



GOVERNOR  
STEVE BULLOCK

STATE OF MONTANA

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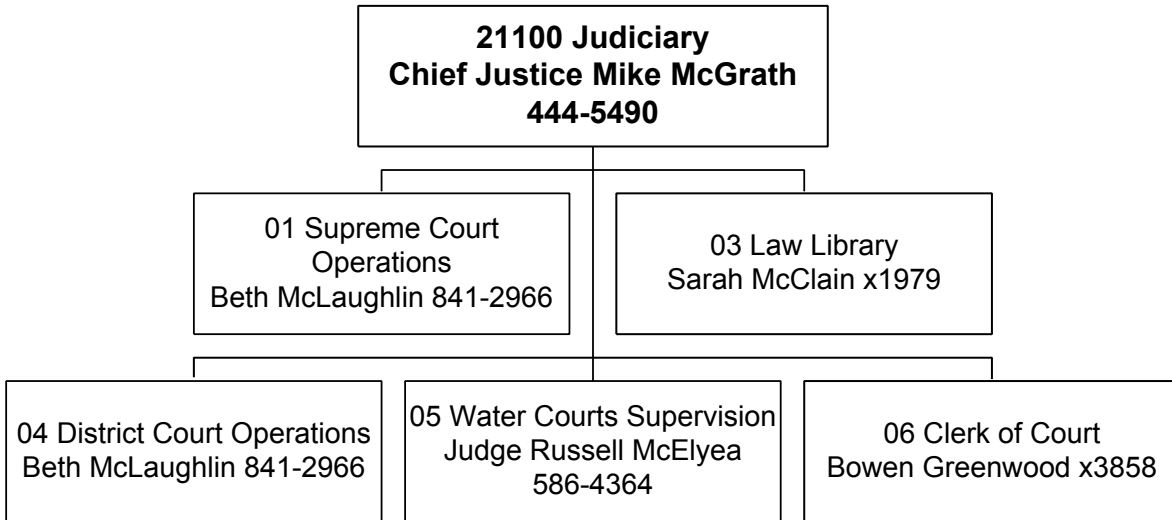
## SECTION P: PROPRIETARY FUNDS

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GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Judicial Branch - 21100



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

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

Agency Proposed Budget	Total Exec. Budget Fiscal 2022	Total Exec. Budget Fiscal 2023	Total Exec. Budget 2023 Biennium
Budget Item			
Operating Expenses	254,897	270,414	525,311
<b>Total Costs</b>	<b>\$254,897</b>	<b>\$270,414</b>	<b>\$525,311</b>
Proprietary Funds	254,897	270,414	525,311
<b>Total Funds</b>	<b>\$254,897</b>	<b>\$270,414</b>	<b>\$525,311</b>

## Judicial Branch - 21100

### Law Library - 03

**03 Law Library  
Sarah McClain x1979**

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2021	Adjustments Fiscal 2022	Exec. Budget Fiscal 2022	Adjustments Fiscal 2023	Exec. Budget Fiscal 2023	Budget Request 2023 Biennium
Operating Expenses	183,441	71,456	254,897	86,973	270,414	525,311
<b>Total Costs</b>	<b>\$183,441</b>	<b>\$71,456</b>	<b>\$254,897</b>	<b>\$86,973</b>	<b>\$270,414</b>	<b>\$525,311</b>
Proprietary Funds	183,441	71,341	254,897	86,858	270,414	525,311
<b>Total Funds</b>	<b>\$183,441</b>	<b>\$71,341</b>	<b>\$254,897</b>	<b>\$86,858</b>	<b>\$270,414</b>	<b>\$525,311</b>

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

*Program Description*

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

*Revenues and Expenses*

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

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

*Rate(s) and Rate Explanation*

The Law Library staff performs on-line searches/research for public and private entities. The law library is billed by the on-line provider for the air time and the Law Library, in turn, bills the entity requesting the search/research, collects the money and pays the provider. No changes in the rates charged were made. This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for this program.

*Projected Fund Balance, Including Cash Fluctuations*

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

*Working Capital Analysis*

Working Capital Analysis does not apply to enterprise funds

# Judicial Branch - 21100

## Law Library - 03

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 21100	Agency Name: Judicial Branch		Program Name: Law Library			
	<b>Fund</b>	<b>Fund Name</b>				
	06019	Lexis Proprietary Account				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY18	FY19	FY20	FY21	FY22	FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	218,926	231,187	247,465	254,782	262,426	270,299
<b>Total Operating Revenues</b>	<b>218,926</b>	<b>231,187</b>	<b>247,465</b>	<b>254,782</b>	<b>262,426</b>	<b>270,299</b>
<b>Expenses:</b>						
Expense B						
<b>Total Operating Expenses</b>	<b>213,938</b>	<b>220,025</b>	<b>246,767</b>	<b>254,071</b>	<b>261,693</b>	<b>269,544</b>
<b>Operating Income (Loss)</b>	<b>4,988</b>	<b>11,162</b>	<b>698</b>	<b>711</b>	<b>733</b>	<b>755</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
Other Expense A	989	1,276	1,172	1,224	1,224	1,224
<b>Total Nonoperating Revenues (Expenses)</b>	<b>989</b>	<b>1,276</b>	<b>1,172</b>	<b>1,224</b>	<b>1,224</b>	<b>1,224</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>5,977</b>	<b>12,438</b>	<b>1,870</b>	<b>1,935</b>	<b>1,957</b>	<b>1,979</b>
<b>Change in Net Position</b>	<b>5,977</b>	<b>12,438</b>	<b>1,870</b>	<b>1,935</b>	<b>1,957</b>	<b>1,979</b>
<b>Beginning Net Position - July 1</b>	<b>28,334</b>	<b>34,311</b>	<b>46,749</b>	<b>48,619</b>	<b>50,554</b>	<b>52,511</b>
Change in Net Position	5,977	12,438	1,870	1,935	1,957	1,979
<b>Ending Net Position - June 30</b>	<b>34,311</b>	<b>46,749</b>	<b>48,619</b>	<b>50,554</b>	<b>52,511</b>	<b>54,490</b>
<b>Net Position (Fund Balance) Analysis</b>						

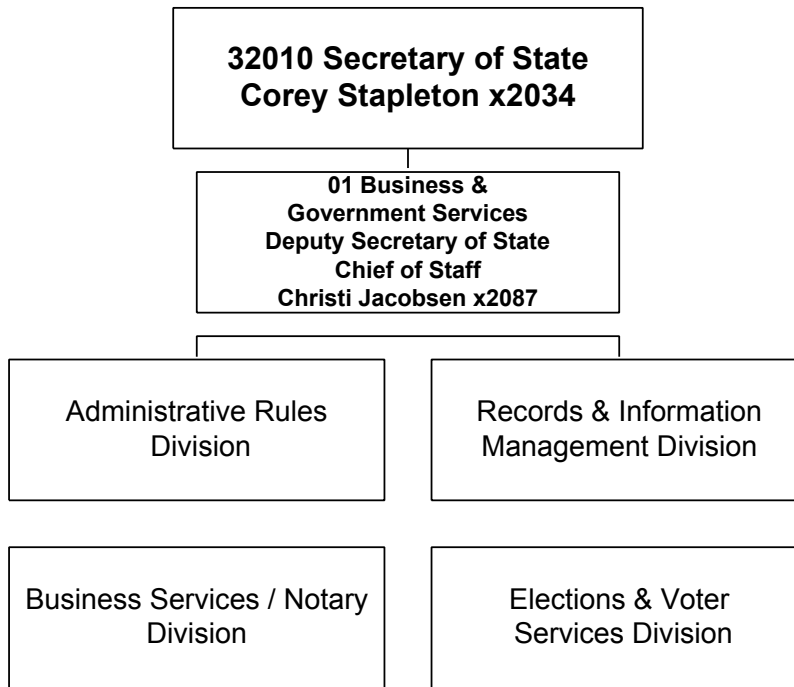
-----**Present Law Adjustments**-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$71,341
FY 2023	\$0	\$86,858

**PL - 10 - Increase Proprietary Fund Authority -**

This request is for an additional \$158,199 of authority in the Lexis Proprietary Account for the biennium. The Law Library contracts with an on-line provider for access to a legal database and in turn bills public and private entities for their usage. This request will ensure authority is sufficient to meet the needs of the projected contract costs.

# Secretary of State - 32010



**Mission Statement** - The mission of the Office of the Secretary of State is to help commerce thrive, promote democracy, and to record history for future generations.

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

# Secretary of State - 32010

## Business & Government Services - 01

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2021	Adjustments Fiscal 2022	Exec. Budget Fiscal 2022	Adjustments Fiscal 2023	Exec. Budget Fiscal 2023	Budget Request 2023 Biennium
FTE	54.50	0.00	54.50	0.00	54.50	
Personal Services	4,589,224	79,134	4,668,358	89,314	4,678,538	9,346,896
Operating Expenses	1,912,449	43,475	1,955,924	(7,867)	1,904,582	3,860,506
Debt Service	2,000	0	2,000	0	2,000	4,000
<b>Total Costs</b>	<b>\$6,503,673</b>	<b>\$122,609</b>	<b>\$6,626,282</b>	<b>\$81,447</b>	<b>\$6,585,120</b>	<b>\$13,211,402</b>
Proprietary Funds	6,503,673	122,609	6,626,282	(10,135)	6,585,120	13,211,402
<b>Total Funds</b>	<b>\$6,503,673</b>	<b>\$122,609</b>	<b>\$6,626,282</b>	<b>(\$10,135)</b>	<b>\$6,585,120</b>	<b>\$13,211,402</b>

### Proprietary Program Description - Fund 06053 Office of the Secretary of State

*Program Description:*

The Office of the Secretary of State’s Business and Government Services program provides the following services: elections administration, registration and document filing of Montana businesses, publication of administrative rules, management and safeguarding of public records, and operational support for the office.

*Revenues and Expenses:*

The Office of the Secretary of State administers one proprietary fund. Revenue is received from fees charged to the following:

- Businesses and corporations for corporate filings and registration of assumed business names and trademarks;
- State agencies and users of the Administrative Rules of Montana (ARM) for publishing and distributing the ARM and the Montana Administrative Register;
- Candidates who file for elections; and
- Montana citizens who apply to be notaries.

The Office of the Secretary of State is funded entirely by proprietary funds and does not receive any direct appropriations provided in HB 2.

#### MAJOR COST DRIVERS

Expenditures incurred by the office are driven by:

- o Fixed costs incurred by the office
- o Number of businesses within Montana that use business services
- o Elections and additional costs incurred if a recount is required
- o Volume of legislative bills
- o Number of notaries and complaints against notaries

*Rate(s) and Rate Explanation:*

The program is funded with an enterprise proprietary fund. As such, the legislature does not approve rates or appropriate funds for the proprietary portion of the Secretary of State. Rates for the office are established in administrative rule.

There are no proposed changes in rates.

## **Secretary of State - 32010**

### **Business & Government Services - 01**

*Projected Fund Balance, Including Cash Fluctuations:*

Administration of this program requires a minimum of a six-month working capital balance, due to the timing of program collections. The program collects the largest amount of revenues on annual report filings during the annual report season.

The Office of the Secretary of State has entered into a \$5.28 million 10-year obligation related to the implementation of a modern information technology system platform to replace the current business corporations, trademarks, bonds, Uniform Commercial Code financing statements, notaries, and apostilles systems. The 10-year contract includes the implementation of all phases and a software maintenance and support agreement. The contract will expire in 2028.

Management's objective is to maintain fund balances sufficient to cover costs incurred. This objective is being achieved through the execution of the office's strategic plan. The Office of the Secretary of State's strategic plan encompasses creating employee engagement, impacting through outreach, informing and educating, ensuring continuous improvement, and building meaningful influence.

# Secretary of State - 32010

## Business & Government Services - 01

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 32010	Agency Name: Secretary of State			Program Name: Business & Government Services		
	<b>Fund</b>	<b>Fund Name</b>				
	06053	Sec of St Business Services				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	6,651,318	7,001,795	6,901,036	7,021,442	7,684,576	7,914,874
Fee Revenue B	64,639	69,850	70,605	109,756	65,000	65,000
Fee Revenue C	-	-	-	100,000	-	-
Other Operating Revenue	31,028	77,264	58,631	85,000	60,000	60,000
<b>Total Operating Revenues</b>	<b>6,746,985</b>	<b>7,148,909</b>	<b>7,030,272</b>	<b>7,316,198</b>	<b>7,809,576</b>	<b>8,039,874</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	3,248,595	3,024,211	3,068,513	4,589,224	4,668,358	4,678,538
Expense B	1,855,236	2,432,996	2,789,981	1,912,449	1,965,994	1,914,652
Loans and Lease Payments	300,000	6,579	-	-	-	-
<b>Total Operating Expenses</b>	<b>5,403,831</b>	<b>5,463,786</b>	<b>5,858,659</b>	<b>6,503,673</b>	<b>6,636,352</b>	<b>6,595,190</b>
<b>Operating Income (Loss)</b>	<b>1,343,154</b>	<b>1,685,123</b>	<b>1,171,613</b>	<b>812,525</b>	<b>1,173,224</b>	<b>1,444,684</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>1,343,154</b>	<b>1,685,123</b>	<b>1,171,613</b>	<b>812,525</b>	<b>1,173,224</b>	<b>1,444,684</b>
Transfers In						
Transfers Out	8,098	-	364,432	-	-	-
<b>Change in Net Position</b>	<b>(410,427)</b>	<b>(7,082)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Beginning Net Position - July 1</b>	<b>940,825</b>	<b>1,678,041</b>	<b>1,536,045</b>	<b>812,525</b>	<b>1,173,224</b>	<b>1,444,684</b>
Prior Period Adjustments	3,719,475	4,660,300	6,336,342	7,872,387	8,684,912	9,858,136
Change in Net Position	-	(1,999)	-	-	-	-
<b>Ending Net Position - June 30</b>	<b>940,825</b>	<b>1,678,041</b>	<b>1,536,045</b>	<b>812,525</b>	<b>1,173,224</b>	<b>1,444,684</b>
<b>Ending Net Position - June 30</b>	<b>4,660,300</b>	<b>6,336,342</b>	<b>7,872,387</b>	<b>8,684,912</b>	<b>9,858,136</b>	<b>11,302,820</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$79,134
FY 2023	\$0	\$89,314

**SWPL - 1 - Personal Services -**

The budget includes an increase of \$79,134 in FY 2022 and an increase of \$89,314 in FY 2023 to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.



# Secretary of State - 32010

## Business & Government Services - 01

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$53,545
FY 2023	\$0	\$2,203

### SWPL - 2 - Fixed Costs -

The request includes an increase of \$53,545 in FY 2022 and an increase of \$2,203 in FY 2023 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

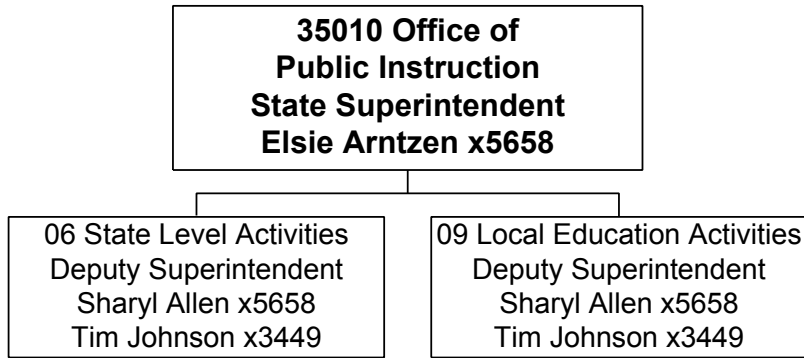
### -----Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$10,070)
FY 2023	\$0	(\$10,070)

### PL - 4 - ServiceNow -

OBPP has approved the purchase of ServiceNow licenses and programs for the 2023 biennium. Due to the projected operating efficiencies and other savings achieved using ServiceNow, the operating budget has been reduced.

## Office of Public Instruction - 35010



**Mission Statement** - The Office of Public Instruction serves Montana’s students, parents, schools, and communities as we prepare each generation for success in careers and college.

**Statutory Authority** - Title 20, MCA.

Agency Proposed Budget	Total Exec. Budget Fiscal 2022	Total Exec. Budget Fiscal 2023	Total Exec. Budget 2023 Biennium
Budget Item			
FTE	27.53	27.53	
Personal Services	2,163,085	2,169,845	4,332,930
Operating Expenses	1,328,584	1,218,646	2,547,230
Equipment & Intangible Assets	11,988	11,988	23,976
<b>Total Costs</b>	<b>\$3,503,657</b>	<b>\$3,400,479</b>	<b>\$6,904,136</b>
Proprietary Funds	3,503,657	3,400,479	6,904,136
<b>Total Funds</b>	<b>\$3,503,657</b>	<b>\$3,400,479</b>	<b>\$6,904,136</b>

# Office of Public Instruction - 35010

## State Level Activities - 06

**06 State Level Activities  
Deputy Superintendent  
Sharyl Allen x5658  
Tim Johnson x3449**

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2021	Adjustments Fiscal 2022	Exec. Budget Fiscal 2022	Adjustments Fiscal 2023	Exec. Budget Fiscal 2023	Budget Request 2023 Biennium
FTE	27.53	0.00	27.53	0.00	27.53	
Personal Services	2,084,139	78,946	2,163,085	85,706	2,169,845	4,332,930
Operating Expenses	865,969	462,615	1,328,584	352,677	1,218,646	2,547,230
Equipment & Intangible Assets	11,988	0	11,988	0	11,988	23,976
<b>Total Costs</b>	<b>\$2,962,096</b>	<b>\$541,561</b>	<b>\$3,503,657</b>	<b>\$438,383</b>	<b>\$3,400,479</b>	<b>\$6,904,136</b>
Proprietary Funds	2,962,096	541,561	3,503,657	438,383	3,400,479	6,904,136
<b>Total Funds</b>	<b>\$2,962,096</b>	<b>\$541,561</b>	<b>\$3,503,657</b>	<b>\$438,383</b>	<b>\$3,400,479</b>	<b>\$6,904,136</b>

**Proprietary Program Description -  
Fund 06067 Advanced Drivers (Montana DRIVE) Program in Lewistown**

*Program Description*

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

*Revenues and Expenses*

Revenues are generated from workshop fees collected from program users. Typically, the program serves 450-500 participants a season. The current fee is \$315 per person for a full-day workshop. Program fees should remain within a range of \$315 - \$350 for the biennium. This should cover any unusual maintenance costs that are incurred during a season. It is anticipated that services will remain approximately the same as present for the 2023 biennium.

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

*Rates and Rate Explanation*

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

*Fund Balance, Including Cash Fluctuations*

In addition to operating expenses during non-revenue months, the program also incurs periodic (every 2 - 5 years) expenditures for replacement of vehicles and facility maintenance/improvement. Payment of these services requires

# Office of Public Instruction - 35010

## State Level Activities - 06

accumulation and carryover of revenue from year to year in an amount of approximately 10% - 20% of its annual budget.

### *Working Capital Analysis*

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

### **Fund 06512 Indirect Cost Pool**

#### *Program Description*

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

#### *Revenues and Expenses*

Indirect cost pool revenues are a function of the amount of expenditures recorded in the State Level Activities Program. Revenues are generated monthly by applying the approved indirect cost rate to the prior month's direct personal services and operating expenditures in both state and federally funded programs. In FY 2020, OPI federal programs contributed \$1,990,892 toward the cost of "indirects"; general and other state-funded programs contributed \$1,153,526. State and federal program payments to the indirect cost pool are recorded using SABHRS account 62827. OPI negotiates an annual "predetermined rate" with the U.S. Department of Education. In FY 2020, OPI negotiated a one-year rate of 17% for FY 2019. OPI will renegotiate an annual rate for fiscal years 2022 and 2023. It is anticipated this rate will be consistent with previous years and remain around 17% which is consistent with the current legislatively approved rate of 17%. The rate is calculated in accordance with federal regulations and section 17-3-111(1), MCA.

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

- Termination payouts (vacation/comp time/sick leave) for all staff (except the state superintendent and personal staff).
- Services provided to OPI by other state agencies known as fixed costs are partially paid by this fund.
- Payroll, personnel, accounting, budgeting, data management, cash management, financial reporting, purchasing, mail delivery and resource center services to all OPI programs.
- Operating costs associated with 25.85 FTE are paid from the pool, including the cost of rent for space occupied, office supplies, postage, equipment, training, travel, photocopy charges, etc.
- General-use items such as paper, FAX lines, and shared equipment, including maintenance contracts on equipment.

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

#### *Rate and Rate Explanation*

OPI negotiates an annual "predetermined rate" with the U.S. Department of Education. The rate is calculated in accordance with federal regulations and section 17-3-111, MCA. The approved rate for FY 2021 is 17%. A new rate will be negotiated in December of 2020 and will be applicable for FY 2022.

#### *Projected Fund Balance, Including Cash Fluctuations*

There is no requirement to reserve fund balance. Management's objective is to maintain the minimum balance necessary for on-going operations. If a significant balance accumulates because direct expenses increase at a faster rate than indirect

# Office of Public Instruction - 35010

## State Level Activities - 06

expenses, the approved rate will adjust downward to reduce the excess over time.

### *Working Capital and Fees Commensurate Analysis*

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

<b>2023 Biennium Report on Internal Service and Enterprise Funds</b>						
Agency # 35010	Agency Name: Office of Public Instruction			Program Name: State Level Activities		
	<b>Fund</b>	<b>Fund Name</b>				
	06512	Indirect Cost Pool				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY18	FY19	FY20	FY21	FY22	FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	926,177	1,156,406	1,153,526	1,300,000	1,350,000	1,300,000
Fee Revenue B	1,832,736	1,935,023	1,990,892	2,000,000	2,000,000	2,000,000
<b>Total Operating Revenues</b>	<b>2,758,913</b>	<b>3,091,429</b>	<b>3,144,418</b>	<b>3,300,000</b>	<b>3,350,000</b>	<b>3,300,000</b>
<b>Expenses:</b>						
Personal Services						
	(2,046,485)	(1,981,596)	(2,338,058)	(1,970,686)	(2,055,164)	(2,060,997)
Other Operating Expenses						
	(1,128,953)	(1,014,442)	(1,147,543)	(825,542)	(1,288,180)	(1,178,227)
<b>Total Operating Expenses</b>	<b>(3,175,438)</b>	<b>(2,996,038)</b>	<b>(3,485,601)</b>	<b>(2,796,228)</b>	<b>(3,343,344)</b>	<b>(3,239,224)</b>
<b>Operating Income (Loss)</b>	<b>5,934,351</b>	<b>6,087,467</b>	<b>6,630,019</b>	<b>6,096,228</b>	<b>6,693,344</b>	<b>6,539,224</b>
Nonoperating Revenues:						
Other Revenue A						
	-	33	-	-	-	-
Other Revenue B						
	6,941	10,592	7,272	7,200	7,200	7,200
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>6,941</b>	<b>10,625</b>	<b>7,272</b>	<b>7,200</b>	<b>7,200</b>	<b>7,200</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>5,941,292</b>	<b>6,098,092</b>	<b>6,637,291</b>	<b>6,103,428</b>	<b>6,700,544</b>	<b>6,546,424</b>
<b>Change in Net Position</b>	<b>5,941,292</b>	<b>6,098,092</b>	<b>6,637,291</b>	<b>6,103,428</b>	<b>6,700,544</b>	<b>6,546,424</b>
<b>Beginning Net Position - July 1</b>	<b>240,670</b>	<b>6,181,962</b>	<b>12,280,054</b>	<b>18,917,345</b>	<b>25,020,773</b>	<b>31,721,317</b>
Change in Net Position	5,941,292	6,098,092	6,637,291	6,103,428	6,700,544	6,546,424
<b>Ending Net Position - June 30</b>	<b>6,181,962</b>	<b>12,280,054</b>	<b>18,917,345</b>	<b>25,020,773</b>	<b>31,721,317</b>	<b>38,267,741</b>
<b>Net Position (Fund Balance) Analysis</b>						

# Office of Public Instruction - 35010

## State Level Activities - 06

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 35010	Agency Name: Office of Public Instruction		Program Name: State Level Activities			
	<b>Fund</b>	<b>Fund Name</b>				
	06067	Advanced Drivers Education				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	150,162	159,906	153,802	290,000	290,000	290,000
<b>Total Operating Revenues</b>	<b>150,162</b>	<b>159,906</b>	<b>153,802</b>	<b>290,000</b>	<b>290,000</b>	<b>290,000</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	(74,109)	(88,682)	(65,033)	(113,453)	(107,921)	(108,848)
Expense B	(62,064)	(59,736)	(69,956)	(40,427)	(40,404)	(40,419)
<b>Total Operating Expenses</b>	<b>(136,173)</b>	<b>(148,418)</b>	<b>(134,989)</b>	<b>(165,868)</b>	<b>(160,313)</b>	<b>(161,255)</b>
<b>Operating Income (Loss)</b>	<b>286,335</b>	<b>308,324</b>	<b>288,791</b>	<b>455,868</b>	<b>450,313</b>	<b>451,255</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>286,335</b>	<b>308,324</b>	<b>288,791</b>	<b>455,868</b>	<b>450,313</b>	<b>451,255</b>
<b>Change in Net Position</b>	<b>286,335</b>	<b>308,324</b>	<b>288,791</b>	<b>455,868</b>	<b>450,313</b>	<b>451,255</b>
<b>Beginning Net Position - July 1</b>	<b>83,002</b>	<b>369,337</b>	<b>677,661</b>	<b>966,452</b>	<b>1,422,320</b>	<b>1,872,633</b>
Change in Net Position	286,335	308,324	288,791	455,868	450,313	451,255
<b>Ending Net Position - June 30</b>	<b>369,337</b>	<b>677,661</b>	<b>966,452</b>	<b>1,422,320</b>	<b>1,872,633</b>	<b>2,323,888</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$78,946
FY 2023	\$0	\$85,706

#### SWPL - 1 - Personal Services -

The budget includes adjustments to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

# Office of Public Instruction - 35010

## State Level Activities - 06

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$202,752)
FY 2023	\$0	(\$312,927)

**SWPL - 2 - Fixed Costs -**

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$636)
FY 2023	\$0	(\$399)

**SWPL - 3 - INFLATION DEFLATION -**

This change package includes adjustments to reflect budgetary changes generated from the application of inflation to specific expenditure accounts. Affected accounts include those associated with the statewide Motor Pool operated by the Department of Transportation.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$700,000
FY 2023	\$0	\$700,000

**NP - 612 - INDIRECT COST BASE ADJUSTMENT -**

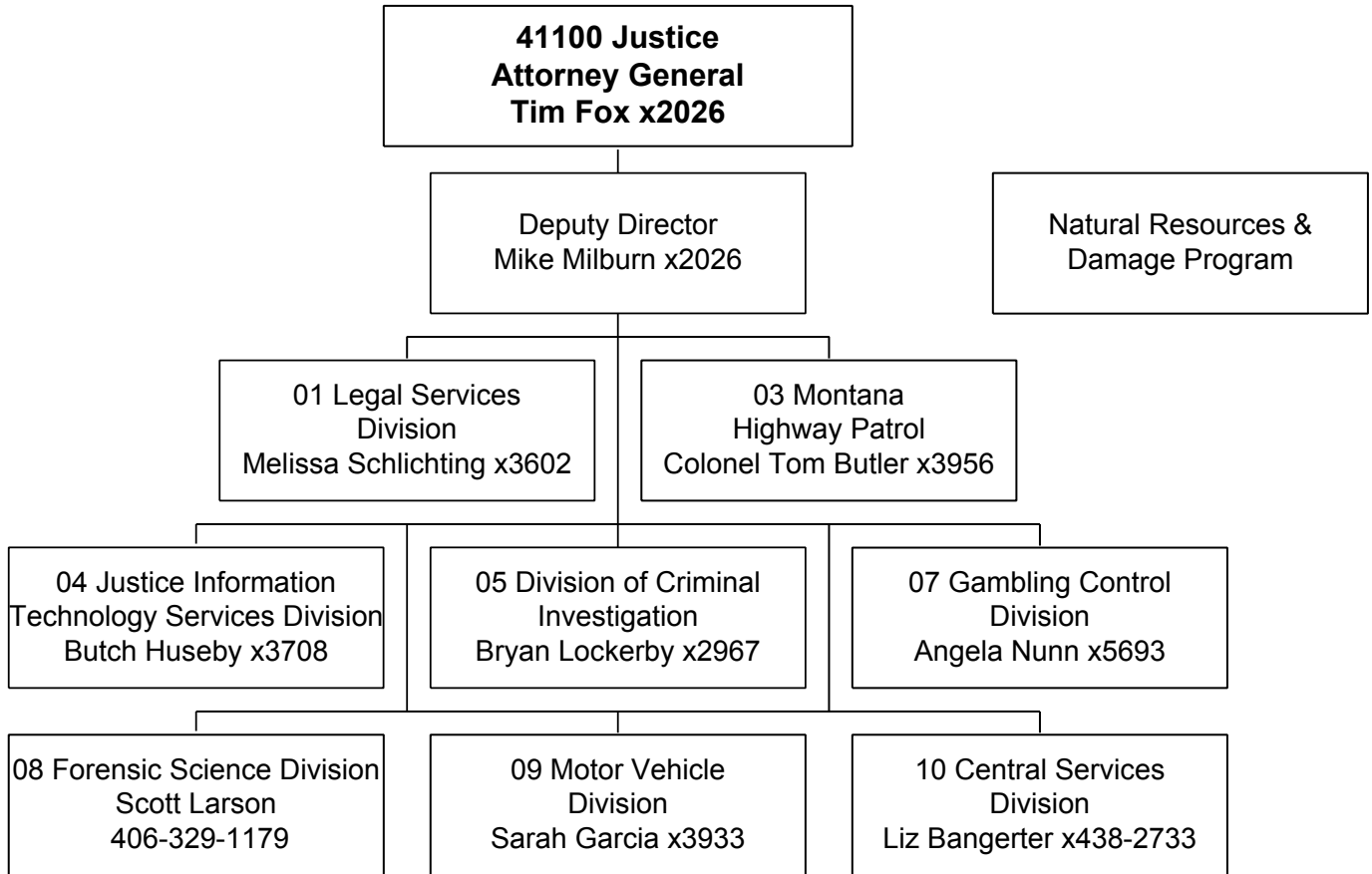
The agency requests an increase of \$700,000 each year of the 2023 biennium to the Indirect Cost Pool internal service fund used to allocate various centralized services costs such as payroll, accounting and budgeting to all of OPI's State Level Activities Program. Funds are received from state and federally funded programs using a federally pre-approved indirect cost rate. This is an increase to the funded base of \$2.8 million.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$33,997)
FY 2023	\$0	(\$33,997)

**NP - 615 - ServiceNow Reduction -**

The OPI is requesting a reduction in SITSD costs for ServiceNow of \$33,997 proprietary fund appropriation in each year of the 2023 biennium.

## Department of Justice - 41100



**Mission Statement** - The mission of the Department of Justice is to pursue activities and programs that seek to ensure and promote the public interest, safety, and well-being through leadership, advocacy, education, regulation and enforcement.

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

Agency Proposed Budget	Total Exec. Budget Fiscal 2022	Total Exec. Budget Fiscal 2023	Total Exec. Budget 2023 Biennium
Budget Item			
FTE	14.00	14.00	
Personal Services	1,534,635	1,541,235	3,075,870
Operating Expenses	182,143	182,108	364,251
<b>Total Costs</b>	<b>\$1,716,778</b>	<b>\$1,723,343</b>	<b>\$3,440,121</b>
Proprietary Funds	1,716,778	1,723,343	3,440,121
<b>Total Funds</b>	<b>\$1,716,778</b>	<b>\$1,723,343</b>	<b>\$3,440,121</b>



## Department of Justice - 41100

### Agency Legal Services - 06

Program Proposed Budget	Starting Point	Budget Adjustments	Total	Budget	Total	Executive
Budget Item	Fiscal 2021	Fiscal 2022	Exec. Budget Fiscal 2022	Adjustments Fiscal 2023	Exec. Budget Fiscal 2023	Budget Request 2023 Biennium
FTE	14.00	0.00	14.00	0.00	14.00	
Personal Services	1,750,080	(215,445)	1,534,635	(208,845)	1,541,235	3,075,870
Operating Expenses	179,755	2,388	182,143	2,353	182,108	364,251
<b>Total Costs</b>	<b>\$1,929,835</b>	<b>(\$213,057)</b>	<b>\$1,716,778</b>	<b>(\$206,492)</b>	<b>\$1,723,343</b>	<b>\$3,440,121</b>
Proprietary Funds	1,929,835	(213,057)	1,716,778	(206,492)	1,723,343	3,440,121
<b>Total Funds</b>	<b>\$1,929,835</b>	<b>(\$213,057)</b>	<b>\$1,716,778</b>	<b>(\$206,492)</b>	<b>\$1,723,343</b>	<b>\$3,440,121</b>

#### **Proprietary Program Description -** *Program Description*

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

#### *Revenues and Expenses*

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

#### *Rate and Rate Explanation*

The rates for the 2023 biennium are as follows:

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

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

#### *Projected Fund Balance, Including Cash Fluctuations*

The proposed rates allow the agency to continue to work toward the 60 day working capital requirement. The proprietary rate table illustrates that net assets and cash balance using the proposed rates will remain positive thru FY 2023. Upon review of the current service fees, the rate was found insufficient to sustain operations and cash requirements to ensure compliance of 17-8-101, MCA. The proposed rate methodology is based on current operating expenses, projected increases to operating expenses, and expected revenue receivable.

# Department of Justice - 41100

## Agency Legal Services - 06

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 41100	Agency Name: Department of Justice			Program Name: Agency Legal Services		
	<b>Fund</b>	<b>Fund Name</b>				
	06500	Agency Legal Services				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY18	FY19	FY20	FY21	FY22	FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	1,650,052	1,679,663	1,536,378	1,775,760	2,028,264	2,028,264
<b>Total Operating Revenues</b>	<b>1,650,052</b>	<b>1,679,663</b>	<b>1,536,378</b>	<b>1,775,760</b>	<b>2,028,264</b>	<b>2,028,264</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	286,616	253,524	207,938	187,391	187,391	187,391
<b>Total Operating Expenses</b>	<b>1,756,661</b>	<b>1,727,655</b>	<b>1,724,141</b>	<b>1,711,175</b>	<b>1,711,175</b>	<b>1,711,175</b>
<b>Operating Income (Loss)</b>	<b>(106,609)</b>	<b>(47,992)</b>	<b>(187,763)</b>	<b>64,585</b>	<b>317,089</b>	<b>317,089</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(106,609)</b>	<b>(47,992)</b>	<b>(187,763)</b>	<b>64,585</b>	<b>317,089</b>	<b>317,089</b>
<b>Change in Net Position</b>	<b>(106,609)</b>	<b>(47,992)</b>	<b>(187,763)</b>	<b>64,585</b>	<b>317,089</b>	<b>317,089</b>
<b>Beginning Net Position - July 1</b>	32,847	(73,762)	(121,754)	(309,517)	(244,932)	72,157
Change in Net Position	(106,609)	(47,992)	(187,763)	64,585	317,089	317,089
<b>Ending Net Position - June 30</b>	<b>(73,762)</b>	<b>(121,754)</b>	<b>(309,517)</b>	<b>(244,932)</b>	<b>72,157</b>	<b>389,246</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$215,445)
FY 2023	\$0	(\$208,845)

**SWPL - 1 - Personal Services -**

The budget includes a reduction of \$215,444 in FY 2022 and \$208,845 in FY 2023 to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

## Department of Justice - 41100

### Agency Legal Services - 06

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$2,548
FY 2023	\$0	\$2,453

#### **SWPL - 2 - Fixed Costs -**

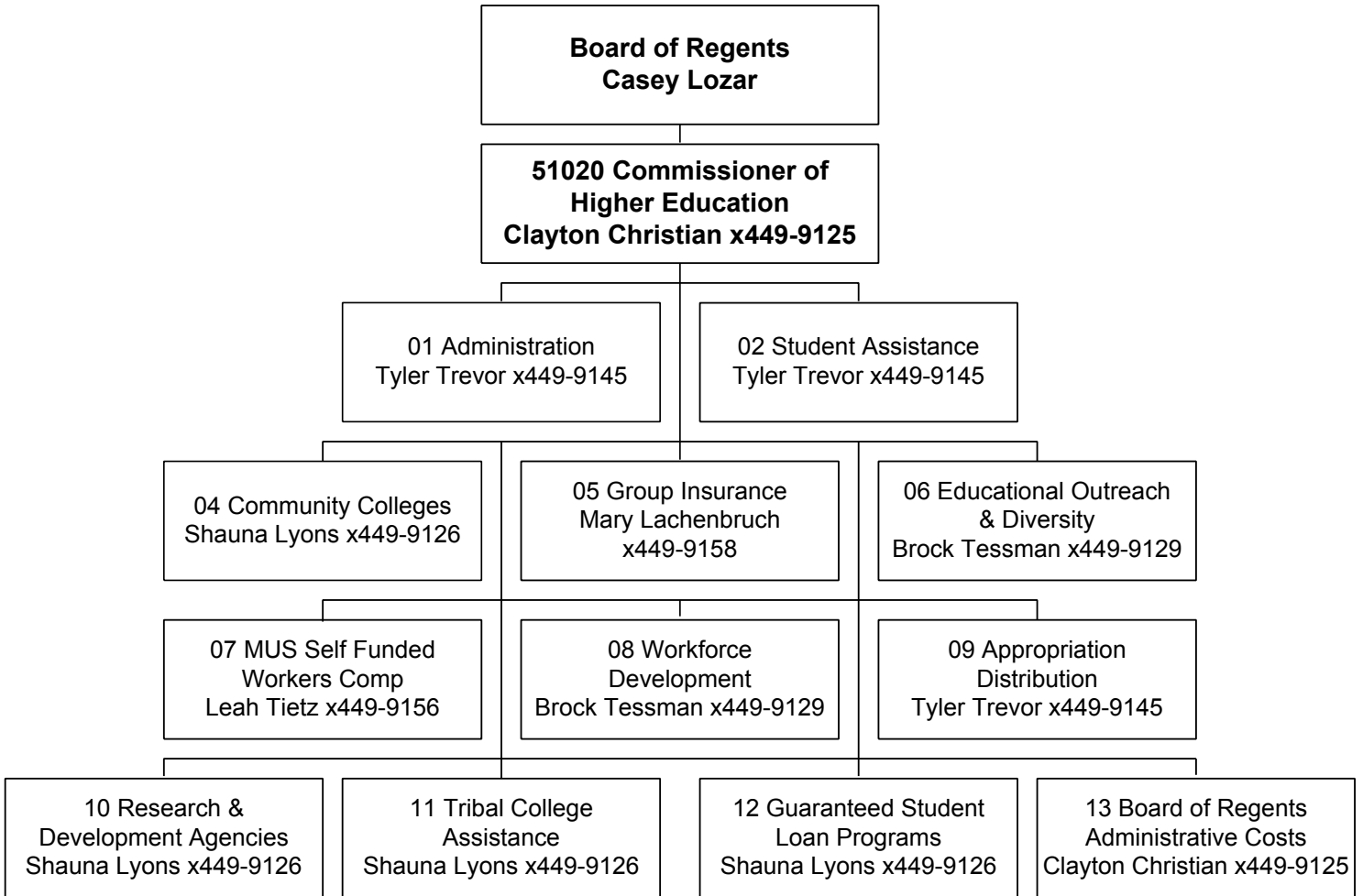
The request includes \$2,548 in FY 2022 and \$2,453 in FY 2023 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$160)
FY 2023	\$0	(\$100)

#### **SWPL - 3 - Inflation Deflation -**

This change package includes an increase/reduction of \$160 in FY 2022 and \$100 in FY 2023 to reflect budgetary changes generated from the application of inflation to specific expenditure accounts. Affected accounts include those associated with the statewide Motor Pool operated by the Department of Transportation.

# Commissioner of Higher Education - 51020



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

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

Agency Proposed Budget	Total Exec. Budget Fiscal 2022	Total Exec. Budget Fiscal 2023	Total Exec. Budget 2023 Biennium
Budget Item			
FTE	8.00	8.00	
Personal Services	851,248	855,476	1,706,724
Operating Expenses	23,701,000	23,701,112	47,402,112
Benefits & Claims	145,872,471	149,872,471	295,744,942
<b>Total Costs</b>	<b>\$170,424,719</b>	<b>\$174,429,059</b>	<b>\$344,853,778</b>
Proprietary Funds	170,424,719	174,429,059	344,853,778
<b>Total Funds</b>	<b>\$170,424,719</b>	<b>\$174,429,059</b>	<b>\$344,853,778</b>

# Commissioner of Higher Education - 51020

## M U S Group Insurance Program - 05

**05 Group Insurance**  
**Mary Lachenbruch**  
**x449-9158**

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2021	Adjustments	Exec. Budget	Adjustments	Exec. Budget	Budget Request
	Fiscal 2021	Fiscal 2022	Fiscal 2022	Fiscal 2023	Fiscal 2023	2023 Biennium
FTE	7.00	0.00	7.00	0.00	7.00	
Personal Services	718,300	24,025	742,325	28,171	746,471	1,488,796
Operating Expenses	22,136,252	(272)	22,135,980	(170)	22,136,082	44,272,062
Benefits & Claims	140,372,471	2,500,000	142,872,471	6,500,000	146,872,471	289,744,942
<b>Total Costs</b>	<b>\$163,227,023</b>	<b>\$2,523,753</b>	<b>\$165,750,776</b>	<b>\$6,528,001</b>	<b>\$169,755,024</b>	<b>\$335,505,800</b>
Proprietary Funds	163,227,023	2,523,753	165,750,776	6,528,001	169,755,024	335,505,800
<b>Total Funds</b>	<b>\$163,227,023</b>	<b>\$2,523,753</b>	<b>\$165,750,776</b>	<b>\$6,528,001</b>	<b>\$169,755,024</b>	<b>\$335,505,800</b>

### Proprietary Program Description -

The Group Insurance Program is funded with two enterprise type proprietary funds: MUS Group Insurance and MUS Flexible Spending.

### Fund 06008 MUS Group Insurance

#### Program Description

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

#### Revenues and Expenses

Revenue in this program comes from:

- Employer-paid contributions toward insurance premiums
- Employee-paid contributions toward insurance premiums
- Investment earnings on the program fund

The agency is projecting relatively level revenues in the 2023 biennium. The revenue projections exclude any premium rate increases or state share increase. The projected increase is due primarily to anticipated growth in retirees age 65 and over.

Significant costs for the program are for:

- Insurance claims payments
- Claims management
- Program administration

The agency projects non-personnel expenses to increase on average 4 to 6% per year between FY 2022 and FY 2023. The primary cost drivers impacting claims expense increases are medical provider cost increases and increased utilization due to the increasing average age of insured covered in the plan.

#### Rates and Rate Explanation

## Commissioner of Higher Education - 51020

### M U S Group Insurance Program - 05

The employer-paid portion of the group insurance premium is statutorily established in 2-18-703, MCA, and is presently \$1,054 per month per eligible, participating employee. The employee-paid portion of the group insurance premium is adjusted as needed by the Montana University System to cover the premium requirements of a variety of benefit options and to maintain employee group benefit plans on an actuarially sound basis.

#### *Fund Balance, Including Cash Fluctuations*

The plan is managed on an actuarially sound basis.

#### *Working Capital Analysis*

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

### **Fund 06009 MUS Flex Spending Account**

#### *Program Description*

The Flexible Spending Account is an optional selection for each employee to participate in or not. The funds are managed by a 3rd party and are distributed to employees as claims are made.

#### *Revenues and Expenses*

Revenue in this program comes from:

- Employee payments to flexible spending accounts

*The agency is projecting level revenues in the 2023 biennium.*

#### *Rates and Rate Explanation*

*The 3rd party vendor charges an administrative fee for managing the accounts.*

# Commissioner of Higher Education - 51020

## M U S Group Insurance Program - 05

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 51020	Agency Name: Commissioner of Higher Education			Program Name: M U S Group Insurance Program		
	<b>Fund</b>	<b>Fund Name</b>				
	06008	MUS Group Insurance Program				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	111,272,918	109,439,159	108,623,636	109,927,120	111,246,245	112,581,200
<b>Total Operating Revenues</b>	<b>111,272,918</b>	<b>109,439,159</b>	<b>108,623,636</b>	<b>109,927,120</b>	<b>111,246,245</b>	<b>112,581,200</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	841,167	705,910	722,389	724,399	738,887	753,665
<b>Total Operating Expenses</b>	<b>95,162,226</b>	<b>97,289,555</b>	<b>100,382,114</b>	<b>162,508,723</b>	<b>103,393,577</b>	<b>106,495,385</b>
<b>Operating Income (Loss)</b>	<b>15,269,525</b>	<b>11,443,694</b>	<b>7,519,133</b>	<b>(53,306,002)</b>	<b>7,113,781</b>	<b>5,332,150</b>
Nonoperating Revenues:						
Other Revenue A						
Nonoperating Expenses:	926,426	2,721,882	2,384,419	2,384,419	2,384,419	2,384,419
<b>Total Nonoperating Revenues (Expenses)</b>	<b>926,426</b>	<b>2,721,882</b>	<b>2,384,419</b>	<b>2,384,419</b>	<b>2,384,419</b>	<b>2,384,419</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>16,195,951</b>	<b>14,165,576</b>	<b>9,903,552</b>	<b>(50,921,583)</b>	<b>9,498,200</b>	<b>7,716,569</b>
<b>Change in Net Position</b>	<b>16,195,951</b>	<b>14,165,576</b>	<b>9,903,552</b>	<b>(50,921,583)</b>	<b>9,498,200</b>	<b>7,716,569</b>
<b>Beginning Net Position - July 1</b>	<b>44,362,828</b>	<b>60,558,779</b>	<b>74,724,355</b>	<b>84,627,907</b>	<b>33,706,324</b>	<b>43,204,524</b>
Change in Net Position	16,195,951	14,165,576	9,903,552	(50,921,583)	9,498,200	7,716,569
<b>Ending Net Position - June 30</b>	<b>60,558,779</b>	<b>74,724,355</b>	<b>84,627,907</b>	<b>33,706,324</b>	<b>43,204,524</b>	<b>50,921,093</b>
<b>Net Position (Fund Balance) Analysis</b>						

# Commissioner of Higher Education - 51020

## M U S Group Insurance Program - 05

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 51020	Agency Name: Commissioner of Higher Education		Program Name: M U S Group Insurance Program			
	<b>Fund</b>	<b>Fund Name</b>				
	06009	MUS Flexible Spending Account				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY18	FY19	FY20	FY21	FY22	FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	3,950,587	3,950,583	4,170,495	4,562,928	4,791,074	5,030,627
<b>Total Operating Revenues</b>	<b>3,950,587</b>	<b>3,950,583</b>	<b>4,170,495</b>	<b>4,562,928</b>	<b>4,791,074</b>	<b>5,030,627</b>
<b>Expenses:</b>						
Other Operating Expenses						
<b>Total Operating Expenses</b>	<b>4,707,098</b>	<b>4,235,209</b>	<b>4,131,682</b>	<b>4,255,632</b>	<b>4,383,301</b>	<b>4,514,800</b>
<b>Operating Income (Loss)</b>	<b>(756,511)</b>	<b>(284,626)</b>	<b>38,813</b>	<b>307,296</b>	<b>407,773</b>	<b>515,827</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(756,511)</b>	<b>(284,626)</b>	<b>38,813</b>	<b>307,296</b>	<b>407,773</b>	<b>515,827</b>
<b>Change in Net Position</b>	<b>(756,511)</b>	<b>(284,626)</b>	<b>38,813</b>	<b>307,296</b>	<b>407,773</b>	<b>515,827</b>
<b>Beginning Net Position - July 1</b>	1,913,669	1,157,158	872,532	911,345	1,218,641	1,626,414
Change in Net Position	(756,511)	(284,626)	38,813	307,296	407,773	515,827
<b>Ending Net Position - June 30</b>	<b>1,157,158</b>	<b>872,532</b>	<b>911,345</b>	<b>1,218,641</b>	<b>1,626,414</b>	<b>2,142,241</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$24,025
FY 2023	\$0	\$28,171

#### SWPL - 1 - Personal Services -

The budget includes \$24,025 in FY 2022 and \$28,171 in FY 2023 to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the personal services snapshot, and vacancy savings.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$272)
FY 2023	\$0	(\$170)

#### SWPL - 3 - Inflation Deflation -

This change package includes a reduction of \$272 in FY 2022 and \$170 in FY 2023 to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include those associated with statewide Motor Pool operated by the Department of Transportation.



# Commissioner of Higher Education - 51020

## M U S Group Insurance Program - 05

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$2,500,000
FY 2023	\$0	\$6,500,000

### **PL - 501 - MUS Group Health Insurance Inflation -**

The MUS Group Health Insurance program is requesting an increase in proprietary authority in order to cover anticipated claim and operating costs. Initial actuarial reports are indicating a 4% to 6% increase over the biennium. This request is for a biennial total of \$9,000,000.

