Judicial Branch-2110

Please note that this agency also contains HB0002 data.

Mission Statement - The Judiciary'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 Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	53,676	0	0	53,676	0	0	53,676
Total Costs	**$53,676**	**$0**	**$0**	**$53,676**	**$0**	**$0**	**$53,676**
Proprietary	53,676	0	0	53,676	0	0	53,676
Total Funds	**$53,676**	**$0**	**$0**	**$53,676**	**$0**	**$0**	**$53,676**

Judicial Branch-2110
Law Library-03

Please note that this program also contains HB0002 data.

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

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	53,676	0	0	53,676	0	0	53,676
Total Costs	**$53,676**	**$0**	**$0**	**$53,676**	**$0**	**$0**	**$53,676**
Proprietary	53,676	0	0	53,676	0	0	53,676
Total Funds	**$53,676**	**$0**	**$0**	**$53,676**	**$0**	**$0**	**$53,676**

Judicial Branch-2110
Law Library-03

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06019	Searches/Research	21100	Judicial Branch	Law Library

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Law Library Online Searches Revenue	54,188	49,247	57,835	56,438	53,676	53,676
Net Fee Revenue	54,188	49,247	57,835	56,438	53,676	53,676
Total Operating Revenue	54,188	49,247	57,835	56,438	53,676	53,676
Operating Expenses:						
Personal Services	-	-	-	-	-	-
Other Operating Expenses	56,438	57,414	53,676	56,438	53,676	53,676
Total Operating Expenses	56,438	57,414	53,676	56,438	53,676	53,676
Operating Income (Loss)	**(2,250)**	**(8,167)**	**4,159**	**-**	**-**	**-**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(2,250)	(8,167)	4,159	-	-	-
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(2,250)	(8,167)	4,159	-	-	-
Total Net Assets- July 1 - As Restated	10,437	8,187	20	4,179	4,179	4,179
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	-	-	-	-
Net Assets- June 30	**8,187**	**20**	**4,179**	**4,179**	**4,179**	**4,179**
60 days of expenses (Total Operating Expenses divided by 6)	9,406	9,569	8,946	9,406	8,946	8,946

Requested Rates for Enterprise Funds
Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Law Library Online Searches	56,438	57,414	53,676	56,438	53,676	53,676

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. The net effect is zero.

Secretary Of States Office-3201
Business & Government Services-01

Please note that this program also contains HB0002 data.

Mission Statement - The Secretary of State's Office is committed to better positioning Montana for the future by embracing innovative ideas and technology to:

- Foster greater public confidence and participation in the electoral process
- Promote business activities by providing prompt and accurate service
- Act as the steward of state government records by educating agencies on the management and preservation of public documents
- Enhance the security of business transactions through the notary process
- Facilitate public participation in governmental rulemaking
- Provide easier access to information

Statutory Authority - Article VI, Section 1, Montana Constitution; 2-4-311-312, 2-6-203, and 2-15-401, MCA.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	49.25	5.00	0.00	54.25	5.00	0.00	54.25
Personal Services	2,034,943	478,758	8,000	2,521,701	486,922	0	2,521,865
Operating Expenses	1,021,328	532,287	2,043,500	3,597,115	850,240	140,000	2,011,568
Equipment	5,279	0	65,000	70,279	0	0	5,279
Grants	0	0	0	0	0	0	0
Total Costs	**$3,061,550**	**$1,011,045**	**$2,116,500**	**$6,189,095**	**$1,337,162**	**$140,000**	**$4,538,712**
Federal Special	0	0	0	0	0	0	0
Proprietary	3,061,550	1,011,045	2,116,500	6,189,095	1,337,162	140,000	4,538,712
Total Funds	**$3,061,550**	**$1,011,045**	**$2,116,500**	**$6,189,095**	**$1,337,162**	**$140,000**	**$4,538,712**

Program Description –
The Secretary of State has one program with four divisions.

The **Elections Division** is responsible for interpreting state election laws and assisting county election administrators in uniformly implementing the law. It also qualifies candidates for the ballot, qualifies initiatives and referendums for the ballot, certifies the language and form of the ballot, publishes the official state voter-information pamphlet, conducts the official canvass of statewide election results, and trains county and school election officials. The bureau also oversees the implementation of the Help America Vote Act (HAVA). The elections staff is responsible for filing and maintaining all official acts of the executive and legislative branches of state government, including laws and appointments.

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

Significant Program Growth –
In 2005 the division worked cooperatively with all 56 Montana counties to develop and implement a Statewide Voter Registration Database. This action was mandated by Congress with the passage of the Help America Vote Act (HAVA).

The division also purchased 725 Auto Mark voting machines to provide people with disabilities the opportunity to vote unassisted. HAVA requires that every poling place have at least one of these voting machines.

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

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

Significant Program Growth –
The workload of the division continues to increase with the number of businesses filing increasing annually. This growth has been accommodated with no increase in staff.

In 2006, the division facilitated a tremendous increase in on-line filings of Annual Reports. Instead of mailing paper forms to every business for filing the division sent out postcards directing businesses to the website to file on-line. Approximately 50,000 businesses filed on-line in 2006.

The **Administrative Rules and Management Services Division** is responsible for two distinct service areas. The division executes the duties of the Secretary of State's Office under the Montana Administrative Procedure Act. Duties related to MAPA include, but are not limited to, the filing, indexing, organizing for publication, and distribution of Administrative Rules adopted by state agencies. These filings are published in the Administrative Rules of Montana (ARM) and the Montana Administrative Register (Register), under statutorily mandated deadlines. The division also provides internal support to all agency divisions. This includes accounting, budgeting, fiscal management, purchasing, information technology, human resources, payroll, benefits, and mail.

Significant Program Growth –
The division has initiated an automation project to increase the effectiveness and efficiency of the rules development and publishing processes and improve accessibility to administrative rules. The division provides the entire set of administrative rules on-line to government agencies and other customers who use the rules for research, litigation, and guidance in understanding the effect of legislation.

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

Significant Program Growth –
The division has reinitiated efforts to meet with managers and records management staff from departments throughout state government educating people as to their records management responsibilities.

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

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

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

Expenses –
The Secretary of State's Office base budget in FY 2006 had 66 percent of the budget spent in personal services, 33 percent in operating, and the remaining one percent in equipment. The total budget in 2006 was $3.2 million.

The proposed budget for this office shows expenses greater than anticipated revenues. This will not cause a deficit situation due to revenues having exceeded expenses during the past few years providing a positive fund balance. The fund balance increase has largely resulted from a significant increase in business filings. The office is mandated by statute to set fees commensurate with the cost of the office. The office has allowed the fund balance to increase, rather than reduce fees, to satisfy the funding required to implement several technology improvement projects. These projects are currently in various stages of planning and implementation and will generally be implemented though the 2009 biennium thus reducing the fund balance. As these projects are implemented the office will review fees to determine if changes need to be made to maintain revenue commensurate with the cost of the office.

