2-7-514, MCA, and defined in ARM 2.4.402. All local government entities that are required to submit audits pay the filing fee.
2. As provided by 2-7-503, MCA, a fee is collected from local governments that are required to submit financial reviews. The fee has been adopted in ARM 2.4.410. The current fee in the rule is \$75.
3. A roster fee is collected from certified public accountants for inclusion on a roster of independent auditors who are authorized to audit local government entities in Montana. The annual auditor roster fee has been adopted as ARM 2.4.406. The current fee in the rule is \$100 per year.
4. As provided by 2-7-517, MCA, when a local government entity fails to file a report as required by 2-7-503, MCA, or to make the payment within 60 days as required by 2-7-514, MCA, the department may charge a late payment penalty. The penalty has been adopted in ARM 2.4.404 and is currently 10% of the filing fee per month.
5. A fine for failure to file audits or reports require by 2-7-503, MCA, is also provided by 2-7-517, MCA. When a local government entity fails to file an audit or report within 180 days of the required date, the department must notify the entity of the fine due and provide public notice of the delinquent report. The fine has been adopted in ARM 2.4.403. The current fine in the rule is \$50 per publication.

It is the intent of the program to maintain fees sufficient to pay program costs at current level staffing. Because the Montana Single Audit program is an enterprise fund, the legislature does not approve the fees for the program. Instead, fees are established in administrative rule. The Montana Single Audit program does not receive any direct appropriations. Funding is derived entirely from the fees described above.

Projected Fund Balance, including Cash Fluctuations

The program has no specific requirement to reserve fund balance.

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Agency # 61010	Agency Name: Department of Administration			Program Name: State Financial Services Division		
	Fund	Fund Name				
	06042	Local Govt Svcs AuditRportng				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	6,970	4,300	7,300	-	-	-
Fee Revenue B	356,081	370,240	629,857	425,000	500,000	500,000
Revenue A	40,996	90,252	23,011	35,000	75,000	75,000
Revenue B	1	-	242	-	-	-
Total Operating Revenues	404,048	464,792	660,410	460,000	575,000	575,000
Expenses:						
Personal Services						
	333,656	360,077	406,664	466,880	483,048	484,632
Other Operating Expenses						
	89,208	188,606	195,155	91,497	98,239	97,169
Total Operating Expenses	422,864	548,683	601,819	558,377	581,287	581,801
Operating Income (Loss)	(18,816)	(83,891)	58,591	(98,377)	(6,287)	(6,801)
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	(18,816)	(83,891)	58,591	(98,377)	(6,287)	(6,801)
Change in Net Position	(18,816)	(83,891)	58,591	(98,377)	(6,287)	(6,801)
Beginning Net Position - July 1	355,339	336,523	252,632	309,039	210,662	204,375
Prior Period Adjustments						
	-	-	(2,184)	-	-	-
Change in Net Position	(18,816)	(83,891)	58,591	(98,377)	(6,287)	(6,801)
Ending Net Position - June 30	336,523	252,632	309,039	210,662	204,375	197,574
Net Position (Fund Balance) Analysis						

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2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: State Financial Services Division		
	Fund	Fund Name				
	06564	Warrant Writing				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY14	FY15	FY16	FY17	FY18	FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	645,007	600,533	787,945	769,711	750,705	743,380
Total Operating Revenues	645,007	600,533	787,945	769,711	750,705	743,380
Expenses:						
Personal Services						
Other Operating Expenses	194,314	209,111	203,963	227,955	224,101	224,249
Total Operating Expenses	445,155	437,113	424,028	489,276	485,786	484,914
Operating Income (Loss)	5,538	(45,691)	159,954	52,480	40,818	34,217
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	5,538	(45,691)	159,954	52,480	40,818	34,217
Transfers In						
Change in Net Position	5,538	(31,036)	159,954	52,480	40,818	34,217
Beginning Net Position - July 1	66,601	72,139	41,103	201,057	253,537	294,355
Change in Net Position	5,538	(31,036)	159,954	52,480	40,818	34,217
Ending Net Position - June 30	72,139	41,103	201,057	253,537	294,355	328,572
Net Position (Fund Balance) Analysis						

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2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: State Financial Services Division		
	Fund	Fund Name				
	06511	SABHRS				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	3,821,496	3,592,404	4,008,249	3,818,905	4,008,249	3,818,905
Other Operating Revenue	-	-	191,310	193,000	193,000	193,000
Total Operating Revenues	3,821,496	3,592,404	4,199,559	4,011,905	4,201,249	4,011,905
Expenses:						
Personal Services						
Other Operating Expenses	1,523,404	1,758,797	1,545,937	2,071,799	1,971,182	1,977,690
Total Operating Expenses	1,829,209	1,786,599	2,339,377	1,854,707	2,782,886	2,606,026
Operating Income (Loss)	468,883	47,008	314,245	85,399	(552,819)	(571,811)
Nonoperating Revenues:						
Other Revenue A	252	20	208	-	-	-
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	252	20	208	-	-	-
Income (Loss) Before Contributions and Transfers	469,135	47,028	314,453	85,399	(552,819)	(571,811)
Capital Contributions						
Transfers In	-	-	331,030	-	-	-
Change in Net Position	469,135	122,063	728,208	85,399	(552,819)	(571,811)
Beginning Net Position - July 1	1,507,867	1,977,002	2,099,065	2,827,273	2,912,672	2,359,853
Change in Net Position	469,135	122,063	728,208	85,399	(552,819)	(571,811)
Ending Net Position - June 30	1,977,002	2,099,065	2,827,273	2,912,672	2,359,853	1,788,042
Net Position (Fund Balance) Analysis						

-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$88,303)
FY 2019	\$0	(\$80,063)

SWPL - 1 - Personal Services -

The budget includes adjustments in FY 2018 and FY 2019 to annualize various personal services costs including FY 2017 statewide pay plan adjustments and to fund increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

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	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$189,437
FY 2019	\$0	\$110,534

SWPL - 2 - Fixed Costs -

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$11,893)
FY 2019	\$0	(\$11,792)

SWPL - 3 - Inflation Deflation -

This change package includes adjustments in FY 2018 and FY 2019 to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, natural gas, electricity, gasoline, and others.

-----**Present Law Adjustments**-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$300,000
FY 2019	\$0	\$0

PL - 302 - Oracle License Fee Increases -

This change package requests additional operating expense budget due to increased Oracle costs in FY 2018.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$500,000
FY 2019	\$0	\$700,000

PL - 303 - IBARS, EMACS, SABHRS Updates -

This change package requests additional operating expense budget due to increased costs to maintain and update IBARS, eMACS, and SABHRS Financials.

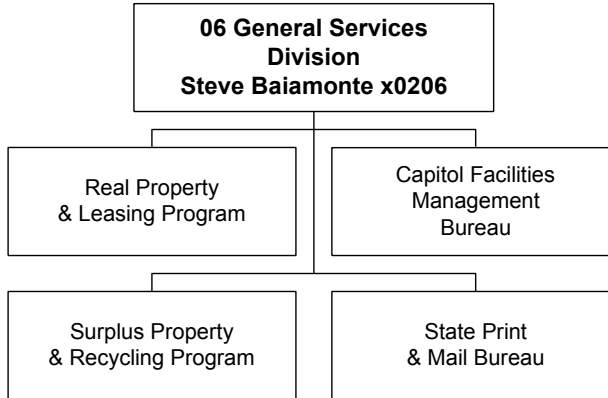
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$9,425
FY 2019	\$0	\$9,425

PL - 4 - Allocate Department Indirect/Administrative Costs -

This request funds the division's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

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Program Proposed Budget	Starting Point Fiscal 2017	Budget Adjustments Fiscal 2018	Total Exec. Budget Fiscal 2018	Budget Adjustments Fiscal 2019	Total Exec. Budget Fiscal 2019	Executive Budget Request 2019 Biennium
FTE	71.35	0.00	71.35	0.00	71.35	
Personal Services	4,007,073	596,780	4,603,853	607,152	4,614,225	9,218,078
Operating Expenses	17,049,963	25,416	17,075,379	268,550	17,318,513	34,393,892
Equipment & Intangible Assets	413,165	0	413,165	0	413,165	826,330
Transfers	160,000	0	160,000	0	160,000	320,000
Debt Service	234,495	0	234,495	(42,082)	192,413	426,908
Total Costs	\$21,864,696	\$622,196	\$22,486,892	\$833,620	\$22,698,316	\$45,185,208
Proprietary Funds	21,864,696	622,196	22,486,892	833,620	22,698,316	45,185,208
Total Funds	\$21,864,696	\$622,196	\$22,486,892	\$833,620	\$22,698,316	\$45,185,208

Proprietary Program Description - Fund 06066 Surplus Property & Recycling Program

Program Description

The Surplus Property & Recycling Program administers the sale of surplus property no longer needed by agencies. This property is distributed either to state agencies or other eligible organizations.

Section 18-4-221, MCA, requires the department to sell, trade, or otherwise dispose of surplus supplies belonging to the state. The program sells property through on-line auction, fixed-price warehouse sales, public auction, and garage sales. Program services include extending the life of state property by providing a mechanism to transfer surplus property between agencies, providing accountability in the disposal of surplus state property, providing agencies with a surplus equipment pick up service, and providing a screening service to locate federal surplus property for state and local agencies. The program also manages the state's recycling contract.

The program has authority for 5.50 FTE.

Revenues and Expenses

The major costs are personal services and costs to pick up and warehouse property. The expected volume depends upon how much surplus property is available to sell.

Rate and Rate Explanation

The Surplus Property & Recycling Program is an enterprise fund which sells property to the general public. Therefore, rate approval by the legislature is not necessary. The program operates by charging up to \$500 plus 5% per item sold. The

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current funding structure is adequate to generate sufficient revenue to cover personal services and operating expenses, assuming the same amount of property is turned in for sale when compared to fiscal year 2016.

Changes in Services or Fees

There are no changes in services or fees for the 2019 biennium.

Projected Fund Balance, Including Cash Fluctuations

This program has no need to reserve fund balance. Customers are billed weekly and accounts are collected within 60 days. There is a large fluctuation of cash into the program after the automobile/equipment auctions. Net proceeds are returned to agencies and to the general fund.

Working Capital and Fees Commensurate Analysis

Maintaining a 60-day working capital is adequate to recover sufficient revenue to maintain operations.

Fund 06528 Facilities Management Bureau

Program Description

Facilities Management Bureau is the custodian of all state property and grounds in the state capitol area, which is the geographic area within a 10-mile radius of the state capitol. Services include providing all utilities on the complex, including water, sewer, electricity, natural gas, and garbage collection, locksmith services, repair and maintenance, construction, construction management, grounds maintenance, leasing services, emergency response and management, and security. The bureau manages several service contracts for the capitol complex including security, pest control, mechanical maintenance, janitorial services, elevator repair and maintenance, fire sprinkler systems maintenance, and access control.

Operational authority for the bureau is provided by Title 2, Chapter 17, Part 8, Section 811, MCA. The bureau currently has 34.25 FTE.

Revenue and Expenses

Revenues are based on square footage rental rates charged for office and non-office space billed to agencies occupying space in state owned buildings overseen by the Department of Administration. Major expenses for the bureau include personal services, contracted services, utilities, and repair and maintenance costs.

Rates and Rate Explanation

Office and non-office maintenance charges are based on square feet occupied and are assessed to each agency in the buildings controlled by the Department of Administration. The rates are established to cover the cost of personal services and other operating expenses, including maintenance and equipment.

Changes in Level of Fees and Charges

Rates remained flat in FY 2018 and FY 2019 for office space and increased for non-office space to address needs of the program. Grounds maintenance charges are now included in the office and non-office rent rates.

Projected Fund Balance, Including Cash Fluctuations

The fund balance at FYE 2016 was \$1,295,325. Based on the rental rate increase, fund balance is projected to be \$3,211,114 by the end of FY 2019.

Working Capital and Fees Commensurate Analysis

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The working capital at the end of FY 2016 was 32 days. Based on the rental rate increase, working capital is projected to be 46 days at the end of FY 2019. Facilities Management rates strive to recover sufficient revenue to meet all personal services, operating costs, and equipment replacement expenditures, while maintaining an adequate working capital balance. User agencies are billed monthly, and agencies are requested to pay for services by the end of the following month. A 60-day working capital would allow the bureau to pay monthly personal services expenses and maintain current operations.

Fund 06530 Print & Mail Services Bureau

Program Description

The Print & Mail Services Bureau provides printing and mail services to all agencies within state government. The bureau has seven components: 1) internal printing; 2) external (contracted) printing; 3) managed print (photocopy pool); 4) mail preparation; 5) central mail operations; 6) inter-agency (deadhead) mail; and 7) the postal station in the Capitol. All printing or purchasing of printing is requested through Print & Mail Services, which determines the most cost effective method of project completion. Approximately 53.2% of printing expenditures are procured through commercial vendors.

Section 18-7-101, MCA, requires the Department of Administration to supervise and attend to all public printing within the state and also to contract for any printing used by the state. Section 2-17-301, MCA, charges the department with the responsibility of administering the state photocopy pool. Section 2-17-301, MCA, also requires the department to maintain and supervise any central mailing messenger service.

Print & Mail Services Bureau has authority for 31.60 FTE.

Revenue and Expenses

The Print & Mail Services Bureau receives 99.996% of its revenue from state agencies and .004% from non-state agencies. Costs for administration and accounting are allocated to all seven of the bureau's service categories based on FTE.

Rates and Rate Explanations

All Print & Mail Services projects are unique and Print & Mail Services has over 100 rates to provide services to agencies. Direct and administrative overhead is allocated to each program, and costs are recovered by charging for each unit of service provided. External printing and the photocopy pool recover costs by charging a percentage markup on the invoice for the printing job and or photocopier.

Changes in Level of Fees and Charges

Each rate includes personal services costs, operating costs, and administrative overhead. Increases and changes in rates are requested to recover sufficient revenue to meet personal services and operations costs.

For the 2019 biennium, the Print and Mail Services Bureau is requesting to modify several individual item fees to a "cost plus percentage markup" fee for selected services. This adjustment will allow the bureau to maintain current revenue projections with the flexibility to adjust prices based on changing cost factors.

Projected Fund Balance, Including Cash Fluctuations

Print & Mail Services purchases postage from the U.S. Post Office, and the cost of postage is passed through to the agency. Agencies are billed monthly; therefore it is necessary for the Print & Mail Services Bureau to maintain a sufficient cash balance to purchase large amounts of postage. FY 2016 ended with 35 days of working capital and FY 2019 is projected to end with 38 days.

Working Capital and Fees Commensurate Analysis

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Print & Mail Services rates are set to recover sufficient revenue to meet personal services and operations costs and allow maintaining no more than a 60-day working capital balance. User agencies are billed monthly, and agencies are requested to pay for services by the end of the following month. This allows Print & Mail Services to pay monthly expenses of personal services and maintain current operations.

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: General Services Division		
	Fund	Fund Name				
	06528	Rent And Maintenance				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	8,471,120	8,845,951	10,622,832	11,152,939	11,560,508	11,752,821
Fee Revenue B	459,758	484,474	565,354	-	-	-
Other Operating Revenue	6,633	26,944	8,885	1,500	789	789
Total Operating Revenues	8,937,511	9,357,369	11,197,071	11,154,439	11,561,297	11,753,610
Expenses:						
Personal Services						
Other Operating Expenses	1,830,052	2,056,636	2,024,843	2,105,024	2,383,823	2,388,115
Total Operating Expenses	7,046,658	7,352,604	7,790,783	7,785,331	8,368,192	8,621,231
Operating Income (Loss)	60,801	(51,871)	1,381,445	1,264,084	809,282	744,264
Nonoperating Revenues:						
Other Revenue A	7,799	-	-	-	-	-
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	7,799	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	68,600	(51,871)	1,381,445	1,264,084	809,282	744,264
Transfers Out						
Change in Net Position	(328,068)	(445,441)	(363,696)	(314,641)	(314,641)	(272,559)
Beginning Net Position - July 1	45,707	(213,761)	277,576	1,295,325	2,244,768	2,739,409
Prior Period Adjustments	-	988,649	-	-	-	-
Change in Net Position	(259,468)	(497,312)	1,017,749	949,443	494,641	471,705
Ending Net Position - June 30	(213,761)	277,576	1,295,325	2,244,768	2,739,409	3,211,114
Net Position (Fund Balance) Analysis						

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2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration		Program Name: General Services Division			
	Fund	Fund Name				
	06530	Print & Mail Services				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY14	FY15	FY16	FY17	FY18	FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	10,674,144	9,880,910	10,079,975	11,036,815	10,786,000	10,786,000
Other Operating Revenue	25	18	204	-	-	-
Total Operating Revenues	10,674,169	9,880,928	10,080,179	11,036,815	10,786,000	10,786,000
Expenses:						
Personal Services						
Other Operating Expenses	1,540,498	1,434,100	1,661,651	1,496,515	1,845,391	1,849,568
Total Operating Expenses	9,132,154	8,341,534	8,750,937	9,504,019	8,928,137	8,918,774
Operating Income (Loss)	1,517	105,294	(332,409)	36,281	12,472	17,658
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	1,517	105,294	(332,409)	36,281	12,472	17,658
Transfers Out						
Change in Net Position	-	(174,891)	-	-	-	-
Beginning Net Position - July 1	1,517	(69,597)	(332,409)	36,281	12,472	17,658
Prior Period Adjustments	2,281,424	2,362,348	2,292,751	1,960,342	1,996,623	2,009,095
Change in Net Position	79,407	-	-	-	-	-
Ending Net Position - June 30	2,362,348	2,292,751	1,960,342	1,996,623	2,009,095	2,026,753
Net Position (Fund Balance) Analysis						

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2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration		Program Name: General Services Division			
	Fund	Fund Name				
	06066	Surplus Property				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	346,842	656,685	439,331	400,000	425,000	425,000
Fee Revenue B	11,663	24,426	20,785	-	-	-
Other Operating Revenue	-	11,627	18,078	18,000	18,000	18,000
Revenue A	7,030	-	-	-	-	-
Total Operating Revenues	365,535	692,738	478,194	418,000	443,000	443,000
Expenses:						
Personal Services	240,684	363,410	403,036	405,534	374,639	376,543
Other Operating Expenses	756,616	927,137	730,512	860,673	872,069	871,527
Total Operating Expenses	997,300	1,290,547	1,133,548	1,266,207	1,246,708	1,248,070
Operating Income (Loss)	(631,765)	(597,809)	(655,354)	(848,207)	(803,708)	(805,070)
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	(631,765)	(597,809)	(655,354)	(848,207)	(803,708)	(805,070)
Capital Contributions	607,182	685,120	857,552	600,000	600,000	600,000
Transfers In	-	-	67,500	67,500	67,500	67,500
Change in Net Position	(24,583)	87,311	269,698	(180,707)	(136,208)	(137,570)
Beginning Net Position - July 1	503,369	477,031	564,342	834,040	653,333	517,125
Prior Period Adjustments	(1,755)	-	-	-	-	-
Change in Net Position	(24,583)	87,311	269,698	(180,707)	(136,208)	(137,570)
Ending Net Position - June 30	477,031	564,342	834,040	653,333	517,125	379,555
Net Position (Fund Balance) Analysis						

-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$596,780
FY 2019	\$0	\$607,152

SWPL - 1 - Personal Services -

The budget includes adjustments in FY 2018 and FY 2019 to annualize various personal services costs including FY 2017 statewide pay plan adjustments and to fund increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Administration - 61010

General Services Division - 06

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$91,215
FY 2019	\$0	\$78,257

SWPL - 2 - Fixed Costs -

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$259,047)
FY 2019	\$0	(\$223,537)

SWPL - 3 - Inflation Deflation -

This change package includes adjustments in FY 2018 and FY 2019 to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, natural gas, electricity, gasoline and others.

-----Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$54,326)
FY 2019	\$0	(\$54,326)

PL - 4 - Allocate Department Indirect/Administrative Costs -

This request adjusts the division's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$584,500
FY 2019	\$0	\$730,000

PL - 601 - Increase in Facilities Operating Costs -

This change package adjusts for increases in contracted services and maintenance and repair expenses.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$5,000
FY 2019	\$0	\$20,000

PL - 602 - Increase in Utilities -

This change package adjusts for increases in utilities for FY 2018 and FY 2019.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$48,000
FY 2019	\$0	\$66,000

PL - 603 - Increase in City Assessments -

This request allows the General Services Division to adequately cover the cost of continued increases in city assessments over the biennium.

Department of Administration - 61010

General Services Division - 06

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$10,074
FY 2019	\$0	\$10,074

PL - 610 - Increase in SCEMO fees -

In order to account for the addition of vacancy savings back into their budget, the State Continuity and Emergency Management Office increased their fee for the General Services Division for the 2019 biennium.

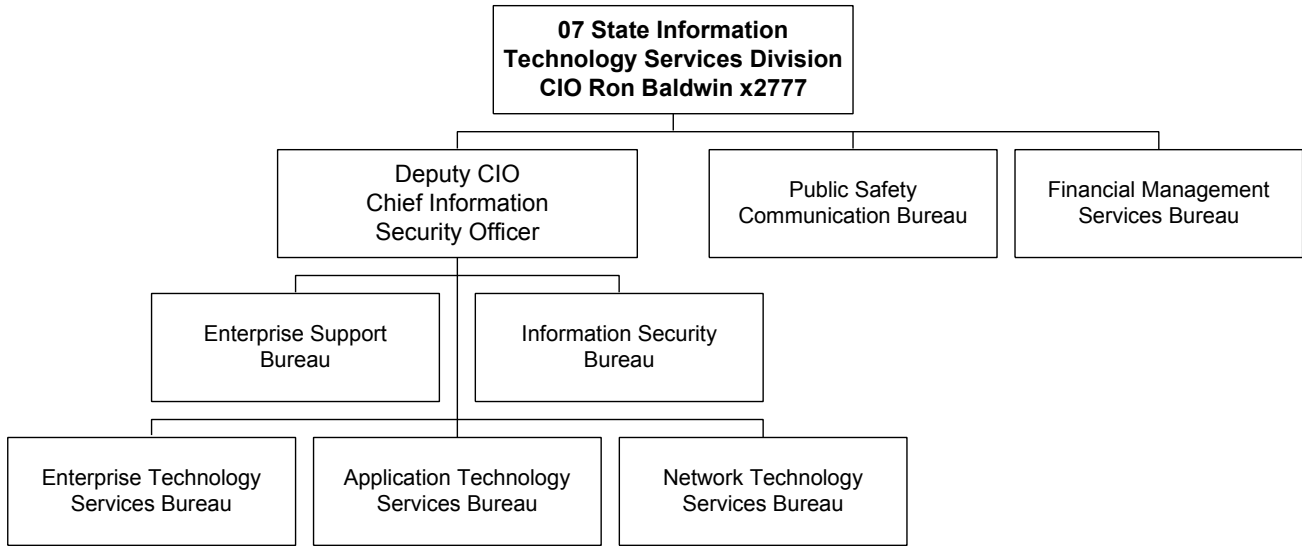
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$400,000)
FY 2019	\$0	(\$400,000)

PL - 611 - Reduce Appropriations for Cost of Goods Sold -

General Services Division's Print & Mail Services uses contracted printing for jobs that they are unable to produce in house. The amount spent on contracted printing has decreased steadily over the previous fiscal years. This change package is to reduce appropriations for cost of goods sold to more closely match expected revenues.

Department of Administration - 61010

State Information Technology Division - 07



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2017	Adjustments Fiscal 2018	Exec. Budget Fiscal 2018	Adjustments Fiscal 2019	Exec. Budget Fiscal 2019	Budget Request 2019 Biennium
FTE	182.91	0.00	182.91	0.00	182.91	
Personal Services	16,283,561	673,281	16,956,842	716,418	16,999,979	33,956,821
Operating Expenses	22,596,974	7,402,671	29,999,645	7,262,391	29,859,365	59,859,010
Equipment & Intangible Assets	370,861	0	370,861	0	370,861	741,722
Debt Service	626,360	0	626,360	0	626,360	1,252,720
Total Costs	\$39,877,756	\$8,075,952	\$47,953,708	\$7,978,809	\$47,856,565	\$95,810,273
Proprietary Funds	39,877,756	8,075,952	47,953,708	7,978,809	47,856,565	95,810,273
Total Funds	\$39,877,756	\$8,075,952	\$47,953,708	\$7,978,809	\$47,856,565	\$95,810,273

Proprietary Program Description - 06522 – State Information Technology Services Division

Program Description

The State Information Technology Services Division (SITSD) is a proprietary program that provides central computing, data network, and telecommunications services to more than 100 government customers throughout the state. SITSD manages two data centers, a statewide data network, and provides information technology (IT) services to all branches of state government, the Office of Public Instruction, the Montana University System, and various city and county governments.

Specifically, under the direction of the state chief information officer, the division supports and manages the following key IT programs and services:

- Information Systems Security - manages solutions and services to ensure continuity of enterprise operations and security of data through risk assessment and mitigation, planning and monitoring, detailed recovery planning, incident response, and periodic testing. Coordinates security policies and procedures.
- Network Technology Services - manages the statewide network, SummitNet, which connects 22,000 devices at over 600 locations and provides prioritized voice, video, data, and wireless services. Develops and implements network solutions that support customer needs for bandwidth and connectivity.
- Enterprise Technology Services – designs, implements and manages shared IT hardware and software infrastructure in a highly-efficient virtualized environment. Provides platforms for application and database hosting services using enterprise-class computing and storage capacity.

