Judiciary-2110
Law Library-03

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	56,438	0	0	56,438	0	0	56,438
Total Costs	**$56,438**	**$0**	**$0**	**$56,438**	**$0**	**$0**	**$56,438**
Proprietary	56,438	0	0	56,438	0	0	56,438
Total Funds	**$56,438**	**$0**	**$0**	**$56,438**	**$0**	**$0**	**$56,438**

Program Description- Fund 06019 is the Law Library Searches/Research Enterprise Fund. The law library is billed by the on-line provider for the air time, and the law library in turn bills the requesting entity for the cost of the search performed.

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

Judiciary-2110
Law Library-03

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Fund	Fund Name	Agency #	Agency Name	Program Name
6019	Law Library Searches	2110	Judiciary	Law Library

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Charge for services	-	-	-	63,090	56,438	56,438
	-	-	-	-	-	-
Net Fee Revenue	-	-	-	63,090	56,438	56,438
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	47,200	45,090	54,188	-	-	-
Total Operating Revenue	47,200	45,090	54,188	63,090	56,438	56,438
Operating Expenses:						
Personal Services	-	-	-	-	-	-
Other Operating Expenses	43,090	45,391	56,438	63,090	56,438	56,438
Total Operating Expenses	43,090	45,391	56,438	63,090	56,438	56,438
Operating Income (Loss)	**4,110**	**(301)**	**(2,250)**	**-**	**-**	**-**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	4,110	(301)	(2,250)	-	-	-
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	4,110	(301)	(2,250)	-	-	-
Total Net Assets- July 1 - As Restated	(6,623)	(2,513)	10,437	8,187	8,187	8,187
Prior Period Adjustments	-	13,251	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	(6,623)	10,738	10,437	8,187	8,187	8,187
Net Assets- June 30	**(2,513)**	**10,437**	**8,187**	**8,187**	**8,187**	**8,187**
60 days of expenses (Total Operating Expenses divided by 6)	7,182	7,565	9,406	10,515	9,406	9,406

Requested Rates for Enterprise Funds
Fee/Rate Information

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Charge for services	$ 43,090	$ 45,391	$ 56,438	$ 63,090	$ 56,438	$ 56,438

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

Secretary of State Office-3201
Business and Government Services-01

Proprietary Rates

Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	51.25	(2.00)	0.00	49.25	(2.00)	0.00	49.25
Personal Services	1,901,609	53,944	0	1,955,553	52,583	0	1,954,192
Program Proposed Budget							
Operating Expenses	1,000,205	70,322	0	1,070,527	184,753	0	1,184,958
Equipment	24,804	0	0	24,804	0	0	24,804
Grants	0	0	0	0	0	0	0
Total Costs	**$2,926,618**	**$124,266**	**$0**	**$3,050,884**	**$237,336**	**$0**	**$3,163,954**
Federal Special	0	0	0	0	0	0	0
Proprietary	2,926,618	124,266	0	3,050,884	237,336	0	3,163,954
Total Funds	**$2,926,618**	**$124,266**	**$0**	**$3,050,884**	**$237,336**	**$0**	**$3,163,954**

Program Description -The Secretary of State has one program with five bureaus.

1. The Elections Bureau is responsible for interpreting state election laws and assisting county election administrators in uniformly implementing the law. It also qualifies candidates for the ballot, qualifies initiatives and referendums for the ballot, certifies the language and form of the ballot, publishes the official state voter-information pamphlet, conducts the official canvass of statewide election results and trains county and school election officials. The bureau also oversees the implementation of the Help America Vote Act, (HAVA).

Significant Program Growth - The bureau initiated the Voter Information Packet (VIP) on tour in 2002 and will provide the same service in 2004. The VIP on tour, is a series of televised discussions of the pro and con positions on ballot initiatives and referenda. Knowledgeable Montanans present the issues so that Montana voters can decide how they want to vote on each initiative. Elections staff traveled over 10,000 miles and trained and educated over 2,000 elections judges on the changes in law brought about by the Help America Vote Act.

The elections staff is responsible for filing and maintaining all official acts of the executive and legislative branches of state government, including laws and appointments.

The notary staff processes the applications of and administers the appointments of a notary public who is a public official appointed by the Secretary of State to administer oaths and affirmations, witness signatures, and perform other duties as permitted by state law. Notaries are most commonly called upon to attest to the validity of signatures, especially on court papers such as affidavits.

The Elections Bureau also executes service of process as required by law.

2. The Business Services Bureau is responsible for registering businesses and maintaining private-sector documents directly related to business. These include such documents as corporate charters, applications for assumed business names, annual reports, and registration of trademarks.

Significant Program Growth - The bureau's workload has increased significantly in the past four years including a 32 percent increase in annual reports processed and an additional 40,000 new businesses registered. These increases were absorbed with no increase in resources. Over 10,000 customers have been served by on-line offerings including the business entity search, registered principal search, and annual report on-line filing.

The bureau is also responsible for filing commercial and agricultural liens, including those filed under the Uniform Commercial Code and the Federal Food Security Act. Information on current filings is maintained on a computer database and is available to registered users via the Internet.

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Business and Government Services-01

3. The Administrative Rules Bureau executes the duties of the Secretary of State's Office under the Montana Administrative Procedure Act. These duties include, but are not limited to, the filing, indexing, organizing for publication, and distribution of Administrative Rules adopted by state agencies. These filings are published in the Administrative Rules of Montana (ARM) and the Montana Administrative Register (MAR), under statutorily mandated deadlines.

Significant Program Growth - As of Fall of 2003, the bureau provides the entire set of administrative rules on-line to government agencies and other customers who use the rules for research, litigation, and guidance in understanding the effect of legislation.

4. The Records Management Bureau is responsible for storing, accessing, microfilming, scanning, preserving, and disposing of public documents generated by state and local governments. The bureau plays a vital role in preserving essential information and ensuring continuity and accountability in government.

Significant Program Growth - In anticipation of the need for consistent retention and destruction of automated records such as e-mail messages, and web pages, the bureau has contracted with an automated records retention specialist.

State law requires state agencies and local governments to preserve various public records for varying lengths of time, according to official state and local government retention schedules. Each agency is responsible for notifying the records center when documents are eligible for disposal. A State Records Committee and a Local Government Records Committee under the guidance of the Secretary of State must approve all disposal requests.

5. The Management Services Bureau provides personnel, accounting, budgeting and other administrative support to the other bureaus.

Revenue - The Office of the Secretary of State administers one proprietary fund. Revenue is received from fees charged to businesses and corporations for corporate filings, registration of assumed business names and trademarks, to state agencies and users of ARM for publishing and distributing the ARM and the MAR, to candidates who file for elections, and Montana citizens who apply to be notaries. The Legislature does not set rates for the enterprise fund.

The office has attempted to balance revenue and expenditures by streamlining operations and by adjusting fees downward. Revenue increases or decreases are due to a combination of such internal fee adjustments, which the office can control, and business registrations or candidate filings, which the office cannot control. The annual reports workload increased by 32 percent between 2001 and 2003. There were 40,000 new business registrations over the same period. It is impossible to anticipate the number of new business registrations in a year. Consequently, there is some fluctuation in the revenue collected from business registration fees. The same is true for candidate filings, which changes from election to election depending on the number of candidates filing for office.

Expenses - The Secretary of State's Office base budget had 65 percent of the budget spent in personal services, 34 percent in operating, and the remaining one percent in equipment. The total budget in FY 2001 was $2.7 million compared with $2.9 million in FY 2004.

Rate Explanation - Rates are based upon an estimate of the cost to provide each individual service and a comparison of fees charged for similar services in other states. Fees are fixed for all customers and 100 percent of the costs of operating the Secretary of State's operations are recovered by fees.

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Business and Government Services-01

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Fund	Fund Name	Agency #	Agency Name	Program Name
6053	SoS Business Services	3201	Secretary of State	Business & Government Services

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Filing Fees	2,442,291	2,514,819	2,636,198	2,394,394	2,512,384	2,533,225
Administrative Fees	197,903	215,945	189,266	209,041	186,020	154,022
Photocopy Fees & Certificates	126,739	119,057	107,875	131,508	120,355	96,711
Intra-State Fees	341,007	350,107	317,508	485,000	312,125	329,150
Documents Sold	134,210	125,671	111,096	141,511	114,007	109,015
Miscellaneous Receipts	35,285	60,272	78,145	78,929	73,675	74,345
Net Fee Revenue	3,277,434	3,385,870	3,440,086	3,440,383	3,318,566	3,296,468
Investment Earnings	27,281	12,821	14,252	20,000	60,000	40,000
Securities Lending Income	492	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	36,003	48,849	67,145	157,858	73,675	74,345
Total Operating Revenue	3,341,210	3,447,540	3,521,483	3,618,241	3,452,241	3,410,813
Operating Expenses:						
Personal Services	1,563,926	1,978,342	1,886,459	1,965,523	1,955,553	1,954,192
Other Operating Expenses	895,661	1,419,359	1,162,265	1,445,377	1,095,331	1,209,762
Total Operating Expenses	2,459,587	3,397,701	3,048,724	3,410,900	3,050,884	3,163,954
Operating Income (Loss)	**881,623**	**49,839**	**472,759**	**207,341**	**401,357**	**246,859**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	881,623	49,839	472,759	207,341	401,357	246,859
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	(94,761)	-	-	-	-
Change in net assets	881,623	(44,922)	472,759	207,341	401,357	246,859
Total Net Assets- July 1 - As Restated	1,740,518	2,083,955	1,996,904	2,516,187	3,611,659	3,899,341
Prior Period Adjustments	(93,254)		282			
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	1,647,264	2,083,955	1,997,186	2,516,187	3,611,659	3,899,341
Net Assets- June 30	**2,528,887**	**2,039,033**	**2,469,945**	**2,723,528**	**4,013,016**	**4,146,200**
60 days of expenses (Total Operating Expenses divided by 6)	409,931	566,284	508,121	568,483	508,481	527,326

Secretary of State Office-3201
Business and Government Services-01

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

	Total Agency Impact	General Fund Total
FY06	$0	$0
FY07	$143,808	$0

PL- 2 - Increase appropriation for FY 2007 -

In FY 2007 a major PC replacement will be done due to the life cycle of current equipment. FY 2003 was the last time computers for the agency were replaced. This action is outlined in the current IT Plan for the Secretary of State's Office, and will not have any additional annual costs to operate and maintain the computers replaced. Total estimated amount required for this action is $104,900 proprietary funds. Also, in FY 2007 additional funds totaling $38,908 will be needed to pay for costs relating to the fall election of 2006.

	Total Agency Impact	General Fund Total
FY06	($49,617)	$0
FY07	($49,494)	$0

PL- 3 - Eliminate Seasonal FTE -

This proposal removes 2.00 FTE from the 5.00 FTE originally allocated for annual report seasonal positions. The seasonal staff is available from four to eleven months out of the year to process over 66,000 annual reports. The office now offers on-line annual report filing and anticipates 6 to 10 percent of over 66,000 filings will be completed on-line.

Department of Transportation-5401
State Motor Pool-07

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	6.00	0.00	0.00	6.00	0.00	0.00	6.00
Personal Services	267,236	7,331	0	274,567	7,714	0	274,950
Operating Expenses	1,331,879	198,069	0	1,529,948	193,995	0	1,525,874
Equipment	3,701,347	(201,347)	0	3,500,000	(1,210,347)	0	2,491,000
Debt Service	164,577	0	0	164,577	0	0	164,577
Total Costs	**$5,465,039**	**$4,053**	**$0**	**$5,469,092**	**($1,008,638)**	**$0**	**$4,456,401**
Proprietary	5,465,039	4,053	0	5,469,092	(1,008,638)	0	4,456,401
Total Funds	**$5,465,039**	**$4,053**	**$0**	**$5,469,092**	**($1,008,638)**	**$0**	**$4,456,401**

Program Indicators -

Indicator	Actual FY2002	Actual FY2003	Actual FY2004	Estimated FY2005	Requested FY2006	Requested FY2007
Number of vehicles maintained and provided for state employee use	813	803	833	833	877	900

Program Description - 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 (biennial lease) to agencies statewide.

Statutory Authority - Title 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).

Other Options to Use the Program - 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. Other options for state employees are: to use other state-owned vehicles, use a personal vehicle with authorization provided by the director, or to use a vehicle from a private rental agency. State law encourages use of the program through a reimbursement rate for use of personal vehicles for state business travel that is set at 52 percent of the low mileage rate allowed by the United States Internal Revenue Services unless a State Motor Pool vehicle is not available.

Significant Program Growth - The program has increased from 318 units in fiscal 1994 to 832 in fiscal 2004. During that time, annual mileage increased from 4.1 million to 11.0 million miles. This growth in the number of vehicles and miles traveled is largely due to the practice of the Office of Budget and Program Planning stipulating agencies to lease new vehicles from the State Motor Pool instead of agencies purchasing vehicles directly.

FYE1996	278 Units	4,467,473 miles
FYE1997	319 Units	5,357,648 miles
FYE1998	389 Units	6,503,851 miles
FYE1999	494 Units	8,007,999 miles
FYE2000	589 Units	10,212,742 miles
FYE2001	715 Units	11,106,543 miles
FYE2002	813 Units	11,714,081 miles

Department of Transportation-5401
State Motor Pool-07

FYE2003	803 Units	11,810,745 miles
FYE2004	832 Units	11,042,738 miles (882-50 units sold & deleted from fleet) Projected
FY2005	833 Units	11,354,160 miles Projected
FY2006	877 Units	11,479,550 miles Projected
FY2007	900 Units	11,735,275 miles Projected

Mileages are expected to continue to increase as history has shown. This is due to fleet size increases and program changes within the agencies that continue to have additional travel needs. The Motor Pool however, is not increasing its fleet size as significantly as it was through 1997-2002. This will create a more stable level in operational costs and total budget authority needs.

Revenue Description - Revenue is generated through vehicle rental fees and from the gain on sale of surplus assets. Vehicle rental fees provide the majority (roughly 96 percent in fiscal year 2004) of the revenue for the program. Rental fee revenues are functionally tied to the travel requirements of various user agencies. The program also receives revenues resulting from accident damages reimbursed by private individuals or insurance companies. The amount generally covers the expenditures to repair the damage or pays for a vehicle residual value when the unit is beyond repair.

Vehicle rental fees come from two service classes: 1) short-term rentals and 2) long-term leases. Short-term rentals serve agency personnel generally located in the Helena area who need to travel to other state locations and return to Helena at the culmination of the travel event. Long-term leases serve agencies with personnel housed in offices in Helena and in other parts of the state and who frequently travel as a normal part of their work assignments. Long-term vehicles are not picked up or returned to the State Motor Pool facilities but are typically housed and managed out of agency office locations and only returned to the State Motor Pool facilities for maintenance or reassignment.

Rental fees are billed once a month to each agency. Agency rental expenditures (exception MDT) are recorded to object of expenditure 62510. MDT rental expenditures are recorded to object of expenditures 62404, motor pool usage, and 62470, motor pool assigned rental. The Motor Pool Program records revenues to account 525020, service reimbursements.

Expense Description- The State Motor Pool is responsible for expenses associated with the acquisition, repair, maintenance, and routine operating costs for the fleet. The program pays all costs directly associated with vehicle operations including liability insurance. Motor Pool is reimbursed for costs directly attributable to operator abuse and accident costs caused by an outside party. User agencies can pay for optional full coverage insurance costs associated with employee use of State Motor Pool vehicles. Having full coverage insurance benefits the user, as repairs can be made and in some cases when a vehicle is wrecked and considered totaled, the vehicle is easily replaced and not restricted by the Motor Pool's budget.

The majority of the costs of the program are indirect costs because they cannot be traced directly to specific miles driven by the vehicles. Indirect costs are supported by the assigned rates allocated to the seven classes of vehicles. There are 6.00 FTE that support the Motor Pool. Seventy-five percent of the salaries are allocated to administrative overhead and service activities that cannot be tied directly to a vehicle, 25 percent of the salaries can be directly tied to specific units as specific maintenance and repair can be captured. Direct costs also include gasoline, oil, and tires, and are supported by the usage rates for all seven classes of vehicles. The allocations of indirect costs and direct costs use the same methodology for all rates to which they apply. The program has included a 3 percent increase in projected costs for indirect and 5 percent increase in projected costs for direct. This increase is being projected as the industry has increased costs for vehicle purchases as well as increased costs of repairs and maintenance. Oil, grease and fuel are expected to be higher than the base year expenditures.

The program uses loans from the Board of Investments (BOI) to fund vehicle purchases. Interest rates on BOI loans are adjusted annually and vary from one purchase cycle to the next. The outstanding loan balance and interest payments have a significant impact on motor pool rental rates.

Working Capital - Rental rates are set to recover sufficient revenue to meet interest payments, operating costs, and allow maintenance of no more than a 60-day working capital balance. If the program does not generate sufficient revenue to meet these obligations, a short-term loan would be obtained or assets would have to be sold to satisfy the obligations. The program billing and payment cycles support the accumulation of a 60-day working capital balance. User agencies are billed monthly and payments are requested to pay for services by the end of the next month. This allows the program to make monthly expense payments and accumulate adequate working capital to pay quarterly interest payments on the BOI loans and the annual payment on loan principle due June 30th. The program was not able to attain an adequate working capital level during the base year.

Fund Equity and Reserve Fund Balance - The program rents vehicles for use by other state government entities. The number of vehicles in the program has grown to 832 vehicles. Motor Pool is now nearly three times as large as it was in 1994. Because of this growth, the program has needed to borrow funds to purchase new vehicles. As such, the balance sheet for the program ending 2004 has $14.6 million in equipment assets comprised mostly vehicles, which equals roughly 100 percent of total assets. The equipment assets are depreciated to nearly 30 percent of their cost for a book value of $10.2 million financed by $4.8 million of long-term debt. The resultant fund equity is $2.6 million or 17.8 percent of total assets. An adjustment to decrease the balance in fund equity was included in the 2005 biennium rates. The adjustment is for net income gains from 1998 through 2002. The program decreased fund equity by approximately $460,000 in FY 2004 and expects the fund equity to decrease by an additional $450,000 by the end of FY 2005. These losses were not included in the 2007 biennium rental rates.

Rate Explanation - The State Motor Pool rental rates are based on a two-tiered rate structure. Users pay a usage rate and an assigned rate. The usage rate is charged for actual miles driven and allows the program to recover costs directly related to the operation of the vehicle, such as repair labor and parts, fuel, lubricants, tires, and tubes. The assigned rate allows the program to cover fixed costs associated with state ownership, such as insurance, principal and interest payments on Board of Investments (BOI) loans, depreciation, and other indirect expenses. The two-tiered rate structure was first used in the 2003 biennium provides: 1) more stable revenue to make loan payments and other cost obligations; and 2) equity among all vehicles classes so that one vehicle class does not subsidize another vehicle class.

The motor pool management system provides cost information related to direct and indirect costs for each vehicle class. These costs were used to project final costs for FY 2004 and in addition provide the base to project costs for FY 2006 and FY 2007. Adjustments to current costs were made to allow for the adjustment of adding additional lease vehicles in the fleet for the 2007 biennium. Adjustments were also made for increases to indirect costs and projected increases in operational costs (direct costs).

The rates using the two-tiered structure are applied as follows for the two components of the State Motor Pool:

Daily rental: Cost (per occurrence) = (HR x AR) + (AM x MR)
Out-stationed lease: Cost (annual) = (2920 x AR) + (AM x MR)

where:
HR = number of hours the vehicle was used (flat rate - 8 hours for each day of use, including weekends)
AR = per hour assigned rate
AM = actual miles traveled
MR = per mile operated rate

The State Motor Pool requests legislative approval of the rates shown in Table 1.

Table 1 – State Motor Pool Base and 2007 Biennium Requested Rates

		Fiscal Year 2004		Fiscal Year 2006		Fiscal Year 2007	
Class	Description	Assigned (per hr)	Usage (per mile)	Assigned (per hr)	Usage (per mile)	Assigned (per hr)	Usage (per mile)
02	Small Utilities	$2.040	$0.098	$1.377	$0.069	$1.408	$0.069
04	Large Utilities	2.251	0.099	1.856	0.081	1.955	0.081
06	Mid-Size Compact	1.370	0.067	1.196	0.048	1.186	0.048
07	Small Pickups	1.123	0.110	1.153	0.073	1.106	0.073
11	Large Pickups	1.284	0.123	1.521	0.095	1.653	0.095
12	Van, All Types	1.372	0.134	1.399	0.084	1.432	0.084

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State Motor Pool-07

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Fund	Fund Name	Agency #	Agency Name	Program Name
6506	Motor Pool Internal Service	5401	Transportation	State Motor Pool

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Intra-State Service	-	-	-	-	3,727,412	3,849,057
Net Fee Revenue	3,642,836	4,098,669	3,191,787	4,557,277	3,727,412	3,849,057
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	3	-	11,817	-	-	-
Total Operating Revenue	3,642,839	4,098,669	3,203,604	4,557,277	3,727,412	3,849,057
Operating Expenses:						
Personal Services	250,000	259,760	271,472	268,123	274,567	274,950
Other Operating Expenses	2,954,685	2,956,664	3,000,188	4,727,494	3,351,789	3,519,083
Total Operating Expenses	3,204,685	3,216,424	3,271,660	4,995,617	3,626,356	3,794,033
Operating Income (Loss)	**438,154**	**882,245**	**(68,056)**	**(438,340)**	**101,056**	**55,024**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(24,541)	(143,122)	(391,872)	-	(150,000)	(150,000)
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(24,541)	(143,122)	(391,872)	-	(150,000)	(150,000)
Income (Loss) Before Operating Transfers	413,613	739,123	(459,928)	(438,340)	(48,944)	(94,976)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	413,613	739,123	(459,928)	(438,340)	(48,944)	(94,976)
Total Net Assets- July 1 - As Restated	2,118,973	2,532,586	3,292,432	2,651,540	3,242,777	1,385,685
Prior Period Adjustments	-	20,723	(180,964)	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	2,118,973	2,553,309	3,111,468	2,651,540	3,242,777	1,385,685
Net Assets- June 30	**2,532,586**	**3,292,432**	**2,651,540**	**2,213,200**	**3,193,833**	**1,290,709**
60 days of expenses (Total Operating Expenses divided by 6)	534,114	536,071	545,277	832,603	604,393	632,339

Requested Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

Class	Description	Assigned Rental Hours	FY 2006 Rate Per HR. Assigned	FY 2006 Per Mile Operated	FY 2007 Rate Per HR Assigned	FY 2007 Per Mile Operated
02	Small Utilities	2920	1.377	0.069	1.408	0.069
04	Large Utilities	2920	1.856	0.081	1.955	0.081
06	Passenger Cars	2920	1.196	0.048	1.186	0.048
07	Small or Std Size Pickups	2920	1.153	0.073	1.106	0.073
11	Large 4X4 Pickups	2920	1.521	0.095	1.653	0.095
12	Vans	2920	1.399	0.084	1.432	0.084

Department of Transportation-5401
State Motor Pool-07

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

	Total Agency Impact	General Fund Total
FY06	$1,286	$0
FY07	$1,286	$0

PL- 701 - Overtime and Differential Pay -

The executive recommends present law adjustments in the state Motor Pool. The request consists of reestablishing base year overtime and differential pay with associated benefits at a cost of $2,572, restoring rent not billed or paid in the base year to the Right of Way Bureau in the amount of $129,600, funding the increase of fuel costs of $86,288, and decreasing the amount needed for vehicle purchases in the program totaling ($1,411,694). All are biennial amounts funded with Motor Pool proprietary funds.

Department of Transportation-5401
Equipment Program-08

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	122.00	0.00	0.00	122.00	0.00	0.00	122.00
Personal Services	5,800,544	206,122	0	6,006,666	216,856	0	6,017,400
Operating Expenses	8,536,296	382,567	0	8,918,863	365,750	0	8,902,046
Equipment	6,351,525	68,404	0	6,419,929	68,404	0	6,419,929
Total Costs	**$20,688,365**	**$657,093**	**$0**	**$21,345,458**	**$651,010**	**$0**	**$21,339,375**
Proprietary	20,688,365	657,093	0	21,345,458	651,010	0	21,339,375
Total Funds	**$20,688,365**	**$657,093**	**$0**	**$21,345,458**	**$651,010**	**$0**	**$21,339,375**

Program Indicators -

Indicator	Actual FY2002	Actual FY2003	Actual FY2004	Estimated FY2005	Requested FY2006	Requested FY2007
Number of units maintained and provided for MDT use	4,609	4,638	4,560	4583	4583	4583

Program Description - The Equipment Program is responsible for the acquisition, disposal, repair and maintenance of a fleet of approximately 4,600 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 Department of Transportation's various programs 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.

Statutory Authority - The Equipment Bureau fleet vehicle program is funded under the rules and guidelines of HB576, passed by the 1995 Legislature. No specific statutory authority is established for the program as the program is strictly internal to the Department of Transportation business and is not used by any outside entity.

Program Growth **-** The program has increased the fleet size over the last two biennium due to increased construction program funding from TEA21, and the department's takeover of secondary roads and to ensure staffing levels were adequate to continue to support, repair and maintain the fleet. A maintenance and equipment review was completed in FY 2004 and fleet units were identified as excess and were surplused. This decreased the fleet's size by approximately 65 units. The fleet is currently running at its optimum fleet sizing to meet the users demands.

FYE1997	4041 Units	20,115,826 miles
FYE1998	4039 Units	17,508,471 miles
FYE1999	4169 Units	18,712,127 miles
FYE2000	4282 Units	19,602,485 miles
FYE2001	4632 Units	21,962,128 miles
FYE2002	4609 Units	22,855.416 miles
FYE 2003	4638 Units	22,712,391 miles
FYE 2004	4571 Units	23,653,560 miles

Revenue Description - Revenue is generated through the vehicle/equipment rental fees and from the gain on sale of surplus assets. Vehicle rental fees provide the majority of the revenue for the program. Revenues for the fleet are functionally tied to the severity of the winter, construction program workload, and travel requirements of the various department users. Annual mileage and hours of usage can vary significantly. The program anticipates an increase in miles of travel and hour of usage due to the department's goal of improving the service to the traveling public. The rental rates will be set to cover anticipated increased expenditures for fuel, cutting edges for snowplows and repair parts that are a result of the increased usage. The rates will be sufficient to recover revenue to meet the programs obligations.

Department of Transportation-5401
Equipment Program-08

Expense Description - The equipment program is responsible for expenses associated with the acquisition, repair, maintenance, and routine operating costs for the fleet. The program pays all cost directly associated with vehicle/equipment operation including liability insurance. Equipment is reimbursed for accident costs caused by an outside party and is reimbursed for any warranty work that was completed by the department's personnel.

Indirect costs are costs that cannot be traced directly to specific usage of the vehicles and equipment. Indirect costs are supported by the assigned rates allocated to each of the equipment fleet class-subclasses. Direct costs, such as gasoline, oil, and tires, are supported by the usage rates for the fleet. The allocations of indirect costs and direct costs use the same methodology for all rates to which they apply.

There are 122.00 FTE that support the Equipment Bureau. Approximately 40 percent of the salaries are allocated to administrative overhead and service activities that cannot be functionally tied directly to a piece of equipment, 60 percent of the salaries can be directly tied to specific units as the maintenance and repair can be directly captured to a specific unit.

Rental fees are billed bi-weekly to each of the MDT user programs. Program user rental expenditures are recorded to object of expenditures 62537 (E/B class 00-29 assign time), 62538 (E/B class 00-29 usage), 62539 (E/B class 30 –99 assign time) and 62540 (E/B class 30 – 99 usage). All equipment rental revenues are recorded in account 525020, service reimbursements.

The program is requesting the same budget authority authorized in FY 2004 for equipment replacement. The replacement is needed to keep the program solvent with its current replacement schedule. The replacement accurately reflects anticipated actual depreciation. If the request is not approved, the program will not have the ability to replace fleet units at there set life schedules. Units would have to be maintained longer resulting in increased operational costs.

Working Capital - The equipment rental rates are set to recover sufficient revenue to purchase assets, cover normal operating expenses and maintain no more than a 60-day working capital balance. Revenue is generated through rental rates, gain on sale of surplus assets, and damage settlements. The programs primary source of revenue is from user rental rates charged for the use and possession of vehicles and equipment. The program's rental rates are based on a "dual rate" structure. Users will reimburse the program for actual miles driven (usage rate) and a possession rate (assigned rate). Actual miles of travel and hours of usage are reported bi-weekly and billings are generated on the same schedule as payrolls. Approximately $700,000 in rental revenue is generated every two weeks. Rental revenue varies with the season, weather conditions and workloads. Auction revenue varies depending on the number and types of units being sold. The program also receives incidental revenues for accident damages that are reimbursed by private individuals or insurance companies. The amount generally covers the expenditures to repair the damage. If the program doesn't generate sufficient revenue to meet these obligations then the program would have to either liquidate assets or receive a loan.

Fund Equity and Reserved Fund Balance - The fund equity balance shows an increase that is a result of the fleet increase required to takeover maintenance of the secondary roads. Revenues are anticipated to equal operation expenditures and the working cash is projected to be less than the 60 days maximum allowable by the end of each fiscal year. Each fiscal year since 1999, federal money has been available to purchase equipment. The equipment is then donated to the equipment program and the donated equipment contributes to the increase in the fund equity balance. The equipment program will have to maintain the equipment and will replace the units when life cycle and cost dictates replacement.

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

Rate Explanation - The program's rental rates are based on a two-tiered rate structure. The users pay a usage rate and an assigned rate. The usage rate is a per mile or hourly rate that is applied to a vehicle or piece of equipment for the actual miles/hours used and is designed to recover "direct costs" that include labor, parts, fuel, lubricants, tires and tubes. The assigned rate is designed to recover "fixed costs" such as insurance, depreciation, and indirect costs. Rental rates are adjusted yearly. The rates are based on the actual operational costs for each sub-class for the base rental period. These costs are adjusted to reflect changes in operations or operating costs from the base. The programs financial position is also considered in the rate development process in order to maintain a cash balance that will not exceed the 60-day maximum cash balance requirement. The program is requesting approval of the rental rates on a 60-day working capital basis. The effects are internal to the Department of Transportation and the program is held accountable to ensure the rates recover only needed operational monies. Attached are the base FY 2004 rental rates, which will be adjusted yearly to reflect changes in operations.

Department of Transportation-5401
Equipment Program-08

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6508	Highway Equipment	5401	Department of Transportation	Equipment Program

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Miscellaneous Cost Recovery	-	-	-	-		
Intra-State Service	-	-	-	-	20,930,458	20,924,375
Merchandise Sold	-	-	-	-		
Net Fee Revenue	18,693,334	18,830,586	18,889,965	20,038,731	20,930,458	20,924,375
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	211	7,822	13,120	-	12,000	12,000
Total Operating Revenue	18,693,545	18,838,408	18,903,085	20,038,731	20,942,458	20,936,375
Operating Expenses:						
Personal Services	4,252,027	5,603,913	5,844,684	5,914,567	6,006,666	6,017,400
Other Operating Expenses	12,101,481	13,376,558	14,337,796	14,172,174	14,901,990	15,101,990
Total Operating Expenses	16,353,508	18,980,471	20,182,480	20,086,741	20,908,656	21,119,390
Operating Income (Loss)	**2,340,037**	**(142,063)**	**(1,279,395)**	**(48,010)**	**33,802**	**(183,015)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	393,925	(331,361)	(9,937)	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	393,925	(331,361)	(9,937)	-	-	-
Income (Loss) Before Operating Transfers	2,733,962	(473,424)	(1,289,332)	(48,010)	33,802	(183,015)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	612,216	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	3,346,178	(473,424)	(1,289,332)	(48,010)	33,802	(183,015)
Total Net Assets- July 1 - As Restated	35,666,850	54,862,557	56,903,198	56,818,484	56,770,474	56,804,276
Prior Period Adjustments	1,561,004	2,514,065	1,204,618	-	-	-
Cumulative effect of account change	14,288,525	-	-	-	-	-
Total Net Assets - July 1 - As Restated	51,516,379	57,376,622	58,107,816	56,818,484	56,770,474	56,804,276
Net Assets- June 30	**54,862,557**	**56,903,198**	**56,818,484**	**56,770,474**	**56,804,276**	**56,621,261**
60 days of expenses (Total Operating Expenses divided by 6)	2,725,585	3,163,412	3,363,747	3,347,790	3,484,776	3,519,898

Requested Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

Requested Rates for Internal Service Funds

The fee charges will not be done till the actual Fiscal Year the rates pertain to. These rates will be supported by the EMS system. This same procedure has been used current with past practice.

The Equipment program may charge rates necessary to establish and maintain a 60 day working capital balance to operate the program.

Use this space for any specific narrative description of the rates requested.

Department of Transportation-5401
Equipment Program-08

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

	Total Agency Impact	General Fund Total
FY06	$71,420	$0
FY07	$71,420	$0

PL- 801 - Overtime and Differential Pay -
This request is to reestablish base year overtime and differential pay with associated benefits. The biennial cost is $142,840 of equipment proprietary funds.

	Total Agency Impact	General Fund Total
FY06	$182,890	$0
FY07	$182,890	$0

PL- 802 - Fuel Costs -
This request is to provide for an increase in fuel costs for the Equipment Program. Fuel prices have increased significantly since the last biennium and the program has also used more commercial sites to fuel equipment, which results in increased fuel costs. The biennial adjustment is $365,780 of equipment proprietary funds.

	Total Agency Impact	General Fund Total
FY06	$11,700	$0
FY07	$11,700	$0

PL- 803 - Utility Costs -
This request is to provide for utilities costs such as electricity, water and garbage pickup at a new equipment shop in Glendive. The biennial adjustment is $23,400 of equipment proprietary funds.

	Total Agency Impact	General Fund Total
FY06	$68,404	$0
FY07	$68,404	$0

PL- 804 - Equipment Purchases -
This request will reestablish the amount needed to meet the program's equipment replacement schedule. The total needs of the program were not reflected in the base expenditures due to a manufactures delay that resulted in the late delivery of a number of equipment purchases. The biennial adjustment is $136,808 of equipment proprietary funds.

Department of Transportation-5401
Aeronautics Program-40

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	1.29	0.00	0.00	1.29	0.00	0.00	1.29
Personal Services	41,707	6,436	0	48,143	6,745	0	48,452
Operating Expenses	51,139	36,175	0	87,314	21,175	0	72,314
Total Costs	**$92,846**	**$42,611**	**$0**	**$135,457**	**$27,920**	**$0**	**$120,766**
Proprietary	92,846	42,611	0	135,457	27,920	0	120,766
Total Funds	**$92,846**	**$42,611**	**$0**	**$135,457**	**$27,920**	**$0**	**$120,766**

Program Description- The West Yellowstone Airport provides a fly-in gateway to the town of West Yellowstone, Yellowstone Park, and surrounding US Forest Service area recreational opportunities. The airport is seasonal in its operation, matching the peak tourist demand of the area from June 1st to September 30th annually. The airport serves as an inter-agency fire control center with both smoke jumpers and fire retardant bombers located at the airport. The airport accomplishes these missions with extensive facilities to accommodate all sized aircraft, ranging from USAF C-5 Galaxys to small ultralights.

Facilities include a terminal building, which tenants a café, gift shop, two car rental agencies, a fixed based operation (FBO) serving aviation needs, and Skywest, a Delta Connection Airline. The airport has an 8,399' X 150' runway with a full parallel taxiway and a large apron. The airport is equipped with a precision instrument landing system (ILS) allowing flights in any kind of weather. Additionally, the airport has a crash fire rescue building with a crash fire rescue truck for airport emergencies. The airport is certified by the Federal Aviation Administration as an air carrier airport, one of only eight in the state, including Missoula, Billings, Kalispell and Great Falls.

Fees for provided services are market based. There are only slight increases planned in the 2007 biennium for counter fees, building fees, gross percentages, sales receipts, and non-aero rentals. The West Yellowstone Airport is funded with an enterprise proprietary fund. There are 1.29 FTE budgeted in this area.

Revenues and Expenses - Small changes in services or fees are requested for the 2007 biennium. These changes are reflective of common market rates and inflation.

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

Fund Equity and Reserved Fund Balance - The West Yellowstone Airport proprietary fund balance continues to increase. Management objectives are to continue to increase the fund balance. There is no fluctuation of cash into the program. A steady increase in the fund balance continues each year. There is not any significant reoccurring cash obligations that must be covered by cash on hand or loans.

Rate Explanation - Fees for provided services are market based. There are only slight increases planned in the 2007 biennium for counter fees, building fees, gross percentages, sales receipts, and non-aero rentals. These fee increases are justified to help bring the current charged fees closer to common state industry standards based upon rates and charges schedules as reported by airport operators throughout the state. In addition, some of the changes are to standardize and even out current rates, which are charged at different levels for similar services. West Yellowstone Airport 2007 Biennium rates are requested in the table below.

Department of Transportation-5401
Aeronautics Program-40

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency Name	Program Name	CAFR Fund
6007	West Yellowstone Airport	Transportation	Aeronautics Program	60509

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Miscellaneous Service Fee	-	-	-	-	8,500	8,500
Net Fee Revenue	54,109	51,143	36,548	12,075	8,500	8,500
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	71,430	60,614	80,353	114,600	108,000	108,000
Total Operating Revenue	125,539	111,757	116,901	126,675	116,500	116,500
Operating Expenses:						
Personal Services	33,976	35,282	42,682	47,265	48,143	48,452
Other Operating Expenses	31,026	44,526	77,858	33,533	87,314	72,314
Total Operating Expenses	65,002	79,808	120,540	80,798	135,457	120,766
Operating Income (Loss)	**60,537**	**31,949**	**(3,639)**	**45,877**	**(18,957)**	**(4,266)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	60,537	31,949	(3,639)	45,877	(18,957)	(4,266)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	25,452	7,303	18,221	25,500	20,000	20,000
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	85,989	39,252	14,582	71,377	1,043	15,734
Total Net Assets- July 1 - As Restated	(539,557)	891,543	814,113	827,921	899,298	900,341
Prior Period Adjustments	-	(116,682)	(774)	-	-	-
Cumulative effect of account change	1,345,111	-	-	-	-	-
Total Net Assets - July 1 - As Restated	805,554	774,861	813,339	827,921	899,298	900,341
Net Assets- June 30	**891,543**	**814,113**	**827,921**	**899,298**	**900,341**	**916,075**
60 days of expenses (Total Operating Expenses divided by 6)	10,834	13,301	20,090	13,466	22,576	20,128

Requested Rates for Enterprise Funds
Fee/Rate Information

Fee Description	FY 2006/2007 Fees	
Landing Fees – Scheduled Air Carrier	$0.50/1000 lbs	
Landing Fees – Other uses	11,000-31,250 lbs	$25
Landing Fees – Other uses	>31,250 lbs	$0.80/1000 lbs
Fuel Flowage Fee	$.06/gallon	
Building Leases – car rental, FBO, airline	$2.00/sq.ft.	
Building Leases – hangar ground	$0.10/sq.ft.	
Tax Transfer	$15,000 est.	
Sales receipts – car rental, café, gift shop	10% of gross	
Non-aero rentals – Nevada Testing, City, Energy West	prior yr + CPI	

Department of Transportation-5401
Aeronautics Program-40

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

	Total Agency Impact	General Fund Total
FY06	$35,087	$0
FY07	$20,598	$0

PL- 216 - West Yellowstone Proprietary -

West Yellowstone Airport is the proprietary portion of the Aeronautic Division. This package includes increases due to federal regulations, facility improvements, and Board approved promotional items. The total request for the biennium is $55,685 of proprietary funds.

Department of Revenue-5801
Customer Service Center-06

Proprietary Rates

Agency Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	3.50	0.00	0.00	3.50	0.00	0.00	3.50
Personal Services	104,141	15,912	0	120,053	15,599	0	119,740
Operating Expenses	37,314	1,839	0	39,153	1,769	0	39,083
Total Costs	**$141,455**	**$17,751**	**$0**	**$159,206**	**$17,368**	**$0**	**$158,823**
Proprietary	141,455	17,751	0	159,206	17,368	0	158,823
Total Funds	**$141,455**	**$17,751**	**$0**	**$159,206**	**$17,368**	**$0**	**$158,823**

Program Description - Section 17-4-103, MCA, allows the Department of Revenue (DOR) to assist state agencies in the collection of delinquent accounts. State law also allows the department to retain a percentage of the collections for the costs of assistance. The department established the Collections Services Program, which is the only Internal Service Fund in the department, to perform the duties required for collecting delinquent accounts. Currently there are 3.50 FTE dedicated to collecting revenue on the delinquent accounts. This program supports the central bad debt collection function for the State of Montana that was previously at the Department of Administration and State Auditor's Office.