# Commissioner of Higher Education - 51020

## M U S Workers Comp Program - 07

**07 MUS Self Funded  
Workers Comp  
Leah Tietz x449-9156**

Program Proposed Budget	Starting Point	Budget Adjustments	Total	Budget Adjustments	Total	Executive
Budget Item	Fiscal 2021	Fiscal 2022	Exec. Budget Fiscal 2022	Fiscal 2023	Exec. Budget Fiscal 2023	Budget Request 2023 Biennium
FTE	1.00	0.00	1.00	0.00	1.00	
Personal Services	102,170	6,753	108,923	6,835	109,005	217,928
Operating Expenses	1,565,047	(27)	1,565,020	(17)	1,565,030	3,130,050
Benefits & Claims	3,000,000	0	3,000,000	0	3,000,000	6,000,000
<b>Total Costs</b>	<b>\$4,667,217</b>	<b>\$6,726</b>	<b>\$4,673,943</b>	<b>\$6,818</b>	<b>\$4,674,035</b>	<b>\$9,347,978</b>
Proprietary Funds	4,667,217	6,726	4,673,943	6,818	4,674,035	9,347,978
<b>Total Funds</b>	<b>\$4,667,217</b>	<b>\$6,726</b>	<b>\$4,673,943</b>	<b>\$6,818</b>	<b>\$4,674,035</b>	<b>\$9,347,978</b>

### Proprietary Program Description -

#### *Program Description*

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

#### *Revenues and Expenses*

This program is an enterprise fund in which the funding is derived from premiums and investment earnings. Expenditures include claims, reinsurance premiums, and administrative costs.

#### *Rate Explanation*

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

# Commissioner of Higher Education - 51020

## M U S Workers Comp Program - 07

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 51020	Agency Name: Commissioner of Higher Education			Program Name: M U S Workers Comp Program		
	<b>Fund</b>	<b>Fund Name</b>				
	06082	MUS Self-Funded Workers Comp				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
	-	-	3,624,693	3,800,000	4,000,000	4,200,000
	-	-	3,624,693	3,800,000	4,000,000	4,200,000
<b>Total Operating Revenues</b>						
<b>Expenses:</b>						
Personal Services						
	99,870	99,836	107,202	408,705	110,879	113,097
Other Operating Expenses						
	2,387,827	3,786,385	1,232	4,047,600	4,290,456	4,462,074
	2,487,697	3,886,221	108,434	4,456,305	4,401,335	4,575,171
<b>Total Operating Expenses</b>						
<b>Operating Income (Loss)</b>						
	(2,487,697)	(3,886,221)	3,516,259	(656,305)	(401,335)	(375,171)
Nonoperating Revenues:						
Nonoperating Expenses:						
Other Expense A						
	215,220	617,952	503,219	300,000	550,000	600,000
	215,220	617,952	503,219	300,000	550,000	600,000
<b>Total Nonoperating Revenues (Expenses)</b>						
<b>Income (Loss) Before Contributions and Transfers</b>						
	(2,272,477)	(3,268,269)	4,019,478	(356,305)	148,665	224,829
<b>Change in Net Position</b>						
	(2,272,477)	(3,268,269)	4,019,478	(356,305)	148,665	224,829
<b>Beginning Net Position - July 1</b>						
	13,823,825	11,551,348	8,283,079	12,302,557	11,946,252	12,094,917
Change in Net Position						
	(2,272,477)	(3,268,269)	4,019,478	(356,305)	148,665	224,829
<b>Ending Net Position - June 30</b>						
	11,551,348	8,283,079	12,302,557	11,946,252	12,094,917	12,319,746
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$6,753
FY 2023	\$0	\$6,835

#### SWPL - 1 - Personal Services -

The budget includes \$6,753 in FY 2022 and \$6,835 in FY 2023 to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the personal services snapshot, and vacancy savings.

## Commissioner of Higher Education - 51020

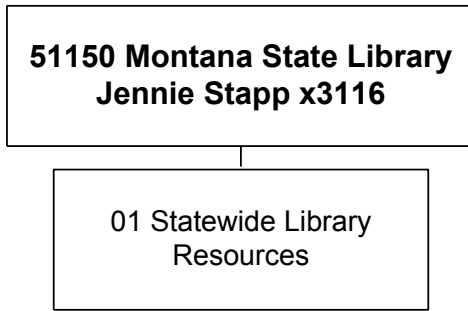
### M U S Workers Comp Program - 07

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$27)
FY 2023	\$0	(\$17)

#### **SWPL - 3 - Inflation Deflation -**

This change package includes a reduction of \$27 in FY 2022 and \$17 in FY 2023 to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include those associated with statewide Motor Pool operated by the Department of Transportation.

## Montana State Library - 51150



**Mission Statement** - The Montana State Library helps all organizations, communities, and Montanans thrive through excellent library resources and services.

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

# Montana State Library - 51150

## Statewide Library Resources - 01

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2021	Adjustments Fiscal 2022	Exec. Budget Fiscal 2022	Adjustments Fiscal 2023	Exec. Budget Fiscal 2023	Budget Request 2023 Biennium
FTE	2.62	0.00	2.62	0.00	2.62	
Personal Services	159,570	26,511	186,081	26,638	186,208	372,289
Operating Expenses	234,510	0	234,510	0	234,510	469,020
<b>Total Costs</b>	<b>\$394,080</b>	<b>\$26,511</b>	<b>\$420,591</b>	<b>\$26,638</b>	<b>\$420,718</b>	<b>\$841,309</b>
Proprietary Funds	394,080	26,511	420,591	26,638	420,718	841,309
<b>Total Funds</b>	<b>\$394,080</b>	<b>\$26,511</b>	<b>\$420,591</b>	<b>\$26,638</b>	<b>\$420,718</b>	<b>\$841,309</b>

### Proprietary Program Description - Fund 06021 Montana Shared Catalog

#### *Program Description*

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

#### *Revenue and Expenses*

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

#### *Rates and Rate Explanation*

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

#### *Projected Fund Balance, Including Cash Fluctuations*

The fund balance is aligned with the goal of a 60-day working capital fund.

#### *Working Capital Analysis*

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

# Montana State Library - 51150

## Statewide Library Resources - 01

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 51150	Agency Name: Montana State Library			Program Name: Statewide Library Resources		
	<b>Fund</b>	<b>Fund Name</b>				
	06021	MT Shared Catalog				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY18	FY19	FY20	FY21	FY22	FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	371,280	354,329	391,212	389,500	405,902	418,079
<b>Total Operating Revenues</b>	<b>371,280</b>	<b>354,329</b>	<b>391,212</b>	<b>389,500</b>	<b>405,902</b>	<b>418,079</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	(129,971)	(147,254)	(143,430)	(159,570)	(164,357)	(169,288)
<b>Total Operating Expenses</b>	<b>(344,239)</b>	<b>(365,969)</b>	<b>(370,579)</b>	<b>(394,080)</b>	<b>(405,902)</b>	<b>(418,080)</b>
<b>Operating Income (Loss)</b>	<b>715,519</b>	<b>720,298</b>	<b>761,791</b>	<b>783,580</b>	<b>811,804</b>	<b>836,159</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>715,519</b>	<b>720,298</b>	<b>761,791</b>	<b>783,580</b>	<b>811,804</b>	<b>836,159</b>
<b>Change in Net Position</b>	<b>715,519</b>	<b>720,298</b>	<b>761,791</b>	<b>783,580</b>	<b>811,804</b>	<b>836,159</b>
<b>Beginning Net Position - July 1</b>	27,615	738,261	1,458,559	2,220,350	3,003,930	3,815,734
Prior Period Adjustments	(4,873)	-	-	-	-	-
Change in Net Position	715,519	720,298	761,791	783,580	811,804	836,159
<b>Ending Net Position - June 30</b>	<b>738,261</b>	<b>1,458,559</b>	<b>2,220,350</b>	<b>3,003,930</b>	<b>3,815,734</b>	<b>4,651,893</b>
<b>Net Position (Fund Balance) Analysis</b>						

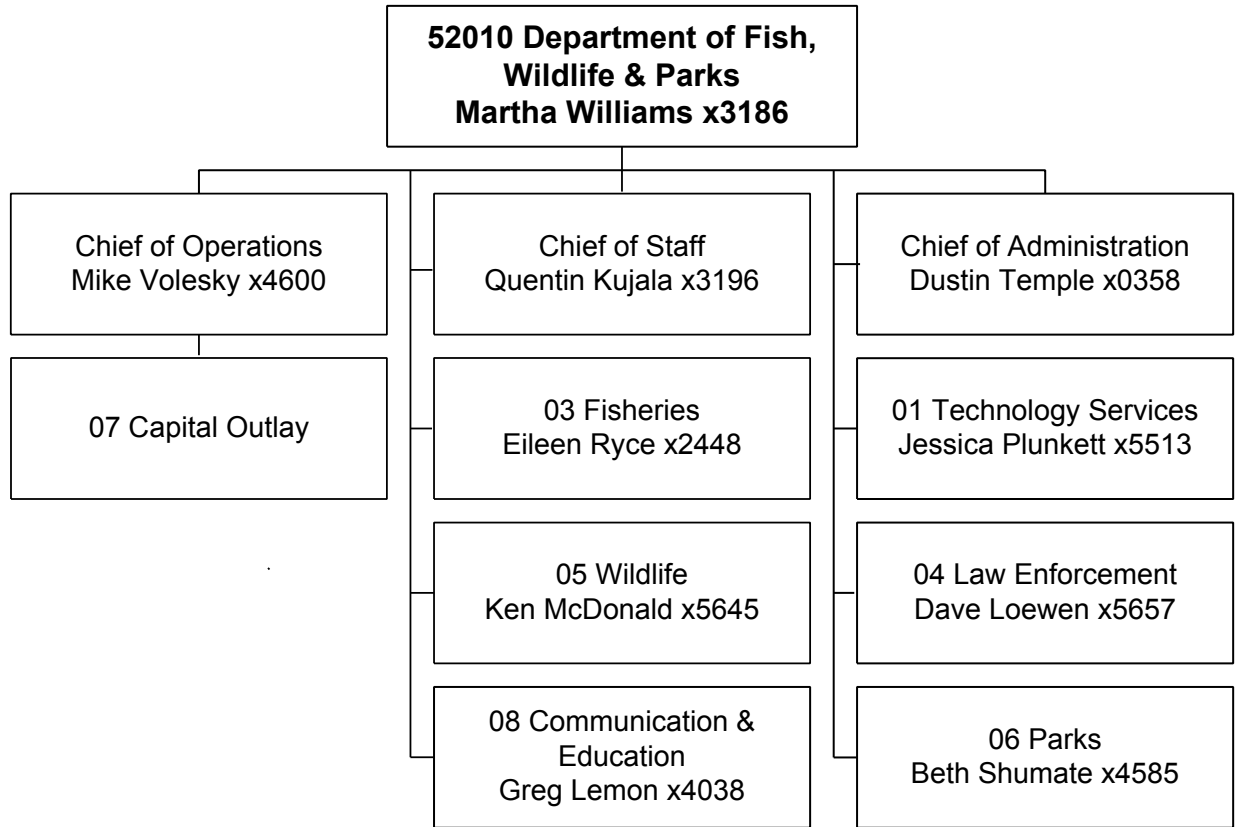
### -----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$26,511
FY 2023	\$0	\$26,638

#### SWPL - 1 - Personal Services -

The budget includes adjustments to annualize various personal services costs including FY 2019 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

## Department of Fish, Wildlife, and Parks - 52010



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

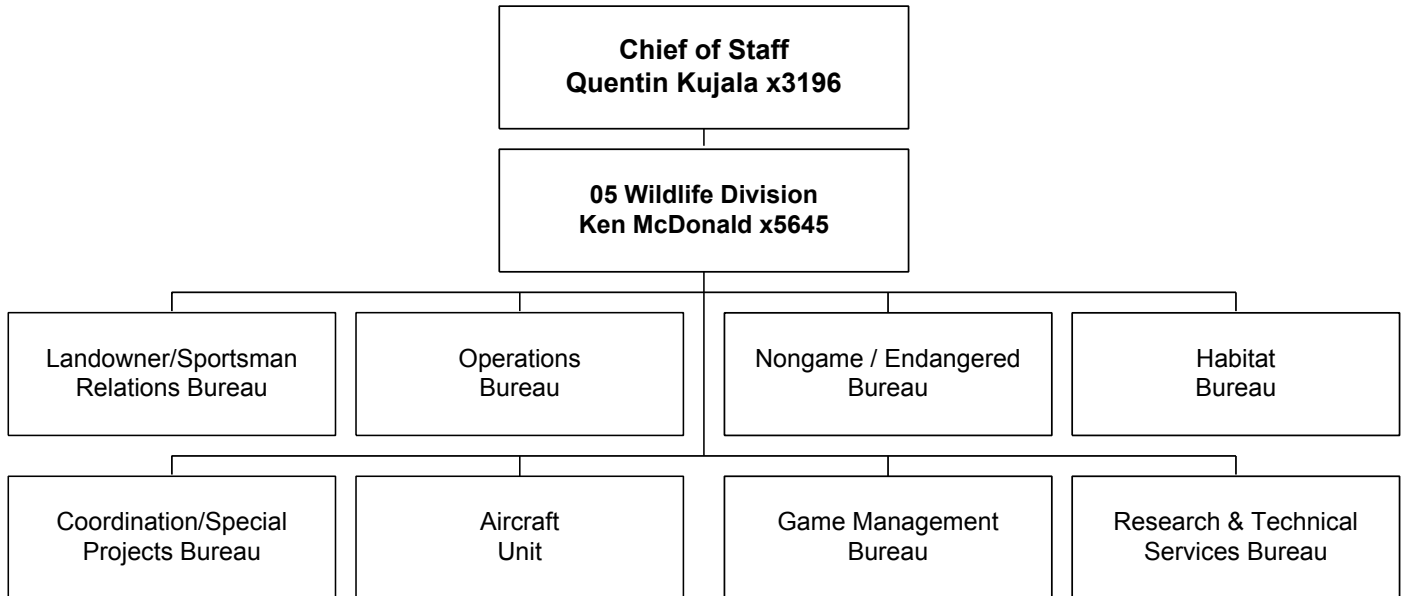
**Statutory Authority** - Title 87 and 23, MCA.

Agency Proposed Budget	Total Exec. Budget Fiscal 2022	Total Exec. Budget Fiscal 2023	Total Exec. Budget 2023 Biennium
Budget Item			
FTE	9.74	9.74	
Personal Services	663,457	659,828	1,323,285
Operating Expenses	2,883,885	2,883,885	5,767,770
Equipment & Intangible Assets	1,026,766	1,026,766	2,053,532
Benefits & Claims	0	0	0
Debt Service	158,000	158,000	316,000
<b>Total Costs</b>	<b>\$4,732,108</b>	<b>\$4,728,479</b>	<b>\$9,460,587</b>
Proprietary Funds	4,732,108	4,728,479	9,460,587
<b>Total Funds</b>	<b>\$4,732,108</b>	<b>\$4,728,479</b>	<b>\$9,460,587</b>



# Department of Fish, Wildlife, and Parks - 52010

## Wildlife Division - 05



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2021	Adjustments	Exec. Budget	Adjustments	Exec. Budget	Budget Request
	Fiscal 2021	Fiscal 2022	Fiscal 2022	Fiscal 2023	Fiscal 2023	2023 Biennium
Operating Expenses	565,079	0	565,079	0	565,079	1,130,158
Equipment & Intangible Assets	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$565,079</b>	<b>\$0</b>	<b>\$565,079</b>	<b>\$0</b>	<b>\$565,079</b>	<b>\$1,130,158</b>
Proprietary Funds	565,079	0	565,079	0	565,079	1,130,158
<b>Total Funds</b>	<b>\$565,079</b>	<b>\$0</b>	<b>\$565,079</b>	<b>\$0</b>	<b>\$565,079</b>	<b>\$1,130,158</b>

### Proprietary Program Description - Fund 06540 - Aircraft Fund

#### Program Description

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

#### Revenues and Expenses

The Aircraft Fund charges a rate per hour by aircraft type for hours flown. Personal Services are not covered by this fund. The two largest costs are fuel and repairs.

In FY 2019, the department flew approximately 1,851 hours in department aircrafts. In FY 2020 the department saw a decrease in flying hours due to safety concerns regarding COVID-19, flying approximately 1,575 hours. With the two additional helicopters in the fleet, the department expects flight hours to increase, and to be similar to FY 2019 numbers. The department will also be able to resume flights that were put on hold in FY 2020 due to COVID-19.

The department purchased a turbine helicopter in FY 2020 and will purchase another helicopter in FY 2021, both purchases using the InterCAP Loan program. The associated hourly flight rate will increase for Turbine Helicopters in order to recoup the cost of the loan payments.

## Department of Fish, Wildlife, and Parks - 52010

### Wildlife Division - 05

The department would like to move the Personal Services costs of the aircraft pilots into this fund to more accurately reflect the total costs of the Aircraft Fund. Currently these Personal Services are funded by the Wildlife Program, but Fisheries, Enforcement, and Administration utilize the Aircraft Fund as well.

The rates are charged monthly to each program for the hours flown during the previous month. The cost drivers for each rate includes fuel, repairs, supplies, rent, insurance, and other general operational costs as well as the above-mentioned loan payments. This expense to the programs is recorded in account 62525. In FY2020, the aircraft fleet generated \$513,087 in revenue.

By incorporating the Personal Services expenses of the aircraft pilots into this fund, it would amount to 4.11 FTE.

#### *Rates and Rate Explanation*

The hourly rates requested are calculated to recoup the projected operating and personal services costs of the Aircraft Fund.

#### *Changes in Level of Fees and Charges*

The hourly rates have increased for each aircraft type in order to recoup the addition of Personal Services expenses. The Turbine Helicopter hourly rate has also increased in order to recoup the InterCAP loan payments for the helicopters purchased in FY 2020 and FY 2021.

#### *Projected Fund Balance, Including Cash Fluctuations*

A portion of the program's net position has been reserved for the book value (original cost less accumulated depreciation) of department aircraft which was \$1,647,732 at FYE 2020. The net position as of FYE 2020 was \$984,018 and the cash balance was \$229,937. The department wishes to maintain this cash balance for FY2022 and FY2023.

#### *Working Capital and Fees Commensurate Analysis*

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

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

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

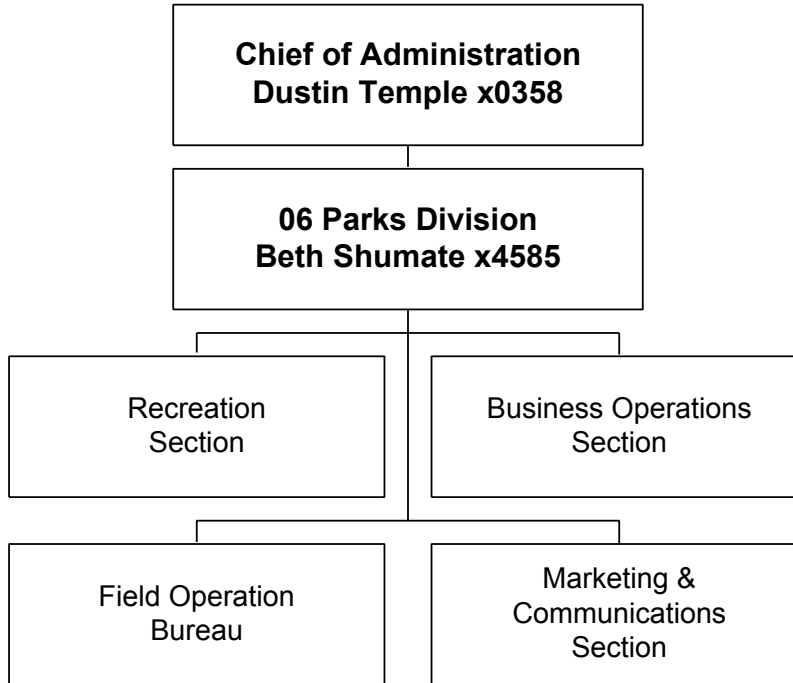
# Department of Fish, Wildlife, and Parks - 52010

## Wildlife Division - 05

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 52010	Agency Name: Department of Fish, Wildlife, and Parks			Program Name: Wildlife Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06540	DFWP Aircraft				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
	583,296	553,095	513,087	598,230	949,484	951,553
	583,296	553,095	513,087	598,230	949,484	951,553
<b>Expenses:</b>						
Personal Services						
	-	-	-	-	338,107	338,107
Other Operating Expenses						
	446,448	441,602	533,790	444,115	611,377	613,446
	446,448	441,602	533,790	444,115	949,484	951,553
<b>Operating Income (Loss)</b>						
	136,848	111,493	(20,703)	154,115	-	-
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>						
	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>						
	136,848	111,493	(20,703)	154,115	-	-
<b>Change in Net Position</b>						
	136,848	111,493	(20,703)	154,115	-	-
<b>Beginning Net Position - July 1</b>						
	756,380	893,228	1,004,721	984,018	1,138,133	1,138,133
Change in Net Position						
	136,848	111,493	(20,703)	154,115	-	-
<b>Ending Net Position - June 30</b>						
	893,228	1,004,721	984,018	1,138,133	1,138,133	1,138,133
<b>Net Position (Fund Balance) Analysis</b>						

# Department of Fish, Wildlife, and Parks - 52010

## Parks Division - 06



Program Proposed Budget	Starting Point Fiscal 2021	Budget Adjustments Fiscal 2022	Total Exec. Budget Fiscal 2022	Budget Adjustments Fiscal 2023	Total Exec. Budget Fiscal 2023	Executive Budget Request 2023 Biennium
Budget Item						
FTE	5.18	0.00	5.18	0.00	5.18	
Personal Services	278,991	68,809	347,800	64,622	343,613	691,413
Operating Expenses	197,527	0	197,527	0	197,527	395,054
<b>Total Costs</b>	<b>\$476,518</b>	<b>\$68,809</b>	<b>\$545,327</b>	<b>\$64,622</b>	<b>\$541,140</b>	<b>\$1,086,467</b>
Proprietary Funds	476,518	68,809	545,327	64,622	541,140	1,086,467
<b>Total Funds</b>	<b>\$476,518</b>	<b>\$68,809</b>	<b>\$545,327</b>	<b>\$64,622</b>	<b>\$541,140</b>	<b>\$1,086,467</b>

### Proprietary Program Description - Fund 06068 - MFWP Visitor Services

#### *Proprietary Program Description*

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

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

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

#### *Revenues and Expenses*

## **Department of Fish, Wildlife, and Parks - 52010**

### **Parks Division - 06**

Revenues are generated by the sales of interpretive and educational merchandise at park visitor centers and regional offices. The expenses associated with the enterprise fund include personal services, office supplies, merchandising materials, and the purchase of inventory to replenish stock. In FY 2020 Personal Services were increased for positions that manage and promote educational, commemorative, and interpretive services.

#### *Rates and Rate Explanation*

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

#### *Projected Fund Balance, Including Cash Fluctuations*

The objective is to maintain an adequate fund balance to cover the costs of promoting and managing the visitor centers. The cash balances are highest in the winter after the parks season ends and lowest in the spring when stock is purchased to replenish inventory.

# Department of Fish, Wildlife, and Parks - 52010

## Parks Division - 06

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 52010	Agency Name: Department of Fish, Wildlife, and Parks			Program Name: Parks Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06068	MFWP Visitor Services				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	459	3,666	521	1,626	1,708	1,793
Fee Revenue B	271,428	338,967	300,907	364,390	371,677	379,111
Fee Revenue C	9,403	6,557	7,782	8,310	8,725	9,161
Fee Revenue D	5,954	11,356	8,696	10,097	10,299	10,505
<b>Total Operating Revenues</b>	<b>287,244</b>	<b>360,546</b>	<b>317,906</b>	<b>384,423</b>	<b>392,409</b>	<b>400,570</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	202,950	231,197	197,527	197,527	197,527	197,527
<b>Total Operating Expenses</b>	<b>223,651</b>	<b>252,085</b>	<b>426,000</b>	<b>476,518</b>	<b>545,327</b>	<b>541,140</b>
<b>Operating Income (Loss)</b>	<b>63,593</b>	<b>108,461</b>	<b>(108,094)</b>	<b>(92,095)</b>	<b>(152,918)</b>	<b>(140,570)</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>63,593</b>	<b>108,461</b>	<b>(108,094)</b>	<b>(92,095)</b>	<b>(152,918)</b>	<b>(140,570)</b>
<b>Change in Net Position</b>	<b>63,593</b>	<b>108,461</b>	<b>(108,094)</b>	<b>(92,095)</b>	<b>(152,918)</b>	<b>(140,570)</b>
<b>Beginning Net Position - July 1</b>	594,242	657,835	766,296	658,202	566,107	413,189
Change in Net Position	63,593	108,461	(108,094)	(92,095)	(152,918)	(140,570)
<b>Ending Net Position - June 30</b>	<b>657,835</b>	<b>766,296</b>	<b>658,202</b>	<b>566,107</b>	<b>413,189</b>	<b>272,619</b>
<b>Net Position (Fund Balance) Analysis</b>						
Unrestricted Net Position	657,834	766,594	587,703	495,712	342,904	202,450

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

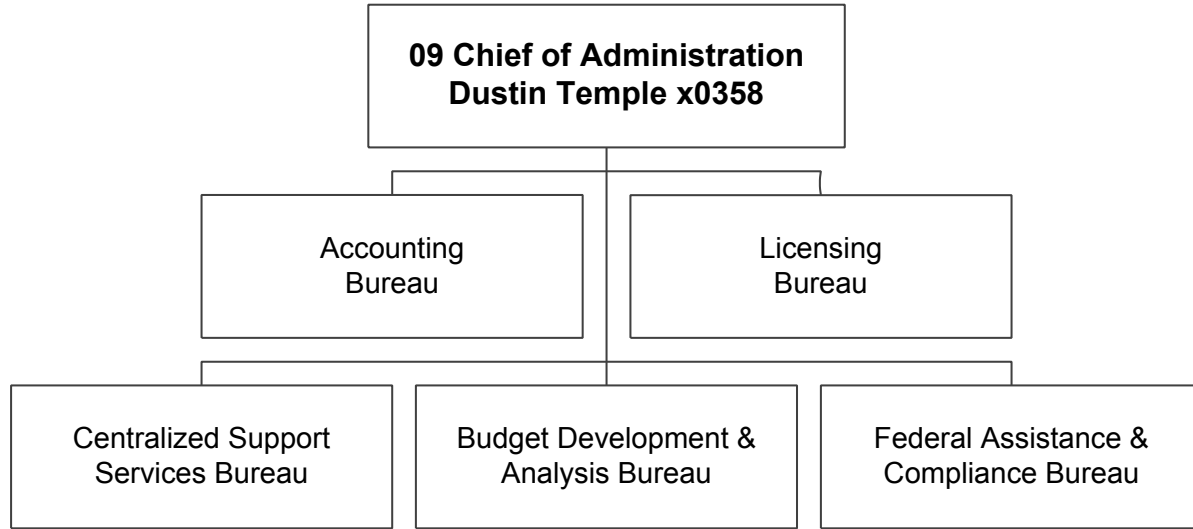
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$68,809
FY 2023	\$0	\$64,622

**SWPL - 1 - Personal Services -**

The budget includes funding to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

# Department of Fish, Wildlife, and Parks - 52010

## Administration - 09



Program Proposed Budget	Starting Point Fiscal 2021	Budget Adjustments Fiscal 2022	Total Exec. Budget Fiscal 2022	Budget Adjustments Fiscal 2023	Total Exec. Budget Fiscal 2023	Executive Budget Request 2023 Biennium
FTE	4.56	0.00	4.56	0.00	4.56	
Personal Services	396,154	(80,497)	315,657	(79,939)	316,215	631,872
Operating Expenses	2,121,279	0	2,121,279	0	2,121,279	4,242,558
Equipment & Intangible Assets	1,026,766	0	1,026,766	0	1,026,766	2,053,532
Benefits & Claims	0	0	0	0	0	0
Debt Service	158,000	0	158,000	0	158,000	316,000
<b>Total Costs</b>	<b>\$3,702,199</b>	<b>(\$80,497)</b>	<b>\$3,621,702</b>	<b>(\$79,939)</b>	<b>\$3,622,260</b>	<b>\$7,243,962</b>
Proprietary Funds	3,702,199	(80,497)	3,621,702	(79,939)	3,622,260	7,243,962
<b>Total Funds</b>	<b>\$3,702,199</b>	<b>(\$80,497)</b>	<b>\$3,621,702</b>	<b>(\$79,939)</b>	<b>\$3,622,260</b>	<b>\$7,243,962</b>

### Proprietary Program Description -

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

Vehicle Fund

Supply Warehouse

### Fund 06502 Equipment Fleet

#### Program Description

The department's equipment fund provides a fleet of vehicles to department employees. The users are department employees, mostly enforcement wardens, fish and wildlife biologists, and park employees.

#### Revenues and Expenses

Users are charged a usage rate for the number of miles driven, and an assigned rate for the number of days a vehicle is used. The assigned rates are calculated to recover the costs of administration to operate the program (personal services and fixed operational costs) and replacement of fleet vehicles. The usage rates are calculated to recover the costs of fuel, supplies, repairs, and maintenance of the fleet. A total of 4.06 FTE are funded in this fund. Each year, department employees drive an average of 6.5 million miles in department owned vehicles. The number of miles driven is expected to

## Department of Fish, Wildlife, and Parks - 52010

### Administration - 09

remain consistent over the next biennium. The department currently has a fleet of 614 vehicles. The department's request for vehicle replacement is for 45 vehicles in both FY 2022 and FY 2023. This is based on replacing vehicles after a minimum of 180,000 miles. This replacement schedule does not require a present law adjustment. For the last biennium, FWP requested to use the InterCAP loan program to cover the cost of replacement vehicle purchases. This loan was not used in FY2020, but will be utilized in FY2021. The department decided not to request to participate in the InterCAP loan program again for FY2022 and FY2023 because the need to purchase replacement vehicles is annual and carrying a loan with interest would not benefit the fund nor the department financially. The assigned rates therefore increased to capture the necessary funds to purchase replacement vehicles at cost. For this additional cost to the programs, we have submitted a decision package request, PL924. The department will also be managing this fund to ensure that the fiscal year end balance will not exceed the 60-day working capital requirement.

The department would also like to request to add motorboats and related boat equipment (such as boat motors and trailers) to this fund. By adding motorboat equipment, the department believes that efficiencies of use and expenses would be gained. Currently each program manages its own boat equipment. Use of motorboats may not be at its maximum potential, and maintenance and repair schedules may not be performed consistently department-wide. Repairs and maintenance are currently completed by contracting with local dealers and shops and the consistency that these services are performed vary across regions and programs. FWP's equipment maintenance facility does not have the necessary tools and software to perform services to motorboats at this time. But, if added to the equipment fleet fund, maintenance and repairs could be tracked and performed on a more consistent schedule, and motorboat usage could also be logged and managed more efficiently to keep costs down and reduce the need for additional equipment purchases (other than equipment replacement). The expenses for FWP's existing motorboats and boat related equipment include the cost of fuel, repairs, maintenance, supplies, and future equipment purchases and replacements. An additional 1.0FTE would be needed to manage the motorboat check in/out to programs and schedule maintenance and repairs with servicers.

#### *Rates and Rate Explanation*

As explained above, the vehicle usage rate is meant to recover the direct costs of fuel, supplies, repairs, and maintenance of the fleet. The assigned rates for vehicles are calculated to recover the costs of administration of the program (personal services, vehicle licensing, insurance and title work, utilities) and replacement of fleet vehicles.

Information is gathered using the Agile Assets Fleet Software to provide mileage and cost information related to each vehicle class. This cost information as well as SABHRS financial information was used to base costs and to calculate the FY 2022 and FY 2023 rates. The volatility of fuel prices continues to be a major challenge in estimating future rates and a tier structure has been developed to adjust rates based on unexpected increases in fuel costs per gallon.

The assigned daily rate for motorboat equipment was calculated based on SABHRS actual financial information from FY2020. Because the department does not have historical data for tracking boat usage and fuel costs per boat type, an initial rate was calculated to capture costs by charging each program a percentage of the total costs. This percentage was based on the percentage of total costs incurred by each program in FY2020. The costs to be recouped by the rates shown below include fuel, repairs, maintenance, equipment purchases, and 1.0FTE to manage and administer this portion of the fleet.

#### *Changes in Level of Fees and Charges*

As explained above, the assigned rate for vehicles in this fund has increased in order to recoup the cost of annual replacement vehicle purchases, rather than the previously assigned rates that reflected only part of the purchase cost and utilizing a loan for the remaining cost. A decision package (PL924) was submitted to request the necessary funds to cover the increased costs to the programs. If we do not receive this decision package, we may need to utilize the InterCAP Loan program.

The motorboat rates are a new addition to this fund and are calculated to recoup the costs of managing the fleet (personal services, repair, maintenance, fuel, and purchasing replacement equipment).

#### *Projected Fund Balance, Including Cash Fluctuations*



# Department of Fish, Wildlife, and Parks - 52010

## Administration - 09

At FYE 2020, the vehicle fund had total assets of \$7,568,001 and the book value (original cost less accumulated depreciation) of the fleet was \$6,975,414. A portion of the program's net position has been reserved for the book value of department vehicles. The fund's cash balance fluctuates during the year for two reasons. The first is that more miles are driven in the summer and fall than during the winter and spring. The second reason is that new vehicles are purchased in the spring. Thus, the cash balance is normally highest just before purchasing the replacement vehicles and lowest in the spring after purchasing the vehicles.

### *Working Capital and Fees Commensurate Analysis*

The department attempts to manage this fund so that a 60-day working capital amount of cash is available when the cash balance is at its lowest level. Most replacement vehicles are purchased and received in the spring.

## **Fund 06503 Warehouse Inventory**

### *Program Description*

The department's warehouse contains mainly uniform items both for wardens and non-wardens. Overhead costs are recovered by charging a predetermined fixed percentage to all sales.

### *Revenues and Expenses*

Revenues come from the sales of inventory items to department employees. FY2020 revenues were below the projected amount due to COVID-19. The department anticipates revenues to stabilize in FY2021, and projects revenues to be around \$134,000 per year for FY 2022 and FY 2023. The expenses associated with the warehouse include personal services (0.5 FTE), miscellaneous office supplies and expenses for the warehouse, and inventory purchased to replenish existing stock.

### *Rate and Rate Explanation*

The rate requested for the warehouse is an overhead rate that is added to the cost of the inventory items. The overhead rate is expected to generate sufficient revenue to cover the administrative costs of the program.

The rate is calculated by estimating the warehouse sales in comparison with the support costs required to maintain the warehouse function such as personal services, office supplies, and other miscellaneous office 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 practical.

### *Changes in Level of Fees and Charges*

In FY2019 and FY2020, a rate of 35% was proposed. There are no changes in services or fees for FY2022 and FY2023.

### *Projected Fund Balance, Including Cash Fluctuations*

The net position in FY2020 was \$86,616. A portion of the program's net position has been reserved for the warehouse inventory. At FYE 2020, the warehouse inventory was \$96,054.

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

### *Working Capital and Fees Commensurate Analysis*

# Department of Fish, Wildlife, and Parks - 52010

## Administration - 09

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.

<b>2023 Biennium Report on Internal Service and Enterprise Funds</b>						
Agency # 52010	Agency Name: Department of Fish, Wildlife, and Parks		Program Name: Administration			
	<b>Fund</b>	<b>Fund Name</b>				
	06502	Equipment Enterprise Fund				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	3,051,391	3,430,800	2,930,280	3,673,111	3,774,080	3,781,294
Fee Revenue B	-	-	-	-	567,986	568,597
<b>Total Operating Revenues</b>	<b>3,051,391</b>	<b>3,430,800</b>	<b>2,930,280</b>	<b>3,673,111</b>	<b>4,342,066</b>	<b>4,349,891</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	203,624	259,061	315,247	358,000	367,000	369,000
<b>Total Operating Expenses</b>	<b>2,759,285</b>	<b>3,024,296</b>	<b>2,869,621</b>	<b>3,013,686</b>	<b>3,975,066</b>	<b>3,980,891</b>
<b>Operating Income (Loss)</b>	<b>88,482</b>	<b>147,443</b>	<b>(254,588)</b>	<b>301,425</b>	<b>-</b>	<b>-</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>88,482</b>	<b>147,443</b>	<b>(254,588)</b>	<b>301,425</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>88,482</b>	<b>147,443</b>	<b>(254,588)</b>	<b>301,425</b>	<b>-</b>	<b>-</b>
<b>Beginning Net Position - July 1</b>	<b>7,911,925</b>	<b>8,000,407</b>	<b>8,147,850</b>	<b>7,893,262</b>	<b>8,194,687</b>	<b>8,194,687</b>
Change in Net Position	88,482	147,443	(254,588)	301,425	-	-
<b>Ending Net Position - June 30</b>	<b>8,000,407</b>	<b>8,147,850</b>	<b>7,893,262</b>	<b>8,194,687</b>	<b>8,194,687</b>	<b>8,194,687</b>
<b>Net Position (Fund Balance) Analysis</b>						

# Department of Fish, Wildlife, and Parks - 52010

## Administration - 09

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 52010	Agency Name: Department of Fish, Wildlife, and Parks			Program Name: Administration		
	<b>Fund</b>	<b>Fund Name</b>				
	06503	F & G Warehouse Inventory				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
	83,169	90,493	105,768	140,000	134,213	134,213
	<b>Total Operating Revenues</b>					
	83,169	90,493	105,768	140,000	134,213	134,213
<b>Expenses:</b>						
Personal Services						
	24,297	22,857	58,182	34,289	30,208	30,208
Other Operating Expenses						
	68,325	72,609	79,201	104,005	104,005	104,005
	<b>Total Operating Expenses</b>					
	92,622	95,466	137,383	138,294	134,213	134,213
<b>Operating Income (Loss)</b>						
	(9,453)	(4,973)	(31,615)	1,706	-	-
Nonoperating Revenues:						
Nonoperating Expenses:						
	<b>Total Nonoperating Revenues (Expenses)</b>					
	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>						
	(9,453)	(4,973)	(31,615)	1,706	-	-
<b>Change in Net Position</b>						
	(9,453)	(4,973)	(31,615)	1,706	-	-
<b>Beginning Net Position - July 1</b>						
	130,950	121,497	116,524	84,909	86,615	86,615
Change in Net Position						
	(9,453)	(4,973)	(31,615)	1,706	-	-
<b>Ending Net Position - June 30</b>						
	121,497	116,524	84,909	86,615	86,615	86,615
<b>Net Position (Fund Balance) Analysis</b>						

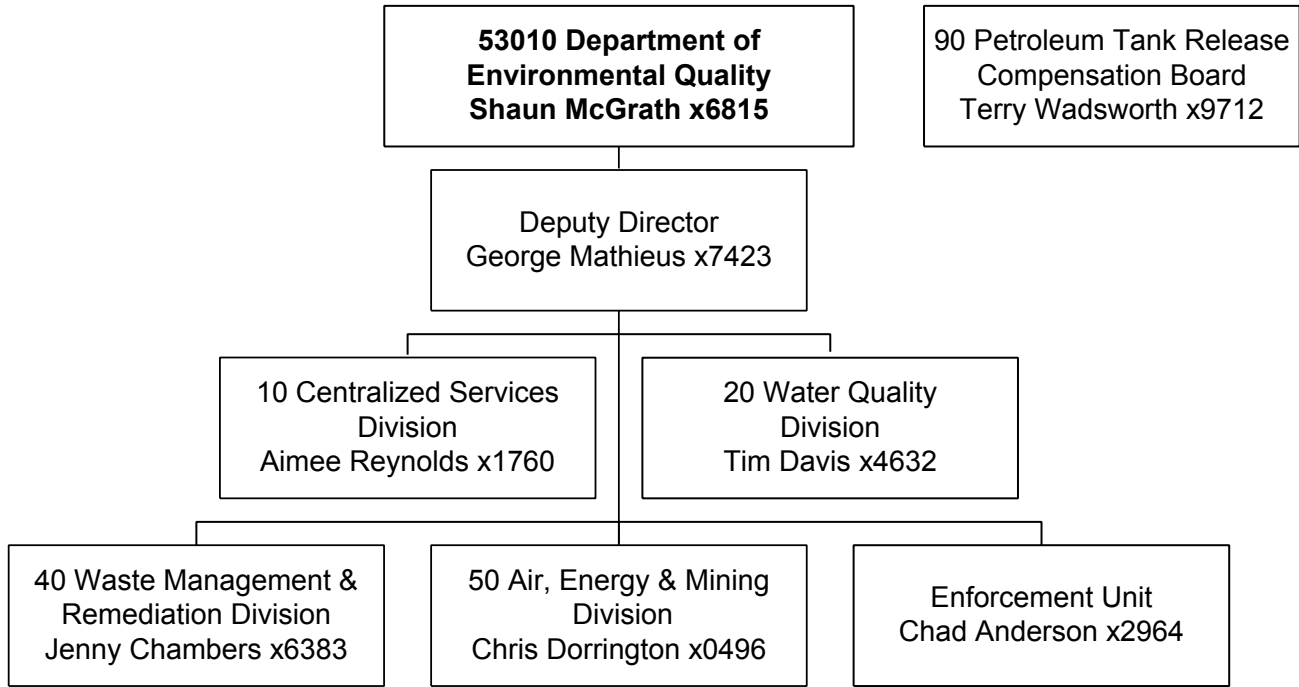
-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$80,497)
FY 2023	\$0	(\$79,939)

**SWPL - 1 - Personal Services -**

The budget includes funding to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

## Department of Environmental Quality - 53010



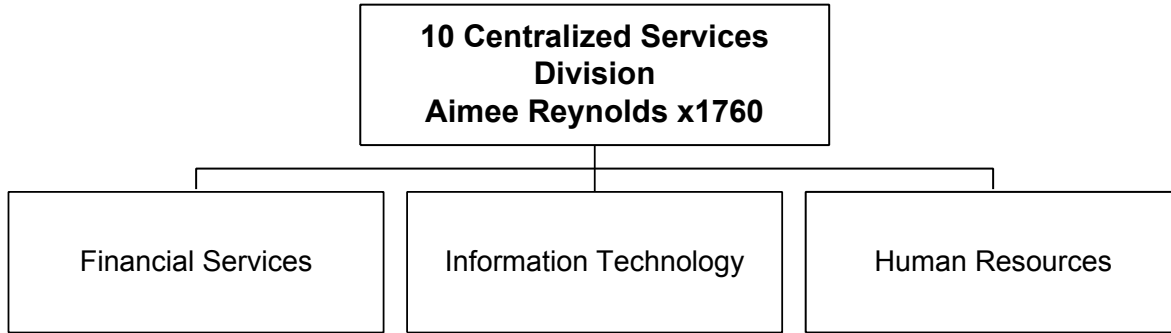
**Mission Statement** - To protect, sustain, and improve a clean and healthful environment to benefit present and future generations.

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

Agency Proposed Budget	Total Exec. Budget Fiscal 2022	Total Exec. Budget Fiscal 2023	Total Exec. Budget 2023 Biennium
Budget Item			
FTE	55.50	55.50	
Personal Services	4,878,118	4,894,469	9,772,587
Operating Expenses	4,034,128	3,875,050	7,909,178
Equipment & Intangible Assets	119,739	119,739	239,478
Transfers	5,000	5,000	10,000
Debt Service	18,700	18,700	37,400
<b>Total Costs</b>	<b>\$9,055,685</b>	<b>\$8,912,958</b>	<b>\$17,968,643</b>
Proprietary Funds	9,055,685	8,912,958	17,968,643
<b>Total Funds</b>	<b>\$9,055,685</b>	<b>\$8,912,958</b>	<b>\$17,968,643</b>

# Department of Environmental Quality - 53010

## Centralized Services Division - 10



Program Proposed Budget	Starting Point Fiscal 2021	Budget Adjustments Fiscal 2022	Total Exec. Budget Fiscal 2022	Budget Adjustments Fiscal 2023	Total Exec. Budget Fiscal 2023	Executive Budget Request 2023 Biennium
FTE	55.50	0.00	55.50	0.00	55.50	
Personal Services	4,973,179	(95,061)	4,878,118	(78,710)	4,894,469	9,772,587
Operating Expenses	3,826,621	207,507	4,034,128	48,429	3,875,050	7,909,178
Equipment & Intangible Assets	119,739	0	119,739	0	119,739	239,478
Transfers	5,000	0	5,000	0	5,000	10,000
Debt Service	18,700	0	18,700	0	18,700	37,400
<b>Total Costs</b>	<b>\$8,943,239</b>	<b>\$112,446</b>	<b>\$9,055,685</b>	<b>(\$30,281)</b>	<b>\$8,912,958</b>	<b>\$17,968,643</b>
Proprietary Funds	8,943,239	112,250	9,055,685	(30,477)	8,912,958	17,968,643
<b>Total Funds</b>	<b>\$8,943,239</b>	<b>\$112,250</b>	<b>\$9,055,685</b>	<b>(\$30,477)</b>	<b>\$8,912,958</b>	<b>\$17,968,643</b>

**Proprietary Program Description -  
Fund 06509 DEQ Indirects**

The Central Services Division is funded with a proprietary fund. As such, the legislature does not appropriate funds but rather approves rates for the proprietary fund. The DEQ indirect fund supports common functions across DEQ including administration, human resources, and information technology. In this regard, the indirect fund can be thought of as the "overhead" of DEQ.

*Revenues and Expenses*

The fund is supported by a charge against other divisions of DEQ. The percentage of the charge is approved by the United States Environmental Protection Agency.

The functions supported by the indirect fund in Central Services include:

- Management                      Information Technology
- Budgeting                        EE Safety Program
- Accounting                        Continuous Process Improvement
- Payroll                             Records Management
- Procurement                      HR Services
- Contract Management            Emergency Management Services

*Rate(s) and Rate Explanation*

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

## Department of Environmental Quality - 53010

### Centralized Services Division - 10

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

*Changes in Level of Fees and Charges There are no changes in services or fees requested.*

Requested Rates for Internal Service

Rate Information

Fee Description:	Actual	Actual	Estimated	Estimated	Proposed	Proposed
	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23
Personal Services Indirect	23.25%	24%	24%	24%	24%	24%
Operating Expense Indirect	4%	4%	4%	4%	4%	4%

*Working Capital and Fees Commensurate Analysis:*

2023 Biennium Internal Service Fund							
Working Capital and Fees Commensurate Analysis							
Fund	Fund Name	Agency #	Agency Name		Program Name		
6509	DEQ Indirects	53010	Environmental Quality		Centralized Svcs Division		
			Actual	Actual	Estimated	Estimated	Proposed
			FY 18	FY 19	FY 20	FY 21	FY 22
							Proposed
							FY 23
<b>Cash Available for Fund Operations</b>							
<b>(Working Capital)</b>							
Current Assets			577,172	907,568	885,834		
Less Current Liabilities			(505,483)	(539,428)	(569,411)		
Working Capital (WC)			71,690	368,139	361,984	134,765	95,296
							198,554
<b>Cash Required for Fund Operations</b>							
60 Days Operations Expense			1,306,168	1,235,715	1,257,103	1,423,040	1,508,415
Difference			(1,234,478)	(867,576)	(895,118)	(1,288,275)	(1,413,119)
							(1,286,073)
Budgeted WC = Actual WC FY 2019 + or - Estimated FY 2020 and FY 2021, and Proposed FY 2022 and FY 2023, Change in Net Position							

# Department of Environmental Quality - 53010

## Centralized Services Division - 10

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 53010	Agency Name: Department of Environmental Quality			Program Name: Centralized Services Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06509	DEQ Indirects				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	4,997,557	4,615,947	4,955,401	5,400,000	6,000,000	6,000,000
Fee Revenue B	2,386,709	3,018,660	2,572,754	2,900,000	3,000,000	3,000,000
Fee Revenue D	17,008	7,941	5,956	5,843	5,843	5,843
<b>Total Operating Revenues</b>	<b>7,401,274</b>	<b>7,642,548</b>	<b>7,534,111</b>	<b>8,305,843</b>	<b>9,005,843</b>	<b>9,005,843</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	4,775,859	4,174,086	4,324,417	4,573,179	4,878,118	4,894,469
Loans and Lease Payments	3,061,147	3,240,205	3,283,937	3,477,741	4,085,586	3,926,508
	-	-	1,118	18,700	18,700	18,700
<b>Total Operating Expenses</b>	<b>7,837,006</b>	<b>7,414,291</b>	<b>7,609,472</b>	<b>8,069,620</b>	<b>8,982,404</b>	<b>8,839,677</b>
<b>Operating Income (Loss)</b>	<b>(435,732)</b>	<b>228,257</b>	<b>(75,361)</b>	<b>236,223</b>	<b>23,439</b>	<b>166,166</b>
Nonoperating Revenues:						
Other Revenue A	1,870	-	-	-	-	-
Other Revenue B	138	28	131	176	176	176
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>2,008</b>	<b>28</b>	<b>131</b>	<b>176</b>	<b>176</b>	<b>176</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(433,724)</b>	<b>228,285</b>	<b>(75,230)</b>	<b>236,399</b>	<b>23,615</b>	<b>166,342</b>
Transfers Out	(873)	-	-	(5,000)	(5,000)	(5,000)
<b>Change in Net Position</b>	<b>(434,597)</b>	<b>228,285</b>	<b>(75,230)</b>	<b>231,399</b>	<b>18,615</b>	<b>161,342</b>
<b>Beginning Net Position - July 1</b>	<b>404,303</b>	<b>(31,271)</b>	<b>197,014</b>	<b>121,784</b>	<b>353,183</b>	<b>371,798</b>
Prior Period Adjustments	(977)	-	-	-	-	-
Change in Net Position	(434,597)	228,285	(75,230)	231,399	18,615	161,342
<b>Ending Net Position - June 30</b>	<b>(31,271)</b>	<b>197,014</b>	<b>121,784</b>	<b>353,183</b>	<b>371,798</b>	<b>533,140</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$95,061)
FY 2023	\$0	(\$78,710)

### SWPL - 1 - Personal Services -

The budget includes adjustments in FY 2022 and FY 2023 to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

# Department of Environmental Quality - 53010

## Centralized Services Division - 10

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$285,466
FY 2023	\$0	\$126,253

**SWPL - 2 - Fixed Costs -**

The request includes adjustments in FY 2022 and FY 2023 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$361)
FY 2023	\$0	(\$226)

**SWPL - 3 - Inflation Deflation -**

This change package includes reductions in FY 2022 and FY 2023 to reflect budgetary changes generated from the application of inflation to specific expenditure accounts. Affected accounts include those associated with the statewide Motor Pool operated by the Department of Transportation.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$77,794)
FY 2023	\$0	(\$77,794)

**PL - 99 - ServiceNow Reduction -**

The budget includes a reduction of \$77,794 in FY 2022 and \$77,794 in FY 2023 to reflect efficiencies that will be achieved due to the statewide implementation of ServiceNow software.