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

Secretary Of States Office-3201
Business & Government Services-01

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
6053	SOS Business Svcs	32010	Secretary of State	Business & Government Services

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Filing Fees	2,636,198	2,810,107	3,045,678	2,970,500	3,234,465	3,360,635
Administrative Fees	189,266	228,790	270,791	251,800	454,473	441,473
Intra-State Service	317,508	261,670	296,962	301,696	418,468	420,131
Photocopy Fees & Certificates	107,875	111,693	127,806	120,585	143,233	145,383
Documents Sold	111,096	99,926	111,191	100,250	105,961	99,116
Escheated Revenue	-	941	-	-	-	-
Miscellaneous Receipts	78,145	71,333	31,777	21,180	21,180	21,180
Net Fee Revenue	3,440,086	3,584,459	3,884,204	3,766,011	4,377,780	4,487,918
Investment Earnings	14,252	30,354	106,654	20,000	20,000	20,000
Securities Lending Income	-	-	1,859	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	67,145	61,180	33,402	-	-	-
Total Operating Revenue	3,521,483	3,675,993	4,026,119	3,786,011	4,397,780	4,507,918
Operating Expenses:						
Personal Services	1,886,459	1,967,271	2,264,595	1,954,192	2,521,701	2,521,865
Other Operating Expenses	1,168,324	1,179,617	1,230,080	1,209,762	3,839,641	2,203,384
Total Operating Expenses	3,054,783	3,146,888	3,494,675	3,163,954	6,361,342	4,725,249
Operating Income (Loss)	**466,700**	**529,105**	**531,444**	**622,057**	**(1,963,562)**	**(217,331)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	466,700	529,105	531,444	622,057	(1,963,562)	(217,331)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	1,605		-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	466,700	530,710	533,049	622,057	(1,963,562)	(217,331)
Total Net Assets- July 1 - As Restated	-	-	-	-	-	-
Prior Period Adjustments	282	(4,229)	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	-	-	-	-
Net Assets- June 30	**466,982**	**526,481**	**533,049**	**622,057**	**(1,963,562)**	**(217,331)**
60 days of expenses (Total Operating Expenses divided by 6)	509,131	524,481	582,446	527,326	1,060,224	787,542

Secretary Of States Office-3201
Business & Government Services-01

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

	Total Agency Impact	General Fund Total
FY 2008	$201,601	$0
FY 2009	$202,274	$0

PL- 1 - Agency FTE -

This request adds 2.00 FTE to technology services, 2.00 FTE to business services division, and 1.00 FTE to elections to meet increased workload demands. The agency has experienced increased workload in technology services and elections with the implementation of HAVA and anticipates an ongoing need to maintain the system and provide technology support and training to counties. Additional workload in technology services has been experienced with enhanced online services. The additional FTE in business services is a shift of two individuals from shared, seasonal positions to permanent full-time positions.

	Total Agency Impact	General Fund Total
FY 2008	$344,960	$0
FY 2009	$675,008	$0

PL- 3 - Cost Recognition and Records Management -

The Office of the Secretary of State has changed accounting practices in relation to online services provided through Montana Interactive. The decision package reflects current practice of recording gross revenues and related costs. Fees related to these services are collected by Montana Interactive. The past accounting practice was to record the net revenue only.

The decision package also reflects the estimated cost for purchasing an internal electronic records management software system and enhancing imaging services available through the Records and Information Management Division.

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

	Total Agency Impact	General Fund Total
FY 2008	$2,116,500	$0
FY 2009	$140,000	$0

NP- 2 - Agency Technology Projects -

The Office of the Secretary of State has initiated three technology projects that focus on improving the efficiency of services now provided and expanding the services provided to allow for access to a larger array of online services and public information. The Administrative Rules Automation Initiative project will allow for more timely updates of the Administrative Rules of Montana, improve public access to online products, and will provide for a more streamlined rule submittal process for state agencies. The Online Candidate Filing project will allow candidates to conveniently file for office online. The Business Services project will replace the existing mainframe systems and create the opportunity to expand online services for the public and streamline internal processes.

Department Of Transportation-5401

Please note that this agency also contains HB0002 data.

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

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

Agency Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	129.29	0.00	0.00	129.29	0.00	0.00	129.29
Personal Services	7,010,159	389,978	0	7,400,137	460,507	0	7,470,666
Operating Expenses	12,443,429	2,670,904	0	15,114,333	2,592,952	0	15,036,381
Equipment	10,266,755	(685,924)	0	9,580,831	(1,529,924)	0	8,736,831
Debt Service	319,789	120,000	0	439,789	119,000	0	438,789
Total Costs	**$30,040,132**	**$2,494,958**	**$0**	**$32,535,090**	**$1,642,535**	**$0**	**$31,682,667**
Proprietary	30,040,132	2,494,958	0	32,535,090	1,642,535	0	31,682,667
Total Funds	**$30,040,132**	**$2,494,958**	**$0**	**$32,535,090**	**$1,642,535**	**$0**	**$31,682,667**

Department Of Transportation-5401
State Motor Pool-07

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	6.00	0.00	0.00	6.00	0.00	0.00	6.00
Personal Services	302,998	11,355	0	314,353	14,176	0	317,174
Operating Expenses	2,173,505	556,471	0	2,729,976	572,161	0	2,745,666
Equipment	3,330,615	(1,000,000)	0	2,330,615	(1,000,000)	0	2,330,615
Debt Service	319,789	120,000	0	439,789	119,000	0	438,789
Total Costs	**$6,126,907**	**($312,174)**	**$0**	**$5,814,733**	**($294,663)**	**$0**	**$5,832,244**
Proprietary	6,126,907	(312,174)	0	5,814,733	(294,663)	0	5,832,244
Total Funds	**$6,126,907**	**($312,174)**	**$0**	**$5,814,733**	**($294,663)**	**$0**	**$5,832,244**

Program Description -

The State Motor Pool operates and maintains a fleet of vehicles available to all state offices and employees who conduct official state business. The State Motor Pool has two basic components: 1) the daily rental fleet and 2) the out-stationed lease fleet. The daily rental program operates out of the Helena headquarters facility and provides vehicles for short-term use. The leasing program provides vehicles for extended assignment (biennial lease) to agencies statewide. The Motor Pool supports 6.00 FTE.

Statutory Authority –

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 Montana Highway Patrol).

Other Options to Use of the Program –

Use of the program is optional to agencies when personnel are required to travel by vehicle for official state business, but is encouraged in the Montana Operations Manual (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 MOM manual encourages use of the program through the reimbursement rate for use of personal vehicles for state business travel that are set at 52% of the rate established by the Internal Revenue Service for the current year less three cents unless the employee meets conditions as discussed in 1-0310-30 of the MOM manual.

Significant Program Growth –

The program has increased from 318 units in fiscal 1994 to 884 in fiscal 2006. During that time, annual mileage increased from 4.1 million to 13.0 million miles. This growth in the number of vehicles and miles traveled is largely due to the practice of the Office of Budget and Program Planning (OBPP) stipulating agencies to lease new vehicles from the State Motor Pool instead of agencies purchasing vehicles directly.