Revenues and Expenses - The department charges a 10 percent commission for collecting on delinquent accounts. These funds are used to pay the expenses of the Collection Services Program. Approximately 76 percent of the costs are for paying salaries and benefits of the employees in this program. The remaining costs are related to rent, computer access and processing, and the program's portion of the statewide fixed costs.

Rate Explanation- The accounts receivable commission is currently 10 percent. The department is not requesting a change in the rate charged for the 2007 biennium.

Department of Revenue-5801
Customer Service Center-06

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6554	CSD Collection Services	5801	Department of Revenue	Customer Service Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Charges for Services	128,437	123,997	170,907	145,000	145,000	145,000
Net Fee Revenue	128,437	123,997	170,907	145,000	145,000	145,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	128,437	123,997	170,907	145,000	145,000	145,000
Operating Expenses:						
Personal Services	96,642	84,926	106,866	121,996	120,053	119,740
Other Operating Expenses	76,150	22,324	37,314	24,604	39,153	39,083
Total Operating Expenses	172,792	107,250	144,180	146,600	159,206	158,823
Operating Income (Loss)	**(44,355)**	**16,747**	**26,727**	**(1,600)**	**(14,206)**	**(13,823)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(44,355)	16,747	26,727	(1,600)	(14,206)	(13,823)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	(104,291)	(400,000)	-	-	-	-
Change in net assets	(148,646)	(383,253)	26,727	(1,600)	(14,206)	(13,823)
Total Net Assets- July 1 - As Restated	50,963	485,849	102,596	129,323	127,723	113,517
Prior Period Adjustments	50,168	-	-	-	-	-
Cumulative effect of account change	533,364	-	-	-	-	-
Total Net Assets - July 1 - As Restated	634,495	485,849	102,596	129,323	127,723	113,517
Net Assets- June 30	**485,849**	**102,596**	**129,323**	**127,723**	**113,517**	**99,694**
60 days of expenses (Total Operating Expenses divided by 6)	28,799	17,875	24,030	24,433	26,534	26,471

Requested Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Fee Group A						
Rate 1 (per unit)	10%	10%	10%	10%	10%	10%

Department of Administration-6101
Administrative and Financial Services Division-03

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	22.41	0.00	0.00	22.41	0.00	0.00	22.41
Personal Services	1,016,247	118,230	0	1,134,477	116,021	0	1,132,268
Operating Expenses	916,493	9,211	0	925,704	(22,852)	0	893,641
Transfers	0	0	0	0	0	0	0
Total Costs	**$1,932,740**	**$127,441**	**$0**	**$2,060,181**	**$93,169**	**$0**	**$2,025,909**
Proprietary	1,932,740	127,441	0	2,060,181	93,169	0	2,025,909
Total Funds	**$1,932,740**	**$127,441**	**$0**	**$2,060,181**	**$93,169**	**$0**	**$2,025,909**

Program Description - The Legal Unit, fund 06504, of the Director's Office advises all divisions within the department on legal matters. The unit receives the majority of its funding through the legal services internal service fund by charging the non-general fund divisions for services provided. The program funds 2.08 FTE. The only alternative to this program would be contracting for legal assistance or hiring an attorney within the divisions.

Revenues and Expenses - The calculation that gives the amount of revenue the unit should derive from the internal service fund is based on the assumption (derived from a time study) that the Legal Unit will devote 2.08 FTE of the 2.25 FTE to the legal matters of the non-general fund divisions. The fund must derive at least enough revenue to pay the personal services and associated operating costs. The costs of the remaining 0.17 FTE are paid by the general fund (and are included in Section A). Personal services are 89 percent of the budget. The remaining expenditures are fixed costs.

Working Capital - Collection of the Legal Unit fees is done during July of each fiscal year. Because collection is done once a year, rates are developed to only recover expenses.

Fund Equity and Reserved Fund Balance- No fund balance is required to be reserved for this program. Fund balance at FYE 2004 was around 33 days.

Cash Flow - Fees are collected in July/August and used to fund expenditures throughout the fiscal year. Fees are paid as follows: state special revenue $85,998, proprietary $71,956, and pension trust $24,571.

Rate Explanation - The financial objective of the Legal Unit is to operate on a break-even basis. The unit charges other non-general funded divisions in the department a percentage of its operations budget based on a time-use study. A fixed amount attributable to the percentage the service is used by a program is requested as the rate.

Department of Administration-6101
Administrative and Financial Services Division-03

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6504	Legal Services	6101	Department of Administration	Administrative Financial Services

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Legal Services	172,409	179,028	149,097	149,097	182,525	182,525
	-	-	-	-	-	-
Net Fee Revenue	172,409	179,028	149,097	149,097	182,525	182,525
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	29	15	48	-	-	-
Total Operating Revenue	172,438	179,043	149,145	149,097	182,525	182,525
Operating Expenses:						
Personal Services	138,066	151,577	118,457	147,353	157,368	157,471
Other Operating Expenses	14,689	20,183	19,571	20,208	17,581	17,355
Total Operating Expenses	152,755	171,760	138,028	167,561	174,949	174,826
Operating Income (Loss)	**19,683**	**7,283**	**11,117**	**(18,464)**	**7,576**	**7,699**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	19,683	7,283	11,117	(18,464)	7,576	7,699
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	19,683	7,283	11,117	(18,464)	7,576	7,699
Total Net Assets- July 1 - As Restated	(30,370)	(10,687)	1,415	12,532	(5,932)	1,644
Prior Period Adjustments	-	4,819	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	(30,370)	(5,868)	1,415	12,532	(5,932)	1,644
Net Assets- June 30	**(10,687)**	**1,415**	**12,532**	**(5,932)**	**1,644**	**9,343**
60 days of expenses						
(Total Operating Expenses divided by 6)	25,459	28,627	23,005	27,927	29,158	29,138

Requested Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Legal Services						
Teachers' Retirement	34,482	35,806	20,071	20,071	24,571	24,571
Personnel Division	44,826	46,547	21,504	21,504	26,324	26,324
Risk Management & Tort Defense	3,448	3,581	1,434	1,434	878	878
General Services	12,069	12,532	5,018	5,018	8,775	8,775
Architecture & Engineering	31,034	32,225	15,770	15,770	19,306	19,306
Information Technology Services	46,550	48,338	19,354	19,354	23,693	23,693
Consumer Protection			35,841	35,841	65,814	65,814
Banking Division			8,602	8,602	878	878
Lottery			14,336	14,336	4,388	4,388
Local Government Services			7,168	7,168	7,898	7,898
Total	172,409	179,028	149,098	149,098	182,525	182,525

The Legal Services Unit receives revenues via an allocation of anticipated expenses of the unit to all non-general fund divisions of the department and administratively attached agencies and boards. The allocation is based on a time study of work performed.

Department of Administration-6101
Administrative and Financial Services Division-03

Program Description - The department provides the services of the Warrant Writer Program, fund 06564, to most state agencies for check writing and automatic-deposit capabilities for financial transactions. The program produces and processes warrants and tracks them on the warrant writer system. The program generates, mails, tracks, and cashes each warrant. The services the program offers include direct deposit, warrant consolidation, stopping of payments, warrant cancellations, emergency warrants, duplicate warrants, warrant certification, warrant research, payee file data, and federal 1099-MISC processing. The program funds 6.33 FTE and is authorized through 17-8-305, MCA. No alternative exists for agencies that need checks processed and funds transferred to vendors electronically if they use the state accounting system.

Revenues - Fees were not changed significantly in FY 2006 and FY 2007 from base rates in each category to draw down fund balance. The unit funds 6.33 FTE. The rates for FY 2006 and 2007 are designed to reduce the fund balance to 45 days. All fund types pay for this service.

Expenses - Mailer warrants factor in warrant stock cost, postage and printing while non-mailer warrants factor in warrant stock cost and printing. Both types of warrants pay for the required reconciliation between SABHRS Accounts Payable Module and our bank account. Direct deposits pay five cents for bank processing. Duplicate and emergency warrants pay for personnel time to process each individual request. All categories share in general operating expenses of the program. Major cost drivers include contract printing of warrants, warrant stock and postage to mail warrants.

Working Capital - Billing for warrants is done monthly and is based on actual warrants issued. Turnaround time for payment is around 45 days. Working capital is factored into the rate after expenditures are calculated. If working capital is too high, revenues (and the rates that generate the revenue) are reduced. The program needs to retain 45 days working capital to pay costs of operation including postage until agencies pay their invoices.

Fund Equity and Reserved Fund Balance - No fund balance is required to be reserved for this program. Fund balance decreased during FY 2004, and represented around 57 days of working cash. This was caused by reduced costs decreasing the required cash reserve in the fund. Rates proposed for the 2007 biennium will continue to draw down fund balance.

Cash Flow - Bills are sent out the first of the week of the month for the previous month's activities, and funds are generally received within 45 days.

Historical Trends: Comparing three biennia of warrant activity by agencies developed these trends.

	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Mailers	1,169,822	1,169,261	1,030,163	1,250,570	1,095,086	1,022,527
Non-mailers	187,117	240,622	179,318	365,447	207,162	183,094
Emergency Warrants	191	90	104	79	53	103
Duplicates	1,529	1,990	1,812	1,862	1,912	1,955
Externals	245,021	190,425	176,773	186,017	195,260	202,039
Direct Deposits	304,708	508,649	613,074	650,284	657,495	795,734

Department of Administration-6101
Administrative and Financial Services Division-03

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6564	Warrant Writing	6101	Department of Administration	Administrative Financial Services

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Revenue Warrant Writing Fee	922,385	880,435	845,913	873,501	873,501	873,501
Net Fee Revenue	922,385	880,435	845,913	873,501	873,501	873,501
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	98	-	107	-	-	-
Total Operating Revenue	922,483	880,435	846,020	873,501	873,501	873,501
Operating Expenses:						
Personal Services	142,713	155,908	181,893	197,914	206,984	206,828
Other Operating Expenses	590,346	718,835	709,874	700,929	719,793	688,990
Total Operating Expenses	733,059	874,743	891,767	898,843	926,777	895,818
Operating Income (Loss)	**189,424**	**5,692**	**(45,747)**	**(25,342)**	**(53,276)**	**(22,317)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	189,424	5,692	(45,747)	(25,342)	(53,276)	(22,317)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	189,424	5,692	(45,747)	(25,342)	(53,276)	(22,317)
Total Net Assets- July 1 - As Restated	(36,353)	173,810	179,706	133,959	108,617	55,341
Prior Period Adjustments	(40)	204	-	-	-	-
Cumulative effect of account change	20,779	-	-	-	-	-
Total Net Assets - July 1 - As Restated	(15,614)	174,014	179,706	133,959	108,617	55,341
Net Assets- June 30	**173,810**	**179,706**	**133,959**	**108,617**	**55,341**	**33,024**
60 days of expenses (Total Operating Expenses divided by 6)	122,177	145,791	148,628	149,807	154,463	149,303

Requested Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Fee Group A						
Mailer	0.617	0.583775	0.586245	0.580165	0.58331	0.580890
Non-Mailer	0.208	0.195225	0.17803	0.17195	0.18159	0.017917
Emergency	4.1329	3.9254	4.26759	4.26588	4.70228	4.701700
Duplicates	5.6632	5.37928	5.639485	5.63768	6.03998	6.039390
Externals	0.185	0.173375	0.15523	0.14915	0.15575	0.153330
Direct Deposit	0.1671	0.1577	0.15599	0.1539	0.15578	0.155100

Use this space for any specific narrative description of the rates requested.

Department of Administration-6101
Administrative and Financial Services Division-03

Program Description- The Management Services Unit, fund 06534, coordinates preparation of the department's biennial budget for submission to the Office of Budget and Program Planning (OBPP) and presentation to the Legislature, processes budget change documents on approved budgets through the OBPP, monitors approved budgets for compliance with state law and legislative intent, processes payroll and provides new employee orientation for all divisions within the department-including attached-to agencies, assists with recruitment and selection, classifies positions and develops personnel policies and procedures. This unit also provides accounting assistance to the non-general funded divisions within the department. The director’s office is funded through management services. Management Services consists of the director’s office and human resources for a total of 9.75 FTE. An alternative to this unit would be to hire budgeting/accounting staff within each program in the department, contract with outside legal resources or hire attorneys within each division and to fund the human resource function through the general fund.

Revenues and Expenses - Management Services, recorded by agencies in expenditure account 62827, now includes the director’s office and human resources. The total proprietary funds 9.75 FTE. Fees are funded as follows: General fund $40,950; proprietary fund $571,563; special revenue fund $76,804; retirement fund $24,525.

Working Capital - Billing for Management Services Unit is monthly, which requires the program to operate with around 45 days of working capital. Working capital is factored into the rate after expenditures are calculated. If working capital is too high, revenue (and the rates that generate the revenue) is reduced.

Fund Equity and Reserved Fund Balance - A fund balance is not required to be reserved for this program. Fund balance at FYE 2004 is negative due to the addition of the director’s office and human resources. Rates proposed for the 2007 biennium will better fund this activity.

Cash Flow - Fees are received monthly, which requires the program to maintain around 45 days working capital to cover operations until payment is made.

Rate Explanation - A rate based on a percentage of appropriation by division is requested in this program for the Director's Office and the Management Support Unit. A rate per FTE of $476 in FY 2006 and $475 in FY 2007 is requested for the Human Resource Unit in this program. The Human Resource Unit is responsible for handling payroll/personnel issues and should be tied to FTE within a program.

Department of Administration-6101
Administrative and Financial Services Division-03

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6534	Management Services	6101	Department of Administration	Administrative Financial Services
6570	Human Resources Unit			

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
Service Fees	175,483	173,584	626,537	626,913	713,842	713,450
Net Fee Revenue	175,483	173,584	626,537	626,913	713,842	713,450
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	288	-	-	-
Total Operating Revenue	175,483	173,584	626,825	626,913	713,842	713,450
Operating Expenses:						
Personal Services	166,267	148,384	486,845	540,248	560,546	559,050
Other Operating Expenses	27,399	25,847	91,162	116,585	90,324	89,710
Total Operating Expenses	193,666	174,231	578,007	656,833	650,870	648,760
Operating Income (Loss)	**(18,183)**	**(647)**	**48,818**	**(29,920)**	**62,972**	**64,690**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(18,183)	(647)	48,818	(29,920)	62,972	64,690
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(18,183)	(647)	48,818	(29,920)	62,972	64,690
Total Net Assets- July 1 - As Restated	18,363	(12,856)	(8,818)	40,000	10,080	73,052
Prior Period Adjustments	-	4,685	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	18,363	(8,171)	(8,818)	40,000	10,080	73,052
Net Assets- June 30	**180**	**(8,818)**	**40,000**	**10,080**	**73,052**	**137,742**
60 days of expenses (Total Operating Expenses divided by 6)	32,278	29,039	96,335	109,472	108,478	108,127

Requested Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

Indirect administrative costs are allocated to all programs within the agency.

Department of Administration-6101
Administrative and Financial Services Division-03

Program Description - The Audit Review program, 06042, is responsible for administering the provisions of the Montana Single Audit Act, which specifies the audit requirements for all Montana local governments entities.

The program performs the following services:

- mails out to and receives annual financial reports from approximately 900 local governments,
- enters selected financial data from the reports into a database,
- obtains and enters into the database information regarding school district revenues,
- 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,
- 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 required to have audits do so,
- 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 and determines whether the entity has developed a satisfactory plan to correct deficiencies noted in the audit report,
- maintains on file copies of all local government entity audit reports and the local governments responses to audit findings, and makes those reports and responses available upon request to state and federal agencies and the public,
- provides technical advice on accounting, auditing, and legal compliance matters to local governments and certified public accountants conducting local government audits;
- 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;
- provides information regarding local government audits, audit findings, entity responses to findings, and legal compliance and accounting requirements to the public; and evaluates requests for special audits and arranges for such audits if determined to be necessary.

Note: Section 2-7-503(5) & (6), MCA, states that the department "...may at any time conduct or contract for a special audit or review of the affairs of any local government entity referred to in this part. The special audit or review must, to the extent practicable, build upon audits performed pursuant to this part. (6) The fee for the special audit or review must be a charge based upon the costs incurred by the department in relation to the special audit or review. The audit fee must be paid by the local government entity to the state treasurer and deposited in the enterprise fund to the credit of the department." Based upon an executive recommendation, the 54th Legislative Assembly privatized the State Audit Program that actually conducted local government audits. Until that time, local governments could elect to have either the state or a private auditor conduct its audit. With the privatization of the Audit Program came the legislative recognition that the state would no longer have any practicing local government audit staff. Now private auditors do all local government audits, including special audits.

The work of the Audit Review program is mandated primarily in 2-7-5, MCA. The Audit Review Program funds 4.00 FTE.

Department of Administration-6101
Administrative and Financial Services Division-03

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6042	Single Audit Review - HB328	6101	Department of Administration	Administrative Financial Services

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Net Fee Revenue	259,376	263,063	269,850	269,000	269,000	269,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	2	12	70	-	-	-
Total Operating Revenue	259,378	263,075	269,920	269,000	269,000	269,000
Operating Expenses:						
Personal Services	178,411	189,626	199,558	201,992	209,579	208,919
Other Operating Expenses	76,241	206,590	96,982	87,189	98,006	97,586
Total Operating Expenses	254,652	396,216	296,540	289,181	307,585	306,505
Operating Income (Loss)	**4,726**	**(133,141)**	**(26,620)**	**(20,181)**	**(38,585)**	**(37,505)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	4,726	(133,141)	(26,620)	(20,181)	(38,585)	(37,505)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	105,325	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	4,726	(27,816)	(26,620)	(20,181)	(38,585)	(37,505)
Total Net Assets- July 1 - As Restated	238,425	243,151	215,335	188,715	168,534	129,949
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	238,425	243,151	215,335	188,715	168,534	129,949
Net Assets- June 30	**243,151**	**215,335**	**188,715**	**168,534**	**129,949**	**92,444**
60 days of expenses (Total Operating Expenses divided by 6)	42,442	66,036	49,423	48,197	51,264	51,084

Requested Rates for Enterprise Funds

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Major Fee: Local Government Report Filing Fee:						
Annual revenues less than $200,000	$0	$0	$0	$0	$0	$0
Annual revenues, = < $200,000, but < $500,000	$175	$175	$175	$175	$175	$175
Annual revenues, = < $200,000, but < $500,000	$375	$375	$375	$375	$375	$375
Annual revenues, = < $200,000, but < $500,000	$525	$525	$525	$525	$525	$525
Annual revenues, = < $200,000, but < $500,000	$600	$600	$600	$600	$600	$600
Annual revenues, = < $200,000, but < $500,000	$675	$675	$675	$675	$675	$675
Annual revenues, = < $200,000, but < $500,000	$725	$725	$725	$725	$725	$725
Annual revenues are equal to or greater than $10,000,000	$775	$775	$775	$775	$775	$775
Minor Fee: Auditor Roster Fee:	Annual Fee:	Annual Fee:	Annual Fee:	Annual Fee:	Annual Fee:	Annual Fee:

Department of Administration-6101
Administrative and Financial Services Division-03

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

	Total Agency Impact	General Fund Total
FY06	($4,054)	$0
FY07	($4,068)	$0

PL- 301 - Indirect/Administrative Costs -

This request is to fund increases of $123,622 in FY 2006 and $123,287 in FY 2007 for indirect/administrative costs for services received from other proprietary funded centralized service functions of the agency.

Department of Administration-6101
General Services Program-06

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	84.55	0.10	0.00	84.65	0.10	0.00	88.65
Personal Services	2,687,883	483,740	0	3,171,623	559,833	0	3,247,716
Operating Expenses	17,084,019	1,079,363	40,000	18,203,382	1,355,280	40,000	18,479,299
Equipment	244,958	0	0	244,958	0	0	244,958
Capital Outlay	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Total Costs	**$20,016,860**	**$1,563,103**	**$40,000**	**$21,619,963**	**$1,915,113**	**$40,000**	**$21,971,973**
General Fund	0	0	0	0	0	0	0
Capital Projects	0	0	0	0	0	0	0
Proprietary	20,016,860	1,563,103	40,000	21,619,963	1,915,113	40,000	21,971,973
Total Funds	**$20,016,860**	**$1,563,103**	**$40,000**	**$21,619,963**	**$1,915,113**	**$40,000**	**$21,971,973**

Program Description - Facilities Management Bureau, fund 06528, manages the repair, maintenance and construction services for state agencies in the capitol complex and several state-owned facilities in the Helena area. The bureau also provides technical and professional support to several agencies within a ten-mile radius of the Capitol.

Services provided to our customer base include all utilities consumed on the complex (water, sewer, electricity, natural gas, sanitation collection), locksmith services, painting, remodeling, architectural, a recycling program, emergency response and management, security, and construction services.

The program supervises service contracts for the capitol complex including security, pest control, mechanical maintenance, janitorial services, elevator repair and maintenance, carpet replacement, fire extinguisher and fire sprinkler systems maintenance. The program provides professional assistance to all agencies, on a statewide basis, to negotiate co-location of agencies and to procure leased space for field offices. The leasing program is an active participant in the lease/purchase of buildings for agencies throughout the state. The division is mandated by Title 2, Chapter 17, MCA.

Revenue - Facilities Management provides all services as presented in the program description. Approximately 95 percent of the revenues collected by this program are generated through rental rates for office space and storage space to agencies occupying office or storage space in buildings under the Department of Administration. Approximately 4 percent of revenues collected come from construction cost recovery. The bureau collects revenue from agencies that request remodeling of their workspace or request the construction of unique workspace fixtures. Labor and materials are recovered cost plus an administrative overhead percentage of five to fifteen percent, depending on the involvement of a project. Recycling revenue provides about 1 percent of the proprietary funding. Rent expenses are recorded under accounts 62527 (rent), and 62891 (handyman charges). The revenue accounts are, 525044 (office rent), 525050 (warehouse rent), 525045 (miscellaneous maintenance charges), 525046 (project work), and 525122 (recycling revenue).

Indicator	FY 2002	FY 2003	FY 2004	Est FY 2005	Est FY 2006	Est FY 2007
Work Orders Issued	5,397	5,106	5,373	5,373	5,373	5,373
Rent Office Space	887,796	877,930	907,743	907,743	961,618	961,618
Rent Storage Space	82,467	94,063	94,063	94,063	94,063	94,063
Private Leased Space-Helena sq.ft	452,778	475,417	499,188	462,903	462,903	462,903
Private Leased Space-Other sq.ft	640,842	672,884	706,528	692,337	692,337	692,337
Active Leases	220	250	276	276	276	276
Number of Buildings Serviced	44	45	45	45	46	46
Recycled Paper (in tons)	320	359	370	370	370	370

Department of Administration-6101
General Services Program-06

Expenses - The major classes of expenses for the Facilities Management Bureau are: personal services, contracted services, utilities, and maintenance. Personal services are at the level of FY 2005, or 22.1 FTE, and included projected increases longevity only. Other services include all major contracts for insurance, janitorial, mechanical, elevator, pest ,control. and security.

Service contracts reflect an increase over the FY 2004 base year of 2.3 percent in FY 2006 and 7.5 percent in FY 2007. The 2nd year of the biennium allows for anticipated increases in fire sprinkler inspection costs, new janitorial contracts and prevailing wage increases applied to the mechanical contract.

Electricity is projected to increase approximately 1 percent in FY 2006 and 2 percent in FY 2007. Natural Gas is expected to increase in FY 2006 by 18 percent over the base and 12 percent in FY 2007. Also included in the budget request is recovery of the loss experienced in FY 2004 and FY 2005 for utilities due to unexpected price increases in natural gas and electrical consumption.

Water and sewer expenditures are estimated to increase by 7 percent in FY 2006 and 10 percent in FY 2007. This is based on discussions with the public works director with the City of Helena.

Taxes and assessments have increased 54 percent over the base. A primary increase in these assessments is attributed to the increase in street maintenance, storm water district, water quality district, and sidewalk maintenance assessment.

Rate Explanation - Facilities Management rates are set to recover sufficient revenue to meet all personal services, operation costs, equipment replacement costs and maintain an adequate working capital balance. The program billing and payment cycles support the accumulation of an adequate working capital balance. User agencies are billed monthly and agencies are requested to pay for services by the end of the next month.

Rent, on a cost per square foot basis, is assessed each agency occupying space in the buildings controlled by the Department of Administration. The rates are established to cover the cost of personal services, operating expenses including maintenance and equipment. Project work completed for agencies by in-house staff or contracted with and outside vendor is on a cost recovery basis.

Department of Administration-6101
General Services Program-06

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6528	Rent & Maintenace	6101	Department of Administration	General Services Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Revenue from Office Rental Rate	-	-	-	5,673,204	6,359,180	6,423,608
Revenue from Warehouse Rental Rate	-	-	-	215,404	366,940	373,336
Revenue from Recycling Revenue	-	-	-	10,000	20,000	20,000
Revenue from Handyman Charges	-	-	-	45,000	50,000	50,000
Revenue from Project Work	-	-	-	55,000	70,000	70,000
Revenue from Fee F	-	-	-			-
Net Fee Revenue	5,231,914	4,874,173	5,905,695	6,094,870	6,866,120	6,936,944
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	339	55	420	-	-	-
Total Operating Revenue	5,232,253	4,874,228	5,906,115	6,094,870	6,866,120	6,936,944
Operating Expenses:						
Personal Services	887,837	930,895	949,052	1,036,378	1,062,537	1,061,557
Other Operating Expenses	4,564,464	4,595,466	5,209,407	5,510,947	6,303,600	6,367,215
Total Operating Expenses	5,452,301	5,526,361	6,158,459	6,547,325	7,366,137	7,428,772
Operating Income (Loss)	**(220,048)**	**(652,133)**	**(252,344)**	**(452,455)**	**(500,017)**	**(491,828)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(220,048)	(652,133)	(252,344)	(452,455)	(500,017)	(491,828)
Contributed Capital	26,522	-	-	-	-	-
Operating Transfers In (Note 13)	933,055	933,055	500,000	500,000	500,000	500,000
Operating Transfers Out (Note 13)	(418,000)	(492,000)	-	-	-	-
Change in net assets	321,529	(211,078)	247,656	47,545	(17)	8,172
Total Net Assets- July 1 - As Restated	207,289	631,127	467,480	716,607	764,152	764,135
Prior Period Adjustments	102,309	47,431	1,471	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	309,598	678,558	468,951	716,607	764,152	764,135
Net Assets- June 30	**631,127**	**467,480**	**716,607**	**764,152**	**764,135**	**772,307**
60 days of expenses (Total Operating Expenses divided by 6)	908,717	921,060	1,026,410	1,091,221	1,227,690	1,238,129

Requested Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

Agency Number : 61010 Fund Number: 06528	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Fee Group A						
Office Rent (per sq. ft.)	4.766	4.881	5.988	6.228	6.613	6.681
Warehouse Rent (per sq. ft.)	2.12	2.12	2.27	2.29	3.901	3.969
Project Mgmt (In-house)	15%	15%	15%	15%	15%	15%
Project Mgmt (Contracted)	5%	5%	5%	5%	5%	5%

Department of Administration-6101
General Services Program-06

Program Description - The Print & Mail Services Bureau, fund 06530, provides printing and mail services to all units and agencies within state government. The Bureau has seven basic components: 1) internal printing; 2) external (contracted) printing; 3) photocopy pool; 4) mail preparation; 5) central mail operations; 6) inter-agency (deadhead mail); 7) postal contract station with locked mail boxes 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. Not all requests for printing are completed internally. Nearly 65 percent of printing expenditures are procured through commercial vendors. Use of the photocopy pool is optional. A state agency may buy its own copier through the State Procurement Bureau. The postal contract station provides mail services to the public. Sections 18-7-101, 2-17-301, MCA, require the department to supervise and attend to all public printing and to contract for any printing used by the state, charges the department with the responsibility of administering the state photocopy pool, and requires the department to maintain and supervise any central mailing messenger service. On July 1, 2003 the two separate funds of print services (06530) and mail services (06253) merged into one fund, print & mail services (06530) and the bureau service area of mail preparation was created.

Revenue - Internal printing represents 13.7 percent of the bureau's total revenue. The expenditure account used by agencies to pay for internal printing is 62190 (printing/print services). The revenue accounts used to record revenues received from payments are 525083 (desktop), 525085 (duplicating), 525086 (bindery), and 525087 (quick copy).

External (contracted) printing represents 34.5 percent of the bureau's revenue. The expenditure account used by agencies to pay for external printing is 62190 (printing/print services). The revenue account used to record revenue received from payments is 525088 (printing coordination).

The photocopy pool represents nine percent of the Bureau's revenue. The expenditure account used by agencies to pay for photocopier usage is 62193, (photocopy services). The revenue account used to record revenues received from payment is 525089 (photocopy services).

Mail preparation represents 3.4 percent of the bureau's revenue. The expenditure accounts used by agencies to pay for mail preparation are 62190 (printing/print services), and 62304 (postage and mailing). The revenue account used to record revenues received from payment is 525009 (mail preparation).

Central mail operations represents 37.4 percent of revenue. The revenue account used by agencies to pay for central mail operations is 62304, postage and mailing). The revenue account used to record revenues received from payments is 525049 (outgoing U.S. mail).

Inter-agency (deadhead mail) represents 1.5 percent of total revenue. The revenue account used by agencies to pay for inter-agency mail is 62307 messenger services. The revenue account used to record revenues received from payment is 525059, deadhead mail.

The postal contract station represents 0.5 percent of total revenue. The postal contract station located at the Capitol provides postal services to the public. Print and Mail Services receives $3,248 monthly from the U.S. Postal Service for operation of the Capitol Post Office. The public pays for stamps and other postal services by cash or check. All proceeds are deposited daily to the U.S. Post Office. The revenue account used to record the monthly contract payment from the U.S. Postal Service is 525048 (post office contract).

Expenditures - The major internal printing costs include personal services, direct materials used in production, such as paper and ink, equipment repair and maintenance, and equipment replacement. Historical demand by agencies for printing services has remained fairly consistent with higher demand cycles when the legislature is in session. There are no changes or significant growth expected in the demand pattern. Unscheduled equipment repair or replacement provides the greatest amount of uncertainty in forecasting costs for internal printing.

For external printing, the major expenses are pass-through costs of commercial print vendors. These costs have historically remained fairly consistent, but vary depending upon complexity and quality of agency print projects.

Major expenses for the photocopy pool are pass-through photocopy costs, such as payments made to contracted vendors and personnel services.

Department of Administration-6101
General Services Program-06

In mail preparation, the major costs include personal services, equipment repair and maintenance and equipment replacement. This new service area is expected to grow substantially in the area of mail inserting. Agency demand for multiple page, variable data inserting is expected to grow but by what amount is unknown at this time. Unscheduled equipment repair or replacement and increased agency demand for inserting provide the greatest amount of uncertainty in forecasting cost for Mail Preparation.

Major expenses of mail operations are personal services, postage and equipment repair and maintenance, and fuel. Postage expenses for mail service operations have increased over the years due to U.S. Postal Service rate increases. Historically, agency mailings have remained fairly consistent and no major changes in volume are anticipated. A major area where expenses cannot be predicted is the unscheduled repair or replacement of equipment that fails unexpectedly.

Major expenses of inter-agency mail are personal services, vehicle leases, maintenance and fuel. Unscheduled repairs on vehicles cannot be accurately forecasted.

Personal services are the major cost for the Capitol Post Office. Costs have historically remained consistent for the Capitol Post Office. The yearly contract payment of $38,976 has remained unchanged for 20 years. A recent request to the Postal Service to increase the contract amount was denied. Overhead costs for administration accounting and supplies are allocated to six of Print & Mail Services Bureau service categories based on FTE. The Capitol Post Office contract does not allow reimbursement for overhead costs.

The Print & Mail Services Bureau had 42.70 FTE in FY 2004.

Working Capital - 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. The program billing and payment cycles support the accumulation of a 60-day working capital balance. User agencies are billed monthly and agencies are requested to pay for services by the end of the next month. This allows Print & Mail Services to pay monthly expenses of personal services and maintain current operations. The largest balance sheet accounts that contribute most significantly to Print & Mail Services fund equity balance is the 1704 equipment and 1709 accumulated depreciation accounts which are due to the large volume of equipment needed by Print & Mail Services to provide it's services. Other significant accounts would be 1802 Merchandise Inventory and 1905 Prepaid Expense, which is used to purchase postage. The amount of fund equity attributed to working capital is about $1,161,000, which is a 43 day working capital balance.

Rate Explanations - Print & Mail Services provides services to agencies based on an end result, i.e., 100 copies of 10 originals, collated, stapled and 3 hole punched or 20 mixed weight letters for first class mailing. Overall volume of services is projected to remain constant. Direct and indirect and administrative overhead can be attributed to each program. Therefore, costs can best be recovered by charging for each unit of service provided. External printing recovers costs by charging a percentage markup on the cost of the printing job.

Rates for each service are determined as follows: each service was broken into fixed, variable direct costs, indirect costs and administrative overhead in a past study. To recover our costs we have made appropriate minor adjustments to those base figures. Our rates have remained substantially the same for the last 12 years. Print & Mail Services requests a 60-day working capital rate for the 2007 biennium.

Department of Administration-6101
General Services Program-06

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6530	Print & Mail Services	6101	Department of Administration	General Services

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Internal Printing	1,363,722	1,513,709	1,177,102	1,389,102	1,177,102	1,389,102
External Printing	3,032,916	2,808,792	2,967,083	3,000,000	3,000,000	3,000,000
Photocopy Pool	820,396	777,976	775,990	790,990	775,990	790,990
Mail Preparation	-	-	292,058	321,264	321,264	321,264
Mail Operations	3,347,566	3,233,887	3,214,786	3,233,887	3,174,976	3,194,077
Inter-agency (Deadhead Mail)	168,063	166,389	127,631	125,648	165,458	165,458
Postal Contract Station	38,976	38,976	38,976	38,976	38,976	38,976
Net Fee Revenue	8,771,639	8,539,729	8,593,626	8,899,867	8,653,766	8,899,867
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	675	3	730	-	-	-
Total Operating Revenue	8,772,314	8,539,732	8,594,356	8,899,867	8,653,766	8,899,867
Operating Expenses:						
Personal Services	1,232,658	1,285,905	1,140,013	1,554,298	1,397,679	1,474,852
Other Operating Expenses	7,238,826	6,907,119	7,237,806	6,992,812	7,287,780	7,531,451
Equipment	330,558	154,494	221,808	442,563	221,808	221,808
Total Operating Expenses	8,802,042	8,347,518	8,599,627	8,989,673	8,907,267	9,228,111
Operating Income (Loss)	**(29,728)**	**192,214**	**(5,271)**	**(89,806)**	**(253,501)**	**(328,244)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(21,002)	(20,215)	(1,947)	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(21,002)	(20,215)	(1,947)	-	-	-
Income (Loss) Before Operating Transfers	(50,730)	171,999	(7,218)	(89,806)	(253,501)	(328,244)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(50,730)	171,999	(7,218)	(89,806)	(253,501)	(328,244)
Total Net Assets- July 1 - As Restated	1,624,707	1,573,977	1,747,429	1,669,079	1,579,273	1,325,772
Prior Period Adjustments	-	1,453	(71,132)	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	1,624,707	1,575,430	1,676,297	1,669,079	1,579,273	1,325,772
Net Assets- June 30	**1,573,977**	**1,747,429**	**1,669,079**	**1,579,273**	**1,325,772**	**997,528**
60 days of expenses (Total Operating Expenses divided by 6)	1,467,007	1,391,253	1,433,271	1,498,279	1,484,545	1,538,019

Print & Mail Services requests that the Legislature approve a 60-day working capital rate for the 2007 biennium

Department of Administration-6101
General Services Program-06

Program Description- The State Procurement Card Program, fund 06571, administers the state's procurement contract for the automated processing of small purchases.

Revenue- Revenue is generated through card charges to user agencies and rebates if we meet target goals. Agencies pay for the program services with using the expenditure account 62750, (maintenance contracts). The program uses the revenue account, 525076 (procurement card fee).

Expense - Major classes of expenses for the State Procurement Card Program are personal services, maintenance costs, computer programming charges and travel.

Working Capital, Fund Equity, and Cost Management - State Procurement Card Program rates are set to recover sufficient revenue to meet personal services and operating costs and allow no more than a 45-day working capital balance. The legislature approved an administrative fee of $1.00 per card per month as the rate for the 2005 biennium. The program requests that funding for 0.10 FTE be moved from the general fund to the proprietary fund.

Rate Explanation - The State Procurement Card Program requests that the Legislature approve a 45-day working capital rate for the 2007 biennium.

Department of Administration-6101
General Services Program-06

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6571	Procurement Card Purchases	6101	Department of Administration	General Services Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Procurement Card	8,988	13,129	1,875	11,736	11,736	11,736
Net Fee Revenue	8,988	13,129	1,875	11,736	11,736	11,736
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	5,480	9,578	9,112	9,200	9,200	9,200
Total Operating Revenue	14,468	22,707	10,987	20,936	20,936	20,936
Operating Expenses:						
Personal Services	-	-	9,351	-	4,735	4,774
Other Operating Expenses	8,135	23,132	16,672	23,792	16,289	16,244
Total Operating Expenses	8,135	23,132	26,023	23,792	21,024	21,018
Operating Income (Loss)	**6,333**	**(425)**	**(15,036)**	**(2,856)**	**(88)**	**(82)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	6,333	(425)	(15,036)	(2,856)	(88)	(82)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	6,333	(425)	(15,036)	(2,856)	(88)	(82)
Total Net Assets- July 1 - As Restated	12,592	18,925	18,500	3,464	608	520
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	12,592	18,925	18,500	3,464	608	520
Net Assets- June 30	**18,925**	**18,500**	**3,464**	**608**	**520**	**438**
60 days of expenses						
(Total Operating Expenses divided by 6)	1,356	3,855	4,337	3,965	3,504	3,503

Informational Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Procurement Card						
Monthly Fee Per Card	1.00	1.00	1.00	1.00	1.00	1.00

The Procurement Card Program requests that the Legislature approve a 45-day working capital rate for the 2007 biennium

Department of Administration-6101
General Services Program-06

Program Description - The Statewide Vehicle Fueling Program, fund 06561, provides for fueling of public vehicles through an integrated commercial/public fueling network. The program automates the accounting and transaction processing functions associated with vehicle fueling, offers a system of security, maintains agency tax-exempt status for transactions anywhere on the network, and provides monthly comprehensive fuel management reports that fleet managers can use to track and control fuel costs. Customers include agencies and units within state government, county and local municipalities.

Revenue - Revenue is generated through administration fee charged on fuel purchases. Agencies pay for the program services with the expenditure account 62216, gasoline. The revenue account used is 525092 (statewide fueling network).

Expense - Major classes of expenses for the statewide Fueling Program are personal services, supplies, communications and travel. The program has 0.60 FTE funded in the base.

Working Capital, Fund Equity, and Cost Management - Statewide Vehicle Fueling Program rates are set to recover sufficient revenue to meet personal services and operation costs and allow maintaining no more than a 45-day working capital balance. The legislature approved a 45-day working capital rate for the 2005 biennium.

Rate Explanation - The Statewide Vehicle Fueling program requests that the Legislature approve a 45-day working capital rate for the 2007 biennium. The vehicle fueling fee percent of gross fuel purchase been at 0.5 since FY 2002, and is requested to remain the same for the 2007 biennium.