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

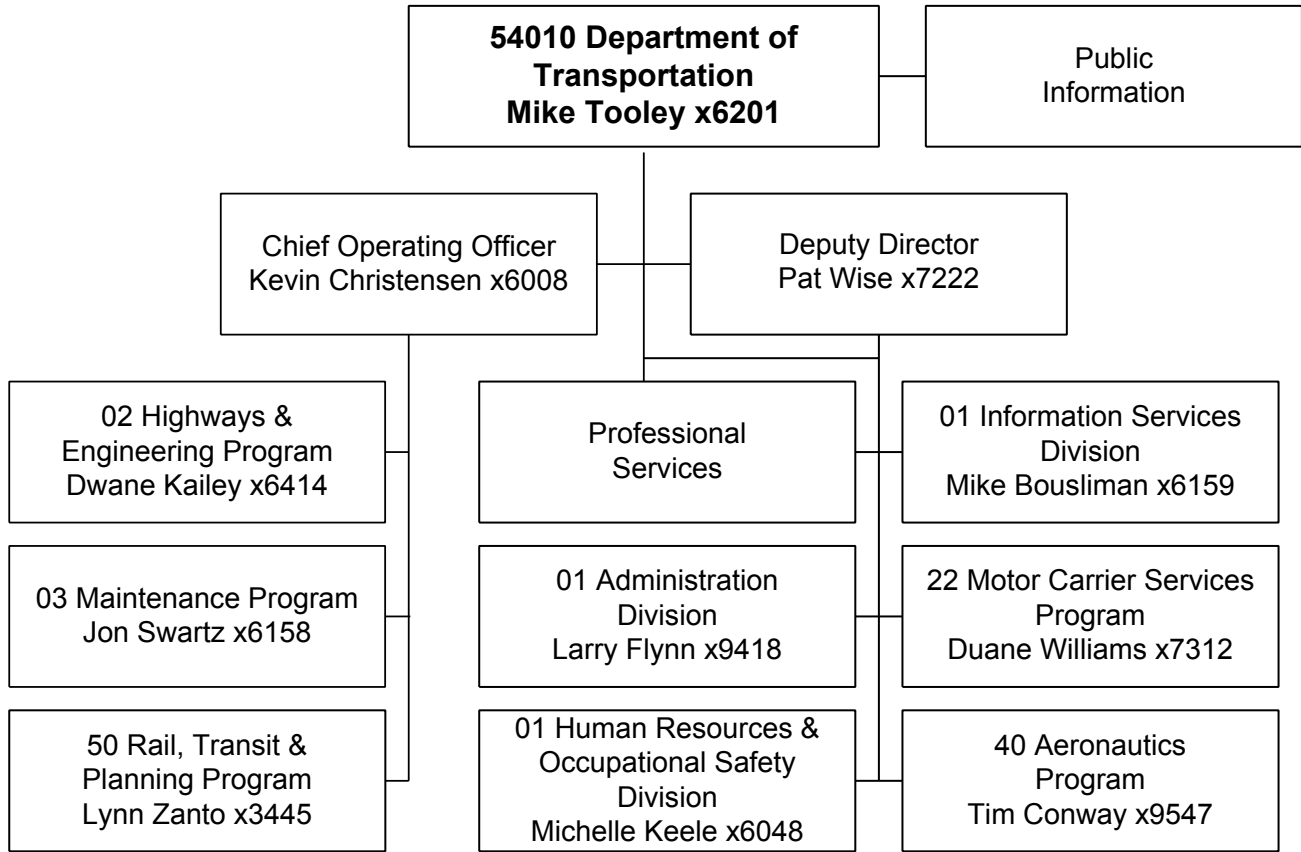
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$196
FY 2023	\$0	\$196

**NP - 98 - NRIS/GIS Fixed Costs -**

*This request is for \$196 each year of the 2023 biennium for a new proposed NRIS/GIS usage fixed cost to be paid to the Montana State Library. This action is in line with the Legislative Finance Committee proposal to include these costs in the statewide fixed cost adjustments.*



## Department of Transportation - 54010



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

**Statutory Authority** - Title 2, Chapter 15, part 25; and Titles 15-70, 60, 61, and 67 MCA; Title s 23 and 49 USC, Titles 23 and 49 CFR .

Agency Proposed Budget	Total Exec. Budget Fiscal 2022	Total Exec. Budget Fiscal 2023	Total Exec. Budget 2023 Biennium
Budget Item			
FTE	131.50	131.50	
Personal Services	10,595,470	10,629,267	21,224,737
Operating Expenses	16,313,309	16,303,867	32,617,176
Equipment & Intangible Assets	12,916,881	12,916,881	25,833,762
Debt Service	19,449	19,449	38,898
<b>Total Costs</b>	<b>\$39,845,109</b>	<b>\$39,869,464</b>	<b>\$79,714,573</b>
Proprietary Funds	39,845,109	39,869,464	79,714,573
<b>Total Funds</b>	<b>\$39,845,109</b>	<b>\$39,869,464</b>	<b>\$79,714,573</b>

## Department of Transportation - 54010

### Motor Pool Program - 07

Program Proposed Budget	Starting Point	Budget Adjustments	Total	Budget	Total	Executive
Budget Item	Fiscal 2021	Fiscal 2022	Exec. Budget Fiscal 2022	Adjustments Fiscal 2023	Exec. Budget Fiscal 2023	Budget Request 2023 Biennium
FTE	6.00	0.00	6.00	0.00	6.00	
Personal Services	441,191	7,334	448,525	8,168	449,359	897,884
Operating Expenses	2,226,749	(29,535)	2,197,214	(33,458)	2,193,291	4,390,505
Equipment & Intangible Assets	3,801,753	0	3,801,753	0	3,801,753	7,603,506
Debt Service	19,449	0	19,449	0	19,449	38,898
<b>Total Costs</b>	<b>\$6,489,142</b>	<b>(\$22,201)</b>	<b>\$6,466,941</b>	<b>(\$25,290)</b>	<b>\$6,463,852</b>	<b>\$12,930,793</b>
Proprietary Funds	6,489,142	(22,201)	6,466,941	(25,290)	6,463,852	12,930,793
<b>Total Funds</b>	<b>\$6,489,142</b>	<b>(\$22,201)</b>	<b>\$6,466,941</b>	<b>(\$25,290)</b>	<b>\$6,463,852</b>	<b>\$12,930,793</b>

#### **Proprietary Program Description - Motor Pool Program-06506**

The State Motor Pool operates and maintains a fleet of vehicles available to all state offices and employees who conduct official state business. The State Motor Pool has two basic components: 1) the daily rental fleet and 2) the out-stationed lease fleet. The daily rental program operates out of the Helena headquarters facility and provides vehicles for short-term use. The leasing program provides vehicles for extended assignment to agencies statewide.

The Motor Pool supports 6.00 FTE.

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

Use of the program is optional to agencies when personnel are required to travel by vehicle for official state business, but is encouraged in the Montana Operations Manual (MOM). Other options to use by state employees are: 1) other state-owned vehicles not part of the State Motor Pool fleet; 2) personal vehicles, with authorization provided by the agency director; or 3) vehicles from a private rental agency contract. The rate for the use of personal vehicles, for state business travel, are set at \$0.575 per mile by the Internal Revenue Service for the current year if the State employee qualifies according to the conditions as discussed in the Employee Travel policy of the MOM manual.

The program does not expect any major changes to the customer base.

# Department of Transportation - 54010

## Motor Pool Program - 07

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 54010	Agency Name: Department of Transportation		Program Name: Motor Pool Program			
	<b>Fund</b>	<b>Fund Name</b>				
	06506	Motor Pool - Int Svc				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Revenue A	4,274,327	4,648,207	4,657,719	4,825,045	4,946,744	5,211,076
Revenue B	8,414	1,504	97,886	35,935	35,935	35,935
<b>Total Operating Revenues</b>	<b>4,282,741</b>	<b>4,649,711</b>	<b>4,755,605</b>	<b>4,860,980</b>	<b>4,982,679</b>	<b>5,247,011</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	393,159	424,501	424,259	441,191	448,525	449,359
Expense B	4,142,695	4,355,892	4,010,411	42,063,358	4,320,703	4,584,201
<b>Total Operating Expenses</b>	<b>208,516</b>	<b>189,664</b>	<b>134,369</b>	<b>177,516</b>	<b>177,516</b>	<b>177,516</b>
<b>Operating Income (Loss)</b>	<b>4,744,370</b>	<b>4,970,057</b>	<b>4,569,039</b>	<b>42,682,065</b>	<b>4,946,744</b>	<b>5,211,076</b>
<b>Nonoperating Revenues:</b>						
Other Revenue A						
<b>Total Nonoperating Revenues (Expenses)</b>	97,692	57,439	41,498	65,543	65,543	65,543
<b>Nonoperating Expenses:</b>						
<b>Income (Loss) Before Contributions and Transfers</b>	97,692	57,439	41,498	65,543	65,543	65,543
<b>Change in Net Position</b>	(363,937)	(262,907)	228,064	(37,755,542)	101,478	101,478
<b>Beginning Net Position - July 1</b>	6,516,094	6,133,151	5,870,244	6,098,308	(31,657,234)	(31,555,756)
Prior Period Adjustments	(19,006)	-	-	-	-	-
<b>Ending Net Position - June 30</b>	<b>(363,937)</b>	<b>(262,907)</b>	<b>228,064</b>	<b>(37,755,542)</b>	<b>101,478</b>	<b>101,478</b>
<b>Net Position (Fund Balance) Analysis</b>	6,133,151	5,870,244	6,098,308	(31,657,234)	(31,555,756)	(31,454,278)

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$7,334
FY 2023	\$0	\$8,168

**SWPL - 1 - Personal Services -**

The budget includes an increase of \$7,334 in FY 2022 and \$8,168 in FY 2023 to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings. Additional factors contributing to the budget request include overtime, differential and per diem.

## Department of Transportation - 54010

### Motor Pool Program - 07

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$29,535)
FY 2023	\$0	(\$33,458)

#### **SWPL - 2 - Fixed Costs -**

The request includes a reduction of \$29,535 in FY 2022 and \$33,458 in FY 2023 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, SITSD charges, and others. The rates charged for these services are approved in a separate portion of the budget.

## Department of Transportation - 54010

### Equipment Program - 08

Program Proposed Budget	Starting Point	Budget Adjustments	Total	Budget	Total	Executive
Budget Item	Fiscal 2021	Fiscal 2022	Exec. Budget Fiscal 2022	Adjustments Fiscal 2023	Exec. Budget Fiscal 2023	Budget Request 2023 Biennium
FTE	123.00	0.00	123.00	0.00	123.00	
Personal Services	9,661,226	262,030	9,923,256	294,274	9,955,500	19,878,756
Operating Expenses	14,015,169	(60,209)	13,954,960	(65,722)	13,949,447	27,904,407
Equipment & Intangible Assets	7,115,128	2,000,000	9,115,128	2,000,000	9,115,128	18,230,256
<b>Total Costs</b>	<b>\$30,791,523</b>	<b>\$2,201,821</b>	<b>\$32,993,344</b>	<b>\$2,228,552</b>	<b>\$33,020,075</b>	<b>\$66,013,419</b>
Proprietary Funds	30,791,523	2,201,821	32,993,344	2,228,552	33,020,075	66,013,419
<b>Total Funds</b>	<b>\$30,791,523</b>	<b>\$2,201,821</b>	<b>\$32,993,344</b>	<b>\$2,228,552</b>	<b>\$33,020,075</b>	<b>\$66,013,419</b>

#### **Proprietary Program Description - Equipment Program-06508**

The Equipment Program rental rates are based on a dual rate structure. The users pay a usage rate and an assigned rate. The usage rate is a mileage rate that is applied according to the actual miles/hours used by a vehicle or piece of equipment. The usage rate is designed to recover "direct costs" that include labor, parts, fuel, lubricants, and tires. The assigned rate is a per hour rate designed to recover "fixed costs" such as insurance, depreciation, and administrative overhead costs. Rental rates are adjusted yearly. The rates are based on the actual operational costs for each vehicle sub-class during the base rental period. These costs are adjusted to reflect changes in operations or operating costs from the base. The effects are internal to the Department of Transportation and the program is held accountable to ensure the rates recover only needed operational monies. Rates are now being adjusted in August of each calendar year, so the Equipment Bureau can have final financial numbers from the previous fiscal year to build more accurate rates.

The Equipment Program rates are calculated to be commensurate with costs each year using data from the Equipment Vehicle Management System (EVMS) to identify indirect and direct costs for each class. The EVMS data is reconciled to SABHRS financial data and inflation factors are applied using Inflation.com information. The Equipment program financial team reviews the rates monthly to determine if they are commensurate with costs. There are no requirements to reserve a fund balance.

# Department of Transportation - 54010

## Equipment Program - 08

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 54010	Agency Name: Department of Transportation			Program Name: Equipment Program		
	<b>Fund</b>	<b>Fund Name</b>				
	06508	Highway Equipment - Int Svc.				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	29,822,437	30,386,036	31,964,634	30,671,602	31,591,751	32,285,035
Revenue C	10,535	16,127	12,378	13,013	13,013	13,013
<b>Total Operating Revenues</b>	<b>29,832,972</b>	<b>30,402,163</b>	<b>31,977,012</b>	<b>30,684,615</b>	<b>31,604,764</b>	<b>32,298,048</b>
<b>Expenses:</b>						
Personal Services	8,596,729	8,969,867	9,201,619	9,661,226	9,923,256	9,555,500
Other Operating Expenses	22,509,614	22,040,933	21,036,922	20,745,706	21,668,495	22,329,535
<b>Total Operating Expenses</b>	<b>31,106,343</b>	<b>31,010,800</b>	<b>30,238,541</b>	<b>30,406,932</b>	<b>31,591,751</b>	<b>31,885,035</b>
<b>Operating Income (Loss)</b>	<b>(1,273,371)</b>	<b>(608,637)</b>	<b>1,738,471</b>	<b>277,683</b>	<b>13,013</b>	<b>413,013</b>
Nonoperating Revenues:						
Other Revenue A	280	-	498	259	259	259
Other Revenue B	200,522	161,049	141,268	167,613	167,613	167,613
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>200,802</b>	<b>161,049</b>	<b>141,766</b>	<b>167,872</b>	<b>167,872</b>	<b>167,872</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(1,072,569)</b>	<b>(447,588)</b>	<b>1,880,237</b>	<b>445,555</b>	<b>180,885</b>	<b>580,885</b>
Capital Contributions	-	1,685,637	100,000	-	-	-
<b>Change in Net Position</b>	<b>(1,072,569)</b>	<b>1,238,049</b>	<b>1,980,237</b>	<b>445,555</b>	<b>180,885</b>	<b>580,885</b>
<b>Beginning Net Position - July 1</b>	<b>79,266,119</b>	<b>76,058,828</b>	<b>77,264,591</b>	<b>79,244,329</b>	<b>79,689,884</b>	<b>79,870,769</b>
Prior Period Adjustments	(2,134,722)	(32,286)	(499)	-	-	-
Change in Net Position	(1,072,569)	1,238,049	1,980,237	445,555	180,885	580,885
<b>Ending Net Position - June 30</b>	<b>76,058,828</b>	<b>77,264,591</b>	<b>79,244,329</b>	<b>79,689,884</b>	<b>79,870,769</b>	<b>80,451,654</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$262,030
FY 2023	\$0	\$294,274

**SWPL - 1 - Personal Services -**

The budget includes an increase of \$262,030 in FY 2022 and \$294,274 in FY 2023 to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings. Additional factors contributing to the budget request include overtime, differential and per diem.

## Department of Transportation - 54010

### Equipment Program - 08

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$60,084)
FY 2023	\$0	(\$65,644)

**SWPL - 2 - Fixed Costs -**

The request includes a reduction of \$60,084 in FY 2022 and \$65,644 in FY 2023 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, SITSD charges, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$125)
FY 2023	\$0	(\$78)

**SWPL - 3 - Inflation Deflation -**

This change package includes a reduction of \$125 in FY 2022 and \$78 in FY 2023 to reflect budgetary changes generated from the application of inflation to specific expenditure accounts. Affected accounts include those associated with the statewide Motor Pool operated by the Department of Transportation.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$2,000,000
FY 2023	\$0	\$2,000,000

**PL - 801 - Equipment Purchase Funding -**

This request is for \$2,000,000 in both FY 2022 and FY 2023. MDT's fleet is aging and becoming expensive to maintain. The cost of repair parts has been significantly increasing and the Equipment Bureau is finding it difficult to order parts for older equipment. MDT's fleet is critical to the agency operations since these vehicles and equipment are the primary tool for many program employees to perform their jobs.

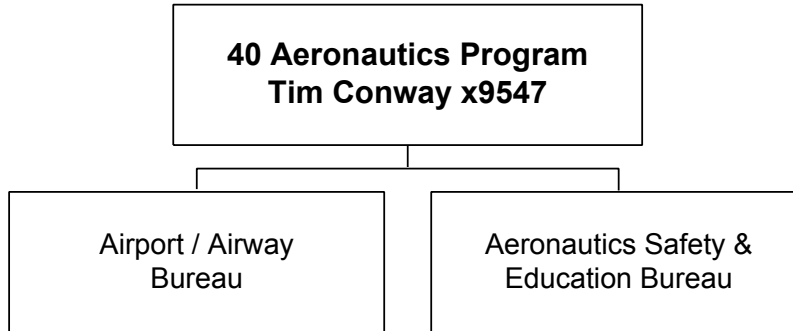
The Equipment Bureau have averaged approximately \$6.4 million in equipment purchases since FY 2012. Inflation in the cost of new equipment has ranged from a low of 20% to a high of 150% in the common equipment purchased in the past 8 years. This has resulted in difficulty replacing equipment at the end of its useful life. The difficulty in replacing aging equipment has led to large increases in spending on repair parts and required us to request additional budget authority the past couple of fiscal years. Since FY 2012 there has been a 73% or \$1.4M increase in spending on repair parts. We believe the trend will continue if we don't increase our level of spending on equipment replacements.

The Equipment Bureau purchased approximately 100 new snow plows in FY 2000 for secondary roads take over. These snow plows are aging, becoming expensive to maintain, and needing replacement. Replacing these snow plows is an identified area where the funding could be used to update our fleet. The useful life on these trucks is set at 12 years making them 8 years past their useful life. The average mileage on these trucks is 237,938 miles, with the highest mileage at 366,000. The average age of the entire tandem truck fleet is 15+ years and the average odometer is 178,573. The program replaces between 15 and 20 truck per year and do the fabrication in the central shop. It costs the Equipment Bureau \$175,000 to fabricate a snow plow which is a savings of about \$90,000 as compared to a turn key truck. The program has an additional 140 trucks that are over 20 years old with the oldest at 35 years old.

Other western states have tandem fleets that average between 9 and 15 years old with average odometers between 72,000 and 230,000 miles.

# Department of Transportation - 54010

## Aeronautics Program - 40



Program Proposed Budget	Starting Point Fiscal 2021	Budget Adjustments Fiscal 2022	Total Exec. Budget Fiscal 2022	Budget Adjustments Fiscal 2023	Total Exec. Budget Fiscal 2023	Executive Budget Request 2023 Biennium
Budget Item						
FTE	2.50	0.00	2.50	0.00	2.50	
Personal Services	242,270	(18,581)	223,689	(17,862)	224,408	448,097
Operating Expenses	161,237	(102)	161,135	(108)	161,129	322,264
<b>Total Costs</b>	<b>\$403,507</b>	<b>(\$18,683)</b>	<b>\$384,824</b>	<b>(\$17,970)</b>	<b>\$385,537</b>	<b>\$770,361</b>
Proprietary Funds	403,507	(18,683)	384,824	(17,970)	385,537	770,361
<b>Total Funds</b>	<b>\$403,507</b>	<b>(\$18,683)</b>	<b>\$384,824</b>	<b>(\$17,970)</b>	<b>\$385,537</b>	<b>\$770,361</b>

### Proprietary Program Description - Yellowstone Airport - 06007

#### Program Description

The Yellowstone Airport located two miles north of the Town of West Yellowstone, Montana provides the closest private and commercial air service to Yellowstone National Park, as well as service for a multitude of other recreational opportunities in the surrounding greater Yellowstone area. The airport operates seasonally and is closed during the winter months as it does not conduct snow removal operations. The airport is typically open for six months each year with seasonal commercial air service provided by SkyWest Air Lines dba Delta Connection from early-May to mid-October. The airport accomplishes these missions with extensive facilities to accommodate all sized aircraft and operations ranging from large four engine commercial service jets to small single engine aircraft.

Airside facilities at the airport include an 8,400' runway and taxiway, as well as large parking apron and hangar areas for all types of aircraft operations. The runway is equipped with a precision approach instrument landing system (ILS) and a GPS approach accommodating air traffic even during the most inclement weather conditions. The airport also supports and maintains an Automated Weather Observing System (AWOS) which reports directly to the National Weather Service (NWS) and broadcasts locally to air traffic over a VHF transmission. Other airport facilities include a commercial terminal building with tenants that include a restaurant, rental car agencies, Transportation Security Administration (TSA) offices, airline offices, and airport administration and operations. Also located on the field are several outbuildings and other facilities housing bulk fuel storage, a fixed based operator (FBO), an air ambulance base, and Airport Rescue Fire Fighting (ARFF) services. The US Forest Service operates an inter-agency fire control center with direct through the fence access to the airfield. A wildlife fence surrounds the entire airport property.

#### Revenues and Expenses

Fees for leases and other business services are both market and recovery based. Additional operating expenses are planned in the 2023 biennium to keep the airport in compliance with FAA mandates and advisory circulars.

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



## Department of Transportation - 54010

### Aeronautics Program - 40

are employed seasonally.

#### Rates and Rate Explanation

There are planned fee increases for the 2023 biennium. Rates will increase for the following: Landing Fees for air carriers will go from \$1.45 to \$1.55 per pound, building leases will increase from \$0.14 to \$0.16 (improved) and \$0.07 to \$0.08 per sq. foot, Non-Aero rentals City will increase in 2022 to \$41,209 per year and in 2023 to \$41,827 per year up from \$40,000 per year and the Chamber Snow Shoot has a mixed increase and decrease.

#### Projected Fund Balance, Including Cash Fluctuations

The enterprise revenue sources when combined with existing working capital balances are projected to recover sufficient cash to fund projected expenditures at the airport. The cash needed for 60-days of personal services and operating expenses average, three-year period (FY2020 – FY2023), are approximately \$67,251.

Annual budgeted expenses at the Yellowstone Airport for a three-year period (FY2021 – FY2023) average \$387,955/year that also includes match needed for federal projects occurring at the airport. The Yellowstone Airport currently supports 2.50 FTE. The FTE are needed to maintain federal airport certification requirements.

The Yellowstone Airport proprietary fund balance is forecast to increase with a decrease in expenses for FY2021 through FY2023. This is due to a CARES (COVID-19) grant that will help with certain expenditures. Projected projects coming to the airport, mainly the airport terminal. Management objectives are to use part of the available fund balance as needed to satisfy recent necessary federal airport certification requirements. There is no anticipated fluctuation of cash into the program and conservation of fund equity is to remain a high priority to offset additional Federal Airport Certification and Security requirements.

#### Working Capital Analysis

In past biennia, the West Yellowstone Airport has maintained an adequate cash balance to meet operational needs and provide the required match for federal airport improvement grants. The 2023 biennium brings a new challenge to sustaining both operating needs and providing the required match for anticipated federal funds. These projects are necessary to meet FAR 139 requirements and TSA security requirements to maintain the airport's commercial operating certificate to host scheduled air carrier service. Safety is of the highest priority at West Yellowstone Airport.

# Department of Transportation - 54010

## Aeronautics Program - 40

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 54010	Agency Name: Department of Transportation			Program Name: Aeronautics Program		
	<b>Fund</b>	<b>Fund Name</b>				
	06007	Yellowstone Airport				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
	87,324	84,381	69,154	82,973	82,973	82,973
	415,698	400,876	351,014	358,820	358,820	358,820
	503,022	485,257	420,168	441,793	441,793	441,793
<b>Expenses:</b>						
Personal Services						
	189,105	210,169	91,900	242,270	223,689	224,408
Other Operating Expenses						
	363,033	145,809	86,188	161,237	161,135	161,129
	552,138	355,978	178,088	403,507	384,824	385,537
<b>Operating Income (Loss)</b>						
	(49,116)	129,279	242,080	38,286	56,969	56,256
Nonoperating Revenues:						
Other Revenue A						
	2,593	-	446,957	-	-	-
Nonoperating Expenses:						
Other Expense A						
	(65,328)	235,830	212,300	-	-	-
	(62,735)	235,830	659,257	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>						
	(111,851)	365,109	901,337	38,286	56,969	56,256
Capital Contributions						
	2,815,991	137,169	226,106	6,500	-	-
Transfers In						
	317,969	25,055	9,260	7,000	7,000	7,000
	3,022,109	527,333	1,136,703	51,786	63,969	63,256
<b>Beginning Net Position - July 1</b>						
	6,709,308	12,567,822	16,124,003	17,331,035	17,382,821	17,446,790
Prior Period Adjustments						
	2,836,405	3,028,848	70,329	-	-	-
	3,022,109	527,333	1,136,703	51,786	63,969	63,256
	12,567,822	16,124,003	17,331,035	17,382,821	17,446,790	17,510,046
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$18,581)
FY 2023	\$0	(\$17,862)

**SWPL - 1 - Personal Services -**

The budget includes funding to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings. Additional factors contributing to the budget request include per diem.

## Department of Transportation - 54010

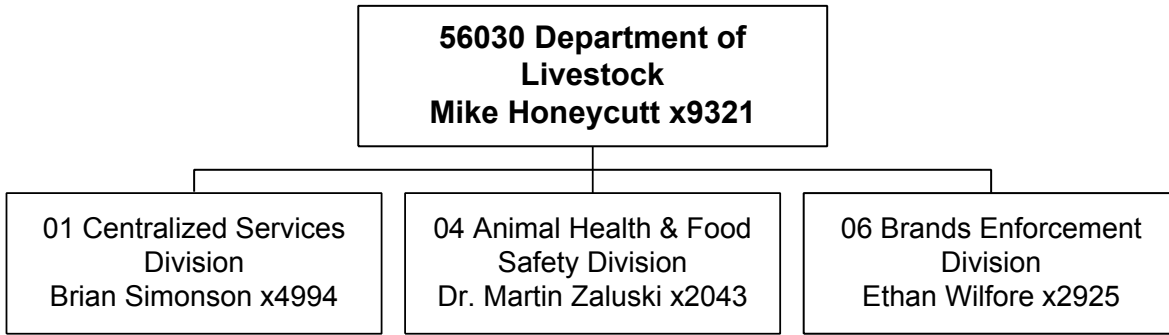
### Aeronautics Program - 40

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$102)
FY 2023	\$0	(\$108)

#### **SWPL - 2 - Fixed Costs -**

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

## Department of Livestock - 56030



**Mission Statement** - The Department of Livestock exercises general supervision over and, so far as possible, protects the livestock interests of the state from theft and disease and recommends legislation that in the judgment of the department fosters the livestock industry.

**Statutory Authority** - Title 81 & 2-15-3101, MCA

Agency Proposed Budget	Total Exec. Budget Fiscal 2022	Total Exec. Budget Fiscal 2023	Total Exec. Budget 2023 Biennium
Budget Item			
FTE	4.75	4.75	
Personal Services	328,766	329,229	657,995
Operating Expenses	848,224	848,094	1,696,318
Equipment & Intangible Assets	19,967	19,967	39,934
<b>Total Costs</b>	<b>\$1,196,957</b>	<b>\$1,197,290</b>	<b>\$2,394,247</b>
Proprietary Funds	1,196,957	1,197,290	2,394,247
<b>Total Funds</b>	<b>\$1,196,957</b>	<b>\$1,197,290</b>	<b>\$2,394,247</b>

## Department of Livestock - 56030

### Animal Health Division - 04

**04 Animal Health & Food  
Safety Division  
Dr. Martin Zaluski x2043**

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2021	Adjustments Fiscal 2022	Exec. Budget Fiscal 2022	Adjustments Fiscal 2023	Exec. Budget Fiscal 2023	Budget Request 2023 Biennium
FTE	4.75	0.00	4.75	0.00	4.75	
Personal Services	323,209	5,557	328,766	6,020	329,229	657,995
Operating Expenses	857,532	(9,308)	848,224	(9,438)	848,094	1,696,318
Equipment & Intangible Assets	19,967	0	19,967	0	19,967	39,934
<b>Total Costs</b>	<b>\$1,200,708</b>	<b>(\$3,751)</b>	<b>\$1,196,957</b>	<b>(\$3,418)</b>	<b>\$1,197,290</b>	<b>\$2,394,247</b>
Proprietary Funds	1,200,708	(3,751)	1,196,957	(3,418)	1,197,290	2,394,247
<b>Total Funds</b>	<b>\$1,200,708</b>	<b>(\$3,751)</b>	<b>\$1,196,957</b>	<b>(\$3,418)</b>	<b>\$1,197,290</b>	<b>\$2,394,247</b>

**Proprietary Program Description -**  
06026 – MT Veterinary Diagnostic Lab

*Program Description*

The Montana Veterinary Diagnostic Laboratory (MVDL) is the only accredited, full-service veterinary laboratory in Montana. The division provides disease diagnostic support to veterinarians, livestock producers, companion animal owners, and the Department of Fish, Wildlife, & Parks as well as many other state and federal agencies. The division provides laboratory support to the department's Animal Health Division and Milk & Egg Bureau and helps protect public health by testing dairy products and testing for zoonotic diseases. The laboratory is a member and participant of the National Animal Health Laboratory Network established to provide laboratory diagnostic support in the event of a local, regional or national animal disease emergency.

*Revenues and Expenses*

Lab testing fees and charges for services collected from veterinarians and other users/customers of the lab make up the total enterprise fund revenue for the MVDL program. Enterprise funds from lab operations support nearly half of all lab operations including 4.75 employees (\$325,000) and \$865,000 in related testing expenses. The balance of revenue and expenses are budgeted in general and state special revenue funds in HB 2. The lab, in FY 2020, generated \$1,155,563 in proprietary revenue. Outside of inflationary adjustments, there are no major expected changes in services or fees from lab operations.

*Rate(s) and Rate Explanation*

Lab fee rates are predominately set by the industry across the nation. The current MVDL fee schedule can be found at:

<http://liv.mt.gov/Diagnostic-Lab/Guidance-Documents-and-Test-Fees>

Proposed revenue rates for fiscal years 2022 and 2023 are:

## Department of Livestock - 56030

### Animal Health Division - 04

#### Requested Rates for Internal Service or Enterprise Funds

#### Fee/Rate Information

	Actual FY 2018	Actual FY 2019	Estimated FY 2020	Estimated FY 2021	Proposed FY 2022	Proposed FY 2023
<b>Fee Description:</b>						
<b>Diagnostic Lab Fees</b>	\$1,043,630	\$1,021,572	\$1,155,563	\$1,196,667	\$1,196,667	\$1,196,667

#### *Projected Fund Balance, Including Cash Fluctuations*

The ending unrestricted fund balance projected for FY 2022 and FY 2023 are estimated at \$202,384 and \$207,700 respectively. It is management's objective to increase the MVDL's cash balance to deal with financial risks from issues such as the annual variability of tests performed and the repair and replacement of major lab equipment and applications, and capital improvements.

# Department of Livestock - 56030

## Animal Health Division - 04

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 56030	Agency Name: Department of Livestock		Program Name: Animal Health Division			
	<b>Fund</b>	<b>Fund Name</b>				
	06026	MT Veterinary Diagnostic Lab				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	1,043,630	1,021,572	1,155,563	1,196,667	1,196,667	1,196,667
Fee Revenue B	1,324	1,129	2,071	2,000	2,000	2,000
<b>Total Operating Revenues</b>	<b>1,044,954</b>	<b>1,022,701</b>	<b>1,157,634</b>	<b>1,198,667</b>	<b>1,198,667</b>	<b>1,198,667</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	523,540	-	193,633	323,209	328,766	329,229
Expense B	810,412	1,039,086	904,525	877,499	868,191	868,061
<b>Total Operating Expenses</b>	<b>1,335,102</b>	<b>1,039,140</b>	<b>1,098,158</b>	<b>1,200,708</b>	<b>1,196,957</b>	<b>1,197,290</b>
<b>Operating Income (Loss)</b>	<b>(290,148)</b>	<b>(16,439)</b>	<b>59,476</b>	<b>(2,041)</b>	<b>1,710</b>	<b>1,377</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(290,148)</b>	<b>(16,439)</b>	<b>59,476</b>	<b>(2,041)</b>	<b>1,710</b>	<b>1,377</b>
Transfers In						
<b>Change in Net Position</b>	<b>375,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Beginning Net Position - July 1</b>	<b>84,852</b>	<b>(16,439)</b>	<b>59,476</b>	<b>(2,041)</b>	<b>1,710</b>	<b>1,377</b>
<b>Change in Net Position</b>	<b>-</b>	<b>84,852</b>	<b>68,413</b>	<b>127,889</b>	<b>125,848</b>	<b>127,558</b>
<b>Ending Net Position - June 30</b>	<b>84,852</b>	<b>68,413</b>	<b>127,889</b>	<b>125,848</b>	<b>127,558</b>	<b>128,935</b>
<b>Net Position (Fund Balance) Analysis</b>						
Unrestricted Net Position	84,851	68,412	178,585	196,784	202,384	207,700

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$5,557
FY 2023	\$0	\$6,020

**SWPL - 1 - Personal Services -**

The budget includes adjustments to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

## Department of Livestock - 56030

### Animal Health Division - 04

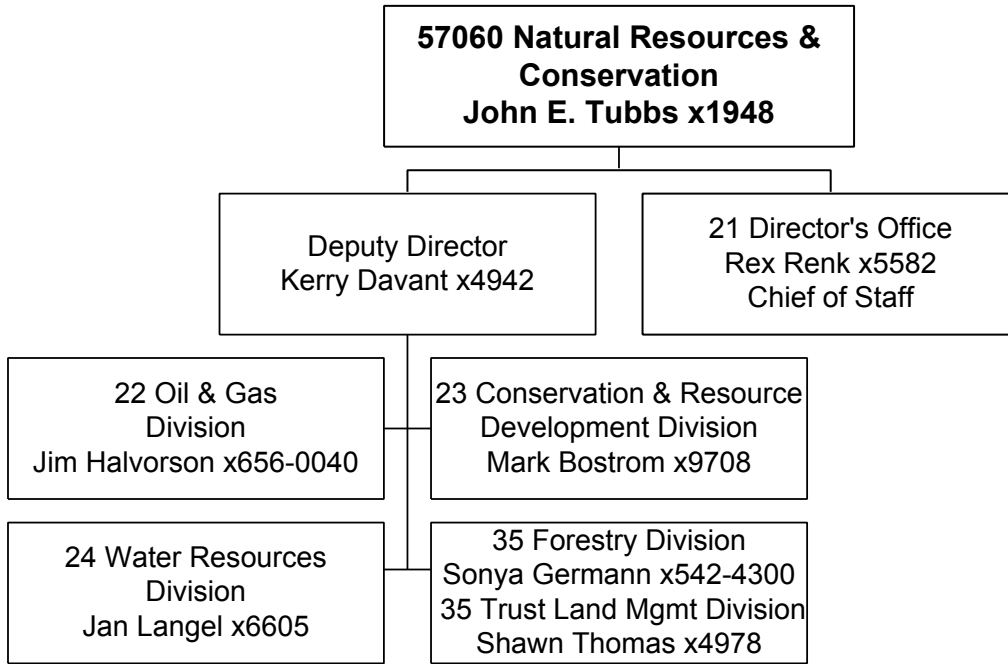
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$9,308)
FY 2023	\$0	(\$9,438)

#### **SWPL - 2 - Fixed Costs -**

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



# Department of Natural Resources and Conservation - 57060



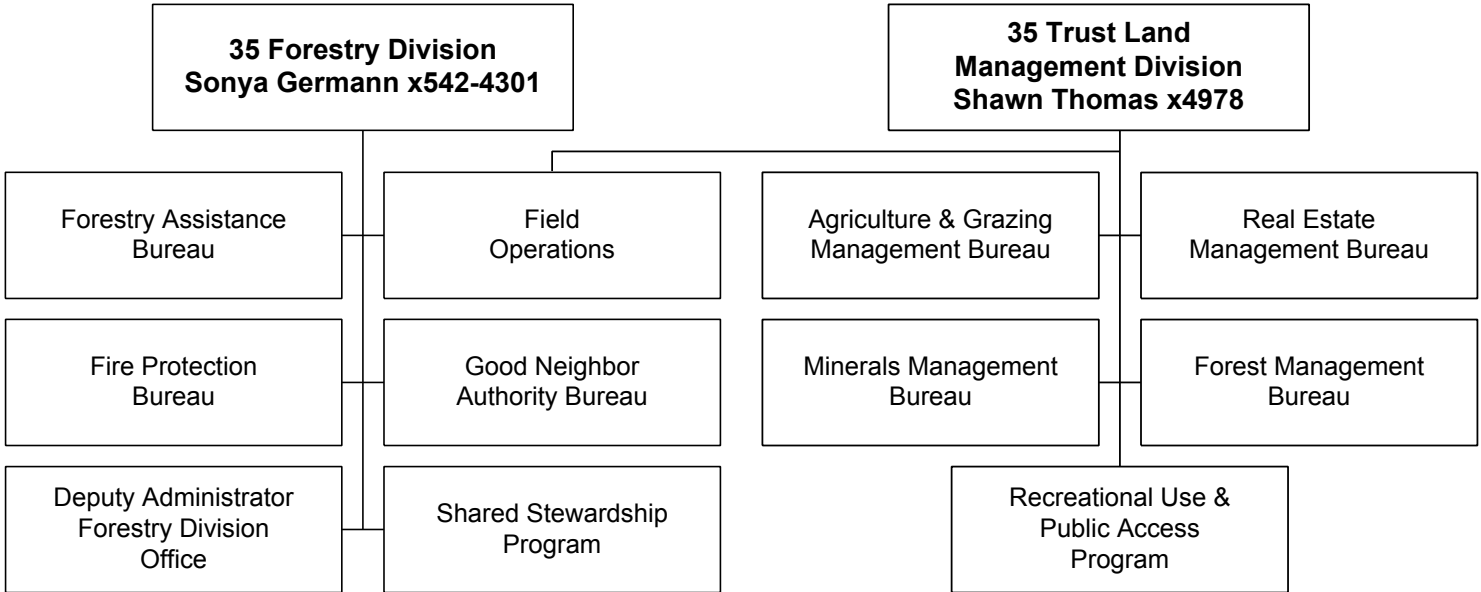
**Mission Statement** - To ensure Montana's land and water resources provide benefits for present and future generations.

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

Agency Proposed Budget			
Budget Item	Total Exec. Budget Fiscal 2022	Total Exec. Budget Fiscal 2023	Total Exec. Budget 2023 Biennium
FTE	25.15	25.15	
Personal Services	2,057,768	2,062,171	4,119,939
Operating Expenses	1,508,350	1,502,646	3,010,996
Equipment & Intangible Assets	57,500	57,500	115,000
<b>Total Costs</b>	<b>\$3,623,618</b>	<b>\$3,622,317</b>	<b>\$7,245,935</b>
Proprietary Funds	3,623,618	3,622,317	7,245,935
<b>Total Funds</b>	<b>\$3,623,618</b>	<b>\$3,622,317</b>	<b>\$7,245,935</b>

# Department of Natural Resources and Conservation - 57060

## Forestry & Trust Lands - 35



Program Proposed Budget	Starting Point Fiscal 2021	Budget Adjustments Fiscal 2022	Total Exec. Budget Fiscal 2022	Budget Adjustments Fiscal 2023	Total Exec. Budget Fiscal 2023	Executive Budget Request 2023 Biennium
FTE	25.15	0.00	25.15	0.00	25.15	
Personal Services	2,091,905	(34,137)	2,057,768	(29,734)	2,062,171	4,119,939
Operating Expenses	1,441,559	66,791	1,508,350	61,087	1,502,646	3,010,996
Equipment & Intangible Assets	57,500	0	57,500	0	57,500	115,000
<b>Total Costs</b>	<b>\$3,590,964</b>	<b>\$32,654</b>	<b>\$3,623,618</b>	<b>\$31,353</b>	<b>\$3,622,317</b>	<b>\$7,245,935</b>
Proprietary Funds	3,590,964	32,654	3,623,618	31,353	3,622,317	7,245,935
<b>Total Funds</b>	<b>\$3,590,964</b>	<b>\$32,654</b>	<b>\$3,623,618</b>	<b>\$31,353</b>	<b>\$3,622,317</b>	<b>\$7,245,935</b>

### Proprietary Program Description - Fund 06003 - State Nursery Enterprise Fund

#### Program Description

The Montana State Conservation Seedling Nursery produces and distributes seedlings for conservation plantings, including applications such as fire and logging reforestation, farmstead windbreaks, shelterbelts, wildlife habitat, stream stabilization and restoration, and other conservation uses. The program's mission is to produce the highest quality, locally-adapted, source-identified seedlings available for conservation practices in Montana and to ensure affordable seedlings are available to Montana landowners. The nursery grows an average of 900,000 seedlings annually on 87 acres of state land and in 17,760 square feet of greenhouse space. Sixty-seven plant species are currently in production. The nursery program is funded solely from the nursery proprietary account. The revenue generated funds the 10.92 FTE. Statutory authority for the program is in 77-5-404, MCA.

#### Revenues and Expenses

The primary source of revenue is seedling sales. Other revenue sources are such services as seed collection, cleaning, and storage and selling products for seedling care and protection. The customer base for nursery products and services is comprised of private landowners in Montana, the DNRC Trust Land Management Division, the Department of Fish, Wildlife and Parks, Department of Environmental Quality, Montana Natural Resource Damage Program, the Conservation Reserve Program (CRP), Native American Tribal Governments, the Wildlife Habitat Incentives Program (WHIP), Pheasants Forever, and numerous other conservation programs and organizations. Historic and projected trends in nursery revenue are

# Department of Natural Resources and Conservation - 57060

## Forestry & Trust Lands - 35

dependent on conservation activity in the state, landowner access to cost-share dollars for implementation of conservation projects, and long-term seedling production contracts from large scale conservation activities. Revenue potential is also dependent on the number of seedlings available for sale each fiscal year. Sales are predicted two to three years in advance due to the two to three year production time needed for each seedling type. This can lead to seedling shortages or surpluses when unforeseen events such as extended drought or extreme fire seasons alter demand for seedlings.

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

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

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

### *Projected Fund Balance, Including Cash Fluctuations*

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

## **Fund 06538 - Air Operations Internal Svc**

### *Program Description*

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

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

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

### *Revenues and Expenses*

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

The primary source of revenue is the collection of aircraft flight charges. Additional transfer-in revenue is received from HB 2 transfers of fixed costs from the general fund and the fire protection tax revenues. The department has limited cooperative

# Department of Natural Resources and Conservation - 57060

## Forestry & Trust Lands - 35

agreements to assist federal agencies (U.S. Forest Service, BLM, USFWS, BIA, & NPS) and counties with fire protection. The department also has agreements with other state agencies for non-fire related aircraft rental services. The customers served are comprised primarily of state and private landowners within Montana through initial attack of fires under state direct protection, assistance with fires on county protection, and assistance to federal agencies. Historic and projected trends are dependent on length and severity of the fire seasons. Base year funding by fund type would be comprised primarily from state responsibility and county assistance fires paid by the fire suppression fund (state special revenue) and FEMA and U.S. Forest Service (federal special revenue).

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

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

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

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

### *Changes in Level of Fees and Charges*

No changes in fees or charge are requested

### *Projected Fund Balance, Including Cash Fluctuations*

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

### *Working Capital and Fees Commensurate Analysis*

Working Capital is estimated to be in excess of the 60 days of cash required to fund operations by approximately \$33,000 in FY 2022 and by \$33,000 in FY 2023.

# Department of Natural Resources and Conservation - 57060

## Forestry & Trust Lands - 35

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 57060	Agency Name: Department of Natural Resources and Conservation			Program Name: Forestry & Trust Lands		
	<b>Fund</b>	<b>Fund Name</b>				
	06003	State Nursery Enterprise Fund				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	518,950	494,228	572,675	600,000	800,000	800,000
<b>Total Operating Revenues</b>	<b>518,950</b>	<b>494,228</b>	<b>572,675</b>	<b>600,000</b>	<b>800,000</b>	<b>800,000</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	428,258	384,986	397,428	651,943	636,084	636,882
Expense B	102,293	109,784	112,684	128,714	129,764	129,751
<b>Total Operating Expenses</b>	<b>6,436</b>	<b>-</b>	<b>-</b>	<b>57,500</b>	<b>57,500</b>	<b>57,500</b>
<b>Operating Income (Loss)</b>	<b>(18,037)</b>	<b>(542)</b>	<b>62,563</b>	<b>(238,157)</b>	<b>(23,348)</b>	<b>(24,133)</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(18,037)</b>	<b>(542)</b>	<b>62,563</b>	<b>(238,157)</b>	<b>(23,348)</b>	<b>(24,133)</b>
<b>Change in Net Position</b>	<b>(18,037)</b>	<b>(542)</b>	<b>62,563</b>	<b>(238,157)</b>	<b>(23,348)</b>	<b>(24,133)</b>
<b>Beginning Net Position - July 1</b>	256,965	238,928	238,386	300,949	62,792	39,444
Change in Net Position	(18,037)	(542)	62,563	(238,157)	(23,348)	(24,133)
<b>Ending Net Position - June 30</b>	<b>238,928</b>	<b>238,386</b>	<b>300,949</b>	<b>62,792</b>	<b>39,444</b>	<b>15,311</b>
<b>Net Position (Fund Balance) Analysis</b>						
Restricted Net Pos(Enterprise Fund Only)	240,131	239,589	302,152	63,995	40,647	16,514

# Department of Natural Resources and Conservation - 57060

## Forestry & Trust Lands - 35

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 57060	Agency Name: Department of Natural Resources and Conservation			Program Name: Forestry & Trust Lands		
	<b>Fund</b>	<b>Fund Name</b>				
	06538	Air Operations Internal Svc.				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	1,367,685	591,195	510,015	1,210,000	1,210,000	1,210,000
Fee Revenue B	11,279	3,399	3,811	35,000	35,000	35,000
Fee Revenue C	69,738	34,318	38,675	5,000	5,000	5,000
<b>Total Operating Revenues</b>	<b>1,448,702</b>	<b>628,912</b>	<b>552,501</b>	<b>1,250,000</b>	<b>1,250,000</b>	<b>1,250,000</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	1,363,653	1,525,052	1,461,832	1,439,962	1,421,684	1,425,289
Expense B	1,199,413	852,406	859,906	1,312,845	1,378,586	1,372,895
	16,993	-	8,950	-	-	-
<b>Total Operating Expenses</b>	<b>2,580,059</b>	<b>2,377,458</b>	<b>2,330,688</b>	<b>2,752,807</b>	<b>2,800,270</b>	<b>2,798,184</b>
<b>Operating Income (Loss)</b>	<b>(1,131,357)</b>	<b>(1,748,546)</b>	<b>(1,778,187)</b>	<b>(1,502,807)</b>	<b>(1,550,270)</b>	<b>(1,548,184)</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(1,131,357)</b>	<b>(1,748,546)</b>	<b>(1,778,187)</b>	<b>(1,502,807)</b>	<b>(1,550,270)</b>	<b>(1,548,184)</b>
Transfers In						
<b>Change in Net Position</b>	<b>1,664,652</b>	<b>1,664,652</b>	<b>1,664,652</b>	<b>1,664,652</b>	<b>1,664,652</b>	<b>1,664,652</b>
	533,295	(83,894)	(113,535)	161,845	114,382	116,468
<b>Beginning Net Position - July 1</b>	<b>(110,177)</b>	<b>424,077</b>	<b>340,183</b>	<b>226,648</b>	<b>388,493</b>	<b>502,875</b>
Prior Period Adjustments	959	-	-	-	-	-
Change in Net Position	533,295	(83,894)	(113,535)	161,845	114,382	116,468
<b>Ending Net Position - June 30</b>	<b>424,077</b>	<b>340,183</b>	<b>226,648</b>	<b>388,493</b>	<b>502,875</b>	<b>619,343</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$34,137)
FY 2023	\$0	(\$29,734)

**SWPL - 1 - Personal Services -**

The budget includes funding to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

**Department of Natural Resources and Conservation - 57060**

**Forestry & Trust Lands - 35**

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$66,829
FY 2023	\$0	\$61,111

**SWPL - 2 - Fixed Costs -**

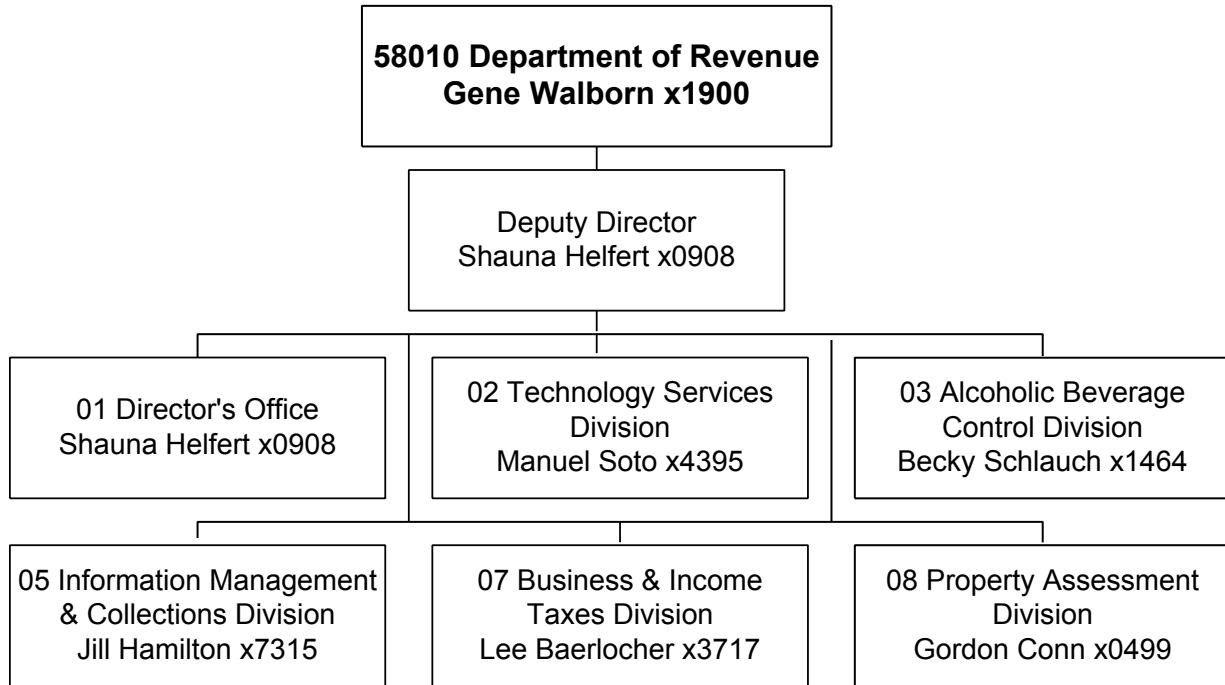
The request includes funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, warrant writer, payroll processing, and others. The rates charged for these services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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$38)
FY 2023	\$0	(\$24)

**SWPL - 3 - Inflation Deflation -**

This change package includes a reduction of funding to reflect budgetary changes generated from the application of inflation to specific expenditure accounts. Affected accounts include those associated with the statewide Motor Pool operated by the Department of Transportation.