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State Information Technology Division - 07

- Enterprise Support Services - manages the service desk to assist customers regarding hardware and software applications, including email and telecommunications. Manages desktop lifecycle for customers, including software and hardware ordering, deployment, updates, remote control, and disposal.
- Montana Data Centers - manages state data center facilities in Helena (primary) and Miles City (disaster recovery). Maintains the reliability, efficiency, security, and availability of computer processing and storage for all customers.
- Application Technology Services - supports the state's mt.gov websites and assists customers with designing and deploying customized applications and online services, including eGovernment applications.
- Public Safety Communications Services - supports the Statewide Interoperability Governing Board and 9-1-1 Advisory Council in the areas of governance, policy, and planning. Manages federal and state funding sources to support maintenance of public safety communications systems and equipment. Manages statewide licenses for mutual aid frequencies.
- Strategic Planning Services - ensures IT operations are conducted in an organized, deliberative, and cost-effective manner through planning, periodic performance reports, and oversight of agency IT procurements and plans. Publishes the State IT Strategic Plan and Biennial Report.
- Financial Management Services – manages budget, billing, acquisition, and contract management services for SITSD. Sets rates and manages the revenues and expenses for more than 200 enterprise services provided to state and local government IT customers.
- State IT Project Management Services - provides expertise, assistance, tools, methodologies, and training to customers to ensure IT projects are conducted in an organized, deliberative, and cost-effective manner.

Revenues and Expenses

SITSD charges state agencies and other customers for hosting, application development, operations, and telecommunications services monthly. Receipt of revenues is typically collected within 30 to 60 days; however, SITSD does occasionally have delayed payments from agencies. Delays are coordinated with agency and SITSD accounting staff.

SITSD's major expenses are for software purchase and maintenance, bi-monthly payroll, communications and hardware maintenance. There are no non-typical or one-time expenses included in the data range. One variation in expense patterns – software expenses – is higher in the initial purchase year and then only includes fixed maintenance costs for subsequent years. There is also some variation with equipment depreciation, which results when the cycle of depreciation expires and the purchase of new equipment does not coincide.

Rate(s) and Rate Explanation

SITSD rates are based on a variety of measures. Each measure is proportional to its usage, which is determined by each agency. The basic set of SITSD services will remain the same with very few exceptions, which relate to new services that will generate very modest revenues. SITSD is not eliminating any major services.

Rates that generate major portions of SITSD revenues are listed below:

1. Hosting services;
2. Connectivity services; and
3. Enterprise Service rate (based on the number of users with active directory accounts on the network).

Customers are billed at the actual fee or rate based on SITSD's Financial Transparency Model (FTM), an activity-based budgeting model that allocates costs to individual services. SITSD's FTM model employs a separate unit for each service. The unit is the increment in which the customer/agency buys the service or product. SITSD provides more than 200 services, resulting in a wide variety of units. The allocation of units of service is by customer/agency planned utilization.

The information technology industry has economies of scale, and SITSD's rates reflect the trend as more agencies use larger volumes of services. Counteracting this trend is agency demand for more advanced technologies and a greater level of service. Faster network speeds are a prime example. Virtual meetings, streaming video, and a greater number of agency web-based applications all require more bandwidth. SITSD's rate/fees structure will be fundamentally consistent for the next biennium, and rates will be based on customer deliverables (agency services). Enterprise-wide services that benefit the entire state-wide organization will be charged to agencies on a per-user basis via active directory email accounts. The costs for enterprise services will not be distributed to agency specific services or buried in agency rates.

Department of Administration - 61010

State Information Technology Division - 07

Projected Fund Balance, Including Cash Fluctuations

Management anticipates a minor increase from 2017 biennium levels due to increased demand and the Executive Order requiring all executive branch agencies to utilize SITSD's network services. A portion of the fund balance for this proprietary fund does relate to the investment in equipment. Cash is collected from billing agencies consistently throughout the year. Cash reserve is maintained to meet large end-of-year obligations.

Working Capital and Fees Commensurate Analysis

SITSD requests the authority to maintain a 30-day working capital. This has allowed SITSD to meet the growing service needs of agencies throughout the biennium without significant changes to the rates.

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration		Program Name: State Information Technology Division			
	Fund	Fund Name				
	06522	ISD Proprietary				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY14	FY15	FY16	FY17	FY18	FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	38,332,137	39,341,127	45,123,524	44,124,729	47,135,765	47,043,766
Other Operating Revenue	51,905	105,048	(24,729)	650	650	650
Total Operating Revenues	38,384,042	39,446,175	45,098,795	44,125,379	47,136,415	47,044,416
Expenses:						
Personal Services						
Other Operating Expenses	14,658,251	16,150,764	15,913,716	16,283,561	16,956,842	16,999,979
Total Operating Expenses	25,706,816	24,701,951	29,384,714	23,614,659	30,370,506	30,230,226
Operating Income (Loss)	(1,981,025)	(1,406,540)	(199,635)	4,227,159	(190,933)	(185,789)
Nonoperating Revenues:						
Other Revenue A						
	-	482	625	-	-	-
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	482	625	-	-	-
Income (Loss) Before Contributions and Transfers	(1,981,025)	(1,406,058)	(199,010)	4,227,159	(190,933)	(185,789)
Capital Contributions						
	33,132	-	-	-	-	-
Transfers In						
	19,522	-	-	-	-	-
Transfers Out						
	(467,866)	-	(58,849)	(626,360)	(626,360)	(626,360)
Change in Net Position	(2,396,237)	(1,406,058)	(257,859)	3,600,799	(817,293)	(812,149)
Beginning Net Position - July 1	4,720,621	2,324,384	896,748	577,267	4,178,066	3,360,773
Prior Period Adjustments						
	-	(21,578)	(61,622)	-	-	-
Change in Net Position	(2,396,237)	(1,406,058)	(257,859)	3,600,799	(817,293)	(812,149)
Ending Net Position - June 30	2,324,384	896,748	577,267	4,178,066	3,360,773	2,548,624
Net Position (Fund Balance) Analysis						

Department of Administration - 61010

State Information Technology Division - 07

-----**Statewide Present Law Adjustments**-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$673,281
FY 2019	\$0	\$716,418

SWPL - 1 - Personal Services -

The budget include adjustments in FY 2018 and FY 2019 to annualize various personal services costs including FY 2017 statewide pay plan adjustments and to fund increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$173,202
FY 2019	\$0	\$130,157

SWPL - 2 - Fixed Costs -

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$2,506)
FY 2019	\$0	\$259

SWPL - 3 - Inflation Deflation -

This change package includes adjustments in FY 2018 and FY 2019 to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, natural gas, electricity, gasoline, and others.

-----**Present Law Adjustments**-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$105,659
FY 2019	\$0	\$105,659

PL - 4 - Allocate Department Indirect/Administrative Costs -

This request adjusts the division's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$26,316
FY 2019	\$0	\$26,316

PL - 701 - Increase in SCMO Fees -

In order to account for the addition of vacancy savings back into their budget, the State Continuity and Emergency Management Office increased their fee for SITSD for the 2019 Biennium.

Department of Administration - 61010

State Information Technology Division - 07

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$3,100,000
FY 2019	\$0	\$2,700,000

PL - 702 - Oracle License Agreements -

This change package requests additional operating expense budget for SITSD due to increased costs for Oracle license agreements.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$550,000
FY 2019	\$0	\$550,000

PL - 703 - Microsoft, ESRI, Policy Tech Increases -

This change package requests additional operating expense budget for SITSD due to increases costs for Microsoft EA, ESRI, and Policy Tech contracts.

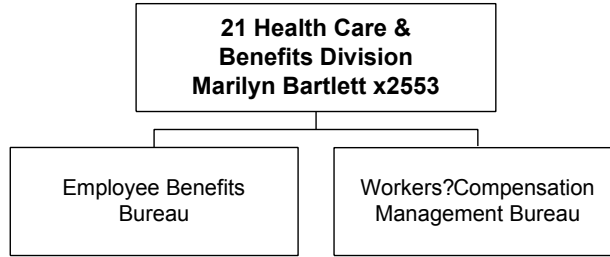
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$3,450,000
FY 2019	\$0	\$3,750,000

PL - 704 - Increased SITSD Utilization -

This change package requests additional operating expense budget for SITSD due to increased costs resulting from increased information technology utilization from state agencies.

Department of Administration - 61010

Health Care & Benefits Division - 21



Program Proposed Budget	Starting Point Fiscal 2017	Budget Adjustments Fiscal 2018	Total Exec. Budget Fiscal 2018	Budget Adjustments Fiscal 2019	Total Exec. Budget Fiscal 2019	Executive Budget Request 2019 Biennium
FTE	20.88	0.00	20.88	0.00	20.88	
Personal Services	2,874,781	(1,092,151)	1,782,630	(1,087,044)	1,787,737	3,570,367
Operating Expenses	14,764,435	980,006	15,744,441	973,317	15,737,752	31,482,193
Equipment & Intangible Assets	0	0	0	0	0	0
Benefits & Claims	220,201,825	(24,145,717)	196,056,108	(5,644,595)	214,557,230	410,613,338
Total Costs	\$237,841,041	(\$24,257,862)	\$213,583,179	(\$5,758,322)	\$232,082,719	\$445,665,898
Proprietary Funds	237,841,041	(24,257,862)	213,583,179	(5,758,322)	232,082,719	445,665,898
Total Funds	\$237,841,041	(\$24,257,862)	\$213,583,179	(\$5,758,322)	\$232,082,719	\$445,665,898

Proprietary Program Description - 06559 Group Benefits Claims A/C

Program Description:

The employee benefits program, fund 06559, is charged with providing state employees, retirees, members of the legislature, judges, judicial branch employees, and their families with adequate medical, dental, prescription drug, life, and other related group benefits in an efficient manner and at an affordable cost. The program operates a self-insured health, prescription drug, dental, and vision plan. Life and long-term disability are purchased from private sector vendors on a fully-insured basis. The program contracts with private companies to provide claims processing services, health screenings, and wellness plan administration.

The core service provided by the program is a medical plan, which includes prescription drug, vision exam coverage, dental, and basic life insurance benefits. The medical plan is administered by Allegiance, beginning January 1, 2017, the pharmacy plan will be administered by Navitus, and the dental plan is administered by Delta Dental, through their provider networks. The life and long-term disability are fully insured products offered through Standard Insurance.

In an effort to improve health care options for state employees and their dependents, and to reduce health care costs, the division has developed on-site employee health centers in Helena, Billings, Miles City, Missoula, Butte, and Anaconda. On-site employee health centers are used by many private businesses as a way to reduce health care costs and improve the health and wellness of its employees. The division has contracted with CareHere to staff and operate the health centers.

The program is funded by the state contribution for group benefits and by contributions and fees paid by plan members. The program currently supports 20.88 FTE.

Alternate Sources:

As an alternative to providing a self-insured health plan, the state could purchase an insured plan from the private sector. Historical studies of comparable insurance plans have shown that this alternative would be more expensive. The state has operated a statewide plan since 1979, and a self-insured plan since 1984.

Customers Served:

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Health Care & Benefits Division - 21

In excess of 31,000 lives are covered by the benefit plans provided by the division in the following categories; 12,900 regular full-time and part-time executive, legislative, and judicial branch employees; 2,200 retirees; 20 COBRA participants; and 16,100 dependents.

Revenues and Expenses:

The primary cost driver in the fund is the cost of health and prescription drug claims. The plan has worked to implement Transparent Pricing and moved to a new Pharmacy Benefit Manager (PBM). These two initiatives are expected to save medical and pharmacy costs in plan year 2017. The medical and pharmacy trends are then anticipated to continue increasing at previous levels of approximately 8% - 10% annually.

Rate and Rate Explanation:

The objective for the state contribution is to provide sufficient dollars to underwrite affordable coverage for all participants in the plan, including sufficient dollars to cover the "employee only" cost of providing a core medical, dental, and life insurance benefit.

Income for the program in FY 2016 was approximately \$196.2 million. The state share portion of this income was approximately \$143.6 million or 73%. The remaining income was from participant paid contributions, retiree drug subsidies, and investment earnings. Total expenses during FY 2016 were \$190.1 million.

Standard insurance industry analytical techniques are used to project plan costs, establish sufficient actuarial reserves, and set contribution amounts for the various plan options. In managing the plan, the department has the opportunity to either increase income by increasing participant contributions or reduce expenses by reducing the amount of plan coverage. Plan coverage changes include increasing participant deductibles and co-payments, eliminating payments for some services, negotiating lower costs for medical services, or looking for opportunities to reduce the cost of services provided using knowledge of the given health care environment.

Changes in Level of Fees and Charges:

No significant changes in services are contemplated. Fees should remain the same over the next biennium.

Projected Fund Balance, including Cash Fluctuations:

A portion of the actuarially recommended reserves includes a component titled the "Grandfathered Benefit" reserve. This component is a portion of the reserve identified for certain types of coverage and is set aside to pay the claim liability incurred when the state changed the timing on collecting contributions in August 1998. The switch was from collecting contributions prior to commencement of the month of coverage to collecting contributions during the month of coverage. Employees in service on or before August 1998 are credited for the month of employer contribution collected prior to the change at the time they separated from service.

It is projected that about \$14.1 million per month in claims expenses will be paid in FY 2017 and \$15.3 million per month in FY 2018. Contributions are collected either bimonthly, with paycheck processing, or at the beginning of the month depending on whether the contribution is for active employees, retirees, legislators, or COBRA members. Retirees are required to pay the full amount of the contribution, but the contribution is subsidized indirectly by the state employer contribution to the plan and other revenues. Employees who cover their dependents pay a portion of the cost to insure their family members while a portion is subsidized indirectly by state employer contribution to the plan and other revenue sources such as investment earnings.

FY 2016 expenditures were approximately \$164.7 million for medical, dental, and prescription drug claims. These expenditures are projected to be \$169.6 million in FY 2017 and \$184.0 million in FY 2018. This does not take into account future benefit plan changes which may impact expenditure projections.

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Health Care & Benefits Division - 21

Claims costs make up approximately 93% of program expenditures. Administrative costs comprise about 7% of total program expenditures, including contracts with vendors to process claims and administrative costs directly within the department. In comparison, insurance companies generally have administrative costs that range from 14% to as high as 25% and pay 75% to 86% of their premiums out in claims.

Working Capital and Fees Commensurate Analysis:

The State Employee Benefit Plan maintains an actuarially recommended reserve to allow it to cover health claims against the self-insured plan. By statute (2-18-812, MCA), the plan must maintain reserves sufficient to 'liquidate the unrevealed claim liability and other liabilities' of the state employee group benefits plans." This is called the reserve for incurred but not reported claims or IBNR, and permits the program to cover its pending liability for claims that have been incurred but not paid or submitted for payment. Other portions of the reserves cover items such as the risk of large claims (the state does not reinsure its claim liability), overall underwriting risk (based on a national formula), risk for certain types of coverage categories, and unique aspects of the state plan.

The division, based on actuarial determination, uses a risk-based capital approach to set reserve levels. The risk-based capital (RBC) model is a methodology promulgated by the National Association of Insurance Commissioners (NAIC) for insurers offering fully insured health insurance products. The RBC formula provides a ratio to measure recommended levels of capitalization for insurance risk. In Montana, the legislature adopted this model for determining the level of assets that are needed in domestic health insurance corporations in 1995. It is codified in Title 33, MCA, as the regulatory standard applied to companies underwriting fully insured health care products in Montana.

Reserve levels are monitored closely by the state plan's actuary and managers of the program to ensure the plan is maintaining actuarially recommended reserve levels. The State Employee Group Benefits Advisory Council (SEGBAC), which is authorized under 2-15-1016, MCA, adopted the recommended target reserve level range as described above.

06575 Workers' Compensation Management Program

Program Description:

The Health Care & Benefits Division manages the Workers' Compensation Management Program. The program, fund 06575, assists employees and agencies in ensuring a safe working environment, reduces on-the-job injuries and accidents in the workplace, and assists employees who are injured in returning to meaningful and productive work. The program is the central resource in working with the state's workers' compensation insurer, Montana State Fund, to coordinate workers' compensation coverage and policy management issues.

The program is funded through a fixed cost rate charged to state agencies. The program currently supports 3.00 FTE.

Alternate Sources:

As an alternative to providing these services internally, the state could contract with a consultant or outside vendor, which could be more costly.

Customers Served:

The State of Montana employs almost 13,000 employees at 33 state agencies and attached-to agencies, all of which have access to these program services.

Revenues and Expenses

The workers' compensation management program bills the state agencies on a quarterly basis. The program costs primarily consist of personal services processed bi-weekly, and monthly operating costs such as rent, phone, and other overhead charges.

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Personal services expenses account for almost 87% of the program's expenses over the next biennium. The remaining costs are attributable to operating expenses of the program.

Rate and Rate Explanation:

The workers' compensation management program fees are composed of a fixed cost rate allocated to each state agency based on the average number of payroll warrants issued each pay period. This allocation method was used because it is an equitable way to allocate the costs of the program based on use. The program rates were determined through the calculation of the revenues necessary to pay program expenses, including the consideration of the 60 day working capital.

Change in Level of Fees and Charges:

No significant changes in services are contemplated.

Projected Fund Balance, including Cash Fluctuations:

The workers' compensation management program does not have any reserve fund balance requirements.

Working Capital and Fees Commensurate Analysis:

The program's expenses primarily consist of personal services and operating costs. The program strives to maintain a 60-day working capital balance, which equates to approximately \$54,000. The maintenance of a 60-day working capital is factored into the fixed cost rate determination.

06027 Flexible Spending

Program Description:

The Health Care & Benefits Division contracts with Allegiance Benefit Plan Management, Inc., for the administration of the flexible spending account program. State employees can elect to set aside a certain amount of their pay into accounts to pay dependent care and out-of-pocket medical costs. The "set aside" funds are withdrawn from employee pay prior to assessment of taxes, effectively lowering employee taxable pay. Employees must submit claims to use the funds deposited in the accounts for allowable expenses.

Federal rules govern the use of and the amount that can be contributed to flexible spending accounts. The current contribution maximums are \$2,550 per year for medical and \$5,000 per year for dependent care. In the fall of 2013 the Internal Revenue Service announced the ability for participants to roll over up to \$500 from the medical flexible spending account in to the next benefit year. Employees forfeit any unspent funds beyond the \$500 rollover for medical and any remaining dependent care balance at the end of the year.

Alternate Sources:

As an alternative to contracting with an outside vendor to receive, review, and process the flexible spending account claims for reimbursement, the state could provide these services internally. This would require specialized knowledge and training and would require an increase in staffing.

Customers Served:

Approximately 6,400 state employees participate in the flexible spending account program.

Rate and Rate Explanation:

The flexible spending account program fee paid to Allegiance Benefit Plan Management, Inc., is \$2.25 per participant per month. This fee is charged per participant whether the participant has a medical account, a dependent care account, or both. This fee is, in turn, charged to each participant who enrolls in the flexible spending account program. Due to the

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Health Care & Benefits Division - 21

fees being charged each two week payroll cycle, the fee charged to participants is \$2.26 allowing a \$1.13 charge each pay period. Participants also have the option to obtain a debit card for use in paying for qualifying expenses. There is a \$1.00 per member per month charge if this option is elected. This fee is also charged to the participant.

Changes in Level of Fees and Charges:

No significant changes in services are contemplated. Fees should remain the same over the next biennium.

Projected Fund Balance, including Cash Fluctuations:

The flexible spending account program does not have any reserve fund balance requirements. Program management intends to maintain fund balance at current levels as compared to FY 2016 base year fund balance.

The fund must maintain higher cash levels due to the Uniform Coverage Rule. This rule states on the first day of each year all participants who have elected a medical flexible spending account are entitled to be reimbursed the full amount of their annual election, regardless of whether or not the employee's full contribution has been met. However, the employee contributions into their flexible spending account are spread out into equal installment payments each pay period. In addition, participant funds that are not used by the end of the plan year are forfeited and maintained within the flexible spending account. The participants do have 90 days after the end of the plan year to request reimbursement for services rendered prior to year end and have the ability to roll over up to \$500 of medical flexible spending account funds to the following plan year. As a result, the flexible spending account program can and does face cash flow timing issues that are managed by the Health Care & Benefits Division.

At times the flexible spending account program has accumulated additional funds due to forfeited funds. When able, the program uses the additional funds to waive the fees charged to participants.

Working Capital and Fees Commensurate Analysis:

The flexible spending account program must maintain sufficient reserve levels to pay participant claims. Participants that have elected to contribute to a medical flexible spending account are able to claim the election amount of the entire plan year at any time during the plan year, regardless of whether all contributions have been made by the participant. However, participants that have elected to contribute to a dependent care flexible spending account can only claim the amount that has been contributed in to the account year to date.

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Health Care & Benefits Division - 21

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: Health Care & Benefits Division		
	Fund	Fund Name				
	06575	Workers Comp Mgmt Program				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	296,300	297,320	355,668	351,500	343,000	345,000
Fee Revenue B	-	-	-	50	50	50
Total Operating Revenues	296,300	297,320	355,668	351,550	343,050	345,050
Expenses:						
Personal Services						
Other Operating Expenses	280,555	276,060	278,206	297,364	291,690	291,938
Total Operating Expenses	37,653	39,836	31,272	34,474	35,942	35,501
Operating Income (Loss)	(21,908)	(18,576)	46,190	19,712	15,418	17,611
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	(21,908)	(18,576)	46,190	19,712	15,418	17,611
Change in Net Position	(21,908)	(18,576)	46,190	19,712	15,418	17,611
Beginning Net Position - July 1	44,671	22,763	4,187	50,377	70,089	85,507
Change in Net Position	(21,908)	(18,576)	46,190	19,712	15,418	17,611
Ending Net Position - June 30	22,763	4,187	50,377	70,089	85,507	103,118
Net Position (Fund Balance) Analysis						

Department of Administration - 61010

Health Care & Benefits Division - 21

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: Health Care & Benefits Division		
	Fund	Fund Name				
	06027	Flexible Spending Funds				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	-	84,371	161,182	234,870	177,614	177,614
Fee Revenue B	852	784	2,624	1,000	1,500	1,500
Fee Revenue C	7,369,328	7,608,283	7,310,673	7,600,000	7,556,108	7,707,230
Total Operating Revenues	7,370,180	7,693,438	7,474,479	7,835,870	7,735,222	7,886,344
Expenses:						
Expense B						
Expense B	161,395	181,614	178,168	257,750	257,750	257,750
Expense C	7,174,668	7,123,758	7,221,030	7,600,000	7,556,108	7,707,230
Total Operating Expenses	7,336,063	7,305,372	7,399,198	7,857,750	7,813,858	7,964,980
Operating Income (Loss)	34,117	388,066	75,281	(21,880)	(78,636)	(78,636)
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	34,117	388,066	75,281	(21,880)	(78,636)	(78,636)
Transfers Out						
Change in Net Position	(924)	-	(1,424)	-	-	-
Change in Net Position	33,193	388,066	73,857	(21,880)	(78,636)	(78,636)
Beginning Net Position - July 1	1,650,089	1,683,282	2,071,348	2,145,380	2,123,500	2,044,864
Prior Period Adjustments	-	-	175	-	-	-
Change in Net Position	33,193	388,066	73,857	(21,880)	(78,636)	(78,636)
Ending Net Position - June 30	1,683,282	2,071,348	2,145,380	2,123,500	2,044,864	1,966,228
Net Position (Fund Balance) Analysis						

Department of Administration - 61010

Health Care & Benefits Division - 21

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: Health Care & Benefits Division		
	Fund	Fund Name				
	06559	Group Benefits Claims A/C				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	982,704	657,401	787,340	800,000	850,000	900,000
Fee Revenue B	159,646,229	173,084,228	192,521,936	195,316,057	203,128,700	209,222,560
Other Operating Revenue	3,526,769	3,020,397	2,839,992	3,200,000	3,350,000	3,400,000
Total Operating Revenues	164,155,702	176,762,026	196,149,268	199,316,057	207,328,700	213,522,560
Expenses:						
Personal Services	1,348,815	1,596,591	1,576,655	2,577,417	1,490,940	1,495,798
Other Operating Expenses	13,407,850	11,912,912	15,678,349	14,473,854	15,450,749	15,444,501
Expense B	171,674,176	175,029,243	172,881,921	175,760,000	188,500,000	206,850,000
Total Operating Expenses	186,430,841	188,538,746	190,136,925	192,811,271	205,441,689	223,790,299
Operating Income (Loss)	(22,275,139)	(11,776,720)	6,012,343	6,504,786	1,887,011	(10,267,739)
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	(22,275,139)	(11,776,720)	6,012,343	6,504,786	1,887,011	(10,267,739)
Transfers Out	-	-	(3,260)	-	-	-
Change in Net Position	(22,275,139)	(11,776,720)	6,009,083	6,504,786	1,887,011	(10,267,739)
Beginning Net Position - July 1	75,696,520	53,309,230	41,532,510	47,541,593	54,046,379	55,933,390
Prior Period Adjustments	(112,151)	-	-	-	-	-
Change in Net Position	(22,275,139)	(11,776,720)	6,009,083	6,504,786	1,887,011	(10,267,739)
Ending Net Position - June 30	53,309,230	41,532,510	47,541,593	54,046,379	55,933,390	45,665,651
Net Position (Fund Balance) Analysis						

-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$1,092,151)
FY 2019	\$0	(\$1,087,044)

SWPL - 1 - Personal Services -

The budget includes a reduction of \$1,092,151 in FY 2018 and \$1,087,044 in FY 2019 to annualize various personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Administration - 61010

Health Care & Benefits Division - 21

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$257,797
FY 2019	\$0	\$250,949

SWPL - 2 - Fixed Costs -

This request includes an increase of \$257,797 in FY 2018 and \$250,949 in FY 2019 to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$1,622)
FY 2019	\$0	(\$1,463)

SWPL - 3 - Inflation Deflation -

This change package includes a reduction of \$1,622 in FY 2018 and \$1,463 in FY 2019 to reflect budgetary changes generated from the application and deflation factors to specific expenditure accounts. Affected accounts include food, postage, natural gas, electricity, gasoline, and others.