FYE1996	278 Units	4,467,473 miles
FYE1997	319 Units	5,357,648 miles
FYE1998	389 Units	6,503,851 miles
FYE1999	494 Units	8,007,999 miles
FYE2000	589 Units	10,212,742 miles
FYE2001	715 Units	11,106,543 miles
FYE2002	813 Units	11,714,081 miles
FYE2003	803 Units	11,810,745 miles
FYE2004	832 Units	11,732,405 miles (882-50 units sold & deleted from fleet)

Department Of Transportation-5401
State Motor Pool-07

FYE2005	833 Units	13,014,200 miles
FYE2006	884 Units	13,646,466 miles
FY2007	943 Units	13,735,275 miles Projected
FY2008	1018 Units	14,140,056 miles Projected
FY2009	1027 Units	14,270,532 miles Projected

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

Revenues and Expenses –
Changes in Services and Fees: Revenue is generated through vehicle rental fees and from the gain on sale of surplus assets. Vehicle rental fees provide the majority (roughly 97% in FY 2006) of the revenue for the program. Rental fee revenues are functionally tied to the travel requirements of various user agencies. The program also receives revenues resulting from accident damages reimbursed by private individuals or insurance companies. The amount generally covers the expenditures to repair the damage or pays for a vehicle residual value when the unit is beyond repair.

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

Rental fees are billed once a month to each agency. Agency rental expenditures (exception Montana Department of Transportation (MDT)) are recorded to object of expenditure 62510. MDT rental expenditures are recorded to object of expenditures 62404 – Motor Pool Usage and 62470 - Motor Pool assigned rental. The Motor Pool program records revenues to account 525020 – Service Reimbursements.

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

A large portion of costs of the program are indirect costs, as they cannot be traced directly to specific miles driven by State Motor Pool vehicles. Indirect costs are supported by the assigned rates allocated to the seven classes of vehicles. The Motor Pool supports 6.00 FTE. Administrative overhead and service activities that cannot be tied directly to specific units makes up 75% of the salaries. Maintenance and repairs that can be directly tied to specific units makes up the remaining 25% of the salaries. Direct costs also include gasoline, oil, and tires, and are supported by the usage rates for all seven classes of vehicles. The allocations of indirect costs and direct costs use the same methodology for all rates to which they apply. The program has included projected increases for the 2009 biennium. This increase is being projected as the industry has increased costs for vehicle purchases, increased costs of repairs and maintenance, oil, and grease.

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

The program also uses an operating loan from the general fund account. The operating loan is needed to support the Motor Pool in order to allow the program to pay for all obligations through out each fiscal year. This operating loan will be paid back over three years. The rates are set to generate enough revenue to bring the cash position of the Motor

Pool back to an acceptable level. It is expected that the need for the operating loan will no longer be needed in future years as Motor Pool will operate on a full cost recovery process.

Working Capital –

Rental rates are set to recover sufficient revenue to meet interest payments, operating costs, and allow maintenance of no more than a 60-day working capital balance. If the program does not generate sufficient revenue to meet these obligations, a short-term loan would be obtained or assets would have to be sold to satisfy the obligations. The program billing and payment cycles support the accumulation of a 60-day working capital balance. User agencies are billed monthly and payments are requested to pay for services by the end of the next month. This allows the program to make monthly expense payments and accumulate adequate working capital to pay quarterly interest payments on the BOI loans and the annual payment on loan principle due June 15th.

Fund Equity and Reserve Fund Balance –

The program rents vehicles for use by other state government entities. The number of vehicles in the program at the end of FY 2006 has grown to 884 vehicles. Motor Pool is now nearly three times as large as it was in 1994. Because of this growth, the program has needed to borrow funds to purchase new vehicles. As such, the balance sheet for the program ending FY 2006 has $16.2 million in equipment assets which are all light duty vehicles. The equipment assets are now depreciated to approximately 20% of their cost which in previous years they were depreciated to 30% of their cost. This is estimated to bring the book value of all assets to approximately $10.6 million financed by $6.6 million of long-term debt. The resultant fund equity is $1.0 million or 10.6% of total assets value. An adjustment to decrease the balance in Fund Equity was included in the FY 2004-2005 rates. The adjustment was for net income gains from 1998 – 2002. The program decreased fund equity by approximately $460,000 in FY 2004 and had an additional decrease of $450,000 in FY 2005. These losses were not included in the FY 2006-2007 rental rates. The fund continued to decrease the balance and posted a loss in FY 2006 and is expecting a loss for FY 2007. These losses are a main contributor to the depletion of the cash balance in the Motor Pool program. This results in Motor Pool requesting an operating loan to bring its cash back into balance.

Cash Flow Discussion -

Motor Pool fluctuations in cash balance are due to Motor Pool recovering insufficient cash to meet its operation needs and pay back outstanding loans for operations. Recurring cash obligations that must be paid back by cash on hand or loans include the loan repayments for inter-cap and general fund loans. The intent of the Motor Pool program is to become less reliant on operational loans to meet its obligations. This is being accomplished through the current rental rates which are expected to generate the appropriate revenue to make the program whole.

Rate Explanation –

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

The Equipment Vehicle Management System (EVMS) provides cost information related to direct and indirect costs for each vehicle class. These costs were used to project final costs for FY 2006 and in addition provide the base to project costs for FY 2008 and FY 2009. Adjustments to current costs were made for additional lease vehicles that will be added to the fleet for FY 2008-2009. Adjustments were also made for increases to indirect costs and projected increases in operational costs (direct costs).

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

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

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

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State Motor Pool-07

2009 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Projected FY08	Projected FY09
Operating Revenues:						
Service Reimbursements	-	-	-	-	6,085,826	6,225,206
Net Fee Revenue	3,191,787	3,667,176	3,619,941	3,849,057	6,085,826	6,225,206
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	11,817	28,828	54,077	12,000	50,000	50,000
Total Operating Revenue	3,203,604	3,696,004	3,674,018	3,861,057	6,135,826	6,275,206
Operating Expenses:						
Personal Services	271,472	284,748	305,719	295,733	331,559	344,691
Other Operating Expenses	3,000,188	3,507,925	4,267,266	4,181,451	5,099,184	5,214,712
Total Operating Expenses	3,271,660	3,792,673	4,572,985	4,477,184	5,430,743	5,559,403
Operating Income (Loss)	**(68,056)**	**(96,669)**	**(898,967)**	**(616,127)**	**705,083**	**715,803**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(391,872)	(335,044)	(207,741)	(150,000)	30,000	30,000
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(391,872)	(335,044)	(207,741)	(150,000)	30,000	30,000
Income (Loss) Before Operating Transfers	(459,928)	(431,713)	(1,106,708)	(766,127)	735,083	745,803
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(459,928)	(431,713)	(1,106,708)	(766,127)	735,083	745,803
Total Net Assets- July 1 - As Restated	3,292,432	2,651,368	2,205,650	1,099,132	333,005	1,068,088
Prior Period Adjustments	(181,136)	(14,005)	190	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	3,111,296	2,637,363	2,205,840	1,099,132	-	-
Net Assets- June 30	**2,651,368**	**2,205,650**	**1,099,132**	**333,005**	**1,068,088**	**1,813,891**
60 days of expenses (Total Operating Expenses divided by 6)	545,277	632,112	762,164	746,197	905,124	926,567