## Department of Revenue - 58010



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

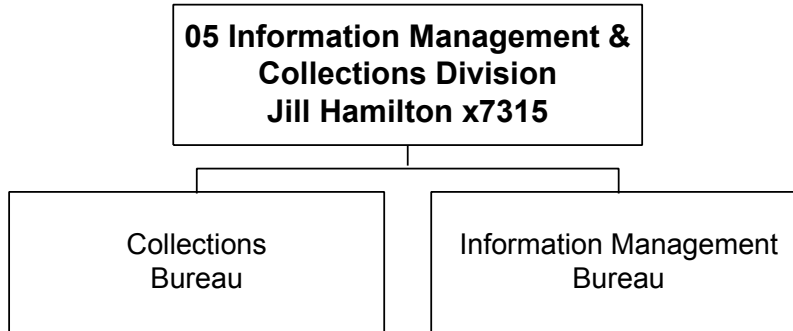
**Statutory Authority** - Titles 2, 15, 16, 39, MCA.

Agency Proposed Budget	Total Exec. Budget Fiscal 2022	Total Exec. Budget Fiscal 2023	Total Exec. Budget 2023 Biennium
Budget Item			
FTE	3.50	3.50	
Personal Services	211,242	211,380	422,622
Operating Expenses	59,204	57,648	116,852
<b>Total Costs</b>	<b>\$270,446</b>	<b>\$269,028</b>	<b>\$539,474</b>
Proprietary Funds	270,446	269,028	539,474
<b>Total Funds</b>	<b>\$270,446</b>	<b>\$269,028</b>	<b>\$539,474</b>



## Department of Revenue - 58010

### Information Management & Collections Division - 05



Program Proposed Budget	Starting Point Fiscal 2021	Budget Adjustments Fiscal 2022	Total Exec. Budget Fiscal 2022	Budget Adjustments Fiscal 2023	Total Exec. Budget Fiscal 2023	Executive Budget Request 2023 Biennium
Budget Item						
FTE	3.50	0.00	3.50	0.00	3.50	
Personal Services	198,205	13,037	211,242	13,175	211,380	422,622
Operating Expenses	52,830	6,374	59,204	4,818	57,648	116,852
<b>Total Costs</b>	<b>\$251,035</b>	<b>\$19,411</b>	<b>\$270,446</b>	<b>\$17,993</b>	<b>\$269,028</b>	<b>\$539,474</b>
Proprietary Funds	251,035	19,411	270,446	17,993	269,028	539,474
<b>Total Funds</b>	<b>\$251,035</b>	<b>\$19,411</b>	<b>\$270,446</b>	<b>\$17,993</b>	<b>\$269,028</b>	<b>\$539,474</b>

#### Proprietary Program Description - 06554 Collection Services Program

##### Program Description

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

##### Revenues and Expenses

The department is currently authorized to charge a commission rate up to 5 percent for its collection services excluding the collection of overpaid child support payments made to custodial parents and collection of delinquent child support payments from noncustodial parents. The commissions collected are used to pay the expenses of the Collection Services Program. Approximately 70 percent of the expenditures are paid in salaries and benefits with the remaining expenditures representing operating expenses of the program. Administration of this program has required a minimum of a 9-month working capital balance due to the timing of program collections through offset of other state monies, as the program collects the largest amount of revenues on delinquent accounts during the income tax season and the hunting permitting season.

##### Rates and Rate Explanation

The department requests a commission rate of 4.5 percent in fiscal year 2022 and a rate of 4.25 percent in 2023. Exempted from this rate is collection of overpaid child support payments made to custodial parents or collection of delinquent child support payments from noncustodial parents. Commissions associated with child support payments are charged against a separate general fund appropriation designated by the legislature in a prior legislative session.

## Department of Revenue - 58010

### Information Management & Collections Division - 05

<i>Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information</i>						
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Proposed</i>
	<i>FY 18</i>	<i>FY 19</i>	<i>FY 20</i>	<i>FY 21</i>	<i>FY 22</i>	<i>FY 23</i>
<i>Fee Description:</i>	5	5	4.5	3	4.5	4.25

*Changes in Level of Fees and Charge*

The commission rate will be lowered to 4.5 percent in FY 2022 and to 4.25 in FY 2023. The rate change will increase the fund fee revenue to approximately \$290,012 in FY 2022, and \$273,900 in FY 2023.

*Projected Net Position, Including Cash Fluctuation*

This rate adjustment will change the fund's net position to approximately \$208,221 by the end of fiscal year 2023 assuming all positions in the other agency debts unit remain filled. Cash fluctuations are due to the timing of when commissions are received because most revenues are collected during the income tax season when income tax refunds are offset.

<i>FY20 Estimated Ending Net Position</i>	\$271,401
<i>FY21 Estimated Revenue</i>	\$193,341
<i>FY21 Estimated Expenses</i>	-\$267,781
<i>FY21 Projected Net Position</i>	\$196,961

*Working Capital and Fees Commensurate Analysis*

Based on the projection above, net position will be reduced to approximately \$196,961 in fiscal year 2021. This will provide the department with approximately nine months' worth of working capital. *It is necessary to maintain a nine-month working capital balance to pay expenses as they are incurred as most of the commission revenue is not collected until the income tax filing season each year, some six to nine months after the start of the fiscal year. The department will continue to evaluate the commission rate as actual revenues and expenditures are received and incurred.*

## Department of Revenue - 58010

### Information Management & Collections Division - 05

2023 Biennium Internal Service Fund									
				Working Capital and Fees Commensurate Analysis					
Fund	Fund Name	Agency #	Agency Name	Program Name					
6554	IMCD Collection Services	58010	Department of Revenue	Information Management and Collections Division					
			<i>Actual</i> FY 18	<i>Actual</i> FY 19	<i>Estimated</i> FY 20	<i>Estimated</i> FY 21	<i>Proposed</i> FY 22	<i>Proposed</i> FY 23	
<i>Cash Available for Fund Operations (Working Capital)</i>									
	Current Assets		185,534	239,394	290,068				
	Less Current Liabilities		(21,478)	(21,070)	(19,178)				
	Working Capital (WC)		164,056	218,324	270,890	196,450	210,520	207,710	
<i>Cash Required for Fund Operations</i>									
	270 Days Operations Expense		161,357	168,917	182,288	200,836	206,956	207,533	
	Difference		2,698	49,407	88,602	(4,386)	3,564	177	
<i>Budgeted WC = Actual WC FY 2019 + or - Estimated FY 2020 and FY 2021, and Proposed FY 2022 and FY 2023, Change in Net Position</i>									

## Department of Revenue - 58010

### Information Management & Collections Division - 05

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 58010	Agency Name: Department of Revenue		Program Name: Information Management & Collections Division			
	<b>Fund</b>	<b>Fund Name</b>				
	06554	CSC Collection Services				
	06554	Bad Debt Collection Services				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A						
	260,921	276,357	290,012	193,341	290,012	273,900
<b>Total Operating Revenues</b>	<b>260,921</b>	<b>276,357</b>	<b>290,012</b>	<b>193,341</b>	<b>290,012</b>	<b>273,900</b>
<b>Expenses:</b>						
Personal Services						
	171,927	185,701	166,970	191,701	199,101	199,101
Other Operating Expenses						
	43,216	39,521	76,080	76,080	76,841	77,609
<b>Total Operating Expenses</b>	<b>215,143</b>	<b>225,222</b>	<b>243,050</b>	<b>267,781</b>	<b>275,942</b>	<b>276,710</b>
<b>Operating Income (Loss)</b>	<b>45,778</b>	<b>51,135</b>	<b>46,962</b>	<b>(74,440)</b>	<b>14,070</b>	<b>(2,810)</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>45,778</b>	<b>51,135</b>	<b>46,962</b>	<b>(74,440)</b>	<b>14,070</b>	<b>(2,810)</b>
<b>Change in Net Position</b>	<b>45,778</b>	<b>51,135</b>	<b>46,962</b>	<b>(74,440)</b>	<b>14,070</b>	<b>(2,810)</b>
<b>Beginning Net Position - July 1</b>	127,526	173,304	224,439	271,401	196,961	211,031
Change in Net Position	45,778	51,135	46,962	(74,440)	14,070	(2,810)
<b>Ending Net Position - June 30</b>	<b>173,304</b>	<b>224,439</b>	<b>271,401</b>	<b>196,961</b>	<b>211,031</b>	<b>208,221</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$13,037
FY 2023	\$0	\$13,175

**SWPL - 1 - Personal Services -**

The budget includes adjustments in each year of the 2023 biennium to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

## Department of Revenue - 58010

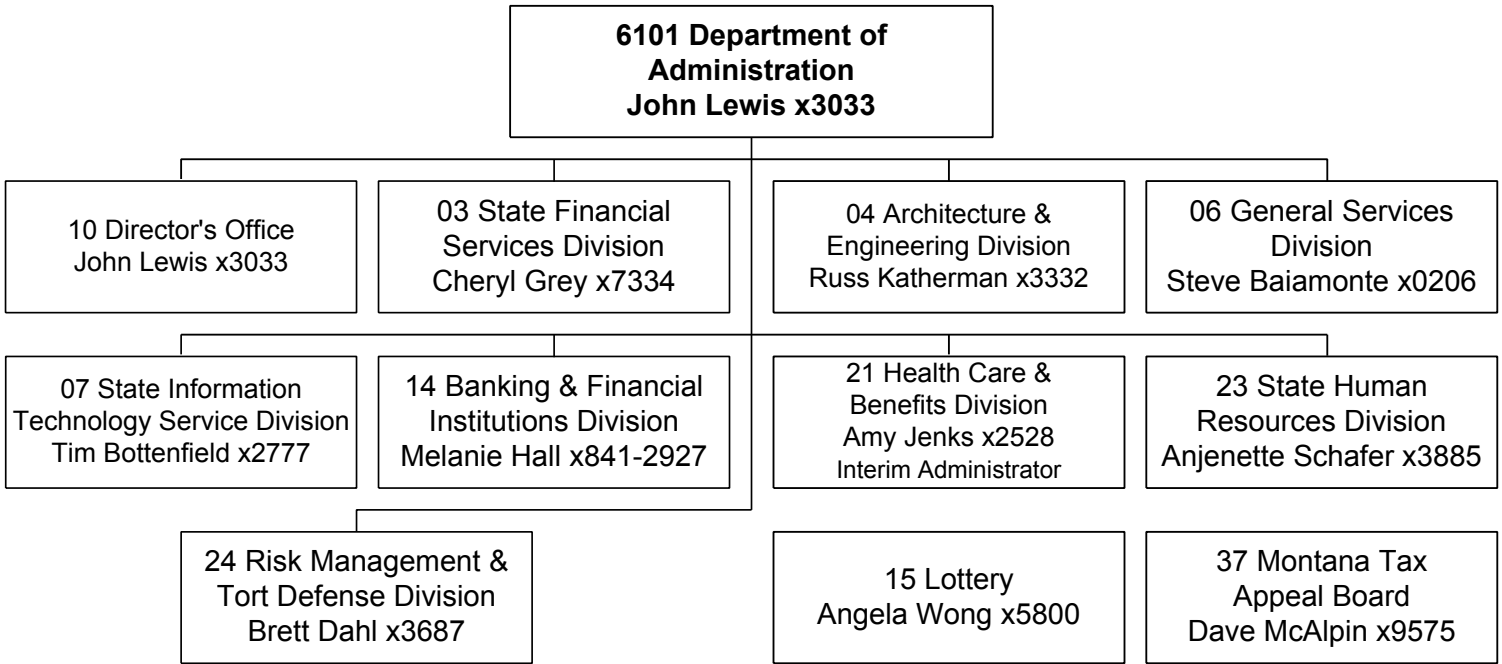
### Information Management & Collections Division - 05

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$6,374
FY 2023	\$0	\$4,818

#### **SWPL - 2 - Fixed Costs -**

The request includes adjustments in each year of the 2023 biennium to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

## Department of Administration - 61010



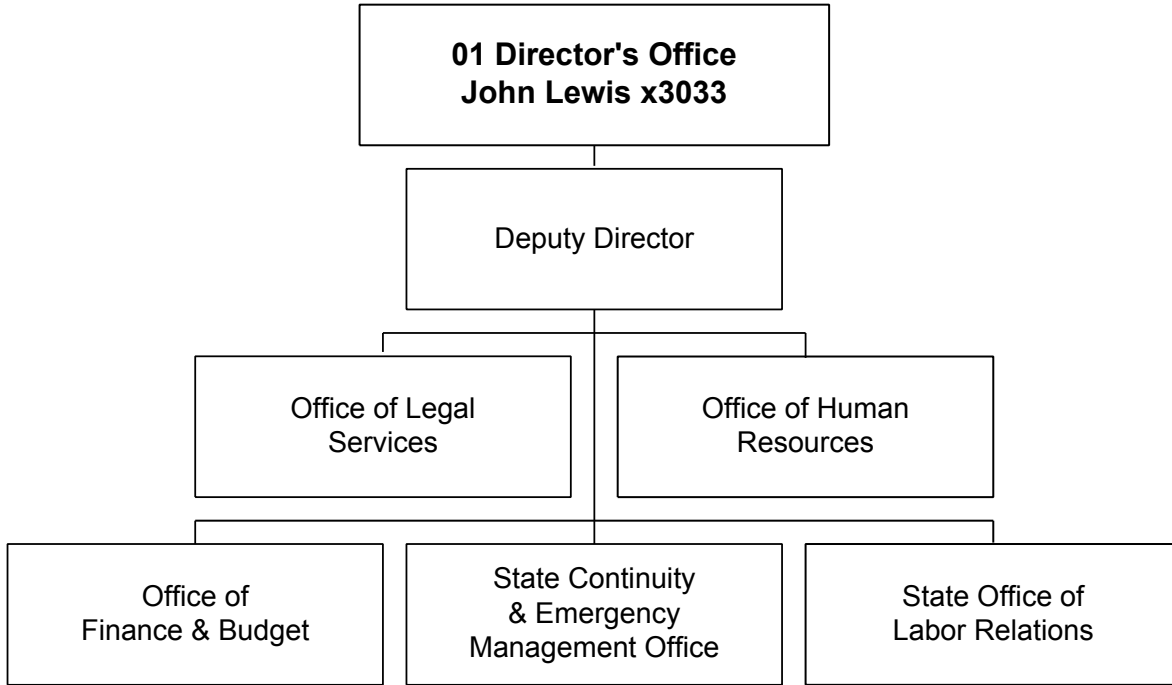
**Mission Statement** - The Department of Administration's mission is serving state government to benefit the citizens of Montana.

**Statutory Authority** - Title 2, Chapters 7, 9, 15, 17 and 18; Title 10, Chapter 4; Title 15, Chapter 2; Title 17; Title 18; Title 19, Chapter 1; Title 23, Chapter 7; Title 31; Title 32; and Title 39, Chapter 71 MCA.

Agency Proposed Budget	Total Exec. Budget Fiscal 2022	Total Exec. Budget Fiscal 2023	Total Exec. Budget 2023 Biennium
Budget Item			
FTE	369.31	369.31	
Personal Services	34,281,009	34,270,451	68,551,460
Operating Expenses	89,465,083	88,032,156	177,497,239
Equipment & Intangible Assets	790,630	790,630	1,581,260
Grants	520,113	520,113	1,040,226
Benefits & Claims	266,048,008	278,490,055	544,538,063
Transfers	243,000	201,000	444,000
Debt Service	2,587,085	1,397,085	3,984,170
<b>Total Costs</b>	<b>\$393,934,928</b>	<b>\$403,701,490</b>	<b>\$797,636,418</b>
Proprietary Funds	393,934,928	403,701,490	797,636,418
<b>Total Funds</b>	<b>\$393,934,928</b>	<b>\$403,701,490</b>	<b>\$797,636,418</b>

# Department of Administration - 61010

## Director's Office - 01



Program Proposed Budget	Starting Point Fiscal 2021	Budget Adjustments Fiscal 2022	Total Exec. Budget Fiscal 2022	Budget Adjustments Fiscal 2023	Total Exec. Budget Fiscal 2023	Executive Budget Request 2023 Biennium
Budget Item						
FTE	26.51	0.00	26.51	0.00	26.51	
Personal Services	2,538,265	(108,835)	2,429,430	(95,920)	2,442,345	4,871,775
Operating Expenses	462,007	25,109	487,116	20,855	482,862	969,978
Debt Service	2,366	0	2,366	0	2,366	4,732
<b>Total Costs</b>	<b>\$3,002,638</b>	<b>(\$83,726)</b>	<b>\$2,918,912</b>	<b>(\$75,065)</b>	<b>\$2,927,573</b>	<b>\$5,846,485</b>
Proprietary Funds	3,002,638	(83,726)	2,918,912	(75,065)	2,927,573	5,846,485
<b>Total Funds</b>	<b>\$3,002,638</b>	<b>(\$83,726)</b>	<b>\$2,918,912</b>	<b>(\$75,065)</b>	<b>\$2,927,573</b>	<b>\$5,846,485</b>

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

#### Program Description

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

The total number of FTE is 26.51 FTE. 21.51 for Management Services and 5.00 for the State Continuity and Emergency Management Office.

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

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

## Department of Administration - 61010

### Director's Office - 01

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

#### *Revenue and Expenses*

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

Fees are billed quarterly to all programs.

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

The Director's Office proprietary fund requests that the legislature approve an all-inclusive rate (Total Allocation of Costs) of \$2,160,957 in FY 2022 and \$2,160,644 FY 2023. The FTE component to this calculation is \$1,113 per FTE.

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

#### *Changes in Level of Fees and Charges*

The department is cost allocating an additional Human Resource (HR) Generalist position from the previous biennium. This is an existing position that has not been costed out in previous biennia. Additional growth in the overall current level budget is driving the need to increase the rate for this biennium.

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

#### *Projected Fund Balance, Including Cash Fluctuations*

The fund balance (net position) was \$132,702 at the end of FY 2020.

#### *Working Capital and Fees Commensurate with Costs*

The office strives to maintain about 40 to 50 days of working capital. At the end of FY 2020, working capital was \$305,544, or approximately 52 days, which is less than the 60 days allowed. The department will manage its working capital to ensure that fees charged are commensurate with costs.

### **06535 State Continuity and Emergency Management Office**

#### *Program Description*

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

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

Currently there are 5.00 FTE in the program.



## Department of Administration - 61010

### Director's Office - 01

#### *Revenues and Expenses*

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

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

The SCMO program bills the State Information Technology Services Division and the General Services Division quarterly for their services. Fees are collected by both divisions through their respective enterprise rates charged to all agencies. SITSD has historically paid 72% of the cost of the program, while GSD had paid 28%. Rates have been increased by 3% for the 2023 biennium to help pay for current level increases and build an increase in working capital.

The proposed rate is \$780,770 for FY 2022 and \$780,713 for FY 2023.

3.00 FTE are associated with SITSD and 2.00 FTE are associated with GSD when the program was reorganized into the Director's Office.

#### *Projected Fund Balance, Including Cash Fluctuations*

The fund equity is \$27,322 at the end of FY 2020. Revenue billings occur quarterly. Fund equity is estimated to be approximately \$24,779 at the end of the 2023 biennium.

#### *Working Capital and Fees Commensurate Analysis:*

At the end of FY 2020, working capital was \$88,832, or approximately 42 days, which is less than the 60-day threshold.

# Department of Administration - 61010

## Director's Office - 01

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: Director's Office		
	<b>Fund</b>	<b>Fund Name</b>				
	06534	Management Services				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY18	FY19	FY20	FY21	FY22	FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	1,918,300	1,881,471	1,964,050	1,964,050	2,160,957	2,160,644
<b>Total Operating Revenues</b>	<b>1,918,300</b>	<b>1,881,471</b>	<b>1,964,050</b>	<b>1,964,050</b>	<b>2,160,957</b>	<b>2,160,644</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	295,784	224,537	272,061	258,729	279,543	276,425
Loans and Lease Payments	-	-	48	1,309	1,309	1,309
<b>Total Operating Expenses</b>	<b>1,995,928</b>	<b>1,859,827</b>	<b>2,108,477</b>	<b>2,092,596</b>	<b>2,147,609</b>	<b>2,153,290</b>
<b>Operating Income (Loss)</b>	<b>(77,628)</b>	<b>21,644</b>	<b>(144,427)</b>	<b>(128,546)</b>	<b>13,348</b>	<b>7,354</b>
Nonoperating Revenues:						
Other Revenue A	543	131	805	12	12	12
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>543</b>	<b>131</b>	<b>805</b>	<b>12</b>	<b>12</b>	<b>12</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(77,085)</b>	<b>21,775</b>	<b>(143,622)</b>	<b>(128,534)</b>	<b>13,360</b>	<b>7,366</b>
Transfers Out	(733)	(20,000)	-	-	-	-
<b>Change in Net Position</b>	<b>(77,818)</b>	<b>1,775</b>	<b>(143,622)</b>	<b>(128,534)</b>	<b>13,360</b>	<b>7,366</b>
<b>Beginning Net Position - July 1</b>	<b>352,367</b>	<b>274,549</b>	<b>276,324</b>	<b>132,702</b>	<b>4,168</b>	<b>17,528</b>
Change in Net Position	(77,818)	1,775	(143,622)	(128,534)	13,360	7,366
<b>Ending Net Position - June 30</b>	<b>274,549</b>	<b>276,324</b>	<b>132,702</b>	<b>4,168</b>	<b>17,528</b>	<b>24,894</b>
<b>Net Position (Fund Balance) Analysis</b>						

# Department of Administration - 61010

## Director's Office - 01

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: Director's Office		
	<b>Fund</b>	<b>Fund Name</b>				
	06535	Continuity Emergency Mgmt				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	728,874	728,817	758,029	757,972	780,770	780,713
<b>Total Operating Revenues</b>	<b>728,874</b>	<b>728,817</b>	<b>758,029</b>	<b>757,972</b>	<b>780,770</b>	<b>780,713</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	174,308	176,860	183,899	203,845	207,573	206,437
Loans and Lease Payments	-	-	38	1,057	1,057	1,057
<b>Total Operating Expenses</b>	<b>724,740</b>	<b>756,529</b>	<b>752,911</b>	<b>776,412</b>	<b>771,303</b>	<b>774,283</b>
<b>Operating Income (Loss)</b>	<b>4,134</b>	<b>(27,712)</b>	<b>5,118</b>	<b>(18,440)</b>	<b>9,467</b>	<b>6,430</b>
Nonoperating Revenues:						
Other Revenue B	809	1,241	1,877	-	-	-
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>809</b>	<b>1,241</b>	<b>1,877</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>4,943</b>	<b>(26,471)</b>	<b>6,995</b>	<b>(18,440)</b>	<b>9,467</b>	<b>6,430</b>
<b>Change in Net Position</b>	<b>4,943</b>	<b>(26,471)</b>	<b>6,995</b>	<b>(18,440)</b>	<b>9,467</b>	<b>6,430</b>
<b>Beginning Net Position - July 1</b>	<b>41,855</b>	<b>46,798</b>	<b>20,327</b>	<b>27,322</b>	<b>8,882</b>	<b>18,349</b>
Change in Net Position	4,943	(26,471)	6,995	(18,440)	9,467	6,430
<b>Ending Net Position - June 30</b>	<b>46,798</b>	<b>20,327</b>	<b>27,322</b>	<b>8,882</b>	<b>18,349</b>	<b>24,779</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$50,611
FY 2023	\$0	\$62,804

#### SWPL - 1 - Personal Services -

The budget includes adjustments in FY 2022 and FY 2023 to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

# Department of Administration - 61010

## Director's Office - 01

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$28,582
FY 2023	\$0	\$24,334

### SWPL - 2 - Fixed Costs -

The request includes adjustments in FY 2022 and FY 2023 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$2,277
FY 2023	\$0	\$2,271

### PL - 4 - Allocate Department Indirect/Administrative Costs -

This change package includes adjustments in FY 2022 and FY 2023 to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$5,750)
FY 2023	\$0	(\$5,750)

### PL - 5 - ServiceNow -

OBPP has approved the purchase of ServiceNow licenses and programs for the 2023 biennium. Due to the projected operating efficiencies and other savings achieved using ServiceNow, the operating budget has been reduced.

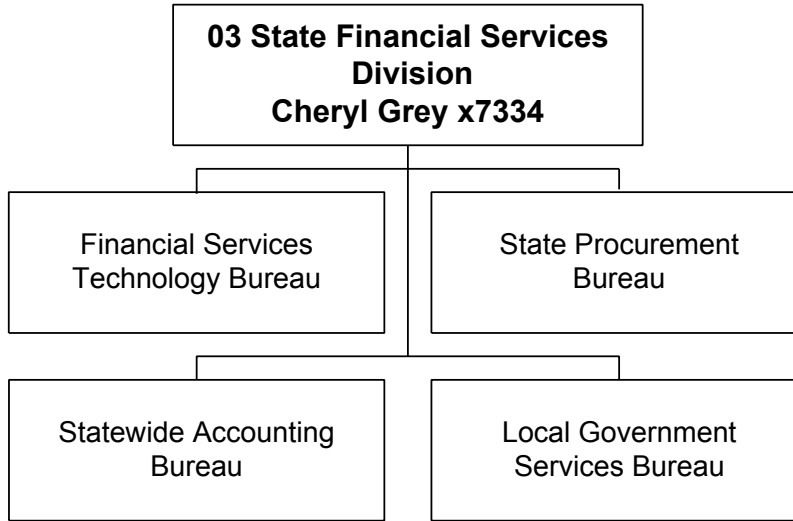
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$159,446)
FY 2023	\$0	(\$158,724)

### PL - 7 - Adjust Management Services Proprietary -

This change package adjusts the Management Services personal services budget for FY 2022 and FY 2023 to more closely align with agency projections.

# Department of Administration - 61010

## State Financial Services Division - 03



Program Proposed Budget	Starting Point	Budget Adjustments	Total	Budget	Total	Executive
Budget Item	Fiscal 2021	Fiscal 2022	Exec. Budget Fiscal 2022	Adjustments Fiscal 2023	Exec. Budget Fiscal 2023	Budget Request 2023 Biennium
FTE	31.33	0.00	31.33	0.00	31.33	
Personal Services	2,886,522	(48,925)	2,837,597	(98,855)	2,738,742	5,625,264
Operating Expenses	3,560,319	(229,457)	3,330,862	(81,921)	3,248,941	6,809,260
Equipment & Intangible Assets	6,604	0	6,604	0	6,604	13,208
Debt Service	2,202	0	2,202	0	2,202	4,404
<b>Total Costs</b>	<b>\$6,455,647</b>	<b>(\$278,382)</b>	<b>\$6,177,265</b>	<b>(\$180,776)</b>	<b>\$6,274,871</b>	<b>\$12,452,136</b>
Proprietary Funds	6,455,647	(278,383)	6,177,265	(180,777)	6,274,871	12,452,136
<b>Total Funds</b>	<b>\$6,455,647</b>	<b>(\$278,383)</b>	<b>\$6,177,265</b>	<b>(\$180,777)</b>	<b>\$6,274,871</b>	<b>\$12,452,136</b>

### Proprietary Program Description - Fund 06042 Local Government Audit and Reporting Program

#### Program Description

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

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

Some of the services the program performs are:

- Receives annual financial reports, budgets, audits/reviews local governments, and posts them to the transparency website for public viewing;
- Provides technical assistance on accounting, reporting, auditing, and legal compliance matters to local governments and certified public accountants conducting local government audits;
- Maintains the roster of independent auditors authorized to conduct local government audits;
- Maintains the legal compliance supplement for use by independent auditors in conducting local government audits;
- Verifies that all local governments that are 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;
- Receives and reviews each local government's response to the audit report findings; follows up on corrective plans as necessary

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

#### *Revenues and Expenses*

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

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

The fund receives revenues from the following:

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

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

#### *Projected Fund Balance, including Cash Fluctuations*

The program has no specific requirement to reserve fund balance.

### **Fund 06511 SABHRS Financial Services Technology Bureau**

#### *Program Description*

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

The financial and accounting business processes are currently supported by seven PeopleSoft Applications/Modules and is the repository for all state accounting transactions and operating budgets. The use of the general ledger and asset management is mandated for all agencies except the university system. Over the next two years, FSTB plans to implement the Lease Administration module for all agencies and assist the Montana Department of Transportation (MDT) with the

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implementation of the Project Costing, Expenses, and Contracts modules in support of the federal billing project. There are approximately 900 core users and 1,100 management users accessing the SABHRS Financials system.

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

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

#### *Revenues and Expenses*

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

The major cost drivers for the FSTB include the SITSD hardware and system architecture services, personal services, and software licensing and maintenance.

#### *Changes in Services or Fees*

FSTB's software maintenance and support costs reflect a 4% increase. Proposed rates include no increase from the FY 2020-21 biennium rates.

#### *Rate and Rate Explanation*

The rate for FSTB is calculated based upon the projected expenditures. The major cost drivers for the FSTB include the SITSD application hosting and processing services, personal services, and software licensing and maintenance. The annual agency total is subdivided into the following areas: 90% for journal lines, and 10% for budget journal lines originating from IBARS. Using these factors, agencies are allocated a fixed cost for each fiscal year based upon their actual number of journal lines in the most recently completed fiscal year.

#### *Changes in Level of Fees and Charges*

There will be no increase in rates from the FY 2022-23 biennium. Services will be expanded to include the addition of the Lease Administration module to meet the reporting requirements of GASB 87 and the Project Costing, Expenses and Contracts modules as part of MDT's federal billing project.

#### *Projected Fund Balance, Including Cash Fluctuations*

The fund balance is expected to decrease each fiscal year. Cash collection patterns are expected to be sufficient to meet the operational needs of FSTB.

#### *Working Capital and Fees Commensurate Analysis*

The ending working capital for FY 2020 was approximately \$1.4 million. SABHRS FSTB will continue to effectively manage resources while maintaining current service delivery to ensure positive working capital at the end of FY 2023.

### **Fund 06564 Warrant Writer Program**

#### *Program Description*

The Warrant Writer Unit (WWU) provides payment processing services for most state agencies, including the university system. The WWU generates, tracks, and reconciles each approved agency payment generated in SABHRS. Warrant printing is provided to the WWU by Print and Mail Services within the General Services Division.

The services the WWU offers include direct deposit, warrant consolidation, stopping of payments, warrant cancellations,

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emergency warrants, duplicate warrants, warrant certification, warrant reissues, warrant research, supplier file maintenance, stale-dated payment processing, and IRS 1099-MISC and 1042 tax reporting.

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

#### *Revenues and Expenses*

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

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

The rates for WWU are calculated based upon the projected expenditures. Major rate cost drivers include postage, personal services, and printing charges for warrants and advices. All rates charged to agencies will remain the same relative to the 2021 biennium.

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

#### *Changes in Level of Fees and Charges*

All rates charged to agencies will remain the same relative to the 2021 biennium. Beginning in fiscal year 2017, additional services provided by the WWU include enterprise electronic content management of W-9s and the implementation of emergency backup measures as coordinated with Print and Mail Services (General Services Division) and US Bank. In the 2019 biennium, the Warrant Writer rates were reduced by around 13% per warrant type. The 4% increase in the 2021 biennium was to recoup a portion of that loss to re-establish the working capital.

#### *Projected Fund Balance, Including Cash Fluctuations*

No fund balance is required to be reserved for this program. Rates proposed for the 2023 biennium are intended to stabilize fund balance. Fund balance and projected working capital will continue to be monitored, in the event rate adjustments are needed to avoid excess or insufficient working capital.

#### *Working Capital and Fees Commensurate Analysis*

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

At fiscal year-end 2020, working capital was \$173,373, which represents about 81 days of working capital reserves. A 15 to 60 day working capital balance should provide sufficient cash to fund operations for the 2023 biennium. Due to the significant rate reduction in the 2019 biennium, revenue and expenditure projections indicate no excess working capital at the end of the 2023 biennium.



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2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration		Program Name: State Financial Services Division			
	<b>Fund</b>	<b>Fund Name</b>				
	06511	SABHRS				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY18	FY19	FY20	FY21	FY22	FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	3,967,407	3,818,907	4,168,577	3,971,661	4,168,577	3,971,661
Other Operating Revenue	118,314	200,120	204,980	203,120	203,120	203,120
<b>Total Operating Revenues</b>	<b>4,085,721</b>	<b>4,019,027</b>	<b>4,373,557</b>	<b>4,174,781</b>	<b>4,371,697</b>	<b>4,174,781</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	1,917,344	1,852,982	1,929,163	2,064,035	2,018,984	1,966,601
Loans and Lease Payments	2,757,489	2,443,478	2,309,852	2,713,434	2,555,353	2,704,711
	-	-	42	1,166	1,166	1,166
<b>Total Operating Expenses</b>	<b>4,674,833</b>	<b>4,296,460</b>	<b>4,239,057</b>	<b>4,778,635</b>	<b>4,575,503</b>	<b>4,672,478</b>
<b>Operating Income (Loss)</b>	<b>(589,112)</b>	<b>(277,433)</b>	<b>134,500</b>	<b>(603,854)</b>	<b>(203,806)</b>	<b>(497,697)</b>
Nonoperating Revenues:						
Other Revenue A	23	143	6,900	-	-	-
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>23</b>	<b>143</b>	<b>6,900</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(589,089)</b>	<b>(277,290)</b>	<b>141,400</b>	<b>(603,854)</b>	<b>(203,806)</b>	<b>(497,697)</b>
Transfers Out						
<b>Change in Net Position</b>	<b>(589,089)</b>	<b>(914,894)</b>	<b>141,400</b>	<b>(603,854)</b>	<b>(203,806)</b>	<b>(497,697)</b>
<b>Beginning Net Position - July 1</b>	<b>2,672,680</b>	<b>2,083,591</b>	<b>1,168,697</b>	<b>1,310,097</b>	<b>706,243</b>	<b>502,437</b>
Change in Net Position	(589,089)	(914,894)	141,400	(603,854)	(203,806)	(497,697)
<b>Ending Net Position - June 30</b>	<b>2,083,591</b>	<b>1,168,697</b>	<b>1,310,097</b>	<b>706,243</b>	<b>502,437</b>	<b>4,740</b>
<b>Net Position (Fund Balance) Analysis</b>						

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## State Financial Services Division - 03

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: State Financial Services Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06564	Warrant Writing				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	677,537	697,079	749,372	732,912	728,632	730,491
<b>Total Operating Revenues</b>	<b>677,537</b>	<b>697,079</b>	<b>749,372</b>	<b>732,912</b>	<b>728,632</b>	<b>730,491</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	453,346	519,455	526,205	489,656	484,011	483,243
Loans and Lease Payments	-	-	24	655	655	655
<b>Total Operating Expenses</b>	<b>689,812</b>	<b>771,771</b>	<b>771,403</b>	<b>754,042</b>	<b>761,640</b>	<b>762,595</b>
<b>Operating Income (Loss)</b>	<b>(12,275)</b>	<b>(74,692)</b>	<b>(22,031)</b>	<b>(21,130)</b>	<b>(33,008)</b>	<b>(32,104)</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(12,275)</b>	<b>(74,692)</b>	<b>(22,031)</b>	<b>(21,130)</b>	<b>(33,008)</b>	<b>(32,104)</b>
<b>Change in Net Position</b>	<b>(12,275)</b>	<b>(74,692)</b>	<b>(22,031)</b>	<b>(21,130)</b>	<b>(33,008)</b>	<b>(32,104)</b>
<b>Beginning Net Position - July 1</b>	<b>283,031</b>	<b>275,442</b>	<b>200,750</b>	<b>178,719</b>	<b>157,589</b>	<b>124,581</b>
Prior Period Adjustments	4,686	-	-	-	-	-
Change in Net Position	(12,275)	(74,692)	(22,031)	(21,130)	(33,008)	(32,104)
<b>Ending Net Position - June 30</b>	<b>275,442</b>	<b>200,750</b>	<b>178,719</b>	<b>157,589</b>	<b>124,581</b>	<b>92,477</b>
<b>Net Position (Fund Balance) Analysis</b>						

## Department of Administration - 61010

### State Financial Services Division - 03

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration		Program Name: State Financial Services Division			
	<b>Fund</b>	<b>Fund Name</b>				
	06042	Local Govt Svcs AuditRportng				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	625,732	632,880	654,462	635,000	635,000	635,000
Fee Revenue B	94,138	87,623	50,524	80,000	80,000	80,000
Other Operating Revenue	312	-	25,574	-	-	-
<b>Total Operating Revenues</b>	<b>720,182</b>	<b>720,503</b>	<b>730,560</b>	<b>715,000</b>	<b>715,000</b>	<b>715,000</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	607,566	394,360	524,083	500,040	541,639	542,369
Loans and Lease Payments	167,716	170,595	273,303	286,193	291,498	290,444
<b>Total Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>14</b>	<b>381</b>	<b>381</b>	<b>381</b>
<b>Operating Income (Loss)</b>	<b>(55,100)</b>	<b>155,548</b>	<b>(66,840)</b>	<b>(71,614)</b>	<b>(118,518)</b>	<b>(118,194)</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(55,100)</b>	<b>155,548</b>	<b>(66,840)</b>	<b>(71,614)</b>	<b>(118,518)</b>	<b>(118,194)</b>
<b>Change in Net Position</b>	<b>(55,100)</b>	<b>155,548</b>	<b>(66,840)</b>	<b>(71,614)</b>	<b>(118,518)</b>	<b>(118,194)</b>
<b>Beginning Net Position - July 1</b>	<b>279,968</b>	<b>224,868</b>	<b>380,416</b>	<b>313,576</b>	<b>241,962</b>	<b>123,444</b>
Change in Net Position	(55,100)	155,548	(66,840)	(71,614)	(118,518)	(118,194)
<b>Ending Net Position - June 30</b>	<b>224,868</b>	<b>380,416</b>	<b>313,576</b>	<b>241,962</b>	<b>123,444</b>	<b>5,250</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$54,770
FY 2023	\$0	\$64,356

**SWPL - 1 - Personal Services -**

The budget includes adjustments in FY 2022 and FY 2023 to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

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### State Financial Services Division - 03

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$60,965
FY 2023	\$0	(\$28,548)

**SWPL - 2 - Fixed Costs -**

The request includes adjustments in FY 2022 and FY 2023 to provide the funding required in the budget to pay for fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$132)
FY 2023	\$0	(\$83)

**SWPL - 3 - Inflation Deflation -**

This change package includes adjustments in FY 2022 and FY 2023 to reflect budgetary changes generated from the application of inflation to specific expenditure accounts. Affected accounts include those associated with the statewide Motor Pool operated by the Department of Transportation.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$394,695)
FY 2023	\$0	(\$217,211)

**PL - 304 - Adjust SABHRS Proprietary -**

This change package adjusts the SABHRS personal services and operating budgets for FY 2022 and FY 2023 to more closely align with agency projections.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$7,504
FY 2023	\$0	\$7,504

**PL - 4 - Allocate Department Indirect/Administrative Costs -**

This change package includes adjustments in FY 2022 and FY 2023 to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

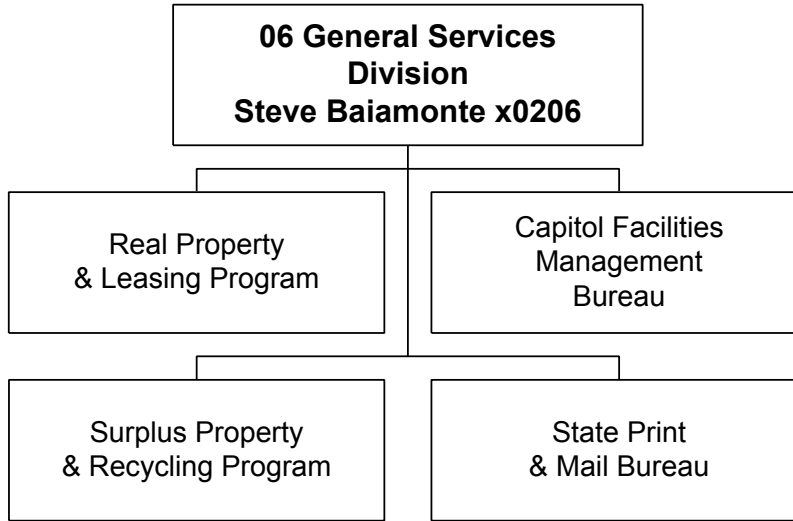
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$6,794)
FY 2023	\$0	(\$6,794)

**PL - 5 - ServiceNow -**

OBPP has approved the purchase of ServiceNow licenses and programs for the 2023 biennium. Due to the projected operating efficiencies and other savings achieved using ServiceNow, the operating budget has been reduced.

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## General Services Division - 06



Program Proposed Budget	Starting Point	Budget Adjustments	Total	Budget Adjustments	Total	Executive
Budget Item	Fiscal 2021	Fiscal 2022	Exec. Budget Fiscal 2022	Fiscal 2023	Exec. Budget Fiscal 2023	Budget Request 2023 Biennium
FTE	72.35	0.00	72.35	0.00	72.35	
Personal Services	5,074,269	(5,416)	5,068,853	3,625	5,077,894	10,146,747
Operating Expenses	17,516,061	92,709	17,608,770	71,278	17,587,339	35,196,109
Equipment & Intangible Assets	413,165	0	413,165	0	413,165	826,330
Transfers	243,000	0	243,000	(42,000)	201,000	444,000
Debt Service	199,654	16,753	216,407	16,753	216,407	432,814
<b>Total Costs</b>	<b>\$23,446,149</b>	<b>\$104,046</b>	<b>\$23,550,195</b>	<b>\$49,656</b>	<b>\$23,495,805</b>	<b>\$47,046,000</b>
Proprietary Funds	23,446,149	464,046	23,550,195	409,656	23,495,805	47,046,000
<b>Total Funds</b>	<b>\$23,446,149</b>	<b>\$464,046</b>	<b>\$23,550,195</b>	<b>\$409,656</b>	<b>\$23,495,805</b>	<b>\$47,046,000</b>

### Proprietary Program Description - Fund 06066 Surplus Property & Recycling Program

#### Program Description

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

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

The program has authority for 5.75 FTE.

#### Revenues and Expenses

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

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### General Services Division - 06

#### *Rate and Rate Explanation*

The Surplus Property & Recycling Program is an enterprise fund which sells property to the public. Therefore, rate approval by the legislature is not necessary. The program operates by charging up to \$750 plus 5% per item sold. The current funding structure is adequate to generate sufficient revenue to cover personal services and operating expenses, assuming the same amount of property is turned in for sale when compared to fiscal year 2020.

#### *Changes in Services or Fees*

There are no changes in services or fees for the 2023 biennium.

#### *Projected Fund Balance, Including Cash Fluctuations*

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

#### *Working Capital and Fees Commensurate Analysis*

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

### **Fund 06528 Capitol Facilities Management Bureau**

#### *Program Description*

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

Operational authority for the bureau is provided by Title 2, Chapter 17, Part 8, Section 811, MCA. The bureau currently has 34 FTE.

#### *Revenue and Expenses*

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

#### *Rates and Rate Explanation*

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

#### *Changes in Level of Fees and Charges*

A rate increase is requested for office space and non-office space to address needs of the program for the 2023 biennium.

#### *Projected Fund Balance, Including Cash Fluctuations*

The fund balance at FYE 2020 was \$1,175,545. Based on the rental rate increase and raw IBARS data, the fund balance

## Department of Administration - 61010

### General Services Division - 06

is projected to be \$1,533,203 by FYE 2023. Facilities Management will adjust expenditures during the three-year period (FY 2021 to FY 2023) to stay within their revenue stream and be cash positive at the end of the 2023 biennium.

#### *Working Capital and Fees Commensurate Analysis*

The working capital at the end of FY 2020 was 26 days. Based on the rental rate increase, working capital is projected to be 37 days at the end of FY 2023. Facilities Management rates strive to recover sufficient revenue to meet all personal services, operating costs, and equipment replacement expenditures, while maintaining an adequate working capital balance.

User agencies are billed monthly, and agencies are requested to pay for services by the end of the following month. A 60-day working capital would allow the bureau to pay monthly personal services expenses and maintain current operations.

#### **Fund 06530 State Print & Mail Bureau**

#### *Program Description*

The State Print & Mail Bureau provides printing and mail services to all agencies within state government. The bureau has seven components: 1) internal printing; 2) external (contracted) printing; 3) managed print; 4) mail preparation; 5) central mail operations; 6) inter-agency (deadhead) mail; and 7) the postal station in the Capitol. All printing or purchasing of printing is requested through Print & Mail Services, which determines the most cost-effective method of project completion. Approximately 47.7% of printing expenditures are procured through commercial vendors.

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

State Print & Mail has authority for 32.6 FTE.

#### *Revenue and Expenses*

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

#### *Rates and Rate Explanations*

All Print & Mail Services projects are unique, and Print & Mail Services has many rates to provide services to agencies. Direct and administrative overhead is allocated to each program, and costs are recovered by charging for each unit of service provided. External printing, and the Managed Print program, recover costs by charging a percentage markup on the invoice for the printing job and/or multi-function device

#### *Changes in Level of Fees and Charges*

Each rate includes personal services costs, operating costs, and administrative overhead.

#### *Projected Fund Balance, Including Cash Fluctuations*

FY 2020 ended with 79 days of working capital and FY 2023 is projected to end with 69 days.

#### *Working Capital and Fees Commensurate Analysis*

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

# Department of Administration - 61010

## General Services Division - 06

and maintain current operations.