-----Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$20,936,267)
FY 2019	\$0	(\$2,586,267)

PL - 2101 - Health Plan Administration and Claims Adjustments -

This change package includes a reduction of \$20,936,267 for FY 2018 and \$2,586,267 for FY 2019 to align the budget with the division's administration and claims expense projections.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$73,511
FY 2019	\$0	\$73,511

PL - 4 - Allocate Department Indirect/Administrative Costs -

This request adjusts the division's share of department administrative/indirect costs for services provided by proprietary funded centralized services functions of the agency.

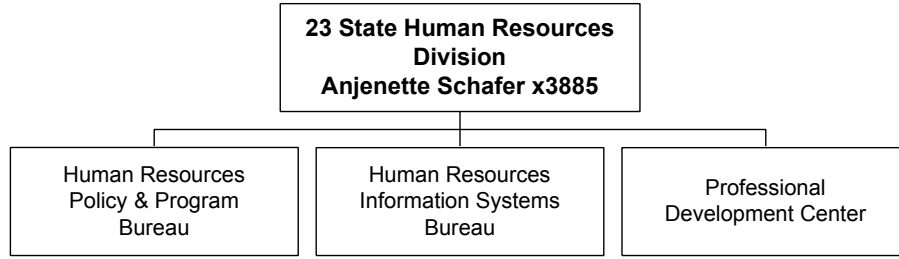
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$2,559,130)
FY 2019	\$0	(\$2,408,008)

PL - 619 - Flexible Spending Account Adjustments -

The budget includes a reduction of \$2,559,130 for FY 2018, and \$2,408,008 for FY 2019 to align flexible spending account distributions with projected contributions.

Department of Administration - 61010

State Human Resources Division - 23



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2017	Adjustments	Exec. Budget	Adjustments	Exec. Budget	Budget Request
		Fiscal 2018	Fiscal 2018	Fiscal 2019	Fiscal 2019	2019 Biennium
FTE	26.75	0.00	26.75	0.00	26.75	
Personal Services	2,155,723	325,341	2,481,064	332,913	2,488,636	4,969,700
Operating Expenses	1,664,396	120,575	1,784,971	44,284	1,708,680	3,493,651
Benefits & Claims	204,480	0	204,480	0	204,480	408,960
Total Costs	\$4,024,599	\$445,916	\$4,470,515	\$377,197	\$4,401,796	\$8,872,311
Proprietary Funds	4,024,599	445,916	4,470,515	377,197	4,401,796	8,872,311
Total Funds	\$4,024,599	\$445,916	\$4,470,515	\$377,197	\$4,401,796	\$8,872,311

Proprietary Program Description - Fund 06525 Professional Development Center/Training Program

Program Description

The Professional Development Center (PDC) program provides training and related services throughout locations in the state of Montana. The PDC offers training directed towards improving state practices, meeting state and federal regulations, and providing professional services such as facilitation, mediation, or curriculum design. The statutory authority for this program comes from 2-18-102, MCA.

The PDC also contracts with individual agencies to provide training for their staff. The agency schedules, promotes, and provides the facility for training. The PDC provides the instruction and class materials.

The program is an internal service fund and has 3.00 FTE.

Revenues and Expenses

In the 2019 biennium, two sources of revenue will cover the personal services and operating expenses for the PDC:

1. Open-enrollment fees, which are a per-person tuition charged for attendance. Tuition rates are based on two factors: projected attendance and competitive pricing. Tuition rates for the 2019 biennium are based on the proportion of fixed and personal services costs to the overall anticipated program cost. The amount per person varies by length of the course and number of people attending from a single agency.
2. Contract fees, which are a flat fee charged for providing a service. The amount per service varies by length of the service and number of services arranged in a single contract.

Changes in Level of Fees and Charges

The center is proposing to keep the same level of fees and charges in the 2019 biennium.

Projected Fund Balance, Including Cash Fluctuations

The PDC has no requirement to reserve any of its fund balance. The average turnaround period for revenue receipts is

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State Human Resources Division - 23

about 45 days from the time the service took place. Historically, during the first two quarters of a fiscal year, demand for PDC services is lower, and cash receipts tend to be at their lowest levels. Cash outflows remain stable during this time period, as 87% of expenses are constant and independent of its revenue stream.

Working Capital and Fees Commensurate Analysis

Billing for the PDC training courses is monthly, which requires the program to operate with approximately 45 days of working capital. Working capital is factored into the rate after estimated expenditures are calculated.

Fund 06563 Human Resources Information System Bureau (HRIS)

Program Description

The HRIS Bureau operates the SABHRS-HR payroll, benefits, and human resources system to process, distribute, report, and account for payroll, benefits, and associated withholding and deductions for over 13,500 state employees in the executive, legislative, and judicial branches. The bureau is also responsible for the administration and maintenance of the State of Montana Recruitment System (SOMRS) which is used by all state agencies in the recruitment and selection of applicants.

The bureau establishes and maintains standards, processes, and procedures to be followed by state agencies in preparing and submitting payroll, benefits, and related HR 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, ACA compliance, deferred compensation, and pension), classification, pay, labor relations, policy and training.

The program staff consists of 22.75 FTE. Statutory authority is 2-18-401, MCA, and 2-18-403, MCA.

Revenues and Expenses

The HRIS program is accounted for as a proprietary fund and revenues are collected from two sources:

1. Central payroll processing fees are assessed to each agency, based on the average number of paychecks processed during the prior two fiscal years; and
2. Costs associated with processing the benefit eligibility elections for the 31,000 plan members are collected from the Health Care and Benefits Division.

Rate and Rate Explanation

HRIS fees charged to state agencies are determined by projecting the cost of operating the HRIS program through the next biennium. HRIS rates are set as a fixed cost and allocated out to each agency based on the number of paychecks processed during the two prior fiscal years.

Change in Services or Fees

The HRIS bureau is requesting a biennial increase to cover the projected license, subscription, and maintenance fee increases for the SABHRS-HR and SOMRS software. Increases during the biennium to cover expenses associated with SABHRS data base administration and call center software are also included in the proposed fee changes.

Projected Fund Balance, Including Cash Fluctuations

The HRIS fund had a fund balance of \$595,202 at FYE 2016. By the end of 2019, it is expected that the program will have a fund balance of \$243,392. The program does not have a requirement to reserve any of its fund equity.

Payroll fees from agencies are collected quarterly. Personal services and operating costs are paid with HRIS fee receipts on a regular and stable basis throughout the year. There are no unusual cash outlays that occur in the HRIS fund.

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State Human Resources Division - 23

Working Capital and Fees Commensurate Analysis

The HRIS rates established for the 2019 biennium provide for the maintenance of a 60-day working capital balance by the end of FY 2019. The working capital is needed to fund payroll, benefit eligibility processing, and SABHRS HR costs prior to the quarterly receipt of fees from each agency.

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration		Program Name: State Human Resources Division			
	Fund	Fund Name				
	06563	HR Info Services				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	3,299,769	3,320,065	3,196,779	3,210,409	3,554,443	3,568,980
Total Operating Revenues	3,299,769	3,320,065	3,196,779	3,210,409	3,554,443	3,568,980
Expenses:						
Personal Services						
Other Operating Expenses	1,805,636	1,868,740	1,806,195	1,782,989	2,097,617	2,104,046
Total Operating Expenses	1,295,782	1,575,037	1,911,840	1,557,603	1,610,795	1,534,092
Operating Income (Loss)	198,351	(123,712)	(521,256)	(130,183)	(153,969)	(69,158)
Nonoperating Revenues:						
Other Revenue A	861	42	104	500	500	500
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	861	42	104	500	500	500
Income (Loss) Before Contributions and Transfers	199,212	(123,670)	(521,152)	(129,683)	(153,469)	(68,658)
Transfers Out						
Change in Net Position	-	(98,603)	-	-	-	-
Beginning Net Position - July 1	199,212	(222,273)	(521,152)	(129,683)	(153,469)	(68,658)
Change in Net Position	1,139,415	1,338,627	1,116,354	595,202	465,519	312,050
Ending Net Position - June 30	199,212	(222,273)	(521,152)	(129,683)	(153,469)	(68,658)
Ending Net Position - June 30	1,338,627	1,116,354	595,202	465,519	312,050	243,392
Net Position (Fund Balance) Analysis						

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State Human Resources Division - 23

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: State Human Resources Division		
	Fund	Fund Name				
	06525	Intergovernmental Training				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	407,877	379,147	345,359	390,000	390,000	390,000
Fee Revenue B	244	455	675	1,000	1,000	1,000
Total Operating Revenues	408,121	379,602	346,034	391,000	391,000	391,000
Expenses:						
Personal Services						
Other Operating Expenses	190,456	232,309	214,004	248,234	263,135	264,184
Total Operating Expenses	323,365	376,858	406,568	383,421	407,656	409,406
Operating Income (Loss)	84,756	2,744	(60,534)	7,579	(16,656)	(18,406)
Nonoperating Revenues:						
Other Revenue A						
	-	-	19,024	13,500	13,500	13,500
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	19,024	13,500	13,500	13,500
Income (Loss) Before Contributions and Transfers	84,756	2,744	(41,510)	21,079	(3,156)	(4,906)
Change in Net Position	84,756	2,744	(41,510)	21,079	(3,156)	(4,906)
Beginning Net Position - July 1	(9,311)	75,445	78,189	36,679	57,758	54,602
Change in Net Position	84,756	2,744	(41,510)	21,079	(3,156)	(4,906)
Ending Net Position - June 30	75,445	78,189	36,679	57,758	54,602	49,696
Net Position (Fund Balance) Analysis						

-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$325,341
FY 2019	\$0	\$332,913

SWPL - 1 - Personal Services -

The budget includes adjustments in FY 2018 and FY 2019 to annualize various personal services costs including FY 2017 statewide pay plan adjustments and to fund increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

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State Human Resources Division - 23

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$211,710
FY 2019	\$0	\$134,511

SWPL - 2 - Fixed Costs -

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$202)
FY 2019	\$0	\$706

SWPL - 3 - Inflation Deflation -

This change package includes adjustments in FY 2018 and FY 2019 to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, and in-state motor pool charges.

-----Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$90,933)
FY 2019	\$0	(\$90,933)

PL - 4 - Allocate Department Indirect/Administrative Costs -

This request funds the division's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

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Risk Management and Tort Defense - 24



Program Proposed Budget	Starting Point Fiscal 2017	Budget Adjustments Fiscal 2018	Total Exec. Budget Fiscal 2018	Budget Adjustments Fiscal 2019	Total Exec. Budget Fiscal 2019	Executive Budget Request 2019 Biennium
FTE	17.00	0.00	17.00	0.00	17.00	
Personal Services	1,611,534	(43,041)	1,568,493	(37,854)	1,573,680	3,142,173
Operating Expenses	8,634,200	35,185	8,669,385	27,138	8,661,338	17,330,723
Grants	520,113	0	520,113	0	520,113	1,040,226
Benefits & Claims	8,235,087	(2,000,000)	6,235,087	(2,000,000)	6,235,087	12,470,174
Total Costs	\$19,000,934	(\$2,007,856)	\$16,993,078	(\$2,010,716)	\$16,990,218	\$33,983,296
Proprietary Funds	19,000,934	(2,007,856)	16,993,078	(2,010,716)	16,990,218	33,983,296
Total Funds	\$19,000,934	(\$2,007,856)	\$16,993,078	(\$2,010,716)	\$16,990,218	\$33,983,296

Proprietary Program Description - Fund 06532 Agency Insurance

Program Description

The Risk Management & Tort Defense Division administers a comprehensive plan of property/casualty insurance protection on behalf of state government. The division purchases commercial insurance, where cost-effective, to cover catastrophic losses above high deductibles.

State risks that are currently insured through commercial insurance carriers include aircraft, airports, boilers and machinery, bonds (various), crime, cyber/information security, fine art, foreign specialties, foster care, HIPAA, medical malpractice, property, professional liability, and other miscellaneous risks. The state self-insures most commercial insurance risks under \$2,000,000 per occurrence as well as auto, general liability, inland marine (i.e. property in-transit), and mobile/specialized equipment. The division also provides consultative services that include training, inspections, program reviews, contract administration, claims administration, and legal defense to prevent or minimize the adverse effects of physical or financial loss.

The division investigates, evaluates, and resolves tort liability claims (i.e. personal injury or property damage to third parties) and coordinates the adjudication and settlement of other claims involving property damage. This division operates under the authority of 2-9-101, MCA, through 2-9-305, MCA.

Revenues and Expenses

Montana self-insures its insurance risks for automobile, aviation, general liability, and property via this program so all state agencies pay insurance premiums to the Risk Management and Tort Defense Division. Depending on the number and types of assets owned and/or the agency's loss history, insurance premiums paid by agencies may vary.

Premium amounts for state agencies are determined based on the predicted costs of losses the state may incur as a result of claims and the costs for operating the division. The division utilizes reasonable industry standards and practices employed by other municipalities and municipal risk pools in setting rates. Budgeted authority to pay insurance premiums is a fixed cost item in agency budgets.

Department of Administration - 61010

Risk Management and Tort Defense - 24

Payments for claims and the operational expenses incurred by the division are expended from the state property/casualty insurance fund. In addition, reserves for each insurance risk are maintained within the fund. Reserves are used for higher than anticipated claim costs, unexpected large losses, and increases in the costs of commercial excess insurance from catastrophic events, and incurred, but not yet reported, claims as determined by actuarial opinion and input from industry peer groups.

Rate(s) and Rate Explanation

In accordance with 2-9-201, MCA, the Department of Administration is authorized to accumulate a self-insurance fund (fund 06532) to pay for losses, purchase insurance, and to fund operations. Proceeds from the self-insurance fund are statutorily appropriated for the payment of property/casualty claims in accordance with 2-9-305, MCA.

Proposed premiums for the 2019 biennium are as follows: Auto - \$2,022,570 each year of the biennium; Aviation - \$169,961 each year of the biennium; General Liability- \$14,613,042 each year of the biennium; and Property - \$6,930,000 each year of the biennium.

Premiums for FY 2018 and FY 2019 are apportioned based upon exposure and uniform reductions in loss experience.

Projected Fund Balance, Including Cash Fluctuations

In September 2011, Judge Sherlock approved a \$43.0 million settlement with victims in Libby who had been impacted by asbestos. \$26.8 million of the settlement was paid from the State Property/Casualty Insurance Fund.

The effect the settlement payment of \$26.8 million for Montana asbestos victims had on the fund was that it reduced reserves for all insurance risks since FY 2012, reduced assets in the account to \$19,815,021 at the end of 2015 biennium from \$32,031,223 at the end of the 2011 biennium, and created an unfunded liability of \$2.8 million at FYE 2014.

During the 2017 biennium, the legislature reduced unfunded liabilities and re-established reserves for various risks.

Working Capital and Fees Commensurate Analysis

In accordance with 17-7-501, MCA, the Risk Management & Tort Defense Division operates an internal service fund known as the state property/casualty insurance fund.

The high-risk nature of services provided by state agencies, unpredictable litigation outcomes, catastrophic losses, and increases in the cost of commercial insurance mean the division's funding estimates are highly variable. The division utilizes actuarial recommendations and reasonable industry standards employed by other municipalities and municipal risk pools in setting rates to develop funding objectives for the 2019 biennium in order to move towards target funding ratios.

Changes in Level of Fees and Charges

For the 2019 biennium, Risk Management and Tort Defense Division proposes rate increases to state agencies of \$4.9 million or 26% each year of the biennium. Premium increases are necessary to cover possible increases in the cost of commercial property insurance for worldwide catastrophes, catastrophic liability losses, losses that fall beneath higher commercial insurance deductibles, and "catch up" from a rate freeze put in place in four of the previous six biennia.

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

Department of Administration - 61010

Risk Management and Tort Defense - 24

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: Risk Management and Tort Defense		
	Fund	Fund Name				
	06532	Agency Insurance Int. Svc.				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	13,886,428	13,930,588	17,804,070	18,792,637	23,735,573	23,735,573
Other Operating Revenue	23,910	22,699	115,252	7,000	-	-
Total Operating Revenues	13,910,338	13,953,287	17,919,322	18,799,637	23,735,573	23,735,573
Expenses:						
Personal Services	1,018,728	1,224,076	1,555,116	1,611,534	1,568,493	1,573,681
Other Operating Expenses	14,593,984	15,332,315	8,340,541	17,392,307	15,424,585	15,416,538
Total Operating Expenses	15,612,712	16,556,391	9,895,657	19,003,841	16,993,078	16,990,219
Operating Income (Loss)	(1,702,374)	(2,603,104)	8,023,665	(204,204)	6,742,495	6,745,354
Nonoperating Revenues:						
Other Revenue A	61,321	277,882	159,271	200,000	200,000	200,000
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	61,321	277,882	159,271	200,000	200,000	200,000
Income (Loss) Before Contributions and Transfers	(1,641,053)	(2,325,222)	8,182,936	(4,204)	6,942,495	6,945,354
Transfers In						
Transfers Out	1,201,511	8,579,141	200,116	200,000	200,000	200,000
Change in Net Position	(1,325)	-	-	-	-	-
Change in Net Position	(440,867)	6,253,919	8,383,052	195,796	7,142,495	7,145,354
Beginning Net Position - July 1	(2,070,512)	(2,511,379)	3,671,592	11,579,185	11,774,981	18,917,476
Prior Period Adjustments	-	(70,948)	(475,459)	-	-	-
Change in Net Position	(440,867)	6,253,919	8,383,052	195,796	7,142,495	7,145,354
Ending Net Position - June 30	(2,511,379)	3,671,592	11,579,185	11,774,981	18,917,476	26,062,830
Net Position (Fund Balance) Analysis						

-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$43,041)
FY 2019	\$0	(\$37,854)

SWPL - 1 - Personal Services -

The budget includes a reduction of \$43,041 in FY 2018 and \$37,854 in FY 2019 to annualize various personal services costs including FY 2017 statewide pay plan adjustments and to fund increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Administration - 61010

Risk Management and Tort Defense - 24

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$26,635
FY 2019	\$0	\$18,254

SWPL - 2 - Fixed Costs -

The request includes an increase of \$26,635 in FY 2018 and \$18,254 in FY 2019 to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$331
FY 2019	\$0	\$665

SWPL - 3 - Inflation Deflation -

This change package includes an increase of \$331 in FY 2018 and \$665 in FY 2019 to reflect budgetary changes generated from the application and deflation factors to specific expenditure accounts. Affected accounts include food, postage, natural gas, electricity, gasoline, and others.

-----**Present Law Adjustments**-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$2,000,000)
FY 2019	\$0	(\$2,000,000)

PL - 2401 - Reduce Claims Budget -

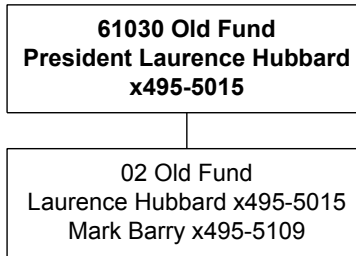
This change package request reduces the division's claims budget to correct a previous allocation error in the 2017 biennium.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$8,219
FY 2019	\$0	\$8,219

PL - 4 - Allocate Department Indirect/Administrative Costs -

This request adjusts the division's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

Montana State Fund Old Fund - 61030



Mission Statement - Montana State Fund is administering the claims of the Old Fund in compliance with 39-71-2352, MCA. The Old Fund does not have a mission statement.

Statutory Authority - As required in 39-71-2352, MCA, Montana State Fund is responsible for administering and managing claims of the Old Fund. The Old Fund has a separate payment and funding structure. If in any fiscal year claims for injuries resulting from accidents that occurred before July 1, 1990 are not adequately funded, any amount necessary to pay claims for injuries resulting from accidents that occurred before July 1, 1990 must be transferred from the general fund to the Old Fund account provided for in 39-71-2321, MCA.

Agency Proposed Budget	Total Exec. Budget Fiscal 2018	Total Exec. Budget Fiscal 2019	Total Exec. Budget 2019 Biennium
Budget Item			
Operating Expenses	173,434	173,434	346,868
Benefits & Claims	8,020,454	7,137,257	15,157,711
Total Costs	\$8,193,888	\$7,310,691	\$15,504,579
Proprietary Funds	8,193,888	7,310,691	15,504,579
Total Funds	\$8,193,888	\$7,310,691	\$15,504,579

Montana State Fund Old Fund - 61030

Old Fund - 02

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2017	Adjustments Fiscal 2018	Exec. Budget Fiscal 2018	Adjustments Fiscal 2019	Exec. Budget Fiscal 2019	Budget Request 2019 Biennium
Operating Expenses	130,000	43,434	173,434	43,434	173,434	346,868
Benefits & Claims	6,787,304	1,233,150	8,020,454	349,953	7,137,257	15,157,711
Total Costs	\$6,917,304	\$1,276,584	\$8,193,888	\$393,387	\$7,310,691	\$15,504,579
Proprietary Funds	6,917,304	1,276,584	8,193,888	393,387	7,310,691	15,504,579
Total Funds	\$6,917,304	\$1,276,584	\$8,193,888	\$393,387	\$7,310,691	\$15,504,579

Proprietary Program Description -

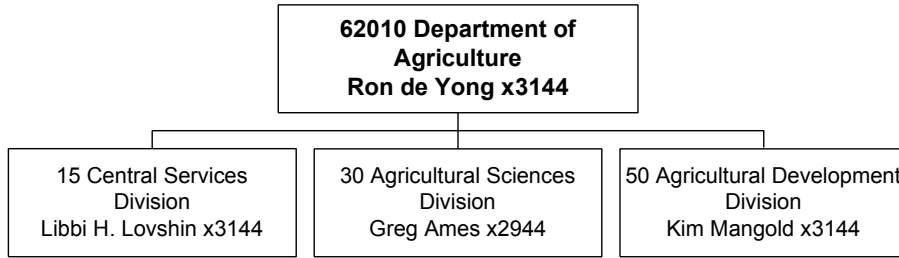
The Old Fund consists of claims for injuries that occurred prior to July 1, 1990. Montana State Fund is responsible for administering and managing claims of the Old Fund.

Old Fund operating expenses are for assessments charged by the Department of Labor and Industry. A fund transfer from the Old Fund to Montana State Fund compensates Montana State Fund for the expense of Old Fund for claims administration.

As required in 39-71-2352, MCA, the Old Fund has a separate payment and funding structure. If in any fiscal year claims for injuries resulting from accidents that occurred before July 1, 1990 are not adequately funded, any amount necessary to pay claims for injuries resulting from accidents that occurred before July 1, 1990 must be transferred from the state general fund to the Old Fund account provided for in 39-71-2321, MCA.

In June 2011, the assets of the Old Fund were exhausted. Since that time, transfers from the general fund, as provided for in law, have been funding the Old Fund claim benefit payments and expenses.

Department of Agriculture - 62010



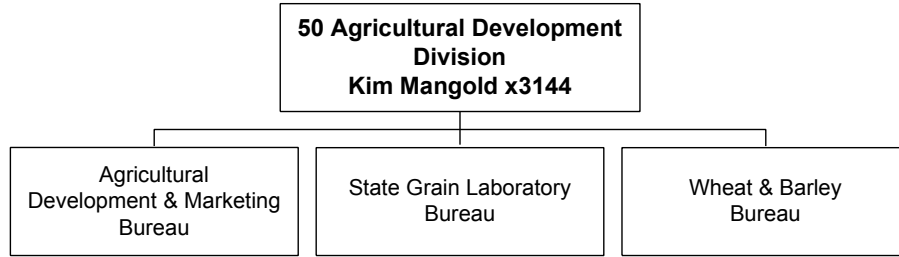
Mission Statement - The mission of the Department of Agriculture is to protect producers and consumers and to enhance and develop agriculture and allied industries.

Statutory Authority - Article XII, Section 1, Montana Constitution; Title 80, Chapters 1-20, MCA; Title 90, Chapter 9, MCA; Title 2, Chapter 15, Part 30, MCA

Agency Proposed Budget	Total Exec. Budget Fiscal 2018	Total Exec. Budget Fiscal 2019	Total Exec. Budget 2019 Biennium
Operating Expenses	58,200	58,200	116,400
Total Costs	\$58,200	\$58,200	\$116,400
Proprietary Funds	58,200	58,200	116,400
Total Funds	\$58,200	\$58,200	\$116,400

Department of Agriculture - 62010

Agricultural Development Division - 50



Program Proposed Budget	Starting Point Fiscal 2017	Budget Adjustments Fiscal 2018	Total Exec. Budget Fiscal 2018	Budget Adjustments Fiscal 2019	Total Exec. Budget Fiscal 2019	Executive Budget Request 2019 Biennium
Operating Expenses	58,200	0	58,200	0	58,200	116,400
Total Costs	\$58,200	\$0	\$58,200	\$0	\$58,200	\$116,400
Proprietary Funds	58,200	0	58,200	0	58,200	116,400
Total Funds	\$58,200	\$0	\$58,200	\$0	\$58,200	\$116,400

Proprietary Program Description - Fund 06016 – Beginning Farm Loans

Program Description

The Montana Beginning Farmer/Rancher Loan Program is a tax-exempt bond program designed to assist beginning farmers/ranchers to acquire agricultural property at lower interest rates. The program enables lenders, individuals, partnerships, corporations, and other entities to receive federally tax-exempt interest with respect to a loan or contract sale made to a qualifying beginning farmer/rancher. The financial institution, after arranging the loan or sales contract, may obtain a federally tax-exempt bond in the amount of the loan or unpaid balance from the Montana agriculture loan authority. The loan and its collateral will be assigned to the financial institution as security for the bond.