Requested Rates for Internal Service Funds Fee/Rate Information

Rental Rate Fees		Actual FYE 06 Assigned Rate	Actual FYE 06 Usage Rat	Actual FYE 07 Assigned Rate	Actual FYE 07 Usage Rate	Budgeted FY 08 Assigned Rate	Budgeted FY 08 Usage Rate	Budgeted FY 09 Assigned Rate	Budgeted FY 09 Usage Rate
Class 02	Small SUV	1.377	0.069	1.408	0.069	1.547	0.158	1.637	0.160
Class 04	Large SUV	1.856	0.081	1.955	0.081	1.948	0.200	2.038	0.202
Class 06	Passenger Car	1.196	0.048	1.186	0.048	1.393	0.123	1.408	0.125
Class 07	Small Pickup	1.153	0.073	1.106	0.073	1.528	0.187	1.581	0.190
Class 11	Large Pickup	1.521	0.095	1.653	0.095	1.432	0.215	1.437	0.218
Class 12	Vans	1.399	0.084	1.432	0.084	1.453	0.181	1.420	0.183

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

	Total Agency Impact	General Fund Total
FY 2008	$1,379	$0
FY 2009	$1,379	$0

PL- 702 - Overtime/Differential -
This request is to reestablish base year overtime and differential pay with associated benefits. The biennial cost is $2,758 of motor pool proprietary fund.

	Total Agency Impact	General Fund Total
FY 2008	$600,000	$0
FY 2009	$620,000	$0

PL- 703 - Motor Pool Fuel Costs -
This adjustment is for an increased volume of fuel purchased in the next biennium. The biennial cost is $1,220,000 of motor pool proprietary funds.

	Total Agency Impact	General Fund Total
FY 2008	($1,000,000)	$0
FY 2009	($1,000,000)	$0

PL- 704 - Vehicle Acquisition -
This request is for a decrease in the amount needed for vehicle purchases in the motor pool program. Fewer vehicles will need to be replaced in upcoming biennium than were replaced in the base year. The net reduction is $2,000,000 of motor pool proprietary funds.

	Total Agency Impact	General Fund Total
FY 2008	$25,800	$0
FY 2009	$36,300	$0

PL- 705 - Vehicle Maintenance Costs -
This request is to provide an increase for the cost of vehicle maintenance. The costs of maintenance and parts and supplies have increased due to the increased cost of fuel and steel. These costs are expected to continue to rise. The biennial cost is $62,100 of motor pool proprietary funds.

	Total Agency Impact	General Fund Total
FY 2008	$120,000	$0
FY 2009	$119,000	$0

PL- 706 - Loan Interest -
The interest rate on inter-cap loans from the Board of Investments (BOI) is projected to increase. The projected interest rate from Office of Budget and Program Planning (OBPP) is 5.295% as compared to 4.75% for FY 2006. The biennial cost is $239,000 of motor pool proprietary funds.

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Equipment Program-08

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	122.00	0.00	0.00	122.00	0.00	0.00	122.00
Personal Services	6,660,248	348,026	0	7,008,274	415,447	0	7,075,695
Operating Expenses	10,198,656	2,022,055	0	12,220,711	2,000,375	0	12,199,031
Equipment	6,936,140	314,076	0	7,250,216	(529,924)	0	6,406,216
Total Costs	**$23,795,044**	**$2,684,157**	**$0**	**$26,479,201**	**$1,885,898**	**$0**	**$25,680,942**
Proprietary	23,795,044	2,684,157	0	26,479,201	1,885,898	0	25,680,942
Total Funds	**$23,795,044**	**$2,684,157**	**$0**	**$26,479,201**	**$1,885,898**	**$0**	**$25,680,942**

Program Description –
The Equipment Program is responsible for the acquisition, disposal, repair, and maintenance of a fleet of approximately 4,600 individual units. The fleet is comprised of light duty vehicles, single and tandem axle dump trucks, specialized snow removal units, roadway maintenance units, and other specialized equipment. The various programs within the Montana Department of Transportation (MDT) such as Construction, Motor Carrier Services, Maintenance, and Right-of-Way exclusively use the fleet. All units are assigned to the various user programs and are charged rental fees on a bi-weekly basis.

Statutory Authority –
The Equipment Bureau fleet vehicle program is funded under the rules and guidelines of HB 576 (1995 Legislature). No specific statutory authority is established for the program as the program is strictly internal to the Department of Transportation and is not used by any outside entity.

Program Growth -
The program has monitored the size of the equipment fleet to identify any excess or low usage units and ensure the fleet sizing requirements are at needed levels. The fleet has actually decreased in size because of these reviews. The program continues to ensure staffing levels are adequate to continue to support, repair and maintain the current fleet and to ensure operating and maintenance expenses are kept at the most cost effective levels. The fleet size from FY 1997 through FY 2006 is depicted as follows:

FYE 1997	4041 Units	20,115,826 miles
FYE 1998	4039 Units	17,508,471 miles
FYE 1999	4169 Units	18,712,127 miles
FYE 2000	4282 Units	19,602,485 miles
FYE 2001	4632 Units	21,962,128 miles
FYE 2002	4609 Units	22,855.416 miles
FYE 2003	4638 Units	22,712,391 miles
FYE 2004	4571 Units	23,653,560 miles
FYE 2005	4563 Units	22,317,297 miles
FYE 2006	4555 Units	21,795,720 miles

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

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

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

The Equipment Program supports 122.00 FTE. Approximately 40% of the FTE salaries are allocated to administrative overhead and service activities that cannot be functionally tied directly to a piece of equipment. The remaining 60% of the salaries can be directly tied to specific units as the maintenance and repair can be directly captured to a specific unit.

Rental fees are billed bi-weekly to each of the MDT user programs. Program user rental expenditures are recorded to object of expenditures 62537 (E/B Class 00-29 assign time), 62538 (E/B Class 00-29 Usage), 62539 (E/B Class 30 –99 Assign Time) and 62540 (E/B Class 30 – 99 Usage). All Equipment Program rental revenues are recorded in account 525020 – Service Reimbursements.

Approximately the same budget authority that was authorized in the 2007 biennium for equipment replacement is being requested in the 2009 biennium. The requested level of budget authority for equipment replacement is needed to keep the program on track with its current replacement schedule. The replacement accurately reflects anticipated actual depreciation. If the request is not approved, the program will not have the ability to replace fleet units at there set life schedules. Units would have to be maintained longer resulting in increased operational costs. The program is requesting additional new units for FY 2008. These additions are to support the Maintenance Division in maintaining additional secondary roads that will be the responsibility of the department. Once these units are purchased and placed in the fleet, they will become a part of the future replacement schedule.