<b>2023 Biennium Report on Internal Service and Enterprise Funds</b>						
Agency # 61010	Agency Name: Department of Administration			Program Name: General Services Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06530	Print & Mail Services				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY18	FY19	FY20	FY21	FY22	FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	9,874,843	11,206,429	10,664,395	10,950,000	10,950,000	10,950,000
Other Operating Revenue	3,794	4,378	74	12	12	12
<b>Total Operating Revenues</b>	<b>9,878,637</b>	<b>11,210,807</b>	<b>10,664,469</b>	<b>10,950,012</b>	<b>10,950,012</b>	<b>10,950,012</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	1,622,957	1,895,314	1,914,098	1,972,192	2,004,606	2,008,349
Loans and Lease Payments	7,809,881	8,767,442	8,521,888	8,834,177	8,980,026	8,967,308
<b>Total Operating Expenses</b>	<b>14,713</b>	<b>11,299</b>	<b>15,445</b>	<b>81,724</b>	<b>81,724</b>	<b>81,724</b>
<b>Operating Income (Loss)</b>	<b>9,447,551</b>	<b>10,674,055</b>	<b>10,451,431</b>	<b>10,888,093</b>	<b>11,066,356</b>	<b>11,057,381</b>
<b>Operating Income (Loss)</b>						
	431,086	536,752	213,038	61,919	(116,344)	(107,369)
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>431,086</b>	<b>536,752</b>	<b>213,038</b>	<b>61,919</b>	<b>(116,344)</b>	<b>(107,369)</b>
Capital Contributions						
Transfers In	1,695	-	-	-	-	-
<b>Change in Net Position</b>	<b>5,486</b>	<b>536,752</b>	<b>213,038</b>	<b>61,919</b>	<b>(116,344)</b>	<b>(107,369)</b>
<b>Beginning Net Position - July 1</b>	<b>1,440,025</b>	<b>1,878,292</b>	<b>2,415,044</b>	<b>2,628,082</b>	<b>2,690,001</b>	<b>2,573,657</b>
Change in Net Position	438,267	536,752	213,038	61,919	(116,344)	(107,369)
<b>Ending Net Position - June 30</b>	<b>1,878,292</b>	<b>2,415,044</b>	<b>2,628,082</b>	<b>2,690,001</b>	<b>2,573,657</b>	<b>2,466,288</b>
<b>Net Position (Fund Balance) Analysis</b>						



# Department of Administration - 61010

## General Services Division - 06

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration		Program Name: General Services Division			
	<b>Fund</b>	<b>Fund Name</b>				
	06066	Surplus Property				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY18	FY19	FY20	FY21	FY22	FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	529,730	559,755	755,351	750,000	750,000	750,000
<b>Total Operating Revenues</b>	<b>529,730</b>	<b>559,755</b>	<b>755,351</b>	<b>750,000</b>	<b>750,000</b>	<b>750,000</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	827,261	896,828	1,130,640	272,201	345,026	343,396
Loans and Lease Payments	-	-	25	678	678	678
<b>Total Operating Expenses</b>	<b>1,173,678</b>	<b>1,340,135</b>	<b>1,548,263</b>	<b>750,095</b>	<b>745,695</b>	<b>745,357</b>
<b>Operating Income (Loss)</b>	<b>(643,948)</b>	<b>(780,380)</b>	<b>(792,912)</b>	<b>(95)</b>	<b>4,305</b>	<b>4,643</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(643,948)</b>	<b>(780,380)</b>	<b>(792,912)</b>	<b>(95)</b>	<b>4,305</b>	<b>4,643</b>
Capital Contributions						
Transfers In	651,181	490,293	927,061	700,000	700,000	700,000
<b>Change in Net Position</b>	<b>68,724</b>	<b>68,546</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Beginning Net Position - July 1</b>	<b>75,957</b>	<b>(221,541)</b>	<b>134,149</b>	<b>699,905</b>	<b>704,305</b>	<b>704,643</b>
Change in Net Position	933,670	1,009,627	788,086	922,235	1,622,140	2,326,445
<b>Ending Net Position - June 30</b>	<b>75,957</b>	<b>(221,541)</b>	<b>134,149</b>	<b>699,905</b>	<b>704,305</b>	<b>704,643</b>
	1,009,627	788,086	922,235	1,622,140	2,326,445	3,031,088
<b>Net Position (Fund Balance) Analysis</b>						

# Department of Administration - 61010

## General Services Division - 06

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: General Services Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06528	Rent And Maintenance				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY18	FY19	FY20	FY21	FY22	FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	10,469,301	10,675,023	11,125,441	11,142,116	11,867,051	11,879,017
<b>Total Operating Revenues</b>	<b>10,469,301</b>	<b>10,675,023</b>	<b>11,125,441</b>	<b>11,142,116</b>	<b>11,867,051</b>	<b>11,879,017</b>
<b>Expenses:</b>						
Personal Services	2,687,140	2,958,994	3,013,107	2,549,861	2,664,256	2,668,262
Other Operating Expenses	7,701,852	7,824,210	8,117,142	8,189,202	8,696,883	8,689,800
Loans and Lease Payments	34,525	31,447	37,588	117,252	134,005	134,005
<b>Total Operating Expenses</b>	<b>10,423,517</b>	<b>10,814,651</b>	<b>11,167,837</b>	<b>10,856,315</b>	<b>11,495,144</b>	<b>11,492,067</b>
<b>Operating Income (Loss)</b>	<b>45,784</b>	<b>(139,628)</b>	<b>(42,396)</b>	<b>285,801</b>	<b>371,907</b>	<b>386,950</b>
Nonoperating Revenues:						
Other Revenue A	-	7,997	18,990	-	-	-
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>7,997</b>	<b>18,990</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>45,784</b>	<b>(131,631)</b>	<b>(23,406)</b>	<b>285,801</b>	<b>371,907</b>	<b>386,950</b>
Transfers In						
Transfers Out	3,750	1,248	364,156	-	-	-
<b>Change in Net Position</b>	<b>(228,629)</b>	<b>(228,546)</b>	<b>(390,251)</b>	<b>(243,000)</b>	<b>(243,000)</b>	<b>(201,000)</b>
<b>Beginning Net Position - July 1</b>	<b>(179,095)</b>	<b>(358,929)</b>	<b>(49,501)</b>	<b>42,801</b>	<b>128,907</b>	<b>185,950</b>
<b>Change in Net Position</b>	<b>1,763,068</b>	<b>1,583,973</b>	<b>1,225,044</b>	<b>1,175,543</b>	<b>1,218,344</b>	<b>1,347,251</b>
<b>Ending Net Position - June 30</b>	<b>1,583,973</b>	<b>1,225,044</b>	<b>1,175,543</b>	<b>1,218,344</b>	<b>1,347,251</b>	<b>1,533,201</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$5,416)
FY 2023	\$0	\$3,625

**SWPL - 1 - Personal Services -**

The budget includes a reduction of \$5,416 in FY 2022 and an increase of \$3,625 in FY 2023 to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

## Department of Administration - 61010

### General Services Division - 06

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$376,094
FY 2023	\$0	\$349,658

**SWPL - 2 - Fixed Costs -**

The request includes an increase of \$376,094 in FY 2022 and an increase of \$349,658 in FY 2023 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$10)
FY 2023	\$0	(\$6)

**SWPL - 3 - Inflation Deflation -**

This change package includes a reduction of \$10 in FY 2022 and a reduction of \$6 in FY 2023 to reflect budgetary changes generated from the application of inflation to specific expenditure accounts. Affected accounts include those associated with the statewide Motor Pool operated by the Department of Transportation.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$45,744
FY 2023	\$0	\$45,744

**PL - 4 - Allocate Department Indirect/Administrative Costs -**

This change package includes adjustments in FY 2022 and FY 2023 to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$10,486)
FY 2023	\$0	(\$10,486)

**PL - 5 - ServiceNow -**

OBPP has approved the purchase of ServiceNow licenses and programs for the 2023 biennium. Due to the projected operating efficiencies and other savings achieved using ServiceNow, the operating budget has been reduced.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$6,367
FY 2023	\$0	\$6,368

**PL - 6 - SCEMO Increase -**

This change package adjusts the General Services Division's budget for their share of costs paid to fund the State Continuity and Emergency Office.

## Department of Administration - 61010

### General Services Division - 06

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$35,000
FY 2023	\$0	\$40,000

#### **PL - 602 - Property Assessments Increase -**

The General Services Division (GSD) does not pay taxes to the City of Helena on an annual basis because of tax exemption. However, the General Services Division does pay for city assessments. Assessments have increased annually by 23.50% or \$34,440.33 annually since FY 2017, with the biggest increase from year to year being FY 2019 and FY 2020 with a yearly increase of \$73,694.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$16,753
FY 2023	\$0	(\$25,247)

#### **PL - 605 - SBECF Adjustments -**

This Present Law change package adjusts for payments made by the General Services Division's Facilities Management Program to the State Building Energy Conservaton Program.

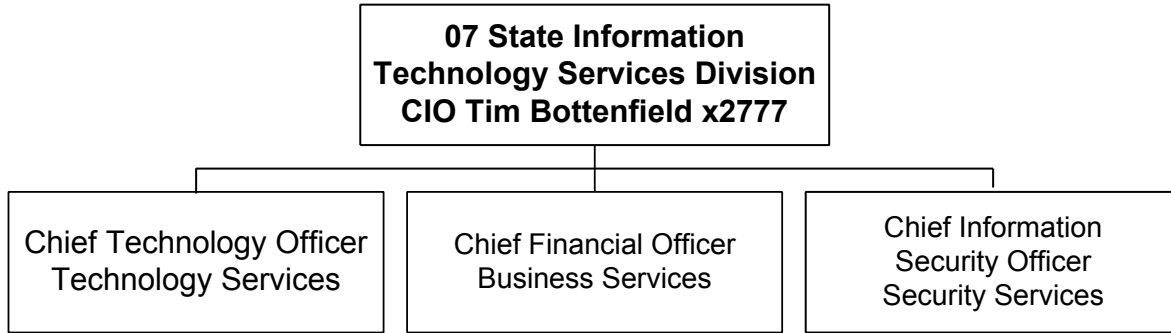
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$360,000)
FY 2023	\$0	(\$360,000)

#### **PL - 607 - Contracted Services Decrease -**

This change package includes a reduction of \$360,000 in FY 2022 and FY 2023 to reflect savings in contracted services expense. In FY 2021, the General Services Division's Facilities Management Bureau took over the state's mechanical contract, which resulted in savings to this program..

## Department of Administration - 61010

### State Information Technology Division - 07



Program Proposed Budget	Starting Point Fiscal 2021	Budget Adjustments Fiscal 2022	Total Exec. Budget Fiscal 2022	Budget Adjustments Fiscal 2023	Total Exec. Budget Fiscal 2023	Executive Budget Request 2023 Biennium
FTE	175.00	0.00	175.00	0.00	175.00	
Personal Services	16,220,371	1,502,066	17,722,437	1,502,028	17,722,399	35,444,836
Operating Expenses	26,581,603	11,365,209	37,946,812	9,850,086	36,431,689	74,378,501
Equipment & Intangible Assets	370,861	0	370,861	0	370,861	741,722
Debt Service	3,950,000	(1,590,000)	2,360,000	(2,780,000)	1,170,000	3,530,000
<b>Total Costs</b>	<b>\$47,122,835</b>	<b>\$11,277,275</b>	<b>\$58,400,110</b>	<b>\$8,572,114</b>	<b>\$55,694,949</b>	<b>\$114,095,059</b>
Proprietary Funds	47,122,835	11,174,241	58,400,110	8,419,079	55,694,949	114,095,059
<b>Total Funds</b>	<b>\$47,122,835</b>	<b>\$11,174,241</b>	<b>\$58,400,110</b>	<b>\$8,419,079</b>	<b>\$55,694,949</b>	<b>\$114,095,059</b>

**Proprietary Program Description -**  
06004 - eGovernment Services

*Program Description*

Digital government services include permitting, registration, licensing, inspections, financial reconciliation, reporting, point of sale card swipe devices and mobile payments, monthly billing, and management and collection of customer accounts. Currently, Montana Interactive operates and maintains more than 400 digital government services for Montana agencies and local governments.

The current contract with Montana Interactive will expire on December 31, 2020. Upon expiration, the transaction fund that supports digital government will transfer to the Department of Administration. The department's State Information Technology Services Division has established an enterprise fund for the management of these fees.

*Revenues and Expenses*

Revenues will be earned through a fee that is charged to each eGovernment transaction. Fees earned will be used to help offset the costs for a new vendor, as well as for costs to administer the program and other expenses associated with the development of enterprise electronic government services.

*Rate(s) and Rate Explanation*

Transaction fees can either be a set rate per transaction or a percentage of the total transaction costs. Once the State Information Technology Services Division takes over the administration of the eGovernment program, both possibilities will be analyzed to determine the best rate to use.

*Projected Fund Balance, Including Cash Fluctuations*

## Department of Administration - 61010

### State Information Technology Division - 07

Since FY 2022 will be the first complete year of administering this program, fund balance information, and future fund balance projections, have not yet been determined. These will be analyzed as more information becomes available through the management of the eGovernment program.

#### *Working Capital and Fees Commensurate Analysis*

Although this is an enterprise fund, working capital balances will still be assessed to ensure sufficient funds are available to pay operating expenses, especially during the first few years of program operation.

#### **06522 – State Information Technology Services Division**

##### *Program Description*

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

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

- Information Systems Security - manages solutions and services to ensure continuity of enterprise operations and security of data through risk assessment and mitigation, planning and monitoring, detailed recovery planning, incident response, and periodic testing. Coordinates security policies and procedures.
- Network Technology Services - manages the statewide network, which connects 22,000 devices at over 600 locations and provides prioritized voice, video, data, and wireless services. Develops and implements network solutions that support customer needs for bandwidth and connectivity.
- Enterprise Technology Services – designs, implements and manages shared IT hardware and software infrastructure in a highly-efficient virtualized environment. Provides platforms for application and database hosting services using enterprise-class computing and storage capacity.
- Enterprise Support Services - manages the service desk to assist customers regarding hardware and software applications, including email and telecommunications. Manages desktop lifecycle for customers, including software and hardware ordering, deployment, updates, remote control, and disposal.
- Montana Data Centers - manages state data center facilities in Helena (primary) and Miles City (disaster recovery). Maintains the reliability, efficiency, security, and availability of computer processing and storage for all customers.
- Application Technology Services - supports the state's mt.gov websites and assists customers with designing and deploying customized applications and online services, including eGovernment applications.
- Public Safety Communications Services - supports the Statewide Interoperability Governing Board and 9-1-1 Advisory Council in the areas of governance, policy, and planning. Manages federal and state funding sources to support maintenance of public safety communications systems and equipment. Manages statewide licenses for mutual aid frequencies.
- Strategic Planning Services - ensures IT operations are conducted in an organized, deliberative, and cost-effective manner through planning, periodic performance reports, and oversight of agency IT procurements and plans. Publishes the State IT Strategic Plan and Biennial Report.
- Financial Management Services – manages budget, billing, acquisition, and contract management services for SITSD. Sets rates and manages the revenues and expenses for more than 200 enterprise services provided to state and local government IT customers.
- State IT Project Management Services - provides expertise, assistance, tools, methodologies, and training to customers to ensure IT projects are conducted in an organized, deliberative, and cost-effective manner.

#### *Revenues and Expenses*

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

## Department of Administration - 61010

### State Information Technology Division - 07

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

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

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

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

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

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

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

#### *Projected Fund Balance, Including Cash Fluctuations*

A portion of the fund balance for this proprietary fund does relate to the investment in equipment. Cash is collected from billing agencies consistently throughout the year. The division aims to maintain a positive cash balance to invest in state-of-the-art technology to offer to the enterprise and to cover year end obligations.

#### *Working Capital and Fees Commensurate Analysis*

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

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### State Information Technology Division - 07

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: State Information Technology Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06522	ISD Proprietary				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	45,145,445	45,410,711	47,470,836	47,173,114	53,380,833	53,826,713
Fee Revenue B	592,302	614,601	653,484	1,387,000	573,715	573,715
<b>Total Operating Revenues</b>	<b>45,737,747</b>	<b>46,025,312</b>	<b>48,124,320</b>	<b>48,560,114</b>	<b>53,954,548</b>	<b>54,400,428</b>
<b>Expenses:</b>						
Personal Services	16,213,004	16,780,832	17,833,084	16,220,371	17,722,437	17,722,399
Other Operating Expenses	40,497,529	22,456,576	31,100,945	26,581,603	34,843,778	35,278,655
Expense B	-	-	-	370,861	370,861	370,861
Loans and Lease Payments	235,408	-	235,901	3,950,000	2,360,000	1,170,000
<b>Total Operating Expenses</b>	<b>56,945,941</b>	<b>39,237,408</b>	<b>49,169,930</b>	<b>47,122,835</b>	<b>55,297,076</b>	<b>54,541,915</b>
<b>Operating Income (Loss)</b>	<b>(11,208,194)</b>	<b>6,787,904</b>	<b>(1,045,610)</b>	<b>1,437,279</b>	<b>(1,342,528)</b>	<b>(141,487)</b>
Nonoperating Revenues:						
Other Revenue A	-	696	-	-	-	-
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>696</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(11,208,194)</b>	<b>6,788,600</b>	<b>(1,045,610)</b>	<b>1,437,279</b>	<b>(1,342,528)</b>	<b>(141,487)</b>
Capital Contributions						
Transfers In	79,022	-	-	-	-	-
Transfers Out	31,813	41,683	146,955	146,955	150,629	150,629
<b>Change in Net Position</b>	<b>(11,097,359)</b>	<b>6,830,283</b>	<b>(899,085)</b>	<b>5,847,234</b>	<b>1,281,101</b>	<b>1,431,142</b>
<b>Beginning Net Position - July 1</b>	<b>3,615,865</b>	<b>(7,537,251)</b>	<b>(910,248)</b>	<b>(1,809,333)</b>	<b>4,037,901</b>	<b>5,319,002</b>
Prior Period Adjustments	(55,757)	(203,280)	-	-	-	-
Change in Net Position	(11,097,359)	6,830,283	(899,085)	5,847,234	1,281,101	1,431,142
<b>Ending Net Position - June 30</b>	<b>(7,537,251)</b>	<b>(910,248)</b>	<b>(1,809,333)</b>	<b>4,037,901</b>	<b>5,319,002</b>	<b>6,750,144</b>
<b>Net Position (Fund Balance) Analysis</b>						



## Department of Administration - 61010

### State Information Technology Division - 07

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration		Program Name: State Information Technology Division			
	<b>Fund</b>	<b>Fund Name</b>				
	06004	Electronic Government Services				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A						
	-	-	-	2,814,855	5,629,710	5,629,710
<b>Total Operating Revenues</b>	-	-	-	2,814,855	5,629,710	5,629,710
<b>Expenses:</b>						
Other Operating Expenses						
	-	-	-	3,800,352	3,103,034	1,153,034
<b>Total Operating Expenses</b>	-	-	-	3,800,352	3,103,034	1,153,034
<b>Operating Income (Loss)</b>	-	-	-	(985,497)	2,526,676	4,476,676
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	-	-	-	(985,497)	2,526,676	4,476,676
<b>Change in Net Position</b>	-	-	-	(985,497)	2,526,676	4,476,676
Change in Net Position	-	-	-	(985,497)	2,526,676	4,476,676
<b>Ending Net Position - June 30</b>	-	-	-	(985,497)	1,541,179	6,017,855
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$1,191,301
FY 2023	\$0	\$1,260,635

**SWPL - 1 - Personal Services -**

The budget includes adjustments in FY 2022 and FY 2023 to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$182,168
FY 2023	\$0	\$116,391

**SWPL - 2 - Fixed Costs -**

The request includes adjustments in FY 2022 and FY 2023 to provide the funding required in the budget to pay for fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

## Department of Administration - 61010

### State Information Technology Division - 07

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$1,747)
FY 2023	\$0	(\$1,096)

**SWPL - 3 - Inflation Deflation -**

This change package includes adjustments in FY 2022 and FY 2023 to reflect budgetary changes generated from the application of inflation to specific expenditure accounts. Affected accounts include those associated with the statewide Motor Pool operated by the Department of Transportation.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$55,606
FY 2023	\$0	\$55,606

**PL - 4 - Allocate Department Indirect/Administrative Costs -**

This change package includes adjustments in FY 2022 and FY 2023 to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$16,373
FY 2023	\$0	\$16,376

**PL - 6 - SCEMO Increase -**

This change package adjusts the State Information Technology Division budget for their share of costs paid to fund the State Continuity and Emergency Office.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$3,709,775
FY 2023	\$0	\$2,949,775

**PL - 702 - Adjust SITSD Proprietary -**

This adjustment is made to align with the established rates and budgetary needs for the State Information Technology proprietary program.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$3,103,034
FY 2023	\$0	\$1,153,034

**NP - 701 - eGov Spending Authority -**

The Department of Administration (DOA) has the authority to manage the Electronic Government Transaction Fund. The current contract which expires on December 31, 2020, tasks the vendor with managing this fund. Upon contract expiration, DOA will take over the management of the transaction fund and begin collecting transaction and convenience fees. In order to use the revenue coming into this fund to cover electronic government related expenses, DOA needs proprietary revenue spending authority (enterprise fund ) approved by the legislature. Without spending authority, DOA will have to ask for a supplemental appropriation to cover costs associated with electronic government.

## Department of Administration - 61010

### State Information Technology Division - 07

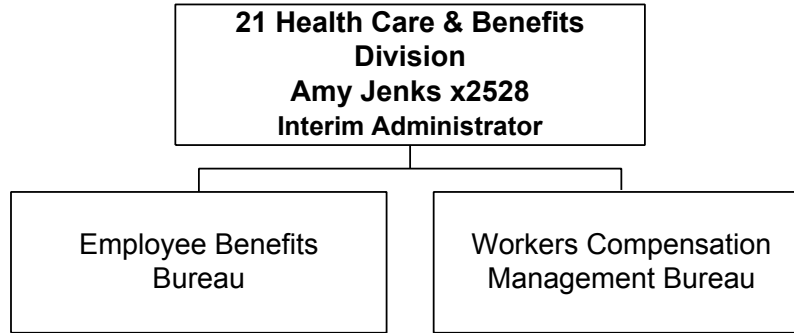
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$3,020,765
FY 2023	\$0	\$3,021,393

#### **NP - 703 - Move SITSD Cybersecurity to Proprietary -**

The 2019 legislature provided an appropriation for cybersecurity projects to improve the safety of the state's IT infrastructure. HB 2 from the last session included the following language: "It is the intent of the legislature that funding for the Montana Cybersecurity Enhancement Project be moved to the State Information Technology Services Division's proprietary rates in the 2023 biennium if the project is successful." This change package reduces the general fund and the funding is moved to the program's proprietary fund.

# Department of Administration - 61010

## Health Care & Benefits Division - 21



Program Proposed Budget	Starting Point Fiscal 2021	Budget Adjustments Fiscal 2022	Total Exec. Budget Fiscal 2022	Budget Adjustments Fiscal 2023	Total Exec. Budget Fiscal 2023	Executive Budget Request 2023 Biennium
FTE	21.87	0.00	21.87	0.00	21.87	
Personal Services	1,952,133	(24,403)	1,927,730	(17,122)	1,935,011	3,862,741
Operating Expenses	15,423,418	(379,433)	15,043,985	(322,011)	15,101,407	30,145,392
Benefits & Claims	227,707,230	22,883,211	250,590,441	35,325,258	263,032,488	513,622,929
Debt Service	2,759	0	2,759	0	2,759	5,518
<b>Total Costs</b>	<b>\$245,085,540</b>	<b>\$22,479,375</b>	<b>\$267,564,915</b>	<b>\$34,986,125</b>	<b>\$280,071,665</b>	<b>\$547,636,580</b>
Proprietary Funds	245,085,540	22,479,376	267,564,915	34,986,126	280,071,665	547,636,580
<b>Total Funds</b>	<b>\$245,085,540</b>	<b>\$22,479,376</b>	<b>\$267,564,915</b>	<b>\$34,986,126</b>	<b>\$280,071,665</b>	<b>\$547,636,580</b>

### Proprietary Program Description - 06559 Group Benefits Claims A/C

#### Program Description:

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

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

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

The program is funded by the state contribution for group benefits and by contributions and fees paid by plan members. The program currently supports 18.73 FTE.

#### Alternate Sources:

As an alternative to providing a self-funded 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

## Department of Administration - 61010

### Health Care & Benefits Division - 21

operated a statewide plan since 1979, and a self-funded plan since 1984.

#### Customers Served:

Approximately 28,500 lives are covered by the benefit plans provided by the division in the following categories; 12,100 regular full-time and part-time executive, legislative, and judicial branch employees; 1,600 retirees; 100 COBRA participants; and 14,700 dependents.

#### Revenues and Expenses:

The primary cost driver in the fund is the cost of health and prescription drug claims. The medical and pharmacy trends are anticipated to continue increasing at levels of approximately 6% - 10% annually.

#### Rate and Rate Explanation:

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

Income for the program in FY 2020 was approximately \$207.3 million. The state share portion of this income was approximately \$160.5 million or 77%. The remaining income was from participant paid contributions and investment earnings. Total expenses during FY 2020 were \$187.6 million. Of note is the large impact the 2019 Novel Coronavirus had on the health plan claims experience in fiscal year 2020. When the Governor ordered the stay at home order in March 2020, the plan noticed an immediate impact on the reduction of services, and therefore, claims costs for the remainder of FY 2020. The plan does expect those members that delayed procedures and services during this time will still receive them, and there may be a delayed increase in claims as a result.

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

#### Changes in Level of Fees and Charges:

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

#### Projected Fund Balance, including Cash Fluctuations:

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

It is projected that about \$14.5 million per month in claims expenses will be paid in FY 2021 and \$15.5 million per month in FY 2022. Contributions are collected either bimonthly, with paycheck processing, or at the beginning of the month depending on whether the contribution is for active employees, retirees, legislators, or COBRA members. Retirees are required to pay the full amount of the contribution, but the contribution is subsidized indirectly by the state employer contribution to the plan and other revenues. Employees who cover their dependents pay a portion of the cost to insure their family members while a portion is subsidized indirectly by state employer contribution to the plan and other revenue sources such as investment earnings.

## Department of Administration - 61010

### Health Care & Benefits Division - 21

FY 2020 expenditures were approximately \$172.0 million for medical, dental, and prescription drug claims. These expenditures are projected to be \$220 million in FY 2021 and \$243 million in FY 2022. This does not take into account future benefit plan changes which may impact expenditure projections.

Claims costs make up approximately 94% of program expenditures. Administrative costs comprise about 6% of total program expenditures, including contracts with vendors to process claims and administrative costs directly within the department.

#### *Working Capital and Fees Commensurate Analysis:*

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

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

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

#### **06575 Workers' Compensation Management Program**

##### *Program Description:*

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

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

##### *Alternate Sources:*

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

##### *Customers Served:*

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

##### *Revenues and Expenses*

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

## Department of Administration - 61010

### Health Care & Benefits Division - 21

overhead charges.

Personal services expenses account for almost 85% of the program's expenses over the next biennium. The remaining costs are attributable to operating expenses of the program.

#### *Rate and Rate Explanation:*

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

#### *Change in Level of Fees and Charges:*

No significant changes in services are contemplated.

#### *Projected Fund Balance, including Cash Fluctuations:*

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

#### *Working Capital and Fees Commensurate Analysis:*

The program's expenses primarily consist of personal services and operating costs. The program strives to maintain a 60-day working capital balance, which equates to approximately \$58,000. The maintenance of a 60-day working capital is factored into the fixed cost rate determination.

### **06027 Flexible Spending**

#### *Program Description:*

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

Federal rules govern the use of, and the amount, that can be contributed to flexible spending accounts. The current contribution maximums are \$2,750 per year for medical and \$5,000 per year for dependent care. In the fall of 2013, the Internal Revenue Service announced the ability for participants to roll over up to \$500 from the medical flexible spending account in to the next benefit year. Employees forfeit any unspent funds beyond the \$500 rollover for medical and any remaining dependent care balance at the end of the year.

#### *Alternate Sources:*

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

#### *Customers Served:*

Approximately 4,500 state employees participate in the flexible spending account program.

#### *Rate and Rate Explanation:*

The flexible spending account program fee paid to Application Software, Inc., is \$2.25 per participant per month. This fee

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### Health Care & Benefits Division - 21

is charged per participant whether the participant has a medical account, a dependent care account, or both. This fee is, in turn, charged to each participant who enrolls in the flexible spending account program. Due to the fees being charged each two week payroll cycle, the fee charged to participants is \$2.26 allowing a \$1.13 charge each pay period.

#### *Changes in Level of Fees and Charges:*

No significant changes in services are contemplated.

#### *Projected Fund Balance, including Cash Fluctuations:*

The flexible spending account program does not have any reserve fund balance requirements. Program management intends to maintain fund balance at current levels as compared to FY 2020 base year fund balance.

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

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

#### *Working Capital and Fees Commensurate Analysis:*

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



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## Health Care & Benefits Division - 21

<b>2023 Biennium Report on Internal Service and Enterprise Funds</b>						
Agency # 61010	Agency Name: Department of Administration			Program Name: Health Care & Benefits Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06027	Flexible Spending Funds				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	141,181	131,114	122,318	171,863	171,863	171,863
Fee Revenue B	14,177	27,154	20,809	1,000	1,000	1,000
Fee Revenue C	7,165,675	7,269,904	7,335,592	7,741,250	7,741,250	7,741,250
<b>Total Operating Revenues</b>	<b>7,321,033</b>	<b>7,428,172</b>	<b>7,478,719</b>	<b>7,914,113</b>	<b>7,914,113</b>	<b>7,914,113</b>
<b>Expenses:</b>						
Other Operating Expenses						
Expense B	165,253	142,642	122,366	171,863	171,863	171,863
<b>Total Operating Expenses</b>	<b>7,049,200</b>	<b>7,124,400</b>	<b>6,709,229</b>	<b>7,707,230</b>	<b>7,707,230</b>	<b>7,707,230</b>
<b>Operating Income (Loss)</b>	<b>106,580</b>	<b>161,130</b>	<b>647,124</b>	<b>35,020</b>	<b>35,020</b>	<b>35,020</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>106,580</b>	<b>161,130</b>	<b>647,124</b>	<b>35,020</b>	<b>35,020</b>	<b>35,020</b>
<b>Change in Net Position</b>	<b>106,580</b>	<b>161,130</b>	<b>647,124</b>	<b>35,020</b>	<b>35,020</b>	<b>35,020</b>
<b>Beginning Net Position - July 1</b>	<b>2,216,733</b>	<b>2,323,313</b>	<b>2,484,443</b>	<b>3,131,567</b>	<b>3,166,587</b>	<b>3,201,607</b>
Change in Net Position	106,580	161,130	647,124	35,020	35,020	35,020
<b>Ending Net Position - June 30</b>	<b>2,323,313</b>	<b>2,484,443</b>	<b>3,131,567</b>	<b>3,166,587</b>	<b>3,201,607</b>	<b>3,236,627</b>
<b>Net Position (Fund Balance) Analysis</b>						

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## Health Care & Benefits Division - 21

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: Health Care & Benefits Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06559	Group Benefits Claims A/C				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	190,936,430	215,777,514	217,031,613	237,000,000	214,000,000	214,000,000
Fee Revenue B	512,728	2,927,599	2,788,195	515,000	670,000	650,000
Fee Revenue D	3,656,747	3,380,064	5,500,740	3,850,000	5,500,000	5,300,000
<b>Total Operating Revenues</b>	<b>195,105,905</b>	<b>222,085,177</b>	<b>225,320,548</b>	<b>241,365,000</b>	<b>220,170,000</b>	<b>219,950,000</b>
<b>Expenses:</b>						
Personal Services	1,535,722	1,549,458	1,532,072	1,771,664	1,735,013	1,743,576
Other Operating Expenses	14,363,482	14,916,773	14,063,745	15,231,458	14,841,267	14,898,455
Expense B	177,295,931	182,904,899	171,958,990	220,222,480	243,105,691	255,547,738
Loans and Lease Payments	-	-	127	2,759	2,759	2,759
<b>Total Operating Expenses</b>	<b>193,195,135</b>	<b>199,371,130</b>	<b>187,554,934</b>	<b>237,228,361</b>	<b>259,684,730</b>	<b>272,192,528</b>
<b>Operating Income (Loss)</b>	<b>1,910,770</b>	<b>22,714,047</b>	<b>37,765,614</b>	<b>4,136,639</b>	<b>(39,514,730)</b>	<b>(52,242,528)</b>
Nonoperating Revenues:						
Other Revenue A	-	-	44,486	-	-	-
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>44,486</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>1,910,770</b>	<b>22,714,047</b>	<b>37,810,100</b>	<b>4,136,639</b>	<b>(39,514,730)</b>	<b>(52,242,528)</b>
Transfers Out	(124)	-	-	-	-	-
<b>Change in Net Position</b>	<b>1,910,646</b>	<b>22,714,047</b>	<b>37,810,100</b>	<b>4,136,639</b>	<b>(39,514,730)</b>	<b>(52,242,528)</b>
<b>Beginning Net Position - July 1</b>	<b>76,645,124</b>	<b>78,553,800</b>	<b>101,206,065</b>	<b>138,519,759</b>	<b>142,656,398</b>	<b>103,141,668</b>
Prior Period Adjustments	(1,970)	(61,782)	(496,406)	-	-	-
Change in Net Position	1,910,646	22,714,047	37,810,100	4,136,639	(39,514,730)	(52,242,528)
<b>Ending Net Position - June 30</b>	<b>78,553,800</b>	<b>101,206,065</b>	<b>138,519,759</b>	<b>142,656,398</b>	<b>103,141,668</b>	<b>50,899,140</b>
<b>Net Position (Fund Balance) Analysis</b>						

# Department of Administration - 61010

## Health Care & Benefits Division - 21

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: Health Care & Benefits Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06575	Workers Comp Mgmt Program				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A						
	283,008	345,014	344,997	345,000	349,313	349,312
<b>Total Operating Revenues</b>	<b>283,008</b>	<b>345,014</b>	<b>344,997</b>	<b>345,000</b>	<b>349,313</b>	<b>349,312</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses						
	298,561	291,041	310,599	304,005	308,263	308,823
	39,631	32,039	38,879	41,015	46,149	46,233
<b>Total Operating Expenses</b>	<b>338,192</b>	<b>323,080</b>	<b>349,478</b>	<b>345,020</b>	<b>354,412</b>	<b>355,056</b>
<b>Operating Income (Loss)</b>	<b>(55,184)</b>	<b>21,934</b>	<b>(4,481)</b>	<b>(20)</b>	<b>(5,099)</b>	<b>(5,744)</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(55,184)</b>	<b>21,934</b>	<b>(4,481)</b>	<b>(20)</b>	<b>(5,099)</b>	<b>(5,744)</b>
<b>Change in Net Position</b>	<b>(55,184)</b>	<b>21,934</b>	<b>(4,481)</b>	<b>(20)</b>	<b>(5,099)</b>	<b>(5,744)</b>
<b>Beginning Net Position - July 1</b>	71,478	16,294	38,228	33,747	33,727	28,628
Change in Net Position	(55,184)	21,934	(4,481)	(20)	(5,099)	(5,744)
<b>Ending Net Position - June 30</b>	<b>16,294</b>	<b>38,228</b>	<b>33,747</b>	<b>33,727</b>	<b>28,628</b>	<b>22,884</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$24,403)
FY 2023	\$0	(\$17,122)

**SWPL - 1 - Personal Services -**

The budget includes adjustments in FY 2022 and FY 2023 to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

# Department of Administration - 61010

## Health Care & Benefits Division - 21

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$434,870)
FY 2023	\$0	(\$440,378)

### SWPL - 2 - Fixed Costs -

The request includes adjustments in FY 2022 and FY 2023 to provide the funding required in the budget to pay for fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$371)
FY 2023	\$0	(\$233)

### SWPL - 3 - Inflation Deflation -

This change package includes adjustments in FY 2022 and FY 2023 to reflect budgetary changes generated from the application of inflation to specific expenditure accounts. Affected accounts include those associated with the statewide Motor Pool operated by the Department of Transportation.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$22,941,288
FY 2023	\$0	\$35,445,507

### PL - 2101 - Health Plan Claims -

This change package adjusts for increases in health care claims for FY 2022 and FY 2023. The State of Montana Employee Benefits Plan (Plan) projects an average annual trend of 6 percent in medical claims and 9 percent in prescription drug costs. The state is actively involved in providing managed care services to help contain its claims costs and has been successful in keeping the claims trend rate below the increase being experienced by a majority of other plans in the United States. Knowing the state will continue to see increased costs in health coverage, additional budget authority of \$22,883,211 and \$35,325,258 is requested for FY 2022 and FY 2023, respectively.

Claims administration and operating costs are also predicted to increase with contract renewals. The increases are due to increased third party administrator fees. The benefit program will require an additional \$58,077 and \$120,249 in FY2022 and FY2023, respectively, to administer the state's benefit programs.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$6,900
FY 2023	\$0	\$7,520

### PL - 2102 - Workers Comp Management Bureau Operating Increase -

The Workers' Compensation Management Bureau (WCMB), within the Health Care & Benefits Division, had originally budgeted for \$3,200 per year for the 2021 biennium for Occupational Safety and Health Administration (OSHA) training. This training was canceled in FY 2020 due to the Coronavirus. It is the intent of the WCMB to complete this training in FY 2021 and each year in the 2023 Biennium. In addition, the current lease for the Health Care & Benefits Division contains a provision for a 3% per year increase. The WCMB also has computer replacements scheduled for the 2023 Biennium.

## Department of Administration - 61010

### Health Care & Benefits Division - 21

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$5,107)
FY 2023	\$0	(\$5,107)

#### **PL - 4 - Allocate Department Indirect/Administrative Costs -**

This change package includes adjustments in FY 2022 and FY 2023 to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

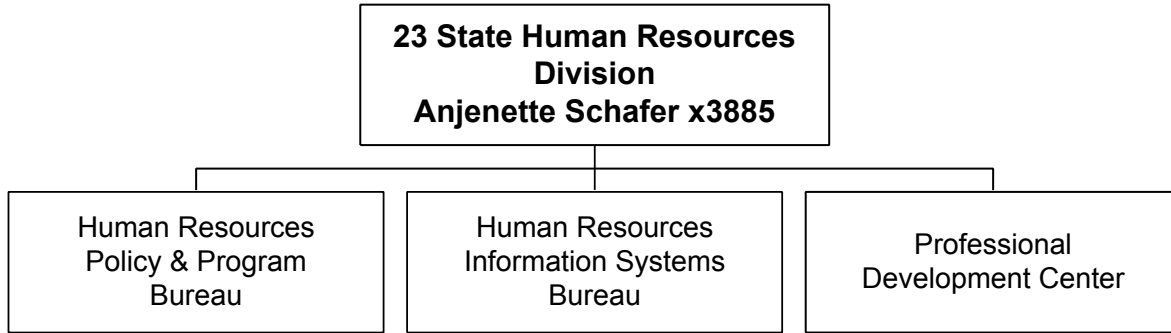
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$4,062)
FY 2023	\$0	(\$4,062)

#### **PL - 5 - ServiceNow -**

OBPP has approved the purchase of ServiceNow licenses and programs for the 2023 biennium. Due to the projected operating efficiencies and other savings achieved using ServiceNow, the operating budget has been reduced.

Department of Administration - 61010

State Human Resources Division - 23



Program Proposed Budget	Starting Point Fiscal 2021	Budget Adjustments Fiscal 2022	Total Exec. Budget Fiscal 2022	Budget Adjustments Fiscal 2023	Total Exec. Budget Fiscal 2023	Executive Budget Request 2023 Biennium
FTE	25.25	0.00	25.25	0.00	25.25	
Personal Services	2,586,510	(85,537)	2,500,973	(79,109)	2,507,401	5,008,374
Operating Expenses	1,654,687	(85,698)	1,568,989	(171,311)	1,483,376	3,052,365
Benefits & Claims	222,480	0	222,480	0	222,480	444,960
Debt Service	1,361	0	1,361	0	1,361	2,722
<b>Total Costs</b>	<b>\$4,465,038</b>	<b>(\$171,235)</b>	<b>\$4,293,803</b>	<b>(\$250,420)</b>	<b>\$4,214,618</b>	<b>\$8,508,421</b>
Proprietary Funds	4,465,038	(171,235)	4,293,803	(250,420)	4,214,618	8,508,421
<b>Total Funds</b>	<b>\$4,465,038</b>	<b>(\$171,235)</b>	<b>\$4,293,803</b>	<b>(\$250,420)</b>	<b>\$4,214,618</b>	<b>\$8,508,421</b>

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

*Program Description*

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

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

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

*Revenues and Expenses*

In the 2023 biennium, two sources of revenue will cover the personal services and operating expenses for the PDC:

1. Open-enrollment fees, which are a per-person tuition charged for attendance. Tuition rates are based on two factors: projected attendance and competitive pricing. Tuition rates for the 2023 biennium are based on the proportion of fixed and personal services costs to the overall anticipated program cost. The amount per person varies by length of the course and number of people attending from a single agency.
2. Contract fees, which are a flat fee charged for providing a service. The amount per service varies by length of the service and number of services arranged in a single contract.

*Changes in Level of Fees and Charges*

The center is proposing to keep the same level of fees and charges as the 2021 biennium.

## Department of Administration - 61010

### State Human Resources Division - 23

#### *Projected Fund Balance, Including Cash Fluctuations*

The PDC has no requirement to reserve any of its fund balance. The average turnaround period for revenue receipts is about 45 days from the time the service took place. Historically, during the first two quarters of a fiscal year, demand for PDC services is lower, and cash receipts tend to be at their lowest levels. Cash outflows remain stable during this time period, as 87% of expenses are constant and independent of its revenue stream. The fund balance at FYE 2020 was \$44,028. Based on estimated revenue and expenditure increases, the fund balance is projected to be \$116,244 by FYE 2023.

#### *Working Capital and Fees Commensurate Analysis*

The working capital at the end of FY 2020 was 66 days. PDC rates strive to recover sufficient revenue to meet all personal services and operating costs, while maintaining an adequate working capital balance. PDC will strive to maintain costs at the level rates were approved.

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

#### **Fund 06563 Human Resources Information System Bureau (HRIS)**

##### *Program Description*

The HRIS Bureau operates the SABHRS-HR payroll, benefits, and human resources system to process, distribute, report, and account for payroll, benefits, and associated withholding and deductions for almost 14,000 state employees in the executive, legislative, and judicial branches. The bureau is also responsible for the administration and maintenance of the State of Montana Recruitment System (SOMRS), which is used by all state agencies in the recruitment and selection of applicants.

The bureau establishes and maintains standards, processes, and procedures to be followed by state agencies in preparing and submitting payroll, benefits, and related human resources (HR) data into the system. The system operated by the bureau provides information and processing in support of division and statewide functions and programs, including employee benefits (group insurance, FSA, ACA compliance, deferred compensation, and pension), classification, pay, labor relations, policy, and training.

The program staff consists of 22.25 FTE, which includes 1.00 FTE dedicated to the Employee Assistance Program. Statutory authority is found in 2-18-401, MCA, and 2-18-403, MCA.

##### *Revenues and Expenses*

The HRIS program is accounted for as a proprietary fund. Revenues are collected from central payroll processing fees assessed to each agency, based on the average number of paychecks processed during the prior two fiscal years.

##### *Rate and Rate Explanation*

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

##### *Change in Services or Fees*

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

#### *Projected Fund Balance, Including Cash Fluctuations*

The HRIS fund had a fund balance of \$175,813 at FYE 2020. Based on the rate increase, fund balance is projected to be \$409,764 by FYE 2023. HRIS will adjust expenditures during the three-year period (FY 2021 to FY 2023) to stay within the revenue stream and be cash positive at the end of the 2023 biennium.

## Department of Administration - 61010

### State Human Resources Division - 23

#### Working Capital and Fees Commensurate Analysis

The working capital at the end of FY 2020 was 32 days. Based on the rate increase, working capital is projected to be 57 days at the end of FY 2023. HRIS rates strive to recover sufficient revenue to meet all personal services and operating costs, while maintaining an adequate working capital balance. HRIS will maintain costs at the level rates were approved.

Agencies are billed quarterly. A 60-day working capital would allow the bureau to pay monthly personal services expenses and maintain current operations.

<b>2023 Biennium Report on Internal Service and Enterprise Funds</b>						
Agency # 61010	Agency Name: Department of Administration		Program Name: State Human Resources Division			
	<b>Fund</b>	<b>Fund Name</b>				
	06563	HR Info Services				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY18	FY19	FY20	FY21	FY22	FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A						
	3,595,348	3,568,979	3,388,164	3,361,775	3,597,599	3,607,989
<b>Total Operating Revenues</b>	<b>3,595,348</b>	<b>3,568,979</b>	<b>3,388,164</b>	<b>3,361,775</b>	<b>3,597,599</b>	<b>3,607,989</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses						
Loans and Lease Payments						
	2,154,551	2,140,673	2,151,413	2,141,480	2,079,615	2,083,298
	1,345,073	1,230,351	1,264,902	1,312,427	1,399,234	1,314,373
	-	-	36	995	995	995
<b>Total Operating Expenses</b>	<b>3,499,624</b>	<b>3,371,024</b>	<b>3,416,351</b>	<b>3,454,902</b>	<b>3,479,844</b>	<b>3,398,666</b>
<b>Operating Income (Loss)</b>	<b>95,724</b>	<b>197,955</b>	<b>(28,187)</b>	<b>(93,127)</b>	<b>117,755</b>	<b>209,323</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>95,724</b>	<b>197,955</b>	<b>(28,187)</b>	<b>(93,127)</b>	<b>117,755</b>	<b>209,323</b>
<b>Change in Net Position</b>	<b>95,724</b>	<b>197,955</b>	<b>(28,187)</b>	<b>(93,127)</b>	<b>117,755</b>	<b>209,323</b>
<b>Beginning Net Position - July 1</b>	<b>(76,919)</b>	<b>18,805</b>	<b>216,760</b>	<b>175,813</b>	<b>82,686</b>	<b>200,441</b>
Prior Period Adjustments	-	-	(12,760)	-	-	-
Change in Net Position	95,724	197,955	(28,187)	(93,127)	117,755	209,323
<b>Ending Net Position - June 30</b>	<b>18,805</b>	<b>216,760</b>	<b>175,813</b>	<b>82,686</b>	<b>200,441</b>	<b>409,764</b>
<b>Net Position (Fund Balance) Analysis</b>						



## Department of Administration - 61010

### State Human Resources Division - 23

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: State Human Resources Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06525	Intergovernmental Training				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	355,422	406,254	362,226	418,500	417,500	417,500
Other Operating Revenue	54,291	101,742	72,928	47,400	62,400	62,400
<b>Total Operating Revenues</b>	<b>409,713</b>	<b>507,996</b>	<b>435,154</b>	<b>465,900</b>	<b>479,900</b>	<b>479,900</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	236,555	228,545	208,562	287,480	305,812	306,715
Loans and Lease Payments	168,086	250,056	208,968	144,059	154,461	153,859
	-	-	13	366	366	366
<b>Total Operating Expenses</b>	<b>404,641</b>	<b>478,601</b>	<b>417,543</b>	<b>431,905</b>	<b>460,639</b>	<b>460,940</b>
<b>Operating Income (Loss)</b>	<b>5,072</b>	<b>29,395</b>	<b>17,611</b>	<b>33,995</b>	<b>19,261</b>	<b>18,960</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>5,072</b>	<b>29,395</b>	<b>17,611</b>	<b>33,995</b>	<b>19,261</b>	<b>18,960</b>
<b>Change in Net Position</b>	<b>5,072</b>	<b>29,395</b>	<b>17,611</b>	<b>33,995</b>	<b>19,261</b>	<b>18,960</b>
<b>Beginning Net Position - July 1</b>	<b>(8,050)</b>	<b>(2,978)</b>	<b>26,417</b>	<b>44,028</b>	<b>78,023</b>	<b>97,284</b>
Change in Net Position	5,072	29,395	17,611	33,995	19,261	18,960
<b>Ending Net Position - June 30</b>	<b>(2,978)</b>	<b>26,417</b>	<b>44,028</b>	<b>78,023</b>	<b>97,284</b>	<b>116,244</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$85,537)
FY 2023	\$0	(\$79,109)

#### SWPL - 1 - Personal Services -

The budget includes adjustments in FY 2022 and FY 2023 to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

## Department of Administration - 61010

### State Human Resources Division - 23

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$125,078
FY 2023	\$0	\$37,346

**SWPL - 2 - Fixed Costs -**

The request includes adjustments in FY 2022 and FY 2023 to provide the funding required in the budget to pay for fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$73)
FY 2023	\$0	(\$46)

**SWPL - 3 - Inflation Deflation -**

This change package includes adjustments in FY 2022 and FY 2023 to reflect budgetary changes generated from the application of inflation to specific expenditure accounts. Affected accounts include those associated with the statewide Motor Pool operated by the Department of Transportation.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$42,455
FY 2023	\$0	\$44,578

**PL - 2302 - Software Contract Increases HRIS -**

A 5% increase in license fees and maintenance costs are projected with Oracle products annually. License, subscription, and maintenance fees are needed for continued support and updates to the Enterprise's payroll, benefit administration, time and labor, human resources, recruitment, and talent management products supporting SABHRS-HR and acquired from Oracle/PeopleSoft since 1997.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$325,000)
FY 2023	\$0	(\$325,000)

**PL - 2303 - Adjust HRIS Operating Budget -**

This change package reduces the State Human Resources Division's operating budget by \$325,000 in each of the fiscal years 2022 and 2023. The State Human Resources Division no longer contracts with the Health Care and Benefits Division to provide certain payroll services, which has likewise reduced the costs associated with administering this prior agreement.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$2,573)
FY 2023	\$0	(\$2,604)

**PL - 4 - Allocate Department Indirect/Administrative Costs -**

This change package includes adjustments in FY 2022 and FY 2023 to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

## Department of Administration - 61010

### State Human Resources Division - 23

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$5,585)
FY 2023	\$0	(\$5,585)

#### **PL - 5 - ServiceNow -**

OBPP has approved the purchase of ServiceNow licenses and programs for the 2023 biennium. Due to the projected operating efficiencies and other savings achieved using ServiceNow, the operating budget has been reduced.

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

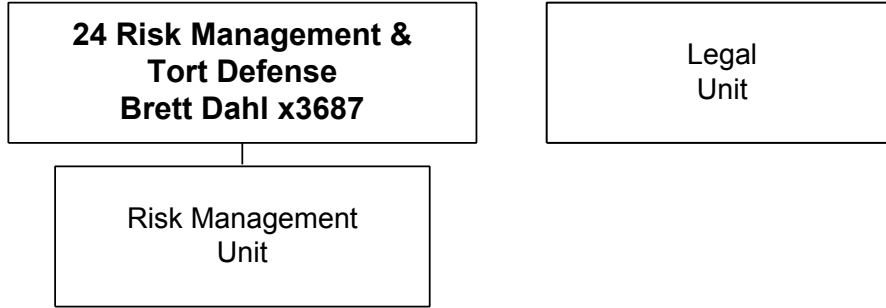
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$80,000
FY 2023	\$0	\$80,000

#### **NP - 2301 - HRIS Online Learning System -**

Beginning May 2021, the Online Enterprise Learning Management System costs will be paid by the State Human Resources Division. These costs, which were previously paid by the State Information Technology Services Division, are estimated to be \$80,000 for FY 2022 and FY 2023.