Department of Administration-6101
General Services Program-06

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6561	Statewide Fueling Network	6101	Department of Administration	General Services Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Statewide Fueling Network	24,019	28,639	21,063	42,000	42,000	42,000
Net Fee Revenue	24,019	28,639	21,063	42,000	42,000	42,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	83	20	-	-	-
Total Operating Revenue	24,019	28,722	21,083	42,000	42,000	42,000
Operating Expenses:						
Personal Services	-	-	28,098	33,503	33,708	33,947
Other Operating Expenses	23,552	14,257	9,902	23,778	8,932	8,853
Total Operating Expenses	23,552	14,257	38,000	57,281	42,640	42,800
Operating Income (Loss)	**467**	**14,465**	**(16,917)**	**(15,281)**	**(640)**	**(800)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	467	14,465	(16,917)	(15,281)	(640)	(800)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	50,886	-	-
Operating Transfers Out (Note 13)	-	-	-	(50,886)	-	-
Change in net assets	467	14,465	(16,917)	(15,281)	(640)	(800)
Total Net Assets- July 1 - As Restated	5,466	8,468	22,933	6,016	(9,265)	(9,905)
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	2,535	-	-	-	-	-
Total Net Assets - July 1 - As Restated	8,001	8,468	22,933	6,016	(9,265)	(9,905)
Net Assets- June 30	**8,468**	**22,933**	**6,016**	**(9,265)**	**(9,905)**	**(10,705)**
60 days of expenses (Total Operating Expenses divided by 6)	3,925	2,376	6,333	9,547	7,107	7,133

Informational Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Vehicle Fueling Fee						
Percent of Gross						
Fuel Purchase	0.50	0.50	0.50	0.50	0.50	0.50

The Statewide Fueling Program requests that the Legislature approve a 45-day working capital rate for the 2007 biennium.

Department of Administration-6101
General Services Program-06

Program Description - The Central Stores program, fund 06531, develops standard specifications, procures, warehouses and delivers commonly used office supplies, paper products, and janitorial supplies to all state agencies and participating local governments. Section 18-4-221, MCA, requires the Department of Administration to procure or supervise the procurement of all supplies and services needed by the state.

Customers include all agencies and units within Montana State Government and participating local governments. 18-4-302(3) MCA mandates state agencies to use Central Stores unless an alternate supplier's publicly advertised price, established catalog price, or discount price offered to the agency is less than the price offered by the central stores program if the office supply conforms in all material respects to the terms, conditions, and quality offered by the central stores program. Local governments are not mandated to use central stores.

Revenue - Central Stores provides services as presented in the program description. Agencies are charged based on the supplies they order. Revenues are recorded into fund 06531 by using SABHRS revenue account 550202, Central Stores Supplies.

Historical and projected trends associated with the volume of services provided are:

FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
$4,864,224	$4,152,577	$4,282,084	$4,280,000	$4,280,000	$4,280,000

There are no projected significant changes in service volume. Agencies pay for program services with expenditure accounts that appropriately fit the products they order, including these for commonly used items:

62211 Coarse Paper, Central Stores
62219 Forms Purchase, Central Stores
62226 Fine Paper, Central Stores
62236 Office Supplies, Central Stores
62256 Janitorial Supplies, Central Stores
62296 Computer Paper, Central Stores

Expense Description - The major costs for Central Stores are goods purchased for resale and personal services. Factors that contribute to uncertainty in forecasting this cost are agency needs for services and general price increases from vendors. Variations in expense patterns depend on demand from user agencies. Future expenses can be projected by adding an inflation factor to base year purchases. Knowledge of manufacturer price increases can also help project future expenses. Personal services can be forecast based on assigned FTE. The program has 10.25 FTE funded for the base year.

Working Capital - Central Stores objective is to recover sufficient revenue to maintain current operations, inventory levels, and equipment maintenance and replacement. Maintaining a 60-day working capital is adequate to meet this objective. Agencies are billed daily and accounts are collected within 30-45 days. This billing and payment cycle allows Central Stores to pay monthly expenses and maintain adequate inventory levels.

Fund Equity and Reserved Fund Balance - This program has no need to reserve fund balance. The objective is to maintain fund balance compared to the FY 2004 base year. About 90 percent of the fund equity balance can be attributed to working capital and 10 percent can be contributed to equipment. Approximately 40 percent of working capital consists of inventory.

Rate Explanation - Central Stores recovers costs by charging a percentage markup on the cost of supplies distributed to agencies. This allows for adequate cost recovery for direct, indirect and administrative expenses. Central Stores requests a 60-day working capital rate for the 2007 biennium.

Department of Administration-6101
General Services Program-06

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6531	Central Stores	6101	Department of Administration	General Services Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Central Stores Supplies	-	-	-	4,280,000	4,280,000	4,280,000
Net Fee Revenue	4,864,224	4,152,577	4,282,084	4,280,000	4,280,000	4,280,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	384	-	211	-	-	-
Total Operating Revenue	4,864,608	4,152,577	4,282,295	4,280,000	4,280,000	4,280,000
Operating Expenses:						
Personal Services	358,026	363,263	328,451	374,340	478,212	477,837
Other Operating Expenses	4,199,979	4,026,120	4,299,761	4,233,275	4,385,734	4,378,401
Total Operating Expenses	4,558,005	4,389,383	4,628,212	4,607,615	4,863,946	4,856,238
Operating Income (Loss)	**306,603**	**(236,806)**	**(345,917)**	**(327,615)**	**(583,946)**	**(576,238)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(523)	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(523)	-	-	-	-	-
Income (Loss) Before Operating Transfers	306,080	(236,806)	(345,917)	(327,615)	(583,946)	(576,238)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	306,080	(236,806)	(345,917)	(327,615)	(583,946)	(576,238)
Total Net Assets- July 1 - As Restated	1,067,277	1,373,357	1,136,285	791,252	463,637	(120,309)
Prior Period Adjustments	-	(266)	884	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	1,067,277	1,373,091	1,137,169	791,252	463,637	(120,309)
Net Assets- June 30	**1,373,357**	**1,136,285**	**791,252**	**463,637**	**(120,309)**	**(696,547)**
60 days of expenses						
(Total Operating Expenses divided by 6)	759,668	731,564	771,369	767,936	810,658	809,373

Requested Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Fee Group A						
Forms	100%	100%	100%	100%	100%	100%
Office Supplies	20%	10%	10%	20%	25%	25%
Computer Paper	20%	10%	10%	20%	25%	25%
Fine Paper	20%	10%	10%	20%	25%	25%
Coarse Paper	20%	10%	10%	20%	25%	25%
Janitorial	20%	10%	10%	20%	25%	25%

A 60-day working capital is the rate requested for Central Stores. Markups of not more than 25 percent are projected to maintain a no more than 60 day working capital.

Department of Administration-6101
General Services Program-06

Program Description - The Property & Supply Bureau, fund 06066, operates the surplus property program to administer the sale of state and federal surplus property no longer needed by agencies. Section 18-4-221, MCA, requires the Department of Administration to sell, trade, or otherwise dispose of surplus supplies belonging to the state. The Federal Surplus program acquires surplus property from federal agencies. This property is distributed to state agencies or other eligible organizations. The surplus property programs 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.

Customers include eligible non-profit organizations, local and state government agencies. Sales to the public are made through sealed bids, auctions, and garage sales. State agencies are mandated to dispose of their surplus property through the program; they are not mandated to purchase from the surplus property programs.

Screeners are no longer going out of state to obtain federal surplus property. Due to very little property being available the costs of screening were not being recovered from the sales of the property.

Revenue Description - A handling fee is charged to the surplus property customer for items they receive through the surplus property programs. Agencies pay for program services with expenditure accounts that appropriately fit the items being purchased. Revenue is recorded into fund 06066 with SABHRS revenue accounts 521047, federal surplus property handling fee, and 521048, state surplus property handling fee. There has been and will continue to be less federal surplus property available, which will reduce the fees charged by that program. Historical and projected trends associated with the volume of services provided are:

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
State Surplus	$ 189,229	$ 184,645	$ 223,133	$ 223,000	$ 223,000	$ 223,000
Federal Surplus	$ 106,170	$ 231,387	$ 78,844	$ 10,000	$ 5,000	$ 5,000

Expense Description - The major costs are personal services and costs to pick up and warehouse property. The major factor that contributes to uncertainty in forecasting costs is the amount of property available to be picked up and sold. Future expenses for the major cost driver, personal services, can be determined by projecting the amount of FTE used to maintain current workload. Variations in expense patterns depend upon how much property is available. Overhead costs for administration, accounting and supplies are allocated to the two surplus programs based on FTE and space used. The program has 6.9 FTE funded for the base year, 2.5 FTE are vacant.

Working Capital - The objective of program management is to adequately recover costs to maintain current operations and scheduled equipment maintenance and replacement. Agencies are billed weekly and accounts are collected within 30-45 days.

Fund Equity and Reserved Fund Balance - This program has no need to reserve fund balance. The objective is to maintain fund balance as compared to the FY2004 base year. Half of the fund equity balance equity balance is working capital. Half of the total equity balance can be contributed to equipment.

Rate Explanation - The State Surplus Property Program retains a handling fee for property sold. If property is sold for less than $200, the program retains the proceeds. The program retains $200 plus unusual expenses for property sold for $200-$2,000, and 10 percent plus unusual expenses for property that is sold for more than $2,000.

The Federal surplus property program fees are an allocation of freight expense and 14 percent of acquisition cost. This is included in the federal plan of operation, which has been approved by the Federal General Services Administration.

Department of Administration-6101
General Services Program-06

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6066	Surplus Property	6101	Department of Administration	General Services

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
State Surplus Property Handling Fee	-	-	-	-	223,000	223,000
Federal Surplus Property Handling Fee	-	-	-	-	5,000	5,000
Net Fee Revenue	295,399	416,032	301,978	295,000	228,000	228,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	101	-	-	-
Total Operating Revenue	295,399	416,032	302,079	295,000	228,000	228,000
Operating Expenses:						
Personal Services	227,446	229,695	191,286	314,164	195,000	195,000
Other Operating Expenses	228,279	143,745	140,025	206,319	139,832	139,291
Total Operating Expenses	455,725	373,440	331,311	520,483	334,832	334,291
Operating Income (Loss)	**(160,326)**	**42,592**	**(29,232)**	**(225,483)**	**(106,832)**	**(106,291)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(1,137)	(11,182)	(4,877)	-	-	-
Federal Indirect Cost Recoveries				-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(1,137)	(11,182)	(4,877)	-	-	-
Income (Loss) Before Operating Transfers	(161,463)	31,410	(34,109)	(225,483)	(106,832)	(106,291)
Contributed Capital	(325,062)	(431,769)	(100,273)	-	-	-
Operating Transfers In (Note 13)			-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(486,525)	(400,359)	(134,382)	(225,483)	(106,832)	(106,291)
Total Net Assets- July 1 - As Restated	123,858	624,187	223,828	89,446	(136,037)	(242,869)
Prior Period Adjustments	(598)	-	-	-	-	-
Cumulative effect of account change	987,452	-	-	-	-	-
Total Net Assets - July 1 - As Restated	1,110,712	624,187	223,828	89,446	(136,037)	(242,869)
Net Assets- June 30	**624,187**	**223,828**	**89,446**	**(136,037)**	**(242,869)**	**(349,160)**
60 days of expenses (Total Operating Expenses divided by 6)	75,954	62,240	55,219	86,747	55,805	55,715

Requested Rates for Enterprise Funds
Fee/Rate Information

The State Surplus handling fees are: If property is sold for less than $200, the program retains the proceeds. The program retains $200 plus unusual expenses for property sold for $200-$2,000, and 10% plus unusual expenses for property that is sold for m

Department of Administration-6101
General Services Program-06

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

	Total Agency Impact	General Fund Total
FY06	$51,099	$0
FY07	$51,010	$0

PL- 301 - Indirect Administrative Costs -
This request will fund changes that have occurred in the department's indirect/administrative costs for services received from other proprietary funded centralized service functions of the agency.

	Total Agency Impact	General Fund Total
FY06	$0	$0
FY07	$0	$0

PL- 606 - Reallocate State Building Program Energy Savings -
According to the Energy Conservation Program, the Department of Administration will be reallocating energy savings of $123,400 in FY 2006 and $112,900 in FY 2007.

	Total Agency Impact	General Fund Total
FY06	$11,000	$0
FY07	$271,479	$0

PL- 607 - Print and Mail Services Operating Adjustments -
Print and Mail Services (Fund 06530) requests additional personal services budget for overtime in both FY 2006 and FY 2007 and operating expenditures for FY 2007 only. The Print and Mail Services division requests an additional $11,000 in FY 2006 and $16,000 in FY 2007 for anticipated overtime expenses related to rush printing jobs. The additional operating costs are associated with the Legislative Print Shop.

	Total Agency Impact	General Fund Total
FY06	$4,735	$0
FY07	$4,774	$0

PL- 608 - Fund Switch -
This request will move a portion of a position from HB 2 funding to propriety funding.

	Total Agency Impact	General Fund Total
FY06	$699,368	$0
FY07	$768,622	$0

PL- 610 - Additional Operating Costs -
This decision includes increases from the base in operating costs for janitorial, caretaker services, fire suppression services, mid-tier processing costs, clothing, gasoline, travel, utilities, water, and sewer. Total amount requested is $699,368 in FY 2006 and $768,622 in FY 2007. Of this request the largest increases are in natural gas and electricity.

	Total Agency Impact	General Fund Total
FY06	$40,000	$0
FY07	$40,000	$0

NP- 602 - Contract for a Security System Database Manager -
The division requests $40,000 proprietary funds each year to contract with Department of Administration – ITSD to manage the security system database. The contract was previously paid for through a federal grant from the Department of Military Affairs. The General Services Division (GSD) has centralized the access control data base management for the Capitol Complex buildings.

Department of Administration-6101
Information Technology Services Division-07

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	182.00	0.00	0.00	182.00	0.00	0.00	182.00
Personal Services	10,126,535	359,696	(78,833)	10,407,398	363,632	(79,336)	10,410,831
Operating Expenses	18,064,708	1,539,650	0	19,604,358	1,427,294	0	19,492,002
Equipment	4,026,544	108,000	0	4,134,544	44,000	0	4,070,544
Grants	0	0	0	0	0	0	0
Debt Service	1,371,407	0	0	1,371,407	0	0	1,371,407
Total Costs	**$33,589,194**	**$2,007,346**	**($78,833)**	**$35,517,707**	**$1,834,926**	**($79,336)**	**$35,344,784**
State/Other Special	0	0	0	0	0	0	0
Proprietary	33,589,194	2,007,346	(78,833)	35,517,707	1,834,926	(79,336)	35,344,784
Total Funds	**$33,589,194**	**$2,007,346**	**($78,833)**	**$35,517,707**	**$1,834,926**	**($79,336)**	**$35,344,784**

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

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

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

The ITSD operates generally under state mandates as specified in 2-17-3, 5, MCA.

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

ITSD costs are based on predicted utilization and projects planned in all service categories. As services and costs increase or decrease, the management of ITSD strives to ensure that the fees being charged to state agencies remain commensurate with the costs. ITSD will fund 179.50 FTE in HB 576 in FY 2006 and FY 2007.

ITSD services are enterprise and statewide in nature, and therefore agencies are required to use these services. If exceptional conditions exist, agencies may be granted exceptions to meet specific agency needs. All services are offered and provided to all state and local agencies.

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Information Technology Services Division-07

Revenue - ITSD fees are based on predicted utilization and expenses. As utilization increases over the predicted expenses, ITSD is able to lower its fees appropriately. As the demand for products and services increases so do the expenses. New technology, software, equipment, and support must be provided to keep up with the growing demand and needs of ITSD customers. With the need for expanding networks, ITSD is required to expand the local area and wide area networks, add additional sites and support new applications being developed for the delivery of services by state agencies and federal regulations. The customer payments received by ITSD include several funding sources.

Expenses - One major cost driver in all of ITSD services is personal services expense that is projected on assigned FTE with no increase in either FY 2006 or FY 2007. There are a number of major cost drivers associated with the desktop services rate including communications costs and software costs. These are projected on current utilization as well as contracted agreements. There are 179.50 FTE funded in the base year.

SABHRS administrative costs major cost drivers include contracted services and software expense, which are based on base year expenditures and contracted amounts. Mainframe processing major cost drivers include software expenses based on contracted amounts, supplies based on base year expenditures and depreciation and debt service interest expense based on current schedules and on projected purchases.

Telephone equipment and long-distance major cost drivers include communication and maintenance expenses which are based on base year and contracted amounts and supplies which are also projected from base year.

Working Capital - ITSD is requesting a 45-day working capital to maintain on going operational costs. This amount of working capital is required for monthly payments to vendors in a timely manner. ITSD was at 8 days as of FYE 2004. This has been extremely difficult financially to ITSD, which has been behind in accounts payable and had to defer purchases needed to provide services to customers. ITSD has experienced losses due to unanticipated decreases in utilization and revenue from major agencies as agencies reduced their budgets.

Fund Equity and Reserved Fund Balance - A portion of the fund balance to this proprietary fund relates to the investment in equipment. Management does not predict any major changes in the fund balance from the 2004 biennium level.

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

Following are expenditure accounts charged by ITSD to provide the services, 62174 is Desktop Services that includes shared statewide desktop and data network services, 62148 is SABHRS administrative costs that includes the operations and maintenance of the budget development system (MBARS) and the PeopleSoft human resource, financial, and asset management systems. Mainframe processing is included in a combination of Disk Storage charges, Batch, TSO, IDMS, CICS CPU seconds charges and Read/Write Computer Transactions. These are located in accounts 62142, 62168, 62172, 62177, 62178, 62180. Account 62370 includes telephone equipment charges which are for basic and electronic telephone sets. Account 62385 is for long-distance telephone charges.

Desktop services utilization includes data connections to the state network. ITSD is projecting an approximate 12 percent average increase over the 2007 biennium. Currently this is based on input from a data connection survey requested from each agency. ITSD relies on this information when calculating rates. When these projections are not met by the agency, ITSD has to recover lost revenues from other service categories or reduce expenditures by reducing services provided for all.

SABHRS utilization is currently not tracked and charges are based on projected expenses.

Telephone equipment utilization is projected from base year volume. Long-distance utilization is decreasing by approximately 2.5 percent from projected FY 2005 due mainly to increased use in cell phones and phone cards.

Department of Administration-6101
Information Technology Services Division-07

One variation in expense patterns includes software expenses, which are higher in the initial purchase year and then only include fixed maintenance costs for subsequent years. There will also be some variations with equipment depreciation when the cycle of depreciation expires and the purchases of new equipment do not coincide.

Rate Explanation -Desktop services rates are charged on a monthly or yearly basis per workstation or installation. The desktop services rate is $72.60. SABHRS administrative costs are based on FTE for the human resource module, lines of transactions for the financial module, and number of EPP items for the MBARS module. There are exceptions for the Benefits Bureau of the Department of Administration and the Montana University System, which are agreed upon amounts. Mainframe and mid-tier charges are based upon central processing unit (CPU) seconds or other per transaction rates and client server contracts. Voice telecommunications rates are charged based on equipment and long-distance usage. Customers are billed at the actual fee or rate based upon the methodology used to develop those rates.

ITSD rates are based on predicted expenditures, utilization and projects planned in all service categories. ITSD strives to ensure that the rates being charged to state agencies remain commensurate with the costs. ITSD projects utilization numbers for service categories based on current level, trends and feedback from agencies.

ITSD determines its rates using an in-house database called "The Cost Recovery Information System " (CRIS). CRIS is designed to determine rates based on base year and projected expenditures, base year and projected utilization numbers and an allocation method for each service category to make sure ITSD rates are fair and maintain fees commensurate with costs.

ITSD has in the past had the authority to maintain a 60-day working capital. In the 2003 Legislative Session that authority was decreased to 45 days. The objective of having a working capital is to adequately recover costs to maintain current operations and plan for any unanticipated program changes or equipment purchases.

ITSD is requesting a 45-day working capital in the 2007 biennium to maintain ongoing operational costs. This amount of working capital is required for making monthly payments to vendors in a timely manner.

The largest balance sheet accounts that contribute most significantly to ITSD fund equity balance is the 1704 equipment and 1709 accumulated depreciation accounts which are due to the large volume of equipment needed by ITSD to provide its services. Other significant accounts would be 1809 intangible assets and 2104 lease obligation. The amount of fund equity attributed to working capital is about $760,000.

CRIS uses several allocation methods for distributing indirect costs to separate rates. The methods used are based on FTE, budgeted dollars or revenue, workload, time, and best judgment.

Department of Administration-6101
Information Technology Services Division-07

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Fund	Fund Name	Agency #	Agency Name	Program Name
6522	ISD Proprietary	6101	Department of Administration	Information Technology Services Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Desktop Services	9,399,924	9,995,209	10,412,759	10,356,786	11,433,793	11,433,793
SABHRS Services	4,168,582	4,235,143	4,651,176	4,794,639	6,335,169	6,335,169
Long Distance	2,751,562	3,467,327	2,973,515	2,900,000	3,105,000	3,105,000
Telephone Equipment	1,767,325	1,636,379	2,421,120	1,780,000	1,953,000	1,953,000
Computer Processing	7,980,921	7,388,745	8,617,436	9,261,194	9,169,483	8,806,031
Other Charges For Services	3,769,209	2,893,373	3,308,234	2,901,204	2,366,953	2,752,145
Net Fee Revenue	29,837,523	29,616,176	32,384,240	31,993,823	34,363,398	34,385,138
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	14,792	10,538	103,946	-	-	-
Total Operating Revenue	29,852,315	29,626,714	32,488,186	31,993,823	34,363,398	34,385,138
Operating Expenses:						
Personal Services	9,438,781	10,413,700	9,289,923	10,433,060	10,454,291	10,457,430
Other Operating Expenses	20,221,521	17,359,055	20,615,353	20,497,045	25,107,441	24,931,085
Total Operating Expenses	29,660,302	27,772,755	29,905,276	30,930,105	35,561,732	35,388,515
Operating Income (Loss)	**192,013**	**1,853,959**	**2,582,910**	**1,063,718**	**(1,198,334)**	**(1,003,377)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	(8,438)	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	(8,438)	-	-	-
Income (Loss) Before Operating Transfers	192,013	1,853,959	2,574,472	1,063,718	(1,198,334)	(1,003,377)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	67,812	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	192,013	1,853,959	2,642,284	1,063,718	(1,198,334)	(1,003,377)
Total Net Assets- July 1 - As Restated	367,728	2,143,812	4,111,620	7,176,209	8,239,927	7,041,593
Prior Period Adjustments	(8,424)	113,849	422,305	-	-	-
Cumulative effect of account change	1,592,495	-	-	-	-	-
Total Net Assets - July 1 - As Restated	1,951,799	2,257,661	4,533,925	7,176,209	8,239,927	7,041,593
Net Assets- June 30	**2,143,812**	**4,111,620**	**7,176,209**	**8,239,927**	**7,041,593**	**6,038,216**
60 days of expenses (Total Operating Expenses divided by 6)	4,943,384	4,628,793	4,984,213	5,155,018	5,926,955	5,898,086
45 days of expenses (Total Operating Expenses divided by 8)	3,707,538	3,471,594	3,738,160	3,866,263	4,445,217	4,423,564

Requested Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Information Technology Services						
Desktop Services	45-Day	45-Day	45-Day	45-Day	45-Day	45-Day
SABHRS Services	Working	Working	Working	Working	Working	Working
Long Distance	Capital	Capital	Capital	Capital	Capital	Capital
Telephone Equipment	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve
Computer Processing						
Other Charges For Services						

Information Technology Services seeks the ability to continue to charge various rates in order to maintain a 45-day working capital, except that the desktop services rate may not exceed $72.60 per connection per month or the amount that was budgeted in an agency budget, whichever is more.

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Information Technology Services Division-07

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

	Total Agency Impact	General Fund Total
FY06	$41,226	$0
FY07	$41,127	$0

PL- 301 - Indirect Administrative Costs -
This request is to fund changes in the department's indirect/administrative costs for services received from other proprietary funded centralized service functions of the agency.

	Total Agency Impact	General Fund Total
FY06	$108,000	$0
FY07	$54,000	$0

PL- 716 - Compressed Video Network Upgrades -
This request is to upgrade the State's Compressed Video Network, METNET, to support H.323 video sessions. Compressed video can be used to reduce travel, provide remote training, distance learning, conduct hearings, and hold administrative meetings. H.323 Video protocol allows users to use the existing state network infrastructure. In order to provide appropriate level of security and connectivity, the current bridge and systems need to be upgraded.

	Total Agency Impact	General Fund Total
FY06	$1,186,481	$0
FY07	$1,186,758	$0

PL- 719 - SABHRS Administrative Expense -
Information Technology Services Division (ITSD) is requesting to increase the SABHRS administration expense to better reflect the true costs associated with the service. Currently, SABHRS operates on the shared mid-tier platform, which is used by a number of different users. The recovery of the total mid-tier costs is allocated by the storage utilization of each user proportionately. SABHRS storage utilization has increased dramatically over the last few years, which caused an increase in storage costs. The increase requested will assure that the cost recover is consistent and equitable across all users of the midtier environment.

	Total Agency Impact	General Fund Total
FY06	$50,000	$0
FY07	$50,000	$0

NP- 717 - SABHRS End-User Training Program 2.0 FTE -
This request provides $50,000 in funding through the SABHRS cost allocation and 2.00 FTE to support the SABHRS Financials and Human Resources end-user training program.

	Total Agency Impact	General Fund Total
FY06	($128,833)	$0
FY07	($129,336)	$0

NP- 720 - Remove 2.0 FTE from HB 576 -
This decision package will remove 2.00 FTE from the base budget in ITSD's proprietary fund. A separate decision package, Montana Land Information Act, requests that the positions be funded in a HB 2 state special revenue fund created by the Montana Land Information Act. This proposal is contingent upon passage and approval of LC# 79.

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Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	22.09	3.65	1.10	26.84	3.65	1.10	26.84
Personal Services	1,091,048	117,127	28,746	1,236,921	116,023	28,666	1,235,737
Operating Expenses	3,513,657	151,801	0	3,665,458	90,102	0	3,603,759
Benefits & Claims	78,234,668	22,047,302	0	100,281,970	35,234,713	0	113,469,381
Total Costs	**$82,839,373**	**$22,316,230**	**$28,746**	**$105,184,349**	**$35,440,838**	**$28,666**	**$118,308,877**
Proprietary	82,839,373	22,316,230	28,746	105,184,349	35,440,838	28,666	118,308,877
Total Funds	**$82,839,373**	**$22,316,230**	**$28,746**	**$105,184,349**	**$35,440,838**	**$28,666**	**$118,308,877**

Program Description - The State Personnel Division manages four proprietary programs: training, employee benefits which include the state's health and other benefit insurance plans the state payroll/benefits operations, and the flexible spending accounts.

The Professional Development Center (PDC), fund 06525, provides training and other services, such as facilitation, mediation, and curriculum design, to state agencies on a fee reimbursement basis. About 1 percent of program revenue comes from the sale of guidebooks and other publications. PDC is funded as an internal service fund with revenues generated through fees charged for services. The program has a staff of three professional trainers and funds a small portion of an FTE for a division accounting technician. Statutory authority comes from 2-18-102, MCA.

Service level is measured by the number of participants the program has served. This measure is variable and difficult to predict from quarter to quarter. Total participants served over the past five years is as follows:

FY 2000	3,289
FY 2001	3,145
FY 2002	3,286
FY 2003	2,246
FY 2004	2,933

Alternate Sources: There are several alternative sources for training and related services which are available to agencies, such as seminars sponsored by national training firms, conferences and symposia, contracted training consultants, in-house training programs, and courses through post-secondary education institutions. PDC acts as one provider in the marketplace.

Customers Served: PDC customers are all agencies and units in Montana state government. Additional customer base includes local government agencies and private, nonprofit agencies. Agencies do not have a mandate to use PDC services; they can purchase training from any source.

Proprietary Revenues and Expenses - The Professional Development Center operates on a budget of about $268,000 a year. The budget is typically split into the following expense categories: personal services (69 percent), variable costs (20 percent), and fixed costs (11 percent).

The major cost driver for all PDC rates is personal services with 3.08 FTE. Indirect fixed costs which are allocated to the program also have a significant impact on the rates and rates must be established bearing in mind that these costs will not vary based upon service levels provided. The program has direct control over the remaining 20 percent of costs comprised of its printing, training supplies, postage, and travel, and these are the only costs that vary according to the level of demand for PDC's services. Prior to FY 2004, PDC fixed costs made up 4 percent of the program's budget. In the 2005 biennium, fixed costs and indirect allocated costs increased to 12 percent of the budget.

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The table below depicts historic and projected levels of open enrollment and contract services and shows how participation levels vary from year to year. Service levels provided in FY 2004 were substantially above the levels provided in FY 2003, which were down significantly from service levels during FY 2002 (FY 2003 saw a 24 percent drop in participation without much change in the total number of service hours provided). In FY 2004 PDC recovered a little less than half of the participants that were lost in FY 2003; total service hours provided were 12 percent more than the hours provided in FY 2002 and 2003; and revenues improved by about 8 percent. Program managers have expanded the scope of services provided. This has had a positive impact on participation levels as well as revenue flows. It is anticipated this trend will continue through FY 2005 and into the next biennium. Training rates for the 2007 biennium are based on the proportion of fixed and personal services costs to the overall anticipated program cost, in an effort to ensure that demand driven revenues are sufficient to cover total program expenses.

	Open Enrollment Participants	Open Enrollment Hours	Contract Service Participants	Contract Service Hours
FY 2000	1368	1115	1921	444
FY 2001	1292	1162	1853	377
FY 2002	1473	1145	1813	420
FY 2003	1217	1104	1273	438
FY 2004	1522	1288	1411	465
(Projected)2005	1500	1300	1400	500
(Projected)2006	1600	1300	1400	500
(Projected)2007	1660	1400	1400	500

Working Capital - The average time between PDC providing a service and collecting revenue is 45 days. In order to cover on-going expenses over a 45-day period, PDC should maintain a working capital reserve of $48,000. The program's revenue stream can fluctuate significantly whereas, as discussed above, the major portion of training expenditures are relatively stable and tied up in personal services and fixed costs. Historically, revenues have been low in the first fiscal quarter and increased in each subsequent quarter as agencies gain more comfort in directing their discretionary funds to personnel training. A 45-day working capital would permit PDC to keep up with its fixed and on-going expenditures when demand for services is lower than the average expected revenue, and would cover periods of potentially short cash during the accounts receivable collection cycle. As of the end of FY 2004, PDC had a working capital reserve of approximately $25,000. The rates being requested for the 2007 biennium are intended to permit PDC to reach and maintain a 45-day working capital reserve over the next biennium by including the reserve amount in its fixed costs for the rate calculation.

Fund Equity and Reserved Fund Balance - The PDC has no requirement to reserve any of its fund balance but management desires to maintain a fund balance sufficient to provide a 45-day working capital. At FYE 2004 the training program had total fund equity of $21,400, of which $11,454 was attributable to collections from agencies for the Labor Management Training Initiative (LMT), which was agreed to during economic negotiations during the 2001 Legislative Session. These LMT funds will be spent in FY 2005 for the purposes outlined in the initiative. Equity attributed to the human resource conference, which is sponsored by the department, and dedicated to this activity, comprises another $7,000 of the training program's fund balance. The remaining fund balance, which is attributable to and available for PDC functions, amounts to $2,937. The rates being requested for the 2007 biennium should allow PDC to maintain a positive fund balance over the course of the biennium and build its working capital reserve.

Cash Flow - The average turnaround period for revenue receipts is about 45 days. During the first two quarters of the fiscal year when demand for PDC services is lower, cash receipts tend to be at their lowest levels. Cash outflows remain fairly constant during this time period as 80 percent of expenses are generally fixed in nature and occur independent of its revenue stream. This is the time of year when PDC runs short of cash. Toward the end of the year agencies process their training invoices more readily and send more people to training.

Specific Services and SABHRS accounts - The primary services provided by PDC are open enrollment training courses and contract training. For open enrollment trainings, the PDC schedules, promotes, and conducts courses that are open to students from all agencies, and other public entities. PDC charges a set fee per student for attendance.

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During all of FY 2002 and FY 2003, the typical fee had been $70 for a half-day course and $95 for a full-day course. At the onset of FY 2004, PDC implemented a scheduled rate increase to $75 for a half day and $97 for a full day.

At mid-year in FY 2004, PDC took action to improve its fiscal standing. It raised fees to $85 for a half day and $110 for a full day. At the same time, it started offering discounts to agencies for multiple enrollments in a course. Two to four employees from an agency receive a 10 percent fee discount. Five or more employees from an agency receive a 20 percent fee discount. Concurrent with the fee increases, PDC cut costs, including a 10 percent cut in staff hours for the remainder of the fiscal year. The result was a roughly $50,000 turnaround, from a deficit of $20,000 at the end of FY 2003, to a $30,000 profit by the end of FY 2004. PDC has accomplished funding its compensated leave liability and is dedicated to managing its expenses in order to begin establishing its desired working capital reserve.

For facilitation, mediation, consulting, and curriculum development PDC charges an hourly rate of $60 and adds travel expenses, if any, to the invoice. On average, these services account for eight percent of total revenue each year.

Two minor revenue categories are publication sales and room rentals. PDC maintains half a dozen booklets available for sale, with prices ranging from $1 to $15. The booklet price covers costs of development, printing, and distribution. PDC rents out the meeting rooms in the Metcalf Building to other parties when PDC isn't using them, charging a fee to cover rent and coffee service provided in the room. Revenue from publications and meeting rooms is usually less than 1 percent of total annual revenue.

Deposits for all PDC services are recorded using revenue account 522091. Customers record payments to PDC in accounts 62809 (education/training) and 62102 (consulting and professional services).

Proprietary Rate Explanation - The PDC establishes rates by separating fixed and overhead costs from the variable costs directly associated with producing a specific service, such as a workshop. The total projected fixed costs are divided by an estimate of total billable hours to allocate fixed costs to billable staff hours.

Estimated billable hours for the 3.00 FTE professionals in the program stem from an analysis of past fiscal years. General preparation time, planning, administrative tasks, personal leave, and unbilled travel time are subtracted from the total available hours. This analysis indicates that 30 percent of total staff time can be billed to specific products or services.

An analysis of expenditures shows that 20 percent of total costs can be associated with specific products or services. The remaining 80 percent are personal services and other fixed cost that must be allocated through staff time. One half of the 45-day working capital requirement has been added to the fixed costs for the rate calculations in order to reach the full working capital requirement by the end of the biennium.

The base rate for services is calculated as:
[(Total Costs x 80%)+0.5(Working Capital)] / (Total Hours x 30%) = Staff Cost per hour

The base rate is used to set the price of individual workshops by analyzing the staff time required to develop and provide the workshop, along with other variable costs (printing, materials, travel, etc.) associated with conducting the training. The base rate is also used to set a general schedule of prices where staff time and variable expenses can be consistently projected.

The base rates for FY 2006 and FY 2007 are projected as follows:

FY 2006	($267,938 x .80) + 0.5(50,000)] / (6240 x .30) = $127.86 / hour
FY 2007	($268,201 x .80) + 0.5(50,000)] / (6240 x .30) = $127.97 / hour

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Fund	Fund Name	Agency #	Agency Name	Program Name
6525	Intergovernmental Training	6101	Department of Administration	State Personnel Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Revenue from Training Fees	260,277	293,695	285,340	276,666	275,000	275,000
Net Fee Revenue	260,277	293,695	285,340	276,666	275,000	275,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	565	561	260	-	-	-
Total Operating Revenue	260,842	294,256	285,600	276,666	275,000	275,000
Operating Expenses:						
Personal Services	151,136	153,798	154,981	158,061	159,063	159,523
Other Operating Expenses	141,373	145,793	137,569	122,779	108,652	108,452
Total Operating Expenses	292,509	299,591	292,550	280,840	267,715	267,975
Operating Income (Loss)	**(31,667)**	**(5,335)**	**(6,950)**	**(4,174)**	**7,285**	**7,025**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(31,667)	(5,335)	(6,950)	(4,174)	7,285	7,025
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(31,667)	(5,335)	(6,950)	(4,174)	7,285	7,025
Total Net Assets- July 1 - As Restated	64,580	33,513	28,345	21,395	17,221	24,506
Prior Period Adjustments	-	167	-	-	-	-
Cumulative effect of account change	600	-	-	-	-	-
Total Net Assets - July 1 - As Restated	65,180	33,680	28,345	21,395	17,221	24,506
Net Assets- June 30	**33,513**	**28,345**	**21,395**	**17,221**	**24,506**	**31,531**
45 days of expenses (Total Operating Expenses times 45 days divided by total working days per year)	50,433	51,654	50,247	48,421	46,158	46,203

Requested Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Fee Group A						
Training Services per hour	$113.00	$113.00	$128.12	$128.59	$127.86	$127.97

The Training Program determines rates by analyzing its billable staff hours, overhead costs, and variable costs which are directly associated with providing a specific training service. Service fees include an allocation of total overhead costs based on

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Program Description - The Payroll/Benefits Operations Bureau, fund 06563, operates the PeopleSoft payroll, benefits and HR system to process, distribute, report, and account for payroll, benefits, and associated withholding and deductions for 13,000+ state employees in the executive, legislative, and judicial branches. The bureau establishes and maintains standards, processes and procedures to be followed by state agencies in preparing and submitting payroll, benefits and related 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, deferred compensation) classification, pay, labor relations, policy and training. The program 7.10 FTE. Statutory authority is 2-18-401, MCA.

Alternative Sources: As an alternative to providing a centralized payroll and benefit operations system, each agency could provide their own payroll and benefit eligibility processing, or contract with private firms that provide equivalent services.

Customers Served: Payroll services are provided to 34 state agencies employing over 13,000 people.

Revenues and Expenses - The major cost drivers for the Payroll/Benefit Operations Bureau are personal services of 7.10 FTE, audit fees, computer services/laser printing, and warrant writing fees, totaling 87 percent of total expenses. The fixed costs are based on fees developed by other divisions/agencies for services provided to the bureau. Personal Services make up approximately 67 percent of expenditures, with the remaining amount in operating. Increases in personal services are difficult to forecast. Historically, due to the Peoplesoft HR upgrades, overtime expenses has increased as staff members are required to perform normal production duties as well as devote considerable time to the analysis, training, and implementation of the newest software release. Upgrade efforts are currently scheduled for the last quarter of FY 2006 or the first quarter of FY 2007. A trend is also developing to centralize additional payroll processes. As business processes are re-evaluated and re-designed it is becoming necessary to centralize specific tasks to increase the functionality of the software.

Working Capital - The payroll rates established for the 2007 biennium provide for the maintenance of a 60-day working capital amount of $101,309 by the end of FY 2007. To arrive at this balance, a $13,000 spend-down of reserves has been included in both the calculations for FY 2006 and FY 2007 rates. The working capital is needed to fund the payroll process prior to the quarterly receipt of fees from each agency in order to ensure the uninterrupted processing of the state payroll on a bi-weekly cycle.

Fund Equity and Reserved Fund Balance - The payroll fund currently has a fund balance of $44,028, which is the net between the program compensated leave liability and cash. By the end of FY 2007 it is expected that the program will have a fund balance of $68,000. The program does not have a requirement to reserve any of its fund equity.

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

The payroll program is accounted for as a proprietary fund and uses the following SABHRS accounts. Revenue account 521049 (payroll processing fees), represents 99.9 percent of revenue collected. Central payroll processing costs are allocated to each agency based on the average number of employees processed and paid bi-weekly by each agency over the previous biennium. Revenue account 526040 (misc. receipts), represents 0.1 percent of revenue collected. This second revenue account includes small payments from the United Way for processing charitable donations withheld through payroll deduction.

Agencies record payments of payroll processing fees in expenditure account 62114 (payroll service fees). In fiscal year 2004, approximately 13,020 employees were processed and paid. It is estimated to be 13,013 in FY 2006, and 13,148, in FY 2007.

Proprietary Rate Explanation - Payroll fees charged to state agencies are determined by projecting the cost of operating the payroll program through the next biennium. Payroll rates are set as a fixed cost and allocated out to each agency based on the number of employees paid the previous biennium.