Revenues and Expenses

Revenues for the program are derived from an application fee and a percentage fee levied against the outstanding loan amount. Funds are only used to promote and administer the loan program. Once there is sufficient revenue to support it, 0.50 FTE and related operating expenses will be funded.

Rates and Rate Explanation

Applicants pay a \$50 application fee and a loan participation fee of 1.5% of the value of the bond.

Fund 06052 – Hail Insurance

Program Description

The Hail Insurance Program has been in operation since 1917. The function of the program is to provide low cost hail insurance coverage for crops grown in Montana, and assist producers with recovery of their input costs should they experience hail damage. The program insures approximately 1.05 million acres of crops with coverage nearing \$70 million each year. The program recently acquired quota share reinsurance to ensure the program remains actuarially sound. The program is statutorily appropriated under Title 80, Chapter 2, Part 2, MCA.

Department of Agriculture - 62010

Agricultural Development Division - 50

Revenues and Expenses

Revenues for the program are derived from premium assessments paid by producers for crop acreage insured. The program pays for 2.17 permanent FTE and 3.30 seasonal FTE to support program operations.

Rates and Rate Explanation

Hail premiums charged are set according to county and by the Board of Hail Insurance according to 80-2-208, MCA, and cannot exceed \$75 per acre for non-irrigated land and \$114 per acre for irrigated land.

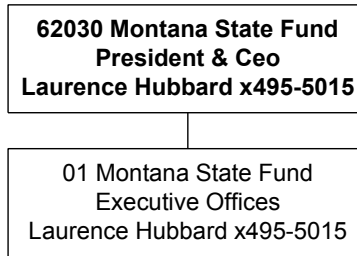
2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 62010	Agency Name: Department of Agriculture			Program Name: Agricultural Development Division		
	Fund	Fund Name				
	06016	Beginning Farm Loans				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY14	FY15	FY16	FY17	FY18	FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	-	-	-	58,000	58,000	58,000
Revenue A	3	3	10	2	2	2
Total Operating Revenues	3	3	10	58,002	58,002	58,002
Expenses:						
Other Operating Expenses	-	-	-	58,200	58,200	58,200
Total Operating Expenses	-	-	-	58,200	58,200	58,200
Operating Income (Loss)	3	3	10	(198)	(198)	(198)
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	3	3	10	(198)	(198)	(198)
Change in Net Position	3	3	10	(198)	(198)	(198)
Beginning Net Position - July 1	2,422	2,425	2,428	2,438	2,240	2,042
Change in Net Position	3	3	10	(198)	(198)	(198)
Ending Net Position - June 30	2,425	2,428	2,438	2,240	2,042	1,844
Net Position (Fund Balance) Analysis						
Restricted Net Pos(Enterprise Fund Only)	2,425	2,428	2,438	2,240	2,042	1,844

Department of Agriculture - 62010

Agricultural Development Division - 50

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 62010	Agency Name: Department of Agriculture		Program Name: Agricultural Development Division			
	Fund	Fund Name				
	06052	Hail Insurance				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	8,028,978	6,259,921	1,100,520	1,398,000	1,407,000	1,407,000
Fee Revenue B	10,781	18,137	2,839	2,500	2,500	2,500
Revenue A	4,898	1,263	6,818	4,000	4,000	4,000
Revenue B	-	6,231	4,863	-	-	-
Total Operating Revenues	8,044,657	6,285,552	1,115,040	1,404,500	1,413,500	1,413,500
Expenses:						
Personal Services	407,061	429,119	313,952	454,410	674,664	374,834
Other Operating Expenses	552,235	695,036	109,822	194,251	104,305	104,483
Total Operating Expenses	959,296	1,124,155	423,774	648,661	778,969	479,317
Operating Income (Loss)	7,085,361	5,161,397	691,266	755,839	634,531	934,183
Nonoperating Revenues:						
Nonoperating Expenses:						
Other Expense A	(14,209,528)	(7,173,471)	(393,521)	(1,350,000)	(800,000)	(800,000)
Total Nonoperating Revenues (Expenses)	(14,209,528)	(7,173,471)	(393,521)	(1,350,000)	(800,000)	(800,000)
Income (Loss) Before Contributions and Transfers	(7,124,167)	(2,012,074)	297,745	(594,161)	(165,469)	134,183
Transfers Out	(65,983)	-	-	-	-	-
Change in Net Position	(7,190,150)	(2,012,074)	297,745	(594,161)	(165,469)	134,183
Beginning Net Position - July 1	10,458,969	3,268,819	1,256,745	1,554,490	960,329	794,860
Change in Net Position	(7,190,150)	(2,012,074)	297,745	(594,161)	(165,469)	134,183
Ending Net Position - June 30	3,268,819	1,256,745	1,554,490	960,329	794,860	929,043
Net Position (Fund Balance) Analysis						
Restricted Net Pos(Enterprise Fund Only)	3,268,820	1,256,746	1,554,492	960,331	1,094,862	1,229,045

Montana State Fund New Fund - 62030



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

Statutory Authority - Montana State Fund (MSF) provides an option to Montana employers for coverage of workers' compensation and occupational disease liability and is required, as the guaranteed market, to provide coverage to any employer in this state requesting coverage (39-71-2313, MCA).

Section 39-71-2321, MCA, provides that all funds deposited in MSF may be expended as provide in 17-8-101(2)(b), MCA, under general laws or contracts entered into pursuant to law permitting the disbursement. Based on this statutory provision, and 39-71-2363, MCA, MSF is not budgeted in the general appropriations act.

Management and control of Montana State Fund is vested solely in a seven-member board of directors (board) appointed by the Governor. Two members of the Economic Affairs Interim Committee are legislative liaisons to the Montana State Fund Board of Directors, as provided in 2-15-1019(8), MCA. The liaisons are encouraged to attend Montana State Fund board meetings and receive all board meeting agendas and materials relating to board matters.

As of January 1, 2016, MSF is subject to applicable laws and regulation specified under Title 33, Insurance and Insurance Companies.

MSF's President/CEO annually submits to the board for its approval an estimated budget of the entire expense of administering the state fund for the succeeding calendar year fiscal period. A copy of the approved budget must be delivered to the Governor and the legislature.

Montana State Fund New Fund - 62030

Montana State Fund New Fund - 01

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2017	Adjustments Fiscal 2018	Exec. Budget Fiscal 2018	Adjustments Fiscal 2019	Exec. Budget Fiscal 2019	Budget Request 2019 Biennium
FTE	307.00	0.00	307.00	0.00	307.00	
Personal Services	27,981,293	1,036,557	29,017,850	2,119,989	30,101,282	59,119,132
Operating Expenses	21,283,800	407,899	21,691,699	780,972	22,064,772	43,756,471
Equipment & Intangible Assets	6,920,358	(1,680,582)	5,239,776	(3,320,582)	3,599,776	8,839,552
Benefits & Claims	133,914,392	3,607,333	137,521,725	6,029,624	139,944,016	277,465,741
Transfers	380,456	244,990	625,446	111,005	491,461	1,116,907
Total Costs	\$190,480,299	\$3,616,197	\$194,096,496	\$5,721,008	\$196,201,307	\$390,297,803
Proprietary Funds	190,480,299	3,616,197	194,096,496	5,721,008	196,201,307	390,297,803
Total Funds	\$190,480,299	\$3,616,197	\$194,096,496	\$5,721,008	\$196,201,307	\$390,297,803

Proprietary Program Description -

Montana State Fund is responsible for providing workers' compensation insurance for Montana employers insured by Montana State Fund and managing claims and benefits payments for injuries occurring on or after July 1, 1990, incurred as a result of the insurance coverage.

Montana State Fund provides insurance for workers' compensation and occupational disease and is required, as the guaranteed market, to provide 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 (Montana State Fund). According to state law, Montana State Fund is a nonprofit independent public corporation.

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

Under the workers' compensation and occupational disease laws of Montana, Montana 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. Benefits to injured employees are based on a schedule of benefits established in law (Title 39, Chapter 71, MCA).

Statute requires Montana State Fund to set premium rates at levels sufficient, when including future investment income, to fund the insurance program (39-71-2330, MCA). This includes the cost of administration, benefits, and adequate reserves. Montana State Fund is subject to the laws governing state agencies, unless specifically exempted by statute (39-71-2314, MCA).

The board is statutorily required to establish a business plan (39-71-2315(3), MCA) and an annual budget within parameters defined in law (39-71-2363, MCA). The board submits an annual financial report to the Governor and to the legislature indicating the business done during the previous year and containing a statement of estimated liabilities of Montana State Fund as determined by an independent actuary.

Montana State Fund's Board of Directors is the approving authority for the annual budget (39-71-2363, MCA). The board has not approved the expenditure levels in the following budget table for the 2019 biennium. Changes in business conditions and the competitive market in which Montana State Fund operates, as well as changing trends in medical and indemnity benefits, will result in changes to the budgets the board will ultimately approve each year for FY 2018 and FY 2019.

Montana State Fund follows accepted insurance industry practices to ensure financial strength and stability in the marketplace, and has a fiduciary responsibility to all stakeholders to make certain that the Montana State Fund retains

Montana State Fund New Fund - 62030

Montana State Fund New Fund - 01

adequate equity to address future contingencies.

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

2019 Biennium Report on Internal Service and Enterprise Funds							
Agency # 62030	Agency Name: Montana State Fund New Fund			Program Name: Montana State Fund New Fund			
	Fund	Fund Name					
	06035	New Fund					
		Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:							
Fee and Charges							
Fee Revenue A		14,776	-	-	-	-	-
Fee Revenue B		2,995	-	-	-	-	-
Fee Revenue C		165,271,880	164,556,709	162,009,912	165,270,750	167,042,407	171,189,444
Revenue A		81,490,295	42,081,511	44,147,000	45,234,000	46,345,000	47,772,000
Revenue B		930,659	793,324	802,278	767,384	751,243	736,387
Total Operating Revenues		247,710,605	207,431,544	206,959,190	211,272,134	214,138,650	219,697,831
Expenses:							
Personal Services							
		23,301,937	25,369,142	27,471,632	27,981,293	29,017,850	30,101,282
Other Operating Expenses							
Expense B		108,360,889	117,571,626	126,813,511	133,914,392	137,521,725	139,944,016
Expense C		12,003,138	20,004,917	-	-	-	-
Total Operating Expenses		164,098,098	184,236,569	177,619,419	183,179,485	188,231,274	192,110,070
Operating Income (Loss)		83,612,507	23,194,975	29,339,771	28,092,649	25,907,376	27,587,761
Nonoperating Revenues:							
Nonoperating Expenses:							
Other Expense A		(11,377,868)	23,483,510	(5,735,619)	(15,262,801)	(16,025,266)	(20,857,954)
Total Nonoperating Revenues (Expenses)		(11,377,868)	23,483,510	(5,735,619)	(15,262,801)	(16,025,266)	(20,857,954)
Income (Loss) Before Contributions and Transfers		72,234,639	46,678,485	23,604,152	12,829,848	9,882,110	6,729,807
Capital Contributions							
		(659,480)	(896,360)	(185,059)	(6,920,358)	(5,239,776)	(3,599,776)
Transfers Out							
		-	-	(173,767)	(380,456)	(625,446)	(491,461)
Change in Net Position		71,575,159	45,782,125	23,245,326	5,529,034	4,016,888	2,638,570
Beginning Net Position - July 1		372,277,435	443,852,594	489,634,719	512,880,045	518,409,079	522,425,967
Change in Net Position		71,575,159	45,782,125	23,245,326	5,529,034	4,016,888	2,638,570
Ending Net Position - June 30		443,852,594	489,634,719	512,880,045	518,409,079	522,425,967	525,064,537
Net Position (Fund Balance) Analysis							

Montana State Fund New Fund - 62030

Montana State Fund New Fund - 01

-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$129,593)
FY 2019	\$0	(\$109,022)

SWPL - 1 - Personal Services -

The budget includes a reduction of \$129,593 in FY 2018 and \$109,022 in FY 2019 to annualize various personal services costs including FY 2017 statewide pay plan adjustments and to fund increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

-----Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$3,782,790
FY 2019	\$0	\$5,867,030

PL - 4 - Montana State Fund Adjustments -

This change package adjusts for anticipated expenditures in the 2019 biennium, primarily in the areas of personal services, equipment, and benefits.

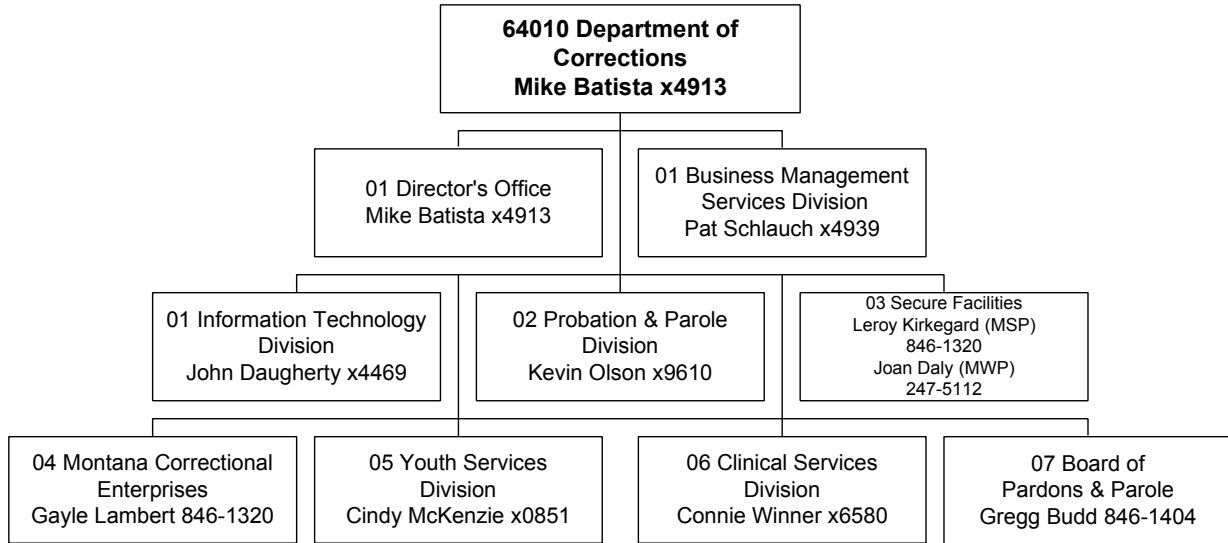
-----New Proposals-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$37,000)
FY 2019	\$0	(\$37,000)

NP - 556 - IT Convergence Savings -

In accordance with Executive Order 09-2016, state agencies have migrated information technology assets to the state data center and taken advantage of other enterprise IT solutions. The estimated savings for Montana State Fund is \$37,000 per year.

Department of Corrections - 64010



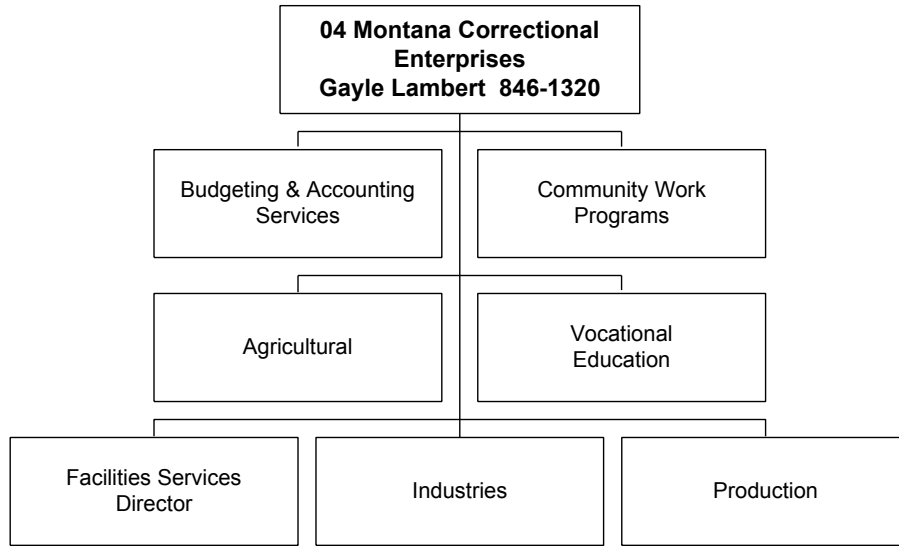
Mission Statement - The Montana Department of Corrections' staff enhances public safety, supports victims of crime, promotes positive change in offender behavior, and reintegrates offenders into the community.

Statutory Authority - Provided for in 2-15-2301, 53-1-201 and 53-1-202, MCA.

Agency Proposed Budget	Total Exec. Budget Fiscal 2018	Total Exec. Budget Fiscal 2019	Total Exec. Budget 2019 Biennium
Budget Item			
FTE	70.02	70.02	
Personal Services	4,445,775	4,459,906	8,905,681
Operating Expenses	9,825,606	9,849,901	19,675,507
Equipment & Intangible Assets	548,389	548,389	1,096,778
Capital Outlay	35,464	35,464	70,928
Transfers	0	0	0
Debt Service	207,678	207,678	415,356
Total Costs	\$15,062,912	\$15,101,338	\$30,164,250
Proprietary Funds	15,062,912	15,101,338	30,164,250
Total Funds	\$15,062,912	\$15,101,338	\$30,164,250

Department of Corrections - 64010

Montana Correctional Enterprises - 04



Program Proposed Budget	Starting Point	Budget Adjustments	Total	Budget Adjustments	Total	Executive
Budget Item	Fiscal 2017	Fiscal 2018	Exec. Budget Fiscal 2018	Fiscal 2019	Exec. Budget Fiscal 2019	Budget Request 2019 Biennium
FTE	70.02	0.00	70.02	0.00	70.02	
Personal Services	4,814,749	(368,974)	4,445,775	(354,843)	4,459,906	8,905,681
Operating Expenses	9,914,237	(88,631)	9,825,606	(64,336)	9,849,901	19,675,507
Equipment & Intangible Assets	548,389	0	548,389	0	548,389	1,096,778
Capital Outlay	35,464	0	35,464	0	35,464	70,928
Transfers	0	0	0	0	0	0
Debt Service	207,678	0	207,678	0	207,678	415,356
Total Costs	\$15,520,517	(\$457,605)	\$15,062,912	(\$419,179)	\$15,101,338	\$30,164,250
Proprietary Funds	15,520,517	(457,605)	15,062,912	(419,179)	15,101,338	30,164,250
Total Funds	\$15,520,517	(\$457,605)	\$15,062,912	(\$419,179)	\$15,101,338	\$30,164,250

Proprietary Program Description -
Montana Correctional Enterprises (MCE) operates the following proprietary programs.

Fund 06033 - Agricultural Program

Program Description

The Agriculture Program trains inmates in specific work skills and life skills in operations which include range and dairy cattle, dairy milking parlor and processing plant, crops, land management, lumber processing, wild land firefighting and various community work programs.

Revenues and Expenses

The Agriculture Program derives revenues from the sale of products and services including cattle, milk and other dairy products, reclaimed and blue pine wood products, and wild land firefighting, fencing, tree-thinning, and janitorial and grounds keeping services for various governmental agencies and non-profit organizations. Expenses include all feed that is not grown on the ranch, feed supplements, supplies and materials, personal services and other operating costs associated with the various sub-programs. Cattle prices are down, therefore revenues will be decreased from the previous two fiscal years. We do not anticipate changes in operating expenditures over the biennium.

Department of Corrections - 64010

Montana Correctional Enterprises - 04

Rate(s) and Rate Explanations

Revenues are based on market values and fluctuate with the markets.

Projected Fund Balance, Including Cash Fluctuations

The Agriculture Program requires a high cash balance to maintain operations. Historically, it has been the practice to maintain a minimum of \$1 million. There is a yearly cattle sale that produces the majority of revenue for the entire operation along with monthly raw milk and processed milk and milk product sales. The yearly cattle sale also assists in maintaining the entire MCE training program throughout the remainder of the year. The cash balance has large fluctuations depending on the time of the year.

Working Capital Analysis

Due to the possibility of extenuating circumstances, it is important that the Agriculture Program maintain a cash balance that can sustain the program for one year. Revenues are dependent on current market values, which change daily and can significantly affect the annual revenue of the Program. The same is attributed to the costs. Feed and supplement costs can increase drastically due to shortages caused by drought, world markets and other unforeseeable reasons and there is always a possibility that the cattle herd could be devastated by disease. The Agriculture program maintains a five-year cash analysis that is updated annually and projects revenues, expenditures and capital outlay. All expenditures are dependent on projected revenues and the cash on hand.

Fund 06034 - Industries Program

Program Description

The Industries Program trains inmates in specific work skills and life skills in operations which include manufacturing of furniture, upholstery, print work and signs, sewing and embroidery, institutional laundry, screen printing, inventory management, shipping, AutoCAD design, Web design, marketing, and hygiene kit assembly and public-private partnerships. In addition, Industries includes a dog training program located at the Montana Women's Prison.

One industry is currently certified by the U.S. Justice Department's Prison Industry Enhancement Certification Program. Inmates in this program are paid prevailing wage for their work, and 80 percent of their gross wage is deducted for state and federal income tax, crime victim compensation, family support, and room and board. In addition, each inmate working in a certified program has 20 percent of his or her net wages deposited into a mandatory savings account available upon release.

Revenues and Expenses

The Industries Program derives revenues from the sale of products and services. Prices for manufactured products are set utilizing current market values and take into account cost of materials, overhead and capital outlay. Expenses include the supplies and materials needed for production, personal services and other operating costs for the program.

Rate(s) and Rate Explanations

Revenues for all Industries programs, with the exception of the Laundry, are based on market values and fluctuate with the markets. Although the Industries program is an enterprise fund, we request rate approval for the laundry rate per pound, as the rates directly affect the general fund customers we service. The Laundry is not an internal service fund as it is a small operation in the overall industries program. We are not requesting a rate increase for the 2019 biennium.

Department of Corrections - 64010

Montana Correctional Enterprises - 04

Requested Rates for Internal Service Funds				
Fee/Rate Information				
	Actual	Budgeted	Budgeted	Budgeted
	FY16	FY17	FY18	FY19
Fee Description:				
Cost Per Pound Laundry Services	0.59	0.60	0.60	0.60
Delivery Charge per Pound				
Montana Development Center	0.05	0.05	0.05	0.05
Riverside YCF	0.05	0.05	0.05	0.05
MLEA	0.15	0.15	0.15	0.15
MCDC	0.04	0.04	0.04	0.04
START Program	0.01	0.01	0.01	0.01
Montana State Hospital	0	0	0	0
University of Montana	0.20	0.20	0.20	0.20

Projected Fund Balance, Including Cash Fluctuations

The Industries program requires adequate cash flow to cover operational costs and cost of goods sold. Revenues are dependent on customer orders and expenses for raw materials are dependent on revenues.

Working Capital Analysis

All profits from operations are maintained in the Industries enterprise fund and are utilized for normal operating costs, equipment and capital outlay. All expenditures are dependent on the availability of cash on hand and projected revenues.

Fund 06545 – Vocational Education Program (Industries Training)

Program Description

The Vocational Education program trains inmates in specific work skills and life skills in operations which include motor vehicle maintenance, vehicle restoration welding, and machining and metals programs in conjunction with the general funded vocational education program.

Revenues and Expenses

The Vocational Education Program derives revenues from the repair, maintenance, and restoration work performed on customer vehicles and equipment and the sale of products and services in the welding, machining, and metals programs. Expenses include the cost of parts for repairs, personal services, and other operating costs associated with the various programs. No significant changes in revenues or operating expenditures are anticipated over the biennium. The Vocational Education program is not required to be self-supporting (per 53-30-133, MCA), and all MCE proprietary programs provide support if there are inadequate revenues to cover expenditures.

Rate(s) and Rate Explanations

Motor Vehicle Maintenance rates are based on the cost of parts and a supply charge to cover consumable supplies required for auto repairs and labor to perform the duties. The labor charge is based on cost of civilian and inmate labor and program overhead. MCE is not requesting a labor rate increase for the 2019 biennium.

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Montana Correctional Enterprises - 04

The sale price of metal products is based on market and all prices are dependent on the size and complexity of the project. Metal products are sold to dealers and the private sector through contracts. State agencies are not metal product customers.

Requested Rates for Internal Service Funds				
Fee/Rate Information				
	Actual	Budgeted	Budgeted	Budgeted
	FY16	FY17	FY18	FY19
Fee Description:				
Labor Charge/hour	28.45	28.45	28.45	28.45
Supply fee as percentage of actual cost of parts	5%	5%	8%	8%
*parts are sold at cost				

Projected Fund Balance, Including Cash Fluctuations

The Motor Vehicle Maintenance internal service fund balance does not have large fluctuations due to the low net income of the program.