# Department of Administration - 61010

## Risk Management and Tort Defense - 24



Program Proposed Budget	Starting Point	Budget Adjustments	Total	Budget Adjustments	Total	Executive
Budget Item	Fiscal 2021	Fiscal 2022	Exec. Budget Fiscal 2022	Fiscal 2023	Exec. Budget Fiscal 2023	Budget Request 2023 Biennium
FTE	17.00	0.00	17.00	0.00	17.00	
Personal Services	1,710,238	83,751	1,793,989	87,496	1,797,734	3,591,723
Operating Expenses	12,004,928	1,473,621	13,478,549	1,462,157	13,467,085	26,945,634
Grants	520,113	0	520,113	0	520,113	1,040,226
Benefits & Claims	15,235,087	0	15,235,087	0	15,235,087	30,470,174
Debt Service	1,990	0	1,990	0	1,990	3,980
<b>Total Costs</b>	<b>\$29,472,356</b>	<b>\$1,557,372</b>	<b>\$31,029,728</b>	<b>\$1,549,653</b>	<b>\$31,022,009</b>	<b>\$62,051,737</b>
Proprietary Funds	29,472,356	1,557,372	31,029,728	1,549,653	31,022,009	62,051,737
<b>Total Funds</b>	<b>\$29,472,356</b>	<b>\$1,557,372</b>	<b>\$31,029,728</b>	<b>\$1,549,653</b>	<b>\$31,022,009</b>	<b>\$62,051,737</b>

### Proprietary Program Description - Fund 06532 Agency Insurance

#### Program Description

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

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

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

#### Revenues and Expenses

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

Premium amounts for state agencies are determined based on the predicted costs of losses the state may incur as a result of claims and the costs for operating the division. The division utilizes reasonable industry standards and practices

## Department of Administration - 61010

### Risk Management and Tort Defense - 24

employed by other municipalities and municipal risk pools in setting rates. Budgeted authority to pay insurance premiums is a fixed cost item in agency budgets.

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

#### Rate(s) and Rate Explanation

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

Proposed premiums for the 2023 biennium are as follows: Auto - \$1,820,313 each year; This level of premium represents a 10% reduction from the 2021 biennium and is attributable to COVID-19 state agency and university closures, lower vehicle usage, and fewer losses; Aviation - \$169,961 each year and no change from the previous biennium; General Liability- \$14,613,042 each year and no change from the previous biennium; and Property - \$9,009,000 each year, which is an increase of 30% from the previous biennium.

Premiums for FY 2022 and FY 2023 are apportioned based upon exposure and uniform reductions in loss experience.

#### Projected Fund Balance, Including Cash Fluctuations million settlement

During the 2017 and 2019 biennia, Judge Sherlock approved a \$24.2 million settlement and a \$8.8 million settlement with victims in Libby who had been impacted by asbestos exposure. This settlement followed a \$26.8 million settlement during the 2013 biennium which was paid from the State Property/Casualty Insurance Fund.

During the 2021 biennium, the division paid \$2,000,000 in expenses related to COVID-19 business income losses in behalf of state agencies and universities, In addition, the division incurred a \$48,000,000 property loss (believed to be the largest insured building loss in Montana history) stemming from the collapse of the Margaret Hosaeus Student Fitness Center at Montana State University Bozeman.

The effect of these settlements was to reduce reserves for the state property/casualty insurance fund and to increase the cost of the state's commercial property insurance premium at +53% for FY 2020 and +22% for FY 2021. Rates approved by the legislature for the 2019 and 2021 biennia, and proposed rate increases for property insurance for the 2023 biennium, will re-establish reserves for various insured risks as established by the state's actuarial firm.

#### Working Capital and Fees Commensurate Analysis

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

The high-risk nature of services provided by state agencies, unpredictable litigation outcomes, catastrophic losses, and increases in the cost of commercial insurance mean the division's funding estimates are highly variable. The division utilizes actuarial recommendations and reasonable industry standards employed by other municipalities and municipal risk pools in setting rates to develop funding objectives for the 2021 biennium in order to move toward target funding ratios.

#### Changes in Level of Fees and Charges

For the 2023 biennium, the Risk Management and Tort Defense Division proposes to reduce the level of of auto insurance premium approved by the legislature for the 2021 biennium by 10% and to increase the level of premium approved by the legislature for the 2021 biennium for property insurance by 30%. These rates are necessary to reflect lower auto liability losses, lower auto exposure, increases in the cost of the state's commercial property insurance for worldwide catastrophes,

## Department of Administration - 61010

### Risk Management and Tort Defense - 24

higher commercial insurance deductibles, and "catch up" from rate reductions/rate freezes put in place over four of the previous eight biennia.

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

<b>2023 Biennium Report on Internal Service and Enterprise Funds</b>						
Agency # 61010	Agency Name: Department of Administration			Program Name: Risk Management and Tort Defense		
	<b>Fund</b>	<b>Fund Name</b>				
	06532	Agency Insurance Int. Svc.				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	22,672,343	22,573,956	22,483,041	23,735,573	25,612,316	25,612,316
Fee Revenue B	6,074	6,190	3,362	6,000	6,000	6,000
<b>Total Operating Revenues</b>	<b>22,678,417</b>	<b>22,580,146</b>	<b>22,486,403</b>	<b>23,741,573</b>	<b>25,618,316</b>	<b>25,618,316</b>
<b>Expenses:</b>						
Personal Services	1,514,864	1,605,573	1,747,751	1,710,238	1,793,989	1,797,734
Other Operating Expenses	3,981,684	4,246,321	4,204,685	5,479,050	5,574,188	5,562,724
Expense B	3,492,839	3,836,315	5,319,557	7,050,000	8,424,474	8,424,474
Expense C	13,413,031	15,404,537	50,579,100	15,235,087	15,235,087	15,235,087
Loans and Lease Payments	-	-	72	1,990	1,990	1,990
<b>Total Operating Expenses</b>	<b>22,402,418</b>	<b>25,092,746</b>	<b>61,851,165</b>	<b>29,476,365</b>	<b>31,029,728</b>	<b>31,022,009</b>
<b>Operating Income (Loss)</b>	<b>275,999</b>	<b>(2,512,600)</b>	<b>(39,364,762)</b>	<b>(5,734,792)</b>	<b>(5,411,412)</b>	<b>(5,403,693)</b>
Nonoperating Revenues:						
Other Revenue A	254,221	511,278	636,033	590,000	590,000	590,000
Other Revenue B	221,692	337,049	150,517	205,000	205,000	205,000
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>475,913</b>	<b>848,327</b>	<b>786,550</b>	<b>795,000</b>	<b>795,000</b>	<b>795,000</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>751,912</b>	<b>(1,664,273)</b>	<b>(38,578,212)</b>	<b>(4,939,792)</b>	<b>(4,616,412)</b>	<b>(4,608,693)</b>
Transfers In	45,258	12,639,971	34,086,792	45,500	45,500	45,500
<b>Change in Net Position</b>	<b>797,170</b>	<b>10,975,698</b>	<b>(4,491,420)</b>	<b>(4,894,292)</b>	<b>(4,570,912)</b>	<b>(4,563,193)</b>
<b>Beginning Net Position - July 1</b>	<b>(306,577)</b>	<b>163,693</b>	<b>11,378,233</b>	<b>6,479,261</b>	<b>1,584,969</b>	<b>(2,985,943)</b>
Prior Period Adjustments	(326,900)	238,842	(407,552)	-	-	-
Change in Net Position	797,170	10,975,698	(4,491,420)	(4,894,292)	(4,570,912)	(4,563,193)
<b>Ending Net Position - June 30</b>	<b>163,693</b>	<b>11,378,233</b>	<b>6,479,261</b>	<b>1,584,969</b>	<b>(2,985,943)</b>	<b>(7,549,136)</b>
<b>Net Position (Fund Balance) Analysis</b>						

## Department of Administration - 61010

### Risk Management and Tort Defense - 24

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$83,751
FY 2023	\$0	\$87,496

**SWPL - 1 - Personal Services -**

The budget includes an increase of \$83,751 in FY 2022 and an increase of \$87,496 in FY 2023 to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$99,208
FY 2023	\$0	\$87,276

**SWPL - 2 - Fixed Costs -**

The request includes an increase of \$99,208 in FY 2022 and an increase of \$87,276 in FY 2023 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$1,310)
FY 2023	\$0	(\$821)

**SWPL - 3 - Inflation Deflation -**

This change package includes a decrease of \$1,310 in FY 2022 and a decrease of \$821 in FY 2023 to reflect budgetary changes generated from the application of inflation to specific expenditure accounts. Affected accounts include those associated with the statewide Motor Pool operated by the Department of Transportation.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$1,374,474
FY 2023	\$0	\$1,374,474

**PL - 2401 - Increase Commercial Insurance Premium -**

This change package adjusts for anticipated increases in commercial insurance premium charges for FY 2022 and FY 2023.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$5,803
FY 2023	\$0	\$5,782

**PL - 4 - Allocate Department Indirect/Administrative Costs -**

This change package includes adjustments in FY 2022 and FY 2023 to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

## Department of Administration - 61010

### Risk Management and Tort Defense - 24

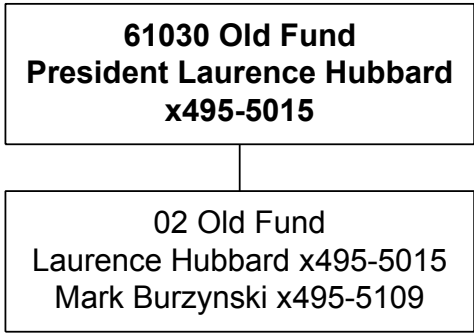
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$4,554)
FY 2023	\$0	(\$4,554)

#### **PL - 5 - ServiceNow -**

OBPP has approved the purchase of ServiceNow licenses and programs for the 2023 biennium. Due to the projected operating efficiencies and other savings achieved using ServiceNow, the operating budget has been reduced.



# Montana State Fund Old Fund - 61030



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

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

# Montana State Fund Old Fund - 61030

## Old Fund - 02

Program Proposed Budget	Starting Point	Budget Adjustments	Total	Budget Adjustments	Total	Executive
Budget Item	Fiscal 2021	Fiscal 2022	Exec. Budget Fiscal 2022	Fiscal 2023	Exec. Budget Fiscal 2023	Budget Request 2023 Biennium
Operating Expenses	97,253	(32,876)	64,377	(36,982)	60,271	124,648
Benefits & Claims	6,243,049	595,060	6,838,109	343,046	6,586,095	13,424,204
<b>Total Costs</b>	<b>\$6,340,302</b>	<b>\$562,184</b>	<b>\$6,902,486</b>	<b>\$306,064</b>	<b>\$6,646,366</b>	<b>\$13,548,852</b>
Proprietary Funds	6,340,302	562,184	6,902,486	306,064	6,646,366	13,548,852
<b>Total Funds</b>	<b>\$6,340,302</b>	<b>\$562,184</b>	<b>\$6,902,486</b>	<b>\$306,064</b>	<b>\$6,646,366</b>	<b>\$13,548,852</b>

**Proprietary Program Description -**

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

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

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

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

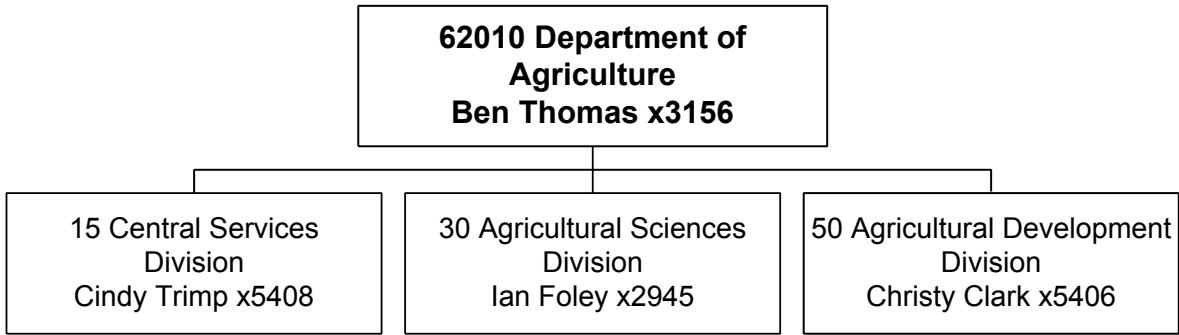
-----**Present Law Adjustments**-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$562,184
FY 2023	\$0	\$306,064

**PL - 4 - MSF staff estimate of Old Fund biennial funding -**

This change package adjusts for anticipated expenditure increases in the 2023 biennium, primarily in the areas of operating expenses and benefits and claims.

## Department of Agriculture - 62010



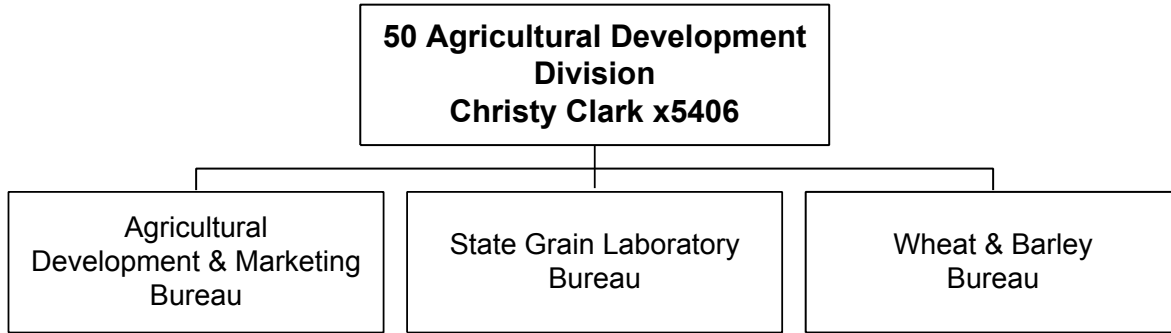
**Mission Statement** - The mission of the Department of Agriculture is to protect producers and consumers and to enhance and develop agriculture and allied industries.

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

Agency Proposed Budget	Total Exec. Budget Fiscal 2022	Total Exec. Budget Fiscal 2023	Total Exec. Budget 2023 Biennium
Budget Item			
Operating Expenses	58,200	58,200	116,400
<b>Total Costs</b>	<b>\$58,200</b>	<b>\$58,200</b>	<b>\$116,400</b>
Proprietary Funds	58,200	58,200	116,400
<b>Total Funds</b>	<b>\$58,200</b>	<b>\$58,200</b>	<b>\$116,400</b>

## Department of Agriculture - 62010

### Agricultural Development Division - 50



Program Proposed Budget	Starting Point Fiscal 2021	Budget Adjustments Fiscal 2022	Total Exec. Budget Fiscal 2022	Budget Adjustments Fiscal 2023	Total Exec. Budget Fiscal 2023	Executive Budget Request 2023 Biennium
Operating Expenses	58,200	0	58,200	0	58,200	116,400
<b>Total Costs</b>	<b>\$58,200</b>	<b>\$0</b>	<b>\$58,200</b>	<b>\$0</b>	<b>\$58,200</b>	<b>\$116,400</b>
Proprietary Funds	58,200	0	58,200	0	58,200	116,400
<b>Total Funds</b>	<b>\$58,200</b>	<b>\$0</b>	<b>\$58,200</b>	<b>\$0</b>	<b>\$58,200</b>	<b>\$116,400</b>

#### Proprietary Program Description - Fund 06016 – Beginning Farm Loans

##### *Program Description*

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

##### *Revenues and Expenses*

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

##### *Rates and Rate Explanation*

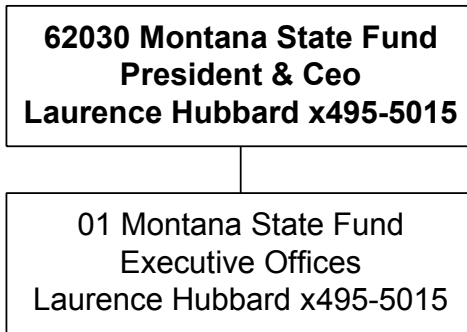
Applicants pay a \$50 application fee and a loan participation fee of 1.5% of the value of the bond.

# Department of Agriculture - 62010

## Agricultural Development Division - 50

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 62010	Agency Name: Department of Agriculture			Program Name: Agricultural Development Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06016	Beginning Farm Loans				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY18	FY19	FY20	FY21	FY22	FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A						
	34	34	34	34	34	35
<b>Total Operating Revenues</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>35</b>
<b>Expenses:</b>						
<b>Total Operating Expenses</b>						
	-	-	-	-	-	-
<b>Operating Income (Loss)</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>35</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>35</b>
<b>Change in Net Position</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>35</b>
Change in Net Position	34	34	34	34	34	35
<b>Ending Net Position - June 30</b>	<b>34</b>	<b>68</b>	<b>102</b>	<b>136</b>	<b>170</b>	<b>205</b>
<b>Net Position (Fund Balance) Analysis</b>						
Restricted Net Pos(Enterprise Fund Only)	2,492	2,526	2,560	2,594	2,628	2,663

## Montana State Fund New Fund - 62030



**Mission Statement** - We partner with employers and their employees to care for those injured on the job and we champion a culture of workplace safety for our fellow Montanans.

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

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

Management and control of Montana State Fund is vested solely in a seven-member board of directors (board) appointed by the Governor (39-71-2315, MCA). Two members of the Economic Affairs Interim Committee are legislative liaisons to the Montana State Fund Board of Directors, as provided in 2-15-1019(8), MCA. The liaisons are encouraged to attend Montana State Fund board meetings and receive all board meeting agendas and materials relating to board matters.

As of January 1, 2016, MSF is subject to the laws and regulation specified under Title 33, Insurance and Insurance Companies. As a result, MSF is now regulated by the Commissioner of Securities and Insurance which includes premium rate level approval.

As provided for in 39-71,2363, MCA, MSF's President annually submits to the board for its approval an estimated budget of the entire expense of administering the state fund for the succeeding fiscal period. A copy of the approved budget must be delivered to the Governor and the legislature.

## Montana State Fund New Fund - 62030

### Montana State Fund New Fund - 01

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2021	Adjustments Fiscal 2022	Exec. Budget Fiscal 2022	Adjustments Fiscal 2023	Exec. Budget Fiscal 2023	Budget Request 2023 Biennium
FTE	307.00	0.00	307.00	0.00	307.00	
Personal Services	31,437,518	1,358,893	32,796,411	1,567,906	33,005,424	65,801,835
Operating Expenses	30,558,304	(5,754,942)	24,803,362	(5,616,418)	24,941,886	49,745,248
Equipment & Intangible Assets	3,718,123	(1,305,123)	2,413,000	(1,305,123)	2,413,000	4,826,000
Capital Outlay	65,000	(50,000)	15,000	(50,000)	15,000	30,000
Benefits & Claims	106,402,482	4,518,315	110,920,797	5,824,748	112,227,230	223,148,027
Transfers	224,606	239,304	463,910	239,304	463,910	927,820
Debt Service	407,710	0	407,710	0	407,710	815,420
<b>Total Costs</b>	<b>\$172,813,743</b>	<b>(\$993,553)</b>	<b>\$171,820,190</b>	<b>\$660,417</b>	<b>\$173,474,160</b>	<b>\$345,294,350</b>
Proprietary Funds	172,813,743	(993,553)	171,820,190	660,417	173,474,160	345,294,350
<b>Total Funds</b>	<b>\$172,813,743</b>	<b>(\$993,553)</b>	<b>\$171,820,190</b>	<b>\$660,417</b>	<b>\$173,474,160</b>	<b>\$345,294,350</b>

#### Proprietary Program Description -

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

Montana State Fund provides insurance for workers' compensation and occupational disease and is required, as the guaranteed market, to provide coverage to any employer requesting coverage (Title 39, chapter 71, MCA). The Montana Workers' Compensation Act requires all employers in Montana who have employees in service to carry workers' compensation insurance. The Department of Labor and Industry regulates the workers' compensation industry in Montana. Three plans exist for coverage: Plan I-Self-insured; Plan II-Private Insurance Companies; or Plan III-State Compensation Insurance Fund (Montana State Fund). According to state law, Montana State Fund is a nonprofit independent public corporation.

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

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

Statute requires MSF 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. MSF is subject to the laws governing state agencies, unless specifically exempted by statute.

The Board is statutorily required to establish a business plan (39-71-2315(4), MCA) and an annual budget within parameters defined in law (39-71-2363(2)(a), MCA). State law requires MSF to submit a copy of its annual budget to the governor and the legislature. 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 MSF as determined by an independent actuary.

Montana State Fund's Board of Directors is the approving authority for MSF's annual budget (39-71-2363, MCA). The Board has not approved the expenditure levels in the following budget tables for the 2023 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 each year for 2021 and 2022.

The budget table shown below reflects projected operating budgets, claim expenditures, and funding. The data cited in the

## Montana State Fund New Fund - 62030

### Montana State Fund New Fund - 01

table is for informational purposes only and is based on Montana State Fund's staff projection of operations. Estimates for claim expenditures and funding are periodically updated by staff and are subject to change. Amounts shown as prior period adjustments in the table also include net unrealized gain on investments, changes in nonadmitted assets, and other changes in policyholder equity.

<b>2023 Biennium Report on Internal Service and Enterprise Funds</b>						
Agency # 62030	Agency Name: Montana State Fund New Fund			Program Name: Montana State Fund New Fund		
	<b>Fund</b>	<b>Fund Name</b>				
	06035	New Fund				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	166,767,686	161,258,974	156,871,129	127,796,313	139,495,349	153,525,693
Fee Revenue B	72,824,367	4,330,997	136,007,218	37,613,869	33,219,127	33,749,167
Fee Revenue C	15,963	14,205	8,096	7,656	8,000	8,000
Other Operating Revenue	6,367	18,237	2,162	6,866	10,000	10,000
<b>Total Operating Revenues</b>	<b>239,614,383</b>	<b>165,622,413</b>	<b>292,888,605</b>	<b>165,424,704</b>	<b>172,732,476</b>	<b>187,292,860</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	28,803,613	29,110,774	29,856,055	30,712,976	32,796,411	33,005,424
Expense B	38,875,643	40,906,254	26,713,251	27,948,155	24,803,362	29,941,887
Expense C	1,417,864	6,170,806	2,653,828	5,310,471	2,428,000	2,428,000
Loans and Lease Payments	125,088,687	111,178,537	104,829,853	114,093,345	110,920,797	112,227,230
<b>Total Operating Expenses</b>	<b>194,185,807</b>	<b>187,366,371</b>	<b>164,052,987</b>	<b>178,472,656</b>	<b>171,356,279</b>	<b>178,010,250</b>
<b>Operating Income (Loss)</b>	<b>45,428,576</b>	<b>(21,743,958)</b>	<b>128,835,618</b>	<b>(13,047,952)</b>	<b>1,376,197</b>	<b>9,282,610</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
Other Expense A	(40,002,289)	(39,997,664)	(30,006,671)	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(40,002,289)</b>	<b>(39,997,664)</b>	<b>(30,006,671)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>5,426,287</b>	<b>(61,741,622)</b>	<b>98,828,947</b>	<b>(13,047,952)</b>	<b>1,376,197</b>	<b>9,282,610</b>
Transfers In						
Transfers Out	1,236,016	689,258	1,226,492	798,204	977,539	977,539
<b>Change in Net Position</b>	<b>(221,864)</b>	<b>(223,008)</b>	<b>(200,897)</b>	<b>(224,606)</b>	<b>(463,910)</b>	<b>(463,910)</b>
<b>Beginning Net Position - July 1</b>	<b>6,440,439</b>	<b>(61,275,372)</b>	<b>99,854,542</b>	<b>(12,474,354)</b>	<b>1,889,826</b>	<b>9,796,239</b>
Prior Period Adjustments	526,466,458	554,701,083	512,475,038	550,665,279	533,780,544	578,980,913
Change in Net Position	21,794,186	19,049,327	(61,664,301)	(4,410,381)	43,310,543	(2,243,334)
<b>Ending Net Position - June 30</b>	<b>6,440,439</b>	<b>(61,275,372)</b>	<b>99,854,542</b>	<b>(12,474,354)</b>	<b>1,889,826</b>	<b>9,796,239</b>
<b>Ending Net Position - June 30</b>	<b>554,701,083</b>	<b>512,475,038</b>	<b>550,665,279</b>	<b>533,780,544</b>	<b>578,980,913</b>	<b>586,533,818</b>
<b>Net Position (Fund Balance) Analysis</b>						



## Montana State Fund New Fund - 62030

### Montana State Fund New Fund - 01

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$1,086,317
FY 2023	\$0	\$101,546

#### **SWPL - 1 - Personal Services -**

The budget includes adjustments in FY 2022 and FY 2023 to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

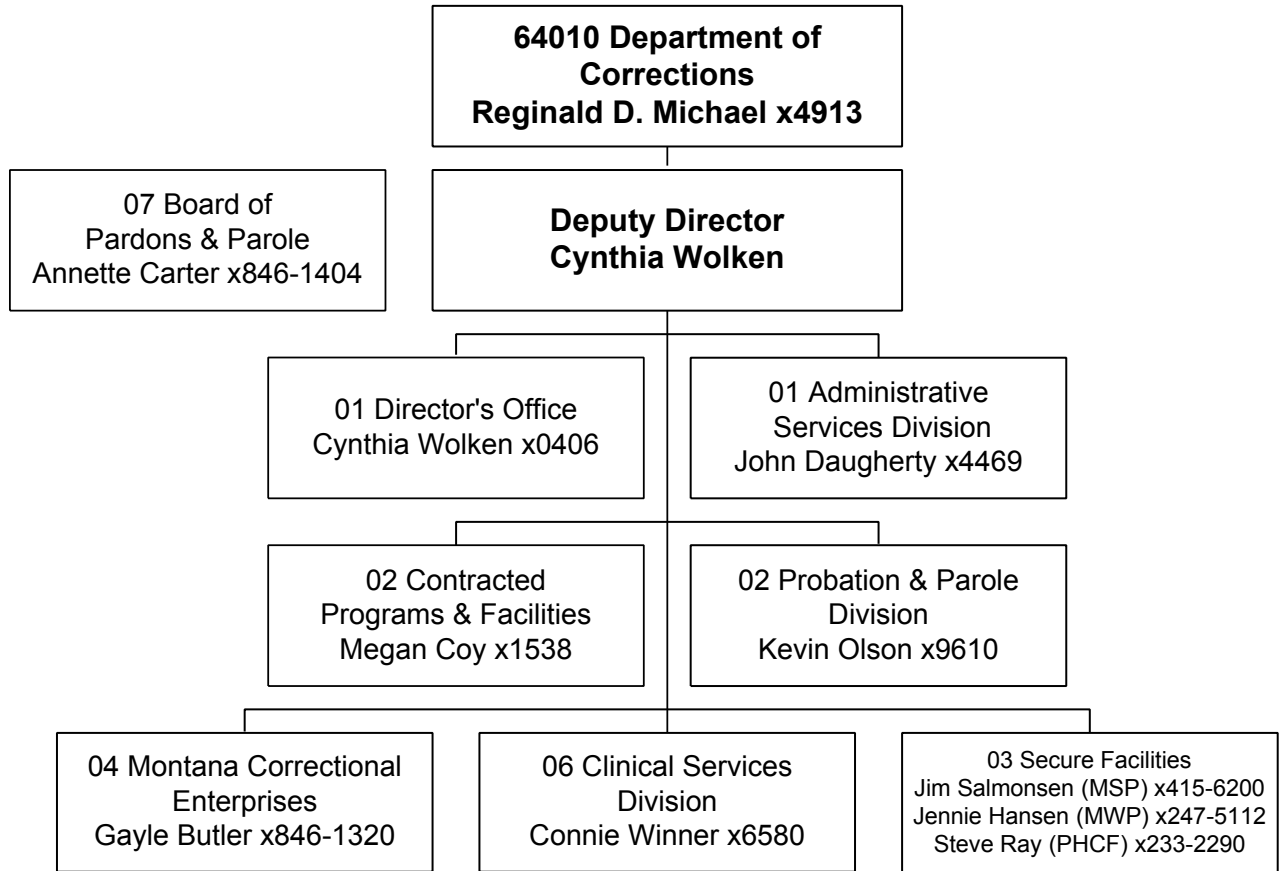
#### -----Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$2,079,870)
FY 2023	\$0	\$558,871

#### **PL - 4 - MSF staff estimate of Montana State Fund biennial funding -**

The budget includes funding for 307.00 FTE in each fiscal year 2021 and 2022. The funding includes Montana State Fund pay plan adjustments, employee tax and benefit rate adjustments, and vacancy savings. This change package adjusts for anticipated expenditures in the 2023 biennium in the areas of personal services, operating expenses, intangible assets and, transfers. The primary area of change is driven by anticipated workers' compensation claim payments.

## Department of Corrections - 64010



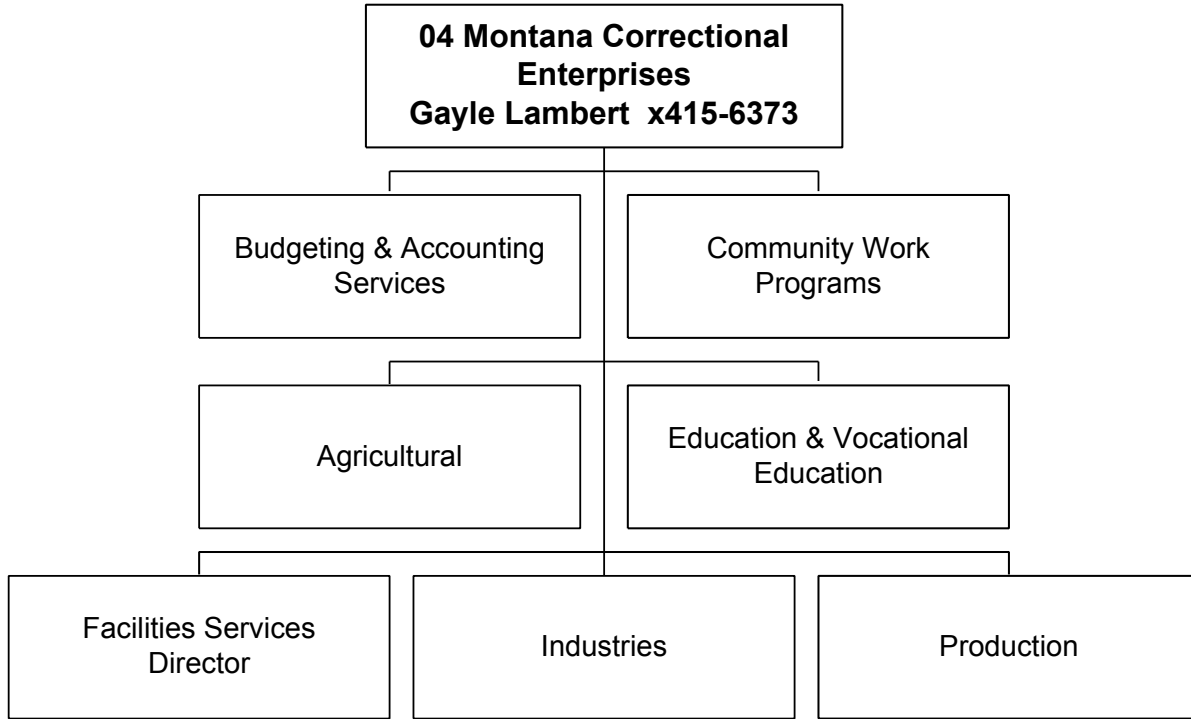
**Mission Statement** - The Montana Department of Corrections staff enhances public safety, supports the victims of crime, promotes positive change in offender behavior, and reintegrates offenders into the community.

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

Agency Proposed Budget	Total Exec. Budget Fiscal 2022	Total Exec. Budget Fiscal 2023	Total Exec. Budget 2023 Biennium
Budget Item			
FTE	70.02	70.02	
Personal Services	5,197,009	5,242,017	10,439,026
Operating Expenses	11,074,091	11,074,091	22,148,182
Equipment & Intangible Assets	1,848,389	548,389	2,396,778
Capital Outlay	35,464	35,464	70,928
Debt Service	207,678	207,678	415,356
<b>Total Costs</b>	<b>\$18,362,631</b>	<b>\$17,107,639</b>	<b>\$35,470,270</b>
Proprietary Funds	18,362,631	17,107,639	35,470,270
<b>Total Funds</b>	<b>\$18,362,631</b>	<b>\$17,107,639</b>	<b>\$35,470,270</b>

**Department of Corrections - 64010**

**Montana Correctional Enterprises - 04**



Program Proposed Budget	Starting Point Fiscal 2021	Budget Adjustments Fiscal 2022	Total Exec. Budget Fiscal 2022	Budget Adjustments Fiscal 2023	Total Exec. Budget Fiscal 2023	Executive Budget Request 2023 Biennium
FTE	70.02	0.00	70.02	0.00	70.02	
Personal Services	4,938,290	258,719	5,197,009	303,727	5,242,017	10,439,026
Operating Expenses	11,091,901	(17,810)	11,074,091	(17,810)	11,074,091	22,148,182
Equipment & Intangible Assets	548,389	1,300,000	1,848,389	0	548,389	2,396,778
Capital Outlay	35,464	0	35,464	0	35,464	70,928
Debt Service	207,678	0	207,678	0	207,678	415,356
<b>Total Costs</b>	<b>\$16,821,722</b>	<b>\$1,540,909</b>	<b>\$18,362,631</b>	<b>\$285,917</b>	<b>\$17,107,639</b>	<b>\$35,470,270</b>
Proprietary Funds	16,821,722	1,540,909	18,362,631	285,917	17,107,639	35,470,270
<b>Total Funds</b>	<b>\$16,821,722</b>	<b>\$1,540,909</b>	<b>\$18,362,631</b>	<b>\$285,917</b>	<b>\$17,107,639</b>	<b>\$35,470,270</b>

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

**Fund 06033 - Agricultural Program**

*Program Description*

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

*Revenues and Expenses*

The Agriculture Program derives revenues from the sale of products and services including cattle, processed dairy products, wild land firefighting, and janitorial and grounds keeping services for various governmental agencies and non-profit organizations. Expenses include feed and supplements, supplies and materials, personal services and other

## Department of Corrections - 64010

### Montana Correctional Enterprises - 04

operating costs associated with the various sub-programs. Cattle prices are down, and the Dairy is going through significant economic and organizational changes, therefore revenue projections will be decreased from the previous two fiscal years. We do not anticipate changes in operating expenditures over the biennium.

#### *Rate(s) and Rate Explanations*

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

#### *Projected Fund Balance, Including Cash Fluctuations*

The Agriculture Program requires a high cash balance to maintain operations. Historically, it has been the practice to maintain a minimum of \$1 million, due to the possibility of extenuating circumstances such as volatile cattle and raw milk markets, unforeseeable illness in the range or dairy herds and shortages of commodities due to droughts, floods or other natural disasters. The yearly cattle sale produces the majority of revenue for the Agriculture program along with monthly raw milk, processed milk and milk product sales. The yearly cattle sale also assists in maintaining the entire MCE training program throughout the fiscal year. The Agriculture cash balance fluctuates during the year, due to the receipt of the majority of the revenue in the fall. In addition, the uncertainty of the Dairy raw milk sales may cause cash fluctuations in the upcoming biennium.

The Agriculture program requires adequate cash flow to cover the above operational costs and to provide other training as part of the Montana Correctional Enterprise training programs to assist in reducing recidivism for Montana inmates.

#### **Fund 06034 - Industries Program**

#### *Program Description*

The Industries Program trains inmates in specific work skills and life skills in programs that include manufacturing of furniture, upholstery, print work and signs, sewing and embroidery, institutional laundry, screen printing, inventory management, shipping, AutoCAD design, Web design, marketing, hygiene kit assembly and public-private partnerships. In addition, Industries includes a dog training and grooming program.

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

#### *Revenues and Expenses*

The Industries Program derives revenues from the sale of products and services. Prices for manufactured products are set utilizing current market values and consider cost of materials, personal services, supplies and other operating overhead and capital outlay.

#### *Rate(s) and Rate Explanations*

Revenues for all Industries programs are based on customer orders, inventory levels, available customer budgets and customer satisfaction. Although the Industries program is an enterprise fund, we have historically requested a rate approval for the Laundry, as the rate directly affects several customers who are general funded. We are requesting a \$.08 per pound rate increase for the 2023 biennium in conjunction with the long-range building request to replace the tunnel washer, conveyor system and associated equipment. The tunnel washer was purchased in 1995 and has gone past its useful life. The \$.08 increase will pay for the debt service associated with the equipment replacement.

#### *Projected Fund Balance, Including Cash Fluctuations*

The Industries program requires adequate cash flow to cover operational costs and to provide other training as part of

## Department of Corrections - 64010

### Montana Correctional Enterprises - 04

the Montana Correctional Enterprise training programs to assist in reducing recidivism for Montana inmates. Revenues are dependent on customer orders and expenses for raw materials are dependent on revenues.

#### **Fund 06545 – Vocational Education Program (Industries Training)**

##### *Program Description*

Motor Vehicle Maintenance within the Vocational Education program trains inmates in specific work skills and life skills in operations that include engine, autobody and tire repair, alignment, welding, machining, and plasma cut metals.

##### *Revenues and Expenses*

Motor Vehicle Maintenance derives revenues from the sale of products and services. Expenses include the cost of parts for repairs, personal services, and other operating costs associated with the various sub-programs. We are not anticipating significant changes in revenues or operating expenditures over the biennium. The Motor Vehicle Maintenance (Industries Training) is not required to be self-supporting (per 53-30-133, MCA), and all MCE proprietary programs provide support if there are inadequate revenues to cover expenditures.

##### *Rate(s) and Rate Explanations*

Motor Vehicle Maintenance rates are based on the cost of parts, a supply fee (10% of actual part cost) and an hourly labor rate for vehicle repairs and restoration. The labor rate is based on cost of civilian and inmate labor and program overhead. The supply fee covers incidental supplies such as grease, rags, nuts, and bolts. MCE is requesting a 2% increase in the supply fee (from 8% to 10%). This percent is charged in addition to the actual cost of the parts installed. MCE is not requesting a labor rate increase for the 2023 biennium.

##### *Changes in Level of Fees and Charges*

The 2% increase will cover inflation costs to operational expenditures.

##### *Projected Fund Balance, Including Cash Fluctuations*

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

##### *Working Capital Analysis*

The Motor Vehicle Maintenance program internal service fund seldom has an excess of sixty (60) days of working capital. This is not anticipated to change in the 2023 biennium.

#### **Fund 06011 – License Plate Factory**

##### *Program Description*

The License Plate Factory trains inmates in specific work skills and life skills in license plate production, graphics design, inventory control and shipping, while providing all license plates to vehicle owners throughout Montana. Plates are sold through County Treasurers and novelty and sample plates are sold to the non-profit organizations that sponsor the organizational plate design.

##### *Revenues and Expenses*

The License Plate Factory derives revenues from the sale of license plates to vehicle owners, who pay a \$10.00 fee for each set. \$2.00 of this rate remains in the county general fund and \$8.00 is deposited into a state special revenue account with Department of Justice (DOJ). DOJ then pays MCE a rate to cover production fees and delivery. MCE also works in collaboration with State Print and Mail (P&M) and DOJ for the supply, printing and distribution of vehicle registration tabs

## Department of Corrections - 64010

### Montana Correctional Enterprises - 04

and decals. Pricing for tabs and decals is mutually agreed upon through a Memorandum of Understanding (MOU) between P&M, MCE and DOJ. Revenues are dependent on customer orders and inventory needs by each County Treasurer. Expenses include the cost of raw materials and other operating costs and capital expenditures.

In addition, the License Plate Factory receives revenues from organizational plate customers for application processing, graphics design associated with new and updated plate designs and manufacturing and sample plates produced for their organizations.

#### *Rate(s) and Rate Explanations*

The License Plate Factory is an enterprise fund.

#### *Projected Fund Balance, Including Cash Fluctuations*

The License Plate program requires adequate cash flow to cover operational costs and provide other training as part of the Montana Correctional Enterprise training program to assist in reducing recidivism for Montana inmates. Revenues are dependent on customer orders and expenses for raw materials are dependent on revenues.

### **Fund 06573 – Food Factory Internal Service Fund**

#### *Program Description*

The Food Factory program trains inmates in specific work skills and life skills in meal and baked goods preparation, shipping, billing, and quality control operations while providing meals to numerous state, county and non-profit facilities in western Montana.

#### *Revenues and Expenses*

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

#### *Rate(s) and Rate Explanations*

The Food Factory rates are based on the cost of raw product, debt service and other operating expenditures. Customers who purchase bulk food are charged the actual cost of the food product with 5% markup to allow for raw product loss. In addition, bulk food customers are charged overhead. Overhead charged to each customer is based on their purchases as a percentage of the overall purchases. Customers who purchase tray meals are charged for the food and overhead as a tray meal cost. Detention facilities are charged for tray meals plus disposable trays, dairy products, and accessory packages they receive. Delivery to all customers is based on the number of miles to the customer and actual time involved in the delivery.

#### *Changes in Level of Fees and Charges*

MCE is requesting a rate increase of \$.10 per meal. This rate increase will cover the debt service associated with the Food Factory expansion that was approved in the 2019 Legislative session. The expansion was approved with construction costs paid through a board of housing loan. The additional rates were not requested last biennium as we acknowledged that the building project would not be complete until the end of the current (2021) biennium. The \$.10 rate increase per meal will cover the repayment of \$3,000,000 in debt service.

#### *Projected Fund Balance, Including Cash Fluctuations*

The Food Factory internal service fund cash balance will fluctuate as the 2019 legislatively approved expansion project moves forward. Food Factory has received a loan for this project that will be paid back over a period of fifteen years. An adequate cash balance is maintained to purchase needed replacement equipment and complete required repairs.

## Department of Corrections - 64010

### Montana Correctional Enterprises - 04

*Working Capital Analysis*

The Food Factory will continually monitor cash and working capital to ensure that it maintains no more than sixty (60) days of working capital during the 2023 biennium.

<b>2023 Biennium Report on Internal Service and Enterprise Funds</b>						
Agency # 64010	Agency Name: Department of Corrections		Program Name: Montana Correctional Enterprises			
	<b>Fund</b>	<b>Fund Name</b>				
	06545	Prison Indust. Training Prog				
	06573	MSP - Cook Chill				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	4,954,534	4,949,715	5,150,015	5,000,000	5,100,000	5,200,000
Fee Revenue A	815,672	889,119	936,789	800,000	800,000	800,000
Fee Revenue B	-	1,050	4,551	-	-	-
<b>Total Operating Revenues</b>	<b>5,770,206</b>	<b>5,839,884</b>	<b>6,091,355</b>	<b>5,800,000</b>	<b>5,900,000</b>	<b>6,000,000</b>
<b>Expenses:</b>						
Personal Services	1,003,386	1,011,542	1,170,463	1,314,087	1,327,228	1,340,500
Personal Services	239,697	220,053	249,722	254,001	260,000	260,000
Other Operating Expenses	3,836,507	3,862,788	3,898,726	3,700,000	3,800,000	3,850,000
Other Operating Expenses	599,973	633,448	742,295	490,474	500,000	500,000
<b>Total Operating Expenses</b>	<b>5,679,563</b>	<b>5,727,831</b>	<b>6,061,206</b>	<b>5,758,562</b>	<b>5,887,228</b>	<b>5,950,500</b>
<b>Operating Income (Loss)</b>	<b>90,643</b>	<b>112,053</b>	<b>30,149</b>	<b>41,438</b>	<b>12,772</b>	<b>49,500</b>
<b>Nonoperating Revenues:</b>						
<b>Nonoperating Expenses:</b>						
Other Expense A	62,718	(63,768)	(59,387)	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>62,718</b>	<b>(63,768)</b>	<b>(59,387)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>153,361</b>	<b>48,285</b>	<b>(29,238)</b>	<b>41,438</b>	<b>12,772</b>	<b>49,500</b>
<b>Change in Net Position</b>	<b>153,361</b>	<b>48,285</b>	<b>(29,238)</b>	<b>41,438</b>	<b>12,772</b>	<b>49,500</b>
<b>Beginning Net Position - July 1</b>	<b>2,929,747</b>	<b>3,070,629</b>	<b>3,143,872</b>	<b>3,114,634</b>	<b>3,156,072</b>	<b>3,168,844</b>
Prior Period Adjustments	(12,479)	24,958	-	-	-	-
Change in Net Position	153,361	48,285	(29,238)	41,438	12,772	49,500
<b>Ending Net Position - June 30</b>	<b>3,070,629</b>	<b>3,143,872</b>	<b>3,114,634</b>	<b>3,156,072</b>	<b>3,168,844</b>	<b>3,218,344</b>
<b>Net Position (Fund Balance) Analysis</b>						
Unrestricted Net Position	3,094,626	3,132,252	3,158,242	3,144,155	3,116,927	3,126,427
Unrestricted Net Position	97,496	133,114	77,886	133,411	173,411	213,411

# Department of Corrections - 64010

## Montana Correctional Enterprises - 04

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 64010	Agency Name: Department of Corrections		Program Name: Montana Correctional Enterprises			
	<b>Fund</b>	<b>Fund Name</b>				
	06011	License Plate Production				
	06033	Prison Ranch				
	06034	MSP Institutional Industries				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	4,327,761	4,187,759	4,053,573	4,509,005	4,000,000	3,500,000
Fee Revenue A	1,282	977	5,837	500	1,000	1,200
Fee Revenue A	2,656,694	2,514,615	2,548,927	2,600,000	2,600,000	2,600,000
Fee Revenue B	3,404,072	3,675,546	3,472,821	3,500,000	3,550,000	3,600,000
Other Operating Revenue	10,485	-	-	-	-	-
<b>Total Operating Revenues</b>	<b>10,400,294</b>	<b>10,378,897</b>	<b>10,081,158</b>	<b>10,609,505</b>	<b>10,151,000</b>	<b>9,701,200</b>
<b>Expenses:</b>						
Personal Services	1,494,660	1,408,850	1,351,909	1,450,000	150,000	1,520,000
Personal Services	1,380,912	1,608,277	1,713,137	1,440,254	1,454,657	1,469,203
Personal Services	308,110	329,884	328,321	330,000	335,000	340,000
Other Operating Expenses	3,714,231	3,904,651	3,239,072	3,500,000	3,520,000	3,550,000
Other Operating Expenses	2,359,187	2,098,010	2,064,281	2,084,924	2,105,773	2,126,831
Other Operating Expenses	1,963,542	1,729,883	1,805,342	1,963,447	2,000,000	2,100,000
Expense B	(98,664)	108,664	-	-	-	-
Expense B	14,027	5,502	62	-	-	-
<b>Total Operating Expenses</b>	<b>11,136,005</b>	<b>11,193,721</b>	<b>10,502,124</b>	<b>10,768,625</b>	<b>9,565,430</b>	<b>11,106,034</b>
<b>Operating Income (Loss)</b>	<b>(735,711)</b>	<b>(814,824)</b>	<b>(420,966)</b>	<b>(159,120)</b>	<b>585,570</b>	<b>(1,404,834)</b>
<b>Nonoperating Revenues:</b>						
Other Revenue A	9,500	9,273	144,815	-	-	-
<b>Nonoperating Expenses:</b>						
Other Expense A	(4,291)	-	-	-	-	-
Other Expense A	91,009	(188,877)	-	-	-	-
Other Expense A	(208)	-	-	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>96,010</b>	<b>(179,604)</b>	<b>144,815</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(639,701)</b>	<b>(994,428)</b>	<b>(276,151)</b>	<b>(159,120)</b>	<b>585,570</b>	<b>(1,404,834)</b>
<b>Capital Contributions</b>						
Capital Contributions	3,493,781	-	-	-	-	-
<b>Transfers In</b>						
Transfers In	727,448	-	10,000	-	-	-
<b>Transfers Out</b>						
Transfers Out	(6,375)	-	-	-	-	-
<b>Change in Net Position</b>	<b>3,575,153</b>	<b>(994,428)</b>	<b>(266,151)</b>	<b>(159,120)</b>	<b>585,570</b>	<b>(1,404,834)</b>
<b>Beginning Net Position - July 1</b>	<b>12,449,305</b>	<b>16,019,922</b>	<b>15,048,682</b>	<b>14,780,464</b>	<b>14,621,344</b>	<b>15,206,914</b>
Prior Period Adjustments	(4,536)	23,188	-	-	-	-
Prior Period Adjustments	-	-	(2,067)	-	-	-
Change in Net Position	3,575,153	(994,428)	(266,151)	(159,120)	585,570	(1,404,834)
<b>Ending Net Position - June 30</b>	<b>16,019,922</b>	<b>15,048,682</b>	<b>14,780,464</b>	<b>14,621,344</b>	<b>15,206,914</b>	<b>13,802,080</b>
<b>Net Position (Fund Balance) Analysis</b>						
Restricted Net Pos(Enterprise Fund Only)	11,676,157	10,451,023	10,058,431	9,617,436	9,947,436	8,377,436



## Department of Corrections - 64010

### Montana Correctional Enterprises - 04

Restricted Net Pos(Enterprise Fund Only)	2,287,966	2,087,011	1,788,188	1,763,510	1,754,080	1,759,246
Restricted Net Pos(Enterprise Fund Only)	4,515,063	4,969,911	5,393,108	5,699,661	5,964,661	6,124,661

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$112,219
FY 2023	\$0	\$157,227

#### SWPL - 1 - Personal Services -

The budget includes adjustments to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$17,810)
FY 2023	\$0	(\$17,810)

#### PL - 4 - Service Now Reduction -

OBPP has approved the purchase of ServiceNow licenses and programs for the 2023 biennium. Due to the projected operating efficiencies and other savings achieved using ServiceNow, the operating budget has decreased by -\$17,810 for FY 2022 and -\$17,810 for FY 2023.