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Fund	Fund Name	Agency #	Agency Name	Program Name
6563	Payroll Fund	6101	Department of Administration	State Personnel Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Revenue from Payroll Fees	358,604	367,908	435,310	461,614	453,103	453,103
Revenue from Miscellaneous Service Fees	1,943	686	416		-	-
Net Fee Revenue	360,547	368,594	435,726	461,614	453,103	453,103
Investment Earnings	-	-	-		-	-
Securities Lending Income	-	-	-		-	-
Premiums	-	-	-		-	-
Other Operating Revenues	98	-	101		-	-
Total Operating Revenue	360,645	368,594	435,827	461,614	453,103	453,103
Operating Expenses:						
Personal Services	248,105	253,369	266,501	288,675	307,520	306,579
Other Operating Expenses	128,592	97,146	145,343	128,426	163,409	109,927
Total Operating Expenses	376,697	350,515	411,844	417,101	470,929	416,506
Operating Income (Loss)	**(16,052)**	**18,079**	**23,983**	**44,513**	**(17,826)**	**36,597**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-		-	-
Federal Indirect Cost Recoveries	-	-	-		-	-
Other Nonoperating Revenues (Expenses)	-	-	-		-	-
Net Nonoperating Revenues (Expenses)	-	-	-		-	-
Income (Loss) Before Operating Transfers	(16,052)	18,079	23,983	44,513	(17,826)	36,597
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(16,052)	18,079	23,983	44,513	(17,826)	36,597
Total Net Assets- July 1 - As Restated	(85,298)	1,965	20,044	44,027	88,540	70,714
Prior Period Adjustments	-	-	-		-	-
Cumulative effect of account change	103,315	-	-		-	-
Total Net Assets - July 1 - As Restated	18,017	1,965	20,044	44,027	88,540	70,714
Net Assets- June 30	**1,965**	**20,044**	**44,027**	**88,540**	**70,714**	**107,311**
60 working days of expenses (Total Operating Expenses times 60 days divided by total working days per year)	86,597	80,578	94,315	95,885	108,260	95,749

Requested Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Fee Group A						
Payroll fees (per employee processed per pay period)	$1.03	$1.05	$1.25	$1.32	$1.34	$1.33

Payroll rates have been established to maintain a 60-day working capital. A budget is established for the 2007 biennium, distributed as a fixed cost to state agencies based on a projected number of employees to be paid. The estimate of the number of employees each agency pays is determined from experience in FY 2003 and 2004.

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Program Description - The Employee Benefits program, fund 06559, is charged with providing state employees, retirees, and their families with adequate medical, dental, life, and other related group benefits in an efficient manner and at an affordable cost. The program operates a self-insured health and dental plan. Life, long-term disability, and long-term care insurance are purchased from private sector vendors. The program contracts with private companies to provide claims processing services, health screening, managed care services, and an employee assistance program.

The core service provided by the program is a medical (including prescription drug coverage), dental and life insurance benefit. Plan members have several plan options to choose from which include an indemnity plan and managed care plans administered by three different carriers (New West Health Services, Blue Cross and Blue Shield of Montana, and Peak Health Plan) through their provider networks.

The program is funded by the state contribution for group benefits and by premiums and fees paid by plan members. The program currently supports 13.01 FTE and is requesting an additional 3.65 FTE for the 2007 biennium. The additional FTE include 1.00 FTE to provide additional customer service support by increasing two partial positions to full-time FTE, 1.00 FTE for in-house case management services (resulting in a substantial savings over contracting this function), 1.00 FTE for an additional front line customer service position, 0.50 FTE for a position to support the technical operation of the benefits portion of the payroll/benefits system, and 0.15 FTE for enhanced accounting support services. Statutory authority is at 2-18-701, and 2-18-801, MCA.

<u>Alternate Sources</u>: 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 the early 1980s.

<u>Customers Served</u>: Approximately 32,000 people are covered by the benefit plans provided by the Employee Benefits Program in the following categories: 11,800 regular full-time and part-time executive, legislative, and judicial branch employees; 3,100 retirees; 100 COBRA participants; and 17,000 dependents.

Revenues and Expenses - No significant changes in service are contemplated. Fees must be increased as discussed below. The primary cost driver in the fund is the cost of health and prescription drug claims. Medical claim costs are projected to be increasing at a rate of approximately 15 percent annually. Drug claims are projected to be increasing 12 percent annually.

Working Capital - The Benefits and Health Insurance program maintains a substantial reserve to allow it to cover health claims against the self-insured plan. Insurance regulations require a certain reserve to be maintained in order to protect the well-being of participants in the plan. In addition, the program maintains a reserve to cover its pending liability for claims that have been incurred but not reported at any point in time. Reserve levels are monitored closely by the program with the assistance of its benefit consultant to ensure that the plan is complying with the insurance industries standard practices and requirements. As a result of recent instability in the fund, the State Employee Group Benefits Advisory Council (SEGBAC) opted to recommend the fund maintain a minimum of two to three months claims and operating expenses in reserve beyond the statutorily required reserves. This is a common practice in the insurance industry and is similar to working capital balances maintained in other governmental funds.

Fund Equity and Reserved Fund Balance - The reserves for the self-insured plan are calculated as a percentage of claims and consist of two components; incurred but not reported (IBNR) reserves and claims fluctuation reserves. A portion of the claims fluctuation reserve, known as the "Grandfathered benefit" reserve, is set aside to pay the claim liability incurred when the state changed the timing on collecting premiums in August 1998. The switch was from collecting premiums prior to commencement of the month of coverage, to collecting premiums during the month of coverage. Employees in service on or before August 1998 are entitled to this Grandfathered reserve.

Cash Flow - It is projected that about $8.3 million per month in claims will be paid in FY 2006 and $9.4 million per month in FY 2007. Premiums are collected either bimonthly with paycheck processing or at the beginning of the month depending on whether the premium is for active employees, retirees, legislators, or COBRA employees. Premium rates in FY 2002 were set lower than anticipated claims as part of the program's plan to reduce the amount of its reserves. In FY 2002 claims and other operating costs exceeded premium revenues by $8.1 million, which left the reserve balance below statutorily required levels. In 2003 and 2004 the program made a number of changes to benefits, requested additional funding of the legislature, and increased premiums to restore the stability of the fund. At this time, the program is funded as required by statute and accumulating reserves beyond that amount sufficient to fund two to three months of operating and claims expenses.

The cost of providing medical care is rising at a significant rate. Based on FY 2004 expenses of $69.8 million for medical, dental and prescription claims, these expenditures are projected to be $90.6 million in FY 2006 and $103.2 million in FY 2007.

Claims costs make up approximately 94 percent of program expenditures. Administrative costs comprise about 6.5 percent of total program expenditures, including contracting with vendors to process claims, managed care review, and administrative costs directly within the department. In comparison, insurance companies generally have administrative costs that range from 14 percent to 22 percent and pay 78 to 86 percent of their premiums out in claims.

The program records premium revenues received from the state contribution, out-of-pocket premiums for dependents, retirees, COBRA, and legislators in revenue accounts 525039, 525040, 525041, 525042, 525077, and 525079 in fund 06559. Contracted claims administrator fees are recorded in account 62102, 62199 and 62868. Medical and dental claims are paid out of account 67299 and 67205. Prescription drug claims are paid from account 67206. Managed care services are paid from accounts 67203, 67204 and 67208. Vision services are paid from 67209. Long-term care premiums are paid from account 67210 and Life Insurance premiums are paid from 67299.

Rate Explanation - The rate provided in HB 2 is the state contribution, i.e., the employer share of premium toward health care coverage. As a component of employee compensation, the state contribution is a subject of collective bargaining.

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. Historically, there have been a few dollars of the state contribution left over that employees can apply toward dependent coverage, additional life insurance or to place into a medical or dependent care flexible spending account (FSA).

Income for the program in FY 2004 was $86.2 million. The state share portion of this income was $56.7 million or 66 percent. The remaining income was from participant paid premiums and investment earnings. Total expenses during FY 2004 were $77.3 million. Restoration of statutory reserves and accumulation of excess reserves made up the difference.

Projected income for the next biennium needs to match projected expenses as described below.

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

The following schedule shows historical rates for the state contribution, for employee insurance coverage, as well as historical medical and pharmacy cost trends. Rates for FY 2006 and FY 2007 have not been determined at this time.

Fiscal Year	Monthly Employer Contribution	Percent Inc. over Prev. Year	Medical Cost Trend	Pharmacy Cost Trend
1994	$210	N/A	N/A	N/A
1995	$230	9.5%	N/A	N/A
1996	$220	-4.3%	N/A	N/A
1997	$225	2.3%	N/A	N/A
1998	$245	8.9%	9.0%	20.8%
1999	$270	10.2%	8.9%	33.2%
2000	$285	5.5%	8.7%	9.2%

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2001	$295	3.5%	7.1%	5.1%
2002	$325	10.2%	18.7%	10.1%
2003	$366	12.6%	-3.9%	9.3%
2004	$410	12.0%	15.0%**	12.0%**
2005*	$460	12.2%	15.0%**	12.0%**

*The FY05 rate becomes effective January 1, 2005.
** Projected trend rates

Note: In FY2003 and FY 2004, a number of benefit changes were made including increases to deductibles and decreases to benefits to reduce program cost. The negative medical trend shown in 2003 and lower Rx trend in 2003 reflect these changes and not the underlying medical/Rx trends the plan normally experiences.

The balance sheet accounts contributing most significantly to the fund equity balance are the investment accounts (long-term securities, STIP, and long-term securities on loan) and the liability for claims incurred but not yet reported.

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Fund	Fund Name	Agency #	Agency Name	Program Name
6559	Group Benefits Claims A/C	6101	Department of Administration	State Personnel Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Revenue from Fee A	-	-	-	-	-	-
Revenue from Fee B	-	-	-	-	-	-
Revenue from Fee C	-	-	-	-	-	-
Revenue from Fee D	-	-	-	-	-	-
Revenue from Fee E	-	-	-	-	-	-
Revenue from Fee F	-	-	-	-	-	-
Net Fee Revenue	-	-	-	-	-	-
Investment Earnings	1,070,094	590,737	161,739	496,426	550,775	462,800
Securities Lending Income	146,894	25,517	4,209	-	-	-
Premiums	65,255,627	75,132,159	85,724,313	91,414,874	98,182,081	109,946,552
Other Operating Revenues	574,378	808,471	308,383	2,030,976	2,129,590	1,028,153
Total Operating Revenue	67,046,993	76,556,884	86,198,644	93,942,276	100,862,446	111,437,505
Operating Expenses:						
Personal Services	492,605	558,577	680,889	609,261	770,338	769,635
Other Operating Expenses	76,572,346	81,479,582	76,528,258	91,518,665	98,050,164	110,676,796
Total Operating Expenses	77,064,951	82,038,159	77,209,147	92,127,926	98,820,502	111,446,431
Operating Income (Loss)	**(10,017,958)**	**(5,481,275)**	**8,989,497**	**1,814,350**	**2,041,944**	**(8,926)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(10,017,958)	(5,481,275)	8,989,497	1,814,350	2,041,944	(8,926)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(10,017,958)	(5,481,275)	8,989,497	1,814,350	2,041,944	(8,926)
Total Net Assets- July 1 - As Restated	16,857,899	6,841,170	546,863	9,563,125	11,377,475	13,419,419
Prior Period Adjustments	1,229	(813,032)	26,765	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	16,859,128	6,028,138	573,628	9,563,125	11,377,475	13,419,419
Net Assets- June 30	**6,841,170**	**546,863**	**9,563,125**	**11,377,475**	**13,419,419**	**13,410,493**
60 working days of expenses, excluding reserves for the Incurred but Not Reported Claim Liability. (Total Operating Expenses times 60 days divided by total working days per year, less IBNR reserves)	8,552,133	7,372,371	6,485,936	9,983,286	11,521,809	14,424,321

Requested Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Fee Group A						
State share per employee per month	$325	$366	$410	$460	n/a	n/a

Rates are established to maintain adequate actuarial reserves. Rates for FY 2006 and 2007 have not been determined at this time.

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Program Description - The state offers its employees the opportunity to participate in a medical care and a dependent care flexible spending account, fund 06027, which allows them to pay for qualified expenses with pre-tax dollars. The Employee Benefits Bureau contracts with a FLEX account administrator whose fees are based on a per employee per month basis. Employees designate a portion of their paycheck to be directed to the flexible spending accounts and are charged a monthly service fee, which is collected through the payroll process. As participants in the plan incur medical or dependent care costs, which are not reimbursed to them through other sources, they file a claim with the administrator, who in turn reimburses the participant with funds from the flexible spending accounts maintained by the state, up to the employee's annual election amount. Annual elections that are not claimed are forfeited by the employee, and are retained by the fund to help cover operating costs. The flexible spending account program is accounted for as an enterprise fund. No FTE are funded by this program.

Revenues and Expenses - The primary cost driver for the program is claim cost. Claim costs typically equal revenues since claims are only reimbursed up to the level which a participant elects on an annual basis. However, a participant in the medical FSA could potentially request reimbursement for a claim that exceeds his contributions to date and then terminate his employment with the state before contributing his total elected amount. The fund is not able to seek reimbursement for the paid-out claim under IRS regulations. Forfeitures of unclaimed annual elections off set the risk of contributions not being received. The second largest cost driver is the cost of the claims administrator. Currently the claim administrator charges $2.15 per member per month. This rate is subject to inflation and other cost increases by the administrator on an annual basis. Bank service charges are a fairly minor program cost. Because the administrator reimburses the participants directly from a state bank account, the state must maintain a separate and distinct bank account for this activity. Dependent care claim costs are expected to remain stable through the 2007 biennium. However, due to out-of-pocket increases expected in the cost of obtaining health care, it is expected that employees will increase their annual election amounts into a medical FLEX plan. It is anticipated that medical claim reimbursements could increase annually by 10 percent each year through FY 2007.

Working Capital - The net amount of forfeited elections over claim reimbursements that are not matched by contributions provides funds that are available to cover minor internal operating costs. The program has not established rates that would permit a build-up of working capital to fund the program when claims exceed contributions. Rates charged to the participants are passed through to the FSA administrator.

Fund Equity and Reserved Fund Balance - The program is not required to reserve any fund balance.

Cash Flow - The program does run short of cash to pay claims as a result of the timing difference between when a medical claim can be reimbursed and when contributions for medical claims are received. Historically claims in the first half of the calendar year exceed contributions. The fund catches up by the end of the calendar year as claim amounts have reached the participants' election amounts.

Proprietary Rate Explanation - The rate charged to participants in the Flexible Spending Account plans is established through the competitive bid procurement process and contract negotiations with the successful bidder for the claims administration contract. The price charged by the administrator is the price paid by the participant.

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Fund	Fund Name	Agency #	Agency Name	Program Name
6027	Flexible Spending Funds	6010	Department of Administration	State Personnel Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Revenue from Administrative Fees	87,980	88,449	95,775	95,904	98,781	101,736
Revenue from Fee B	-	-	-	-	-	-
Revenue from Fee C	-	-	-	-	-	-
Revenue from Fee D	-	-	-	-	-	-
Revenue from Fee E	-	-	-	-	-	-
Revenue from Fee F	-	-	-	-	-	-
Net Fee Revenue	87,980	88,449	95,775	95,904	98,781	101,736
Investment Earnings	2,643	1,922	1,222	1,300	1,300	1,300
Securities Lending Income	48	-	-	-	-	-
Premiums	3,870,683	4,178,766	4,529,320	4,841,469	5,526,422	6,076,229
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	3,961,354	4,269,137	4,626,317	4,938,673	5,626,503	6,179,265
Operating Expenses:						
Personal Services	-	-	-	-	-	-
Other Operating Expenses	3,738,014	4,324,002	4,667,844	4,994,593	5,625,203	6,177,965
Total Operating Expenses	3,738,014	4,324,002	4,667,844	4,994,593	5,625,203	6,177,965
Operating Income (Loss)	**223,340**	**(54,865)**	**(41,527)**	**(55,920)**	**1,300**	**1,300**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	223,340	(54,865)	(41,527)	(55,920)	1,300	1,300
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	223,340	(54,865)	(41,527)	(55,920)	1,300	1,300
Total Net Assets- July 1 - As Restated	91,081	314,421	261,445	219,918	163,998	165,298
Prior Period Adjustments	-	1,889	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	91,081	316,310	261,445	219,918	163,998	165,298
Net Assets- June 30	**314,421**	**261,445**	**219,918**	**163,998**	**165,298**	**166,598**
45 days of expenses, excluding dependant care claims. (Total Operating Expenses less Dep. Care) times 45 days divided by total days in year.	324,614	387,809	434,282	458,025	503,217	552,665

Requested Rates for Enterprise Funds
Fee/Rate Information

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Fee Group A						
Administrative Fee (per member per month)	$2.16	$2.16	$2.16	$2.16	$2.16	$2.16

Administrative fees charged and collected from plan participants are determined through the competitive bid process as part of the selection of a plan administrator. The contract for plan administrator will be reprocurred in 2008.

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

	Total Agency Impact	General Fund Total
FY06	($18,296)	$0
FY07	($18,296)	$0

PL- 5 - Reduction in Budgeted Trainings -
The training program has historically funded the annual Human Resources Conference which is sponsored by the Department of Administration. At the beginning of FY 2005, the conference activities were moved into a non-budgeted fund and the authority is no longer needed in the training program. The Labor Management Training Initiative, which was implemented by the 57th Legislature, is not conducting or sponsoring as many training opportunities as it did during the base year. The transfer or cessation of these educational opportunities will decrease the training program's budget needs. The training program expects an overall decrease in operating expenses of $18,300 proprietary funds.

	Total Agency Impact	General Fund Total
FY06	$22,287,302	$0
FY07	$35,474,713	$0

PL- 6 - Increase Trend in Health Benefit Claim Costs -
Additional authority will be needed in the 2007 biennium to fund increases in medical, dental, and prescription claims costs which are projected to trend annually at 15 percent, 8 percent, and 12 percent respectively for FY 2005, FY 2006, and FY 2007. The projected trend rates are consistent with the increasing rates the health care industry has experienced nationally, and is very comparable to trend rates utilized by plans similar in size and demographics to the state's health plan. Total health claim costs in FY 2004 were $69,840,000 and they are anticipated to reach $91 million in FY 2006 and $103 million by FY 2007.

The state is implementing a long-term disability benefit in January, 2005 which will be available through the open enrollment process to all active employees on the health plan. The program is anticipating that 20-25 percent of all state workers will sign up for this benefit. By the 2007 biennium, it is projected that annual long-term disability benefit claims will reach $536,000.

At the beginning of each calendar year, state employees who have elected to join a medical or dependent care flexible spending account must designate the total annual deduction they want withdrawn from each biweekly paycheck, to be applied toward qualified medical and/or dependent care expenses they incur during that same calendar year. The state anticipates that the elections for medical care Flex contributions will increase throughout the 2007 biennium in sync with the increasing trend projected for all health care costs. While the program does not expect membership in the Flex plans to increase it does expect total election dollars to grow. It is anticipated that medical flexible spending account claims will increase 10 percent annually through FY 2005, 2006, and 2007. Additional authority of $959,629 and $1,512,558 for FY 2006 and FY 2007, respectively, is being requested to cover the costs of reimbursing these medical care claims.

	Total Agency Impact	General Fund Total
FY06	$55,000	$0
FY07	$55,000	$0

PL- 7 - Employee Benefit's operating costs -
The Employee Benefits program is requesting an annual $55,000 increase in its operating budget. The program will be re-procuring a contract for benefit consulting services before the start of the 2007 biennium and it is expected that the price of these services will practically double once the new contract is awarded. The program projects that the additional annual cost of these services will be $35,000. In addition, the employee benefit's communications staff must periodically update its Summary Plan Documents which provide members information regarding their benefits and managed care plans, and, in an effort to enhance communication between all participants in the plans, the staff would like to publish a quarterly newsletter for plan members and providers. The cost of printing and mailing these documents is projected to be $18,000 each fiscal year. The focus of the benefits staff has been to bring more training in-house to provide employees the knowledge and skills needed to perform functions that ordinarily have been provided by contracted vendors. It is estimated that the additional training requirements will cost $2,000 annually.

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The amount of $1,295,294 is in base year authority, and was incorrectly picked up under the Employee Benefits budget and should be included under Health Insurance Claims. This decision package moves the authority into the correct reporting level.

	Total Agency Impact	General Fund Total
FY06	$10,620	$0
FY07	$10,597	$0

PL- 301 - Indirect Administrative Costs -
This request is for fund changes in the department's indirect/administrative costs for services received from other proprietary funded centralized service functions of the agency.

	Total Agency Impact	General Fund Total
FY06	($92,559)	$0
FY07	($92,689)	$0

PL- 2305 - Request 3.65 FTE for Employee Benefits Program -
The Employee Benefits program requests a net addition of 3.65 FTE to address two major issues. In FY 2003, the Legislative Audit Division (LAD) found the employee benefit plan was not in compliance with 2-18-812, MCA, requiring the plan to operate on an actuarially sound basis. The department took several steps to enhance financial tracking and management of the plan and implement cost containment solutions to reduce on-going claims and operating costs. The FTE will be hired for financial analysis, contracting, customer service, and case management.

	Total Agency Impact	General Fund Total
FY06	$28,746	$0
FY07	$28,666	$0

NP- 2302 - Request 1.10 FTE for Payroll Operations -
The Payroll and Benefit Operations Bureau requests 1.10 FTE and nearly $30,000 per year proprietary funds for a report writer and accounting technician.

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Risk Management & Tort Defense-24

Proprietary Rates

Program Proposed Budget

Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	16.00	0.00	0.00	16.00	0.00	0.00	16.00
Personal Services	635,546	162,134	0	797,680	161,568	0	797,114
Operating Expenses	4,292,837	403,689	0	4,696,526	385,269	0	4,678,106
Benefits & Claims	2,939,698	0	0	2,939,698	0	0	2,939,698
Transfers	0	0	0	0	0	0	0
Total Costs	**$7,868,081**	**$565,823**	**$0**	**$8,433,904**	**$546,837**	**$0**	**$8,414,918**
Proprietary	7,868,081	565,823	0	8,433,904	546,837	0	8,414,918
Total Funds	**$7,868,081**	**$565,823**	**$0**	**$8,433,904**	**$546,837**	**$0**	**$8,414,918**

Program Indicators -

Indicator	Actual FY2002	Actual FY2003	Actual FY2004	Estimated FY2005	Requested FY2006	Requested FY2007
No. of claims/suits received	960	866	875	*	*	*
No. of claims/suits resolved	968	842	826	*	*	*
$ Indemnity paid by year	$8.2M	$4.3M	$2.9M	*	*	*

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

Program Description - 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. Insurance premium payments are made by state agencies (account 525100) into a self-insurance fund from legislative appropriations. Funding for insurance is authorized in agency's budgets by the Office of Budget and Program Planning and approved by the legislature each biennium in accordance with 17-7-501, MCA. All charges are recorded in expenditure account 62104. Proceeds from the self-insurance fund are statutorily appropriated for the payment of property/casualty claims in accordance with 2-9-305, MCA.

The Risk Management & Tort Defense Division (RMTD) purchases catastrophic commercial property and casualty insurance to cover aviation and property losses that fall above self-funded deductibles for state agencies, boards, councils, commissions, and the university system. Through in-house staff and contracted services, the division self-administers (i.e., self-insures) general liability, vehicle liability, professional liability, errors & omissions, inland marine, leased/loaned vehicles, and foster care exposures.

The division provides risk management and safety training and consultative services to state agencies to prevent and/or minimize the adverse effects of physical or financial loss. The division also investigates, evaluates, and defends agencies, officers, and employees of the State of Montana in tort liability claims (i.e. personal injury or property damage to third parties) and coordinates the adjudication and settlement of claims involving damage to state property.

Since the early 1980s, the State of Montana has self-insured most property and liability exposures and purchased catastrophic excess insurance from commercial insurance companies where feasible and cost-effective. Insurance industry underwriting losses coupled with a reduced investment income from stocks and bonds have had a significant impact on the availability and affordability of commercial excess insurance. There are no service delivery alternatives.

State agencies operate prisons, supervise parolees, maintain highways, regulate industries, treat patients at state institutions, supervise foster children, and engage in many other activities that create significant potential for property and liability exposure. Many insurance carriers in today's market are unwilling to accept the kinds of risks that state government presents when other, more profitable alternatives are available. A recent evaluation of the cost savings realized by self-insuring versus purchasing commercial insurance identified annual cost savings of $2,000,000 per year.

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Risk Management & Tort Defense-24

In February of 2004, the Risk Management & Tort Defense Division contracted with Tillinghast Inc., an actuarial consulting firm, to project the State of Montana's estimated unpaid loss and loss adjustment expenses (i.e. payments for settlements, judgments, verdicts, attorneys fees, adjuster's fees, and associated costs).

Actuarial evaluations provide an estimate of the funding that would be necessary if all of the state's claims and lawsuits for prior fiscal years came due at the same time. For example, actuarial projections of unpaid losses as of 6/30/2004 are estimated at $25,557,823. If the state had to pay all of these losses at once then it would need $25,557,823 on 6/30/2004. Actuarially projected future loss costs for FY 2006 and FY 2007 developed to ultimate projected loss for those fiscal years are respectively $8,745,939 and $9,329,716. Since claims and lawsuits are filed at different times and paid out over as many as ten years, it is not probable that all claims would come due at once.

Revenues and Expenses - Proposed increases in auto liability/comprehensive/collision insurance are primarily attributable to increases in the number of exposure units insured. Proposed increases in aviation (i.e., aircraft and airports) and property (i.e., boilers & machinery, employee fidelity bond, and fine arts) are the result of increases in the values of these assets and unfavorable insurance market conditions.

State agencies own or lease an estimated 9,000 vehicles per year. These vehicles are used for diverse functions including highway maintenance, law enforcement, construction, regulatory activities, and 'off-road' travel. Due to the time and distance involved in traveling state highways, state and university departments and employees accumulate millions of driving miles each year in-state and out-of-state. The diverse and 'high risk' nature of vehicle operations coupled with the time and distance involved in traveling present significant liability exposure for state agencies. Efforts to mitigate risk through defensive driver training, implementation of policies and procedures, and effective claims management by the Department of Administration have been very successful. Approximately 5,300 state employees have attended training since 1998.

State agencies own and operate 22 aircraft (including helicopters) that are used for diverse functions such as law enforcement, game management, transportation of state employees, and aerial topography. In addition, the state owns and operates 16 state airports that connect Montana citizens and visitors in rural and urban areas and assist state agencies to more effectively conduct state business. The number of flights into West Yellowstone alone totals 3,000 per year.

Historically, the state has had very few aviation losses, however, the potential for catastrophic losses requires protection in the form of catastrophic insurance. Currently, the Risk Management & Tort Defense Division purchases liability insurance on an 'excess basis' with limits of $5,000,000 per occurrence and a deductible of $1,500,000 per occurrence.

Montana state government operates prisons, hospitals, and institutions. In addition, state agencies are responsible for designing and maintaining highways, law enforcement, supervising parolees, natural and wildlife resource management, placing and supervising foster children, educating students, and many other vital public functions that create significant liability exposure and/or are not otherwise available.

An increase in the frequency and the severity of general liability claims is attributed, in part, to an increase in exposure. For example, the number of inmates incarcerated in prisons operated or supervised by the Department of Corrections in 1996 was 1,612 as compared to 2,639 today. During that same period of time, the number of offenders on probation or parole supervision increased from 5,114 to 7,026. The number of foster children supervised by the Department of Public Health and Human Services has also increased. On July 1, 2000 the Department of Transportation assumed responsibility for an additional 7,500 miles of secondary highways formerly maintained by cities and counties.

Finally, an unfavorable legal environment and adverse court decisions have resulted in liberal jury verdicts and court awarded settlements. Since FY 1998, the division has experienced two historical 'worst years' of loss experience. In brief, the liability associated with the operation of state government is significant. However, the Department of Administration proposes to reduce 2007 biennium general liability premiums due to better than expected loss experience and a higher projected self-insurance fund cash balance during 2007 biennium.

State agencies and universities own or lease 4,677 properties with an estimated current replacement cost of $2.5 billion. In addition, the state owns 474 boilers and hundreds of fine art objects with an estimated market value of over $200,000,000. In accordance with 2-9-102, the Risk Management & Tort Defense Division self-funds losses that fall below commercial insurance deductibles of $250,000 per occurrence. The division purchases catastrophic excess insurance to cover unexpected losses that are beyond the ability of the state to self-fund.

Increases in insured values and the costs of excess property insurance premium account for much of the increase through FY 2004. Insurance industry underwriting losses coupled with a reduced investment income from stocks and bonds have had a significant impact on the availability and affordability of commercial insurance. Property insurance carriers have also been 'reeling' from declining investment income in stock markets. As a result, the state's property insurance premiums are expected to increase approximately 15 percent in FY 2006 and FY 2007. Since property claims are more predictable and loss costs are less volatile, the Department of Administration proposes to 'fully fund' property insurance on an actuarial basis for the 2007 biennium.

The program anticipates revenue of approximately $14,500,000 in FY 2006 and FY 2007. This amount is a 2 percent decrease from base year revenue. At that level of funding, the program will generate enough revenue to fund the average of losses sustained in the last three years. The program actual base year operations expenditures were approximately $7,868,081 and 16.00 FTE. The program anticipates actual expenditures of approximately $8.4 million in FY 2006 and FY 2007, which are both increases of approximately seven percent over base year expenditures, not including estimated tort claims liability.

Rate Explanation - The percentage of total estimated claims payable that are funded through insurance premium assessments to state agencies declined from a high of 34.5 percent in FY 1998 to a low of 1.25 percent in FY 2003. Total estimated claims payable are determined by the state's actuarial firm, Tillinghast, and include settlements, judgments, legal fees, reserves on claims occurring prior to 6/30 of each fiscal year, and total estimated claims payable for each prospective year of the biennium.

In response to concerns about a declining fund balance, large catastrophic claims, and general fund loans, the Legislative Audit Division (LAD) determined in a FY 2003 audit that the Risk Management & Tort Defense Division was not collecting premium sufficient to establish fees commensurate with costs as required by 17-8-101, MCA. In response to LAD findings, the Risk Management & Tort Defense Division conducted an internal study which indicated that to fully fund total estimated claims payable, insurance premium assessments to state agencies would need to increase approximately $9 million each year of the 2007 biennium.

The remote possibility that all claims will come due at the same point in time, coupled with a lack of available state funding, required the Risk Management & Tort Defense Division to set a more reasonable objective of funding approximately 50 percent of total estimated claims payable.

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

In accordance with 2-9-202, MCA, the division is responsible for the apportionment of all insurance costs to state agencies. Those costs are recovered by the division in the form of insurance premium subject to appropriations by the legislature.

The philosophy of the division is that each state agency should bear a proportionate share of expense commensurate with their loss experience (i.e., loss payments) and exposure (i.e., number and type of vehicles, property, boilers & machinery, etc.)

The division incurs significant expense in the investigation, defense, and settlement of claims and lawsuits. Those agencies with higher losses will pay higher insurance premiums. No one agency is expected to bear the burden of paying for total costs of unexpected losses from their authorized budgets.

The Risk Management & Tort Defense Division allocates costs as follows:

Department of Administration-6101
Risk Management & Tort Defense-24

Auto Liability & Physical Damage: Costs are apportioned to state agencies based upon their historical loss experience as well as the number of vehicles owned, leased, or borrowed. The state contracts with Tillinghast Inc. of Denver, Colo., to conduct the allocation.

Aviation (Aircraft & Airports): Costs for aircraft are based upon year, make, model, and value of the aircraft and are determined by the insurance carriers. Costs for airports are apportioned to state agencies based upon the number of airports and are determined by the insurance carriers.

General Liability: Costs are apportioned to state agencies based upon their historical loss experience as well as the number of full-time equivalents (FTE). The state contracts with Tillinghast Inc. to conduct the allocation.

Property (boilers & machinery, crime, fine arts, and miscellaneous): Costs are apportioned to state agencies based upon the estimated replacement cost value for buildings and fine arts reported as owned/leased/loaned. Costs for boilers are apportioned based upon the number of boilers. Costs for crime coverage are based on the number of FTE.

Department of Administration-6101
Risk Management & Tort Defense-24

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6532	Agency Insurance Int Srv	6101	Department of Administration	Risk Management & Tort Defense

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Revenue from Fee A	-	-	-	-	-	-
Revenue from Fee B	-	-	-	-	-	-
Revenue from Fee C	-	-	-	-	-	-
Revenue from Fee D	-	-	-	-	-	-
Revenue from Fee E	-	-	-	-	-	-
Revenue from Fee F	-	-	-	-	-	-
Net Fee Revenue	-	-	-	-	-	-
Investment Earnings	55,779	-	59,371	-	-	-
Securities Lending Income	1,005	-	-	-	-	-
Premiums	8,023,758	8,617,724	14,717,612	15,452,767	14,431,941	14,499,856
Other Operating Revenues	47,331	102,252	6,386	-	-	-
Total Operating Revenue	8,127,873	8,719,976	14,783,369	15,452,767	14,431,941	14,499,856
Operating Expenses:						
Personal Services	658,936	629,155	654,187	760,642	797,680	797,114
Other Operating Expenses	16,923,538	8,508,981	1,942,226	13,873,502	7,636,224	7,617,804
Total Operating Expenses	17,582,474	9,138,136	2,596,413	14,634,144	8,433,904	8,414,918
Operating Income (Loss)	**(9,454,601)**	**(418,160)**	**12,186,956**	**818,623**	**5,998,037**	**6,084,938**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(1,405)	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(1,405)	-	-	-	-	-
Income (Loss) Before Operating Transfers	(9,456,006)	(418,160)	12,186,956	818,623	5,998,037	6,084,938
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	1,150,353	167,434	615,582	644,456	644,456	644,456
Operating Transfers Out (Note 13)	(436,040)	(98,048)	(369,491)	(301,193)	(301,193)	(301,193)
Change in net assets	(8,741,693)	(348,774)	12,433,047	1,161,886	6,341,300	6,428,201
Total Net Assets- July 1 - As Restated	(24,551,176)	(33,303,044)	(33,651,273)	(21,213,438)	(20,051,552)	(13,710,252)
Prior Period Adjustments	(12,481)	545	4,788	-	-	-
Cumulative effect of account change	2,306	-	-	-	-	-
Total Net Assets - July 1 - As Restated	(24,561,351)	(33,302,499)	(33,646,485)	(21,213,438)	(20,051,552)	(13,710,252)
Net Assets- June 30	**(33,303,044)**	**(33,651,273)**	**(21,213,438)**	**(20,051,552)**	**(13,710,252)**	**(7,282,051)**
60 days of expenses (Total Operating Expenses divided by 6)	2,930,412	1,523,023	432,736	2,439,024	1,405,651	1,402,486

Requested Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Premium						
General Liability	5,362,500	5,775,000	10,566,132	11,205,485	7,203,992	7,242,383
Auto Liability/Comp/Collision	1,208,109	1,276,796	1,028,497	1,084,370	1,668,644	1,671,416
Aviation	116,567	154,747	167,184	165,822	174,014	174,003
Property/Miscellaneous	1,336,582	1,411,181	2,955,799	2,997,090	5,385,291	5,412,054

Department of Administration-6101
Risk Management & Tort Defense-24

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

	Total Agency Impact	General Fund Total
FY06	$2,957	$0
FY07	$2,940	$0

PL- 301 - Indirect Administrative Costs -

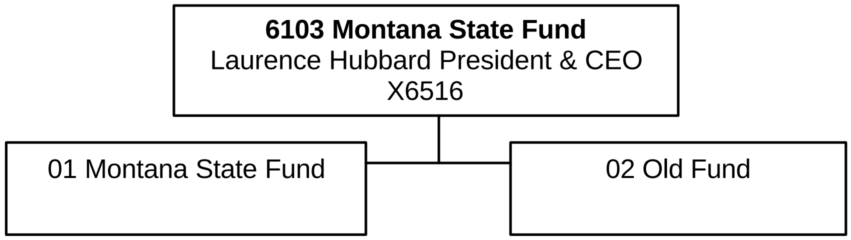
This request is to fund changes in the department's indirect/administrative costs for services received from other proprietary funded centralized service functions of the agency.

	Total Agency Impact	General Fund Total
FY06	$374,496	$0
FY07	$374,496	$0

PL- 2401 - RMTD Insurance & Bonds -

Commercial excess insurance premiums are expected to increase $374,496 annually for the 2007 biennium in response to market conditions stemming from 9/11 as well as increases in the number and the values of insured assets (i.e. aircraft, property, etc.).

Montana State Fund-6103



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

Vision Statement - Montana State Fund is committed to the health and economic prosperity of Montana through superior service, leadership and caring individuals working in an environment of teamwork, creativity and trust.

Statutory Authority - The Montana State Fund provides liability insurance for workers' compensation and occupational disease and may not refuse coverage to any employer in this state requesting coverage (39-71-2313, MCA).

The Montana State Fund oversees two programs:

- Program 01 - The Montana State Fund is responsible for managing claims and benefits payments for injuries occurring on or after July 1, 1990.
- Program 02 - The Montana State Fund is responsible for administering claims of the Old Fund, claims occurring before July 1, 1990.

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

Management and control of the Montana State Fund is vested solely in a seven-member board of directors (Board) appointed by the Governor. The Board is vested with full power, authority, and jurisdiction over the Montana State Fund. The board may perform all acts necessary or convenient in the exercise of any power, authority, or jurisdiction over the state fund, either in the administration of the state fund or in connection with the insurance business to be carried on under the provisions of this part, as fully and completely as the governing body of a private mutual insurance carrier, in order to fulfill the objectives and intent of this part, 39-71-2315, MCA

The MSF President / CEO shall annually submit to the board for its approval an estimated budget of the entire expense of administering the state fund for the succeeding fiscal year, with due regard to the business interests and contract obligations of the state fund. A copy of the approved budget must be delivered to the Governor and the Legislature. Upon approval of the estimated budget for the succeeding fiscal year, the state fund shall, no later than October 1 of each year, submit the approved annual budget for review to the Legislative Finance Committee, 39-71-2363, MCA.

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

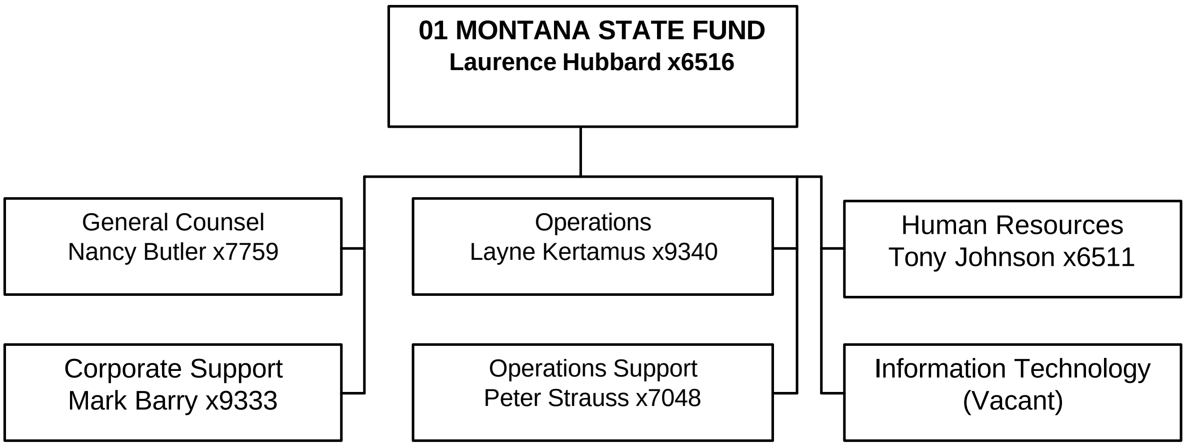
Because surplus is desirable in the insurance business, the Board shall annually determine the level of surplus that must be maintained by the Montana State Fund pursuant to this section, but shall maintain a minimum surplus of 25% of annual earned premium. The state fund shall use the amount of the surplus above the risk-based capital requirements to secure the state fund against various risks inherent in or affecting the business of insurance and not accounted for or only partially measured by the risk-based capital requirements, 39-71-2330, MCA.

The Board has the authority to declare dividends if there is an excess of assets over liabilities. However, dividends may not be paid until adequate actuarially determined reserves are set aside, 39-71-2316 (8), MCA.