Working Capital Analysis

The Motor Vehicle Maintenance program internal service fund seldom has an excess of sixty (60) days of working capital. This is not anticipated to change in the 2019 biennium.

Fund 06572 – License Plate Factory Internal Service Fund

Program Description

The License Plate Program trains inmates in specific work skills and life skills in license plate production, graphics design, inventory control and shipping, while providing all license plates to County Treasurers throughout Montana.

Revenues and Expenses

The License Plate Factory derives revenues from the sale of license plates to vehicle owners, who pay a \$10.00 fee for each set. \$2.00 of this rate remains in the general fund and \$8.00 is deposited into a state special revenue account with Department of Justice (DOJ). DOJ then pays MCE a rate established through legislative request. Revenues are dependent on customer orders and inventory needs by each County Treasurer. Expenses include the cost of raw materials such as aluminum and reflective sheeting as well as personal services, other operating costs and capital expenditures. Expenditures correlate directly with the number of orders received from the counties.

Rate(s) and Rate Explanations

The License Plate Factory rates are based on the cost of raw materials as well as operational and capital expenditures. MCE is not requesting a rate increase for the 2019 biennium.

Department of Corrections - 64010

Montana Correctional Enterprises - 04

Requested Rates for Internal Service Funds				
Fee/Rate Information				
	Actual	Budgeted	Budgeted	Budgeted
	FY16	FY17	FY18	FY19
Fee Description:				
Cost per set of plates	\$6.20	\$6.20	\$6.20	\$6.20

Projected Fund Balance, Including Cash Fluctuations

The License Plate Factory has maintained a high cash balance to pay for the cost of the distribution and inventory warehouse, updated license plate printer and other items that were required in the passage of SB 508 passed by the 2009 Legislature. As all projects are nearing completion, cash and fund balance should not fluctuate dramatically from year to year.

Working Capital Analysis

In the past two biennia, the License Plate Factory has a working capital balance over the allowable sixty (60) days due to the cost of the capital outlay for the building and equipment. MCE will maintain a sixty (60) day working capital balance in the internal service fund in the 2019 biennium.

Fund 06573 – Food Factory Internal Service Fund

Program Description

The Food Factory program trains inmates in specific work skills and life skills in meal preparation, bakery, and cook chill operations while providing meals to numerous state and county facilities in western Montana.

Revenues and Expenses

The Food Factory derives revenues from the sale of bulk food and tray meals to customers. Expenses include the supplies and materials needed for production of bulk and trayed meals, personal services and other operating costs, and capital expenditures for the program. The Food Factory equipment is aging, requiring replacements as cash flow allows.

Rate(s) and Rate Explanations

The Food Factory rates are based on the cost of raw product, supplies, and other operating expenditures. MCE is not requesting a rate increase for this biennium. Customers who purchase bulk food are charged the actual cost of the food product with 5% markup to allow for raw product loss. In addition, customers who purchase bulk food are charged overhead. Customers who purchase tray meals are charged for the food and overhead as a tray meal cost. Detention facilities are charged for tray meals plus disposable trays, dairy products, and accessory package. Delivery to all customers is based on the number of miles to the customer and actual time involved in the delivery.

Department of Corrections - 64010

Montana Correctional Enterprises - 04

Requested Rates for Internal Service Funds				
Fee/Rate Information				
	Actual	Budgeted	Budgeted	Budgeted
	FY16	FY17	FY18	FY19
Tray Meal Prices to all customers				
Base Tray-hot/cold	2.32	2.35	2.35	2.35
Base Tray-hot	1.18	1.22	1.22	1.22
Detention Center Trays	2.92	2.95	2.95	2.95
Accessory Package	0.16	0.16	0.16	0.16
Delivery Charge Per Tray Meal				
Delivery charge per mile	0.5	0.5	0.5	0.5
Delivery charge per hour	35	35	35	35
Bulk food is sold at cost, with a spoilage charge added based on a percentage of the customer food cost.				
Spoilage percentage to all bulk customers	5%	5%	5%	5%
Overhead Charges				
Montana State Prison	76%	76%	76%	76%
Montana State Hospital	11%	11%	11%	11%
Treasure State Correctional Training	13%	13%	13%	13%

Projected Fund Balance, Including Cash Fluctuations

The Food Factory internal service fund cash balance has been low in the past years due to low net income and losses in the program. During the 2017 biennium, the cash balance was adequate to purchase needed replacement equipment and complete required repairs.

Working Capital Analysis

The Food Factory will continually monitor cash and working capital to ensure that it maintains no more than sixty (60) days of working capital during the 2019 biennium.

Department of Corrections - 64010

Montana Correctional Enterprises - 04

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 64010	Agency Name: Department of Corrections			Program Name: Montana Correctional Enterprises		
	Fund	Fund Name				
	06572	MCE License Plate Production				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	1,927,342	2,899,125	1,828,115	2,200,000	2,200,000	2,200,000
Total Operating Revenues	1,927,342	2,899,125	1,828,115	2,200,000	2,200,000	2,200,000
Expenses:						
Personal Services						
Other Operating Expenses	1,335,942	1,862,705	1,783,035	810,566	810,133	810,153
Total Operating Expenses	1,511,024	2,078,429	2,035,822	1,075,379	1,075,365	1,075,905
Operating Income (Loss)	416,318	820,696	(207,707)	1,124,621	1,124,635	1,124,095
Nonoperating Revenues:						
Nonoperating Expenses:						
Other Expense A	-	(40,528)	516,181	-	-	-
Total Nonoperating Revenues (Expenses)	-	(40,528)	516,181	-	-	-
Income (Loss) Before Contributions and Transfers	416,318	780,168	308,474	1,124,621	1,124,635	1,124,095
Transfers In	-	40,528	332,736	-	-	-
Change in Net Position	416,318	820,696	641,210	1,124,621	1,124,635	1,124,095
Beginning Net Position - July 1	2,153,286	2,569,604	3,390,300	4,031,510	5,156,131	6,280,766
Change in Net Position	416,318	820,696	641,210	1,124,621	1,124,635	1,124,095
Ending Net Position - June 30	2,569,604	3,390,300	4,031,510	5,156,131	6,280,766	7,404,861
Net Position (Fund Balance) Analysis						

Department of Corrections - 64010

Montana Correctional Enterprises - 04

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 64010	Agency Name: Department of Corrections			Program Name: Montana Correctional Enterprises		
	Fund	Fund Name				
	06034	MSP Institutional Industries				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	2,661,116	3,018,478	3,508,244	3,500,500	3,500,500	3,500,500
Other Operating Revenue	4,334	18	493	-	-	-
Total Operating Revenues	2,665,450	3,018,496	3,508,737	3,500,500	3,500,500	3,500,500
Expenses:						
Personal Services						
Other Operating Expenses	1,013,636	1,204,599	1,292,618	1,318,652	1,319,834	1,323,354
Expense B	-	30,748	30,014	-	-	-
Total Operating Expenses	2,496,877	3,097,176	3,453,526	3,524,969	3,612,730	3,617,732
Operating Income (Loss)	168,573	(78,680)	55,211	(24,469)	(112,230)	(117,232)
Nonoperating Revenues:						
Nonoperating Expenses:						
Other Expense A	-	5,732	2,136	-	-	-
Total Nonoperating Revenues (Expenses)	-	5,732	2,136	-	-	-
Income (Loss) Before Contributions and Transfers	168,573	(72,948)	57,347	(24,469)	(112,230)	(117,232)
Transfers In	2,135	(2,135)	239	-	-	-
Change in Net Position	170,708	(75,083)	57,586	(24,469)	(112,230)	(117,232)
Beginning Net Position - July 1	2,543,348	2,714,056	2,638,973	2,692,961	2,668,492	2,556,262
Prior Period Adjustments	-	-	(3,598)	-	-	-
Change in Net Position	170,708	(75,083)	57,586	(24,469)	(112,230)	(117,232)
Ending Net Position - June 30	2,714,056	2,638,973	2,692,961	2,668,492	2,556,262	2,439,030
Net Position (Fund Balance) Analysis						

Department of Corrections - 64010

Montana Correctional Enterprises - 04

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 64010	Agency Name: Department of Corrections		Program Name: Montana Correctional Enterprises			
	Fund	Fund Name				
	06033	Prison Ranch				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY14	FY15	FY16	FY17	FY18	FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	4,951,689	4,932,006	4,990,131	5,000,005	5,000,005	5,000,005
Revenue A	3,177	-	2,342	-	-	-
Total Operating Revenues	4,954,866	4,932,006	4,992,473	5,000,005	5,000,005	5,000,005
Expenses:						
Personal Services						
Other Operating Expenses	1,542,480	1,710,214	1,720,159	1,781,320	1,390,486	1,397,457
Total Operating Expenses	3,307,936	2,881,714	2,997,272	3,264,284	3,192,118	3,212,722
Operating Income (Loss)	104,450	340,078	275,042	(45,599)	417,401	389,826
Nonoperating Revenues:						
Other Revenue A	679,679	113,370	3,350	-	-	-
Nonoperating Expenses:						
Other Expense A	222,414	1,303,904	(910,733)	-	-	-
Total Nonoperating Revenues (Expenses)	902,093	1,417,274	(907,383)	-	-	-
Income (Loss) Before Contributions and Transfers	1,006,543	1,757,352	(632,341)	(45,599)	417,401	389,826
Transfers Out						
Change in Net Position	-	-	(8,854)	-	-	-
Beginning Net Position - July 1	1,006,543	1,757,352	(641,195)	(45,599)	417,401	389,826
Prior Period Adjustments	-	(26,423)	-	-	-	-
Change in Net Position	1,006,543	1,757,352	(641,195)	(45,599)	417,401	389,826
Ending Net Position - June 30	11,617,997	13,348,926	12,707,731	12,662,132	13,079,533	13,469,359
Net Position (Fund Balance) Analysis						

Department of Corrections - 64010

Montana Correctional Enterprises - 04

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 64010	Agency Name: Department of Corrections			Program Name: Montana Correctional Enterprises		
	Fund	Fund Name				
	06545	Prison Indust. Training Prog				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY14	FY15	FY16	FY17	FY18	FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	543,328	575,947	676,216	675,000	680,000	680,000
Total Operating Revenues	543,328	575,947	676,216	675,000	680,000	680,000
Expenses:						
Personal Services						
Other Operating Expenses	187,009	239,895	244,535	255,095	299,241	299,373
Total Operating Expenses	389,952	379,422	478,052	490,474	490,474	490,474
Operating Income (Loss)	(33,633)	(43,370)	(46,371)	(70,569)	(109,715)	(109,847)
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	(33,633)	(43,370)	(46,371)	(70,569)	(109,715)	(109,847)
Change in Net Position	(33,633)	(43,370)	(46,371)	(70,569)	(109,715)	(109,847)
Beginning Net Position - July 1	202,353	168,720	125,350	78,979	8,410	(101,305)
Change in Net Position	(33,633)	(43,370)	(46,371)	(70,569)	(109,715)	(109,847)
Ending Net Position - June 30	168,720	125,350	78,979	8,410	(101,305)	(211,152)
Net Position (Fund Balance) Analysis						

Department of Corrections - 64010

Montana Correctional Enterprises - 04

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 64010	Agency Name: Department of Corrections		Program Name: Montana Correctional Enterprises			
	Fund	Fund Name				
	06573	MSP - Cook Chill				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	4,429,009	4,890,911	4,799,405	4,935,000	4,957,000	5,048,000
Total Operating Revenues	4,429,009	4,890,911	4,799,405	4,935,000	4,957,000	5,048,000
Expenses:						
Personal Services						
Other Operating Expenses	1,023,955	1,090,489	1,113,674	1,194,869	1,170,982	1,173,970
Expense B	3,226,740	3,599,867	3,498,560	3,844,127	3,831,516	3,833,655
	-	(161,761)	161,761	-	-	-
Total Operating Expenses	4,250,695	4,528,595	4,773,995	5,038,996	5,002,498	5,007,625
Operating Income (Loss)	178,314	362,316	25,410	(103,996)	(45,498)	40,375
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	178,314	362,316	25,410	(103,996)	(45,498)	40,375
Transfers In						
Change in Net Position	-	140,386	18,878	-	-	-
	178,314	502,702	44,288	(103,996)	(45,498)	40,375
Beginning Net Position - July 1	2,372,283	2,550,597	3,053,299	3,097,587	2,993,591	2,948,093
Change in Net Position	178,314	502,702	44,288	(103,996)	(45,498)	40,375
Ending Net Position - June 30	2,550,597	3,053,299	3,097,587	2,993,591	2,948,093	2,988,468
Net Position (Fund Balance) Analysis						

-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$368,974)
FY 2019	\$0	(\$354,843)

SWPL - 1 - Personal Services -

The budget includes funding to annualize various personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Corrections - 64010

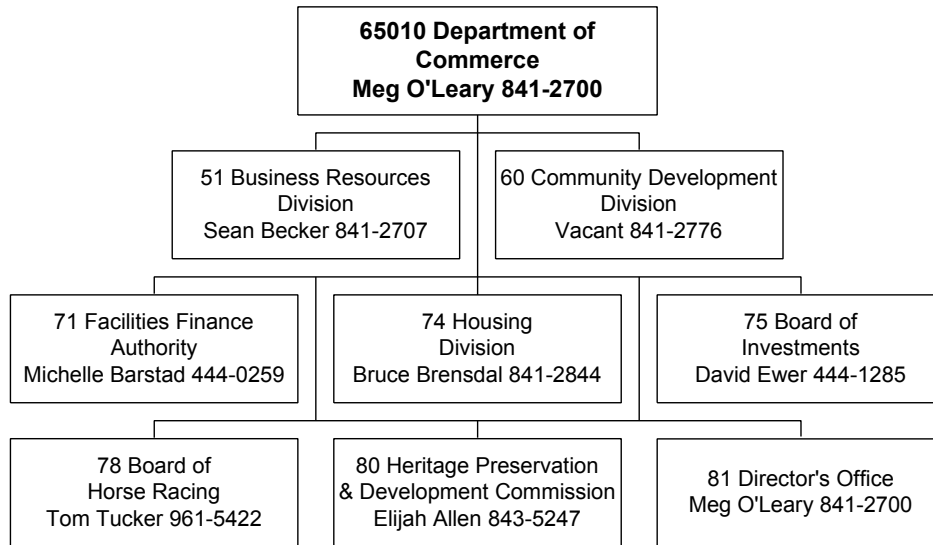
Montana Correctional Enterprises - 04

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$88,631)
FY 2019	\$0	(\$64,336)

SWPL - 3 - Inflation Deflation -

This change package includes a reduction in funding to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, natural gas, electricity, gasoline, and others.

Department of Commerce - 65010



Mission Statement - The Department of Commerce through its employees, community partners, public outreach, and media contacts enhances economic prosperity in Montana; fosters community lead diversification and sustainability of a growing economy; maintains and improves our infrastructure, housing and facilities; and promotes and enhances Montana's positive national and international image.

Statutory Authority - The department is mandated in 2-15-18, MCA.

Agency Proposed Budget	Total Exec. Budget Fiscal 2018	Total Exec. Budget Fiscal 2019	Total Exec. Budget 2019 Biennium
Budget Item			
FTE	105.33	105.33	
Personal Services	9,724,592	9,748,310	19,472,902
Operating Expenses	8,697,765	8,265,672	16,963,437
Grants	60,000	60,000	120,000
Benefits & Claims	41,612,549	42,860,926	84,473,475
Transfers	35,000	38,000	73,000
Total Costs	\$60,129,906	\$60,972,908	\$121,102,814
Proprietary Funds	60,129,906	60,972,908	121,102,814
Total Funds	\$60,129,906	\$60,972,908	\$121,102,814

Department of Commerce - 65010

Facility Finance Authority - 71

71 Facilities Finance Authority
Michelle Barstad 444-0259

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2017	Adjustments Fiscal 2018	Exec. Budget Fiscal 2018	Adjustments Fiscal 2019	Exec. Budget Fiscal 2019	Budget Request 2019 Biennium
FTE	3.00	0.00	3.00	0.00	3.00	
Personal Services	275,977	14,049	290,026	15,660	291,637	581,663
Operating Expenses	149,715	27,540	177,255	9,130	158,845	336,100
Grants	60,000	0	60,000	0	60,000	120,000
Transfers	19,775	15,225	35,000	18,225	38,000	73,000
Total Costs	\$505,467	\$56,814	\$562,281	\$43,015	\$548,482	\$1,110,763
Proprietary Funds	505,467	56,814	562,281	43,015	548,482	1,110,763
Total Funds	\$505,467	\$56,814	\$562,281	\$43,015	\$548,482	\$1,110,763

**Proprietary Program Description -
Fund 06012 HFA Loan Program
Fund 06015 Facilities Finance Authority**

Program Description:

The Facility Finance Authority was created by the 1983 Legislature to assist health care and related facilities in containing future health care costs by offering debt financing or refinancing at low-cost, tax-exempt interest rates. The legislature extended eligible facilities to include community pre-release centers and for-profit manufacturing facilities. Cost savings are shared with consumers in the form of lower fees.

The ability to issue Industrial Development Revenue Bonds for small manufacturing facilities was added in the 61st Legislative Session, effective July 1, 2009.

The Authority is primarily mandated in Title 90, Chapter 7 and Title 2, Chapter 15, MCA.

Revenues & Expenses:

The Facility Finance Authority is funded entirely by proprietary funds with revenues collected from interest, fees, and charges to participating institutions. There are no direct appropriations provided in HB 2.

The Authority application and annual administrative fee assessments are contingent upon its business volume. Customer volume is assumed to be at the current level throughout the 2019 biennium.

The major cost drivers within the Facilities Finance Authority are personal services, operating expenses, and transfers to pay for shared staff and expenditures related to the periodic replacement of computer equipment.

There is little uncertainty in forecasting future costs of major cost drivers, unless the Authority were to become involved in litigation related to the issuance and maintenance of bonds or had to write-off defaulted loans.

For the purposes of this analysis, it is assumed the Authority's ongoing work and customer levels remain constant. Non-typical and one time only expenses, if any, are subtracted from any proposed budgets.

Personal services expenditures fund 3.00 FTE and board member per diem.

Rate(s) and Rate Explanation:

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Facility Finance Authority - 71

The Facilities Finance Authority is funded by an enterprise fund and Authority customers are outside of state government. The fee structure that is proposed does not materially vary from that proposed in the last session.

Projected Fund Balance, Including Cash Fluctuations:

The Total Fund Equity requirement for the 2019 biennium (\$11,263,057) is derived from the following Authority Program Reserve mandates:

- A. Biennium Working Capital Reserve; \$1,010,934
- B. Capital Reserve Account (Loan Loss Reserve); \$7,987,529
- C. Facility Direct Loan Program Reserve; \$1,949,502

Working Capital and Fees Commensurate Analysis:

The 60 day working capital calculation is not reasonably applicable to the Authority because national bond rating agencies, national bond insurers, and institutional investors expect the Authority to reserve two years' operating capital (approximately \$1,010,934) to assure that the Authority can financially operate between legislative sessions.

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2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 65010	Agency Name: Department of Commerce			Program Name: Facility Finance Authority		
	Fund	Fund Name				
	06015	Facilities Finance Authority				
	06012	HFA Loan Program				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	513,196	874,913	806,621	510,000	505,000	485,000
Fee Revenue B	45,718	38,291	50,634	45,000	60,000	60,000
Total Operating Revenues	558,914	913,204	857,255	555,000	565,000	545,000
Expenses:						
Personal Services	178,086	206,407	218,115	275,977	290,026	291,637
Other Operating Expenses	197,039	613,388	136,921	240,609	237,255	218,845
Total Operating Expenses	375,125	819,795	355,036	516,586	527,281	510,482
Operating Income (Loss)	183,789	93,409	502,219	38,414	37,719	34,518
Nonoperating Revenues:						
Other Revenue A	-	-	5,257	-	-	-
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	5,257	-	-	-
Income (Loss) Before Contributions and Transfers	183,789	93,409	507,476	38,414	37,719	34,518
Transfers Out	(18,833)	(29,607)	(33,981)	(19,775)	(35,000)	(38,000)
Change in Net Position	164,956	63,802	473,495	18,639	2,719	(3,482)
Beginning Net Position - July 1	4,696,849	4,861,805	4,875,607	5,349,066	5,367,705	5,370,424
Prior Period Adjustments	-	(50,000)	(36)	-	-	-
Change in Net Position	164,956	63,802	473,495	18,639	2,719	(3,482)
Ending Net Position - June 30	4,861,805	4,875,607	5,349,066	5,367,705	5,370,424	5,366,942
Net Position (Fund Balance) Analysis						
Unrestricted Net Position	4,861,805	4,875,607	5,349,066	5,367,705	5,370,424	5,366,942

-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$13,349
FY 2019	\$0	\$14,960

SWPL - 1 - Personal Services -

The budget includes an increase of \$13,349 in FY 2018 and \$14,960 in FY 2019 to annualize various personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

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Facility Finance Authority - 71

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$15,565
FY 2019	\$0	\$1,513

SWPL - 2 - Fixed Costs -

The request includes an increase of \$15,565 in FY 2018 and \$1,513 in FY 2019 to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$17)
FY 2019	\$0	(\$1)

SWPL - 3 - Inflation Deflation -

This change package includes a decrease of \$17 in FY 2018 and \$1 in FY 2019 to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, natural gas, electricity, gasoline, and others.

-----Present Law Adjustments-----

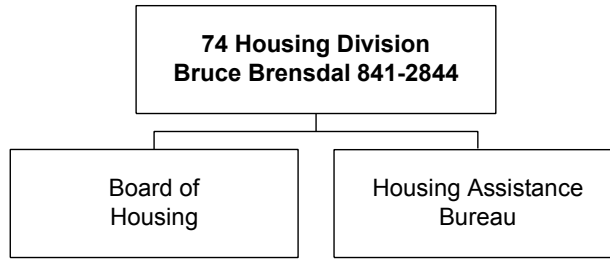
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$27,917
FY 2019	\$0	\$26,543

PL - 7101 - FFA Administrative Costs Adjustments NAPROP -

The budget includes an increase of \$27,917 for FY 2018 and \$26,543 for FY 2019 for administrative costs, including support services, per diem, and other expenses.

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Program Proposed Budget	Starting Point Fiscal 2017	Budget Adjustments Fiscal 2018	Total Exec. Budget Fiscal 2018	Budget Adjustments Fiscal 2019	Total Exec. Budget Fiscal 2019	Executive Budget Request 2019 Biennium
FTE	51.33	0.00	51.33	0.00	51.33	
Personal Services	3,777,076	(144,280)	3,632,796	(135,714)	3,641,362	7,274,158
Operating Expenses	4,505,983	175,966	4,681,949	81,701	4,587,684	9,269,633
Benefits & Claims	40,400,533	1,212,016	41,612,549	2,460,393	42,860,926	84,473,475
Total Costs	\$48,683,592	\$1,243,702	\$49,927,294	\$2,406,380	\$51,089,972	\$101,017,266
Proprietary Funds	48,683,592	1,243,702	49,927,294	2,406,380	51,089,972	101,017,266
Total Funds	\$48,683,592	\$1,243,702	\$49,927,294	\$2,406,380	\$51,089,972	\$101,017,266

Proprietary Program Description - 06030 BOH Financial Programs

06031 Housing Trust Fund

06032 BOH Loan Servicing

06078 Affordable Housing Revolving

06079 Revolving Loan – TANF

Program Description:

The Montana Housing Act of 1975 created the Montana Board of Housing (board). The board is an agency of the state and operates within the Department of Commerce for administrative purposes. The Board of Housing is primarily mandated in Title 2, Chapter 15, Title 90, Chapter 1, and Chapter 6, MCA. The powers of the board are vested in a seven member board, appointed by the Governor, subject to the confirmation of the state senate. The board provides direction to the agency staff for its programs that include the Homeownership Program, Multifamily Loan Programs, Low Income Housing Tax Credit Program, Housing Montana Fund, and the Reverse Annuity Mortgage (RAM) Program. The Board of Housing is funded by enterprise funds, with revenues derived from an administrative charge applied to projects and mortgages financed.

The board currently operates with a staff of 30.00 FTE.

Revenues & Expenses:

Mortgage & Investment Income: The board's income is primarily from mortgage and investment income. Mortgage income is the interest people pay on board loans and is limited by the Internal Revenue Service as a condition of using tax-free bonds as a financing source. Mortgage income is also controlled by the national financial markets, which set both mortgage rates and bond financing rates. Investment income comes from interest earned on investing reserves the board is required to hold, and bond and program monies not yet used to buy mortgages or pay bondholders. Both future mortgage income

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and investment income for the board depend on the interest rate environment, which is determined by the national financial markets.

Other Income: The board charges the Board of Investments for managing its mortgage loans and for loan cancellations, extensions, or for reviewing certain loan applications. Investment income includes Government Accounting Standards Board (GASB) market value adjustments. GASB 31 requires that long-term investments be valued at market and any changes since the previous year be added or subtracted from investment income. Since no actual gain or loss occurs, this adjustment artificially affects the investment income amount presented.

Bond Debt, Loan Servicing and Operations: The board issues (sells) bonds each year to purchase new mortgages. Once the bonds are sold, the board must repay the bondholders by making interest and principal payments. The board is required to use mortgage and investment income to pay bondholders, buy mortgages, or pay operating costs. Bond debt payments are the board's greatest expense.