#### -----New Proposals-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$1,300,000
FY 2023	\$0	\$0

#### NP - 6414002 - Loan Approval for Long Range Building Funding -

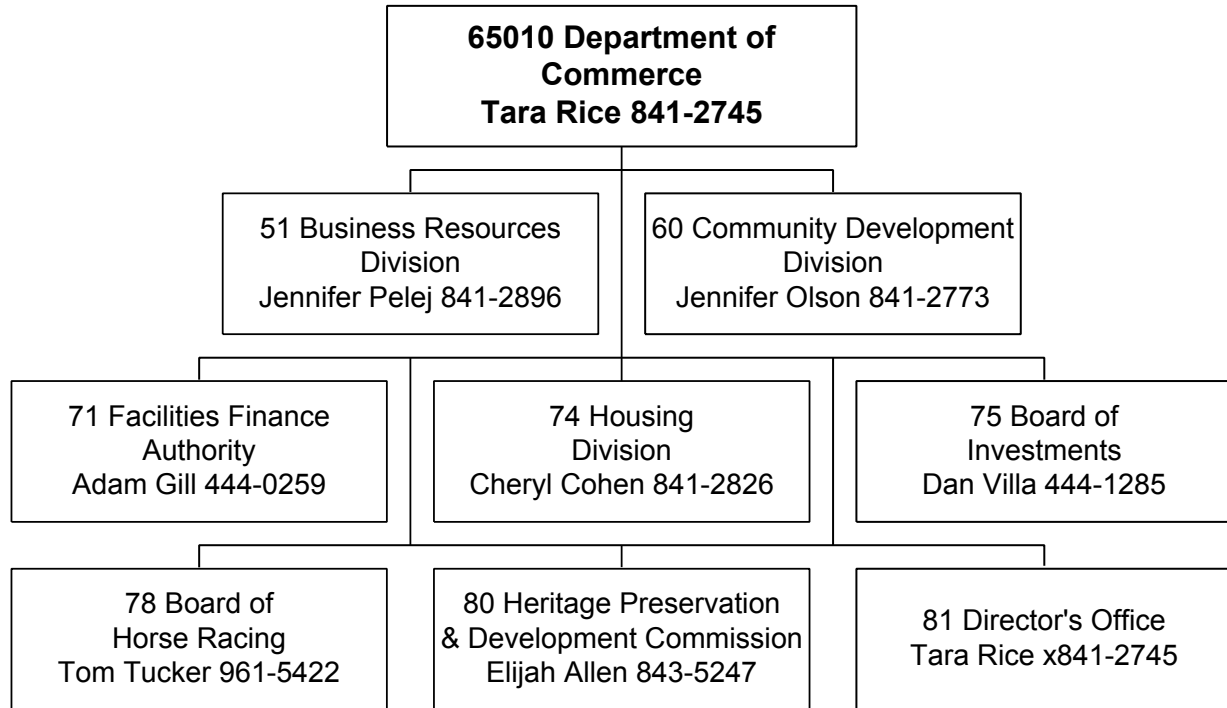
This request is to approve Department of Corrections (DOC) Montana Correctional Enterprises (MCE) to apply for a Board of Investment's loan to pay for the cost of the long range building proposal for a new tunnel washer, conveyors, shuttles, elevators, pass through dryers, and related laundry equipment. The existing equipment was originally installed when the laundry operation was centralized between Montana State Prison and Montana State Hospital in 1996.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$146,500
FY 2023	\$0	\$146,500

#### NP - 6414004 - Program 04 - Overtime -

This request to cover overtime expenses in the proprietary funded portion of the division.

## Department of Commerce - 65010



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

“The Department of Commerce will enhance and sustain a healthy economy, so Montana businesses, communities, and people can prosper.”

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

Agency Proposed Budget	Total Exec. Budget Fiscal 2022	Total Exec. Budget Fiscal 2023	Total Exec. Budget 2023 Biennium
Budget Item			
FTE	113.83	113.83	
Personal Services	11,326,784	11,356,946	22,683,730
Operating Expenses	10,115,206	10,006,443	20,121,649
Equipment & Intangible Assets	312,000	312,000	624,000
Grants	150,000	150,000	300,000
Benefits & Claims	50,261,722	51,115,435	101,377,157
Transfers	35,000	35,000	70,000
Debt Service	0	0	0
<b>Total Costs</b>	<b>\$72,200,712</b>	<b>\$72,975,824</b>	<b>\$145,176,536</b>
Proprietary Funds	72,200,712	72,975,824	145,176,536
<b>Total Funds</b>	<b>\$72,200,712</b>	<b>\$72,975,824</b>	<b>\$145,176,536</b>

# Department of Commerce - 65010

## Facility Finance Authority - 71

**71 Facilities Finance Authority  
Adam Gill 444-0259**

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2021	Adjustments	Exec. Budget	Adjustments	Exec. Budget	Budget Request
	Fiscal 2021	Fiscal 2022	Fiscal 2022	Fiscal 2023	Fiscal 2023	2023 Biennium
FTE	3.00	0.00	3.00	0.00	3.00	
Personal Services	314,697	3,424	318,121	5,331	320,028	638,149
Operating Expenses	200,384	27,539	227,923	10,001	210,385	438,308
Grants	330,000	(180,000)	150,000	(180,000)	150,000	300,000
Transfers	42,000	(7,000)	35,000	(7,000)	35,000	70,000
Debt Service	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$887,081</b>	<b>(\$156,037)</b>	<b>\$731,044</b>	<b>(\$171,668)</b>	<b>\$715,413</b>	<b>\$1,446,457</b>
Proprietary Funds	887,081	(156,036)	731,044	(171,668)	715,413	1,446,457
<b>Total Funds</b>	<b>\$887,081</b>	<b>(\$156,036)</b>	<b>\$731,044</b>	<b>(\$171,668)</b>	<b>\$715,413</b>	<b>\$1,446,457</b>

### Proprietary Program Description - 06012 HFA Loan Program – Facility Finance Authority

### 06015 Facilities Finance Authority – Facility Finance Authority

#### Program Description:

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

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

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

#### Revenues & Expenses:

The Facility Finance Authority is funded entirely by proprietary funds (06012 and 06015) with revenues collected from interest, fees, and charges to participating institutions. There are no direct appropriations provided in HB 2.

The authority application and annual administrative fee assessments are contingent upon its business volume. Customer volume is assumed to continue at the current level throughout the 2023 biennium.

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

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

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

## Department of Commerce - 65010

### Facility Finance Authority - 71

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

*Rate(s) and Rate Explanation:*

The Facilities Finance Authority is funded by an enterprise fund. The fee structure that is proposed does not materially vary from that proposed in the last session.

*Projected Fund Balance, Including Cash Fluctuations:*

The Total Fund Equity requirement for the 2023 biennium (\$17,879,445) is derived from the following Authority Program Reserve mandates:

- A. Biennium Working Capital Reserve; \$1,774,162 (two years of FY 2021 operating expense of \$887,081)
- B. Capital Reserve Account (Loan Loss Reserve); \$9,643,137 (Maximum of 10% of the outstanding BOI enhancement bond balance as of 7/1/2020)
- C. Facility Direct Loan Program Reserve; \$5,536,307
- D. 10% of the Trust Fund Loan Pool Balance as of 7/1/2020; \$925,839

*Working Capital and Fees Commensurate Analysis:*

The 60-day working capital calculation is not reasonably applicable to the authority, because national bond rating agencies, national bond insurers, and institutional investors expect the authority to reserve two years' operating capital (approximately \$1,774,162) to assure that the authority can financially operate between legislative sessions.

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## Facility Finance Authority - 71

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 65010	Agency Name: Department of Commerce		Program Name: Facility Finance Authority			
	<b>Fund</b>	<b>Fund Name</b>				
	06015	Facilities Finance Authority				
	06012	FFA Loan Program				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY18	FY19	FY20	FY21	FY22	FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	612,735	2,931,153	743,934	673,500	682,000	675,000
Fee Revenue B	2,204,735	(1,916,098)	155,938	100,000	125,000	125,000
<b>Total Operating Revenues</b>	<b>2,817,470</b>	<b>1,015,055</b>	<b>899,872</b>	<b>773,500</b>	<b>807,000</b>	<b>800,000</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	216,936	279,711	303,975	314,697	318,122	320,028
<b>Total Operating Expenses</b>	<b>217,521</b>	<b>311,716</b>	<b>312,216</b>	<b>530,384</b>	<b>378,485</b>	<b>360,947</b>
<b>Operating Income (Loss)</b>	<b>2,383,013</b>	<b>423,628</b>	<b>283,681</b>	<b>(71,581)</b>	<b>110,393</b>	<b>119,025</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>2,383,013</b>	<b>423,628</b>	<b>283,681</b>	<b>(71,581)</b>	<b>110,393</b>	<b>119,025</b>
Transfers Out						
<b>Change in Net Position</b>	<b>36,778</b>	<b>69,367</b>	<b>28,885</b>	<b>42,000</b>	<b>35,000</b>	<b>35,000</b>
<b>Beginning Net Position - July 1</b>	<b>2,419,791</b>	<b>492,995</b>	<b>312,566</b>	<b>(29,581)</b>	<b>145,393</b>	<b>154,025</b>
<b>Change in Net Position</b>	<b>7,975,373</b>	<b>8,468,368</b>	<b>8,780,934</b>	<b>8,751,353</b>	<b>8,896,746</b>	<b>9,050,771</b>
<b>Ending Net Position - June 30</b>	<b>5,555,582</b>	<b>7,975,373</b>	<b>8,468,368</b>	<b>8,780,934</b>	<b>8,751,353</b>	<b>8,896,746</b>
<b>Net Position (Fund Balance) Analysis</b>						
Unrestricted Net Position	7,901,817	8,256,078	8,510,875	8,397,294	8,472,687	8,556,712

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$3,424
FY 2023	\$0	\$5,331

**SWPL - 1 - Personal Services -**

The budget includes an increase of \$4 in FY 2022 and an increase of \$5,331 in FY 2023 to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

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## Facility Finance Authority - 71

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$22,749
FY 2023	\$0	\$3,908

### SWPL - 2 - Fixed Costs -

The request includes an increase of \$22,749 in FY 2022 and an increase of \$3,908 in FY 2023 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$54)
FY 2023	\$0	(\$34)

### SWPL - 3 - Inflation Deflation -

This change package includes a reduction of \$54 in FY 2022 and a reduction of \$34 in FY 2023 to reflect budgetary changes generated from the application of inflation to specific expenditure accounts. Affected accounts include those associated with the statewide Motor Pool operated by the Department of Transportation.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$564)
FY 2023	\$0	(\$564)

### PL - 4 - ServiceNow -

OBPP has approved the purchase of ServiceNow licenses and programs for the 2023 biennium. This change package reduces operating budgets in the 2023 biennium to reflect the projected operating efficiencies and other savings achieved by using ServiceNow.

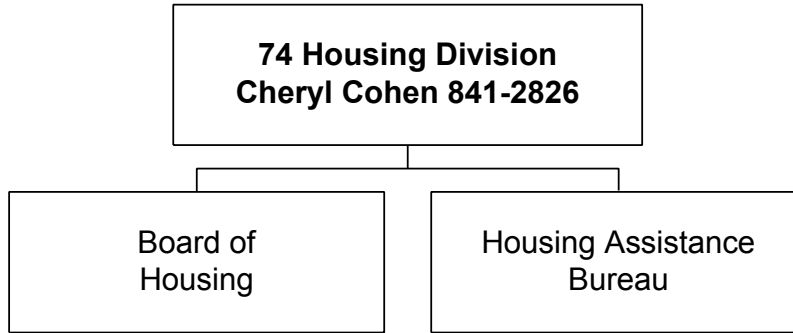
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$181,592)
FY 2023	\$0	(\$180,309)

### PL - 7101 - FFA ADMINISTRATIVE COSTS ADJUSTMENTS NAPROP -

The budget includes increases for rent, accounting software, and indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs. There are reductions related to the expiration of certain grant programs, and support services provided by BOI.

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## Housing Division - 74



Program Proposed Budget	Starting Point Fiscal 2021	Budget Adjustments Fiscal 2022	Total Exec. Budget Fiscal 2022	Budget Adjustments Fiscal 2023	Total Exec. Budget Fiscal 2023	Executive Budget Request 2023 Biennium
Budget Item						
FTE	55.33	3.00	58.33	3.00	58.33	
Personal Services	4,327,201	184,988	4,512,189	198,892	4,526,093	9,038,282
Operating Expenses	5,187,493	833,039	6,020,532	781,366	5,968,859	11,989,391
Equipment & Intangible Assets	312,000	0	312,000	0	312,000	624,000
Grants	0	0	0	0	0	0
Benefits & Claims	49,436,879	824,843	50,261,722	1,678,556	51,115,435	101,377,157
Debt Service	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$59,263,573</b>	<b>\$1,842,870</b>	<b>\$61,106,443</b>	<b>\$2,658,814</b>	<b>\$61,922,387</b>	<b>\$123,028,830</b>
Proprietary Funds	59,263,573	1,842,870	61,106,443	2,658,814	61,922,387	123,028,830
<b>Total Funds</b>	<b>\$59,263,573</b>	<b>\$1,842,870</b>	<b>\$61,106,443</b>	<b>\$2,658,814</b>	<b>\$61,922,387</b>	<b>\$123,028,830</b>

### Proprietary Program Description - 06030 BOH Financial Programs

#### 06031 Housing Trust Fund

#### 06032 BOH Loan Servicing

#### 06078 Affordable Housing Revolving

#### 06079 Revolving Loan – TANF

#### Program Description:

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

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

#### Revenues & Expenses:

Mortgage & Investment Income:

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

#### Other Income:

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

#### Bond Debt, Loan Servicing, and Operations:

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

The remaining expenses are for loan servicing and operations. More than half of servicing and operations expenses pay for professional services to banks, mortgage companies, and other professionals for issuing bonds, selling mortgages, collecting the monthly mortgage payments, legal services, and paying bondholders. The remaining expenses pay for the board's staff and staff operations, including purchasing and recording mortgage loans, recording repayments and prepayments, investing funds, issuing and redeeming bonds, operating all loan programs, and bookkeeping for over 5,000 mortgages, 225 investment accounts, and 20 bond series.

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

The board recovers its costs from charging application and compliance fees for the Low-Income Tax Credit Program and from charging a spread on the 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 regular programs. These funds are pledged to the bondholders.

#### *Changes in Level of Fees and Charges:*

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

#### *Projected Fund Balance, Including Cash Fluctuations:*

As stated in the board's financial statements, Note 1, Fund Accounting: Net Assets – Restricted for Bondholders represent bond program funds that are required to be used for program purposes as prescribed by individual bond indentures. The following are 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 require all mortgages, and all moneys and investments within the indentures, be legally restricted to uses provided for in the indentures, and the fund balance associated with the indentures,



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be legally reserved for those uses.

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

#### *Working Capital and Fees Commensurate Analysis:*

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

#### Loan Program Charges:

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

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

#### Low Income Housing Tax Credit Charges:

The board receives a tax credit allocation, annually. The board charges 11% of the amount of tax credit reserved. The board is also required to monitor the projects that receive tax credits to determine if the projects are in compliance with tax credit regulations. The board charges \$45 per unit for compliance fees.

#### Other Loan Programs:

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

Reverse Annuity Mortgage Loans (RAM) Charges: The loans accrue interest from 4% - 5%.

#### Payment of Bond Debt:

Principal and interest on the multifamily bond issues is due February 1 and August 1. Principal and interest on the single-family bond issues is due June 1 and December 1.

#### Investments:

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

#### Other Mortgage Purchases:

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

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

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## Housing Division - 74

### 06074 Section 8 Project Based

#### *Program Description:*

The Project Based Section 8 (PBS8) program is the U.S. Department of Housing and Urban Development (HUD) contract administrator for low-income rental properties HUD subsidizes throughout the state. The program provides rental assistance to projects at fixed locations instead of the tenants. Landlords perform administrative tasks at the local level. The agency performs annual property reviews, oversees property management, and makes rent subsidy payments to owners. The agency earns fees from HUD under a performance-based contract for the tasks performed. The project based program renews rent contracts to project owners as they expire. Contract managers prepare special damage claims, annual rent increases, respond to emergencies, check compliance for fair housing and waiting lists, perform on-site management reviews, follow-up to physical inspections, review management decisions, and provides budget assistance to local property owners.

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

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

#### *Revenues & Expenses:*

The Project Based Section 8 program is funded by enterprise fund 06074. Revenues are derived from a performance based annual contribution contract with HUD. There are no direct appropriations provided in HB 2; the Project Based Section 8 program is completely self-supporting.

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

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

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

#### *Changes in Level of Fees and Charges:*

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

#### *Projected Fund Balance, Including Cash Fluctuations:*

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

#### *Working Capital and Fees Commensurate Analysis:*

Revenues are generated in the Project Based Section 8 contract administration under a HUD performance based contract using 17 incentive based performance standards, which are calculated by HUD monthly, quarterly, and annually. Revenues generated are required to be used for contract administration. Rental assistance payments are made based on contracts negotiated by the PBS8 staff and tenant income data. Payments are paid and reimbursed monthly by HUD, based on actual program benefits paid to owners.

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### 06075 HUD Section 8 Tenant Based

### 06085 HUD Section 8 Mod Rehab

#### *Program Description:*

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

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

#### *Revenues & Expenses:*

The Tenant Based Section 8 program is funded by enterprise funds 06075 and 06085. Revenues are derived from a performance-based Annual Contribution Contract with HUD. There are no direct appropriations provided in HB 2; the Tenant Based Section 8 program is completely self-supporting.

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

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

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

#### *Changes in Level of Fees and Charges:*

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

#### *Projected Fund Balance, Including Cash Fluctuations:*

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

#### *Working Capital and Fees Commensurate Analysis:*

Revenues for the Tenant Based Section 8 program are generated per unit for each rental unit under lease each month. Revenues are used to pay for contract administration of the program. HUD regulations do not allow the PHA to earn new reserve balances after 2003. 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. The PHA is not allowed to retain any funds for other than the payment of rents under the program.

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2023 Biennium Report on Internal Service and Enterprise Funds							
Agency # 65010	Agency Name: Department of Commerce			Program Name: Housing Division			
	<b>Fund</b>	<b>Fund Name</b>					
	06030	BOH Financial Program Fund					
	06078	Housing Montana Fund					
	06079	Revolving Loan Fund - TANF					
	06032	Mortgage Loan Servicing					
	06031	Housing Trust Fund					
		Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>							
Fee and Charges							
	Fee Revenue A	2,887,954	3,374,066	3,189,758	4,200,469	4,536,507	4,899,427
	Fee Revenue B	19,302,514	24,833,907	25,141,594	23,932,656	26,086,595	28,173,523
	Other Operating Revenue	-	-	-	520,000	520,000	520,000
	<b>Total Operating Revenues</b>	<b>22,190,468</b>	<b>28,207,973</b>	<b>28,331,352</b>	<b>28,653,125</b>	<b>31,143,102</b>	<b>33,592,950</b>
<b>Expenses:</b>							
	Personal Services	2,327,274	2,451,570	2,574,873	2,618,389	2,741,045	2,749,852
	Other Operating Expenses	2,104,567	2,120,026	2,117,640	2,600,686	2,816,708	2,743,167
	Expense B	17,811,605	19,702,419	21,044,085	23,043,112	25,132,676	27,394,617
	<b>Total Operating Expenses</b>	<b>22,243,446</b>	<b>24,274,015</b>	<b>25,736,598</b>	<b>28,262,187</b>	<b>30,690,429</b>	<b>32,887,636</b>
	<b>Operating Income (Loss)</b>	<b>(52,978)</b>	<b>3,933,958</b>	<b>2,594,754</b>	<b>390,938</b>	<b>452,673</b>	<b>705,314</b>
Nonoperating Revenues:							
Nonoperating Expenses:							
	<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
	<b>Income (Loss) Before Contributions and Transfers</b>	<b>(52,978)</b>	<b>3,933,958</b>	<b>2,594,754</b>	<b>390,938</b>	<b>452,673</b>	<b>705,314</b>
	Transfers In	500,000	-	-	-	-	-
	Transfers Out	500,000	-	-	-	-	-
	<b>Change in Net Position</b>	<b>947,022</b>	<b>3,933,958</b>	<b>2,594,754</b>	<b>390,938</b>	<b>452,673</b>	<b>705,314</b>
	<b>Beginning Net Position - July 1</b>	<b>155,490,180</b>	<b>156,426,897</b>	<b>160,358,355</b>	<b>162,951,939</b>	<b>163,342,877</b>	<b>163,795,550</b>
	Prior Period Adjustments	(10,305)	(2,500)	(1,170)	-	-	-
	Change in Net Position	947,022	3,933,958	2,594,754	390,938	452,673	705,314
	<b>Ending Net Position - June 30</b>	<b>156,426,897</b>	<b>160,358,355</b>	<b>162,951,939</b>	<b>163,342,877</b>	<b>163,795,550</b>	<b>164,500,864</b>
<b>Net Position (Fund Balance) Analysis</b>							
	Restricted Net Pos(Enterprise Fund Only)	155,426,897	159,358,355	161,951,939	162,342,877	162,795,550	163,500,864

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2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 65010	Agency Name: Department of Commerce			Program Name: Housing Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06074	SEC 8 Project Based				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	57,051	93,781	65,927	57,052	65,915	65,915
Fee Revenue B	22,307,899	22,886,062	23,889,019	24,295,257	25,145,591	26,025,687
<b>Total Operating Revenues</b>	<b>22,364,950</b>	<b>22,979,843</b>	<b>23,954,946</b>	<b>24,352,309</b>	<b>25,211,506</b>	<b>26,091,602</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	759,092	764,217	843,625	847,890	847,294	849,877
<b>Total Operating Expenses</b>	<b>21,525,758</b>	<b>22,128,371</b>	<b>23,355,502</b>	<b>24,120,716</b>	<b>24,986,791</b>	<b>25,660,588</b>
<b>Operating Income (Loss)</b>	<b>80,100</b>	<b>87,255</b>	<b>(244,181)</b>	<b>(616,297)</b>	<b>(622,579)</b>	<b>(418,863)</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>80,100</b>	<b>87,255</b>	<b>(244,181)</b>	<b>(616,297)</b>	<b>(622,579)</b>	<b>(418,863)</b>
<b>Change in Net Position</b>	<b>80,100</b>	<b>87,255</b>	<b>(244,181)</b>	<b>(616,297)</b>	<b>(622,579)</b>	<b>(418,863)</b>
<b>Beginning Net Position - July 1</b>	3,907,684	3,987,784	4,075,039	3,830,858	3,214,561	2,591,982
Change in Net Position	80,100	87,255	(244,181)	(616,297)	(622,579)	(418,863)
<b>Ending Net Position - June 30</b>	<b>3,987,784</b>	<b>4,075,039</b>	<b>3,830,858</b>	<b>3,214,561</b>	<b>2,591,982</b>	<b>2,173,119</b>
<b>Net Position (Fund Balance) Analysis</b>						
Restricted Net Pos(Enterprise Fund Only)	3,987,785	4,075,040	3,830,858	3,214,561	2,591,982	2,173,119

# Department of Commerce - 65010

## Housing Division - 74

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 65010	Agency Name: Department of Commerce			Program Name: Housing Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06085	Section 8 Mod Rehab				
	06075	Section 8 Vouchers				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	64,857	122,592	76,895	64,858	76,895	76,895
Fee Revenue B	25,719,723	22,935,911	25,323,549	28,931,190	29,943,781	30,991,814
<b>Total Operating Revenues</b>	<b>25,784,580</b>	<b>23,058,503</b>	<b>25,400,444</b>	<b>28,996,048</b>	<b>30,020,676</b>	<b>31,068,709</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	788,131	787,598	751,396	860,922	923,943	926,461
<b>Total Operating Expenses</b>	<b>23,870,909</b>	<b>22,854,350</b>	<b>23,981,637</b>	<b>28,214,970</b>	<b>28,801,151</b>	<b>28,847,091</b>
<b>Operating Income (Loss)</b>	<b>1,125,540</b>	<b>(583,445)</b>	<b>667,411</b>	<b>(79,844)</b>	<b>295,582</b>	<b>1,295,157</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>1,125,540</b>	<b>(583,445)</b>	<b>667,411</b>	<b>(79,844)</b>	<b>295,582</b>	<b>1,295,157</b>
<b>Change in Net Position</b>	<b>1,125,540</b>	<b>(583,445)</b>	<b>667,411</b>	<b>(79,844)</b>	<b>295,582</b>	<b>1,295,157</b>
<b>Beginning Net Position - July 1</b>	<b>3,938,819</b>	<b>5,064,359</b>	<b>4,480,914</b>	<b>5,148,325</b>	<b>5,068,481</b>	<b>5,364,063</b>
Change in Net Position	1,125,540	(583,445)	667,411	(79,844)	295,582	1,295,157
<b>Ending Net Position - June 30</b>	<b>5,064,359</b>	<b>4,480,914</b>	<b>5,148,325</b>	<b>5,068,481</b>	<b>5,364,063</b>	<b>6,659,220</b>
<b>Net Position (Fund Balance) Analysis</b>						
Restricted Net Pos(Enterprise Fund Only)	5,064,359	4,480,914	5,148,324	5,068,480	5,364,062	6,659,219

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$12,741)
FY 2023	\$0	(\$1,489)

**SWPL - 1 - Personal Services -**

The budget includes adjustments to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

# Department of Commerce - 65010

## Housing Division - 74

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$205,344
FY 2023	\$0	\$74,324

**SWPL - 2 - Fixed Costs -**

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$1,639)
FY 2023	\$0	(\$1,029)

**SWPL - 3 - Inflation Deflation -**

This change package includes a reduction of \$1,639 in FY 2022 and a reduction of \$1,029 in FY 2023 to reflect budgetary changes generated from the application of inflation to specific expenditure accounts. Affected accounts include those associated with the statewide Motor Pool operated by the Department of Transportation.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$10,975)
FY 2023	\$0	(\$10,975)

**PL - 4 - ServiceNow -**

OBPP has approved the purchase of ServiceNow licenses and programs for the 2023 biennium. This change package reduces operating budgets in the 2023 biennium to reflect the projected operating efficiencies and other savings achieved by using ServiceNow.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$45,368
FY 2023	\$0	\$46,670

**PL - 7403 - HD ADMINISTRATIVE COSTS ADJUSTMENTS NAPROP -**

Adjust personal services for recruitment of new operations manager, and market rate pay adjustment for quality control specialist. Adjust for indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$1,345,705
FY 2023	\$0	\$2,275,521

**PL - 7404 - HD SECTION 8 HOUSING ASSISTANCE ADJUSTMENTS NAPROP -**

Adjust personal services for recruitment of new operations manager. Adjust for indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs. Increases Project Based Section 8 Housing Assistance payments based on HUD's Fair Market Rents which traditionally increase each year. Increase to contracted services in Tenant Based Section 8 program. Contracts include increased administrative services for VASH Program and higher administrative fee rates paid by HUD.

# Department of Commerce - 65010

## Housing Division - 74

### -----New Proposals-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$90,687
FY 2023	\$0	\$91,955

#### **NP - 7401 - BOH 1.00 COMPLIANCE SPECIALIST FTE NAPROP -**

In FY 20201 the Board of Housing in the Housing Division established 1.00 FTE Multifamily Compliance Specialist to address the workload increase within the Multifamily unit. An increased workload in the Multifamily program has occurred over the last few years. In December of 2002, Congress increased the amount of federal tax credits that State Housing Finance Agencies could allocate in 2003. Congress set a minimum annual amount, which for Montana was \$20,300,000 in tax credits to allocate. That amount increases each year. The federal tax credits for Montana in 2019 was \$31,668,750.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$181,121
FY 2023	\$0	\$183,837

#### **NP - 7402 - HD SINGLE FAMILY & TENANT BASED SECT 8 FTE NAPROP -**

The Board of Housing, with the Department of Commerce, is requesting an additional 1.00 FTE due to increases in workload in the Homeownership work unit for single family housing. In order to implement new programs, to remain compliant with mortgage industry regulations and program requirements, and to keep up with the increase in workload created by the higher volume of loans to Montana homebuyers, an additional 1.00 FTE is needed. Approval of this FTE request is essential to the continued success of this program.

The Rental Assistance Bureau for tenant based section 8, within Department of Commerce, is requesting an additional 1.00 FTE due to increases in workload in the Housing Choice Voucher (HCV) program. In order to effectively serve Montana's most vulnerable population, the significant increase in workload created by HUD's requirements, file audit reviews, and reporting, an additional 1.00 FTE is needed. Approval of this FTE request is essential to the continued success of the program.



# Department of Commerce - 65010

## Board of Investments - 75

**75 Board of Investments**  
**Dan Villa 444-1285**

Program Proposed Budget	Starting Point	Budget Adjustments	Total	Budget Adjustments	Total	Executive
Budget Item	Fiscal 2021	Fiscal 2022	Exec. Budget Fiscal 2022	Fiscal 2023	Exec. Budget Fiscal 2023	Budget Request 2023 Biennium
FTE	32.00	1.00	33.00	1.00	33.00	
Personal Services	4,332,133	50,748	4,382,881	60,526	4,392,659	8,775,540
Operating Expenses	3,284,324	256,378	3,540,702	216,790	3,501,114	7,041,816
Debt Service	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$7,616,457</b>	<b>\$307,126</b>	<b>\$7,923,583</b>	<b>\$277,316</b>	<b>\$7,893,773</b>	<b>\$15,817,356</b>
Proprietary Funds	7,616,457	297,069	7,923,583	267,245	7,893,773	15,817,356
<b>Total Funds</b>	<b>\$7,616,457</b>	<b>\$297,069</b>	<b>\$7,923,583</b>	<b>\$267,245</b>	<b>\$7,893,773</b>	<b>\$15,817,356</b>

**Proprietary Program Description -  
Fund 06014 Industrial Revenue Bond I-95  
Fund 06527 Investment Division**

*Board of Investments Program Description:*

Unified Investment Program:

The Board of Investments manages the Unified Investment Program mandated by Article VIII, Section 13 of the Montana Constitution. Section 2-15-1808, MCA, created the Board of Investments and Section 17-6-201, MCA, gave the board sole authority to invest state funds. The board also invests local government funds at their discretion. The board manages an investment portfolio with a market value, as of June 30, 2019, of approximately \$19.6 billion. The board manages the portfolio under the "prudent expert principle."

To provide for diversification and reduced risk, the board manages several investment pools in which funds of similar types are invested. The Legislative Auditor audits the board annually. The board consists of nine members appointed by the Governor. The board also has two non-voting legislative liaisons, from different political parties; one appointed by the President of the Senate and one appointed by the Speaker of the House.

In-State Investments:

Section 17-6-305, MCA, authorizes the board to invest 25 percent of the Permanent Coal Tax Trust Fund to assist Montana's economic development. This "In-State Investment Program" makes business loans from the trust fund in participation with financial institutions. The board lends trust fund monies to local governments to fund infrastructure that will serve job-creating businesses located in the government's jurisdiction and lends low-interest monies to value-added type businesses creating jobs. The board also provides low interest loans for Montana veterans who are first-time home buyers.

The board purchases Montana residential mortgages with pension funds as part of the In-State Investment Program.

INTERCAP Program:

The board sells tax-exempt bonds and lends the proceeds to eligible governments for various projects. Loan terms range from one to 15 years, and short-term loans to finance cash flow deficits or bridge financing are also available.

The INTERCAP and In-State Investment Programs were created in 1984 as part of the "Build Montana" program.

## Department of Commerce - 65010

### Board of Investments - 75

The Board of Investments is funded by two proprietary funds - fund 06014, an enterprise fund, funds the INTERCAP or Bond Programs, and fund 06527, an internal service fund, funds the Investment Programs.

The Board of Investments' responsibilities are mandated primarily in Article VIII, Section 13 of the Montana Constitution, Title 2, Chapter 15, and Title 17, Chapters 5 and 6, MCA.

Board of Investments' customers include: state agencies, the university system, local governments, financial institutions, and local economic development organizations.

There has been no significant change in the services provided by the Board of Investments from those provided in the last biennium, although the investment portfolio continues to grow in size and complexity.

The Board of Investments is authorized 32.00 FTE (approximately 28.00 in fund 06527 and approximately 4.00 in fund 06014) in the 2021 biennium. Personal services expenditures include board member per diem.

#### **06014 Industrial Revenue Bond I-95 – Board of Investments**

##### *Revenues & Expenses:*

Nearly all bond program revenues are generated by the difference between interest rates on bonds sold and the interest rate charged on loans to borrowers. Since these revenues are only received from the trustee on an annual basis, a 270 day fund balance is required to provide adequate funding for the bond program between draws. Remaining revenues are received monthly from the board's contract with the Montana Facility Finance Authority.

The Board of Investments does not receive any direct appropriations.

The major cost drivers within the Board of Investments are personal services, operating expenses, and expenditures related to the periodic replacement of computer equipment. Additionally, approximately \$2,008,000 was disbursed from fund 06014 in FY 2020, via a statutory appropriation, for debt service requirements related to the state's bonding activity.

There is little uncertainty in forecasting major cost drivers, and for the purposes of this analysis, it is assumed the division's workload and customer levels will remain constant, although investment portfolios will continue to grow in size. Non-typical and one-time only expenses, if any, are subtracted from proposed budgets.

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

The Board of Investments recovers its costs from the entities that use its services. Typically, this has been done by requesting a maximum level of expenditures, similar to what occurs in HB 2, and setting the fee at that level. This process has worked very well since the passage of HB 576 in 1995, and this methodology is continued in the 2023 biennium because it provides an easy comparison with historical financial activity.

##### *Projected Fund Balance, Including Cash Fluctuations:*

At the proposed rates, the board projects a 2023 biennium ending fund balance of approximately \$4,700,000.

##### *Working Capital and Fees Commensurate Analysis:*

Revenues for accounting entity 06014 are typically received on an annual basis, so a substantial working capital balance is required to provide adequate funding for the bond program between draws.

#### **06527 Investment Division - Board of Investments**

##### *Revenues & Expenses:*

Nearly all investment program revenues are generated from charges to each account that the board invests. The revenue

## Department of Commerce - 65010

### Board of Investments - 75

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 major cost drivers within the Board of Investments are personal services, operating expenses, and expenditures related to the periodic replacement of computer equipment. Fund 06527 also pays for 1.00 FTE in the Treasurers' Office in the Department of Administration through a direct appropriation in HB 2.

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. Non-typical and one-time only expenses, if any, are subtracted from proposed budgets.

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

The Board of Investments recovers its costs from the entities that use its services. Typically this has been done by requesting a maximum level of expenditures, similar to what occurs in HB 2, and setting the fee at that level. This process has worked very well since the passage of HB 576 in 1995, and this methodology is continued in the 2023 biennium because it provides an easy comparison with historical financial activity.

#### *Changes in Level of Fees and Charges:*

Allocation Methodology: 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 60-day working capital reserve.

#### *Projected Fund Balance, Including Cash Fluctuations:*

At the proposed rate, the board projects a 2023 biennium ending fund balance of approximately \$1,432,000. All interest earnings on the working capital reserve are distributed to the state general fund.

#### *Working Capital and Fees Commensurate Analysis:*

Revenues for fund 06527 are assessed on a monthly basis. Since collections lag by at least one month, the board must maintain a nominal 60-day working capital reserve to meet ongoing operational expenses. At the proposed rates, the board projects a fiscal year end 2023 ending working capital reserve of approximately 60 days for fund 06527.

# Department of Commerce - 65010

## Board of Investments - 75

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 65010	Agency Name: Department of Commerce			Program Name: Board of Investments		
	<b>Fund</b>	<b>Fund Name</b>				
	06527	Investment Division				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY18	FY19	FY20	FY21	FY22	FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	5,180,768	6,544,013	7,253,787	7,253,787	7,471,401	7,695,543
Fee Revenue B	24	42	42	-	-	-
<b>Total Operating Revenues</b>	<b>5,180,792</b>	<b>6,544,055</b>	<b>7,253,829</b>	<b>7,253,787</b>	<b>7,471,401</b>	<b>7,695,543</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	3,606,801	3,718,554	3,701,976	3,871,834	4,154,181	4,285,208
<b>Total Operating Expenses</b>	<b>2,687,112</b>	<b>2,549,675</b>	<b>2,787,312</b>	<b>3,089,063</b>	<b>3,315,930</b>	<b>3,298,564</b>
<b>Operating Income (Loss)</b>	<b>(1,113,121)</b>	<b>275,826</b>	<b>764,541</b>	<b>292,890</b>	<b>1,290</b>	<b>111,771</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(1,113,121)</b>	<b>275,826</b>	<b>764,541</b>	<b>292,890</b>	<b>1,290</b>	<b>111,771</b>
<b>Change in Net Position</b>	<b>(1,113,121)</b>	<b>275,826</b>	<b>764,541</b>	<b>292,890</b>	<b>1,290</b>	<b>111,771</b>
<b>Beginning Net Position - July 1</b>	1,098,966	(14,155)	261,671	1,026,212	1,319,102	1,320,392
Change in Net Position	(1,113,121)	275,826	764,541	292,890	1,290	111,771
<b>Ending Net Position - June 30</b>	<b>(14,155)</b>	<b>261,671</b>	<b>1,026,212</b>	<b>1,319,102</b>	<b>1,320,392</b>	<b>1,432,163</b>
<b>Net Position (Fund Balance) Analysis</b>						
Unrestricted Net Position	(14,155)	261,671	1,026,213	1,319,103	1,320,392	1,432,163

# Department of Commerce - 65010

## Board of Investments - 75

2023 Biennium Report on Internal Service and Enterprise Funds							
Agency # 65010	Agency Name: Department of Commerce			Program Name: Board of Investments			
	<b>Fund</b>	<b>Fund Name</b>					
	06014	BOI Municipal Finance Programs					
		Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>							
Fee and Charges							
		2,553,969	3,198,559	2,482,154	4,077,987	2,482,154	4,077,987
		2,553,969	3,198,559	2,482,154	4,077,987	2,482,154	4,077,987
<b>Expenses:</b>							
Personal Services							
		403,270	452,403	387,349	460,299	456,149	471,975
Other Operating Expenses							
		309,041	248,553	192,039	195,261	224,772	202,550
		712,311	700,956	579,388	655,560	680,921	674,525
<b>Operating Income (Loss)</b>							
		1,841,658	2,497,603	1,902,766	3,422,427	1,801,233	3,403,462
Nonoperating Revenues:							
Nonoperating Expenses:							
Other Expense A							
		1,905,753	2,254,682	2,007,982	3,235,394	3,235,394	3,235,394
		1,905,753	2,254,682	2,007,982	3,235,394	3,235,394	3,235,394
<b>Income (Loss) Before Contributions and Transfers</b>							
		3,747,411	4,752,285	3,910,748	6,657,821	5,036,627	6,638,856
Transfers In							
		36,778	69,367	7,734	42,000	20,000	40,000
<b>Change in Net Position</b>							
		3,784,189	4,821,652	3,918,482	6,699,821	5,056,627	6,678,856
<b>Beginning Net Position - July 1</b>							
		5,494,862	9,285,304	14,106,956	18,025,438	24,725,259	29,781,886
Prior Period Adjustments							
		6,253	-	-	-	-	-
Change in Net Position							
		3,784,189	4,821,652	3,918,482	6,699,821	5,056,627	6,678,856
<b>Ending Net Position - June 30</b>							
		9,285,304	14,106,956	18,025,438	24,725,259	29,781,886	36,460,742
<b>Net Position (Fund Balance) Analysis</b>							
		5,473,797	5,786,085	5,688,603	5,917,636	4,503,475	4,711,543

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$50,748
FY 2023	\$0	\$60,526

### SWPL - 1 - Personal Services -

The budget includes adjustments to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

# Department of Commerce - 65010

## Board of Investments - 75

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$133,952
FY 2023	\$0	(\$8,629)

**SWPL - 2 - Fixed Costs -**

The request includes an increase of \$133,952 in FY 2022 and a reduction of \$8,629 in FY 2023 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$170)
FY 2023	\$0	(\$106)

**SWPL - 3 - Inflation Deflation -**

This change package includes a reduction of \$170 in FY 2022 and a reduction of \$106 in FY 2023 to reflect budgetary changes generated from the application of inflation to specific expenditure accounts. Affected accounts include those associated with the statewide Motor Pool operated by the Department of Transportation.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$6,208)
FY 2023	\$0	(\$6,208)

**PL - 4 - ServiceNow -**

OBPP has approved the purchase of ServiceNow licenses and programs for the 2023 biennium. This change package reduces operating budgets in the 2023 biennium to reflect the projected operating efficiencies and other savings achieved by using ServiceNow.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$128,804
FY 2023	\$0	\$231,733

**PL - 7502 - BOI ADMINISTRATIVE COSTS ADJUSTMENTS NAPROP -**

Based on historical trends, operational costs have increased 3% per year for items including, among others, contracted services, travel, rent, and indirect costs. This change package provides authority to compensate for these increases.

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

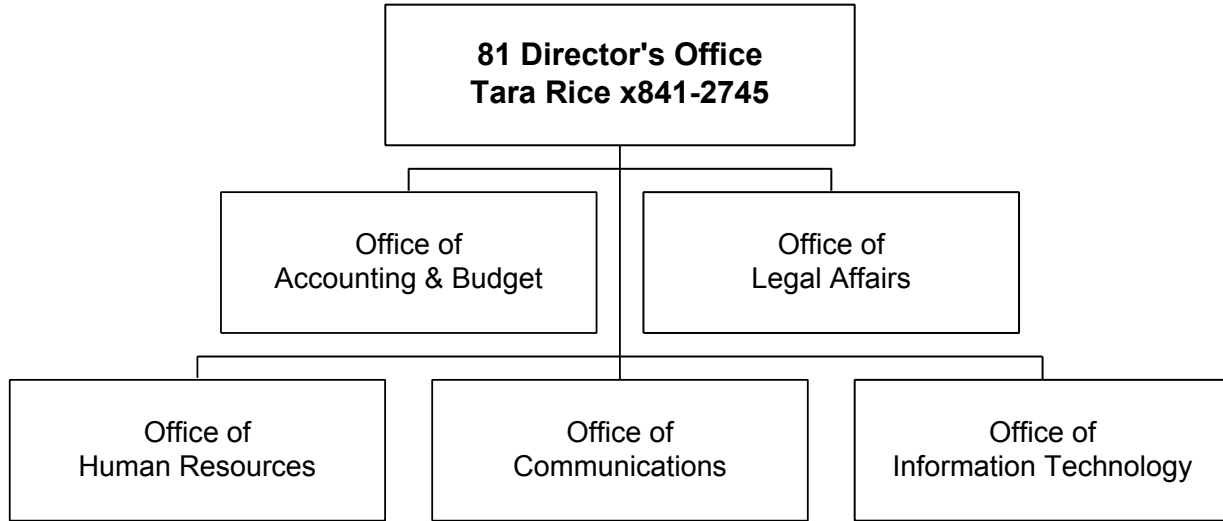
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$0
FY 2023	\$0	\$0

**NP - 7501 - BOI 1.00 ADMINISTRATIVE ASSISTANT FTE NAPROP -**

Since June 30, 2018, the investment pool has increased by almost \$3 billion. In addition, the board's accounting and investment operations have continued to grow more and more complex. The size and diversity of the investment portfolio, participant transactions, reporting standards, outside regulatory requirements, and GASB changes all contribute to the increased complexity. BOi is requesting 1.00 FTE to aid in complying with these requirements.

# Department of Commerce - 65010

## Directors Office - 81



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2021	Adjustments	Exec. Budget	Adjustments	Exec. Budget	Budget Request
		Fiscal 2022	Fiscal 2022	Fiscal 2023	Fiscal 2023	2023 Biennium
FTE	19.00	0.50	19.50	0.50	19.50	
Personal Services	2,032,270	81,323	2,113,593	85,896	2,118,166	4,231,759
Operating Expenses	322,440	3,609	326,049	3,645	326,085	652,134
Debt Service	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$2,354,710</b>	<b>\$84,932</b>	<b>\$2,439,642</b>	<b>\$89,541</b>	<b>\$2,444,251</b>	<b>\$4,883,893</b>
Proprietary Funds	2,354,710	84,932	2,439,642	89,540	2,444,251	4,883,893
<b>Total Funds</b>	<b>\$2,354,710</b>	<b>\$84,932</b>	<b>\$2,439,642</b>	<b>\$89,540</b>	<b>\$2,444,251</b>	<b>\$4,883,893</b>

### Proprietary Program Description - 06542 Commerce Centralized Services - Director's Office

#### Program Description:

The Director's Office provides overall leadership, communication, and management support to the Department of Commerce's staff, programs, bureaus, divisions, and administratively-attached boards. The office provides executive, administrative, legal, and policy direction, along with offering problem-solving guidance. The office keeps abreast of department-related issues, and acts in a public relations and informational capacity to ensure a positive image of the department. The office works closely with economic and community development organizations, businesses, communities, governmental entities, elected officials, and the public to diversify and expand the state's economic base. The office also acts as the liaison with private business, local governments, administratively-attached boards, public and private interest groups, the legislature, Indian tribes, individuals, other governmental agencies, and the Governor's Office.

The Director's Office also provides effective and efficient internal support to Department of Commerce staff, programs, bureaus, divisions and administratively attached boards. Services are provided by the Offices of Accounting and Budget, Legal Affairs, Human Resources, Information Technology, and Public Information.

The Director's Office is funded through an internal service fund (06542). The Director's Office responsibilities are mandated primarily in Title 2, Chapter 15 and Title 90, Chapter 1, MCA.

Customers are all divisions, bureaus, programs, and employees of the Department of Commerce. Use of these services is mandated by agency policies and procedures; there are no alternative sources for these services; although the department may contract for legal services from time to time whenever it is most appropriate and cost effective to do so.

## Department of Commerce - 65010

### Directors Office - 81

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

#### *Revenues & Expenses:*

The Director's Office 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 calculated, and legislatively approved, indirect cost rates applied to actual personal services expenditures.

The Director's Office provides all of the services listed in the program description to all department divisions, bureaus, programs, and employees.

The customer base for the Director's Office includes:

- Office of Tourism and Business Development Division
- Community Development Division
- Montana Facility Finance Authority
- Housing Division
- Board of Investments
- Board of Horse Racing
- Montana Heritage Preservation and Development Commission
- Montana Council on Developmental Disabilities

The revenue objective of the Director's Office is to maintain the lowest possible indirect charge to supported divisions, bureaus, and programs, while maintaining a 60-day working capital reserve. The department has historically used this methodology in calculating indirect rates because the federal government requires the same methodology to be used when charging indirect costs to federally funded programs.

The major cost drivers within the Director's Office are personal services, operating expenses, and expenditures related to the periodic replacement of the agency's computer equipment. Factors that contribute to uncertainty in forecasting expenses involve potential legislative actions, since the cost of providing centralized support services is directly related to the number and complexity of the agency's 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 staffing requirements and indirect cost rates and make the necessary adjustments when needed.

For the purposes of this analysis, it is assumed the agency's divisions, bureaus, programs, and staff remain constant. Non-typical and one-time-only expenses are subtracted out of the future cost projections before calculating the indirect rate.

The proposed indirect cost rate will fund 19.50 FTE in the 2023 biennium.

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

The Director's Office calculates a federal indirect cost rate on an annual basis. This rate is a fixed rate for federally funded programs. This rate is then applied against actual federally funded personal services expenditures within the department.

The federally calculated rate requires that a carry-forward amount be built into the rate. This carry-forward amount represents the amount the Director's Office under-recovered or over-recovered in a given fiscal year. This computation compares what was originally calculated to what actually occurred. The difference is then carried forward into the following year's rate.

The indirect cost rate is determined based on guidelines prescribed by the federal government. Additionally, the Director's Office complies with 17-3-111, MCA, which requires agencies to calculate a rate that would recover indirect costs to the greatest extent possible. In order to comply with this statute, the Director's Office has requested a rate that may vary slightly from the annually calculated federal rate. The rate approved by the legislature is considered a cap; therefore, the department cannot impose a rate higher than what has been approved by the legislature. However, the annually calculated federal rate may be slightly lower.



## Department of Commerce - 65010

### Directors Office - 81

Allocation Methodology: Indirect costs for the Director's Office are allocated to supported programs via a federally calculated 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.

#### *Changes in Level of Fees and Charges:*

The requested rates are 0.56% higher than those approved for the 2021 biennium.

#### *Projected Fund Balance, Including Cash Fluctuations:*

At the proposed rates, the department projects a 2023 biennium ending fund balance of approximately \$277,000, as shown on the Internal Service and Enterprise Funds report.

#### *Working Capital and Fees Commensurate Analysis:*

The Director's Office indirect cost rate is calculated by dividing projected annual expenses, plus a 60-day working capital reserve, by the projected actual personal services expenses of supported divisions, bureaus, and programs. Federally funded programs are allocated indirect costs by an annually calculated indirect cost rate, while state funded programs are allocated indirect costs via a legislatively approved indirect cost rate.

The working capital objective is to recover the costs necessary to fund ongoing operations. A 60-day working capital reserve is needed to meet ongoing operational costs. At the proposed rates, the department projects a fiscal year end 2023 ending working capital reserve of approximately 60 days. All interest earnings on the working capital reserve are distributed to the state general fund.