Montana State Fund-6103

Agency Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	246.00	34.00	0.00	280.00	29.00	0.00	275.00
Personal Services	15,168,734	3,312,913	0	18,481,647	3,577,588	0	18,746,322
Operating Expenses	17,643,233	1,900,067	0	19,543,300	1,619,789	0	19,263,022
Equipment	1,026,013	(196,013)	0	830,000	2,424,987	0	3,451,000
Benefits & Claims	114,715,495	37,857,266	0	152,572,761	51,870,015	0	166,585,510
Transfers	0	0	0	0	0	0	0
Debt Service	39,146	(39,146)	0	0	(39,146)	0	0
Total Costs	**$148,592,621**	**$42,835,087**	**$0**	**$191,427,708**	**$59,453,233**	**$0**	**$208,045,854**
Proprietary	148,592,621	42,835,087	0	191,427,708	59,453,233	0	208,045,854
Total Funds	**$148,592,621**	**$42,835,087**	**$0**	**$191,427,708**	**$59,453,233**	**$0**	**$208,045,854**

Montana State Fund-6103
New Fund-01



Program Indicators –

Premium (000's)

FY 2002	FY 2003	FY 2004	Budget FY 2005	Estimate FY 2006	Estimate FY 2007
$92,972	$117,777	$139,361	$146,905	$144,461	$145,141

Policies Serviced

FY 2002	FY 2003	FY 2004	Estimate FY 2005	Estimate FY 2006	Estimate FY 2007
27,563	29,113	30,476	29,844	29,213	29,943

Reported Claims (New Fund)

FY 2002	FY 2003	FY 2004	Budget FY 2005	Estimate FY 2006	Estimate FY 2007
12,080	13,929	14,029	14,380	14,596	14,471

Proprietary Rates

Program Description – The Montana State Fund is responsible for managing claims and benefits payments for injuries occurring on or after July 1, 1990.

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

The Montana State Fund operates in a competitive market, competing with private insurers. The Montana State Fund guarantees the availability of workers' compensation coverage for all employers in Montana. Montana law requires the Montana State Fund to insure any employer in the state who requests coverage, except those in default of a prior payment to the fund. As provided in law, the Montana State Fund insures all state agencies. The Montana State Fund will insure the Montana University System should the university system elect to use the Montana State Fund as its carrier to insure its workers' compensation and occupational disease liability.

Under the workers' compensation laws of Montana, the 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. The Montana State Fund pays benefits to injured employees based on a schedule of benefits established in law (Title 39, Chapter 71, MCA).

Montana State Fund-6103
New Fund-01

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

Statute requires the 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. The 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). State law requires the Montana State Fund to submit its annual budget to the Legislative Finance committee for review. The Board shall submit 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 the Montana State Fund as determined by an independent actuary.

The Montana State Fund Board of Directors is the approving authority for the Montana State Fund annual budget (39-71-2363, MCA). The Montana State Fund Board has not approved the expenditure levels in the following budget table for the 2007 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 of Directors will ultimately approve in the 2007 Biennium.

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

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

(2) Because surplus is desirable in the insurance business, the board shall annually determine the level of surplus that must be maintained by the state fund pursuant to this section, but shall maintain a minimum surplus of 25% of annual earned premium. The state fund shall use the amount of the surplus above the risk-based capital requirements to secure the state fund against various risks inherent in or affecting the business of insurance and not accounted for or only partially measured by the risk based capital requirements.

(3) The Board may implement multiple rating tiers for classifications that take into consideration losses, premium size, and other factors relevant in placing an employer within a rating tier.

Montana State Fund-6103
New Fund-01

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	246.00	34.00	0.00	280.00	29.00	0.00	275.00
Personal Services	15,168,734	3,312,913	0	18,481,647	3,557,588	0	18,746,322
Operating Expenses	16,299,549	2,010,211	0	18,309,760	1,749,004	0	18,048,553
Equipment	1,026,013	(196,013)	0	830,000	2,424,987	0	3,451,000
Benefits & Claims	102,334,420	37,813,710	0	140,148,130	51,885,473	0	154,219,893
Debt Service	39,146	(39,146)	0	0	(39,146)	0	0
Total Costs	**$134,867,862**	**$42,901,675**	**$0**	**$177,769,537**	**$59,597,906**	**$0**	**$194,465,768**
Proprietary	134,867,862	42,901,675	0	177,769,537	59,597,906	0	194,465,768
Total Funds	**$134,867,862**	**$42,901,675**	**$0**	**$177,769,537**	**$59,597,906**	**$0**	**$194,465,768**

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

Total Agency Impact		General Fund Total	
FY06	$43,634,514	FY06	$0
FY07	$60,332,404	FY07	$0

PL- 1 - Align Positions & Expenditures -

The budget data provided for the biennium reflects staff estimates of the FY 2006 and FY 2007 annual budgets using the Montana State Fund's FY 2005 Strategic Business Plan and board approved FY 2005 budget as the basis of these estimates. The FY 2006 and FY 2007 budgets reflect expenditures of continued operations under current law, payment of benefits to injured employees, estimated impacts FY2005 strategic initiatives, and initiatives expected in FY 2006 and FY 2007.

The following cites the levels of FTE approved by the board from FY02 through FY05 and staff estimates of FTE for FY 2006 and FY 2007.

FY 2002	FY 2003	FY 2004	Budget FY 2005	Estimate FY 2006	Estimate FY 2007
246.50	259.00	267.50	279.50	280.00	275.00

The 246.00 FTE shown in the 'Base Budget Fiscal 2004' column of the Program Proposed Budget table is the level of FY 2004 FTE estimated by staff for the 2005 biennial budget submission. This level of FTE is not the level of FTE approved by the board for FY 2004. As cited above, the board authorized 267.50 FTE for FY 2004.

The Legislature has structured the Montana State Fund to enable it to be responsive to the changing, competitive workers' compensation industry in Montana. The growth and stabilization of FTE from FY 2002 through FY 2007 is due to the growth and stabilization of net earned premium, policyholders being serviced, and claims reported and open, as illustrated above.

Montana State Fund-6103
Old Fund-02

02 OLD FUND

Proprietary Rates

Program Description – The Montana State Fund is responsible for administering claims of the Old Fund, claims occurring before July 1, 1990.

As required in law, 39-71-2352, MCA, the Old Fund has a separate payment structure and funding structure. The Old Fund is established to compensate injured employees with claims for injuries prior to July 1, 1990.

Old Fund operating expenses are for direct expenses of the Old Fund, such as the Department of Labor and Industry's Administrative Assessment, and the expense of administering the claims of the Old Fund charged by the Montana State Fund. The Montana State Fund is limited in law to charge no more than $1.25 million per year to the Old Fund for claims administration.

The Old Fund was funded through the old fund liability tax (OFLT). This tax was initially enacted in 1987 and expanded in 1993 and was administered by the Department of Revenue. The old fund liability tax was eliminated January 1, 1999. State law established parameters for the termination of the OFLT. The State of Montana budget director certified that the statutory parameters had been satisfied and that the Old Fund liability was adequately funded.

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

The transfer of the excess of adequate funding of the Old Fund established in 39-71-2352(5) and (6), MCA, was amended during the 2002 special legislative session and the 2003 regular session. The amendments were enacted to enable the Old Fund to transfer the excess of adequate funding from the old fund to the general fund and to the school flexibility fund

If in any fiscal year after the old fund liability tax is terminated 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 account provided for in 39-71-2321.

Program Indicators -

Open Claims (Old Fund)

FY2002	FY2003	FY2004	Budget FY2005	Estimate FY2006	Estimate FY2007
1,551	1,470	1,216	1,094	1,012	961

Montana State Fund-6103
Old Fund-02

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 20064	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	1,343,684	(110,144)	0	1,233,540	(129,215)	0	1,214,469
Benefits & Claims	12,381,075	43,556	0	12,424,631	(15,458)	0	12,365,617
Total Costs	**$13,724,759**	**($66,588)**	**$0**	**$13,658,171**	**($144,673)**	**$0**	**$13,580,086**
Proprietary	**13,724,759**	**(66,588)**	**0**	**13,658,171**	**(144,673)**	**$0**	**13,580,086**
Total Funds	**$13,724,759**	**($66,588)**	**$0**	**$13,658,171**	**($144,673)**	**$0**	**$13,580,086**

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

Total Agency Impact		General Fund Total	
FY06	($66,588)	FY06	$0
FY07	($144,673)	FY07	$0

PL- 2 - Align Expenditures -

The decision package reflects expenditures and funding estimated by State Fund staff for the biennium. The Board of Directors has approval authority over the Old Fund budget and establishes an annual budget for Old Fund (39-71-2363, MCA). The expenditures cited for FY 2006 and FY 2007 are staff estimates only and have not been authorized by the Board of Directors.

Department of Fish, Wildlife & Parks-5201
Administration & Finance Division-01

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	3.06	0.20	0.00	3.26	0.20	0.00	3.26
Personal Services	108,547	2,238	0	110,785	2,297	0	110,844
Operating Expenses	1,235,718	35,485	0	1,271,203	34,075	0	1,269,793
Equipment	928,493	0	0	928,493	0	0	928,493
Transfers	0	0	0	0	0	0	0
Total Costs	**$2,272,758**	**$37,723**	**$0**	**$2,310,481**	**$36,372**	**$0**	**$2,309,130**
State/Other Special	0	0	0	0	0	0	0
Proprietary	2,272,758	37,723	0	2,310,481	36,372	0	2,309,130
Total Funds	**$2,272,758**	**$37,723**	**$0**	**$2,310,481**	**$36,372**	**$0**	**$2,309,130**

Program Description - The department's duplicating center, fund 06501, provides duplicating and bindery services to department employees. The Duplicating Center has only 1.00 FTE and whenever the demand for services becomes to great or a particular job is considered too large, the excess jobs are taken to Department of Administration - Publications & Graphics to be completed.

Revenues and Expenses and Fund Equity - Expenses recovered in the rates are the personal services of the 1.00 FTE, operating expenses and the raw materials needed for duplicating. 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 done. At FYE 2004, the cash balance was $23,938.

Working Capital Discussion - The 60-day working capital requirement provides sufficient cash to fund on-going operations of this program. 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.

Fund Equity and Reserved Fund Balance - A portion of the program's fund balance has been reserved for the duplicating center's equipment and inventory. At FYE 2004 the book value of the fund's assets was $19,182 and the fund had $8,585 in inventory.

Rate Explanation - The rate methodology attempts to determine a rate for various duplicating and bindery 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. The requested rates have been increased only to recover anticipated inflationary increases in the raw materials and administrative costs. The rates have remained constant for the past 4 years.

Department of Fish, Wildlife & Parks-5201
Administration & Finance Division-01

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
06501	Duplicating Center	5201	Fish Wildlife & Parks	Administration & Finance Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Revenue from Duplicating Services	-	-	-	85,000	85,000	85,000
Net Fee Revenue	76,851	85,752	95,176	85,000	85,000	85,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	76,851	85,752	95,176	85,000	85,000	85,000
Operating Expenses:						
Personal Services	26,157	28,839	29,267	30,454	29,484	29,711
Other Operating Expenses	50,022	51,206	57,474	54,671	53,130	53,126
Total Operating Expenses	76,179	80,045	86,741	85,125	82,614	82,837
Operating Income (Loss)	**672**	**5,707**	**8,435**	**(125)**	**2,386**	**2,163**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	(538)	1,200	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	(538)	1,200	-	-	-
Income (Loss) Before Operating Transfers	672	5,169	9,635	(125)	2,386	2,163
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	672	5,169	9,635	(125)	2,386	2,163
Total Net Assets- July 1 - As Restated	22,641	48,313	53,482	63,117	50,992	53,378
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	25,000	-	-	-	-	-
Total Net Assets - July 1 - As Restated	47,641	48,313	53,482	63,117	50,992	53,378
Net Assets- June 30	**48,313**	**53,482**	**63,117**	**62,992**	**53,378**	**55,541**
(Total Operating Expenses divided by 6)	12,697	13,341	14,457	14,188	13,769	13,806

Requested Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Duplicating (number of copies)						
1-20	0.045	0.045	0.045	0.045	0.045	0.050
21-100	0.030	0.030	0.030	0.030	0.030	0.035
101-1000	0.025	0.025	0.025	0.025	0.025	0.030
1001-5000	0.020	0.020	0.020	0.020	0.020	0.025
Color Copies			0.250	0.250	0.250	0.250
Bindery						
Collating (per sheet)	0.005	0.005	0.005	0.005	0.005	0.005
Hand Stapling (per set)	0.015	0.015	0.015	0.015	0.015	0.015
Saddle Stitch (per set)	0.030	0.030	0.030	0.030	0.030	0.030
Folding (per sheet)	0.005	0.005	0.005	0.005	0.005	0.005
Punching (per sheet)	0.001	0.001	0.001	0.001	0.001	0.001
Cutting (per minute)	0.550	0.550	0.550	0.550	0.550	0.550

Department of Fish, Wildlife & Parks-5201
Administration & Finance Division-01

Program Description - The department's equipment fund, 06502, provides a fleet of vehicles and aircraft to department employees. The equipment users are department employees, mostly enforcement wardens, fish and wildlife biologists, and park employees. Every month, users are charged for the miles driven (hours flown) during the previous month.

Revenues, Expenses and Fund Equity - The objective of the vehicle account is to recover (through rates and annual auction revenues) sufficient funds to cover administrative costs to operate the program (personal services and operations) in addition to being able to replace fleet vehicles at approximately 100,000 miles. A total of 2.06 FTE are funded in this fund. The two largest costs are fuel and repairs. In FY 2004 the fund spent $675,000 on fuel and $500,000 on repairs. In FY 2004 the department drove just over 5,000,000 miles in department vehicles while the 10-year average is 4,950,000 miles. Due to a 3 percent rate increase in FY 2005 and the proposed rate increases in FY 2006 and FY 2007, the program anticipates revenues of $2.5 million in both FY 2006 and FY 2007. These amounts are increases of approximately 3 percent over base year fee revenue.

Working Capital Discussion - 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. To compensate for a cash flow problem created by keeping rates artificially low, rates were increased 25 percent in FY 2002, 15 percent in FY 2003, 6 percent in FY 2004 and 3 percent in FY 2005. 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.

In order to maintain a positive cash balance, during the past 4 years, the vehicle fund needed a $300,000 loan from another fund. This was repaid in FY 2005. Working capital at FYE 2004 was $237,000.

Divisions are billed monthly for the miles driven (hours flown) during the previous month. Cash balances fluctuate during the year for two reasons. The first is that monthly mileage is greater during the summer and fall than during the winter and spring. The second reason is that new vehicles are purchased in the spring. Thus cash balances are 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

Fund Equity and Reserved Fund Balance- There is no requirement to reserve fund balance. At FYE 2004, the vehicle fund had total assets of $6,964,000 and the book value (original cost less accumulated depreciation) of the fleet was $6,566,000. The major liability was a $300,000 loan to ensure a positive cash balance at year-end and was repaid in FY 2005. As stated above, working capital at FYE 2004 was $237,000. A portion of the program's fund balance has been reserved for the book value of department vehicles and aircraft.

Rate Explanation - The rate methodology attempts to determine a cost per mile rate for various classes of vehicles and a cost per hour rate for each class of aircraft. The methodology is to determine the previous year's expenses, including operating, maintenance, administration and depreciation expenses minus the previous year's revenue generated from the rates and the annual vehicle auction to establish the net income for a particular class. Next the life to date (LTD) net income or loss on a per mile (hour) basis is determined. Future year expenses are estimated based on the most current year's information plus a 3 percent inflationary factor. Using the most current year's mileage and the projected expenses, a cost per mile or hour rate is determined for the future year. This rate is adjusted for any LTD net income or loss. In an attempt to minimize large increases or decreases, rates will not change more than 25 percent per year (10 percent for aircraft).

In addition, in order to more fairly charge users, a minimum mileage rate was instigated in FY 2000. This was an attempt to recover overhead costs whether a vehicle is driven or not. A minimum monthly overhead charge would be assessed to each vehicle that is not driven or does not maintain the class average mileage. By using this method, the overhead costs are recovered and low mileage vehicles are not being subsidized by higher mileage vehicles.

Department of Fish, Wildlife & Parks-5201
Administration & Finance Division-01

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
06502	Equipment Enterprise Fund	5201	Fish Wildlife & Parks	Field Services Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Revenue from Vehicle Fees	-	-	-	2,124,050	2,184,700	2,184,700
Revenue from Aircraft Fees	-	-	-	250,250	257,800	257,800
Net Fee Revenue	1,739,119	2,028,146	2,210,440	2,374,300	2,442,500	2,442,500
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	201,944	-	4	-	-	-
Total Operating Revenue	1,941,063	2,028,146	2,210,444	2,374,300	2,442,500	2,442,500
Operating Expenses:						
Personal Services	70,981	73,870	74,824	74,021	76,783	76,629
Other Operating Expenses	2,714,788	1,785,616	1,949,755	2,274,196	2,351,496	2,350,008
Total Operating Expenses	2,785,769	1,859,486	2,024,579	2,348,217	2,428,279	2,426,637
Operating Income (Loss)	**(844,706)**	**168,660**	**185,865**	**26,083**	**14,221**	**15,863**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(192,594)	(49,190)	(108,268)	(80,000)	(60,000)	(40,000)
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(192,594)	(49,190)	(108,268)	(80,000)	(60,000)	(40,000)
Income (Loss) Before Operating Transfers	(1,037,300)	119,470	77,597	(53,917)	(45,779)	(24,137)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	240,356	136,975	65,718	60,000	50,000	40,000
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(796,944)	256,445	143,315	6,083	4,221	15,863
Total Net Assets- July 1 - As Restated	3,574,702	5,159,745	6,451,333	6,594,648	6,619,931	6,691,652
Prior Period Adjustments	-	1,035,143	-	-	-	-
Cumulative effect of account change	2,381,987	-	-	-	-	-
Total Net Assets - July 1 - As Restated	5,956,689	6,194,888	6,451,333	6,594,648	6,619,931	6,691,652
Net Assets- June 30	**5,159,745**	**6,451,333**	**6,594,648**	**6,600,731**	**6,624,152**	**6,707,515**
60 days of expenses (Total Operating Expenses divided by 6)	464,295	309,914	337,430	391,370	404,713	404,440

Requested Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Revenue from Vehicle Fees						
Sedans (per mile)	0.20	0.24	0.28	0.31	0.30	0.30
Vans (per mile)	0.23	0.27	0.29	0.32	0.33	0.33
Utilities (per mile)	0.29	0.32	0.36	0.38	0.37	0.37
Grounds Maintance (per mile)	0.75	0.85	0.95	1.00	1.05	1.10
Pickups - 1/2 ton	0.30	0.33	0.35	0.36	0.32	0.32
Pickups - 3/4 ton	0.29	0.32	0.35	0.36	0.37	0.37
Revenue from Aircraft Fees						
Two place - Single Engine	54.02	56.72	56.72	56.72	59.56	62.54
Partenavia	257.24	270.10	283.6	297.78	297.78	297.78
Turbine Helicoptors	313.58	329.26	345.72	345.72	363.01	363.01

Vehicles will be assessed an additional minimum mileage charge if not driven a minimum number of miles in a month.

Department of Fish, Wildlife & Parks-5201
Administration & Finance Division-01

Program Description - The department's warehouse inventory, fund 06503, 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 -The expenses associated with the warehouse include personal services, miscellaneous office supplies and expenses for the warehouse worker and inventory purchased needed to replenish existing stock. Revenues are the sales of inventory items to department employees. The department anticipate revenues to be constant at around $90,000 per year for FY 2006 and FY 2007. Beginning in FY 2002, there is 0.20 FTE funded with this program.

Working Capital Discussion - 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.

Field projects are billed monthly for the purchases made during the month. Cash balances fluctuate during the year. Cash balances are lowest during the winter when stock is replenished and highest during the summer when temporary and seasonal employees are hired.

Fund Equity and Reserved Fund Balance - A portion of the program's fund balance has been reserved for the warehouse inventory. At FYE 2004, the warehouse inventory was $114,600.

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 will generate sufficient revenue to cover the administrative costs of the program. In order to fund 0.20 FTE for a warehouse worker, the 2001 Legislature approved a 14 percent fixed overhead rate for FY 2002 and FY 2003. The department requested and received a reduced rate of 5 percent for the current biennium. The department is requesting to continue this rate of 5 percent overhead rate for FY 2006 and FY 2007. 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.

Department of Fish, Wildlife & Parks-5201
Administration & Finance Division-01

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
06503	SWP Warehouse Inventory	5201	Fish Wildlife & Parks	Administration & Finance Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Revenue from Warehouse Sales	-	-	-	-	-	-
Net Fee Revenue	89,193	90,967	103,141	80,000	80,000	80,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	3	-	-	-	-
Total Operating Revenue	89,193	90,970	103,141	80,000	80,000	80,000
Operating Expenses:						
Personal Services	5,813	4,062	4,692	4,427	4,518	4,504
Other Operating Expenses	83,799	94,528	81,118	58,835	74,140	74,118
Total Operating Expenses	89,612	98,590	85,810	63,262	78,658	78,622
Operating Income (Loss)	**(419)**	**(7,620)**	**17,331**	**16,738**	**1,342**	**1,378**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	(9,283)	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	(9,283)	-	-	-
Income (Loss) Before Operating Transfers	(419)	(7,620)	8,048	16,738	1,342	1,378
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(419)	(7,620)	8,048	16,738	1,342	1,378
Total Net Assets- July 1 - As Restated	120,710	205,741	198,121	206,169	206,407	207,749
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	85,450	-	-	-	-	-
Total Net Assets - July 1 - As Restated	206,160	205,741	198,121	206,169	206,407	207,749
Net Assets- June 30	**205,741**	**198,121**	**206,169**	**222,907**	**207,749**	**209,127**
60 days of expenses (Total Operating Expenses divided by 6)	14,935	16,432	14,302	10,544	13,110	13,104

Requested Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Warehouse Overhead Rate	14%	14%	5%	5%	5%	5%

The rates above indicate percentage markup on cost of uniform pieces and items unique to the department's functions that are purchased via the warehouse for department employees. Overhead costs are recovered by charging a predetermined fixed percentage to all sales.

Department of Fish, Wildlife & Parks-5201
Administration & Finance Division-01

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

	Total Agency Impact	General Fund Total
FY06	$4,518	$0
FY07	$4,504	$0

PL- 102 - Warehouse Worker -

This HB 576 proposal requests $4,518 in FY 2006 and $4,504 in FY 2007 and funds 0.20 FTE. This proposal has been included in the proprietary rate calculation. The 2005 biennium rate also included funding this FTE, however the 0.20 FTE was not requested. The FTE monitors and replaces inventory stock and fills field employee orders.

Department of Fish, Wildlife & Parks-5201
Parks Division-06

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	6.06	0.00	0.00	6.06	0.00	0.00	6.06
Personal Services	172,340	13,763	0	186,103	13,814	0	186,154
Operating Expenses	182,067	5,964	0	188,031	6,186	0	188,253
Equipment	10,815	0	0	10,815	0	0	10,815
Total Costs	**$365,222**	**$19,727**	**$0**	**$384,949**	**$20,000**	**$0**	**$385,222**
Proprietary	365,222	19,727	0	384,949	20,000	0	385,222
Total Funds	**$365,222**	**$19,727**	**$0**	**$384,949**	**$20,000**	**$0**	**$385,222**

Program Description – The Parks Division of Montana Fish, Wildlife and Parks is responsible for the state Capitol Complex Grounds Maintenance program. The department funds the program through the capitol grounds proprietary account (fund 06541). Indirect costs are charged to the grounds maintenance program and accounted for in SABHRS organization 6399. Indirect costs are recovered through assessment of an indirect cost rate on actual program expenditures of the previous period. The total annual cost of the capitol grounds maintenance program is allocated to state agencies based on each agency's share of the total square footage of office space on the capitol complex, which is rented from Department of Administration, General Services Division.

Revenues and Expenses - There are no changes proposed in the provision of services. An increase of $0.02 cents per square foot is proposed for the 2007 biennium. On an annual basis, revenues and expenses are reviewed to ensure costs are commensurate with the fees charged agencies. Cash balances are affected by building occupancy rates, weather severity and demand for services. Accumulated cash balances from previous periods are used to calculate rates for future periods. A total of 6.06 FTE are funded in this program.

Working Capital- The 60-day working capital requirement provides sufficient cash to fund on-going operations of the program. On a biennial basis, program costs are reviewed to ensure fees charged to agencies are commensurate with program costs. Each biennium, the account is analyzed to determine if ending cash balances are long or short relative to program working capital requirements. Calculation of rates for future periods can be affected by ending cash balances.

Fund Equity- Fund balance is reserved for reverted appropriations from the previous period.

Cash Flow - Agencies are billed quarterly for grounds maintenance and snow removal. Cash balances fluctuate during the year relative to the season and weather conditions. Generally, cash balances are lowest in the first and last quarter of each fiscal year. This is during the busy summer months of lawn and landscape maintenance and during the start up season in the spring. During years of heavy and/or frequent snowfall, cash balances can become low in the second and third quarters.

Rate Explanation - Capitol grounds unit of service is the grounds maintenance and snow removal on the capitol complex. The unit price is the total annual revenue of the program divided by the total square footage of rented office space on the capitol complex. Square footage of rented office space on the capitol complex for the 2007 biennium is provided by General Services Division and used in these calculations.

Department of Fish, Wildlife & Parks-5201
Parks Division-06

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6541	Grounds Maintenance	5201	Fish Wildlife & Parks	Parks Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Grounds Maintenance Fee	-	-	-	317,413	334,652	334,652
Net Fee Revenue	332,620	309,318	323,111	317,413	334,652	334,652
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	14	2	8	-	-	-
Total Operating Revenue	332,634	309,320	323,119	317,413	334,652	334,652
Operating Expenses:						
Personal Services	155,160	165,341	171,196	188,849	186,103	186,154
Other Operating Expenses	152,821	136,123	129,135	150,161	138,624	138,846
Total Operating Expenses	307,981	301,464	300,331	339,010	324,727	325,000
Operating Income (Loss)	**24,653**	**7,856**	**22,788**	**(21,597)**	**9,925**	**9,652**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	24,653	7,856	22,788	(21,597)	9,925	9,652
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	(1,422)	-	-	-	-
Change in net assets	24,653	6,434	22,788	(21,597)	9,925	9,652
Total Net Assets- July 1 - As Restated	63,707	92,947	47,581	70,369	48,832	58,757
Prior Period Adjustments	-	(51,800)	-	-	-	-
Cumulative effect of account change	4,587	-	-	-	-	-
Total Net Assets - July 1 - As Restated	68,294	41,147	47,581	70,369	48,832	58,757
Net Assets- June 30	**92,947**	**47,581**	**70,369**	**48,772**	**58,757**	**68,409**
60 days of expenses (Total Operating Expenses divided by 6)	51,330	50,244	50,055	56,502	54,121	54,167

Requested Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Fee Group A						
Rate 1 (per unit)	0.3696	0.3696	0.3696	0.3696	0.3896	0.3896

Use this space for any specific narrative description of the rates requested.

Department of Fish, Wildlife & Parks-5201
Parks Division-06

Program Description- Section 23-1-105 (5), MCA, authorizes the Parks Division of Montana Fish, Wildlife and Parks to establish an Enterprise Fund (fund 06068) 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 parks visitor centers that sell books at parks like Ulm Pishkun, Makoshika and Chief Plenty Coups as well as parks that sell items like firewood. Monies generated go back into the purchase of inventory and also the improvement of visitor services in state parks and FWP overall. In FY 2004 this fund accounted for the following monies: $78,374 of earned revenue, $54,206 of expenditures and a fund balance in the amount of $40,588.

Revenues and Expenses - Revenues are generated by the sales of merchandise at park visitor centers and regional offices. The expenses associated with the enterprise fund include office supplies, merchandising materials, and the purchase of inventory to replenish stock.

Working Capital - As the program develops, the 60-day working capital requirement will provide sufficient cash to fund on-going operations of the program.

Fund Equity - As the program continues to develop, a portion of the fund balance will be reserved for the inventory.

Cash Flow - The cash balances are highest in the winter after the parks season ends and lowest in the spring when stock is replenished.

Rate Explanation - The enterprise fund applies a markup rate of no less that 40 percent on goods purchased for resale to ensure sufficient revenues to replenish stock.

Department of Fish, Wildlife & Parks-5201
Parks Division-06

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6068	MFWP Visitor Services	5201	Fish Wildlife & Parks	Parks Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Goods for Resale	-	-	-	75,000	75,000	75,000
Net Fee Revenue	69,721	74,175	74,189	75,000	75,000	75,000
Investment Earnings	360	446	360	-	-	-
Securities Lending Income	6	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	6,997	-	-	-	-	-
Total Operating Revenue	77,084	74,621	74,549	75,000	75,000	75,000
Operating Expenses:						
Personal Services	-	-	-	-	-	-
Other Operating Expenses	51,819	89,143	59,705	51,811	60,222	60,222
Total Operating Expenses	51,819	89,143	59,705	51,811	60,222	60,222
Operating Income (Loss)	**25,265**	**(14,522)**	**14,844**	**23,189**	**14,778**	**14,778**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	25,265	(14,522)	14,844	23,189	14,778	14,778
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	15,000	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	40,265	(14,522)	14,844	23,189	14,778	14,778
Total Net Assets- July 1 - As Restated	-	40,265	25,743	107,368	130,557	145,335
Prior Period Adjustments	-	-	66,781	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	40,265	92,524	107,368	130,557	145,335
Net Assets- June 30	**40,265**	**25,743**	**107,368**	**130,557**	**145,335**	**160,113**
60 days of expenses (Total Operating Expenses divided by 6)	8,637	14,857	9,951	8,635	10,037	10,037

Requested Rates for Enterprise Funds
Fee/Rate Information

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Fee Group A						
Goods for resale						

Revenues are generated by the sales of merchandise at park visitor centers and regional offices. The expenses associated with the enterprise fund include office supplies, merchandising materials and the purchase of inventory to replenish stock. The Enterprise fund applies a markup rate of no less than 40% on goods purchased for resale to ensure sufficient revenues to replenish stock.

Department of Environmental Quality-5301
Central Management Program-10

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	51.50	3.00	1.00	55.50	3.00	1.00	55.50
Personal Services	2,428,545	331,304	44,686	2,804,535	327,655	44,557	2,800,757
Operating Expenses	1,323,649	169,882	5,000	1,498,531	79,103	5,000	1,407,752
Equipment	54,732	200,000	0	254,732	66,000	0	120,732
Total Costs	**$3,806,926**	**$701,186**	**$49,686**	**$4,557,798**	**$472,758**	**$49,557**	**$4,329,241**
Proprietary	3,806,926	701,186	49,686	4,557,798	472,758	49,557	4,329,241
Total Funds	**$3,806,926**	**$701,186**	**$49,686**	**$4,557,798**	**$472,758**	**$49,557**	**$4,329,241**

Program Description - The Central Management Program of the Department of Environmental Quality (DEQ) consists of the director's office, a financial services office, and an information technology office. It is the organizational component of the agency responsible and accountable for the administration, management, planning, and evaluation of agency performance in carrying out the department mission and statutory responsibilities. The director's office includes the director's staff, the deputy director, an administrative officer, public information officer, a centralized legal services unit, and a centralized personnel office. The financial services office provides budgeting, accounting, payroll, procurement and contract management support to other divisions. The information technology office provides information technology services support to other divisions.

The centralized legal services unit has 3.00 FTE that are funded by the internal service fund, two attorneys and one paralegal. This staff provides the administration, management and planning for the legal services unit, and specific duties for department programs, including legislation, rule making, enforcement actions and contract review. The remainder of this unit is funded by direct charges to the programs and projects requiring the legal work.

The customers of this program are all divisions and employees of the department. Use of these services is mandated by agency policies and procedures. There are no alternative sources for the Central Management Program as a whole. The department contracts for legal services: whenever it is cost effective to do so; to obtain specific expertise for a case; or when legal jurisdiction of the case requires an attorney licensed in that state. The department contracts for information technology database development and for hosting of the department's enterprise database.

Revenues and Expenses - The department has one proprietary fund, which is an internal service fund used to account for the department's indirect cost activity. The department anticipates negotiating an indirect cost rate with the U.S. Environmental Protection Agency (EPA) of approximately 24 percent in FY 2006 and FY 2007. Revenues generated by the current indirect cost rate fund 51.50 FTE.

Central Management Program provides the services presented in the program description. The cost of providing support services is directly related to the number of staff served. The department negotiates an indirect rate with EPA based on that computation annually. Adjustments for over-recovery and under-recovery in the previous year are made to the calculations each year. EPA and DEQ agree to the services that are included in the indirect calculation. Funding is collected from all non-proprietary sources expended within the department. Expenditures are recorded in account 62827. Revenues are recorded in accounts 520501 and 584020.

Expense Description - The major cost drivers within this program are personal services costs and fixed costs. Additional costs for overtime are incurred when workload changes, such as upgrades to the state accounting system (SABHRS), a special legislative session, and increased monitoring and oversight of budgets due to revenue shortfalls. Fixed costs continue to be a significant cost increase to the proprietary fund. The cost of providing support services is directly related to the number of staff served; therefore, future expenses are determined by projecting increases or decreases in program staff. Non-typical and one-time expenses are backed out of the cost of providing services before calculating the indirect rate. Salaries are constant throughout the fiscal year, except during fiscal year end, executive budget preparation and legislative session. Supplies are purchased on an as needed basis, except during peak times noted above. The indirect rate proposed to the legislature will fund 55.50 FTE.

Working Capital - The objective of program management is to recover costs to fund necessary, ongoing operation of the Central Management Program. The program has no requirement to reserve an excess fund balance. The fund normally carries a 60-day working capital to meet its immediate cash needs for covering payroll and various operating costs

Fund Equity - The department does not reserve a fund balance on the accounting records nor does it try to maintain a fund balance. The revenues generated should be enough to cover the current year's operations. However, due to timing factors, the fund balance does not always equal zero.

Rate Explanation - The department negotiates an annual indirect cost rate with EPA. The approved rate is a fixed rate. This rate is applied against personal services, temporary services, and work-study contracts charged within each division of the department, other than the Central Management Program.

The department is requesting an increase in its indirect cost rate from 23 percent approved in the last legislative session to 24 percent. The rate negotiated with EPA requires a carry-forward amount be built into the rate. This carry-forward amount represents the amount the department either under-recovered or over-recovered in a given year. This computation compares what was initially negotiated versus what actually occurred. The difference is then carried forward into the following year's rate.

The department's indirect cost rate is determined based on guidelines prescribed by the federal government. In addition, the department complies with 17-3-111, MCA, which requires agencies to negotiate a rate that would recover indirect costs to the fullest extent possible. In order to comply with this law, the department has requested a rate that may vary slightly from the rate the department actually negotiates with EPA. The rate approved by the legislature is considered a cap; and therefore, the department cannot negotiate for a rate higher than what has been approved by the legislature. However, the rate negotiated with EPA may be slightly lower.

Department of Environmental Quality-5301
Central Management Program-10

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6509	DEQ Indirects	5301	DEQ	Central Management Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Revenue from State Services	-	-	-	2,056,494	2,188,888	1,986,596
Net Fee Revenue	1,913,545	2,046,413	2,057,043	2,056,494	2,188,888	1,986,596
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	433	40	56,227	-	-	-
Total Operating Revenue	1,913,978	2,046,453	2,113,270	2,056,494	2,188,888	1,986,596
Operating Expenses:						
Personal Services	2,030,393	2,213,440	2,467,609	2,548,275	2,804,535	2,800,757
Other Operating Expenses	1,006,129	722,139	1,120,569	1,437,794	1,294,303	918,938
Total Operating Expenses	3,036,522	2,935,579	3,588,178	3,986,069	4,098,838	3,719,695
Operating Income (Loss)	**(1,122,544)**	**(889,126)**	**(1,474,908)**	**(1,929,575)**	**(1,909,950)**	**(1,733,099)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	(1,181)	-	-	-
Federal Indirect Cost Recoveries	1,291,779	1,394,815	1,571,619	1,570,464	1,671,585	1,517,101
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	1,291,779	1,394,815	1,570,438	1,570,464	1,671,585	1,517,101
Income (Loss) Before Operating Transfers	169,235	505,689	95,530	(359,111)	(238,365)	(215,998)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	169,235	505,689	95,530	(359,111)	(238,365)	(215,998)
Total Net Assets- July 1 - As Restated	131,775	588,753	1,109,504	1,206,967	847,856	609,491
Prior Period Adjustments	17,035	15,062	1,933	-	-	-
Cumulative effect of account change	270,708	-	-	-	-	-
Total Net Assets - July 1 - As Restated	419,518	603,815	1,111,437	1,206,967	847,856	609,491
Net Assets- June 30	**588,753**	**1,109,504**	**1,206,967**	**847,856**	**609,491**	**393,492**
60 days of expenses (Total Operating Expenses divided by 6)	506,087	489,263	598,030	664,345	683,140	619,949

Requested Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Requested Rates for Internal Service Funds	22.15	22.13	22.60	23.00	25.00	25.00

Department of Environmental Quality-5301
Central Management Program-10

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

	Total Agency Impact	General Fund Total
FY06	$106,030	$0
FY07	$106,030	$0

PL- 1001 - Proprietary Operating Adjustment HB576 -

The proprietary fund adjustment is to restore the fund to the FY2004 expenditure level. During the base year, DEQ Information Technology and Financial Services sections had several positions that were vacant, resulting in decreased services to the direct programs. This request restores the funding for database enhancement and development, travel, and training.

	Total Agency Impact	General Fund Total
FY06	$200,000	$0
FY07	$66,000	$0

PL- 1002 - Information Technology Equipment-OTO-HB576 -

This request is to replace the storage area network (SAN) and servers for DEQ. The current SAN is over 3.5 years old. The useful life of the equipment is 4 years. Consequently, software and parts will not be readily available. At the time of replacement in FY 2006, the equipment will be over 5 years old.

	Total Agency Impact	General Fund Total
FY06	$99,287	$0
FY07	$99,010	$0

PL- 1006 - Reorganization of Remediation Info Tech Staff -

This request is to consolidate the department's remaining information technology staff into the centralized Office of Information Technology (OIT). The centralization of information technology staff began in 2003 biennium. This proposal completes the reorganization by moving positions 2.00 FTE from the Remediation Division to the Central Management Division.

	Total Agency Impact	General Fund Total
FY06	$41,810	$0
FY07	$41,873	$0

PL- 1010 - Centralized Graphics Function -

During the 2003 Legislature the agency was able to decrease the department's general fund request by moving the graphics function and staff to the Information Technology Office, which is funded with proprietary funds. This is a request to continue funding the graphics function (1.00 FTE) in the proprietary account. Since all programs in the agency benefit from this function it is the most appropriate method to fund the position.

	Total Agency Impact	General Fund Total
FY06	$49,686	$0
FY07	$49,557	$0

NP- 1005 - Financial Services Accountant HB576 -

This request adds a 1.00 FTE accounting position in the department's financial services area. This position would provide efficient and effective accounting services for the department. The department's financial programs and responsibilities have increased over the years without increasing financial staff and the workload warrants another accounting position.

Department of Natural Resources & Conservation-5706
Forestry/Trust Lands-35

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	5.80	1.35	0.00	7.15	1.35	0.00	7.15
Personal Services	356,483	43,898	0	400,381	45,578	0	402,061
Operating Expenses	741,641	40,613	0	782,254	42,253	0	783,894
Total Costs	**$1,098,124**	**$84,511**	**$0**	**$1,182,635**	**$87,831**	**$0**	**$1,185,955**
Proprietary	1,098,124	84,511	0	1,182,635	87,831	0	1,185,955
Total Funds	**$1,098,124**	**$84,511**	**$0**	**$1,182,635**	**$87,831**	**$0**	**$1,185,955**

Program Description - The air operations program in the Forestry Division is funded from the air operations proprietary account for those costs that can be supported by the aircraft rates charged to agencies that use the aircraft and general fund for fixed costs. The program operates three medium helicopters, two light helicopters, and three single engine fixed-wing airplanes. Aircraft are primarily used for fire detection, support and suppression of wildfires, and reclamation work in the Department of Environmental Quality. Fixed costs are paid by the general fund and fire protection tax revenue since they must be paid regardless of number of hours flown. These costs include hangar rent, insurance, and personnel costs. 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, federal agencies, and the state's wildfire suppression efforts. This revenue is also deposited to the proprietary account.