The remaining expenses are for loan servicing and operations. Greater than half of servicing and operations expenses pay for professional services to banks, mortgage companies, and other professionals for issuing bonds, selling mortgages, collecting the monthly mortgage payments, legal services, and paying bondholders. The remaining expenses pay for the board's staff and staff operations, including purchasing and recording mortgage loans, recording repayments and prepayments, investing funds, issuing and redeeming bonds, operating all loan programs, and bookkeeping for over 7,500 mortgages, 300 investment accounts, and 28 bond series.

Rate(s) and Rate Explanation:

The board recovers its costs from charging application and compliance fees for the Low Income Tax Credit Program and from charging a spread on its loan programs. The board draws funds for its budget from the amounts available within the indentures. The amount of the approved budget, less any cash on hand, is withdrawn and allocated among the various indentures. Any income the board earns is used to fund special programs that meet the needs of Montana families that are not being met by our regular programs. These funds are pledged to the bondholders.

Changes in Level of Fees and Charges:

There have not been any significant program, service, or customer base changes since the last session.

Projected Fund Balance, Including Cash Fluctuations:

As stated in the board's financial statements, Note 1, Fund Accounting: Net Assets – Restricted for Bondholders represent bond program funds that are required to be used for program purposes as prescribed by individual bond indentures. The following are restrictions on net assets:

- Special trust funds and accounts within the indenture are pledged as collateral for the bonds under the individual program indentures;
- Reserve requirements on cash and investments;
- Mortgage loans receivable are also pledged as security for holders of the bonds; and
- Certain indentures require asset-liability coverage ratios be met as well as cash flow certificates be furnished for any significant change anticipated in the financial structure of an indenture.

The trust indentures entered into by the board requires all mortgages, and all monies and investments within the indentures, are legally restricted to uses provided for in the indentures, and fund balance associated with the indentures as legally required to be reserved for those uses.

The board's budgeted monies (those projected to be needed for the fiscal year's operations) are drawn down from the indentures during the fiscal year. These funds are legally pledged to the trust indentures from which they were drawn, and any associated fund balance is reserved for the program from which the budgeted funds were withdrawn.

Working Capital and Fees Commensurate Analysis:

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The board recovers its costs by charging application and compliance fees for the Low Income Tax Credit Program and from charging a spread on its loan programs. Any income the board earns is used to fund special programs that meet the needs of Montana families that are not being met by our current programs. These funds are pledged to the bondholders.

Loan Program Charges:

The board earns the bulk of its income from the spread between the interest yield on the Single Family Mortgage loans and the yield on the bonds. The IRS allows the Board to earn 1 1/2% on Pre-1980 Single Family Programs, 1 1/8% on the Post-1980 Single Family Programs, and 1 1/2 % on Multifamily Programs. According to tax law, certain costs must be included in the amount that the board can earn, including origination points, operating expenses and servicing fees. It is also necessary that the board not earn the full spread in order to offer lower mortgage rates.

The board also charges cancellation, extension, and late fees.

Low Income Housing Tax Credit Charges:

The board receives a tax credit allocation annually and charges 5% of the amount of tax credit reserved. The board is also required to monitor the projects that receive tax credits to determine if the projects are in compliance with tax credit regulations. The board charges \$40 per unit for compliance fees.

Other Loan Programs:

Housing Montana Fund: The interest that will be charged on HRLA loan will range from 2% - 6%.

Reverse Annuity Mortgage Loans (RAM) Charges: The loans accrue interest at 5%.

Payment of Bond Debt:

Principal and interest, on the Multifamily and Single Family Bond issues, is due on each February 1, June 1, August 1, and December 1.

Investments:

All debt service reserve funds and mortgage reserve funds that must be held as security for the bondholders are invested in long-term securities, repurchase agreements, or guaranteed investment contracts. Under the Multifamily Program, the funds are invested to the next debt service date or to a loan purchase date.

Other Mortgage Purchases:

The board purchases Reverse Annuity Mortgages (RAM). The RAM loans are not repaid until the borrower dies or sells their home. These amounts are assets of the board, and the interest is accrued monthly, but the board may not receive the principal and interest repayments for many years.

The board also purchases out of the Housing Montana Fund. These loans can be due on sale or amortizing. These amounts are assets of the board and the interest is accrued monthly.

06074 Section 8 Project Based

Program Description:

The Project Based Section 8 (PBS8) program is the Housing and Urban Development (HUD) contract administrator for low-income rental properties HUD subsidizes throughout the state. The program provides rental assistance to projects at fixed locations instead of the tenants. Landlords perform administrative tasks at the local level. The agency performs annual property reviews, oversees property management, and makes rent subsidy payments to owners. The agency earns fees from HUD under a performance-based contract for the tasks performed. The Project Based Program renews rent contracts to project owners as they expire. Contract managers prepare special damage claims, calculate annual rent increases,

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respond to emergencies, check compliance for fair housing and waiting lists, perform on-site management reviews, follow-up to physical inspections, review management decisions, and provide budget assistance to local property owners.

The Section 8 Housing programs are primarily mandated in 24 CFR Parts 5, 8, 35, 792, 813, 880, 882, 883, 887, 888, 891, 903, 982, 984 and 985 of the Code of Federal Regulations Section 8 Housing authorization and the Governor's Executive Order 27-81 Authorization of Section 8 Housing.

Revenues & Expenses:

The Project Based Section 8 program is funded by enterprise fund revenues derived from a performance-based annual contribution contract with HUD. There are no direct appropriations provided in HB 2; the Project Based Section 8 program is completely self-supporting.

Major cost drivers for the Project Based Section 8 program are benefits and claims, personal services, and operating expenses. Non-typical and one time only expenses, if any, are subtracted from proposed budgets.

Rate(s) and Rate Explanation:

The Project Based Section 8 contract administration is funded through a performance-based contract with HUD, based on a 5 year renewable request for proposal. Retained earnings are to be used for operations of this program. Funding for rents is paid by HUD, based on actual contracts negotiated between the department and the individual owners of the projects, set up on a procedure dictated by HUD.

Changes in Level of Fees and Charges:

There have not been any significant program, service, or customer base changes since the last session.

Projected Fund Balance, Including Cash Fluctuations:

Fund equity remaining in the accounts is reserved for use on the Section 8 Housing programs. This was enacted in HUD PIH Notices 2003-23 and 2004-07, and is also found in 24 CFR 982.152(b).

Working Capital and Fees Commensurate Analysis:

Revenues are generated in the Project Based Section 8 contract administration under a HUD performance-based contract using 17 Incentive Based Performance Standards which are calculated by HUD monthly, quarterly, and annually. Revenues generated are required to be used for contract administration. Rental assistance payments are made based on contracts negotiated by the Project Based Section 8 staff and tenant income data. Payments are paid and reimbursed monthly by HUD, based on actual program benefits paid to owners.

06075 HUD Section 8 Tenant Based

06085 HUD Section 8 Mod Rehab

Program Description:

Tenant Based Section 8 (TBS8) provides rent assisted units for very low income families (including elderly and disabled) to ensure they have decent, safe, and sanitary housing, using the HUD Section 8 Housing Choice Vouchers and Moderate Rehabilitation programs. The program operates on a first come, first served basis statewide, through a network of field agencies the department contracts with for administration of local operations in the program. Leases are entered on the open rental market between tenants and private landlords. The program makes a subsidy payment to the property owner on behalf of the tenant. Payments are based on applicable unit rent limits and tenants generally pay 30% of their income towards rent and utilities.

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The Section 8 Housing programs are primarily mandated in 24 CFR Parts 5, 8, 35, 792, 813, 880, 882, 883, 887, 888, 891, 903, 982, 984 and 985 of the Code of Federal Regulations Section 8 Housing authorization and the Governor's Executive Order 27-81 Authorization of Section 8 Housing.

Revenues & Expenses:

The Tenant Based Section 8 program is funded by enterprise fund revenues derived from a performance-based annual contribution contract with HUD. There are no direct appropriations provided in HB 2; the Tenant Based Section 8 program is completely self-supporting.

Major cost drivers for the Tenant Based Section 8 program are benefits and claims and operating expense. Non-typical and one time only expenses, if any, are subtracted from proposed budgets.

Rate(s) and Rate Explanation:

Fund revenues are derived from competitively awarded performance-based annual contribution contracts with HUD, and the program is completely self-supporting. The department is the only statewide housing authority in Montana specifically budgeted for in HUD's ongoing appropriation for Tenant Based Section 8.

Changes in Level of Fees and Charges:

There have not been any significant program, service, or customer base changes since the last session.

Projected Fund Balance, Including Cash Fluctuations:

Fund equity remaining in the accounts is reserved for use on the Section 8 Housing programs. This was enacted in HUD PIH Notices 2003-23 and 2004-07, and is also found in 24 CFR 982.152(b).

Working Capital and Fees Commensurate Analysis:

Revenues for the Tenant Based Section 8 program are generated per unit for each rental unit under lease each month. Revenues are used to pay for contract administration of the program. HUD regulations do not allow the PHA to earn new reserve balances after 2003, and old reserve balances are committed to paying program administration costs. HUD may require their use to pay rental subsidies in the future. Retained earnings are used to supplement interest earnings and older operating reserves in paying for contract administration costs that exceed current revenues. Rental subsidies are paid and reimbursed by HUD. The PHA is not allowed to retain any funds for other than the payment of rents under the program.

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2019 Biennium Report on Internal Service and Enterprise Funds							
Agency # 65010	Agency Name: Department of Commerce			Program Name: Housing Division			
	Fund	Fund Name					
	06030	BOH Financial Program Fund					
	06078	Housing Montana Fund					
	06079	Revolving Loan Fund - TANF					
	06032	Mortgage Loan Servicing					
	06031	Housing Trust Fund					
		Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:							
Fee and Charges							
Fee Revenue A		2,364,574	2,413,235	2,306,193	2,932,652	3,453,015	4,066,095
Fee Revenue B		25,651,257	24,123,396	23,877,704	32,168,098	35,366,838	38,884,794
Fee Revenue C		255	-	-	-	-	-
Fee Revenue D		-	73,000	-	-	-	-
Fee Revenue E		27,713	61,766	309	-	-	-
Fee Revenue F		126,846	84,599	49,238	76,951	76,951	76,951
Total Operating Revenues		28,170,645	26,755,996	26,233,444	35,177,701	38,896,804	43,027,840
Expenses:							
Personal Services		1,674,445	1,934,143	2,204,809	2,257,900	2,132,664	2,136,446
Other Operating Expenses		1,763,358	1,663,697	2,259,133	2,360,809	2,376,981	2,311,453
Expense B		24,233,410	21,680,608	18,934,488	23,476,387	25,512,121	28,156,941
Total Operating Expenses		27,671,213	25,278,448	23,398,430	28,095,096	30,021,766	32,604,840
Operating Income (Loss)		499,432	1,477,548	2,835,014	7,082,605	8,875,038	10,423,000
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		499,432	1,477,548	2,835,014	7,082,605	8,875,038	10,423,000
Transfers In		750,000	-	-	-	-	-
Transfers Out		(750,000)	-	-	-	-	-
Change in Net Position		499,432	1,477,548	2,835,014	7,082,605	8,875,038	10,423,000
Beginning Net Position - July 1		157,530,107	152,073,761	153,492,063	156,327,077	163,409,682	172,284,720
Prior Period Adjustments		(5,955,778)	(59,246)	-	-	-	-
Change in Net Position		499,432	1,477,548	2,835,014	7,082,605	8,875,038	10,423,000
Ending Net Position - June 30		152,073,761	153,492,063	156,327,077	163,409,682	172,284,720	182,707,720
Net Position (Fund Balance) Analysis							
Restricted Net Pos(Enterprise Fund Only)		152,073,761	153,492,063	156,327,077	163,409,682	172,284,720	182,707,720

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2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 65010	Agency Name: Department of Commerce			Program Name: Housing Division		
	Fund	Fund Name				
	06074	SEC 8 Project Based				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY14	FY15	FY16	FY17	FY18	FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	11,922	9,357	18,969	13,127	-	-
Fee Revenue B	19,563,866	20,438,349	20,869,004	21,377,964	22,032,824	22,693,809
Total Operating Revenues	19,575,788	20,447,706	20,887,973	21,391,091	22,032,824	22,693,809
Expenses:						
Personal Services						
Other Operating Expenses	568,732	612,513	689,140	728,962	703,468	706,621
Total Operating Expenses	18,867,306	19,698,040	20,226,260	20,703,833	21,352,107	21,969,154
Operating Income (Loss)	139,750	137,153	(27,427)	(41,704)	(22,751)	18,034
Nonoperating Revenues:						
Other Revenue B	24	-	-	-	-	-
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	24	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	139,774	137,153	(27,427)	(41,704)	(22,751)	18,034
Change in Net Position	139,774	137,153	(27,427)	(41,704)	(22,751)	18,034
Beginning Net Position - July 1	3,834,678	3,674,452	3,811,605	3,784,178	3,742,474	3,719,723
Prior Period Adjustments	(300,000)	-	-	-	-	-
Change in Net Position	139,774	137,153	(27,427)	(41,704)	(22,751)	18,034
Ending Net Position - June 30	3,674,452	3,811,605	3,784,178	3,742,474	3,719,723	3,737,757
Net Position (Fund Balance) Analysis						
Unrestricted Net Position	3,674,452	3,811,605	3,784,178	3,742,474	3,719,723	3,737,757

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2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 65010	Agency Name: Department of Commerce			Program Name: Housing Division		
	Fund	Fund Name				
	06085	Section 8 Mod Rehab				
	06075	Section 8 Vouchers				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	7,400	6,000	17,217	8,085	8,328	8,578
Fee Revenue B	20,655,195	17,767,450	21,760,142	23,029,282	23,720,161	24,431,766
Total Operating Revenues	20,662,595	17,773,450	21,777,359	23,037,367	23,728,489	24,440,344
Expenses:						
Personal Services	644,637	806,583	719,133	790,214	796,664	798,295
Other Operating Expenses	19,189,823	19,119,259	21,112,232	21,888,235	22,565,410	23,168,003
Total Operating Expenses	19,834,460	19,925,842	21,831,365	22,678,449	23,362,074	23,966,298
Operating Income (Loss)	828,135	(2,152,392)	(54,006)	358,918	366,415	474,046
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	828,135	(2,152,392)	(54,006)	358,918	366,415	474,046
Change in Net Position	828,135	(2,152,392)	(54,006)	358,918	366,415	474,046
Beginning Net Position - July 1	5,115,802	5,943,937	3,791,545	3,737,539	4,096,457	4,462,872
Change in Net Position	828,135	(2,152,392)	(54,006)	358,918	366,415	474,046
Ending Net Position - June 30	5,943,937	3,791,545	3,737,539	4,096,457	4,462,872	4,936,918
Net Position (Fund Balance) Analysis						
Unrestricted Net Position	5,943,937	3,791,545	3,737,539	4,096,457	4,462,872	4,936,918

-----**Statewide Present Law Adjustments**-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$165,810)
FY 2019	\$0	(\$157,917)

SWPL - 1 - Personal Services -

The budget includes funding in FY 2018 and FY 2019 to annualize various personal services costs including FY 2017 statewide pay plan adjustments and to fund increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Commerce - 65010

Housing Division - 74

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$114,899
FY 2019	\$0	\$27,228

SWPL - 2 - Fixed Costs -

The request includes funding for fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$553)
FY 2019	\$0	(\$226)

SWPL - 3 - Inflation Deflation -

This change package includes funding in FY 2018 and FY 2019 to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include postage, in-state motor pool, and other expenses.

-----Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$33,660
FY 2019	\$0	\$25,854

PL - 7406 - HD Administrative Costs Adjustments NAPROP -

The budget includes an increase of \$33,660 for FY 2018 and \$25,854 for FY 2019 for increases in indirect cost recoveries and equipment.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$1,261,506
FY 2019	\$0	\$2,511,441

PL - 7407 - HD Section 8 Housing Assistance Adjustments NAPROP -

The budget includes an increase of \$1,261,506 for FY 2018 and \$2,511,441 for FY 2019 for projected increases in the Department of Housing and Urban Development's fair market rents.

Department of Commerce - 65010

Board of Investments - 75

75 Board of Investments
David Ewer 444-1285

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2017	Adjustments Fiscal 2018	Exec. Budget Fiscal 2018	Adjustments Fiscal 2019	Exec. Budget Fiscal 2019	Budget Request 2019 Biennium
FTE	32.00	0.00	32.00	0.00	32.00	
Personal Services	3,788,182	91,776	3,879,958	97,732	3,885,914	7,765,872
Operating Expenses	2,564,826	971,569	3,536,395	652,078	3,216,904	6,753,299
Total Costs	\$6,353,008	\$1,063,345	\$7,416,353	\$749,810	\$7,102,818	\$14,519,171
Proprietary Funds	6,353,008	1,063,345	7,416,353	749,810	7,102,818	14,519,171
Total Funds	\$6,353,008	\$1,063,345	\$7,416,353	\$749,810	\$7,102,818	\$14,519,171

Proprietary Program Description -
Fund 06014 Industrial Revenue Bond I-95
Fund 06527 Investment Division
Program Description

Unified Investment Program:

The Board of Investments manages the Unified Investment Program mandated by Article VIII, Section 13 of the Montana Constitution. Section 2-15-1808, MCA, creates the Board of Investments and 17-6-201, MCA, gives the board sole authority to invest state funds. The board also invests local government funds at their discretion. The board manages an investment portfolio with a market value, as of April 30, 2016, of approximately \$16.6 billion. The board manages the portfolio under the "prudent expert principle."

To provide for diversification and reduced risk, the board manages several investment pools in which funds of similar types are invested. The Legislative Auditor audits the board annually. The board consists of nine members appointed by the Governor. The board also has two non-voting legislative liaisons from different political parties, one appointed by the President of the Senate and one appointed by the Speaker of the House.

In-State Investments:

Section 17-6-305, MCA, authorizes the board to invest 25 percent of the Permanent Coal Tax Trust Fund to assist Montana's economic development. This "In-State Investment Program" makes business loans from the trust fund in participation with financial institutions. The board lends trust fund monies to local governments to fund infrastructure that will serve job-creating businesses locating in the government's jurisdiction and lends low-interest monies to value-added type businesses creating jobs. The board also provides low interest loans for Montana Veterans who are first-time home buyers.

The board purchases Montana residential mortgages with pension funds as part of the In-State Investment Program.

INTERCAP Program:

The board sells tax-exempt bonds and lends the proceeds to eligible governments for various projects. Loan terms range from one to 15 years, and short-term loans to finance cash flow deficits or bridge financing are also available.

The INTERCAP and In-State Investment Programs were created in FY 1984 as part of the "Build Montana" program.

The Board of Investments is funded by two proprietary fund types. Fund 06014, an enterprise fund, funds the INTERCAP or Bond Programs. Fund 06527, an internal service fund, funds the Investment Programs.

Department of Commerce - 65010

Board of Investments - 75

The Board of Investments' responsibilities are mandated primarily in Article VIII, Section 13 of the Montana Constitution, Title 2, Chapter 15, and Title 17, Chapters 5 and 6, MCA.

Board of Investments' customers include: state agencies, the university system, local governments, financial institutions, and local economic development organizations.

There has been no significant change in the services provided by the Board of Investments from those provided in the last biennium, although the investment portfolio continues to grow in size and complexity.

The Board of Investments is authorized 32.00 FTE.

06014 Industrial Revenue Bond I-95 – Board of Investments

Revenues & Expenses:

Nearly all bond program revenues are generated by the difference between interest rates on bonds sold and the interest rate charged on loans to borrowers. Since these revenues are only received from the trustee on an annual basis, a 270-day fund balance is required to provide adequate funding for the bond program between draws. Remaining revenues are received monthly from the board's contract with the Montana Facility Finance Authority.

The Board of Investments does not receive any direct appropriations.

The major cost drivers within the Board of Investments are personal services, operating expenses and expenditures related to the periodic replacement of computer equipment. Additionally, \$637,031 was disbursed, via a statutory appropriation, for debt service requirements related to the state's bonding activity.

There is little uncertainty in forecasting major cost drivers and for the purposes of this analysis it is assumed the division's workload and customer levels will remain constant, although investment portfolios will continue to grow in size. Non-typical and one time only expenses, if any, are subtracted from proposed budgets.

Rate(s) and Rate Explanation:

The Board of Investments recovers its costs from the entities that use its services. Typically, this has been done by requesting a maximum level of expenditures, similar to what occurs in HB 2, and setting the fee at that level. This process has worked very well since the passage of HB 576 in 1995, and this methodology is continued in the 2019 biennium because it provides an easy comparison with historical financial activity.

Authority: 17-5-1504(6), 17-5-1611(5) & (6), 17-5-1621(6), and 17-5-1643(1), MCA

Projected Fund Balance, Including Cash Fluctuations:

At the proposed rates, the board projects a 2019 biennium ending fund balance of approximately \$6.3 million as shown on the Internal Service and Enterprise Funds report.

Working Capital and Fees Commensurate Analysis:

Revenues are typically received on an annual basis, so a substantial working capital balance is required to provide adequate funding for the bond program between draws.

06527 Investment Division - Board of Investments

Revenues & Expenses:

Nearly all investment program revenues are generated from charges to accounts that use its services. The revenue objective of the investment program is to fairly assess the costs of operations while maintaining a reasonable and prudent 60 day working capital reserve.

The Board of Investments does not receive any direct appropriations.

Department of Commerce - 65010

Board of Investments - 75

The major cost drivers within the Board of Investments are personal services, operating expenses, and expenditures related to the periodic replacement of computer equipment.

There is little uncertainty in forecasting major cost drivers, and for the purposes of this analysis it is assumed the division's workload and customer levels will remain constant, although investment portfolios will continue to grow in size. Non-typical and one time only expenses, if any, are subtracted from proposed budgets.

Rate(s) and Rate Explanation:

The Board of Investments recovers its costs from the entities that use its services. Typically, this has been done by requesting a maximum level of expenditures, similar to what occurs in HB 2, and setting the fee at that level. This process has worked very well since the passage of HB 576 in 1995, and this methodology is continued in the 2019 biennium because it provides an easy comparison with historical financial activity.

Changes in Level of Fees and Charges:

The revenue objective of the board is to assess the costs of operations to each portfolio the board invests while attempting to maintain a reasonable and prudent 60 day working capital reserve.

Projected Fund Balance, Including Cash Fluctuations:

At the proposed rates, the board projects a 2019 biennium ending fund balance of approximately \$962,476, as shown on the Internal Service and Enterprise Funds report.

Working Capital and Fees Commensurate Analysis:

Revenues are assessed on a monthly basis, and since collections lag by at least one month, the board must maintain a 60 day working capital reserve to meet ongoing operational expenses.

At the proposed rates, the board projects a fiscal year end 2019 ending working capital reserve of approximately 60 days. All interest earnings on the working capital reserve are distributed to the state general fund.

Department of Commerce - 65010

Board of Investments - 75

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 65010	Agency Name: Department of Commerce			Program Name: Board of Investments		
	Fund	Fund Name				
	06527	Investment Division				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY14	FY15	FY16	FY17	FY18	FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	5,164,248	5,289,816	6,087,180	6,031,846	6,561,455	6,561,455
Fee Revenue B	12	45	200	-	-	-
Total Operating Revenues	5,164,260	5,289,861	6,087,380	6,031,846	6,561,455	6,561,455
Expenses:						
Personal Services						
Other Operating Expenses	2,816,045	3,187,092	3,077,803	3,401,619	3,501,985	3,507,202
Total Operating Expenses	2,225,196	2,107,834	2,340,180	2,424,058	3,217,921	3,038,582
Operating Income (Loss)	123,019	(5,065)	669,397	206,169	(158,451)	15,671
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	123,019	(5,065)	669,397	206,169	(158,451)	15,671
Change in Net Position	123,019	(5,065)	669,397	206,169	(158,451)	15,671
Beginning Net Position - July 1	212,050	280,157	219,876	834,087	1,040,256	881,805
Prior Period Adjustments	(54,912)	(55,216)	(55,186)	-	-	-
Change in Net Position	123,019	(5,065)	669,397	206,169	(158,451)	15,671
Ending Net Position - June 30	280,157	219,876	834,087	1,040,256	881,805	897,476
Net Position (Fund Balance) Analysis						
Unrestricted Net Position	280,157	219,876	834,087	1,040,256	881,805	897,476

Department of Commerce - 65010

Board of Investments - 75

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 65010	Agency Name: Department of Commerce		Program Name: Board of Investments			
	Fund	Fund Name				
	06014	Economic Development Bond				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY14	FY15	FY16	FY17	FY18	FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	809,682	945,386	1,193,688	1,866,530	2,591,121	3,516,873
Other Operating Revenue	-	-	5	-	35,680	35,680
Total Operating Revenues	809,682	945,386	1,193,693	1,866,530	2,626,801	3,552,553
Expenses:						
Personal Services						
Other Operating Expenses	371,864	345,625	390,635	386,563	377,973	378,712
Expense B	149,095	141,949	158,429	174,200	318,474	178,322
Total Operating Expenses	2,032,896	490,477	637,032	1,594,800	1,547,463	2,309,513
Operating Income (Loss)	(1,744,173)	(32,665)	7,597	(289,033)	382,891	686,006
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	(1,744,173)	(32,665)	7,597	(289,033)	382,891	686,006
Transfers In						
Change in Net Position	18,833	29,607	33,981	19,775	35,000	38,000
Beginning Net Position - July 1	(1,725,340)	(3,058)	41,578	(269,258)	417,891	724,006
Ending Net Position - June 30	7,223,483	5,498,143	5,495,085	5,536,663	5,267,405	5,685,296
Change in Net Position	(1,725,340)	(3,058)	41,578	(269,258)	417,891	724,006
Ending Net Position - June 30	5,498,143	5,495,085	5,536,663	5,267,405	5,685,296	6,409,302
Net Position (Fund Balance) Analysis						
Unrestricted Net Position	5,498,143	5,495,085	5,536,663	5,267,405	5,685,296	6,409,302

-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$89,725
FY 2019	\$0	\$95,681

SWPL - 1 - Personal Services -

The budget includes an increase of \$89,725 in FY 2018 and \$95,681 in FY 2019 to annualize various personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Commerce - 65010

Board of Investments - 75

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$100,494
FY 2019	\$0	\$12,660

SWPL - 2 - Fixed Costs -

The request includes an increase of \$100,494 in FY 2018 and \$12,660 in FY 2019 to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$2
FY 2019	\$0	\$74

SWPL - 3 - Inflation Deflation -

This change package includes an increase of \$2 in FY 2018 and \$74 in FY 2019 to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, natural gas, electricity, gasoline, and others.