Working Capital Discussion –
The Equipment rental rates are set to recover sufficient revenue to purchase assets, cover normal operating expenses and maintain no more than a 60-day working capital balance. Revenue is generated through the rental rates, gain on sale of surplus assets, and damage settlements. The primary source of revenue for the program is from user rental rates charged for the use and possession of vehicles and equipment. The program rental rates are based on a "dual rate" structure. Users will reimburse the program for actual miles driven (usage rate) and a possession rate (assigned rate). Actual miles of travel and hours of usage are reported bi-weekly and billed on the same schedule as payrolls. Approximately $950,000 in rental revenue is generated every two weeks. Rental revenue varies with the season, weather conditions and workloads. Auction revenue varies depending on the number and types of units being sold. The program also receives incidental revenues for accident damages that are reimbursed by private individuals or insurance companies. The amount generally covers the expenditures to repair the damage. If the program doesn't generate sufficient revenue to meet these obligations then the program would have to either liquidate assets or receive a loan.

Fund Equity and Reserved Fund Balance –
The fund equity balance, as detailed on the "Report on Internal Service & Enterprise Funds, 2009 Biennium", shows an increase in fleet size that was required by the department to takeover maintenance of secondary roads through out the state. Revenues are anticipated to equal operation expenditures and the working cash is projected to be less than the 60 days maximum allowable by the end of each fiscal year. Each fiscal year since 1999 federal money has been available to purchase equipment. The equipment is then donated to the Equipment Program and the donated equipment contributes to the increase in the fund equity balance. The Equipment Program will have to maintain the equipment and will replace the units when life cycle and cost dictates replacement.

Cash Flow Discussion –
The Equipment Program is internal to the Department of Transportation. The cash flow is dependent on the rental revenue and from the auction proceeds of fleet units sold. Rental revenue varies with the season, weather conditions and workloads. If the department experiences a light winter season, there is low usage, which generates less revenue. If the department experiences a heavy winter season, there is higher usage which generates increased revenue. The

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Equipment Program-08

Equipment Program cash balance is generally less than the allowable 60-day maximum. With less than 60-days cash the program, at times, does not have sufficient cash to cover obligations that must be paid at the beginning of each fiscal year, such as auto liability insurance. To meet those obligations the Equipment Program negotiates an inter-entity loan from the highway state special revenue fund. The loan covers day-to-day operating expenses, and the annual insurance payment, until revenues have a chance to catch up with expenses. The loan is repaid by fiscal year end. The programs rental rates will generate sufficient revenues to purchases assets, cover normal operating expenses and not exceed the 60-day operating cash balance.

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

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Equipment Program-08

2009 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Projected FY08	Projected FY09
Operating Revenues:						
Service Reimbursements	-	-	-	-	26,507,090	26,543,533
Net Fee Revenue	18,889,965	18,524,266	22,728,515	20,924,375	26,507,090	26,543,533
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	13,120	14,310	117,198	-	-	-
Total Operating Revenue	18,903,085	18,538,576	22,845,713	20,924,375	26,507,090	26,543,533
Operating Expenses:						
Personal Services	5,844,684	6,133,198	6,449,512	6,464,990	7,008,274	7,075,695
Other Operating Expenses	14,337,796	10,705,873	17,274,306	15,321,975	18,620,710	18,605,248
Total Operating Expenses	20,182,480	16,839,071	23,723,818	21,786,965	25,628,984	25,680,943
Operating Income (Loss)	**(1,279,395)**	**1,699,505**	**(878,105)**	**(862,590)**	**878,106**	**862,590**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(9,937)	(65,744)	(13,021)	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(9,937)	(65,744)	(13,021)	-	-	-
Income (Loss) Before Operating Transfers	(1,289,332)	1,633,761	(891,126)	(862,590)	878,106	862,590
Contributed Capital	-	-	-	-	844,000	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(1,289,332)	1,633,761	(891,126)	(862,590)	1,722,106	862,590
Total Net Assets- July 1 - As Restated	56,903,198	56,818,484	58,466,132	58,133,332	57,270,742	58,992,847
Prior Period Adjustments	1,204,618	13,887	558,326	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	58,107,816	56,832,371	59,024,458	58,133,332	-	-
Net Assets- June 30	**56,818,484**	**58,466,132**	**58,133,332**	**57,270,742**	**58,992,847**	**59,855,437**
60 days of expenses (Total Operating Expenses divided by 6)	3,363,747	2,806,512	3,953,970	3,631,161	4,271,497	4,280,157

Requested Rates for Internal Service Funds
Fee/Rate Information

Requested Rates for Internal Service Fund

The fee charges will not be done till the actual Fiscal Year the rate pertain to. These rates will be supported by the EVMS systems, which was used in the past. The Equipment program may charge rates necessary to establish and maintain a 60 day working capital balance to operate the program.

The program uses a leapfrog process to account for prior year gains or losses. You will notice the loss indicated for FY2006 and 2007 are recovered in FY2008 and FY2009.

Department Of Transportation-5401
Equipment Program-08

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

	Total Agency Impact	General Fund Total
FY 2008	$314,076	$0
FY 2009	$0	$0

PL- 801 - Additional Equipment Needs -
As enacted by the fifty-sixth Montana Legislature, SB 333 made the Department of Transportation responsible for the maintenance of eligible paved secondary roads as of January 1, 2001. Each year many of the capital construction projects nominated by the counties involve improvements to secondary roads and result in gravel roads becoming paved. As roads meet SB 333 eligibility requirements and are approved for funding by the Legislature, they become the responsibility of MDT to maintain. The secondary capital construction program indicates that additional secondary road lane miles will become eligible for department maintenance. Funding is being requested for equipment needed to maintain the new routes. This includes five snow removal trucks, one loader, and one mower.

In addition, the department is experiencing an increase in lane miles due to construction projects throughout the state such as US 93. The roadways are being rebuilt with a variety of different lane configurations, new frontage roads, and will include a visitor center rest area. The changes will result in increased lane miles to plow, sweep, and mow. Maintenance and winter plowing of the visitor center will be included. It is anticipated there will be a need for two snow removal trucks in order to perform these maintenance activities. The biennial cost is $314,076 of equipment proprietary funds.

	Total Agency Impact	General Fund Total
FY 2008	$59,911	$0
FY 2009	$59,911	$0

PL- 802 - Overtime/Differential -
This request is to reestablish base year overtime and differential pay with associated benefits. The biennial cost is $119,822 of equipment proprietary funds.

	Total Agency Impact	General Fund Total
FY 2008	$603,766	$0
FY 2009	$630,409	$0

PL- 803 - Equipment Maintenance Costs -
This request provides an increase for the cost of equipment maintenance. The costs of maintenance and parts and supplies have increased due to the increased cost of fuel and steel. These costs are expected to continue to rise. The biennial adjustment is $1,234,175 of equipment proprietary funds.

	Total Agency Impact	General Fund Total
FY 2008	$1,624,862	$0
FY 2009	$1,624,862	$0

PL- 804 - Equipment Fuel Costs -
This request provides an increase in fuel cost usage in the Equipment program. The biennial adjustment is $3,249,724 of equipment proprietary funds.