Revenues and Expenses - The primary source of revenue is in the collection of aircraft rental charges. Additional transfer-In revenue is received from HB 2 transfers of fixed costs (FTE, Insurance & Rent) from the general fund and the fire protection tax revenues. The department has limited cooperative agreements to assist our federal partners (U.S. Forest Service) 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 land managers for the DNRC. This involves initial attack of fires under state direct protection and federal and other state agencies. Historic and projected trends are dependent on length and severity of the fire season. Base year funding by fund type would be comprised primarily from Federal Jobs & Growth Tax Relief and U.S. Forest Service (both 03 fund types). Expense account used in SABHRS to record Aircraft Rental is 62525. The revenue accounts used in SABHRS to record aircraft revenue are 522067-74 (there is a separate account for each aircraft).

The cost drivers for the aircraft rates are to try and 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 wild fires on state and federal ground. This includes all costs associated with the maintenance and operation of that aircraft. There are some factors that contribute to the uncertainty in forecasting future expenses. This includes unforeseen events such as FAA and manufacturer directives, aircraft incidents resulting in unplanned maintenance and fluctuations in fuel and parts, and length and severity of the fire season. Average fire season and routine maintenance of aircraft are used to determine the anticipated future costs of major cost drivers. In FY 2004, non-typical expenditures were incurred in the building of a new helicopter ($266,000).

Rate Explanation - The reimbursement rates for the operation of the department aircraft are based on the time life of 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 customer base is very specific and is made up of DNRC land managers and the U.S. Forest service. The aviation section provides aircraft for fire operations.

The aviation section uses this reimbursement rate strictly to maintain the aircraft in flyable condition. There is a need to maintain a fund balance due to the high price of aircraft parts. An engine for a Bell uh-1/h helicopter for example can cost near $200,000. A rotor blade can cost $80,000. It is absolutely necessary to maintain a balance for unforeseen events such as a rotor blade strike or an engine failure. Also the FAA and the manufacturer can issue service and technical bulletins that mandate compliance to continue operation of that aircraft. These are all dynamics that require a balance be maintained to ensure continuity of the aviation program. The customer is billed at the fixed rate. This is based on the amount of hours and tenths of hours flown. All costs are direct and fixed. There are no indirect costs associated with the rates.

Department of Natural Resources & Conservation-5706
Forestry/Trust Lands-35

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
06538	Air Operation Internal Service	5706	Department of Natural Resources and Conservation	Forestry/Trust Lands Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Revenue from Bell UH-1Hs	342,475	277,813	403,550	315,000	525,000	525,000
Revenue from Bell Jet Rangers	82,431	66,918	120,771	70,000	62,125	62,125
Revenue from Cessna 180 Series	20,368	72,852	94,264	75,000	49,875	49,875
Net Fee Revenue	445,274	417,582	618,585	460,000	637,000	637,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	412	-	-	-
Total Operating Revenue	445,274	417,582	618,997	460,000	637,000	637,000
Operating Expenses:						
Personal Services	332,916	374,421	365,116	314,456	400,381	402,061
Other Operating Expenses	551,070	450,556	748,434	568,573	782,254	783,894
Total Operating Expenses	883,986	824,977	1,113,550	883,029	1,182,635	1,185,955
Operating Income (Loss)	**(438,712)**	**(407,395)**	**(494,553)**	**(423,029)**	**(545,635)**	**(548,955)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(438,712)	(407,395)	(494,553)	(423,029)	(545,635)	(548,955)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	389,169	389,169	436,118	548,339	551,456	553,101
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(49,543)	(18,226)	(58,435)	125,310	5,821	4,146
Total Net Assets- July 1 - As Restated	225,230	175,687	157,461	99,026	224,336	230,157
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	225,230	175,687	157,461	99,026	224,336	230,157
Net Assets- June 30	**175,687**	**157,461**	**99,026**	**224,336**	**230,157**	**234,303**
60 days of expenses (Total Operating Expenses divided by 6)	147,331	137,496	185,592	147,172	197,106	197,659

Requested Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Fee Group A						
Bell UH-1H Helicopter	875.00	875.00	875.00	875.00	875.00	875.00
Bell Jet Ranger Helicopter	355.00	355.00	355.00	355.00	355.00	355.00
Cessna 180 Fixed Wing	95.00	95.00	95.00	95.00	95.00	95.00

No request for rate increase in the 2006-2007 biennium. Please note that due to a type-o, the Bell Jet Ranger Helicopter rate was incorrectly stated as $375.00 in HB2. Actual rate billed for the 2004-2005 biennium was $355.00

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

	Total Agency Impact	General Fund Total
FY06	$65,418	$0
FY07	$65,907	$0

PL- 3505 - Air Operations FTE-HB576 -

This proprietary budget request includes just over $65,000 per year and 1.35 FTE for a mechanic position and a seasonal pilot.

Department of Agriculture-6201
Agricultural Sciences Division-30

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	75	75	0	150	75	0	150
Operating Expenses	435	571	0	1,006	571	0	1,006
Total Costs	**$510**	**$646**	**$0**	**$1,156**	**$646**	**$0**	**$1,156**
Proprietary	510	646	0	1,156	646	0	1,156
Total Funds	**$510**	**$646**	**$0**	**$1,156**	**$646**	**$0**	**$1,156**

Program Description - The Alfalfa Leaf-Cutting Bee Program (fund 06011) was established in 1981 by 80-6-11, MCA. The Alfalfa Seed Committee establishes standards for pathogens and parasites, certification of bees, and management of the program in cooperation with the department. Department personnel perform field and laboratory duties for the committee.

Revenues and Expenses - Alfalfa leaf-cutting bee account revenues are received from laboratory analyses for pathogens in larva and the determination of sex ratios. Expenditures include laboratory costs and committee members' per diem. There are no FTE funded in this program; however, there are usually overtime payments to the entomologist to pay for the laboratory analyses performed. There is a one-time $15.00 registration fee for alfalfa leaf-cutting bee owners. There is a $30.00 certification fee per sample for certifying samples. There is a $30.00 fee for sample analysis per sample, and if requested an additional fee of $20.00 for sex ratio and percent emergence.

Rate Explanation - Fees are charged for certification and registration of alfalfa leaf-cutter bees in Montana and for laboratory expenses. The fees charged are set by rule. Rates are $30 for a minor A license and $15 for a minor B license.

Department of Agriculture-6201
Agricultural Sciences Division-30

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6011	Alfalfa Leaf Cutting Bee	6201	Department of Agriculture	Agricultural Sciences Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Lab Fees	-	-	-	550	550	550
Net Fee Revenue	1,830	635	530	550	550	550
Investment Earnings	203	80	50	50	50	50
Securities Lending Income	4	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	6	5	-	-	-
Total Operating Revenue	2,037	721	585	600	600	600
Operating Expenses:						
Personal Services	3,137	100	75	3,211	150	150
Other Operating Expenses	716	462	436	1,607	1,006	1,006
Total Operating Expenses	3,853	562	511	4,818	1,156	1,156
Operating Income (Loss)	**(1,816)**	**159**	**74**	**(4,218)**	**(556)**	**(556)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(1,816)	159	74	(4,218)	(556)	(556)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(1,816)	159	74	(4,218)	(556)	(556)
Total Net Assets- July 1 - As Restated	7,993	6,177	6,784	6,858	6,840	6,284
Prior Period Adjustments	-	448	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	7,993	6,625	6,784	6,858	6,840	6,284
Net Assets- June 30	**6,177**	**6,784**	**6,858**	**2,640**	**6,284**	**5,728**
60 days of expenses (Total Operating Expenses divided by 6)	642	94	85	803	193	193

Requested Rates for Enterprise Funds
Fee/Rate Information

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Fee Group A						
Registrations	15	15	15	15	15	15
Certified samples	30	30	30	30	30	30
Sample Analysis	30	30	30	30	30	30
Sex Ratio	20	20	20	20	20	20

A detailed published record must be kept in the agency's files. The Alfalfa Leaf-cutting Bee Program was established in 1981. The Alfalfa Seed Committee establishes standards for pathogens and parasites, certification of bees, and management of the progr

Department of Agriculture-6201
Agricultural Sciences Division-30

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

	Total Agency Impact	General Fund Total
FY06	$712	$0
FY07	$712	$0

PL- 3016 - ALCB Base Budget Adjustments -

The Alfalfa Leaf Cutter Bee program has operated on existing inventory in FY 2004 and will need to restore the base operating level in order to purchase X- Ray film and other supplies for the 2007 biennium. Per Diem for the council is being restored as well.

Department of Agriculture-6201
Agricultural Development-50

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	0	0	0	0	0	0	0
Operating Expenses	3,344	54,856	0	58,200	54,856	0	58,200
Total Costs	**$3,344**	**$54,856**	**$0**	**$58,200**	**$54,856**	**$0**	**$58,200**
Proprietary	3,344	54,856	0	58,200	54,856	0	58,200
Total Funds	**$3,344**	**$54,856**	**$0**	**$58,200**	**$54,856**	**$0**	**$58,200**

Program Description - The Hail Insurance program (fund 06052) has been in operation since 1917. The function of the program is to provide low cost hail insurance coverage for any crop grown in Montana to assist producers in recovering their input costs should there be hail damage. The program insures approximately 1.4 million acres of crops with coverage exceeding $30 million each year.

The Montana Beginning Farmer/Rancher Loan Program (fund 06016) is a tax-exempt bond program designed to assist beginning farmers/ranchers in the State of Montana 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, will obtain from the Montana Agriculture Loan authority (the authority) a federally tax-exempt bond in the amount of the loan or unpaid balance. The loan and its collateral will be assigned to the financial institution as security for the bond. In the case of a contract sale, the contract will be entered into by the authority, and the Financial Institution will receive the bond to evidence the authority's obligations under the contract. The authority's right, title and interest in the contract will then be assigned to the beginning farmer/rancher who assumes payment obligations of the authority under the contract.

Revenues and Expenses - Hail premiums charged are set by 80-2-208, MCA, and cannot exceed $40 per acre for non-irrigated land and $56 per acre for irrigated land. The program is required to keep a reserve as set by 80-2-228, MCA. An actuary is hired each year to review the reserve requirements. The program pays for 2.00 full-time FTE and 4.30 seasonal FTE to support program operations. In addition, the program must pay for associated operating expenses.

Beginning Farmer/Rancher Loan Program- An applicant pays a $50 application fee and a loan participation fee of 1.5 percent of the value of the bond. These rates are unchanged from last biennium. Once the program is operational, it will fund a 0.50 FTE and related operating expenses. The FTE will not be filled until revenue will support it.

Rate Explanation - Hail premiums charged are set by section 80-2-228, MCA. An applicant pays a $50 application fee and a loan participation fee of 1.5 percent of the value of the bond. These rates are unchanged from last biennium.

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Fund	Fund Name	Agency #	Agency Name	Program Name
6052	Hail Insurance	6201	Department of Agriculture	Agriculture Development Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Hail Insurance Premium	296,708	2,564,597	3,741,627	3,500,000	3,500,000	3,500,000
Hail Insurance Penalty and Interest	3,977	3,668	6,094	3,000	3,000	3,000
STIP Participant Earnings	136,123	66,896	61,507	75,000	75,000	75,000
Net Fee Revenue	436,808	2,635,161	3,809,228	3,578,000	3,578,000	3,578,000
Total Operating Revenue	436,808	2,635,161	3,809,228	3,578,000	3,578,000	3,578,000
Operating Expenses:						
Personal Services	182,718	210,224	226,367	198,504	230,297	230,532
Other Operating Expenses	1,861,989	1,819,072	1,722,256	5,548,794	6,886,672	6,886,672
Total Operating Expenses	2,044,707	2,029,296	1,948,623	5,747,298	7,116,969	7,117,204
Operating Income (Loss)	**(1,607,899)**	**605,865**	**1,860,605**	**(2,169,298)**	**(3,538,969)**	**(3,539,204)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(1,607,899)	605,865	1,860,605	(2,169,298)	(3,538,969)	(3,539,204)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	(42,254)	(15,108)	(13,732)	(19,757)	(33,732)	(33,732)
Change in net assets	(1,650,153)	590,757	1,846,873	(2,189,055)	(3,572,701)	(3,572,936)
Total Net Assets- July 1 - As Restated	6,437,273	5,220,176	5,285,218	7,132,092	8,710,192	12,288,292
Prior Period Adjustments	430,603	(525,715)	1	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	6,867,876	4,694,461	5,285,219	7,132,092	8,710,192	12,288,292
Net Assets- June 30	**5,217,723**	**5,285,218**	**7,132,092**	**4,943,037**	**5,137,491**	**8,715,356**
60 days of expenses (Total Operating Expenses divided by 6)	340,785	338,216	324,771	957,883	1,186,162	1,186,201

Requested Rates for Enterprise Funds
Fee/Rate Information

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Fee Group A						
Farm Loan	0	1.5	1.5	1.5	1.5	1.5

A detailed published record must be kept in the agency's files. Hail premiums are set by the Board of Hail Insurance and vary by county based on risk. The Hail Insurance program has been in operation since 1917. The function of the program is to provide low cost hail insurance coverage for any crop grown in Montana to assist producers in recovering their input costs should there be hail damage. The program insures approximately 1.4 million acres of crops with coverage exceeding $30 million each year. The Hail Board establishes the rates. There are 56 zones, of which each could have it's own seperate rate.

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Agricultural Development-50

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Fund	Fund Name	Agency #	Agency Name	Program Name
6016	Beginning Farmer/Rancher	62010	Agriculture	Agricultural Development Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Application Fees						
Net Fee Revenue	-	1,963	3,300	2,000	58,200	58,200
Investment Earnings	-	3	14	500	500	500
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	-	1,966	3,314	2,500	58,700	58,700
Operating Expenses:						
Personal Services	-	-	-	-	-	-
Other Operating Expenses	-	-	3,343	-	58,200	58,200
Total Operating Expenses	-	-	3,343	-	58,200	58,200
Operating Income (Loss)	**-**	**1,966**	**(29)**	**2,500**	**500**	**500**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	-	1,966	(29)	2,500	500	500
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	-	1,966	(29)	2,500	500	500
Total Net Assets- July 1 - As Restated	(185,799)	350	2,316	2,287	4,787	5,287
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	186,149	-	-	-	-	-
Total Net Assets - July 1 - As Restated	350	350	2,316	2,287	4,787	5,287
Net Assets- June 30	**350**	**2,316**	**2,287**	**4,787**	**5,287**	**5,787**
60 days of expenses (Total Operating Expenses divided by 6)	-	-	557	-	9,700	9,700

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Agricultural Development-50

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

	Total Agency Impact	General Fund Total
FY06	$54,863	$0
FY07	$54,862	$0

PL- 5011 - Montana Beginning Farm/Ranch Loan Program -
This request includes authority for the administrative expenses of the Montana Beginning Farm/Ranch Loan Program

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Facility Finance Authority-71

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	2.00	0.00	0.00	2.00	0.00	0.00	2.00
Personal Services	142,654	(10,680)	0	131,974	(11,037)	0	131,617
Operating Expenses	101,150	8,203	0	109,353	(1,340)	0	99,810
Grants	19,400	30,600	0	50,000	30,600	0	50,000
Total Costs	**$263,204**	**$28,123**	**$0**	**$291,327**	**$18,223**	**$0**	**$281,427**
Proprietary	263,204	28,123	0	291,327	18,223	0	281,427
Total Funds	**$263,204**	**$28,123**	**$0**	**$291,327**	**$18,223**	**$0**	**$281,427**

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 for buildings and capital equipment. The legislature extended eligible facilities to include community pre-release centers. Cost savings are shared with consumers in the form of lower fees. The Facility Finance Authority is funded entirely by proprietary funds (enterprise funds 06012 and 06015) with revenues collected from interest, fees, and charges from participating institutions. There are no direct appropriations provided in HB 2. The authority is primarily mandated in Title 90, Chapter 7 and Title 2, Chapter 15, MCA. Customers include health care and related facilities, entities serving persons with development and/or mental disabilities, and prerelease centers. There has not been any significant program, service, or customer base change since the last session.

Revenue Description - The Facility Finance Authority is funded entirely by proprietary funds with revenues collected from interest, fees, and charges from participating institutions. The authority has gradually reduced its application and annual administrative fee assessments contingent upon its business volume. Customer volume is assumed to be at the current level throughout the 2007 biennium. Authority revenues are primarily recorded in the following SABHRS revenue codes:

	FY 2004	Percentage
521135	55,009.00	15.631%
521136	190,993.61	54.270%
521137	65,348.50	18.569%
522017	42.76	0.012%
522110	445.75	0.127%
530025	20,099.17	5.711%
538006	19,992.20	5.681%
Totals:	351,930.99	100.000%

Expense Description- The major cost drivers within the Facilities Finance Authority are personal services, operating expenses, grants, and expenditures related to the periodic replacement of computer equipment. The major cost drivers for the Authority can best be represented in the following table:

	FY 2004	Percentage
FTE	2.00	
Personal Services	153,557.44	56.435%
Operating Expenses	101,353.53	37.249%
Grants	17,184.43	6.316%
Totals:	272,095.40	100.000%

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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.

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 2.00 FTE and board member per diem.

Working Capital Discussion- 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 $515,000) to assure that the authority can financially operate between legislative sessions.

Fund Equity and Reserved Fund Balance- The Total Fund Equity requirement for the 2007 biennium ($5,000,000) is derived from the following authority program reserve mandates:

A. Biennium Working Capital Reserve; $515,000
B. Capital Reserve Account (Loan Loss Reserve); $3,570,000
C. Facility Direct Loan Program Reserve; $915,000

Rate Explanation - The Facilities Finance Authority is funded by an enterprise fund; accounting entities 06012 and 06015; 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.

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Fund	Fund Name	Agency #	Agency Name	Program Name
6012 6015	HFA Loan Program Facilities Finance Authority	65010	Dept. of Commerce	Facility Finance Authority

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Administrative Fees	256,489	283,557	311,840	267,500	301,000	301,000
Investment Earnings	69,080	48,292	40,092	71,650	50,000	50,000
Securities Lending Income	824	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	326,393	331,849	351,932	339,150	351,000	351,000
Operating Expenses:						
Personal Services	122,677	116,335	153,557	122,667	131,974	131,617
Other Operating Expenses	107,977	111,622	118,538	133,247	159,353	149,810
Total Operating Expenses	230,654	227,957	272,095	255,914	291,327	281,427
Operating Income (Loss)	**95,739**	**103,892**	**79,837**	**83,236**	**59,673**	**69,573**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(200)	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(200)	-	-	-	-	-
Income (Loss) Before Operating Transfers	95,539	103,892	79,837	83,236	59,673	69,573
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	95,539	103,892	79,837	83,236	59,673	69,573
Total Net Assets- July 1 - As Restated	2,138,827	2,234,366	2,338,258	2,418,095	2,501,331	2,561,004
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	2,138,827	2,234,366	2,338,258	2,418,095	2,501,331	2,561,004
Net Assets- June 30	**2,234,366**	**2,338,258**	**2,418,095**	**2,501,331**	**2,561,004**	**2,630,577**
60 days of expenses (Total Operating Expenses divided by 6)	38,442	37,993	45,349	42,652	48,555	46,905

Requested Rates for Enterprise Funds
Fee/Rate Information

Loan Amount	Initial Fee ($)	Annual Fee (Maximum $6,000 Single Facility $50,000 Maximum Multi Facility)
Up to $1,000,000	$100 - $5,000	Up to .15% of outstanding loan amount
$1,000,001 - $5,000,000	$2,500 - $15,000	Up to .15% of outstanding loan amount
$5,000,001 - $50,000,000	$10,000 - $40,000	Up to .15% of outstanding loan amount
Greater than $50,000,000	$50,000 Max	Up to .15% of outstanding loan amount

Total Fund Equity Requirement = $5,000,000
Loan Loss Reserves, Direct Loan Reserves, and Working Capital Reserve
Authority: Fee Revenues: MCA 90-7-202 and MCA 90-7-211
Investment Earnings: MCA 90-7-202

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Facility Finance Authority-71

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

	Total Agency Impact	General Fund Total
FY06	$40,092	$0
FY07	$40,265	$0

PL- 7116 - FFA Administrative Costs Adjustments HB0576 -

The Facility Finance Authority requests operating adjustments in the proprietary fund including board member per diem, scheduled rent increases, and indirect costs.

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Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	39.50	0.00	0.00	39.50	0.00	0.00	39.50
Personal Services	1,652,099	94,704	0	1,746,803	94,948	0	1,747,047
Operating Expenses	1,976,612	1,227,788	295,000	3,499,400	1,225,265	295,000	3,496,877
Equipment	38,758	69,192	0	107,950	(13,758)	0	25,000
Local Assistance	0	0	0	0	0	0	0
Grants	0	0	0	0	0	0	0
Benefits & Claims	33,710,616	5,308,943	0	39,019,559	7,889,409	0	41,600,025
Debt Service	0	0	0	0	0	0	0
Total Costs	**$37,378,085**	**$6,700,627**	**$295,000**	**$44,373,712**	**$9,195,864**	**$295,000**	**$46,868,949**
Proprietary	37,378,085	6,700,627	295,000	44,373,712	9,195,864	295,000	46,868,949
Total Funds	**$37,378,085**	**$6,700,627**	**$295,000**	**$44,373,712**	**$9,195,864**	**$295,000**	**$46,868,949**

Program Description - The Montana Housing Act of 1975 created the Montana Board of Housing. The board is an agency of the state and operates within the Department of Commerce for administrative purposes. Under the Housing Act the board does not receive appropriations from the state's general fund and is completely self-supporting. Substantially all of the funds for the board's operations and programs are provided by the private sector through the sale of tax-exempt bonds. 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 policy direction to the agency staff, authorizes bond issues, approves development financing and evaluates board housing programs. These programs include the Single Family Program, Recycled Single Family Program, Multifamily Loan Programs, Low Income Housing Tax Credit Program, Housing Revolving Loan Fund and the Reverse Annuity Mortgage (RAM) Program.

The Board of Housing is funded by four enterprise funds (funds 06030, 06031, 06078, and 06079) with revenues derived from an administrative charge applied to projects and mortgages financed. There are no direct appropriations provided in HB 2; the board is completely self-supporting.

The Board of Housing is primarily mandated in Title 2, Chapter 15; and Title 90, Chapter 1, and Chapter 6, MCA.

Customers include households that qualify for the board's programs to either rent or buy their own home. The board partners with brokers, realtors, banks, real estate lenders, builders, developers, contractors, non-profit housing providers and other governmental entities. Working together with its partners, the board provides programs that allow a household to rent an apartment or house at an affordable rent. It allows a qualifying household to obtain a lower rate mortgage that will allow them to be able to afford a home that meets their household needs. It also allows qualifying senior households the opportunity to access the equity in their homes to help them afford to stay in their house through a reverse mortgage.

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

Section 8 Housing Program Description- The Project Based Section 8 Contract Administration (PBS8CA) Program is the 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, annual rent increases, respond to emergencies, check compliance for fair housing and waiting lists, on-site management reviews, follow-up to physical inspections, review of management decisions, and budget assistance to local property owners. The program provides 4,321 units of rental housing in 101 projects, for low income and elderly families in the state.

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The Project Based Section 8 program is funded by enterprise fund 06074 with 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.

Tenant Based Section 8 Contract Administration (TBS8CA): TBS8CA provides over 4,100 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 serve 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.

The Tenant Based Section 8 program is funded by enterprise fund 06075 with 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.

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.

Customers include the 8,421 Montana families that hold a Section 8 Voucher or live in a Section 8 Project Based unit. The majority of these families include, the disabled or the elderly. Customers also include the 2,500 landlords that accept vouchers or own project based apartments.

There has not been any significant program, service, or customer base change since the last session; however the federal government has proposed reductions in the levels of funding for the Housing Choice Vouchers program. At this time the department has appealed the proposed reductions and is waiting HUD restoration of funding. If funding is not restored, 250-400 families across Montana will lose Section 8 Housing Choice Voucher assistance in October, and could be forced into homelessness. It is possible the scenario could happen in FY2005 also.

Revenue Description- Single Family Charges: According to state statute and, in some cases, the Internal Revenue Code, the board is allowed to earn the amounts that are presented on the "Report on Internal Service and Enterprise Funds". 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 board is allowed to earn 1 ½ percent on Pre 1980 Single Family Programs and 1 1/8 percent on the Post 1980 Single Family Programs.

Financial institutions that originate Single Family loans for the board may charge two points, which they keep or originate loans with no points, at a slightly higher rate and have the loans purchased at 102 percent. Approximately 1 percent of the loans have 2 points charged. According to tax law, origination points must be included in the amount that the board can earn. Operating expenses and servicing fees must be paid from the 1 1/8 percent that board is allowed to earn. Servicing fees are 0.375 percent of the mortgage principal balance. The board does not always receive the full 1 1/8 percent or 1 ½ percent spread. The spreads for the last several bond issues were as follows:

Bond Issue	Percentage Rate
1995B1	0.87990%
1995B2	0.81670%
1996A	1.12500%
1997A1	1.39063%
1997A2	1.08842%
1998A	1.10078%
1998B	1.04678%
1999A	1.11985%
2000A	1.10302%
2000B	1.11709%
2001A	1.11898%
2002A	1.12251%

2002B	1.09666%
2003A1	1.21126%
2003A2	0.07883%
2003B1	1.45392%
2003B2	0.51062%
2003C	0.83833%
2004A	0.82319%
2004B	0.49576%

Expenses - The 1 1/8 percent or 1 ½ percent that the board can earn is based on certain assumptions at the time the bond issue is structured. One of the assumptions is that the loans will prepay at 100 percent of the historical FHA prepayment rate. If the loans actually prepay faster, the board will not earn the initial spread that was calculated. The board only earns this spread if the loans are held for the amount of time that is originally estimated. If the loans prepay early, the money is invested and then is used to redeem bonds. When the mortgages pay off, the board has lost the ability to earn the spread between the mortgage yield and bond yield. Historically, prepayments on the majority of the loans have been over 100 percent, and we expect this trend to continue.

The board also charges a cancellation fee of 1/2 of 1percent of the loan amount reserved. Approximately 5 percent of loans reserved are canceled. This amount is included in the spread that the Board can earn. These fees are capitalized and are amortized as income over the life of the loans, as required by generally accepted accounting principles. Extension fees and late fees are also, occasionally, charged. The majority of these fees are capitalized and amortized over the life of the loans. The extension fees are 1/4 of 1 percent of the loan amount and the late fees are 1/2 of 1 percent of the loan amount. The amortization of these fees results in an average of approximately $250,000 of income per year. These fees are deposited with the trustees and are used to originate new mortgages.

<u>Multifamily Charges</u>: Multifamily Programs can earn 1 ½ percent spread between the mortgage yield and the bond yield. On the last several issues, the Board did not receive the full 1 ½ percent spread. The spreads for the last four bond issues are as follows:

Bond Issue	Percentage Rate
1992A	1.06770000%
1996A	0.82600000%
1998A	0.28156572%
1999A	1.01396300%

(Servicing fees and operating expenses further reduce the amount of this spread.)

The program currently had one loan payoff and one loan looking at a payoff. It is always a possibility that loans will make prepayments but until that happens it is hard to predict this scenario. If these loans prepay, bonds will be redeemed with the prepayments, and the board will no longer earn any spread on these loans. In the 1992A bond issue, the board is currently using excess revenues to purchase loans at interest rates that are lower than the bond yield. This further reduces the amount of earnings in the Multifamily Program. Under the Multifamily Program, the board can charge a reservation fee, on new loans, of up to 1 percent of the principal balance. Normally, the board charges less than this amount.

<u>Low Income Housing Tax Credit Charges</u>: The board receives $2.075 million dollars of tax credit allocation, annually. The board charges 4 ½ percent of the amount of tax credit reserved. In the next biennium, reservation fee income is estimated to be approximately $93,375 per year. 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 $25 per unit for compliance fees. The board has approximately 4,000 units. Approximately $100,000, annually, will be received during the biennium. Tax credit fees are charged to cover the operating expenses of the program.

<u>Housing Revolving Loan Account Charges</u>: The 1999 Legislature established this fund to provide loans to projects providing affordable housing in Montana. Although the fund was established in 1999 it was not funded. The 2001 legislature added funding through a transfer of Section 8 reserve funds and an allocation of Temporary Assistance to Needy Families (TANF). The TANF funding is currently used to finance down payment and closing cost loans for homebuyers. The other funding is available for other types of housing loans that will typically need that last small piece of financing to make them feasible. The interest that will be charged on HRLA loan will range from 2 – 6 percent.

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Reverse Annuity Mortgage Loans (RAM) Charges: Under the RAM program, elderly homeowners can receive monthly payments, for 10 years, to assist them with their living expenses. The loans accrue interest at 5 percent. The principal and interest is not due until the borrower dies or sells their home. It is difficult to determine how much of the interest and principal will actually be received on these loans or when it will be received. These loans are not guaranteed or insured.

Increase in Mortgage Income: The board's mortgage income steadily increased from FY 1999 to FY 2002 and leveled off in FY 2003 because of significant prepayments. Part of the reason is because there are four Single Family bond issues (1995B, 1997A, 2003A & 2003B) that were structured to use loan prepayments and excess revenues to originate loans rather than to call bonds or pay debt service. These bond series have 40-year bonds rather than the typical 30-year bonds. These series do not have principal payments on the bonds for 10 years, only interest is due. During the first 10 years of each bond issues, mortgages will be originated with prepayments and the excess revenues. The 1995B-1 will begin paying principle in June 2006, however, the board is researching avenues to extend this requirement.

The board has continued to issue bonds each year to originate new mortgages. During fiscal years 2002, 2003 & 2004, the board issued bonds in the amounts of $89,180,000, $143,965,000 & $161,800,000, respectively, and anticipates mortgage revenue will continue to increase during the next biennium as the board continues to originate loans with prepayments, excess revenues and bond proceeds.

Investment Income: In FY 2003, the board earned approximately $11,955,945 on its investments. During the latter part of FY 2000, the board entered into a repurchase agreement on its Single Family II Indenture. The repurchase agreement is at 6.43 percent for 30 years and will help predict investment income in the upcoming years.

NOTE: For Post-1980 Single Family issues and Post-1986 Multifamily issues, investment earnings cannot exceed the yield on the bonds.

Increase in Fair Market Value: The increase in fair value is a requirement of GASB 31. It requires that all investments be valued at fair value. During 1998, the first year that GASB 31 was implemented, the board recorded a gain of approximately $2.8 million. In FY 2003 the amount was approximately $2.3 million. An approximate decrease of $2.3 million is anticipated in FY 2004. The board does not intend to sell the long-term investments. If they are sold, the board will receive the value of the investment on the day of the sale. This amount could be substantially different from the market value at June 30th. No increases or decreases in the fair value for fiscal year 2005, 2006 or 2007 were estimated. The market fluctuations are significant and it is impossible to estimate the value of the investments at any given time.

Board of Housing revenues (funds 06030, 06031, 06078, and 06079) are primarily recorded in the following SABHRS revenue codes:

	FY 2004 (Dollars)	Percentage
512033	312.38	0.001%
526062	214,711.93	0.498%
530014	(2,230,747.82)	-5.179%
530025	16,833.03	0.039%
538025	18,607.70	0.043%
538040	39,367.48	0.091%
538041	36,135,142.23	83.888%
538042	8,379,696.53	19.454%
538046	4,924.53	0.011%
581141	3,400.00	0.008%
581601	241,675.00	0.561%
593401	12,943.00	0.030%
599001	238,507.85	0.554%
Totals:	43,075,373.84	100.000%

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Expense Description - Operations for the next biennium are anticipated to be approximately $5.6 million for FY 2006 and $6 million for FY 2007. The operating expenses include the following: service fees, $2.8 million (FY 2006), $3 million (FY 2007), operating expenses & personal services: $2.8 million (FY 2006), $3 million (FY 2007).

The operations of the board include purchasing mortgage loans, receiving repayments and prepayments, investing funds, issuing and redeeming bonds. During FY 2004, the board purchased $153,813,245 in mortgages and received $180 million in mortgage repayments, prepayments and interest. The board paid interest and principal on bonds of $193,454,965 and issued new bond proceeds in the amount of $161,800,000. This was done with a staff of 20.00 FTE.

Miscellaneous operating includes the interest expense on bonds. It also includes the periodic amortization of the cost of issuance expense. The costs associated with issuing the bonds are expensed over the life of the bonds, as required by generally accepted accounting principles.

During fiscal years 2002, 2003 & 2004, the board issued bonds in the amounts of $89,180,000, $143,965,000 & $161,800,000, respectively. The issuance of new debt in FY 2004 has approximated maturities and redemptions on bonds. The board anticipates an increase in debt service during the next biennium.

The major cost drivers within the Board of Housing are personal services, operating expenses, expenditures related to the periodic replacement of computer equipment. Additionally, over $38.685 million was disbursed from fund 06030 in FY 2004 via an administrative appropriation for debt service requirements related to the board's bonding activity.

FY 2004 base year expenditures for funds 06030, 06031, 06078, and 06079 are as follows:

	FY 2004	**Percentage**
FTE	20.00	
Personal Services	82,28,467.29	2.016%
Operating Expenses	3,662,585.30	8.915%
Debt Service	36,594,057.01	89.069%
Totals:	$41,085,109.60	100.000%

There is little uncertainty in forecasting major cost drivers and for the purposes of this analysis it is assumed the board's workload and customer level will remain constant.

Non-typical and one time only expenses, if any, are subtracted from proposed budgets. The Board of Housing is authorized 20.00 FTE and personal services expenditures include board member per diem.

Working Capital - Each month the board receives funds from the financial institutions that service the board's Single Family and Multifamily loans. The funds include the amount of principal, interest, less servicing fees (.375, .125 and .10 percent of the principal balance) that are due on the board's loans. The board's trustees collect the money. Twice monthly, the Board purchases loans from new bond proceeds, prepayments, or other revenues.

The board receives tax credit reservations fees when the tax credits are approved. These fees are deposited with the state treasurer and are used to cover expenses of the program. Reservations fees on the Single Family and Multifamily Programs are deposited with the trustees when the approved loans are reserved. They are deposited in the program acquisition account and are used to originate new mortgages.

Principal and interest, on the Multifamily and Single Family Bond issues, is due on each February 1, April 1, June 1, August 1, October 1 and December 1. During FY 2004, the board paid $193,454,965 in principal and interest on the bonds.

This number includes scheduled principal and interest payments as well as bond redemptions from prepayments and excess reserves and other revenues. The amount of debt service paid will vary depending on the amount of prepayments received. Under the Single Family I and II Indentures, except for those series that were structured for recycling, each semiannual debt service date, the Board determines how many prepayments have been received. The board uses the loan prepayments to redeem bonds in an amount equal to the prepayments received. The income cannot be used for any other purpose. Annually, the board reviews any other revenues and excess reserves in the Single Family programs and those amounts are also used to redeem bonds. The Multifamily Program has received prepayments on two loans and bonds will be redeemed. In the future, there may be prepayments, and bonds will also be redeemed.

In the Single Family I and II Indentures, the board invests the majority of prepayments and repayments of loans in repurchase agreements. The interest coming due on the agreements also coincides with a debt service date. In three of the series under the Single Family II Indenture, prepayments and any other revenues are used to originate loans that could not otherwise be originated under the tax laws. These two series do not have principal due on the bonds for the first 10 years of the bond issue. These funds are normally invested based on the anticipated loan purchase dates. Under the Single Family I Indenture, a portion of prepayments and repayments are used to originate loans that do not meet the tax laws. These funds are currently invested in a repurchase agreement and withdrawn, as the funds are needed for purchases.

The deposit of the initial bond proceeds, used for purchasing loans, is normally invested in a two-year, fixed rate, repurchase agreement. 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.

The board purchases Reverse Annuity Mortgage (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 we may not receive the principal and interest repayments for many years.

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

Fund Equity and Reserved Fund Balance - 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 the Restricted 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; 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 moneys and investments within the indentures are legally restricted to uses provided for in the indentures and fund balance associated with the indentures is legally required to be reserved for those uses.

In addition to the legal requirements mentioned above, the board commits funds to various projects and programs throughout the year. The board has set aside over $200 million of first mortgage funds for special programs, and originates approximately $20 million per year of new loans under this program (targeting income levels of approximately $20,000). As of the end of FY 2004, the Board had $37,946,710 in outstanding Recycled Mortgage Program commitments.

In the Multifamily area, the board commits funds to projects around the state, with the intent to pool mortgages and issue bonds to fund mortgages and reimburse the board where it has advanced funds on some of the projects. The Board has 29 active first mortgages with initial principle balances of $23,969,458. There are also eight second position loans funded from a AHP grant awarded to the board by the Federal Home Loan Bank of Seattle. The board had two loans prepay and two loans foreclosed on.

In order to operate a more efficient multi-family program, the board was awarded a rating of A2 for its general obligation on April 8, 1997. In order to obtain the A2 rating, the board pledged that it will use any and all of the moneys, assets or revenues of the board to back bonds issued using the general obligation rating. All of the board's bond issues, with the exception of the Single Family III through X (issued from 1988-1992) hold the board's general obligation pledge.

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The fund balance within the Housing Trust Fund is legally required to be reserved for security to the single-family programs by Resolution 92-0821-S1, the Fifth Supplemental Trust Indenture for its Single Family II Indenture and by Resolution 93-0624-S2.

The board funds its RAM programs from the Housing Trust fund, because these are programs for which the Board cannot issue bonds. As of the end of FY 2004, the board has RAM loans with an outstanding principal balance and interest of $904,177. Outstanding commitments from the Housing Trust Fund as of FY 2004 were $1,441,763 for RAM.

The Board's budget monies (those projected to be needed for the fiscal year's operations) are drawn down from the indentures at the beginning of 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.

Management Objectives Regarding Fund Balance: The major component of the board's fund balance (retained earnings) is its single-family program. The board has been recycling repayments and prepayments of mortgages for several years. The board has committed these funds to special programs, at rates that are in many cases below the average coupon on the bonds. The average income on the special programs is less than $24,000, whereas the average income on the board's regular bond programs is about $35,000. The board intends to continue these special programs as they serve Montana citizens the board would not otherwise be able to serve.

Net income over and above bond debt service, operating costs, and servicing fees, is used to write down the rates on special programs or to fund programs such as the RAM Program for elderly. These programs cannot be funded from direct bond proceeds, as there is no repayment guarantee. In the multifamily area, the board intends to continue to leverage its multifamily funds into new multifamily loans through the revolving pool so that loans can be completed in a timely and efficient manner.

The board is reviewed at the time of each bond issue by two rating agencies: Standard & Poor's, and Moody's Investor Services. In order to meet the cash flow tests, the board must have sufficient assets, earnings, and liquidity, to meet all bond interest and principal expenses, as well as pay operating expenses. The board just received an Aa2 from Moody's and a AA+ from Standard & Poor's on its largest indenture. The board's rating reflects the rates the Board gets on its bonds, which is reflected in the mortgage rates passed on to first time home buyers in Montana. In 1990, the board purchased 1 in 10 of the mortgages. In 2002, the Board purchased 1 in 4 of these mortgages. The board's continuous funding (which was a goal of current management set in 1994) and steady, low interest rates, as well as the board's special programs, have contributed to this increase. In addition the increase in housing costs in Montana has made the need for lower interest rate financing even more profound.

Section 8 Housing Revenues, Expenses, and Fund Equity:

Revenue Description - Both Section 8 Housing programs are funded entirely by enterprise funds; Project Based Section 8 with fund 06074; and Tenant Based Section 8 with fund 06075. There are no direct appropriations provided in HB 2. Both funds revenues are derived from performance based Annual Contribution Contracts with HUD, and both programs are completely self-supporting.