-----Present Law Adjustments-----

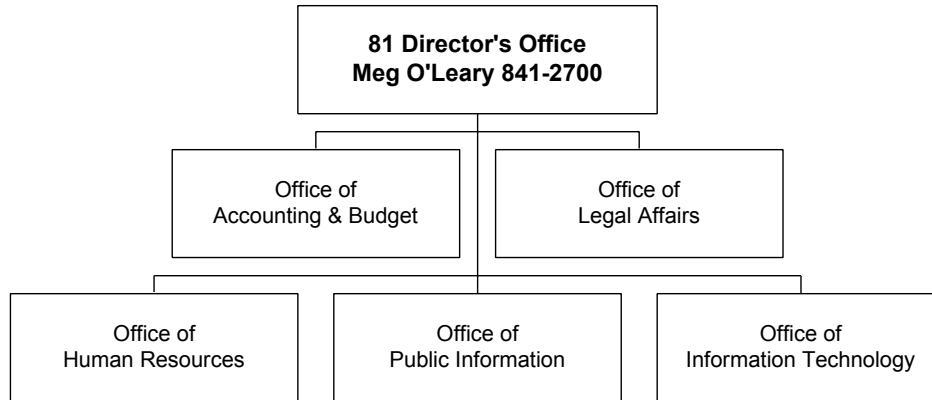
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$873,124
FY 2019	\$0	\$641,395

PL - 7502 - BOI Administrative Costs Adjustments NAPROP -

The budget includes an increase of \$873,124 for FY 2018 and \$641,395 for FY 2019 for consulting and professional services, including legal services, computer hardware, administrative costs, and other expenses. This change package also includes \$250,000 for the 2019 biennium in order to upgrade the division's in-state and INTERCAP loan databases.

Department of Commerce - 65010

Directors Office - 81



Program Proposed Budget	Starting Point Fiscal 2017	Budget Adjustments Fiscal 2018	Total Exec. Budget Fiscal 2018	Budget Adjustments Fiscal 2019	Total Exec. Budget Fiscal 2019	Executive Budget Request 2019 Biennium
FTE	19.00	0.00	19.00	0.00	19.00	
Personal Services	1,766,842	154,970	1,921,812	162,555	1,929,397	3,851,209
Operating Expenses	302,153	13	302,166	86	302,239	604,405
Total Costs	\$2,068,995	\$154,983	\$2,223,978	\$162,641	\$2,231,636	\$4,455,614
Proprietary Funds	2,068,995	154,983	2,223,978	162,641	2,231,636	4,455,614
Total Funds	\$2,068,995	\$154,983	\$2,223,978	\$162,641	\$2,231,636	\$4,455,614

Proprietary Program Description - Fund 06542 Commerce Centralized Services

Program Description:

The Director's Office provides overall leadership, communication, and management support to the Department of Commerce staff, programs, bureaus, divisions and administratively attached boards. The office provides executive, administrative, legal, and policy direction along with offering problem-solving guidance. The office keeps abreast of department related issues and acts in a public relations and informational capacity to ensure a positive image of the department. The office works closely with economic and community development organizations, businesses, communities, governmental entities, elected official and the public to diversify and expand the state's economic base. The office acts as the liaison with private business, local governments, administratively attached boards, public and private interest groups, the legislature, Indian tribes, individuals, other governmental agencies, and the Governor's Office.

The Director's Office also provides effective and efficient internal support to Department of Commerce staff, programs, bureaus, divisions, and administratively attached boards. Services are provided by the Offices of Accounting and Budget, Legal Affairs, Human Resources, Information Technology, and Public Information.

The Director's Office is funded through an internal service fund. The Director's Office responsibilities are mandated primarily in Title 2, Chapter 15 and Title 90, Chapter 1, MCA.

Customers are all divisions, bureaus, programs, and employees of the Department of Commerce. Use of these services is mandated by agency policies and procedures; there are no alternative sources for these services; although the department may contract for legal services from time to time whenever it is most appropriate and cost effective to do so.

There has not been any significant program, service, or customer base change since the last session. The proposed indirect cost rate will fund 19.00 FTE in the 2019 biennium.

Revenues & Expenses:

Department of Commerce - 65010

Directors Office - 81

The Director's Office is funded from charges allocated to all divisions, bureaus, and programs supported by the divisions indirect cost plan. Indirect costs are allocated to supported programs based upon federally calculated, and legislatively approved indirect cost rates applied to actual personal services expenditures.

The Director's Office provides all of the services listed in the program description to all department divisions, bureaus, programs, and employees.

The revenue objective of the Director's Office is to maintain the lowest possible indirect charge to supported divisions, bureaus, and programs, while maintaining a 60 day working capital reserve. The department has historically used this methodology in calculating indirect rates because the federal government requires the same methodology to be used when charging indirect costs to federally funded programs.

The major cost drivers within the Director's Office are personal services, operating expenses, and expenditures related to the periodic replacement of the agency's computer equipment. Factors that contribute to uncertainty in forecasting expenses involve potential legislative actions, since the cost of providing centralized support services is directly related to the number and complexity of the agencies divisions, bureaus, programs, and the number of agency staff served. As agency services and programs increase or decrease, management needs to remain cognizant of staffing requirements and indirect cost rates and make the necessary adjustments when needed.

For the purposes of this analysis, it is assumed the agencies divisions, bureaus, programs, and staff remain constant. Non-typical and one-time-only expenses are subtracted out of the future cost projections before calculating the indirect rate.

Rate(s) and Rate Explanation:

The Director's Office calculates a federal indirect cost rate on an annual basis. This rate is a fixed rate for federally funded programs. This rate is then applied against actual federally funded personal services expenditures within the department.

The federally calculated rate requires that a carry-forward amount be built into the rate. This carry-forward amount represents the amount the office under-recovered or over-recovered in a given fiscal year. This computation compares what was originally calculated to what actually occurred. The difference is then carried forward into the following year's rate.

The indirect cost rate is determined based on guidelines prescribed by the federal government. Additionally, the Director's Office complies with 17-3-111, MCA, which requires agencies to calculate a rate that would recover indirect costs to the greatest extent possible. In order to comply with this statute, the Director's Office has requested a rate that may vary slightly from the annually calculated federal rate. The rate approved by the legislature is considered a cap; therefore, the department cannot impose a rate higher than what has been approved by the legislature. However, the annually calculated federal rate may be slightly lower.

Changes in Level of Fees and Charges:

The requested rates are 2.25% higher than those approved for the 2017 biennium.

Projected Fund Balance, Including Cash Fluctuations:

At the proposed rates, the department projects a 2019 biennium ending fund balance of approximately \$418,680, as shown on the Internal Service and Enterprise Funds report.

Working Capital and Fees Commensurate Analysis:

The Director's Office indirect cost rate is calculated by dividing projected annual expenses, plus a 60 day working capital reserve, by the projected actual personal services expenses of supported divisions, bureaus, and programs. Federally funded programs are allocated indirect costs by an annually calculated indirect cost rate, while state funded programs are allocated indirect costs via a legislatively approved indirect cost rate.

Department of Commerce - 65010

Directors Office - 81

The working capital objective is to recover the costs necessary to fund ongoing operations. A 60 day working capital reserve is needed to meet ongoing operational costs. At the proposed rates, the department projects a fiscal year end 2019 ending working capital reserve of approximately 60 days. All interest earnings on the working capital reserve are distributed to the state general fund.

Administrative Costs Adjustments:

The only present law adjustment is for personal services and overtime.

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 65010	Agency Name: Department of Commerce			Program Name: Directors Office		
	Fund	Fund Name				
	06542	Commerce Centralized Services				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	1,616,871	1,617,375	1,718,418	1,785,872	2,093,323	2,079,502
Fee Revenue B	259	433	125	-	-	-
Total Operating Revenues	1,617,130	1,617,808	1,718,543	1,785,872	2,093,323	2,079,502
Expenses:						
Personal Services						
Other Operating Expenses	1,526,464	1,652,537	1,772,514	1,915,025	1,921,812	1,929,397
Total Operating Expenses	1,797,082	1,958,653	2,084,783	2,217,178	2,223,978	2,231,636
Operating Income (Loss)	(179,952)	(340,845)	(366,240)	(431,306)	(130,655)	(152,134)
Nonoperating Revenues:						
Other Revenue A	334,973	284,882	269,227	302,365	302,365	302,365
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	334,973	284,882	269,227	302,365	302,365	302,365
Income (Loss) Before Contributions and Transfers	155,021	(55,963)	(97,013)	(128,941)	171,710	150,231
Transfers Out						
Change in Net Position	155,021	(1,020)	(503)	-	-	-
Beginning Net Position - July 1	232,730	387,751	330,768	233,046	104,105	275,815
Prior Period Adjustments	-	-	(206)	-	-	-
Change in Net Position	155,021	(56,983)	(97,516)	(128,941)	171,710	150,231
Ending Net Position - June 30	387,751	330,768	233,046	104,105	275,815	426,046
Net Position (Fund Balance) Analysis						
Unrestricted Net Position	387,751	330,768	233,046	104,105	275,815	426,046

Department of Commerce - 65010

Directors Office - 81

-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$4,212
FY 2019	\$0	\$11,797

SWPL - 1 - Personal Services -

The budget includes an increase of \$4,212 in FY 2018 and \$11,797 in FY 2019 to annualize various personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$13
FY 2019	\$0	\$86

SWPL - 3 - Inflation Deflation -

This change package includes an increase of \$13 in FY 2018 and \$86 in FY 2019 to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

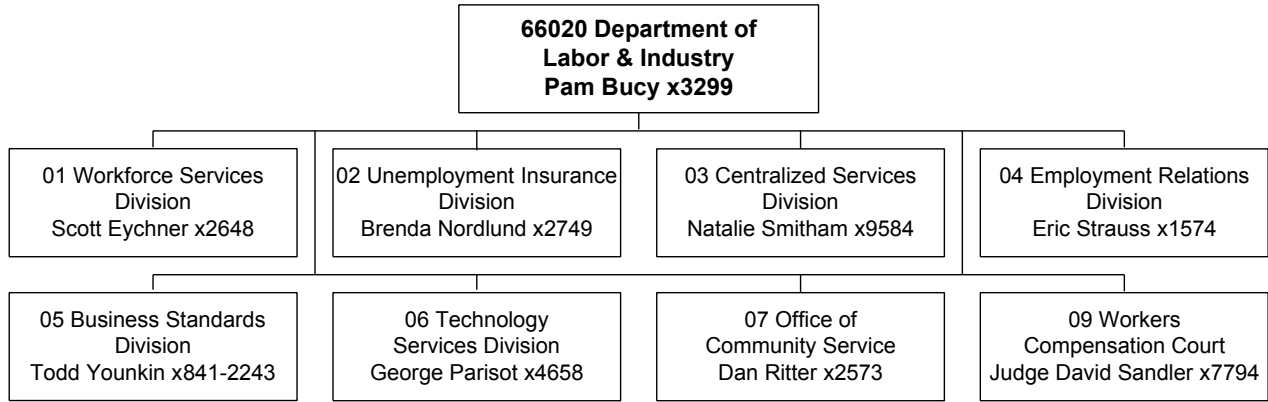
-----Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$150,758
FY 2019	\$0	\$150,758

PL - 8102 - DO Administrative Costs Adjustments NAPROP -

The budget includes an increase of \$150,758 in FY 2018 and FY 2019 for personal services and overtime expenses.

Department of Labor and Industry - 66020



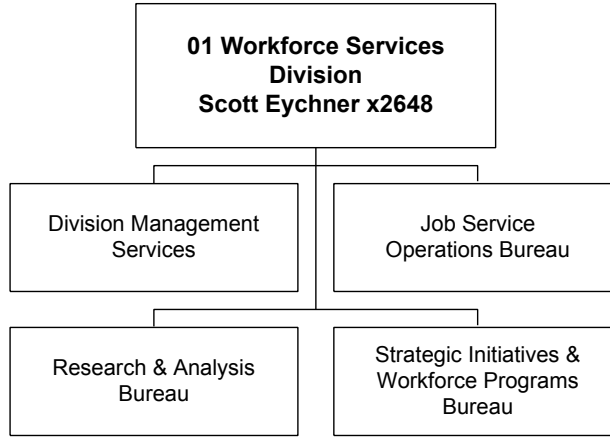
Mission Statement - The purpose of the Department of Labor and Industry is to promote and protect the well-being of Montana's workers, employers, and citizens, and to uphold their rights and responsibilities.

Statutory Authority - Primarily Titles 18, 30, 37, 39, 49, 50, and 90, MCA, and the federal Corporation for National Service.

Agency Proposed Budget	Total Exec. Budget Fiscal 2018	Total Exec. Budget Fiscal 2019	Total Exec. Budget 2019 Biennium
Budget Item			
FTE	108.75	108.75	
Personal Services	9,129,094	9,161,127	18,290,221
Operating Expenses	8,366,734	8,208,465	16,575,199
Benefits & Claims	135,712,124	135,712,124	271,424,248
Transfers	25,048	25,048	50,096
Debt Service	12,623	12,623	25,246
Total Costs	\$153,245,623	\$153,119,387	\$306,365,010
Proprietary Funds	153,245,623	153,119,387	306,365,010
Total Funds	\$153,245,623	\$153,119,387	\$306,365,010

Department of Labor and Industry - 66020

Workforce Services Division - 01



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2017	Adjustments	Exec. Budget	Adjustments	Exec. Budget	Budget Request
		Fiscal 2018	Fiscal 2018	Fiscal 2019	Fiscal 2019	2019 Biennium
Operating Expenses	8,161	0	8,161	0	8,161	16,322
Total Costs	\$8,161	\$0	\$8,161	\$0	\$8,161	\$16,322
Proprietary Funds	8,161	0	8,161	0	8,161	16,322
Total Funds	\$8,161	\$0	\$8,161	\$0	\$8,161	\$16,322

Proprietary Program Description - Fund 06051 - Montana Career Info System Program Description

The Montana Career Information System (MCIS) has been active in Montana since 1980. The purpose of MCIS is to deliver current career and labor market information to Montanans in an easy-to-use and easy-to-understand format. This is the only career information delivery system in the country that has specific Montana labor market information included in each file. MCIS is currently being funded by a College Access Challenge Grant for a wide variety of users: job service offices, vocational rehabilitation offices, high schools, community colleges, universities, tribal colleges, educational and training agencies, home use, and adult education programs. When the grant ends, MCIS will need to seek other funding or resort back to license fees for the basic system. There are currently optional components of MCIS not funded by the grant such as IDEAS (an interest inventory), Peterson Practice Tests, and Dependable Strengths that requires the program to collect fees associated with each optional component.

Revenues and Expenses

The expenses of the proprietary program are limited to the operational expenses of the optional features. These are typically site specific licensing fees. Revenue is generated through fees for purchase of a one-year optional component license. The department collects the fees from the sites purchasing the license/assessment, and then pays those fees to the service provider on a 1:1 ratio.

Rates and Rate Explanation

- IDEAS Assessment: \$100 per site license, per year
- Dependable Strengths: \$200 per site license, per year
- Peterson's Academic Practice Tests: \$225 per site, per practice test package
- Peterson's Civil Service Practice Test Package \$175 per site

Department of Labor and Industry - 66020

Workforce Services Division - 01

Changes in Level of Fees and Charges

Through the 2013-1014 school year, the Department of Labor and Industry paid for IDEAS assessment licensing for sites who wished to use it but starting with the 2014 school year, the department no longer pays for that fee. The change in activity in this account reflects that change.

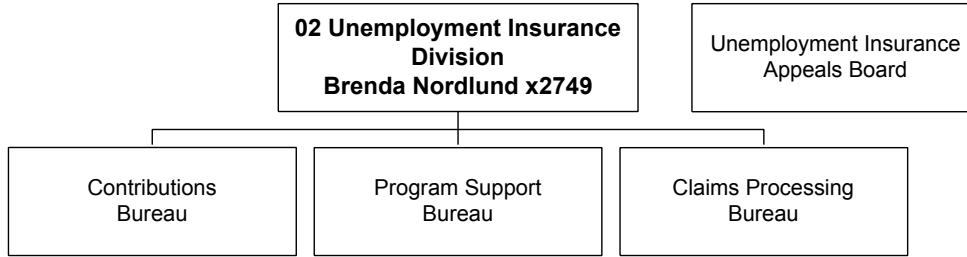
Projected Fund Balance, Including Cash Fluctuations

Other than a small balance existing due to the timing of collection/paying of fees into and out of the account, this account is not projected to run a fund balance.

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 66020	Agency Name: Department of Labor and Industry			Program Name: Workforce Services Division		
	Fund	Fund Name				
	06051	Montana Career Info System				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY14	FY15	FY16	FY17	FY18	FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	437	4,653	3,888	8,161	8,161	8,161
Total Operating Revenues	437	4,653	3,888	8,161	8,161	8,161
Expenses:						
Other Operating Expenses	8,162	3,250	3,150	8,161	8,161	8,161
Total Operating Expenses	8,162	3,250	3,150	8,161	8,161	8,161
Operating Income (Loss)	(7,725)	1,403	738	-	-	-
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	(7,725)	1,403	738	-	-	-
Change in Net Position	(7,725)	1,403	738	-	-	-
Beginning Net Position - July 1	10,318	2,593	3,996	4,734	4,734	4,734
Change in Net Position	(7,725)	1,403	738	-	-	-
Ending Net Position - June 30	2,593	3,996	4,734	4,734	4,734	4,734
Net Position (Fund Balance) Analysis						

Department of Labor and Industry - 66020

Unemployment Insurance Division - 02



Program Proposed Budget	Starting Point Fiscal 2017	Budget Adjustments Fiscal 2018	Total Exec. Budget Fiscal 2018	Budget Adjustments Fiscal 2019	Total Exec. Budget Fiscal 2019	Executive Budget Request 2019 Biennium
Budget Item						
Benefits & Claims	134,208,796	0	134,208,796	0	134,208,796	268,417,592
Total Costs	\$134,208,796	\$0	\$134,208,796	\$0	\$134,208,796	\$268,417,592
Proprietary Funds	134,208,796	0	134,208,796	0	134,208,796	268,417,592
Total Funds	\$134,208,796	\$0	\$134,208,796	\$0	\$134,208,796	\$268,417,592

Proprietary Program Description - Fund 06069 - UI Tax Benefit Fund

Program Description

The Department of Labor and Industry (DLI) collects the contributions paid by employers, based on their industry or individual experience rate, to pay for their Unemployment Insurance. DLI expends the funds by paying Unemployment Insurance benefit claims.

Revenues and Expenses

The revenues received in the proprietary fund are from unemployment insurance tax collections, federal reimbursement for claims on federal employees, military personnel, claimants in other states, and interest earnings to the Unemployment Insurance Trust Fund. The expenditures are unemployment insurance benefits paid to claimants while unemployed, including federal withholding tax and child support payments the claimants have elected to be taken out of the benefit check.

Rates and Rate Explanation

The Unemployment Insurance Division administers the state unemployment insurance law. There is no proprietary rate but a collection of contributions from employers that are used to pay the unemployment insurance benefits to claimants who have involuntarily become unemployed.

Department of Labor and Industry - 66020

Unemployment Insurance Division - 02

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information

	Actual FY 14	Actual FY 15	Actual FY 16	Budgeted FY 17	Budgeted FY 18	Budgeted FY 19
Fee Description:						
Unemployment Insurance Premiums	157,284,437	145,509,239	114,571,753	97,599,000	114,635,000	118,027,000
Investment Earnings	4,985,071	6,206,824	6,813,202	6,828,000	6,872,000	6,916,000
39-51-1217, MCA, sets the rate which the employers are charged contributions for the purpose of paying Unemployment Insurance Benefits.						

Changes in Level of Fees and Charges

Section 39-51-1217, MCA, sets the rate at which the employers contributions are charged for the purpose of paying Unemployment Insurance Benefits.

Projected Fund Balance, Including Cash Fluctuations

The net position is restricted for use only by the Unemployment Insurance Division for allowable operating expenses.

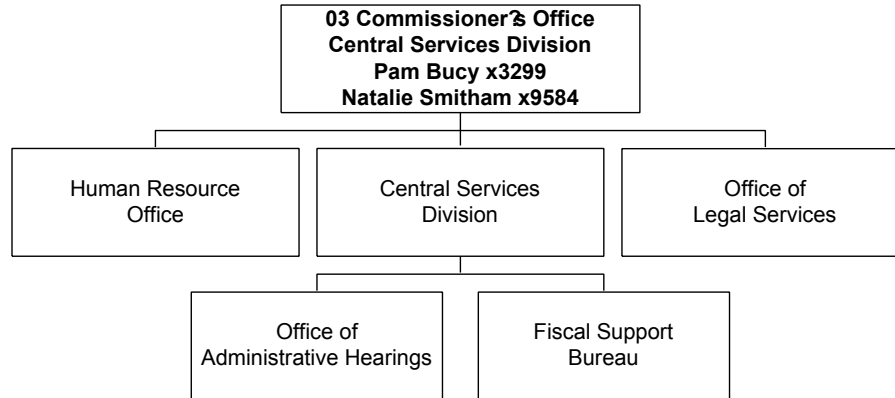
Department of Labor and Industry - 66020

Unemployment Insurance Division - 02

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 66020	Agency Name: Department of Labor and Industry			Program Name: Unemployment Insurance Division		
	Fund	Fund Name				
	06069	UI Tax Benefit Fund				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Other Operating Revenue	186,893,676	164,819,630	135,269,318	117,827,000	134,907,000	138,343,000
Total Operating Revenues	186,893,676	164,819,630	135,269,318	117,827,000	134,907,000	138,343,000
Expenses:						
Other Operating Expenses	136,174,297	112,951,782	119,087,623	117,000,000	117,000,000	117,000,000
Total Operating Expenses	136,174,297	112,951,782	119,087,623	117,000,000	117,000,000	117,000,000
Operating Income (Loss)	50,719,379	51,867,848	16,181,695	827,000	17,907,000	21,343,000
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	50,719,379	51,867,848	16,181,695	827,000	17,907,000	21,343,000
Change in Net Position	50,719,379	51,867,848	16,181,695	827,000	17,907,000	21,343,000
Beginning Net Position - July 1	179,686,756	230,406,135	282,273,983	298,455,678	299,282,678	317,189,678
Change in Net Position	50,719,379	51,867,848	16,181,695	827,000	17,907,000	21,343,000
Ending Net Position - June 30	230,406,135	282,273,983	298,455,678	299,282,678	317,189,678	338,532,678
Net Position (Fund Balance) Analysis						

Department of Labor and Industry - 66020

Commissioner's Office - 03



Program Proposed Budget	Starting Point Fiscal 2017	Budget Adjustments Fiscal 2018	Total Exec. Budget Fiscal 2018	Budget Adjustments Fiscal 2019	Total Exec. Budget Fiscal 2019	Executive Budget Request 2019 Biennium
Budget Item						
FTE	53.75	0.00	53.75	0.00	53.75	
Personal Services	5,378,097	(815,529)	4,562,568	(798,771)	4,579,326	9,141,894
Operating Expenses	2,661,090	(333,016)	2,328,074	(491,173)	2,169,917	4,497,991
Transfers	0	0	0	0	0	0
Debt Service	6,075	0	6,075	0	6,075	12,150
Total Costs	\$8,045,262	(\$1,148,545)	\$6,896,717	(\$1,289,944)	\$6,755,318	\$13,652,035
Proprietary Funds	8,045,262	(1,148,545)	6,896,717	(1,289,944)	6,755,318	13,652,035
Total Funds	\$8,045,262	(\$1,148,545)	\$6,896,717	(\$1,289,944)	\$6,755,318	\$13,652,035

Proprietary Program Description - Fund 06546 - Commissioner's Office/CSD

Program Description

Supportive services provided by the Commissioner's Office and Centralized Services Division are funded through an indirect cost rate whereby the department programs are assessed a percentage of their personal services costs.

Revenues and Expenses

Major expenses for this program consist of the personal services costs for the Commissioner's Office Staff, Centralized Services Division Administrator, Fiscal Support Bureau, and Office of Human Resources. Other expenses of this program include department-wide fixed costs such as the SWCAP, Legislative Audit fees, and HRIS service fees; charges for Legal services that benefit the entire department; and charges for IT applications that benefit the entire department. This rate funds 33.00 FTE.

This fund is collected via an indirect cost rate that is charged against department personal services expenses. The services provided in exchange for this fee include: human resources, accounting, budgeting, payroll processing, mail processing, and other department-wide management and administration.