	Total Agency Impact	General Fund Total
FY 2008	$0	$0
FY 2009	($529,924)	$0

PL- 805 - Equipment Purchases -
This request is a reduction based on fewer vehicles that are due for replacement in FY 2009. The net reduction is $529,924 of equipment proprietary funds.

Department Of Transportation-5401
Aeronautics Program-40

Please note that this program also contains HB0002 data.

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

Facilities include a terminal building, which tenants a café, gift shop, two car rental agencies, a fixed based operation (FBO) serving aviation needs, and SkyWest, a Delta Connection Airline. The airport has an 8,399' X 150' runway with a full parallel taxiway and a large apron. The airport is equipped with a precision instrument landing system (ILS) allowing flights in any kind of weather. Additionally, the airport has a crash fire rescue building with a crash fire rescue truck for airport emergencies.

Fees for provided services are market based. Additional operating expenses planned in the 2009 biennium are for a perimeter wildlife fence, apron expansion, and operating increases due to federal regulations.

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

Revenues and Expenses -
Annual expenses at the airport average approximately $80,000/year. A 60 day working capital must maintain a balance of $14,000.

The West Yellowstone Airport proprietary fund balance is forecast to remain about even. 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 and airport improvement projects

Rate Explanation –
Fees for provided services are market based. There are no increases proposed for the 2009 biennium.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	1.29	0.00	0.00	1.29	0.00	0.00	1.29
Personal Services	46,913	30,597	0	77,510	30,884	0	77,797
Operating Expenses	71,268	92,378	0	163,646	20,416	0	91,684
Total Costs	**$118,181**	**$122,975**	**$0**	**$241,156**	**$51,300**	**$0**	**$169,481**
Proprietary	118,181	122,975	0	241,156	51,300	0	169,481
Total Funds	**$118,181**	**$122,975**	**$0**	**$241,156**	**$51,300**	**$0**	**$169,481**

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Aeronautics Program-40

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Fund	Fund Name	Agency #	Agency Name	Program Name
6007	West Yellowstone Airport	54010	Transportation	Aeronautics Program

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Miscellaneous Service Fee	-	-	-	24,553	25,400	26,100
Net Fee Revenue	36,548	26,398	26,942	24,553	25,400	26,100
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	80,353	81,615	121,501	124,682	129,200	132,900
Total Operating Revenue	116,901	108,013	148,443	149,235	154,600	159,000
Operating Expenses:						
Personal Services	42,682	46,001	46,285	52,594	77,510	77,797
Other Operating Expenses	77,858	126,759	195,154	72,314	163,646	91,684
Total Operating Expenses	120,540	172,760	241,439	124,908	241,156	169,481
Operating Income (Loss)	**(3,639)**	**(64,747)**	**(92,996)**	**24,327**	**(86,556)**	**(10,481)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(3,639)	(64,747)	(92,996)	24,327	(86,556)	(10,481)
Contributed Capital	-	1,787,483	-	-	-	-
Operating Transfers In (Note 13)	18,221	13,136	10,283	11,000	11,000	11,000
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	14,582	1,735,872	(82,713)	35,327	(75,556)	519
Total Net Assets- July 1 - As Restated	814,113	827,921	2,525,827	2,443,114	12,767	(100,889)
Prior Period Adjustments	(774)	(37,966)	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	813,339	789,955	2,525,827	2,443,114	12,767	(100,889)
Net Assets- June 30	**827,921**	**2,525,827**	**2,443,114**	**2,478,441**	**(62,789)**	**(100,370)**
60 days of expenses (Total Operating Expenses divided by 6)	20,090	28,793	40,240	20,818	40,193	28,247

Fee/Rate Information

	Actual FYE 2006	Budgeted FY 2007	Budgeted FY 2008	Budgeted FY 2009
Fee Group A				
Landing Fees - Scheduled Ai	$0.50/1000 lbs	$0.50/1000 lbs	$0.60/1000lbs	$0.60/1000 lbs
Landing Fees - Other uses	11,000-31,250 lbs -	11,000-31,250 lbs - $25.00	11,000-31,250 lbs -	11,000-31,250 lbs -
Landing Fees - Other uses	>31,250 lbs -	>31,250 lbs - $0.80/1000lbs	>31,250 lbs -	>31,250 lbs -
Fuel Flowage Fee	$0.06/Gallon	$0.06/Gallon	$0.06/Gallon	$0.06/Gallon
Building Leases - Car rental,	$2.00/sq.ft.	$2.00/sq.ft.	$2.00/sq.ft.	$2.00/sq.ft.
Building Leases - Hangar Gro	$0.10/sq.ft	$0.10/sq.ft	$0.10/sq.ft	$0.10/sq.ft
Tax Transfers	$10,283	$11,000	$11,000	$11,000
Sales Receipts	10% of Gross Sales	10% of Gross Sales	10% of Gross Sales	10% of Gross Sales
Non-Aero Rentals				
Nevada Testing	Prior Year = C.P.I	Prior Year = C.P.I	Prior Year = C.P.I	Prior Year = C.P.I
City	$9,600/Year	$9,600/Year	$10,000/Year	$10,000/Year
Energy West	$12,000/Year	$12,000/Year	$12,500/Year	$12,500/Year

Department Of Transportation-5401
Aeronautics Program-40

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

	Total Agency Impact	General Fund Total
FY 2008	$30,500	$0
FY 2009	$0	$0

PL- 4002 - West Yellowstone Airport Apron Expansion -

West Yellowstone Airport (WYS) is a large, international airport served by a commercial airline. WYS is also currently obligated as a federally funded National Plan of Integrated Airport Systems (NPIAS) airport. Current master planning, airport layout planning, safety and economic needs necessitate the construction of an apron expansion immediately adjacent to the existing apron facilities. The biennial cost is $30,500 of West Yellowstone proprietary funds.

	Total Agency Impact	General Fund Total
FY 2008	$26,750	$0
FY 2009	$0	$0

PL- 4003 - West Yellowstone Wildlife Fencing -

Current master planning, airport layout planning and safety needs for the West Yellowstone Airport necessitate the construction of FAA certified wildlife perimeter fencing around the airport property. The biennial cost is $26,750 of West Yellowstone proprietary funds.

	Total Agency Impact	General Fund Total
FY 2008	$15,000	$0
FY 2009	$0	$0

PL- 4008 - FAA Entitlement -

The division receives $150,000 per year from an FAA entitlement. The total request for the biennium is $315,000 and is a biennial appropriation. This package consists of the $15,000 biennial match of West Yellowstone proprietary funds. The federal spending authority is requested in the HB 2 portion of the budget.

	Total Agency Impact	General Fund Total
FY 2008	$12,312	$0
FY 2009	$12,312	$0

PL- 4009 - West Yellowstone Airport -

The West Yellowstone Airport is the proprietary portion of the Aeronautics Division. The West Yellowstone Airport decision package includes a range of requests that help maintain the operation of the airport. The biennial amount associated with this package is $24,624 in West Yellowstone proprietary funds.

Department Of Revenue-5801

Please note that this agency also contains HB0002 data.