Project Based Section 8 Housing revenues (fund 06074) are primarily recorded in the following SABHRS revenue codes:

	FY 2004	Percentage
512033	444.88	0.003%
530025	5,664.89	0.035%
538006	3,013.32	0.019%
594109	815,918.00	5.090%
594111	15,204,187.56	94.853%
Totals:	$16,029,228.65	100.000%

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Tenant Based Section 8 Housing revenues (fund 06075) are primarily recorded in the following SABHRS revenue codes:

	FY 2004	Percentage
512033	320.44	0.002%
530025	26,975.34	0.147%
538006	8,270.57	0.045%
594112	16,191,459.36	88.047%
594113	34,091.46	0.185%
594116	132,408.11	0.720%
594117	143,915.55	0.783%
594118	150,558.00	0.819%
594119	238,104.79	1.295%
594120	58,183.08	0.316%
594121	106,472.12	0.579%
594122	102,920.46	0.560%
594124	154,670.49	0.841%
594125	210,246.00	1.143%
594126	301,732.20	1.641%
594127	253,152.96	1.377%
594128	276,104.92	1.501%
Totals:	$18,389,585.85	100.000%

Expense Description - Major cost drivers for the Project Based Section 8 program, fund 06074, can best be represented in the following table:

	FY 2004	Percentage
FTE	7.00	
Personal Services	311,744.83	1.987%
Operating Expenses	187,470.26	1.195%
Benefits & Claims	15,187,065.56	96.818%
Totals:	$15,686,280.65	100.000%

Major cost drivers for the Tenant Based Section 8 program, fund 06075, can best be represented in the following table:

	FY 2004	Percentage
FTE	12.50	
Personal Services	528,931.67	2.726%
Operating Expenses	364,491.92	1.879%
Benefits & Claims	18,506,428.85	95.395%
Totals:	$19,399,852.44	100.000%

Working Capital - 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 PBS8CA staff and tenant income data, and are paid and reimbursed monthly by HUD, based on actual program benefits paid to owners.

Revenues for the TBS8CA are generated at the rate of $45.79 per unit for each rental unit under lease each month, effective January 1, 2004. 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 only and 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, up to a set amount per unit (new in FY 2004). The PHA is not allowed to retain any funds for other than the payment of rents under the program.

Fund Equity and Reserved Fund Balance - 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).

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 our 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 from the indenture and is 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.

Section 8 Housing Rate Explanation - Both funds revenues are derived from competitively awarded performance based Annual Contribution Contracts with HUD, and both programs are completely self-supporting.

There is little uncertainty in forecasting major cost drivers and for the purposes of this analysis it is assumed the Section 8 programs workload and customer level will remain constant.

The federal government has proposed reductions in the levels of funding for the Housing Choice Vouchers tenant based program. At this time the Department has appealed the proposed reductions. Should the reductions be upheld, Housing Assistance Payments for tenants must be reduced, either by reducing the benefit provided each tenant family, or by removing currently assisted families from the Housing Choice Vouchers Program. Administrative requirements and workload remain unchanged. The U.S. Department of Housing and Urban Development pays the Housing Assistance Bureau on a performance based contract, where administration is paid at the rate of $45.79 per unit under lease at the beginning of each month, and will provide $334.88 per unit to cover rent costs for participating tenants. The $334.88 figure has been appealed, due to declining income of tenant families, reductions in TANF (counted as income on this program), excessive utility rate increases, and increases in the new HUD fair marker rents, which control minimum and maximum subsidy levels for the program. This shorts rents by about $21 per month per tenant, around $920,000 per year.

The administration side of the program does not currently make enough from HUD to fully fund administrative operations, so retained earnings, and interest on them are used to make up the difference between needed revenues and administration expenses for the program. It is anticipated that the retained earnings will continue to fund the program indefinitely, unless there are more negative changes upcoming from HUD. The retained earnings are limited to use for operation of the program by federal code.

The Project Based Section 8 Contract Administration is funded through a performance based contract with HUD, based on a 5 year renewable RFP. We are entering the fifth year, and expect HUD to extend our contract in future years, as we have obtained an outstanding review scoring in most years we have administered the program. Administrative costs are paid as a fixed percent of the HUD fair market rent, currently 2%, with a provision for another 1% awarded for superior performance, or 1% removed for failure to perform. The amounts received are based in 17 different Incentive Based Performance Standards, each of which is evaluated by HUD. 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 107 individual owners of the projects, set up on a procedure dictated by HUD. Non-typical and one time only expenses, if any, are subtracted from proposed budgets. The Project Based Section 8 program is authorized 7.00 FTE and the Tenant Based Section 8 program is authorized 12.50 FTE; for a total 19.50 FTE.

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Fund	Fund Name	Agency #	Agency Name	Program Name
6030	BOH Financial Program Fund	65010	Dept. of Commerce	Housing Division - Board of Housing
6031	Housing Trust Fund			
6078	Affordable House Revolving Ln			
6079	Revolving Loan Fund - TANF			

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Administrative Fees	234,504	229,895	214,712	220,000	225,000	225,000
Investment Earnings	10,800,479	11,948,115	6,189,314	9,227,000	10,685,000	10,685,000
Securities Lending Income	1,189	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	41,583,731	40,852,635	36,419,897	37,321,725	37,739,000	39,099,000
Total Operating Revenue	52,619,903	53,030,645	42,823,923	46,768,725	48,649,000	50,009,000
Operating Expenses:						
Personal Services	689,153	765,653	828,467	929,293	918,696	919,212
Other Operating Expenses	45,706,317	44,593,030	40,256,642	43,339,144	45,916,560	47,655,353
Total Operating Expenses	46,395,470	45,358,683	41,085,109	44,268,437	46,835,256	48,574,565
Operating Income (Loss)	**6,224,433**	**7,671,962**	**1,738,814**	**2,500,288**	**1,813,744**	**1,434,435**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	12,943	-	9,800	-
Other Nonoperating Revenues (Expenses)	240,140	239,355	238,508	250,000	250,000	250,000
Net Nonoperating Revenues (Expenses)	240,140	239,355	251,451	250,000	259,800	250,000
Income (Loss) Before Operating Transfers	6,464,573	7,911,317	1,990,265	2,750,288	2,073,544	1,684,435
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	6,464,573	7,911,317	1,990,265	2,750,288	2,073,544	1,684,435
Total Net Assets- July 1 - As Restated	113,050,503	119,515,076	127,426,393	131,554,024	134,304,312	136,377,856
Prior Period Adjustments	-	-	2,137,366	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	113,050,503	119,515,076	129,563,759	131,554,024	134,304,312	136,377,856
Net Assets- June 30	**119,515,076**	**127,426,393**	**131,554,024**	**134,304,312**	**136,377,856**	**138,062,291**
60 days of expenses (Total Operating Expenses divided by 6)	7,732,578	7,559,781	6,847,518	7,378,073	7,805,876	8,095,761

Requested Rates for Enterprise Funds
Fee/Rate Information

Fee	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Reservation fees-Single Family Program	1/2 of 1 % of the loan amount reserved	Fee was terminated	No Change	No Change	No Change	No Change
Cancellation fees-Single Family Program		1/2 of 1 % of the loan amount reserved	No Change	No Change	No Change	No Change
Extension Fee	1/4 of 1% of the loan amt for 30 days	No Change	No Change	No Change	No Change	No Change
Late Fee	1/2 of 1% of the loan amt for 30 days	No Change	No Change	No Change	No Change	No Change

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

	Total Agency Impact	General Fund Total
FY06	$0	$0
FY07	$30,000	$0

PL- 7406 - HD BOH AOD Arbitrage Software -
The Board of Housing is requesting additional budget authority to purchase software that compliments the current AOD (Application Oriented Designs) system. The AOD arbitrage software would assist the board in calculating its yearly arbitrage rebate liability on outstanding bond series.

	Total Agency Impact	General Fund Total
FY06	$107,039	$0
FY07	$20,393	$0

PL- 7407 - HD Project Based Section 8 Software Upgrade -
The Project Based Section 8 Housing program (PBS8) currently uses HDS (Housing Development Services) software to track management and performance of 106 local properties containing 4,337 rental units in the state. This request will upgrade the HDS PBS8 management and control software, to allow electronic transfer of information between Commerce PBS8 staff, the HUD Tenant Reporting Accounting Characteristics System, the Real Estate Management Systems, the HUD Regional Staff, and local project owners throughout the state.

	Total Agency Impact	General Fund Total
FY06	$41,775	$0
FY07	$3,575	$0

PL- 7408 - HD Tenant Based Section 8 Software Upgrade -
This request would allow the department to upgrade HAPPY (Housing Authority Payment Plan Yearly) Tenant Based Section 8 software by adding electronic preparation of HUD required Housing Quality Standards inspections by inspectors in the field.

	Total Agency Impact	General Fund Total
FY06	$5,308,943	$0
FY07	$7,889,409	$0

PL- 7409 - HD Section 8 Housing Assistance Adjustments -
This budget includes adjustments for anticipated Section 8 housing payments in the 2007 biennium.

	Total Agency Impact	General Fund Total
FY06	$1,205,597	$0
FY07	$1,297,357	$0

PL- 7417 - HD Administrative Costs Adjustments -
The budget includes administrative adjustments in the proprietary fund to cover overtime, per diem, contracted and other services, and scheduled rent increases.

	Total Agency Impact	General Fund Total
FY06	$295,000	$0
FY07	$295,000	$0

NP- 7402 - HD BOH Modular Home Construction -
The Board of Housing requests additional enterprise fund authority to partner with the Anaconda Job Corp, and other, as yet to be determined vocational schools within Montana, to construct modular homes that will be sold and moved to various sites throughout the state. Families who purchase these homes, through the assistance of local non-profit housing providers, would select their own home sites. The board estimates building four modular homes each year at the Anaconda Job Corp campus, and another six homes at other state vocational schools, which have yet to be identified. This proposal is based on a total of ten homes.

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Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	34.00	0.00	0.00	34.00	0.00	0.00	34.00
Personal Services	2,151,620	165,705	0	2,317,325	164,335	0	2,315,955
Operating Expenses	934,670	259,359	0	1,194,029	177,968	0	1,112,638
Equipment	0	0	0	0	0	0	0
Local Assistance	0	0	0	0	0	0	0
Grants	0	0	0	0	0	0	0
Total Costs	**$3,086,290**	**$425,064**	**$0**	**$3,511,354**	**$342,303**	**$0**	**$3,428,593**
Proprietary	3,086,290	425,064	0	3,511,354	342,303	0	3,428,593
Total Funds	**$3,086,290**	**$425,064**	**$0**	**$3,511,354**	**$342,303**	**$0**	**$3,428,593**

Program Description - The Board of Investments manages the Unified Investment Program mandated by Article VIII, Section 13 of the Montana Constitution. Section 17-6-201, created the Board of Investments, and gave the board sole authority to invest state funds. The board also invests local government funds at their discretion. The Board currently manages an investment portfolio with a market value of approximately $9.4 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.

In-State Investments: Section 17-6-305, MCA, authorizes the board to invest up to 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 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. The board also lends low-interest monies funded from the trust to value-added type businesses creating jobs. Throughout FY 2004, the board purchased 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 a variety of projects. Loan terms range from one to ten 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. Accounting entity 06014, an enterprise fund, funds the Intercap or Bond Programs. Fund 06527, an internal service fund, funds the investment programs.

Board of Investment 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.

Revenue Description - Nearly all bond program revenues (fund 06014) 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 boards contract with the Montana Facility Finance Authority.

Nearly all investment program revenues (fund 06527) are generated from charges to each account that the board invests. 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.

FY 2004 base year funding, by fund type for the investment program, fund 06527 is as follows:

	FY 2004	Percentage
General Fund	55,220.04	1.866%
State Special	20,044.30	0.677%
Federal Special	2,488.61	0.084%
Proprietary	131,859.01	4.456%
Expendable Trust	62,077.13	2.098%
Non Expendable Trust	2,570,227.48	86.864%
Local Government	91,050.09	3.077%
University	22,472.59	0.759%
Debt Service	3,328.75	0.112%
Misc. Reimbursement	142.00	0.005%
Totals:	$2,958,910.00	100.000%

Customer expenditure codes are not available because many customers are outside of state government and therefore do not record their financial activity on SABHRS.

Bond program revenues (fund 06014) are primarily recorded in the following SABHRS revenue codes:

	FY 2004	Percentage
525130	7,938.53	0.353%
527054	261.26	0.012%
530008	279,872.54	12.428%
530010	78,020.91	3.465%
530014	(234,793.97)	-10.426%
530021	2,057.14	0.091%
530023	(12,920.50)	-0.574%
530025	3,582.44	0.159%
530029	(33,176.35)	-1.473%
538043	2,143,369.94	95.176%
538044	17,784.59	0.790%
Totals:	$2,251,996.53	100.000%

Investment program revenues (fund 06527) are primarily recorded in the following SABHRS revenue codes:

	FY 2004	Percentage
521055	2,958,768.00	99.995%
522017	142.00	0.005%
Totals:	$2,958,910.00	100.000%

Expense Description - 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, over $2.537 million was disbursed from fund 06014 in FY 2004 via a statutory appropriation for debt service requirements related to the state's bonding activity. FY 2004 base year expenditures, for fund 06014 are as follows:

	FY 2004	Percentage
FTE	3.00	
Personal Services	186,075.18	8.471%
Operating Expenses	158,926.90	7.235%
Debt Service	1,851,562.97	84.294%
Totals:	$2,196,565.05	100.000%

FY 2004 base year expenditures, for fund 06527 are as follows:

	FY 2004	Percentage
FTE	31.00	
Personal Services	2,024,742.00	71.112%
Operating Expenses	822,509.31	28.888%
Totals:	$2,847,251.31	100.000%

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. The Board of Investments is authorized 34.00 FTE (31.00 from fund 06527, and 3.00 from fund 06014) and personal services expenditures include board member per diem.

Working Capital Discussion- Revenues for fund 06014 are typically received on an annual basis, so a 270-day fund balance is required to provide adequate funding for the bond program between draws.

Revenues for fund 06527 are assessed on a monthly basis; since collections lag by at least one month the board must maintain a nominal working capital reserve to meet ongoing operational expenses.

Fund Equity and Reserved Fund Balance- At the proposed rates, the department projects a FYE 2007 ending unreserved fund balance of approximately $338,691.

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 and this methodology is continued in the 2007 biennium because it provides an easy comparison with historical financial activity.

Department of Commerce-6501
Board of Investments-75

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6014	Industrial Revenue Bond I-95	65010	Dept. of Commerce	Board of Investments

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Fee Revenues	12,992	20,403	7,939	13,000	13,000	13,000
Investment Earnings	575,823	339,106	82,642	575,000	468,000	457,000
Securities Lending Income	135	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	2,892,571	2,595,717	2,161,416	2,656,403	3,496,120	3,575,495
Total Operating Revenue	3,481,521	2,955,226	2,251,997	3,244,403	3,977,120	4,045,495
Operating Expenses:						
Personal Services	172,187	198,973	186,075	133,457	251,135	242,859
Other Operating Expenses	3,079,292	2,227,383	2,010,490	3,123,946	3,825,988	3,796,131
Total Operating Expenses	3,251,479	2,426,356	2,196,565	3,257,403	4,077,123	4,038,990
Operating Income (Loss)	**230,042**	**528,870**	**55,432**	**(13,000)**	**(100,003)**	**6,505**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	230,042	528,870	55,432	(13,000)	(100,003)	6,505
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	(297,266)	-	-	-	-
Change in net assets	230,042	231,604	55,432	(13,000)	(100,003)	6,505
Total Net Assets- July 1 - As Restated	4,489,997	4,743,517	4,975,121	5,030,553	5,017,553	4,917,550
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	23,478	-	-	-	-	-
Total Net Assets - July 1 - As Restated	4,513,475	4,743,517	4,975,121	5,030,553	5,017,553	4,917,550
Net Assets- June 30	**4,743,517**	**4,975,121**	**5,030,553**	**5,017,553**	**4,917,550**	**4,924,055**
60 days of expenses						
(Total Operating Expenses divided by 6)	541,913	404,393	366,094	542,901	679,521	673,165

Requested Rates for Enterprise Funds
Fee/Rate Information

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Budgeted Revenues						
Fees & Investment Revenues	$588,815	$588,000	$588,000	$588,000	$481,000	$470,000

Use this space for any specific narrative description of the enterprise rates requested. A detailed published record must be kept in the agency's files.

Department of Commerce-6501
Board of Investments-75

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6527	Investment Division	65010	Dept. of Commerce	Board of Investments

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Administrative Fees	2,901,292	2,846,424	2,958,910	2,963,000	3,203,219	3,128,734
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	2,901,292	2,846,424	2,958,910	2,963,000	3,203,219	3,128,734
Operating Expenses:						
Personal Services	1,842,922	1,909,934	2,024,742	2,134,889	2,109,190	2,016,096
Other Operating Expenses	840,639	736,510	822,509	1,263,127	1,094,029	1,112,638
Total Operating Expenses	2,683,561	2,646,444	2,847,251	3,398,016	3,203,219	3,128,734
Operating Income (Loss)	**217,731**	**199,980**	**111,659**	**(435,016)**	**-**	**-**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(355)	(4,777)	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(355)	(4,777)	-	-	-	-
Income (Loss) Before Operating Transfers	217,376	195,203	111,659	(435,016)	-	-
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	297,266	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	217,376	492,469	111,659	(435,016)	-	-
Total Net Assets- July 1 - As Restated	(66,095)	169,579	662,048	773,707	338,691	338,691
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	18,298	-	-	-	-	-
Total Net Assets - July 1 - As Restated	(47,797)	169,579	662,048	773,707	338,691	338,691
Net Assets- June 30	**169,579**	**662,048**	**773,707**	**338,691**	**338,691**	**338,691**
60 days of expenses (Total Operating Expenses divided by 6)	447,260	441,074	474,542	566,336	533,870	521,456

Requested Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
BOI Administrative Fee						
Rate	$2,901,292	$2,805,200	$2,958,910	$2,963,000	$3,203,219	$3,128,734

The revenue objective of the Board of Investments is to assess the costs of operations to each portfolio the Board invests while attempting to maintain a reasonable and prudent working capital reserve.

Department of Commerce-6501
Board of Investments-75

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

	Total Agency Impact	General Fund Total
FY06	$251,671	$0
FY07	$254,826	$0

PL- 7518 - BOI Administrative Costs Adjustments –
This request includes adjustments for board member per diem, rent, maintenance contracts, indirect costs, and services from Bloomberg Financial Network.

Department of Commerce-6501
Director/Management Services-81

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	16.50	0.00	0.00	16.50	0.00	0.00	16.50
Personal Services	815,555	153,247	0	968,802	154,512	0	970,067
Operating Expenses	199,818	(11,409)	0	188,409	(13,242)	0	186,576
Equipment	6,857	0	0	6,857	0	0	6,857
Local Assistance	0	0	0	0	0	0	0
Grants	0	0	0	0	0	0	0
Total Costs	**$1,022,230**	**$141,838**	**$0**	**$1,164,068**	**$141,270**	**$0**	**$1,163,500**
Proprietary	1,022,230	141,838	0	1,164,068	141,270	0	1,163,500
Total Funds	**$1,022,230**	**$141,838**	**$0**	**$1,164,068**	**$141,270**	**$0**	**$1,163,500**

Program Description - The Director's Office assists the department with executive, administrative, legal, and policy guidance. The office acts as the liaison among private business, local governments, administratively attached boards, public and private interest groups, the legislature, Indian tribes, individuals, and the Governor's office in the effort to improve and stabilize the economic climate in Montana.

The Management Services Division provides internal support to all agency divisions, bureaus, and programs. Services provided by the Management Services Division include accounting, budgeting, fiscal management, contracting, purchasing, information technology, human resources, payroll, benefits, and training.

The Director's Office/Management Services Division 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.

During the last legislative session, HB 734 transferred the Developmental Disabilities Planning and Advisory Council (DDPAC) from the Department of Public Health and Human Services to the Department of Commerce; with the option of becoming a non-profit entity. In January 2004, the department entered into a contract with the Montana Council on Disabilities (MCDD) as a nonprofit corporation. The MCD program is funded entirely in HB 2 with federal special revenue.

Revenues and Expenses - The Director's Office/Management Services Division is funded by revenues from charges allocated to all divisions, bureaus, and programs supported by the division's indirect cost plan. Indirect costs are allocated to supported programs based upon federally, and legislatively approved indirect cost rates applied to actual personal services expenditures.

The customer base for the Director's Office/Management Services Division includes:

Board of Research & Commercialization Technology
Business Resources Division
Montana Promotion Division
Community Development Division
Montana Facility Finance Authority
Housing Division
Board of Investments
Montana Heritage Preservation and Development Commission
Montana Council on Developmental Disabilities

Department of Commerce-6501
Director/Management Services-81

The revenue objective of the Director's Office/Management Services Division is to maintain the lowest possible indirect charge to supported divisions, bureaus, and programs, while maintaining a nominal 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.

FY 2004 base year funding, by fund type is as follows:

	FY 2004	Percentage
General Fund	124,151.08	13.018%
State Special	252,284.11	26.453%
Federal Special	123,830.24	12.984%
Proprietary	421,171.63	44.161%
Misc. Reimbursement	32,277.64	3.384%
Totals:	$953,714.70	100.000%

Customer expenditures are primarily recorded in SABHRS expenditure codes 62743, 62827, and 62888; while Director's Office/Management Services Division revenues are primarily recorded in the following SABHRS revenue codes:

	FY 2004	Percentage
520702	896,437.06	93.994%
520901	183.74	0.019%
522017	90.00	0.009%
522119	4,424.59	0.464%
525045	52,579.31	5.513%
Totals:	$953,714.70	100.000%

Expense Description- The major cost drivers within the Director's Office/Management Services Division are personal services, operating expenses and expenditures related to the periodic replacement of the agencies computer equipment. The major cost drivers for the division can best be represented in the following table:

	FY 2004	Percentage
FTE	16.50	
Personal Services	859,583.05	80.632%
Operating Expenses	206,478.60	19.368%
Totals:	$1,066,061.65	100.000%

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, and programs; and the number of agency staff served. As agency services and programs increase, or decrease; management needs to remain cognizant of divisions 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 divisions future cost projections before calculating the indirect rate. The proposed indirect cost rate will fund 16.50 FTE in the 2007 biennium; the same number as the 2005 biennium.

Working Capital - The division's indirect cost rate is calculated by dividing projected annual expenses, plus a nominal working capital reserve, by the projected actual personal services expenses of supported divisions, bureaus, and programs. Federally funded programs are allocated indirect costs via a federally approved indirect cost rate, while state funded programs are allocated indirect costs via a legislatively approved indirect cost rate.

Department of Commerce-6501
Director/Management Services-81

The division's working capital objective is to recover the costs necessary to fund the division's ongoing operations. Since indirect cost collections lag by at least one month the division needs to maintain a nominal 60-day working capital reserve to meet operating costs. For example, January's indirect costs would be billed to supported divisions, bureaus, and programs in February.

Fund Equity and Reserved Fund Balance- At the proposed rates, the department projects a FYE 2007 unreserved fund balance of $194,276, or approximately a 60-day working capital reserve.

Rate Explanation - The division negotiates an annual rate with HUD. The approved rate is a fixed rate for federally funded programs. This rate is then applied against actual personal services expenditures within the department, not including the Director's Office/ Management Services Division.

The rate negotiated with HUD requires that a carry-forward amount be built into the rate. This carry-forward amount represents the amount the division under-recovered or over-recovered in a given fiscal year. This computation compares what was originally negotiated to what actually occurred. The difference is then carried forward into the following year's rate.

The division's indirect cost rate is determined based on guidelines prescribed by the federal government. Additionally, the division complies with 17-3-111, MCA, which requires agencies to negotiate a rate that would recover indirect costs to the greatest extent possible. In order to comply with this statute, the division has requested a rate that may vary slightly from the rate actually negotiated with HUD. The rate approved by the legislature is considered a cap; therefore, the division cannot negotiate for a rate higher than what has been approved by the legislature. However, the rate negotiated with HUD may be slightly lower.

Department of Commerce-6501
Director/Management Services-81

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Fund	Fund Name	Agency #	Agency Name	Program Name
6542	Commerce Centralized Services	65010	Dept. of Commerce	Director/Management Services

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Administrative Fees	807,531	866,051	896,437	1,009,455	1,142,933	1,138,337
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	57,278	25,000	25,000	25,000
Total Operating Revenue	807,531	866,051	953,715	1,034,455	1,167,933	1,163,337
Operating Expenses:						
Personal Services	773,305	830,518	859,583	936,005	968,802	970,067
Other Operating Expenses	201,972	164,399	206,479	207,475	195,266	193,433
Total Operating Expenses	975,277	994,917	1,066,062	1,143,480	1,164,068	1,163,500
Operating Income (Loss)	**(167,746)**	**(128,866)**	**(112,347)**	**(109,025)**	**3,865**	**(163)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(3,350)	(4,768)	-	-	-	-
Federal Indirect Cost Recoveries	236,799	265,457	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	233,449	260,689	-	-	-	-
Income (Loss) Before Operating Transfers	65,703	131,823	(112,347)	(109,025)	3,865	(163)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	(18,363)	-	-	-	-	-
Change in net assets	47,340	131,823	(112,347)	(109,025)	3,865	(163)
Total Net Assets- July 1 - As Restated	215,665	280,123	412,246	299,599	190,574	194,439
Prior Period Adjustments	(48,453)	300	(300)	-	-	-
Cumulative effect of account change	65,571	-	-	-	-	-
Total Net Assets - July 1 - As Restated	232,783	280,423	411,946	299,599	190,574	194,439
Net Assets- June 30	**280,123**	**412,246**	**299,599**	**190,574**	**194,439**	**194,276**
60 days of expenses						
(Total Operating Expenses divided by 6)	162,546	165,820	177,677	190,580	194,011	193,917

Requested Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
State Programs						
Indirect Cost Rate	15.50%	15.50%	15.00%	15.00%	13.70%	13.65%
Federal Programs						
Indirect Cost Rate	15.50%	15.50%	15.00%	15.00%	13.70%	13.65%

Allocation Methodology: Indirect costs for the Director's Office/Management Services Division are allocated to supported programs via a federally approved indirect cost plan for federally funded programs, and a legislatively approved rate for state funded programs. Indirect cost rates are charged to supported programs based upon actual personal services expenditures.

Authority: Federally negotiated indirect cost plan for federally funded programs, and legislatively approved rate for state funded programs. FY 2006 and FY 2007 federal rate is an estimated negotiated rate.

Department of Commerce-6501
Director/Management Services-81

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

	Total Agency Impact	General Fund Total
FY06	($11,573)	$0
FY07	($13,412)	$0

PL- 8119 - MSD Administrative Costs Adjustments –
The request includes funds for overtime and rent and shows and overall decrease due to the removal of computer hardware purchased in FY 2004.

Department of Justice-4110
Agency Legal Services-01

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	20.00	0.00	0.00	20.00	0.00	0.00	20.00
Personal Services	900,480	202,711	0	1,103,191	200,998	0	1,101,478
Operating Expenses	224,331	(677)	0	223,654	(332)	0	223,999
Total Costs	**$1,124,811**	**$202,034**	**$0**	**$1,326,845**	**$200,666**	**$0**	**$1,325,477**
Proprietary	1,124,811	202,034	0	1,326,845	200,666	0	1,325,477
Total Funds	**$1,124,811**	**$202,034**	**$0**	**$1,326,845**	**$200,666**	**$0**	**$1,325,477**

Program Description - Agency Legal Services Bureau (ALSB) provides legal, hearing examiner, and investigative services to state agency clients on a contract basis. ALSB attorneys and investigators bill clients for their services and case-related and incidental costs. ALSB has 20.00 FTE funded from the revenues generated.

Statutory authority: The Attorney General is the legal officer for the state per Article VI, Section 4(4), Montana Constitution. Montana Code Annotated 2-4-611(2) provides that state agencies may request from the Attorney General's Office a hearing examiner in a contested case.

Alternate Sources: State agencies have the option to use in-house or private counsel and investigators to do the work provided by ALSB. Private law firms, however, typically charge considerably more per hour than ALSB, and ALSB attorneys and investigators have specific knowledge and experience that agencies find beneficial. Agencies must receive approval from the Legal Services Review Committee (made up of a representative of the Attorney General, the Budget Director, and the Governor’s Chief Legal Counsel) prior to contracting for outside legal services.

Customers Served: ALSB serves State of Montana agencies, boards, and commissions that have entered contracts with ALSB. According to Executive Order 5-93, agencies must receive approval from the Legal Services Review Committee prior to contracting for outside legal services.

Revenues and Expenses - There are no changes to services or fees for the 2007 biennium. The rate remains the same at $71.80 per hour for attorneys and $39.80 per hour for investigators.

Working Capital - The objective of program management is to recover costs only to fund necessary, ongoing operations.

Fund Equity and Reserved Fund Balance - While there is no requirement that an excess fund balance be maintained, the program management seeks to build a limited capital reserve fund. Rates are influenced by the working capital necessary to maintain current operations.

Cash Flow - Cash flow into the program fluctuates depending on the volume of work in any given month. It can vary considerably.

Rate Explanation -Sufficient personnel are necessary to meet the demands placed on ALSB. Staffing is monitored and flexibility in staffing is important to react to peaks and valleys in the workload. The rate takes into account the volume expected, as well as the known and expected expenditures.

Department of Justice-4110
Agency Legal Services-01

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6500	Agency Legal Services	4110	Department of Justice	Agency Legal Services

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Agency Fee Revenue	-	-	-	1,200,000	1,400,000	1,400,000
	-	-	-	-	-	-
Net Fee Revenue	1,254,066	1,163,306	1,145,768	1,300,000	1,400,000	1,400,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	117	87	219	-	-	-
Total Operating Revenue	1,254,183	1,163,393	1,145,987	1,300,000	1,400,000	1,400,000
Operating Expenses:						
Personal Services	971,706	986,567	906,761	1,060,189	1,103,191	1,101,478
Other Operating Expenses	258,689	256,753	243,447	291,810	258,397	256,884
Total Operating Expenses	1,230,395	1,243,320	1,150,208	1,351,999	1,361,588	1,358,362
Operating Income (Loss)	**23,788**	**(79,927)**	**(4,221)**	**(51,999)**	**38,412**	**41,638**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	(34,998)	(33,149)
Net Nonoperating Revenues (Expenses)	-	-	-	-	(34,998)	(33,149)
Income (Loss) Before Operating Transfers	23,788	(79,927)	(4,221)	(51,999)	3,414	8,489
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	9,912	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	33,700	(79,927)	(4,221)	(51,999)	3,414	8,489
Total Net Assets- July 1 - As Restated	(35,847)	(2,147)	(82,074)	(86,295)	-	-
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	(35,847)	(2,147)	(82,074)	(86,295)	-	-
Net Assets- June 30	**(2,147)**	**(82,074)**	**(86,295)**	**(138,294)**	**3,414**	**8,489**
60 days of expenses (Total Operating Expenses divided by 6)	205,066	207,220	191,701	225,333	226,931	226,394

Requested Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Fee Group A						
Attorney rate per hour	70	70	71.8	71.8	71.8	71.8
Invesitgators rate per hour	38	38	39.8	39.8	39.8	39.8

Department of Corrections-4110
Secure Custody Facilities-03

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	19.00	0.00	0.00	19.00	0.00	0.00	19.00
Personal Services	712,898	(68,996)	0	643,902	(69,035)	0	643,863
Operating Expenses	1,734,917	696	0	1,735,613	1,321	0	1,736,238
Equipment	140,457	126,000	0	266,457	136,000	0	276,457
Total Costs	**$2,588,272**	**$57,700**	**$0**	**$2,645,972**	**$68,286**	**$0**	**$2,656,558**
Proprietary	2,588,272	57,700	0	2,645,972	68,286	0	2,656,558
Total Funds	**$2,588,272**	**$57,700**	**$0**	**$2,645,972**	**$68,286**	**$0**	**$2,656,558**

Program Description - The Food Factory was established to provide cost effective nutritious meals to the Montana State Prison and other state and county agencies, using a cook-chill method of food preparation. The cook-chill method allows food to be prepared a week in advance and packaged in bulk or individual trays.

Revenues and Expenses - The Food Factory derives its revenues from the sale of bulk food and trayed meals to customers. Currently the primarily general funded customers who are serviced by the Food Factory include: Montana State Prison, Montana State Hospital, Treasure State Correctional Training Center, Riverside Youth Correctional Facility, and the WATCH DUI unit. Overall revenue levels are dependant on the average daily populations of the customer's facilities, which directly influence food requirements. Expenditures are based on operational need, cash flow, customer orders, product inventory levels and product pricing. Adequate cash reserves must be maintained to allow for the purchase of replacement equipment.

Rate Explanation -The Montana State Prison Food Factory currently has two rate structures. One rate structure is used for customers that purchase only bulk food products and another for customers that purchase a complete trayed meal. Bulk food customers are charged the actual cost of food with a 3 percent increase for spoilage. In addition, they are charged a monthly overhead charge, which is a flat fee established using historical costs. The per meal trayed customer rates include the cost of delivery. The rates for the 2007 biennium are the same as those set in the 2005 biennium, and are as follows:

Montana State Prison	$1.37
Riverside Youth Correctional Facility	$2.01
WATCh DUI Unit	$1.59

Department of Corrections-4110
Secure Custody Facilities-03

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6033	Prison Ranch	64010	Dept. of Corrections	Mont Correctional Enterprises

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Sales of Products	-	-	-	3,050,000	2,900,000	2,900,000
MFBN Cannery Service Revenues	-	-	-	130,000	130,000	130,000
Revenue from Fee C	-	-	-	-	-	-
Revenue from Fee D	-	-	-	-	-	-
Revenue from Fee E	-	-	-	-	-	-
Revenue from Fee F	-	-	-	-	-	-
Net Fee Revenue	2,694,305	2,493,245	3,570,698	3,180,000	3,030,000	3,030,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	5,950	5,492	14,200	18,400	18,400
Total Operating Revenue	2,694,305	2,499,195	3,576,190	3,194,200	3,048,400	3,048,400
Operating Expenses:						
Personal Services	1,017,836	1,212,298	1,019,440	975,000	962,973	963,512
Other Operating Expenses	1,655,157	1,831,387	1,950,324	2,043,967	1,894,968	1,893,875
Total Operating Expenses	2,672,993	3,043,685	2,969,764	3,018,967	2,857,941	2,857,387
Operating Income (Loss)	**21,312**	**(544,490)**	**606,426**	**175,233**	**190,459**	**191,013**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	7,571	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	(68,349)	318,223	378,459	-	-	-
Net Nonoperating Revenues (Expenses)	(60,778)	318,223	378,459	-	-	-
Income (Loss) Before Operating Transfers	(39,466)	(226,267)	984,885	175,233	190,459	191,013
Contributed Capital	-	141,255	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	(30,004)	-	-	-
Change in net assets	(39,466)	(85,012)	954,881	175,233	190,459	191,013
Total Net Assets- July 1 - As Restated	8,196,380	9,248,656	8,725,802	9,680,683	9,855,916	10,046,375
Prior Period Adjustments	1,070,787	(437,842)	-	-	-	-
Cumulative effect of account change	20,955	-	-	-	-	-
Total Net Assets - July 1 - As Restated	9,288,122	8,810,814	8,725,802	9,680,683	9,855,916	10,046,375
Net Assets- June 30	**9,248,656**	**8,725,802**	**9,680,683**	**9,855,916**	**10,046,375**	**10,237,388**
60 days of expenses (Total Operating Expenses divided by 6)	445,499	507,281	494,961	503,161	476,324	476,231

Requested Rates for Enterprise Funds
Fee/Rate Information

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07

Department of Corrections-4110
Secure Custody Facilities-03

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

	Total Agency Impact	General Fund Total
FY06	$32,460	$0
FY07	$32,460	$0

PL- 1 - Food Factory Inmate Pay and Overtime Authority -

The Food Factory utilizes inmate labor for cleaning, lifting, and stocking the operation. The estimated cost of this is $24,960 per year. Also, $7,500 a year is requested for supervisor overtime due to the need for them to fill in when they are unable to man positions with inmate labor. All of these expenditures would be paid out of the MSP Cook Chill proprietary account.

	Total Agency Impact	General Fund Total
FY06	$126,000	$0
FY07	$136,000	$0

PL- 2 - Food Factory Replacement Equipment -

Due to the heavy use of the equipment, the repair and maintenance and the need for replacement equipment is high. In addition, the Montana State Prison has added a reception center, which will require an additional 2,000 meals per day from the Food Factory, and there are proposals to various counties to provide them with meals. The department is requesting $126,000 in FY 2006 and $136,000 in FY 2007 which would only be spent if needed and if the MSP – Cook Chill fund had sufficient cash flow.

Department of Corrections-6401
Montana Correctional Enterprises-04

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	39.75	0.00	0.00	39.75	0.00	0.00	39.75
Personal Services	1,870,441	338,358	0	2,208,799	337,900	0	2,208,341
Operating Expenses	2,569,653	12,016	0	2,581,669	9,274	0	2,578,927
Equipment	59,039	150,000	0	209,039	150,000	0	209,039
Capital Outlay	(30,004)	50,000	0	19,996	50,000	0	19,996
Total Costs	**$4,469,129**	**$550,374**	**$0**	**$5,019,503**	**$547,174**	**$0**	**$5,016,303**
Proprietary	4,469,129	550,374	0	5,019,503	547,174	0	5,016,303
Total Funds	**$4,469,129**	**$550,374**	**$0**	**$5,019,503**	**$547,174**	**$0**	**$5,016,303**

Program Description - The Montana Correctional Enterprises (MCE) Industry program includes furniture, upholstery, print, sign, and laundry operations at the Montana State Prison facility. At the current time there are not any programs operating at the Montana Women's Prison or regional and private facilities.

The MCE Ranch and Dairy operation includes range cattle, crops, feedlot, land management, dairy milking parlor, dairy processing, heifer reproduction, lumber processing, and the Montana Food Bank Cannery, which are all located at the Montana State Prison facility.

The MCE Vocational Education program operates a motor vehicle maintenance shop and Toyota cutaway operation.

Revenues and Expenses - Montana Correctional Enterprises (MCE) Industry revenues are derived from product sales to state, county, and private customers. The expenses are determined by operational needs, cash flow, economic return, customer orders, and product inventory levels. Overall revenue levels are dependant on marketing efforts, legislative restrictions, state agency purchases, retail outlet dealer sales, expansion and adjustment of the product line, private sector complaints, and private customer contracts. In addition, revenues from the Industries Laundry are dependant on the daily populations of Montana State Hospital and Montana State Prison, as the bulk of the processed laundry is from these two facilities. Adequate cash reserves must be maintained to allow for the purchase of replacement equipment.

MCE Ranch and Dairy revenues are based on the market value of products sold. Revenues can vary depending on the current market for range cattle and raw milk. Expenditures are dependant on operational needs, cash flow, economic return, weather conditions, product market prices, and discussion with the Ranch Advisory Committee. Cash flow can fluctuate during the year depending on the season and the revenues and expenditures for that season. At a minimum, a cash balance of $750,000 must be maintained to cover unforeseen areas such as poor crop production, crop or animal disease, and severe weather conditions, to name a few. In addition an adequate cash balance must be maintained to allow for the purchase of replacement equipment at both the Ranch and Dairy.

MCE Vocational Education Motor Vehicle Maintenance (MVM) revenues are based on customer vehicle and equipment repair and maintenance needs. Toyota revenues are based on contracts with the Toyota Company for producing motor vehicle cut-aways and trainers. The main customers for the MVM operation are the MCE Ranch and the Montana State Prison. The expenditure levels are determined by revenues and the need for parts and supplies for the repairs and contract projects.

Department of Corrections-6401
Montana Correctional Enterprises-04

Rate Explanation - The MCE Industries rates for furniture, upholstery, print and sign shops are based on competitive product pricing. The MCE Industries Laundry rates have been static since a slight increase in FY 2002. That increase had been the first one since the inception of the laundry program in 1996. The current laundry rates are as follows:

Montana State Prison	$0.39 per pound
Treasure State Correctional Training Center	$0.39 per pound
Montana State Hospital	$0.38 per pound
Montana Developmental Center	$0.46 per pound
Riverside Youth Correctional Facility	$0.46 per pound

The break even cost for laundry operations is approximately $0.35 per pound without delivery costs. Any profit is maintained within the Industries fund to be used for future laundry equipment replacement, and the overall industries enterprise operation.

MCE Ranch and Dairy rates are based on the current market prices of cattle, crops and dairy products. Lumber Processing rates are based on current market value of the service performed.

Montana Food Bank Cannery is not based on a rate, but the actual cost of expenses incurred.