The department is not requesting an increase in the rate of 8.00%.

Rates and Rate Explanation

The rate requested, 8.00%, is an indirect cost rate, assessed on personal services expenses. It is calculated by dividing the total anticipated expenses of the program by the total anticipated personal services expenses of remainder of the department,

Department of Labor and Industry - 66020

Commissioner's Office - 03

resulting in a percentage rate. When calculating the rate, the numerator (total anticipated expenses of the program) can be increased or decreased to account for over or under collections in previous years.

After each pay period, the rate is multiplied by the personal services expenses of each funding source, and the resulting fee is collected. The fee is referred to as the cost allocation plan (CAP) rate.

The rate charged must be approved each fiscal year by the department's Federal Cost Negotiator. The actual rate charged can differ from the requested rate due to the fact that estimates can be more accurate with more current data. Historically, the rate actually charged has been less than the legislatively approved rate.

Requested Rates for Internal Service Funds Fee/Rate Information						
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Fee Description:	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

Changes in Level of Fees and Charges

The department is not requesting an increase in the rate of 8.00%.

Projected Fund Balance, Including Cash Fluctuations

The department does not have any obligations to reserve fund balance. Management's objective is to maintain the existing fund balance.

Working Capital and Fees Commensurate Analysis

The fund is allowed to maintain up to a 60 day working capital. The program strives to maintain a cash balance that is adequate to allow the fund to maintain a positive cash balance (to support expenses that are incurred before revenue collection occurs) as well as to maintain a reserve in case of unexpected or emergency expenses. The department is striving to keep rates consistent for divisions while maintaining a sufficient working capital.

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Commissioner's Office - 03

2019 Internal Service Fund Working Capital and Fees Commensurate Analysis

Fund	Fund Name	Agency #	Agency Name	Program Name
06546	Commissioner's Office/CSD	66020	Labor & Industry	Centralized Services

	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Cash Available for Fund Operations (Working Capital)						
Current Assets	633,132	555,808	633,847			
Less Current Liabilities	(274,234)	(291,228)	(344,459)			
Working Capital (WC)	358,898	264,581	289,388	363,764	477,008	751,502
Cash Required for Fund Operations						
60 Days Operations Expense	606,631	657,878	647,217	718,981	704,159	679,300
Difference	(247,733)	(393,297)	(357,830)	(355,217)	(227,151)	72,202

Fund 06552 - Admin Services

Program Description

The Office of Legal Services provides legal assistance to the department's six programs and two administratively attached entities, whereby an hourly rate for attorney fees is established. Revenues generated fund 20.75 FTE.

Revenues and Expenses

Expenses of the fund are comprised of salaries and overhead costs of agency Legal staff. The fee is designed to collect enough cash to cover these expenses, as well as to maintain an appropriate working capital balance.

Rates and Rate Explanation

The rate to be charged is a direct hourly rate, charged to each division based on number of hours of legal service they receive. It is calculated by dividing the total anticipated costs of the Office of Legal Services by the anticipated number of direct hours to be charged by the program. The rate proposed may vary from the actual rate charged if more accurate information regarding cost estimates or anticipated number of direct hours becomes available.

Requested Rates for Internal Service Funds Fee/Rate Information						
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Fee Description:	\$95/hour	\$95/hour	\$103/hour	\$103/hour	\$103/hour	\$103/hour

Department of Labor and Industry - 66020

Commissioner's Office - 03

Changes in Level of Fees and Charges

There are no significant changes to the methodology for calculating the rate for the Office of Legal Services from the last biennium.

Projected Fund Balance, Including Cash Fluctuations

Net Position: The program does not have any requirement to reserve a fund balance.

Cash Flow: Revenue collection for the fund typically happens on a monthly basis. It is necessary for the fund to maintain enough cash to support any payroll expenses that post during that month, as well as any operating or overhead costs that are paid.

Working Capital and Fees Commensurate Analysis

As mentioned above, the department needs to maintain working capital balances sufficient to process any payroll that posts within a month's time (the amount of time between revenue collections), as well as any operating or overhead costs that are paid during that month. Typically this requires at least 30 days of working capital. The department monitors revenue, expenses, and cash in the fund on a regular basis to ensure that fees are commensurate with costs. If fees appear to be too high, a refund is issued or the rate decreased. Likewise, if the fee appears to be too low, expenses are cut, or a fee increase is requested. The department is striving to keep rates consistent for divisions while maintaining a sufficient working capital.

2019 Internal Service Fund								
Working Capital and Fees Commensurate Analysis								
Fund	Fund Name	Agency #	Agency Name	Program Name				
06552	Office of Legal Services	66020	Labor & Industry	Centralized Services				
			Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Cash Available for Fund Operations (Working Capital)								
	Current Assets		188,983	136,652	382,234			
	Less Current Liabilities		(229,002)	(230,779)	(258,410)			
	Working Capital (WC)		(40,018)	(94,127)	123,824	141,786	141,786	141,786
Cash Required for Fund Operations								
	60 Days Operations Expense		393,162	366,634	363,599	420,335	439,194	440,469
	Difference		(433,180)	(460,761)	(239,775)	(278,549)	(297,408)	(298,683)

Department of Labor and Industry - 66020

Commissioner's Office - 03

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 66020	Agency Name: Department of Labor and Industry			Program Name: Commissioner's Office		
	Fund	Fund Name				
	06552	Admin Services				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Revenue A	2,421,572	2,185,356	2,452,325	2,575,000	2,671,765	2,679,518
Total Operating Revenues	2,421,572	2,185,356	2,452,325	2,575,000	2,671,765	2,679,518
Expenses:						
Personal Services						
Other Operating Expenses	396,264	377,593	391,740	624,643	621,354	621,624
Total Operating Expenses	2,391,737	2,230,356	2,211,892	2,557,038	2,671,765	2,679,518
Operating Income (Loss)	29,835	(45,000)	240,433	17,962	-	-
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	29,835	(45,000)	240,433	17,962	-	-
Change in Net Position	29,835	(45,000)	240,433	17,962	-	-
Beginning Net Position - July 1	(50,595)	(20,760)	(65,760)	174,673	192,635	192,635
Change in Net Position	29,835	(45,000)	240,433	17,962	-	-
Ending Net Position - June 30	(20,760)	(65,760)	174,673	192,635	192,635	192,635
Net Position (Fund Balance) Analysis						

Department of Labor and Industry - 66020

Commissioner's Office - 03

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 66020	Agency Name: Department of Labor and Industry		Program Name: Commissioner's Office			
	Fund	Fund Name				
	06546	Commissioner's Office/CSD				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A						
	3,476,228	3,845,228	3,942,589	4,388,262	4,338,196	4,350,294
Total Operating Revenues	3,476,228	3,845,228	3,942,589	4,388,262	4,338,196	4,350,294
Expenses:						
Personal Services						
Other Operating Expenses						
	2,135,509	2,446,051	2,373,239	2,591,538	2,512,157	2,521,432
Total Operating Expenses	3,639,786	3,947,269	3,883,305	4,313,886	4,224,952	4,075,800
Operating Income (Loss)	(163,558)	(102,041)	59,284	74,376	113,244	274,494
Nonoperating Revenues:						
Other Revenue A						
	287	967	1,366	-	-	-
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	287	967	1,366	-	-	-
Income (Loss) Before Contributions and Transfers	(163,271)	(101,074)	60,650	74,376	113,244	274,494
Change in Net Position	(163,271)	(101,074)	60,650	74,376	113,244	274,494
Beginning Net Position - July 1	426,636	236,013	134,939	195,589	269,965	383,209
Prior Period Adjustments	(27,352)	-	-	-	-	-
Change in Net Position	(163,271)	(101,074)	60,650	74,376	113,244	274,494
Ending Net Position - June 30	236,013	134,939	195,589	269,965	383,209	657,703
Net Position (Fund Balance) Analysis						

-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$815,529)
FY 2019	\$0	(\$798,771)

SWPL - 1 - Personal Services -

The budget includes adjustments to annualize various personal services costs include FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

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Commissioner's Office - 03

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$16,612
FY 2019	\$0	(\$141,774)

SWPL - 2 - Fixed Costs -

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$372
FY 2019	\$0	\$601

SWPL - 3 - Inflation Deflation -

This change package includes funding to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, natural gas, electricity, gasoline, and others.

-----Present Law Adjustments-----

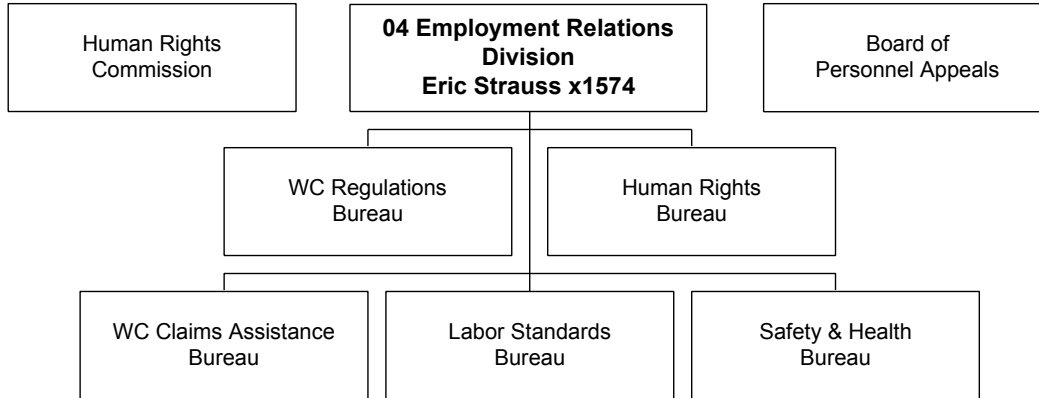
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$350,000)
FY 2019	\$0	(\$350,000)

PL - 3001 - CAP Decrease -

The request includes a reduction of \$350,000 in FY 2018 and \$350,000 in FY 2019 to align appropriation authority with anticipated expenses.

Department of Labor and Industry - 66020

Employment Relations Division - 04



Program Proposed Budget	Starting Point Fiscal 2017	Budget Adjustments Fiscal 2018	Total Exec. Budget Fiscal 2018	Budget Adjustments Fiscal 2019	Total Exec. Budget Fiscal 2019	Executive Budget Request 2019 Biennium
Benefits & Claims	1,503,328	0	1,503,328	0	1,503,328	3,006,656
Transfers	25,048	0	25,048	0	25,048	50,096
Total Costs	\$1,528,376	\$0	\$1,528,376	\$0	\$1,528,376	\$3,056,752
Proprietary Funds	1,528,376	0	1,528,376	0	1,528,376	3,056,752
Total Funds	\$1,528,376	\$0	\$1,528,376	\$0	\$1,528,376	\$3,056,752

Proprietary Program Description - Fund 06040 - Subsequent Injury Trust Fund

Program Description

The Subsequent Injury Fund (SIF) was established in 1973 to assist disabled persons in becoming employed by offering a financial incentive to the employers who hire them. In the event a SIF certified individual is injured on the job, their employer's workers' compensation carrier is only liable for the first 104 weeks of benefits paid. Any benefits paid after that point are reimbursed by the fund, thus minimizing the workers' compensation expenses for the employer. Beginning July 1, 1999, the fund is maintained by an annual assessment of all Montana Workers' Compensation insurers, including self-insured employers, private insurers, and the Montana State Fund.

Revenues and Expenses

The expenses of the program consist of the administration costs and benefits for certified workers. The program is funded through an annual assessment on Plan 1 (Self-Insured) workers' compensation employers and a surcharge on premium for Plan 2 (Private sector) and Plan 3 (Montana State Fund) employers. The assessment is based on a percentage of the compensation and medical benefits paid in Montana by each insurer the preceding calendar year (39-71-915, MCA).

Rates and Rate Explanation

The Subsequent Injury Fund rate is set by the Employment Relations Division based on the total amount of paid losses reimbursed by the fund in the preceding year. Because the rate is based upon the previous years' experience, future rates beyond one year are unknown. This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund.

Department of Labor and Industry - 66020

Employment Relations Division - 04

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information

	Actual FY 14	Actual FY 15	Actual FY 16	Budgeted FY 17	Budgeted FY 18	Budgeted FY 19
<i>Admin Assessment and Surcharge</i>						
Plan I - Insureds (Admin cots & benefits paid to certified claimants)	216,751	126,127	319,065	345,000	345,000	345,000
Plan III - Old Insureds (Admin cots & benefits paid to certified claimants)	25,595	13,029	45,035	45,000	45,000	45,000
Plan II & III - (surcharge) (Admin cots & benefits paid to certified claimants)	775,758	1,258,201	763,651	1,610,000	860,000	860,000
The rates are based on the four Workers' Compensation (WC) insurance plans' share of the WC market as compared to the net outlay of the Subsequent Injury Fund (SIF) in a calendar year.						

Projected Fund Balance, Including Cash Fluctuations

The Subsequent Injury Fund cash balance fluctuates throughout each fiscal year. The revenue to the fund comes during five time periods throughout the year. Expenses are paid out when claims are submitted to the department, as long as there are sufficient monies available in the fund to cover those expenses. There is no requirement for the fund to have a reserve balance. If the fund doesn't have enough monies to cover the submitted claims, those claims are placed on hold until the fund has a positive fund balance.

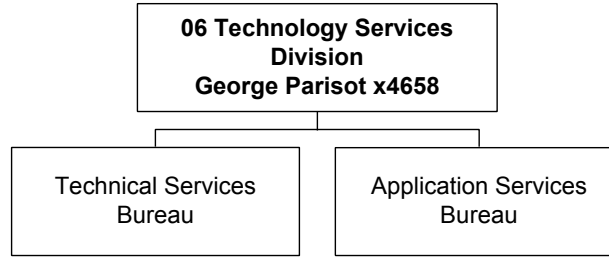
Department of Labor and Industry - 66020

Employment Relations Division - 04

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 66020	Agency Name: Department of Labor and Industry			Program Name: Employment Relations Division		
	Fund	Fund Name				
	06040	Subsequent Injuiiry-Trust Fund				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Fee Revenue A	1,018,105	1,397,357	1,127,751	2,000,000	1,250,000	1,250,000
Revenue A	53	344	1,524	1,000	1,000	1,000
Revenue B	-	1	6	-	-	-
Revenue C	302	395	-	-	-	-
Total Operating Revenues	1,018,460	1,398,097	1,129,281	2,001,000	1,251,000	1,251,000
Expenses:						
Other Operating Expenses	689,262	817,818	1,333,320	1,503,328	1,503,328	1,503,328
Total Operating Expenses	689,262	817,818	1,333,320	1,503,328	1,503,328	1,503,328
Operating Income (Loss)	329,198	580,279	(204,039)	497,672	(252,328)	(252,328)
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	329,198	580,279	(204,039)	497,672	(252,328)	(252,328)
Transfers Out	(37,843)	(41,570)	(39,120)	(25,048)	(25,048)	(25,048)
Change in Net Position	291,355	538,709	(243,159)	472,624	(277,376)	(277,376)
Beginning Net Position - July 1	(3,484,168)	(3,192,813)	(2,654,104)	(2,896,415)	(2,423,791)	(2,701,167)
Prior Period Adjustments	-	-	848	-	-	-
Change in Net Position	291,355	538,709	(243,159)	472,624	(277,376)	(277,376)
Ending Net Position - June 30	(3,192,813)	(2,654,104)	(2,896,415)	(2,423,791)	(2,701,167)	(2,978,543)
Net Position (Fund Balance) Analysis						

Department of Labor and Industry - 66020

Technology Services Division - 06



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2017	Adjustments	Exec. Budget	Adjustments	Exec. Budget	Budget Request
		Fiscal 2018	Fiscal 2018	Fiscal 2019	Fiscal 2019	2019 Biennium
FTE	55.00	0.00	55.00	0.00	55.00	
Personal Services	4,811,691	(245,165)	4,566,526	(229,890)	4,581,801	9,148,327
Operating Expenses	6,059,545	(29,046)	6,030,499	(29,158)	6,030,387	12,060,886
Debt Service	6,548	0	6,548	0	6,548	13,096
Total Costs	\$10,877,784	(\$274,211)	\$10,603,573	(\$259,048)	\$10,618,736	\$21,222,309
Proprietary Funds	10,877,784	(274,211)	10,603,573	(259,048)	10,618,736	21,222,309
Total Funds	\$10,877,784	(\$274,211)	\$10,603,573	(\$259,048)	\$10,618,736	\$21,222,309

Proprietary Program Description - 06568 – Technical and Application Services

Program Description

Supportive services provided by the Technology Services Division are funded through indirect cost rates. In order to spread costs equitably, rates have been pooled by function. The rate for technical services is assessed based on division FTE. The rate for application services is assessed based on a direct hourly charge to the benefiting division.

Revenues and Expenses

The major expense for this fund consists of the personal services and operating costs for 55.00 FTE in the Technology Services Division. Revenue for this fund is collected via two separate indirect cost rates. These two rates are collected from all other divisions in the department. The services provided in exchange for this fee include: technical services, network services, help desk, project management, and application services including computer programming and database management.

The Technical Services Rate is an indirect cost rate of \$256, assessed monthly per department FTE. It is calculated by dividing the total anticipated expenses of the program by the total FTE per month, resulting in a per FTE cost. When calculating the rate, the numerator (total anticipated expenses of the program) can be increased or decreased to account for over or under collections in previous years. Once a month, the rate is multiplied by FTE by bureau and the resulting fee is collected.

For the Application Services rate, a time distribution system was designed for programming staff to directly charge regular hours to the benefiting subsystem or division. The Application Services Rate of \$84 is an indirect rate, assessed monthly on direct regular hours charged by application services staff. It is calculated by dividing the total anticipated expenses of the program by the total anticipated annual hours resulting in a per hour cost.

The rates charged must be approved each fiscal year by the United States Department of Labor Federal Cost Negotiator. The actual rate charged can differ from the requested rate due to the fact that estimates can be more accurate as more recent data becomes available.

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Technology Services Division - 06

Rate(s) and Rate Explanation

The Technical Services Rate is an indirect cost rate of \$256, assessed monthly per department FTE. It is calculated by dividing the total anticipated expenses of the program by the total FTE per month, resulting in a per FTE cost. When calculating the rate, the numerator (total anticipated expenses of the program) can be increased or decreased to account for over or under collections in previous years. Once a month the rate is multiplied by FTE by bureau and the resulting fee is collected.

The Application Services Rate of \$84 is an indirect rate, assessed monthly on direct regular hours charged by application services staff. It is calculated by dividing the total anticipated expenses of the program by the total anticipated annual hours resulting in a per hour cost.

Requested Rates for Internal Service Funds Fee/Rate Information						
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
<i>Fee Description:</i>						
Application Hourly Rate			\$ 84	\$ 84	\$ 84	\$ 84
Technical Services Rate	\$ 92	\$ 192	\$ 256	\$ 256	\$ 256	\$ 256

Changes in Level of Fees and Charges

The department is not requesting any change in fees or charges.

Projected Fund Balance, Including Cash Fluctuations

The department does not have any obligations to reserve fund balance. Management's objective is to maintain the existing fund balance.

Working Capital and Fees Commensurate Analysis

The fund is allowed to maintain up to a 60 day working capital. The program strives to maintain a cash balance that is adequate to allow the fund to maintain a positive cash balance (to support expenses that are incurred before revenue collection occurs) as well as to maintain a reserve in case of unexpected or emergency expenses. The current proposed plan allows for collection of a 36 day working capital in FY 2018 and a 49 day working capital in FY 2019. When the department changed the rates in FY 2016 it was agreed to allow for a gradual increase to the 60 day working capital. The department is striving to keep rates consistent for Divisions while maintaining a sufficient working capital.

Department of Labor and Industry - 66020

Technology Services Division - 06

2019 Internal Service Fund Working Capital and Fees Commensurate Analysis

Fund	Fund Name	Agency #	Agency Name	Program Name
06568	Technical Services	66020	Department of Labor & Industry	Technology Services

	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Cash Available for Fund Operations (Working Capital)						
Current Assets	277,841	225,505	1,079,323			
Less Current Liabilities	(237,756)	(277,206)	(505,165)			
Working Capital (WC)	40,086	(51,701)	574,158	324,012	539,276	739,377
Cash Required for Fund Operations						
60 Days Operations Expense	358,447	368,688	815,372	966,964	921,263	923,790
Difference	(318,361)	(420,389)	(241,214)	(642,952)	(381,986)	(184,413)

06578 – Technical Services Direct

Program Description

This fund has two rates that are direct pass thru costs to the department divisions. The rate for enterprise services provided by State Information Technology Services Division (SITSD) is allocated on total cost by division FTE. The other direct rate is for actual cost of contracted and SITSD services that are directly attributable to a specific division.

Revenues and Expenses

The major expense for this fund consists of pass thru costs. The Enterprise Services rate is all SITSD charges that directly benefit the department as a whole. Those total costs are distributed based on department FTE. The direct rate includes actual expenditures that can be identified as directly benefiting a specific program such as contracts and SITSD services.

Rate(s) and Rate Explanation

The Enterprise Services Rate is calculated on specific SITSD services that benefit the department as a whole. The total budgeted SITSD rate for a portion of Asset Broker, Enterprise Services, Equipment Hosting, Operational Support, Server, and Storage hosting services are allocated back to divisions based on FTE percentages.

The Direct Services Rate is calculated on all other SITSD services and department contracted services and allocated back to the benefiting division based on actual expenditures.

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Technology Services Division - 06

Requested Rates for Internal Service Funds Fee/Rate Information						
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Fee Description:						
Enterprise Rate			\$ 876,310	\$ 968,791	\$ 819,755	\$ 819,755
Direct Actuals Rate + 0%						

Changes in Level of Fees and Charges

The department is not requesting any increases but is requesting a change from a fixed dollar amount on the direct pass thru to actuals plus 0%. This change will allow us to charge actual expenses to the Technology Services Division when we receive unanticipated grants.

Projected Fund Balance, Including Cash Fluctuations

The department does not have any obligations to reserve fund balance. Management's objective is to maintain the existing fund balance.

Working Capital and Fees Commensurate Analysis

The fund is a direct pass thru and does not maintain a working capital.

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Technology Services Division - 06

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 66020	Agency Name: Department of Labor and Industry			Program Name: Technology Services Division		
	Fund	Fund Name				
	06568	Technical Services				
	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Other Operating Revenue						
	2,070,990	2,070,904	5,634,664	5,551,640	5,742,839	5,742,839
Total Operating Revenues	2,070,990	2,070,904	5,634,664	5,551,640	5,742,839	5,742,839
Expenses:						
Personal Services						
Other Operating Expenses						
	1,560,023	1,518,421	3,999,859	4,811,691	4,566,526	4,581,801
	590,656	693,708	892,373	990,095	961,049	960,937
Total Operating Expenses	2,150,679	2,212,129	4,892,232	5,801,786	5,527,575	5,542,738
Operating Income (Loss)	(79,689)	(141,225)	742,432	(250,146)	215,264	200,101
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	(79,689)	(141,225)	742,432	(250,146)	215,264	200,101
Transfers Out						
	-	-	(2,771)	-	-	-
Change in Net Position	(79,689)	(141,225)	739,661	(250,146)	215,264	200,101
Beginning Net Position - July 1	189,355	106,339	(34,886)	704,775	454,629	669,893
Prior Period Adjustments	(3,327)	-	-	-	-	-
Change in Net Position	(79,689)	(141,225)	739,661	(250,146)	215,264	200,101
Ending Net Position - June 30	106,339	(34,886)	704,775	454,629	669,893	869,994
Net Position (Fund Balance) Analysis						
Unrestricted Net Position	106,338	(34,887)	707,545	457,399	672,664	872,765

Department of Labor and Industry - 66020

Technology Services Division - 06

2019 Biennium Report on Internal Service and Enterprise Funds						
Agency # 66020	Agency Name: Department of Labor and Industry			Program Name: Technology Services Division		
	Fund	Fund Name				
	06578	Technical Services Direct				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY14	FY15	FY16	FY17	FY18	FY19
Operating Revenues:						
Fee and Charges						
Revenue A						
	-	-	4,937,977	5,075,998	5,075,998	5,075,998
Total Operating Revenues	-	-	4,937,977	5,075,998	5,075,998	5,075,998
Expenses:						
Other Operating Expenses						
	-	-	4,937,977	5,075,998	5,075,998	5,075,998
Total Operating Expenses	-	-	4,937,977	5,075,998	5,075,998	5,075,998
Operating Income (Loss)	-	-	-	-	-	-
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	-	-	-	-	-	-
Change in Net Position	-	-	-	-	-	-
Change in Net Position	-	-	-	-	-	-
Ending Net Position - June 30	-	-	-	-	-	-
Net Position (Fund Balance) Analysis						

-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$245,165)
FY 2019	\$0	(\$229,890)

SWPL - 1 - Personal Services -

The budget includes reductions of \$245,165 in FY 2018 and \$229,890 in FY 2019 to annualize various personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Labor and Industry - 66020

Technology Services Division - 06

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	(\$29,048)
FY 2019	\$0	(\$29,152)

SWPL - 2 - Fixed Costs -

The request includes a reduction of \$29,048 in FY 2018 and \$29,152 in FY 2019 to reduce the funding required in the budget to pay decreases for the Technology Services Division in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2018	\$0	\$2
FY 2019	\$0	(\$6)

SWPL - 3 - Inflation Deflation -

This change package includes an increase of \$2 in FY 2018 and a reduction of \$6 in FY 2019 to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, natural gas, electricity, gasoline, and others.