# Department of Commerce - 65010

## Directors Office - 81

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 65010	Agency Name: Department of Commerce			Program Name: Directors Office		
	<b>Fund</b>	<b>Fund Name</b>				
	06542	Commerce Centralized Services				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	1,787,656	1,781,886	1,869,251	2,015,791	2,120,708	2,126,440
Fee Revenue B	12	47	198	-	-	-
Other Operating Revenue	317,079	314,695	322,952	302,365	380,176	381,476
<b>Total Operating Revenues</b>	<b>2,104,747</b>	<b>2,096,628</b>	<b>2,192,401</b>	<b>2,318,156</b>	<b>2,500,884</b>	<b>2,507,916</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	296,532	335,528	243,066	322,440	326,049	326,085
<b>Total Operating Expenses</b>	<b>2,027,385</b>	<b>2,103,039</b>	<b>2,166,368</b>	<b>2,354,710</b>	<b>2,469,351</b>	<b>2,475,553</b>
<b>Operating Income (Loss)</b>	<b>77,362</b>	<b>(6,411)</b>	<b>26,033</b>	<b>(36,554)</b>	<b>31,533</b>	<b>32,363</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>77,362</b>	<b>(6,411)</b>	<b>26,033</b>	<b>(36,554)</b>	<b>31,533</b>	<b>32,363</b>
<b>Change in Net Position</b>	<b>77,362</b>	<b>(6,411)</b>	<b>26,033</b>	<b>(36,554)</b>	<b>31,533</b>	<b>32,363</b>
<b>Beginning Net Position - July 1</b>	<b>152,572</b>	<b>229,934</b>	<b>223,523</b>	<b>249,356</b>	<b>212,802</b>	<b>244,335</b>
Prior Period Adjustments	-	-	(200)	-	-	-
Change in Net Position	77,362	(6,411)	26,033	(36,554)	31,533	32,363
<b>Ending Net Position - June 30</b>	<b>229,934</b>	<b>223,523</b>	<b>249,356</b>	<b>212,802</b>	<b>244,335</b>	<b>276,698</b>
<b>Net Position (Fund Balance) Analysis</b>						
Unrestricted Net Position	229,933	223,521	249,354	212,800	244,334	276,697

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$21,672
FY 2023	\$0	\$26,204

**SWPL - 1 - Personal Services -**

This change package includes an increase of \$21,672 in FY 2022 and an increase of \$26,204 in FY 2023 to reflect budgetary changes generated from the application of inflation to specific expenditure accounts. Affected accounts include those associated with the statewide Motor Pool operated by the Department of Transportation.

# Department of Commerce - 65010

## Directors Office - 81

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$7,374
FY 2023	\$0	\$7,374

**SWPL - 2 - Fixed Costs -**

The request includes an increase of \$7,374 in FY 2022 and an increase of \$7,374 in FY 2023 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$95)
FY 2023	\$0	(\$59)

**SWPL - 3 - Inflation Deflation -**

This change package includes a reduction of \$95 in FY 2022 and a reduction of \$59 in FY 2023 to reflect budgetary changes generated from the application of inflation to specific expenditure accounts. Affected accounts include those associated with the statewide Motor Pool operated by the Department of Transportation.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$3,670)
FY 2023	\$0	(\$3,670)

**PL - 4 - ServiceNow -**

OBPP has approved the purchase of ServiceNow licenses and programs for the 2023 biennium. This change package reduces operating budgets in the 2023 biennium to reflect the projected operating efficiencies and other savings achieved by using ServiceNow.

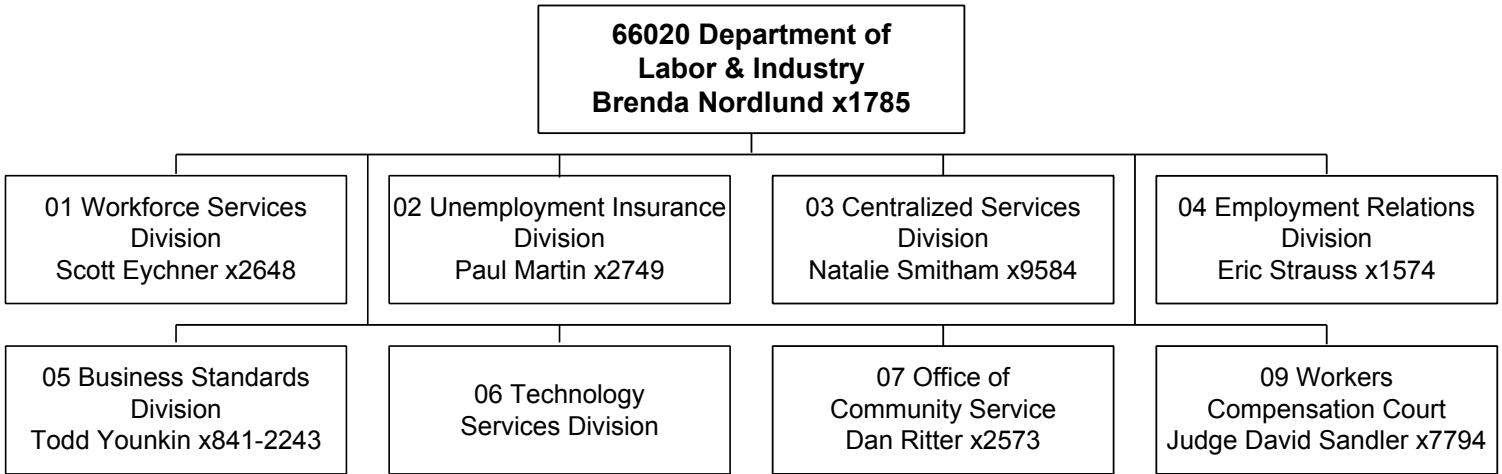
-----**New Proposals**-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$59,651
FY 2023	\$0	\$59,692

**NP - 8101 - DO 0.50 LEGAL FTE NAPROP -**

As grant programs and other services provided by the department continue to grow, the legal needs of the department also continue to grow. This request would provide 0.50 FTE attorney for the director's office to help with counsel and assistance in multiple programs within Commerce.

## Department of Labor and Industry - 66020



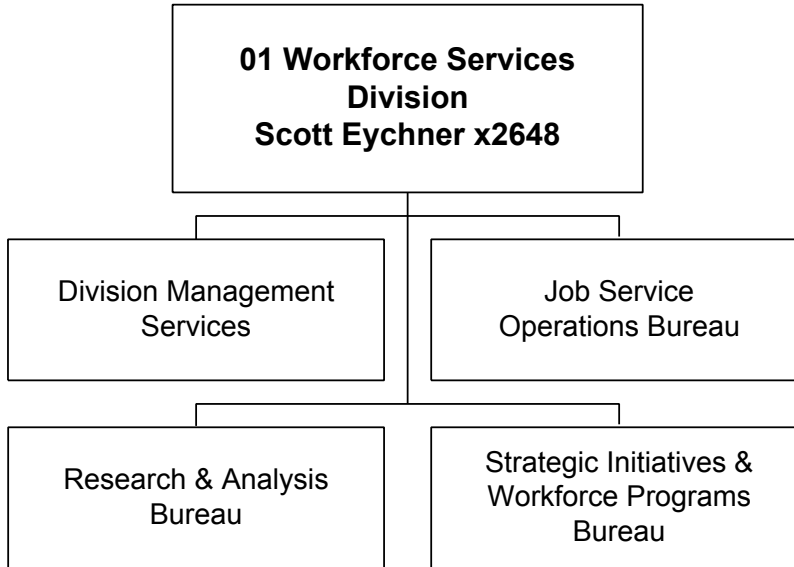
**Mission Statement** - The purpose of the Department of Labor and Industry is to promote the well-being of Montana's workers, employers, and citizens, and to uphold their rights and responsibilities.

**Statutory Authority** - Primarily Titles 18, 30, 37, 39, 49, 50, and 90, MCA, and the federal Corporation for National Service.

Agency Proposed Budget	Total Exec. Budget Fiscal 2022	Total Exec. Budget Fiscal 2023	Total Exec. Budget 2023 Biennium
Budget Item			
FTE	108.75	108.75	
Personal Services	10,518,194	10,549,398	21,067,592
Operating Expenses	9,211,658	9,047,050	18,258,708
Benefits & Claims	191,177,629	119,653,068	310,830,697
Transfers	25,048	25,048	50,096
Debt Service	42,923	42,923	85,846
<b>Total Costs</b>	<b>\$210,975,452</b>	<b>\$139,317,487</b>	<b>\$350,292,939</b>
Proprietary Funds	210,975,452	139,317,487	350,292,939
<b>Total Funds</b>	<b>\$210,975,452</b>	<b>\$139,317,487</b>	<b>\$350,292,939</b>

# Department of Labor and Industry - 66020

## Work Force Services Division - 01



Program Proposed Budget	Starting Point Fiscal 2021	Budget Adjustments Fiscal 2022	Total Exec. Budget Fiscal 2022	Budget Adjustments Fiscal 2023	Total Exec. Budget Fiscal 2023	Executive Budget Request 2023 Biennium
Budget Item						
Operating Expenses	8,161	0	8,161	0	8,161	16,322
<b>Total Costs</b>	<b>\$8,161</b>	<b>\$0</b>	<b>\$8,161</b>	<b>\$0</b>	<b>\$8,161</b>	<b>\$16,322</b>
Proprietary Funds	8,161	0	8,161	0	8,161	16,322
<b>Total Funds</b>	<b>\$8,161</b>	<b>\$0</b>	<b>\$8,161</b>	<b>\$0</b>	<b>\$8,161</b>	<b>\$16,322</b>

### Proprietary Program Description -

#### Fund 06051 - Montana Career Info System

##### *Program Description*

The Montana Career Information System (MCIS) has been active in Montana since 1980. The purpose of MCIS is to deliver current career and labor market information to Montanans in an easy-to-use and easy-to-understand format. This is the only career information delivery system in the country that has specific Montana labor market information included in each file. MCIS is currently being funded by the Employment Security Account (ESA) and federal funds through the Workforce Information Grants (WIG) from the Employment and Training administration for a wide variety of users: job service offices, vocational rehabilitation offices, middle schools, high schools, community colleges, universities, tribal colleges, educational and training agencies, home use, and adult education programs. There are currently optional components of MCIS not funded by ESA or WIG funds such as IDEAS (an interest inventory), Peterson Practice Tests, and Dependable Strengths that requires the program to collect fees associated with each optional component.

##### *Revenues and Expenses*

The expenses of the proprietary program are limited to the operational expenses of the optional features. These are typically site-specific licensing fees. Revenue is generated through fees for purchase of a one-year optional component license. The department collects the fees from the sites purchasing the license/assessment and then pays those fees to the service provider on a 1:1 ratio.

##### *Rates and Rate Explanation*

- IDEAS Assessment: \$125 per site license, per year

## Department of Labor and Industry - 66020

### Work Force Services Division - 01

- Dependable Strengths: \$200 per site license, per year
- Peterson's Academic Practice Tests: \$250 (package #1), \$200 (package #2) per site, per practice test package
- Peterson's Civil Service Practice Test Package: \$200 per site

#### *Changes in Level of Fees and Charges*

Through the 2013-1014 school year, the Department of Labor and Industry paid for IDEAS assessment licensing for sites who wished to use it but starting with the 2014 school year, the department no longer pays for that fee. The change in activity in this account reflects that change.

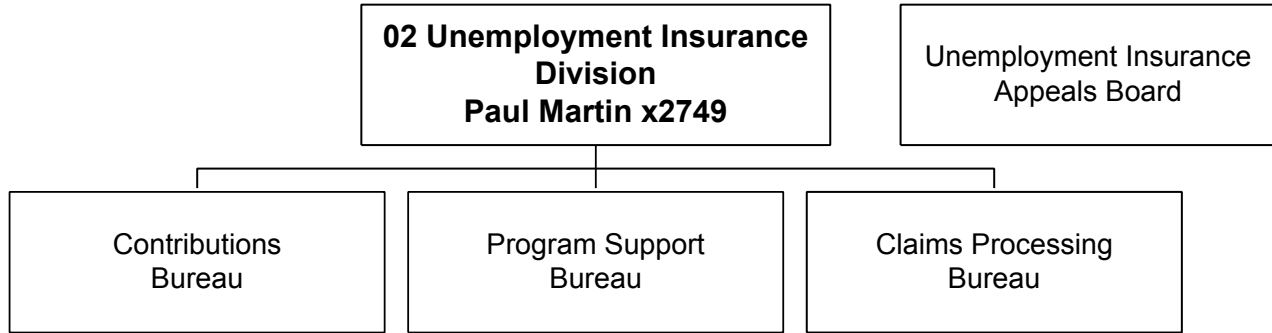
#### *Projected Fund Balance, Including Cash Fluctuations*

Other than a small balance existing due to the timing of collection/paying of fees into and out of the account, this account is not projected to run a fund balance.

<b>2023 Biennium Report on Internal Service and Enterprise Funds</b>							
Agency # 66020	Agency Name: Department of Labor and Industry		Program Name: Work Force Services Division				
	<b>Fund</b>	<b>Fund Name</b>					
	06051	Montana Career Info System					
		Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>							
Fee and Charges							
Other Operating Revenue							
<b>Total Operating Revenues</b>							
		1,850	750	250	8,161	8,161	8,161
		1,850	750	250	8,161	8,161	8,161
<b>Expenses:</b>							
Other Operating Expenses							
<b>Total Operating Expenses</b>							
		1,650	2,467	475	8,161	8,161	8,161
		1,650	2,467	475	8,161	8,161	8,161
<b>Operating Income (Loss)</b>							
		200	(1,717)	(225)	-	-	-
Nonoperating Revenues:							
Nonoperating Expenses:							
<b>Total Nonoperating Revenues (Expenses)</b>							
		-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>							
		200	(1,717)	(225)	-	-	-
<b>Change in Net Position</b>							
		200	(1,717)	(225)	-	-	-
<b>Beginning Net Position - July 1</b>							
		4,034	4,234	2,517	2,292	2,292	2,292
Change in Net Position							
		200	(1,717)	(225)	-	-	-
<b>Ending Net Position - June 30</b>							
		4,234	2,517	2,292	2,292	2,292	2,292
<b>Net Position (Fund Balance) Analysis</b>							
Restricted Net Pos(Enterprise Fund Only)							
		4,234	2,517	2,292	2,292	2,292	2,292

# Department of Labor and Industry - 66020

## Unemployment Insurance Division - 02



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2021	Adjustments Fiscal 2022	Exec. Budget Fiscal 2022	Adjustments Fiscal 2023	Exec. Budget Fiscal 2023	Budget Request 2023 Biennium
Benefits & Claims	534,208,796	(344,534,495)	189,674,301	(416,059,056)	118,149,740	307,824,041
<b>Total Costs</b>	<b>\$534,208,796</b>	<b>(\$344,534,495)</b>	<b>\$189,674,301</b>	<b>(\$416,059,056)</b>	<b>\$118,149,740</b>	<b>\$307,824,041</b>
Proprietary Funds	534,208,796	(344,534,495)	189,674,301	(416,059,056)	118,149,740	307,824,041
<b>Total Funds</b>	<b>\$534,208,796</b>	<b>(\$344,534,495)</b>	<b>\$189,674,301</b>	<b>(\$416,059,056)</b>	<b>\$118,149,740</b>	<b>\$307,824,041</b>

### Proprietary Program Description - Fund 06069 - UI Tax Benefit Fund

#### Program Description

The Department of Labor and Industry (DLI) collects the contributions paid by employers, based on their industry or individual experience rate, to pay for their Unemployment Insurance. DLI expends the funds by paying Unemployment Insurance benefit claims.

#### Revenues and Expenses

The revenues received in the proprietary fund are from unemployment insurance tax collections, federal reimbursement for claims on federal employees, military personnel, claimants in other states, and interest earnings to the Unemployment Insurance Trust Fund. The expenditures are unemployment insurance benefits paid to claimants while unemployed, including federal withholding tax and child support payments the claimants have elected to have taken out of the benefit check.

#### Rates and Rate Explanation

The Unemployment Insurance Division administers the state unemployment insurance law. There is no proprietary rate but a collection of contributions from employers that are used to pay the unemployment insurance benefits to claimants who have involuntarily become unemployed.

#### Changes in Level of Fees and Charges

Section 39-51-1217, MCA, sets the rate at which the employers contributions are charged for the purpose of paying Unemployment Insurance Benefits.

#### Projected Fund Balance, Including Cash Fluctuations

The net position is restricted for use only by the Unemployment Insurance Division for allowable operating expenses.

# Department of Labor and Industry - 66020

## Unemployment Insurance Division - 02

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 66020	Agency Name: Department of Labor and Industry			Program Name: Unemployment Insurance Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06069	UI Tax Benefit Fund				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Other Operating Revenue						
<b>Total Operating Revenues</b>	125,882,050	145,633,805	634,476,738	572,932,446	270,999,041	288,696,220
<b>Expenses:</b>						
Other Operating Expenses						
<b>Total Operating Expenses</b>	113,842,014	107,503,243	746,508,196	643,553,713	189,674,301	118,149,740
<b>Operating Income (Loss)</b>	12,040,036	38,130,562	(112,031,458)	(70,621,267)	81,324,740	170,546,480
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	12,040,036	38,130,562	(112,031,458)	(70,621,267)	81,324,740	170,546,480
<b>Change in Net Position</b>	12,040,036	38,130,562	(112,031,458)	(70,621,267)	81,324,740	170,546,480
<b>Beginning Net Position - July 1</b>	298,631,095	311,447,972	349,459,148	238,428,306	167,807,039	249,131,779
Prior Period Adjustments	776,841	(119,386)	1,000,616	-	-	-
Change in Net Position	12,040,036	38,130,562	(112,031,458)	(70,621,267)	81,324,740	170,546,480
<b>Ending Net Position - June 30</b>	311,447,972	349,459,148	238,428,306	167,807,039	249,131,779	419,678,259
<b>Net Position (Fund Balance) Analysis</b>						
Restricted Net Pos(Enterprise Fund Only)	311,447,972	349,459,148	238,428,306	167,807,039	249,131,779	419,678,259

### -----New Proposals-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$344,534,495)
FY 2023	\$0	(\$416,059,056)

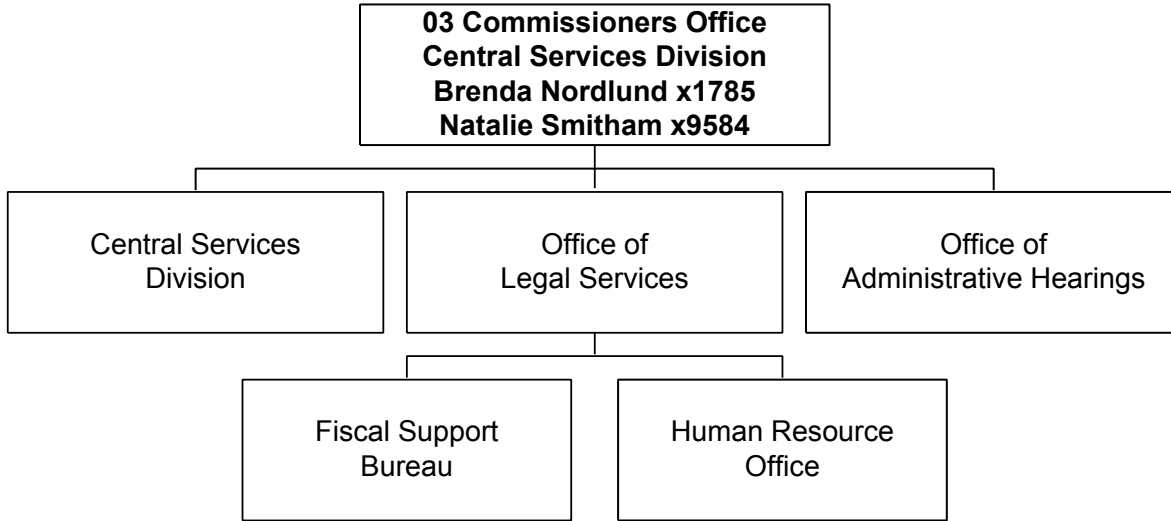
#### NP - 202 - UI Benefit Decrease -

This change package includes a reduction of \$344,534,495 in FY 2022, and a reduction of \$416,059,056 in FY 2023, to reflect budgetary changes anticipated as a result of the expiration of the CARES Act.



# Department of Labor and Industry - 66020

## Commissioner's Office & C S D - 03



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2021	Adjustments Fiscal 2022	Exec. Budget Fiscal 2022	Adjustments Fiscal 2023	Exec. Budget Fiscal 2023	Budget Request 2023 Biennium
FTE	57.75	0.00	57.75	0.00	57.75	
Personal Services	5,210,367	430,558	5,640,925	451,740	5,662,107	11,303,032
Operating Expenses	2,230,166	274,131	2,504,297	106,221	2,336,387	4,840,684
Debt Service	22,375	0	22,375	0	22,375	44,750
<b>Total Costs</b>	<b>\$7,462,908</b>	<b>\$704,689</b>	<b>\$8,167,597</b>	<b>\$557,961</b>	<b>\$8,020,869</b>	<b>\$16,188,466</b>
Proprietary Funds	7,462,908	613,699	8,167,597	557,961	8,020,869	16,188,466
<b>Total Funds</b>	<b>\$7,462,908</b>	<b>\$613,699</b>	<b>\$8,167,597</b>	<b>\$557,961</b>	<b>\$8,020,869</b>	<b>\$16,188,466</b>

### Proprietary Program Description - Fund 06546 - Commissioner's Office/CSD

#### Program Description

Supportive services provided by the Commissioner's Office and Centralized Services Division (CSD) are funded through an indirect cost rate whereby the department programs are assessed a fee equal to a percentage of their personal services costs.

#### Revenues and Expenses

Major expenses for this program consist of the personal services costs for the Commissioner's Office and CSD. In total, this rate funds 35.00 FTE. Other expenses of this program include department-wide fixed costs, such as the SWCAP, Legislative Audit fees, and HRIS service fees, and charges for legal services and information technology applications that benefit the entire department.

Revenue for this fund is collected via an indirect cost rate that is charged against department personal services expenses. The services provided in exchange for this fee include: human resources, accounting, budgeting, payroll processing, mail processing, and other department-wide management and administration.

#### Rates and Rate Explanation

The department is requesting a rate of 8.75% for FY 2022 and a rate of 8.85% for FY 2023. This request is for the maximum rate that could be charged. The rate charged can differ from the requested rate due to the fact that estimates

## Department of Labor and Industry - 66020

### Commissioner's Office & C S D - 03

can be more accurate with more current data. Historically, the rate actually charged has been less than the approved rate. The rate charged must be approved each year by a federal cost negotiator.

The requested rate is an indirect cost rate, assessed on personal services expenses. It is calculated by dividing the total anticipated expenses of the program by the total anticipated personal services expenses of the remainder of the department, resulting in a percentage rate. When calculating the rate, the numerator (total anticipated expenses of the program) can be increased or decreased to account for over or under collections in previous years.

After each pay period, the rate is multiplied by the personal services expenses of each funding source, and the resulting fee is collected.

#### *Changes in Level of Fees and Charges*

The department is requesting that the rate be approved at 8.75% for FY 2022 and 8.85% for FY 2023. These rates reflect a slight increase over the current approved rates and account for the possibility of decreased agency-wide personal services expenses. This could be as a result of reduced federal grants, delays in hiring as a result of COVID-19, or an increase in staff from staffing agencies (this rate does not apply to those expenses).

#### *Projected Fund Balance, Including Cash Fluctuations*

The department does not have any obligations to reserve fund balance. Management's objective is to maintain an appropriate fund balance.

#### *Working Capital and Fees Commensurate Analysis*

The fund is allowed to maintain up to a 60-day working capital. The program strives to maintain a cash balance that is adequate to allow the fund to maintain a positive cash balance (to support expenses that are incurred before revenue collection occurs) as well as to maintain a reserve in case of unexpected or emergency expenses. The department is striving to keep rates consistent for divisions while maintaining a sufficient working capital.

### **Fund 06552 - Admin Services**

#### *Program Description*

The Office of Legal Services provides legal assistance to the department's six programs and two administratively attached entities, whereby an hourly rate for attorney fees is established. Revenues generated fund 22.75 FTE.

#### *Revenues and Expenses*

Expenses of the fund are comprised of salaries and overhead costs of agency legal staff. The fee is designed to collect enough cash to cover these expenses, as well as to maintain an appropriate working capital balance.

#### *Rates and Rate Explanation*

The rate to be charged is a direct hourly rate, charged to each division based on number of hours of legal service they receive. It is calculated by dividing the total anticipated costs of the Office of Legal Services by the anticipated number of direct hours to be charged by the program. The rate proposed may vary from the actual rate charged if more accurate information regarding cost estimates or anticipated number of direct hours becomes available.

#### *Changes in Level of Fees and Charges*

There are no significant changes to the methodology for calculating the rate for the Office of Legal Services from the last biennium.

# Department of Labor and Industry - 66020

## Commissioner's Office & C S D - 03

*Projected Fund Balance, Including Cash Fluctuations*

The program does not have any requirement to reserve fund balance.

Revenue collection for the fund typically happens on a monthly basis. It is necessary for the fund to maintain enough cash to support any payroll expenses that post during that month, as well as any operating or overhead costs that are paid.

*Working Capital and Fees Commensurate Analysis*

As mentioned above, the department needs to maintain working capital balances sufficient to process any payroll that posts within a month's time (the amount of time between revenue collections), as well as any operating or overhead costs that are paid during that month. Typically this requires at least 30 days of working capital. The department monitors revenue, expenses, and cash in the fund on a regular basis to ensure that fees are commensurate with costs. If fees appear to be too high, a refund is issued or the rate decreased. Likewise, if the fee appears to be too low, expenses are cut, or a fee increase is requested. The department strives to keep rates consistent for divisions while maintaining a sufficient working capital.

<b>2023 Biennium Report on Internal Service and Enterprise Funds</b>						
Agency # 66020	Agency Name: Department of Labor and Industry			Program Name: Commissioner's Office & C S D		
	<b>Fund</b>	<b>Fund Name</b>				
	06552	Admin Services				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	2,405,472	2,502,358	2,762,374	3,221,096	3,220,320	3,231,486
<b>Total Operating Revenues</b>	<b>2,405,472</b>	<b>2,502,358</b>	<b>2,762,374</b>	<b>3,221,096</b>	<b>3,220,320</b>	<b>3,231,486</b>
<b>Expenses:</b>						
Personal Services	1,915,509	2,149,583	2,468,798	2,368,880	2,571,994	2,583,024
Other Operating Expenses	387,767	414,666	442,698	621,704	638,045	638,181
Loans and Lease Payments	-	-	712	10,281	10,281	10,281
<b>Total Operating Expenses</b>	<b>2,303,276</b>	<b>2,564,249</b>	<b>2,912,208</b>	<b>3,000,865</b>	<b>3,220,320</b>	<b>3,231,486</b>
<b>Operating Income (Loss)</b>	<b>102,196</b>	<b>(61,891)</b>	<b>(149,834)</b>	<b>220,231</b>	<b>-</b>	<b>-</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>102,196</b>	<b>(61,891)</b>	<b>(149,834)</b>	<b>220,231</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>102,196</b>	<b>(61,891)</b>	<b>(149,834)</b>	<b>220,231</b>	<b>-</b>	<b>-</b>
<b>Beginning Net Position - July 1</b>	<b>364,495</b>	<b>467,137</b>	<b>405,246</b>	<b>255,412</b>	<b>475,643</b>	<b>475,643</b>
Prior Period Adjustments	446	-	-	-	-	-
Change in Net Position	102,196	(61,891)	(149,834)	220,231	-	-
<b>Ending Net Position - June 30</b>	<b>467,137</b>	<b>405,246</b>	<b>255,412</b>	<b>475,643</b>	<b>475,643</b>	<b>475,643</b>
<b>Net Position (Fund Balance) Analysis</b>						

# Department of Labor and Industry - 66020

## Commissioner's Office & C S D - 03

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 66020	Agency Name: Department of Labor and Industry			Program Name: Commissioner's Office & C S D		
	<b>Fund</b>	<b>Fund Name</b>				
	06546	Commissioner's Office/CSD				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	4,018,504	4,131,556	4,191,450	4,062,600	4,686,026	4,737,892
Other Operating Revenue	1,534	1,070	3,461	3,461	3,461	3,461
<b>Total Operating Revenues</b>	<b>4,020,038</b>	<b>4,132,626</b>	<b>4,194,911</b>	<b>4,066,061</b>	<b>4,689,487</b>	<b>4,741,353</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	2,336,890	2,546,001	2,536,880	2,841,487	3,068,931	3,079,083
Loans and Lease Payments	1,420,432	1,526,640	1,642,299	1,688,502	1,866,252	1,698,206
	-	617	1,417	12,094	12,094	12,094
<b>Total Operating Expenses</b>	<b>3,757,322</b>	<b>4,073,258</b>	<b>4,180,596</b>	<b>4,542,083</b>	<b>4,947,277</b>	<b>4,789,383</b>
<b>Operating Income (Loss)</b>	<b>262,716</b>	<b>59,368</b>	<b>14,315</b>	<b>(476,022)</b>	<b>(257,790)</b>	<b>(48,030)</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>262,716</b>	<b>59,368</b>	<b>14,315</b>	<b>(476,022)</b>	<b>(257,790)</b>	<b>(48,030)</b>
Transfers Out	(1,278)	(11)	-	-	-	-
<b>Change in Net Position</b>	<b>261,438</b>	<b>59,357</b>	<b>14,315</b>	<b>(476,022)</b>	<b>(257,790)</b>	<b>(48,030)</b>
<b>Beginning Net Position - July 1</b>	-	786,565	845,922	860,239	384,217	126,427
Prior Period Adjustments	525,127	-	2	-	-	-
Change in Net Position	261,438	59,357	14,315	(476,022)	(257,790)	(48,030)
<b>Ending Net Position - June 30</b>	<b>786,565</b>	<b>845,922</b>	<b>860,239</b>	<b>384,217</b>	<b>126,427</b>	<b>78,397</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$430,558
FY 2023	\$0	\$451,740

### SWPL - 1 - Personal Services -

The budget includes adjustments in FY 2022 and FY 2023 to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

## Department of Labor and Industry - 66020

### Commissioner's Office & C S D - 03

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$275,555
FY 2023	\$0	\$107,114

#### **SWPL - 2 - Fixed Costs -**

The request includes adjustments in FY 2022 and FY 2023 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

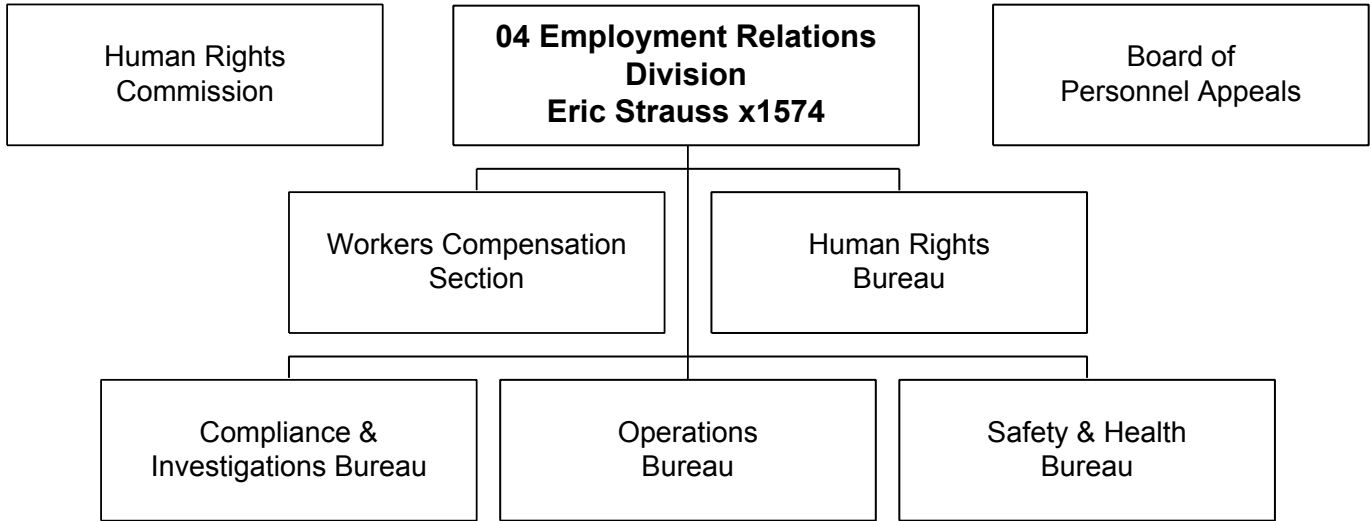
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$1,424)
FY 2023	\$0	(\$893)

#### **SWPL - 3 - Inflation Deflation -**

This change package includes adjustments in FY 2022 and FY 2023 to reflect budgetary changes generated from the application of inflation to specific expenditure accounts. Affected accounts include those associated with the statewide Motor Pool operated by the Department of Transportation.

# Department of Labor and Industry - 66020

## Employment Relations Division - 04



Program Proposed Budget	Starting Point Fiscal 2021	Budget Adjustments Fiscal 2022	Total Exec. Budget Fiscal 2022	Budget Adjustments Fiscal 2023	Total Exec. Budget Fiscal 2023	Executive Budget Request 2023 Biennium
Benefits & Claims	1,503,328	0	1,503,328	0	1,503,328	3,006,656
Transfers	25,048	0	25,048	0	25,048	50,096
<b>Total Costs</b>	<b>\$1,528,376</b>	<b>\$0</b>	<b>\$1,528,376</b>	<b>\$0</b>	<b>\$1,528,376</b>	<b>\$3,056,752</b>
Proprietary Funds	1,528,376	0	1,528,376	0	1,528,376	3,056,752
<b>Total Funds</b>	<b>\$1,528,376</b>	<b>\$0</b>	<b>\$1,528,376</b>	<b>\$0</b>	<b>\$1,528,376</b>	<b>\$3,056,752</b>

### Proprietary Program Description - Fund 06040 - Subsequent Injury Trust Fund

#### Program Description

The Subsequent Injury Fund (SIF) was established in 1973 to assist disabled persons in becoming employed by offering a financial incentive to the employers who hire them. In the event a SIF-certified individual is injured on the job, their employer's workers' compensation carrier is only liable for the first 104 weeks of benefits paid. Any benefits paid after that point are reimbursed by the fund, thus minimizing the workers' compensation expenses for the employer's insurer.

Beginning July 1, 1999, the fund is maintained by an annual assessment of all Montana employers.

#### Revenues and Expenses

The expenses of the program consist of the administration costs and benefits for certified workers. The program is funded through an annual assessment on Plan 1 (Self-Insured) workers' compensation employers and a surcharge on premium paid for Plan 2 (Private sector) and Plan 3 (Montana State Fund) employers. The assessment is based on a percentage of the compensation and medical benefits paid in Montana by each insurer the preceding calendar year (39-71-915, MCA) and amounts actually paid out from SIF.

#### Rates and Rate Explanation

The SIF rate is set by the Employment Relations Division based on the total amount of paid losses reimbursed by the fund in the preceding year. Because the rate is based upon the previous year's experience, future rates beyond one year are unknown. This program is funded with an enterprise proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns

# Department of Labor and Industry - 66020

## Employment Relations Division - 04

with the financial position of the fund.

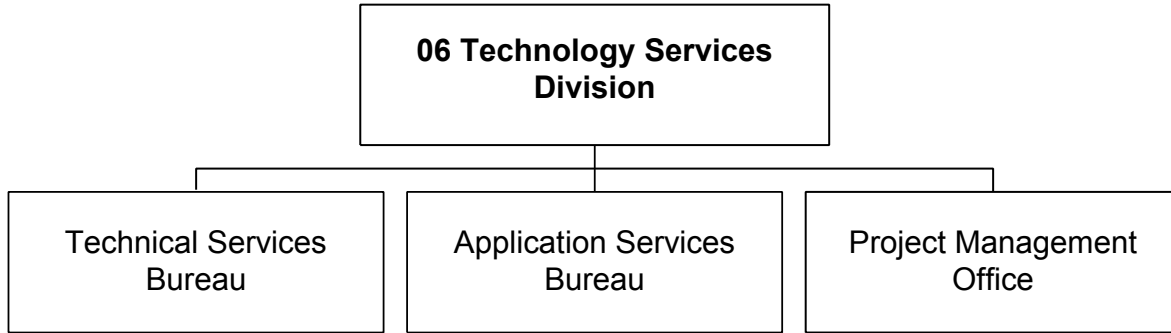
Projected Fund Balance, Including Cash Fluctuations

The SIF cash balance fluctuates throughout each fiscal year. The revenue to the fund comes during five time periods throughout the year. Expenses are paid out when reimbursement requests are submitted to the department, as long as there are sufficient monies in the fund to cover those expenses. There is no requirement for the fund to have a reserve fund balance. If the fund does not have enough monies to cover the submitted claims, those claims are placed on hold until the fund has a positive fund balance.

<b>2023 Biennium Report on Internal Service and Enterprise Funds</b>						
Agency # 66020	Agency Name: Department of Labor and Industry			Program Name: Employment Relations Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06040	Subsequent Injury-Trust Fund				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	1,368,334	1,197,345	885,607	1,266,250	1,266,250	1,266,250
Other Operating Revenue	10,276	23,907	12,869	25,000	25,000	25,000
<b>Total Operating Revenues</b>	<b>1,378,610</b>	<b>1,221,252</b>	<b>898,476</b>	<b>1,291,250</b>	<b>1,291,250</b>	<b>1,291,250</b>
<b>Expenses:</b>						
Other Operating Expenses						
Expense B	1,345,203	1,053,648	1,265,249	1,691,613	1,691,613	1,691,613
<b>Total Operating Expenses</b>	<b>(46,057)</b>	<b>(632,831)</b>	<b>114,033</b>	<b>(188,285)</b>	<b>(188,285)</b>	<b>(188,285)</b>
<b>Operating Income (Loss)</b>	<b>1,299,146</b>	<b>420,817</b>	<b>1,379,282</b>	<b>1,503,328</b>	<b>1,503,328</b>	<b>1,503,328</b>
<b>Operating Income (Loss)</b>						
	79,464	800,435	(480,806)	(212,078)	(212,078)	(212,078)
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>79,464</b>	<b>800,435</b>	<b>(480,806)</b>	<b>(212,078)</b>	<b>(212,078)</b>	<b>(212,078)</b>
Transfers Out						
<b>Change in Net Position</b>	<b>(53,444)</b>	<b>(46,462)</b>	<b>(27,507)</b>	<b>(25,048)</b>	<b>(25,048)</b>	<b>(25,048)</b>
<b>Beginning Net Position - July 1</b>	<b>26,020</b>	<b>753,973</b>	<b>(508,313)</b>	<b>(237,126)</b>	<b>(237,126)</b>	<b>(237,126)</b>
Prior Period Adjustments	(1,938,984)	(1,912,395)	(1,158,422)	(1,666,735)	(1,903,861)	(2,140,987)
Change in Net Position	569	-	-	-	-	-
<b>Ending Net Position - June 30</b>	<b>26,020</b>	<b>753,973</b>	<b>(508,313)</b>	<b>(237,126)</b>	<b>(237,126)</b>	<b>(237,126)</b>
<b>Ending Net Position - June 30</b>	<b>(1,912,395)</b>	<b>(1,158,422)</b>	<b>(1,666,735)</b>	<b>(1,903,861)</b>	<b>(2,140,987)</b>	<b>(2,378,113)</b>
<b>Net Position (Fund Balance) Analysis</b>						
Restricted Net Pos(Enterprise Fund Only)	(1,806,076)	(959,179)	(1,412,478)	(1,599,508)	(1,786,538)	(1,973,568)

# Department of Labor and Industry - 66020

## Technology Services Division - 06



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2021	Adjustments Fiscal 2022	Exec. Budget Fiscal 2022	Adjustments Fiscal 2023	Exec. Budget Fiscal 2023	Budget Request 2023 Biennium
FTE	51.00	0.00	51.00	0.00	51.00	
Personal Services	4,737,134	140,135	4,877,269	150,157	4,887,291	9,764,560
Operating Expenses	6,117,753	581,447	6,699,200	584,749	6,702,502	13,401,702
Debt Service	20,548	0	20,548	0	20,548	41,096
<b>Total Costs</b>	<b>\$10,875,435</b>	<b>\$721,582</b>	<b>\$11,597,017</b>	<b>\$734,906</b>	<b>\$11,610,341</b>	<b>\$23,207,358</b>
Proprietary Funds	10,875,435	711,182	11,597,017	724,506	11,610,341	23,207,358
<b>Total Funds</b>	<b>\$10,875,435</b>	<b>\$711,182</b>	<b>\$11,597,017</b>	<b>\$724,506</b>	<b>\$11,610,341</b>	<b>\$23,207,358</b>

### Proprietary Program Description - 06568 – Technical and Application Services

#### Program Description

Supportive services provided by the Technology Services Division (TSD) are funded through indirect cost rates. In order to spread costs equitably, rates have been pooled by function. The rate for technical services is assessed based on the division's full-time equivalent (FTE) positions. The rate for application services is assessed based on a direct hourly charge to the benefiting division.

#### Revenues and Expenses

The major expense for this fund consists of the personal services and operating costs for 51.00 FTE in TSD. Revenue for this fund is collected via two separate indirect cost rates. These two rates are collected from all other divisions in the department. The services provided in exchange for this fee include: technical services, network services, help desk, project management, and application services including computer programming and database management.

The Technical Services Rate is an indirect cost rate of \$266, assessed monthly per department FTE. It is calculated by dividing the total anticipated expenses of the program by the total FTE per month, resulting in a per FTE cost. When calculating the rate, the numerator (total anticipated expenses of the program) can be increased or decreased to account for over or under collections in previous years. Once a month, the rate is multiplied by FTE by bureau, and the resulting fee is collected.

For the Application Services rate, a time distribution system was designed for application staff to directly charge regular hours to the benefiting subsystem or division. The Application Services Rate of \$84 per hour is assessed monthly on the direct regular hours charged by application services staff. It is calculated by dividing the total anticipated expenses of the program by the total anticipated annual hours resulting in a per hour cost.

The rates charged must be approved each fiscal year by the U.S. Department of Labor Federal Cost Negotiator. The actual rate charged can differ from the requested rate due to the fact that estimates can be more accurate as more recent data



## Department of Labor and Industry - 66020

### Technology Services Division - 06

becomes available.

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

The Technical Services Rate is an indirect cost rate of \$266, assessed monthly per department FTE. It is calculated by dividing the total anticipated expenses of the program by the total FTE per month, resulting in a per FTE cost. When calculating the rate, the numerator (total anticipated expenses of the program) can be increased or decreased to account for over or under collections in previous years. Once a month the rate is multiplied by FTE by bureau, and the resulting fee is collected.

The Application Services Rate of \$84 per hour is assessed monthly on the direct regular hours charged by application services staff. It is calculated by dividing the total anticipated expenses of the program by the total anticipated annual hours resulting in a per hour cost.

#### *Changes in Level of Fees and Charges*

The department is not requesting any change in fees or charges.

#### *Projected Fund Balance, Including Cash Fluctuations*

The department does not have any obligations to reserve fund balance. Management's objective is to maintain the existing fund balance.

#### *Working Capital and Fees Commensurate Analysis*

The fund is allowed to maintain up to a 60-day working capital balance. The program strives to maintain a cash balance that is adequate to allow the fund to maintain a positive cash balance (to support expenses that are incurred before revenue collection occurs) as well as to maintain a reserve in case of unexpected or emergency expenses. The department is striving to keep rates consistent for divisions while maintaining a sufficient working capital.

### **06578 – Technical Services Direct**

#### *Program Description*

This fund has two rates that are direct pass-through costs to the department divisions. The rate for enterprise services provided by the State Information Technology Services Division (SITSD) is allocated on total cost by division FTE. The other direct rate is for the actual cost of contracted and SITSD services that are directly attributable to a specific division.

#### *Revenues and Expenses*

The primary expense for this fund consists of pass-through costs. The Enterprise Services rate is all SITSD charges that directly benefit the department as a whole. Those total costs are distributed based on department FTE. The direct rate includes actual expenditures that can be identified as directly benefiting a specific program, such as contracts and SITSD services.

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

The Enterprise Services Rate is calculated on specific SITSD services that benefit the department as a whole. The total budgeted SITSD rate for a portion of Asset Broker, Enterprise Services, Equipment Hosting, Operational Support, Server, Cybersecurity, ServiceNow, and Storage hosting services are allocated back to divisions based on FTE percentages.

The Direct Services Rate is calculated on all other SITSD services and department contracted services and allocated back to the benefiting division based on actual expenditures.

## Department of Labor and Industry - 66020

### Technology Services Division - 06

*Changes in Level of Fees and Charges*

The department is not requesting any increases for the direct pass-through rate of actuals plus 0%.

*Projected Fund Balance, Including Cash Fluctuations*

The department does not have any obligations to reserve fund balance.

*Working Capital and Fees Commensurate Analysis*

The fund is a direct pass through and does not maintain a working capital.

<b>2023 Biennium Report on Internal Service and Enterprise Funds</b>						
Agency # 66020	Agency Name: Department of Labor and Industry		Program Name: Technology Services Division			
	<b>Fund</b>	<b>Fund Name</b>				
	06568	Technical Services				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY18	FY19	FY20	FY21	FY22	FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Other Operating Revenue	5,014,375	5,055,533	5,656,746	5,738,587	6,044,017	6,042,017
<b>Total Operating Revenues</b>	<b>5,014,375</b>	<b>5,055,533</b>	<b>5,656,746</b>	<b>5,738,587</b>	<b>6,044,017</b>	<b>6,042,017</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	910,794	1,162,301	1,322,889	1,041,755	885,590	878,803
Loans and Lease Payments	1,375	1,816	3,110	20,548	20,548	20,548
<b>Total Operating Expenses</b>	<b>4,820,118</b>	<b>5,333,867</b>	<b>5,754,202</b>	<b>5,799,437</b>	<b>5,783,407</b>	<b>5,786,642</b>
<b>Operating Income (Loss)</b>	<b>194,257</b>	<b>(278,334)</b>	<b>(97,456)</b>	<b>(60,850)</b>	<b>260,610</b>	<b>255,375</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>194,257</b>	<b>(278,334)</b>	<b>(97,456)</b>	<b>(60,850)</b>	<b>260,610</b>	<b>255,375</b>
<b>Change in Net Position</b>	<b>194,257</b>	<b>(278,334)</b>	<b>(97,456)</b>	<b>(60,850)</b>	<b>260,610</b>	<b>255,375</b>
<b>Beginning Net Position - July 1</b>	<b>809,086</b>	<b>1,003,343</b>	<b>725,009</b>	<b>627,553</b>	<b>566,703</b>	<b>827,313</b>
Change in Net Position	194,257	(278,334)	(97,456)	(60,850)	260,610	255,375
<b>Ending Net Position - June 30</b>	<b>1,003,343</b>	<b>725,009</b>	<b>627,553</b>	<b>566,703</b>	<b>827,313</b>	<b>1,082,688</b>
<b>Net Position (Fund Balance) Analysis</b>						

# Department of Labor and Industry - 66020

## Technology Services Division - 06

2023 Biennium Report on Internal Service and Enterprise Funds						
Agency # 66020	Agency Name: Department of Labor and Industry		Program Name: Technology Services Division			
	<b>Fund</b>	<b>Fund Name</b>				
	06578	Technical Services Direct				
	Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
<b>Operating Revenues:</b>						
Fee and Charges						
Other Operating Revenue						
	4,688,204	5,277,753	6,325,759	6,179,283	5,813,610	5,823,699
<b>Total Operating Revenues</b>	<b>4,688,204</b>	<b>5,277,753</b>	<b>6,325,759</b>	<b>6,179,283</b>	<b>5,813,610</b>	<b>5,823,699</b>
<b>Expenses:</b>						
Other Operating Expenses						
	4,678,950	5,277,753	6,325,759	6,179,283	5,813,610	5,823,699
<b>Total Operating Expenses</b>	<b>4,678,950</b>	<b>5,277,753</b>	<b>6,325,759</b>	<b>6,179,283</b>	<b>5,813,610</b>	<b>5,823,699</b>
<b>Operating Income (Loss)</b>	<b>9,254</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>9,254</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>9,254</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Prior Period Adjustments	(9,254)	-	-	-	-	-
Change in Net Position	9,254	-	-	-	-	-
<b>Ending Net Position - June 30</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$140,135
FY 2023	\$0	\$150,157

**SWPL - 1 - Personal Services -**

The budget includes an increase of \$140,135 in FY 2022 and an increase of \$150,157 in FY 2023 to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

## Department of Labor and Industry - 66020

### Technology Services Division - 06

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$6,013)
FY 2023	\$0	(\$6,129)

**SWPL - 2 - Fixed Costs -**

The request includes a reduction of \$6,013 in FY 2022 and a reduction of \$6,129 in FY 2023 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	(\$49,842)
FY 2023	\$0	(\$50,158)

**PL - 602 - ServiceNow -**

OBPP has approved the purchase of ServiceNow licenses and programs for the 2023 biennium. Due to the projected operating efficiencies and other savings achieved using ServiceNow, the operating budget has been reduced.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$626,902
FY 2023	\$0	\$630,636

**NP - 601 - TSD Proprietary Enterprise Rate Change -**

The division's proprietary fund (06578) is a pass-through entity for tracking information technology (IT) expenditures. This fund pays the department's IT expenditures and then collects revenue from the divisions to reimburse the fund. This fund nets to zero from revenue collected.

The department had an increase in expenditures due to Cybersecurity and ServiceNow expenditures and is requesting appropriation in the amount of \$626,902 in FY 2022 and \$630,636 in FY 2023.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2022	\$0	\$10,400
FY 2023	\$0	\$10,400

**NP - 603 - NRIS/GIS Fixed Costs -**

This request is for \$10,400 in each year of the 2023 biennium for a new proposed NRIS/GIS usage fixed cost to be paid to the Montana State Library. This action is in line with the Legislative Finance Committee proposal to include these costs in the statewide fixed cost adjustments.