MCE Vocational Education Motor Vehicle Maintenance (MVM) and Toyota pricing are based on the cost of parts and an hourly labor charged. The labor charge covers the cost of the 4.00 FTE associated with the MVM and Toyota operations.

Department of Corrections-6401
Montana Correctional Enterprises-04

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6034	MSP Institutional Industries	64010	Dept. of Corrections	Mont Correctional Enterprises

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Sale of Industries Products	-	-	-	2,300,000	2,300,000	2,300,000
Revenue from Fee B	-	-	-	-	-	-
Revenue from Fee C	-	-	-	-	-	-
Revenue from Fee D	-	-	-	-	-	-
Revenue from Fee E	-	-	-	-	-	-
Revenue from Fee F	-	-	-	-	-	-
Net Fee Revenue	2,528,509	1,871,406	1,564,315	2,300,000	2,300,000	2,300,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	2,528,509	1,871,406	1,564,315	2,300,000	2,300,000	2,300,000
Operating Expenses:						
Personal Services	1,444,594	903,565	829,136	1,100,000	1,245,826	1,244,829
Other Operating Expenses	902,253	886,470	793,600	1,041,331	915,736	914,087
Total Operating Expenses	2,346,847	1,790,035	1,622,736	2,141,331	2,161,562	2,158,916
Operating Income (Loss)	**181,662**	**81,371**	**(58,421)**	**158,669**	**138,438**	**141,084**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(8,257)	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(8,257)	-	-	-	-	-
Income (Loss) Before Operating Transfers	173,405	81,371	(58,421)	158,669	138,438	141,084
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	2,345	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	175,750	81,371	(58,421)	158,669	138,438	141,084
Total Net Assets- July 1 - As Restated	1,147,026	5,425,610	2,685,223	2,627,127	2,785,796	2,924,234
Prior Period Adjustments	3,847,642	(2,821,758)	325	-	-	-
Cumulative effect of account change	255,192	-	-	-	-	-
Total Net Assets - July 1 - As Restated	5,249,860	2,603,852	2,685,548	2,627,127	2,785,796	2,924,234
Net Assets- June 30	**5,425,610**	**2,685,223**	**2,627,127**	**2,785,796**	**2,924,234**	**3,065,318**
60 days of expenses (Total Operating Expenses divided by 6)	391,141	298,339	270,456	356,889	360,260	359,819

Department of Corrections-6401
Montana Correctional Enterprises-04

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

	Total Agency Impact	General Fund Total
FY06	$150,000	$0
FY07	$150,000	$0

PL- 4 - Ranch and Industries Replacement Equipment -

Ranch and Industries have a number of pieces of equipment that is used in the daily operation of the two programs. Due to the heavy use of the equipment, replacement equipment is necessary for the continued operation of both programs. Equipment is purchased only if deemed absolutely necessary and if adequate cash flows exist in the operations.

	Total Agency Impact	General Fund Total
FY06	$465,400	$0
FY07	$465,400	$0

PL- 5 - Ranch and Industries Overtime and Inmate Payroll -

This Executive request is for the reinstatement of zero based overtime and inmate pay expenditures that the Ranch and Industries programs require in order to stay in operation. The requests are for $465,400 per year of proprietary authority to fund this request.

	Total Agency Impact	General Fund Total
FY06	$50,000	$0
FY07	$50,000	$0

PL- 6 - Ranch Dam Compliance Authority -

The MCE Ranch has been working with the Department of Natural Resources and Conservation over the past three biennia bringing five high hazard dams into compliance. Most of the work has been completed, but there is additional earth work which must be done to be in full compliance with the Federal Dam Safety Act. The Executive is requesting $50,000 a year to be funded out of the proprietary ranch account to finish these projects.

Department of Labor and Industry-6602
Work Force Services Division-01

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	1.75	0.00	0.00	1.75	0.00	0.00	1.75
Personal Services	69,145	477	0	69,622	513	0	69,658
Operating Expenses	68,143	2,556	0	70,699	2,773	0	70,916
Total Costs	**$137,288**	**$3,033**	**$0**	**$140,321**	**$3,286**	**$0**	**$140,574**
Proprietary	137,288	3,033	0	140,321	3,286	0	140,574
Total Funds	**$137,288**	**$3,033**	**$0**	**$140,321**	**$3,286**	**$0**	**$140,574**

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 used at over 200 sites throughout the state by a wide variety of users: job service offices, vocational rehabilitation offices, high schools, community colleges, universities, tribal colleges, educational and training agencies, and adult education programs.

Revenues and Expenses - Revenue comes to MCIS by billing users for the software and licensing. The working capital (60 day) for FY 2006 is $23,066.

Rate Explanation - The fees charged by MCIS are not to exceed $1,500 per site. High schools with enrollments over 200, all postsecondary schools, and all agencies and businesses are charged $1,150 per year. Smaller high schools are charged $575-977 depending on enrollment, and school districts are charged $2,000 per year. Discounted rates are available for small schools and groups.

Department of Labor and Industry-6602
Work Force Services Division-01

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6051	Montana Career Info System	66020	Dept. of Labor & Industry	Workforce Services Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Charges for Services	173,590	146,940	127,819	177,923	140,321	140,574
Net Fee Revenue	173,590	146,940	127,819	177,923	140,321	140,574
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	6	-	4	-	-	-
Total Operating Revenue	173,596	146,940	127,823	177,923	140,321	140,574
Operating Expenses:						
Personal Services	78,111	82,144	67,664	90,408	69,622	69,658
Other Operating Expenses	90,690	59,076	56,631	87,515	70,699	70,916
Total Operating Expenses	168,801	141,220	124,295	177,923	140,321	140,574
Operating Income (Loss)	**4,795**	**5,720**	**3,528**	**-**	**-**	**-**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	4,795	5,720	3,528	-	-	-
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	4,795	5,720	3,528	-	-	-
Total Net Assets- July 1 - As Restated	15,261	20,056	25,776	29,304	29,304	29,304
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	15,261	20,056	25,776	29,304	29,304	29,304
Net Assets- June 30	**20,056**	**25,776**	**29,304**	**29,304**	**29,304**	**29,304**
60 days of expenses (Total Operating Expenses divided by 6)	28,134	23,537	20,716	29,654	23,387	23,429

Requested Rates for Enterprise Funds
Fee/Rate Information

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Charges for Services						
Group I (High schools w/ over 200 students, agencies, and busi	$ 1,150	$ 1,150	$ 1,150	$ 1,150	$ 1,150	$ 1,150
Group II (High schools w/ under 200 students)	$ 977	$ 977	$ 977	$ 977	$ 977	$ 977
Group III (School districts)	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000

Department of Labor and Industry-6602
Work Force Services Division-01

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

	Total Agency Impact	General Fund Total
FY06	$3,389	$0
FY07	$3,623	$0

PL- 6 - Workforce Services Division Operating Adjustments -

The Executive recommends this decision package of more than $225,000 each year of the 2007 biennium and is a mix of state special revenue and federal special revenue. This request is for an anticipated increase in the department's Cost Allocation Plan (CAP) and the increase in rent for the Research & Analysis Bureau.

Department of Labor and Industry-6602
Unemployment Insurance Division-02

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Benefits & Claims	93,889,199	(12,000,000)	0	81,889,199	(12,000,000)	0	81,889,199
Transfers	3,647,012	0	0	3,647,012	0	0	3,647,012
Total Costs	**$97,536,211**	**($12,000,000)**	**$0**	**$85,536,211**	**($12,000,000)**	**$0**	**$85,536,211**
Proprietary	97,536,211	(12,000,000)	0	85,536,211	(12,000,000)	0	85,536,211
Total Funds	**$97,536,211**	**($12,000,000)**	**$0**	**$85,536,211**	**($12,000,000)**	**$0**	**$85,536,211**

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 for the Unemployment Insurance Program tax collections, federal reimbursement for claims on federal employees, military personnel, and 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 have taken out of the benefit check.

Rate Explanation - The Unemployment Insurance Division administers the state unemployment insurance law. The proprietary fund is a collection of contributions, based upon past claim history, from employers that are then used to pay the Unemployment Insurance benefits to claimants who have involuntarily become unemployed.

Department of Labor and Industry-6602
Unemployment Insurance Division-02

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6069	UI Tax Benefit Fund	66020	Dept. of Labor & Industry	Unemployment Insurance Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Net Fee Revenue	-	-	-	-	-	-
Investment Earnings	12,200,096	12,633,936	11,338,624	16,701,111	16,701,111	16,701,111
Securities Lending Income	-	-	-	-	-	-
Unemployment Insurane Contributions	59,597,829	66,346,545	67,256,743	62,000,000	63,735,100	63,735,100
Other Operating Revenues	30,045,098	15,875,865	16,916,759	5,100,000	5,100,000	5,100,000
Total Operating Revenue	101,843,023	94,856,346	95,512,126	83,801,111	85,536,211	85,536,211
Operating Expenses:						
Personal Services	-	-	-	-	-	-
Other Operating Expenses	-	-	-	-	-	-
Total Operating Expenses	-	-	-	-	-	-
Operating Income (Loss)	**101,843,023**	**94,856,346**	**95,512,126**	**83,801,111**	**85,536,211**	**85,536,211**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Benefits (Expenses)	(83,775,353)	(92,496,510)	(93,881,684)	(81,323,547)	(81,889,199)	(81,889,199)
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(83,775,353)	(92,496,510)	(93,881,684)	(81,323,547)	(81,889,199)	(81,889,199)
Income (Loss) Before Operating Transfers	18,067,670	2,359,836	1,630,442	2,477,564	3,647,012	3,647,012
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	(4,315,354)	(3,647,012)	(2,477,564)	(3,647,012)	(3,647,012)
Change in net assets	18,067,670	(1,955,518)	(2,016,570)	-	-	-
Total Net Assets- July 1 - As Restated	177,577,026	195,571,729	193,632,207	191,065,707	191,065,707	191,065,707
Prior Period Adjustments	(72,967)	15,996	(549,930)	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	177,504,059	195,587,725	193,082,277	191,065,707	191,065,707	191,065,707
Net Assets- June 30	**195,571,729**	**193,632,207**	**191,065,707**	**191,065,707**	**191,065,707**	**191,065,707**
60 days of expenses (Total Operating Expenses divided by 6)	13,962,559	15,416,085	15,646,947	13,553,925	13,648,200	13,648,200

Requested Rates for Enterprise Funds
Fee/Rate Information

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Unemployment Insurance Contributions/Benefits	$ 83,801,111	$ 92,496,510	$ 97,536,211	$ 85,526,211	$ 85,526,211	$ 85,526,211

The Department of Labor & Industry (DLI) collects the contributions paid by employers as set in statue, based on their industry or individual experience rate, to pay for their Unemployment Insurance. DLI expends the funds by paying Unemployment Insurance benefit claims. MCA 39-51-401

Department of Labor and Industry-6602
Unemployment Insurance Division-02

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

	Total Agency Impact	General Fund Total
FY06	($12,000,000)	$0
FY07	($12,000,000)	$0

PL- 996 - UI Benefit Reduction for TEUCA -

Unemployment benefits are being reduced by $12 million due to the completion of the Temporary Extended Unemployment Compensation Act. This act initially provided up to 13 weeks of 100 percent federally funded benefits to qualified individuals in each state. This program expired in December 2003. The funding for this is in a proprietary UI fund.

Department of Labor and Industry-6602
Commissioner's Office/CSD-03

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	48.00	0.00	0.00	48.00	0.00	0.00	48.00
Personal Services	2,075,641	194,461	0	2,270,102	196,549	0	2,272,190
Operating Expenses	560,362	262,683	0	823,045	188,530	0	748,892
Equipment	11,390	0	0	11,390	0	0	11,390
Total Costs	**$2,647,393**	**$457,144**	**$0**	**$3,104,537**	**$385,079**	**$0**	**$3,032,472**
Proprietary	2,647,393	457,144	0	3,104,537	385,079	0	3,032,472
Total Funds	**$2,647,393**	**$457,144**	**$0**	**$3,104,537**	**$385,079**	**$0**	**$3,032,472**

* Note: This table also includes funding from fund 06552-Admin Services. That fund analysis can be found in program 5 of Department of Labor and Industry in this section.

Program Description - Cost Allocation Plan - The Commissioner's Office and Centralized Services Division are funded through a cost allocation plan under which the other divisions in the department are assessed a percentage of their personal services costs to support centralized functions.

Technical Services Bureau- The bureau recovers costs for services to provide traffic control of data input, jobs for the mainframe computer system, and report output.

Hearings Bureau- The bureau is responsible for providing administrative hearings to the Business Standards Division's boards and the Building Codes Bureau.

Revenues and Expenses - There are no changes in projected services from the 2005 biennium. The goal of the program is to assess costs of centralized functions equitably to all divisions to keep fees commensurate with costs and while maintaining a 60-day working capital.

Rate Explanation - The Cost Allocation Plan (CAP) rate is determined by dividing projected non-CAP personal services expenditures by the projected costs of providing centralized services.

Technical Services Bureau- Users are directly charged for the services received and are billed quarterly. Charges are estimated during the budget submission process, and actual costs incurred are charges to the appropriate division/bureau.

Hearings Bureau- Attorneys and legal assistants charge their time based on hourly rates.

Department of Labor and Industry-6602
Commissioner's Office/CSD-03

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6546	Commissioner's Office/CSD			
6547	L/CSD - Direct Charge	66020	Dept. of Labor & Industry	Commissioner's Office/CSD
6574	BSD Hearings			

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Cost Allocation Plan (CAP)-Nonfederal	(846,344)	1,068,785	1,288,725	1,500,543	1,771,780	1,700,370
Cost Allocation Plan (CAP)-Federal	1,868,635	1,091,891	968,250	977,662	852,662	852,662
Revenue from Fee C	-	-	-	-	-	-
Revenue from Fee D	-	-	-	-	-	-
Revenue from Fee E	-	-	-	-	-	-
Revenue from Fee F	-	-	-	-	-	-
Net Fee Revenue	1,022,291	2,160,676	2,256,975	2,478,205	2,624,442	2,553,032
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	1,195,050	-	113	985	985	985
Total Operating Revenue	2,044,582	4,321,352	2,257,088	2,479,190	2,625,427	2,554,017
Operating Expenses:						
Personal Services	1,690,810	1,723,180	1,744,439	1,796,026	1,886,220	1,889,062
Other Operating Expenses	584,332	479,354	521,712	533,155	739,207	664,955
Total Operating Expenses	2,275,142	2,202,534	2,266,151	2,329,181	2,625,427	2,554,017
Operating Income (Loss)	**(230,560)**	**2,118,818**	**(9,063)**	**150,009**	**-**	**-**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(6,377)	-	(1,768)	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(6,377)	-	(1,768)	-	-	-
Income (Loss) Before Operating Transfers	(236,937)	2,118,818	(10,831)	150,009	-	-
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	(8,136)	-	-	-	-
Change in net assets	(236,937)	2,110,682	(10,831)	150,009	-	-
Total Net Assets- July 1 - As Restated	327,637	334,947	303,979	293,148	443,157	443,157
Prior Period Adjustments	60,541	19,026	-	-	-	-
Cumulative effect of account change	10,947	-	-	-	-	-
Total Net Assets - July 1 - As Restated	399,125	353,973	303,979	293,148	443,157	443,157
Net Assets- June 30	**162,188**	**2,464,655**	**293,148**	**443,157**	**443,157**	**443,157**
60 days of expenses (Total Operating Expenses divided by 6)	379,190	367,089	377,692	388,197	437,571	425,670

Requested Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Cost Allocation Plan (CAP)						
Requested Rate	6.72%	6.61%	6.50%	6.38%	8%	8%

This rate is charged to the various divisions within the Department of Labor to provide revenue to support centralized functions. The fluctuations in this rate are due to the increase/decrease in the amount of revenue required to perform centralized services for the department.

Department of Labor and Industry-6602
Commissioner's Office/CSD-03

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

	Total Agency Impact	General Fund Total
FY06	$9,840	$0
FY07	$8,462	$0

PL- 8 - Commissioner's Office/CSD - Base Adjustment -

This request, $37,860 in FY 2006 and $37,817 in FY 2007, is for an increase in indirect costs to support the Centralized Services Division. The funding sources for this request include general fund, state special and federal revenues.

Department of Labor and Industry-6602
Employment Relations Division - 04

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Benefits & Claims	172,558	0	0	172,558	0	0	172,558
Transfers	28,877	0	0	28,877	0	0	28,877
Total Costs	**$201,435**	**$0**	**$0**	**$201,435**	**$0**	**$0**	**$201,435**
Proprietary	201,435	0	0	201,435	0	0	201,435
Total Funds	**$201,435**	**$0**	**$0**	**$201,435**	**$0**	**$0**	**$201,435**

Program Description - The Subsequent Injury Fund was established in 1973 to assist disabled persons in becoming employed by offering a financial incentive to the employers who hire them. The incentive has a limit of 104 weeks of benefits paid by their Workers' Compensation carrier in the event of an on-the-job injury to the certified employee, thus minimizing workers' compensation expenses. Beginning July 1, 1999, the fund is maintained by annual assessment of all Montana Workers' Compensation insurers, including self insured employers, private insurers and the State Fund. The asset balance is maintained at approximately $1,700,000 to provide an operating balance for payment of benefits and administrative costs.

Revenues and Expenses - Beginning July 1, 1999, the fund is maintained by annual assessment on all workers' compensation policy holders which is collected by all Montana Workers' Compensation insurers. The assessment is statutorily set (Title 39-71-915 MCA) at the amount expended by the fund for the benefit payments plus the cost of administration in the previous calendar year, less other income. The assessment is allocated among Plan 1, Plan 2, and Plan 3 insurers based on their compensation and medical payments for the previous calendar year. Thus, any rate beyond one year into the future is an unknown, and based solely on the insured's current year's use.

Rate Explanation -The assessment for the Subsequent Injury Fund is allocated among insurers based on their compensation and medical payments for the previous calendar year per 39-71-915, MCA.

Department of Labor and Industry-6602
Employment Relations Division - 04

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6040	Subsequent Injury-Trust Fund	66020	Dept. of Labor & Industry	Employment Relations Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Subsequent Injury Fund Assessment	101,045	8,622	72,075	94,100	48,700	48,700
Net Fee Revenue	101,045	8,622	72,075	94,100	48,700	48,700
Investment Earnings	141,382	144,619	11,270	4,610	4,610	4,610
Securities Lending Income	17,879	10,935	4,658	4,600	4,600	4,600
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	334	400	400	400
Total Operating Revenue	260,306	164,176	88,337	103,710	58,310	58,310
Operating Expenses:						
Personal Services	-	-	-	-	-	-
Other Operating Expenses	(370,220)	521,804	176,657	250,309	172,558	172,558
Total Operating Expenses	(370,220)	521,804	176,657	250,309	172,558	172,558
Operating Income (Loss)	**630,526**	**(357,628)**	**(88,320)**	**(146,599)**	**(114,248)**	**(114,248)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	630,526	(357,628)	(88,320)	(146,599)	(114,248)	(114,248)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	(33,203)	(35,072)	(28,877)	(33,203)	(28,877)	(28,877)
Change in net assets	597,323	(392,700)	(117,197)	(179,802)	(143,125)	(143,125)
Total Net Assets- July 1 - As Restated	(614,196)	(16,873)	(409,573)	(526,770)	(706,572)	(850,097)
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	(614,196)	(16,873)	(409,573)	(526,770)	(706,572)	(850,097)
Net Assets- June 30	**(16,873)**	**(409,573)**	**(526,770)**	**(706,572)**	**(849,697)**	**(993,222)**
60 days of expenses (Total Operating Expenses divided by 6)	(61,703)	86,967	29,443	41,718	28,760	28,760

Requested Rates for Enterprise Funds
Fee/Rate Information

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Plan I- Insureds (Admin costs & benefits paid to certified claimants)	22,080	99,700	-	-	-	-
Plan II- Insureds (Admin costs & benefits paid to certified claimants)	50,465	8,682	21,996	102,008	37,700	37,700
Plan III- Old Insureds (Admin costs & benefits paid to certified claimants)	7,346	35	10,868	11,415	11,000	11,000
Plan III- New Insureds (Admin costs & benefits paid to certified claimants)	41,388	12,965	29,425	113,172	95,000	95,000

Note: Rates for FYE 04-07 occurred due to an error in FYE 03. Also, rates are recorded based on calendar year rather than State Fiscal Year.

Department of Labor and Industry-6602
Business Standards Division - 05

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	32.00	0.00	0.00	32.00	0.00	0.00	32.00
Personal Services	1,266,108	128,692	0	1,394,800	126,961	0	1,393,069
Operating Expenses	530,923	406,319	0	937,242	486,830	0	1,017,753
Total Costs	**$1,797,031**	**$535,011**	**$0**	**$2,332,042**	**$613,791**	**$0**	**$2,410,822**
Proprietary	1,797,031	535,011	0	2,332,042	613,791	0	2,410,822
Total Funds	**$1,797,031**	**$535,011**	**$0**	**$2,332,042**	**$613,791**	**$0**	**$2,410,822**

Program Description - The Business Standards Division maintains an internal service fund to provide administrative and support services to its four bureaus and 34 boards. Common costs of operation including a 60-day working capital, are assessed through recharges to the various state special revenue accounts on an equitable basis.

Revenues and Expenses - Division level operating costs are assessed to the four bureaus on an FTE basis, with assessments as follows: Building Codes Bureau – 44.8 percent, Weights and Measures Bureau – 8.2 percent, Health Care Licensing Bureau – 22.4 percent, and Business and Occupational Licensing Bureau – 24.6 percent. The division level, bureau level, and legal services operating costs assessments for HCLB & BOLB are passed through to the boards and programs located in each bureau on the basis of board/program-direct allocation of FTE. The boards listed by bureaus are as follows:

Health Care Licensing Bureau
Bd. of Chiropractors
Bd. of Dentistry
Bd. of Hearing Aid Dispensers
Bd. of Respiratory Care Practice
Bd. of Alternative Health Care
Bd. of Medical Examiners
Bd. of Funeral Services
Bd. of Nursing
Bd. of Nursing Home Admin.
Bd. of Optometry
Bd. of Pharmacy
Bd. of Veterinary Medicine
Bd. of Psychologists
Bd. of Speech Pathologists
Bd. of Social Workers & Prof Counselors
Bd. of Physical Therapists
Bd. of Occupational Therapists
Bd. of Clinical Lab. Science Practice
Licensed Addiction Counselors

Business & Occupational Licensing Bureau
Bd. of Architects
Bd. of Athletics
Bd. of Barbers/Cosmetologists
State Electrical Board
Bd. of Outfitters
Bd. of Prof. Eng. & Land Surveyors
Bd. of Public Accountants
Bd. of Realty Regulation
Board of Real Estate Appraisers
Bd. of Sanitarians
Bd. of Private Sec. Patrol Officers
Bd. of Landscape Architects
Bd. of Plumbers
Fire Prevention Installers License
Boiler, Blaster, Crane License

Rate Explanation -Recharge rates are allocated to the state special revenue accounts based upon projected expenditures. Each program is assigned a percentage rate based on assigned FTE. That percentage is then applied to determine each program's share of the necessary revenues. Legal services expenditures are part of the overall recharge amounts, but fall under Centralized Services Division’s budget rather than in the Business Standards Division.

Department of Labor and Industry-6602
Business Standards Division - 05

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6552	Admin Services	66020	Dept. of Labor & Industry	Business Standards Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Charges for Services	2,000,000	2,000,000	2,283,254	2,503,853	2,811,152	2,889,277
Net Fee Revenue	2,000,000	2,000,000	2,283,254	2,503,853	2,811,152	2,889,277
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	6	-	-	-
Total Operating Revenue	2,000,000	2,000,000	2,283,260	2,503,853	2,811,152	2,889,277
Operating Expenses:						
Personal Services	1,319,065	1,576,313	1,695,018	1,713,944	1,778,682	1,776,197
Other Operating Expenses	647,677	561,740	634,614	650,399	1,032,470	1,113,080
Total Operating Expenses	1,966,742	2,138,053	2,329,632	2,364,343	2,811,152	2,889,277
Operating Income (Loss)	**33,258**	**(138,053)**	**(46,372)**	**139,510**	**-**	**-**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	345	-	-	345	345	345
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	345	-	-	345	345	345
Income (Loss) Before Operating Transfers	33,603	(138,053)	(46,372)	139,855	345	345
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	60,000	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	33,603	(78,053)	(46,372)	139,855	345	345
Total Net Assets- July 1 - As Restated	(20,404)	48,613	(29,440)	(75,812)	64,043	64,388
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	(20,404)	48,613	(29,440)	(75,812)	64,043	64,388
Net Assets- June 30	**13,199**	**(29,440)**	**(75,812)**	**64,043**	**64,388**	**64,733**
60 days of expenses (Total Operating Expenses divided by 6)	327,790	356,342	388,272	394,057	468,525	481,546

Requested Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Recharge Rate	38%	38%	48%	48%	48%	48%
Recharge Amount	$ 2,000,000	$ 2,000,000	$ 2,500,000	$ 2,500,000	$ 3,000,000	$ 3,000,000

Reorganization occurred at the end of 2003, which offset the percentages for FY02-03.

Note: These are maximum fee/rates

The rate will support the Business Standards Division Administration, Health Care Licensing & Business, Occupational Licensing Bureaus' and the Legal Unit associated with the two Licensing Bureaus.

Department of Labor and Industry-6602
Business Standards Division - 05

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

	Total Agency Impact	General Fund Total
FY06	$406,148	$0
FY07	$486,753	$0

PL- 22 - Business Services Division Proprietary Base Adj. -

This request is to increase the proprietary base for Business Services Division Administration, Business & Occupational Licensing Bureau (BOLB), Health Care Licensing Bureau (HCLB) and Legal to accurately reflect the FY 2006 & FY 2007 cost of personal services and operating expenses and to establish a 60-day working capital. The Executive recommends $406,148 in fiscal 2006 and $486,753 in fiscal 2007 in proprietary funding.

Office Of Public Instruction-3501
State Level Activities-06

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	23.40	0.00	0.00	23.40	0.00	0.00	23.40
Personal Services	1,048,467	1,301	0	1,049,768	(503)	0	1,047,964
Operating Expenses	687,781	(22,451)	0	665,330	(97,602)	0	590,179
Total Costs	**$1,736,248**	**($21,150)**	**$0**	**$1,715,098**	**($98,105)**	**$0**	**$1,638,143**
Proprietary	1,736,248	(21,150)	0	1,715,098	(98,105)	0	1,638,143
Total Funds	**$1,736,248**	**($21,150)**	**$0**	**$1,715,098**	**($98,105)**	**$0**	**$1,638,143**

Program Description - OPI Indirect Cost Pool - OPI's internal service fund (fund 06512) is used to pool internal and statewide central service type costs that are charged back to all of OPI's state and federally funded programs using a pre-approved indirect cost rate.

The Advanced Driver Education program - This 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. The one-day and half-day refresher courses provide training to school bus drivers, driver education teachers, MDT employees, ambulance drivers, and others who drive as a part of their employment. The program offers its services to employees of government services and to the general public.

Indirect Cost Pool

Revenue Description - 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 an approved indirect cost rate to the prior month's direct personal services and operating expenditures in both state and federally funded programs. Last fiscal year OPI federal programs contributed $910,384 (SABHRS revenue account 593400) towards the cost of "indirects"; general and other state-funded programs contributed $633,534 (SABHRS revenue account 520260). State and federal program payments to the indirect cost pool are recorded using SABHRS account 62827.

Expense Description- 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 that are fixed costs, payroll, personnel, accounting, budgeting, data management, cash management, financial reporting, purchasing, word processing, mail delivery and resource center services to all OPI programs, operating costs associated with 22.15 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, and general-use items such as paper, FAX lines and shared equipment, including maintenance contracts on that equipment.

Working Capital - Working capital is not considered in the rate determination. Sufficient working capital is needed for cash flow during the first 30 - 45 days of the fiscal year.

Fund Equity and Reserved Fund Balance- 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.

Office Of Public Instruction-3501
State Level Activities-06

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6512	Indirect Cost Pool	3501	Office of Public Instruction	State Level Activities

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Nonfederal indirect cost recoveries	649,954	635,511	633,535	635,000	750,500	788,550
Federal Indirect Cost Recoveries	819,356	846,091	910,384	975,000	1,079,982	1,134,744
Other Operating Revenues	2,087	2,270	2,171	2,000	-	-
Total Operating Revenue	1,471,397	1,483,872	1,546,090	1,612,000	1,830,482	1,923,294
Operating Expenses:						
Personal Services	1,747,075	998,570	968,660	1,074,037	1,115,466	1,155,163
Other Operating Expenses	668,954	645,894	605,007	600,000	622,886	547,239
Total Operating Expenses	2,416,029	1,644,464	1,573,667	1,674,037	1,738,352	1,702,402
Operating Income (Loss)	**(944,632)**	**(160,592)**	**(27,577)**	**(62,037)**	**92,130**	**220,892**
Total Net Assets- July 1 - As Restated	277,884	138,295	(16,660)	(44,237)	(106,274)	(14,144)
Prior Period Adjustments	805,043	5,637	-	-	-	-
Total Net Assets - July 1 - As Restated	1,082,927	143,932	(16,660)	(44,237)	(106,274)	(14,144)
Net Assets- June 30	**138,295**	**(16,660)**	**(44,237)**	**(106,274)**	**(14,144)**	**206,748**
60 days of expenses (Total Operating Expenses divided by 6)	402,672	274,077	262,278	279,006	289,725	283,734

Requested Rates for Internal Service Funds
Fee/Rate Information for Legislative Action

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Unrestricted Rate	20.0%	20.0%	20.0%	21.4%	21.4%	21.4%
Restricted Rate	17.0%	17.0%	17.0%	17.3%	17.3%	17.3%

OPI's indirect cost rate is negotiated with the U.S. Department of Education every three-years in accordance with federal regulations published in OMB Circular A-87, U.S. Department of Education General Administrative Requirements, and section 17-3-111, MCA. The restricted rate

Advanced Driver Education Program

Revenue Description- Revenues are generated from workshop fees collected from participants in the program and from other track users for the use of the facility. Typically the program services 450-550 participants a season. The current fee is $225 for full-day per person and $135 for a half-day. There will be anticipated growth in services to participants of 10 percent. This increase is due to an agreement with MDT to conduct a teen research project. It is also expected to see modest growth in other users of the track who pay for its use.

Expense Description- Cost drivers for fees include instructor expenses (includes salaries, travel and per diem); vehicle maintenance and operating expenses; classroom and track supplies; track lease; program advertising; administration (planning, scheduling, registrations, advertising, professional development of staff, support services, etc.). Unexpected increases in fuel costs this last year consumed the revenue projected to support periodic capital and maintenance costs. It is anticipated that an increase in fees is needed to keep abreast of inflation.

Working Capital - This program is a summer seasonal program that operates 45 - 55 days during June, July and August. The program typically employs four grade 16 instructors for each workshop (10 - 11 hours per day each). A director and a program specialist 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 percent of its annual budget to be carried over into the next fiscal year to cover working expenses paid out July - March.

Office Of Public Instruction-3501
State Level Activities-06

Fund Equity and Reserved Fund Balance - 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 revenues from year to year an amount of approximately 10 - 20 percent of its annual budget.

Rate Explanation - OPI negotiates a three year "predetermined rate" with the U.S. Department of Education every year. The rate is calculated in accordance with federal regulations and section 17-3-111(1), MCA. The rate approved for FY 2005 through FY 2007 is 17.3 percent.

Advance Driver Education- 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. Facility use rates are fixed rates that reflect a share of facility costs to lease and maintain track and buildings.

Office Of Public Instruction-3501
State Level Activities-06

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6067	Advanced Drivers Ed	3501	Office of Public Instruction	State Level Activities

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Revenue from Fee A	-	-	-	-	-	-
Full Day Workshop		95,928	84,153	100,000	92,000	94,000
Half Day Refresher Workshop		4,000	3,715	6,000	3,000	3,000
Revenue from Fee B	-	1,000	1,050	10,000	1,500	1,500
Revenue from Fee C	-	-	-	15,000	1,500	1,500
Net Fee Revenue	101,415	100,928	88,918	131,000	98,000	100,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	2,685	-	-	-
Total Operating Revenue	101,415	100,928	91,603	131,000	98,000	100,000
Operating Expenses:						
Personal Services	48,062	52,213	50,274	57,712	54,302	54,207
Other Operating Expenses	45,032	40,668	39,864	79,926	42,444	42,940
Total Operating Expenses	93,094	92,881	90,138	137,638	96,746	97,147
Operating Income (Loss)	**8,321**	**8,047**	**1,465**	**(6,638)**	**1,254**	**2,853**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	8,321	8,047	1,465	(6,638)	1,254	2,853
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	24,460	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	32,781	8,047	1,465	(6,638)	1,254	2,853
Total Net Assets- July 1 - As Restated	-	27,984	36,031	38,476	31,838	33,092
Prior Period Adjustments	(4,797)					
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	(4,797)	27,984	36,031	38,476	31,838	33,092
Net Assets- June 30	**27,984**	**36,031**	**37,496**	**31,838**	**33,092**	**35,945**
60 days of expenses						
(Total Operating Expenses divided by 6)	15,516	15,480	15,023	22,940	16,124	16,191

Requested Rates for Enterprise Funds
Fee/Rate Information

	Actual FYE 02	Actual FYE 03	Actual FYE 04	Budgeted FY 05	Budgeted FY 06	Budgeted FY 07
Fee Group A						
Rate 1 (per unit) Full-Day Workshop	200	200	225	225-275	225-275	225-275
Rate 2 (per unit) Half-Day Workshop	125	125	135	135-175	135-175	135-175
Rate 3 (per unit)						
Fee Group B						

Office Of Public Instruction-3501
State Level Activities-06

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

	Total Agency Impact	General Fund Total
FY06	$1,097	$0
FY07	$1,564	$0

PL- 29 - Indirect Cost of Base Adjustments -

The executive recommends additional appropriation authority for the indirect cost portion of the general fund, state special revenue fund, and federal fund base adjustments. In addition to providing central services within the agency, these adjustments fund increases in statewide cost assessments for the Legislative audit, SABHRS costs, a portion of the increases in rent, and others.

Commissioner of Higher Education-5102
MUS Group Insurance Program-05

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	3.65	0.00	0.00	3.65	0.00	0.00	3.65
Personal Services	154,680	21,138	0	175,818	20,761	0	175,441
Operating Expenses	3,019,892	30,348	0	3,050,240	32,082	0	3,051,974
Benefits & Claims	39,669,323	14,860,841	0	54,530,164	22,679,714	0	62,349,037
Total Costs	**$42,843,895**	**$14,912,327**	**$0**	**$57,756,222**	**$22,732,557**	**$0**	**$65,576,452**
Proprietary	42,843,895	14,912,327	0	57,756,222	22,732,557	0	65,576,452
Total Funds	**$42,843,895**	**$14,912,327**	**$0**	**$57,756,222**	**$22,732,557**	**$0**	**$65,576,452**

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.

Commissioner of Higher Education-5102
MUS Group Insurance Program-05

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
6008	MUS Group Insurance Program	5102	Commissioner of Higher Ed	MUS Group Insurance
6009	MUS Flexible Spending Account	5102	Commissioner of Higher Ed	MUS Group Insurance

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Revenue from Fee A	-	-	-	-	-	-
Revenue from Fee B	-	-	-	-	-	-
Revenue from Fee C	-	-	-	-	-	-
Revenue from Fee D	-	-	-	-	-	-
Revenue from Fee E	-	-	-	-	-	-
Revenue from Fee F	-	-	-	-	-	-
Net Fee Revenue	-	-	-	-	-	-
Investment Earnings	234,544	144,236	136,845	150,000	-	-
Securities Lending Income	4,227	-	-	-	-	-
Premiums	36,343,887	41,585,196	45,456,807	50,890,422	57,756,220	65,576,451
Other Operating Revenues	235,944	214,036	406,424	-	-	-
Total Operating Revenue	36,818,602	41,943,468	46,000,076	51,040,422	57,756,220	65,576,451
Operating Expenses:						
Personal Services	149,992	163,385	156,542	156,190	175,818	175,441
Other Operating Expenses	37,168,881	38,812,936	42,707,676	50,884,232	57,580,402	65,401,010
Total Operating Expenses	37,318,873	38,976,321	42,864,218	51,040,422	57,756,220	65,576,451
Operating Income (Loss)	**(500,271)**	**2,967,147**	**3,135,858**	**-**	**-**	**-**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(500,271)	2,967,147	3,135,858	-	-	-
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(500,271)	2,967,147	3,135,858	-	-	-
Total Net Assets- July 1 - As Restated	5,630,678	5,130,407	8,097,554	11,233,412	11,233,412	11,233,412
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	5,630,678	5,130,407	8,097,554	11,233,412	11,233,412	11,233,412
Net Assets- June 30	**5,130,407**	**8,097,554**	**11,233,412**	**11,233,412**	**11,233,412**	**11,233,412**
60 days of expenses (Total Operating Expenses divided by 6)	6,219,812	6,496,054	7,144,036	8,506,737	9,626,037	10,929,409

Commissioner of Higher Education-5102
MUS Group Insurance Program-05

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

	Total Agency Impact	General Fund Total
FY06	$14,860,841	$0
FY07	$22,679,714	$0

PL- 75 - Inflationary Adjustments -

This request increases the budget for the Group Insurance Program to reflect the anticipated inflation in FY 2006 and FY 2007.

Commissioner of Higher Education-5102
MUS Self Funded Workers Comp-07

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	0	178,000	0	178,000	453,000	0	453,000
Benefits & Claims	0	2,534,000	0	2,534,000	2,584,000	0	2,584,000
Debt Service	0	445,000	0	445,000	444,000	0	444,000
Total Costs	**$0**	**$3,157,000**	**$0**	**$3,157,000**	**$3,481,000**	**$0**	**$3,481,000**
Proprietary	0	3,157,000	0	3,157,000	3,481,000	0	3,481,000
Total Funds	**$0**	**$3,157,000**	**$0**	**$3,157,000**	**$3,481,000**	**$0**	**$3,481,000**

Program Description - The Montana Board of Regents created the Montana University System Self-Funded Workers' Compensation Program 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. Premiums are estimated to increase 33 percent from fiscal 2004 to fiscal 2006 and 9 percent between fiscal 2006 and fiscal 2007.

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. Rates in the early years of the Self-funded program are based on historical data (5 years) of MUS claims experience and reserving practices of the State Fund which insured the MUS during that period.

Commissioner of Higher Education-5102
MUS Self Funded Workers Comp-07

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name
06082	MUS Self Funded Wks Comp	51020	CHE	MUS Self Funded Wks Comp

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Revenue from Premiums	-	-	2,424,455	2,920,000	3,230,000	3,540,000
Net Fee Revenue	-	-	2,424,455	2,920,000	3,230,000	3,540,000
Investment Earnings	-	-	31,953	35,000	90,000	111,000
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	-	-	2,456,408	2,955,000	3,320,000	3,651,000
Operating Expenses:						
Personal Services	-	-	-	-	-	-
Other Operating Expenses			315,132	1,466,660	431,500	437,500
Claims			2,174,000	1,047,000	2,534,000	2,584,000
Debt Service	-	-	54,186	441,340	445,280	443,800
Total Operating Expenses	-	-	2,543,318	2,955,000	3,410,780	3,465,300
Operating Income (Loss)	**-**	**-**	**(86,910)**	**-**	**(90,780)**	**185,700**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	-	-	(86,910)	-	(90,780)	185,700
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	-	-	(86,910)	-	(90,780)	185,700
Total Net Assets- July 1 - As Restated	-	-	-	-	-	-
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	-	-	-	-
Net Assets- June 30	**-**	**-**	**(86,910)**	**-**	**(90,780)**	**185,700**
60 days of expenses						
(Total Operating Expenses divided by 6)	-	-	423,886	492,500	568,463	577,550

Commissioner of Higher Education-5102
MUS Self Funded Workers Comp-07

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

	Total Agency Impact	General Fund Total
FY06	$3,157,000	$0
FY07	$3,481,000	$0

PL- 26 - Add MUS Workers Comp Program to MBARS -

Accounts for the financial activity of the MUS Self Funded Worker's Comp Progam on SABHRS. The new program had initially been recorded on UM Missoula records, but is more appropriately accounted for under CHE.