Mission Statement - The Department of Revenue through a competent, diverse workforce committed to success:

- Provides effective and responsive service to citizens, businesses and nonresidents who participate in Montana's economy,
- Expands cooperation of citizens in making the tax system that they own work well,
- Supports equity and integrity in taxation through effective and uniform enforcement, while protecting taxpayer rights and thanking those citizens and businesses paying their fair share of taxes,
- Protects the public health, safety and order in the administration of liquor laws,
- Advises, based on sound study and analysis, the Governor, legislature and the public on tax issues, and
- Cooperates, consistent with its statutory role and responsibilities, with public officials and agencies in local, state, tribal and federal governments to achieve the public good.

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

Agency Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	3.50	0.00	0.00	3.50	0.00	0.00	3.50
Personal Services	111,719	21,921	0	133,640	22,840	0	134,559
Operating Expenses	2,122	19,014	0	21,136	19,146	0	21,268
Total Costs	**$113,841**	**$40,935**	**$0**	**$154,776**	**$41,986**	**$0**	**$155,827**
Proprietary	113,841	40,935	0	154,776	41,986	0	155,827
Total Funds	**$113,841**	**$40,935**	**$0**	**$154,776**	**$41,986**	**$0**	**$155,827**

Department Of Revenue-5801
Business And Income Taxes Division-07

Please note that this program also contains HB0002 data.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	3.50	0.00	0.00	3.50	0.00	0.00	3.50
Personal Services	111,719	21,921	0	133,640	22,840	0	134,559
Operating Expenses	2,122	19,014	0	21,136	19,146	0	21,268
Total Costs	**$113,841**	**$40,935**	**$0**	**$154,776**	**$41,986**	**$0**	**$155,827**
Proprietary	113,841	40,935	0	154,776	41,986	0	155,827
Total Funds	**$113,841**	**$40,935**	**$0**	**$154,776**	**$41,986**	**$0**	**$155,827**

Program Description –

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

The 2005 Legislature directed the department to cease collecting the delinquent account collection fee for debt codes 43 (collection of overpaid child support payments made to custodial parents) or 44 (collection of delinquent child support payments from non-custodial parents). Instead, the legislature provided a $147,460 general fund, biennial appropriation to augment these proprietary funds.

Prior to the FY 2006 reorganization, this collection program was located in program six, Customer Service Division. It is now located in program seven, Business and Income Tax Division.

Revenues and Expenses -

In previous biennia, the department charged a ten percent commission for collecting delinquent accounts. The funds collected are used to pay the expenses of the debt collection program. Approximately 76% of the costs are for paying salaries and benefits of the employees in this program. The remaining costs are related to rent, computer access and processing, and the program's portion of the statewide fixed costs.

The 2005 Legislature significantly changed the funding for the debt collection program by not allowing commission fees to be charged on child support debt collected. Instead, the legislature appropriated general fund for costs related to child support debt collection.

The Executive requests a rate that is commensurate with the costs of the debt collection unit. Based on analysis of the current fund balance and estimated revenues and expenses for the next biennium, a five percent collection rate is recommended. The existing fund balance will decrease. This analysis and the requested collection rate is based on the continuation of the HB 2 biennial, general fund appropriation of $147,460 to cover collection costs related to collection of child support debt.

Without the receipt of this commission fee revenue, and cash, it is likely an increased collection rate will be requested in subsequent biennia after the existing fund balance is reduced to a nine month working capital balance.

Department Of Revenue-5801
Business And Income Taxes Division-07

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
6554	BIT Collection Services	58010	Department of Revenue	Business & Income tax Division

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Charges for Services	170,907	184,240	107,123	171,000	54,993	58,503
Net Fee Revenue	170,907	184,240	107,123	171,000	54,993	58,503
Total Operating Revenue	170,907	184,240	107,123	171,000	54,993	58,503
Operating Expenses:						
Personal Services	106,866	130,580	113,224	130,935	133,640	134,559
Other Operating Expenses	37,314	26,355	2,123	39,083	24,392	24,695
Total Operating Expenses	144,180	156,935	115,347	170,018	158,032	159,254
Operating Income (Loss)	**26,727**	**27,305**	**(8,224)**	**982**	**(103,039)**	**(100,751)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	26,727	27,305	(8,224)	982	(103,039)	(100,751)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	26,727	27,305	(8,224)	982	(103,039)	(100,751)
Total Net Assets- July 1 - As Restated	102,596	129,323	156,628	185,066	186,048	83,009
Prior Period Adjustments	-	-	36,662	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	-	-	-	-
Net Assets- June 30	**129,323**	**156,628**	**185,066**	**186,048**	**83,009**	**(17,742)**
60 days of expenses						
(Total Operating Expenses divided by 6)	24,030	26,156	19,225	28,336	26,339	26,542

Requested Rates for Internal Service Funds

Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Fee Group A	10%	10%	10%	10%	5%	5%

After a recent analysis of the internal service fund, the department deterined a reduction in budget for the delinquent account collection rate. The requested rate is commensurate with the costs of the debt collection unit, staff considered the current fund balance and estimated revenues and expenses for the next biennium. Based on this analysis and a reduced collection rate, staff expect the existing fund balance to decrease and the collections to be commensurate with costs. This analysis and the requested collection rate, five percent, is based on the continuation of the HB2 biennial, general fund appropriation of $147,460 to cover collection costs related to collection of child support debt. The 2005 Legislature significantly changed the funding for the debt collection program by not allowing commission fees to be charged on child support debt collected. Instead, the legislature appropriated general fund for costs related to child support debt collection.

Department Of Administration-6101

Please note that this agency also contains HB0002 data.

Mission Statement -
The Department of Administration exists to provide professional and responsive services to state employees, local governments, and to the state agencies that serve the citizens of Montana.

Statutory Authority - Title 2, Chapters 7, 15, 17 and 18; Title 15, Chapter 2; Title 17; Title 18; Title 23, Chapter 7, Title 47, Chapter 1 MCA.

Agency Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	337.21	13.04	11.10	361.35	13.04	11.10	365.35
Personal Services	17,422,748	2,408,937	746,261	20,577,946	2,571,333	747,178	20,741,259
Operating Expenses	51,534,621	4,615,317	(615,073)	55,534,865	4,993,208	(669,655)	55,858,174
Equipment	2,648,067	833,300	70,000	3,551,367	694,000	7,000	3,349,067
Benefits & Claims	95,894,591	18,477,450	0	114,372,041	29,640,127	0	125,534,718
Debt Service	163,393	0	0	163,393	0	0	163,393
Total Costs	**$167,663,420**	**$26,335,004**	**$201,188**	**$194,199,612**	**$37,898,668**	**$84,523**	**$205,646,611**
General Fund	0	0	0	0	0	0	0
State/Other Special	0	0	0	0	0	0	0
Federal Special	0	0	0	0	0	0	0
Proprietary	167,663,420	26,335,004	201,188	194,199,612	37,898,668	84,523	205,646,611
Total Funds	**$167,663,420**	**$26,335,004**	**$201,188**	**$194,199,612**	**$37,898,668**	**$84,523**	**$205,646,611**

Department Of Administration-6101
Admin Financial Serv Division-03

Please note that this program also contains HB0002 data.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	22.16	35.00	0.00	57.16	35.00	0.00	57.16
Personal Services	1,103,478	2,450,468	0	3,553,946	2,464,939	0	3,568,417
Operating Expenses	870,686	4,138,025	0	5,008,711	4,087,682	0	4,958,368
Debt Service	0	54,480	0	54,480	54,480	0	54,480
Total Costs	**$1,974,164**	**$6,642,973**	**$0**	**$8,617,137**	**$6,607,101**	**$0**	**$8,581,265**
Proprietary	1,974,164	6,642,973	0	8,617,137	6,607,101	0	8,581,265
Total Funds	**$1,974,164**	**$6,642,973**	**$0**	**$8,617,137**	**$6,607,101**	**$0**	**$8,581,265**

Program Description –
The Statewide Accounting, Budgeting and Human Resource (SABHRS) Services Bureau is responsible for operational support and maintenance for the enterprise finance, human resource, and budget development information systems to effectively meet legislative and management needs, and serve the citizens of Montana. The SABHRS fund is 06511. The bureau works in partnership with the Accounting Bureau, OBPP, LFD, and the State Personnel Division.

The financial and accounting business processes are supported by five PeopleSoft Applications/Modules and is the repository for all state accounting transactions and operating budgets. The system has 300 core users and 1,600 management and reporting users.

The human resources business processes are supported by five PeopleSoft Applications/Modules and are the repository for the State agencies position and employee data including benefits, performance, training admin, time entry and payroll. Self-service capabilities for state employees are also supported. The system has 900 core users and 10,000 self-service users.

Budget development business processes are supported by the Montana Budget, Analysis, and Reporting System (MBARS) Modules. MBARS supports the executive planning process (EPP), long range building program, general budget building process, narrative publications, and budget implementation. The system has 350 users.

The enterprise portal product provides the gateway into the applications, including self-service, and is also supported by SABHRS.

The bureau has a total of 35.00 FTE supporting these applications, including upgrades, testing and user training.

Revenues and Expenses –
The object of expenditures that agencies record SABHRS costs in is account 62148. SABHRS is funded as a fixed cost component of agency budgets.

Changes in Services or Fees -
Due to an increase in costs associated with ITSD's mid-tier rates, the SABHRS budget for FY 2007 is anticipated to have a negative working capital balance of $225,113 at the end of FY 2007. Requested rates will recover the 2007 revenue shortfall in the FY 2008 budget request.

Working Capital Discussion -
Billing for SABHRS is done either monthly or annually per agency preferences. Turnaround time for payment is around 45 days.

Department Of Administration-6101
Admin Financial Serv Division-03

Fund Equity and Reserved Fund Balance-
No fund balance is required to be reserved for this program.

Cash Flow Discussion-
Fees are collected from agencies either on a monthly or annual basis.

Rate Explanation
The rate for SABHRS costs is based on predicted expenditures. The annual agency total is subdivided into the following areas: 42.25% allocation for FTE count; 45.43% for journal lines, and 12.32% for agency DP's and EPP's.

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06511	SABHRS	6101	Administration	Administrative Financial Services

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
SABHRS Services	-	-	-	6,335,169	6,774,746	6,616,145
Net Fee Revenue	-	-	-	6,335,169	6,774,746	6,616,145
Total Operating Revenue	-	-	-	6,335,169	6,774,746	6,616,145
Operating Expenses:						
Personal Services	-	-	-	2,096,611	2,308,002	2,316,248
Other Operating Expenses	-	-	-	4,476,229	4,079,556	4,053,563
Total Operating Expenses	-	-	-	6,572,840	6,387,558	6,369,811
Operating Income (Loss)	**-**	**-**	**-**	**(237,671)**	**387,188**	**246,334**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	(54,480)	(54,480)
Net Nonoperating Revenues (Expenses)	-	-	-	-	(54,480)	(54,480)
Income (Loss) Before Operating Transfers	-	-	-	(237,671)	332,708	191,854
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	-	-	-	(237,671)	332,708	191,854
Total Net Assets- July 1 - As Restated	-	-	-	-	(237,671)	95,037
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	-	-	-	-
Net Assets- June 30	**-**	**-**	**-**	**(237,671)**	**95,037**	**286,891**
60 days of expenses						
(Total Operating Expenses divided by 6)	-	-	-	1,095,473	1,064,593	1,061,635

Requested Rates for Internal Service Funds
Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
SABHRS Services Fee	-	-	-	6,335,169	6,774,746	6,616,145

Note: Prior to FY 2007, SABHRS revenues and expenditures were included in ITSD's fund 06522.

Department Of Administration-6101
Admin Financial Serv Division-03

Program Description-
The Management Services Unit, fund 06534, consists of the Director's Office, the Management Support Unit, the Human Resource Unit, and the Legal Unit with a total of 11.83 FTE. The Management Services Unit coordinates preparation of the department's biennial budget for submission to the Office of Budget and Program Planning (OBPP) and presentation to the legislature, processes budget change documents on approved budgets through the OBPP, monitors approved budgets for compliance with state law and legislative intent, provides accounting assistance to divisions within the department, processes payroll and provides new employee orientation for all divisions within the department including attached-to agencies, assists with recruitment and selection, classifies positions, develops personnel policies and procedures, and advises all divisions within the department on legal matters.

An alternative to the Management Services Unit would be to hire budgeting/accounting staff within each program in the department, contract with outside legal resources or hire attorneys within each division and to fund the human resource function and director's office through the general fund.

The customers served are internal to the Department of Administration and its attached-to agencies.

Working Capital-
Billing for the Management Services Unit is monthly or quarterly, which requires the program to operate with around 45 days of working capital. Working capital is factored into the rate after estimated expenditures are calculated.

Fund Equity and Reserved Fund Balance-
No fund balance is required to be reserved for this program. The objective is to maintain a stable fund balance sufficient to provide a 45-day working capital.

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

Customers will use SABHRS account 62827 to record the expenditures for payment of fees and charges. Fees are funded as follows: general fund 6%; other funds 94%.

Rate Explanation-
The Management Services Unit requests that the legislature approve a 45-day working capital rate for the 2009 biennium. This rate 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.

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 operation costs and to maintain a sufficient working capital balance.

The director's office and management support unit costs are allocated based on percentage of appropriation by division. The human resource unit is responsible for handling payroll/personnel issues and those costs are allocated based on the number of FTE within a program. The legal unit costs are allocated to other non-general funded divisions in the department based on a time-use study.

Expenses
The expenses incurred by Management Services are personal services and operations with a total of 11.83 FTE funded.

Department Of Administration-6101
Admin Financial Serv Division-03

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
6534	Management Services	61010	Administration	Administrative Financial Services

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Management Services	507,137	507,046	867,274	867,274	987,261	996,441
Net Fee Revenue	507,137	507,046	867,274	867,274	987,261	996,441
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	240	25	19	-	-	-
Total Operating Revenue	507,377	507,071	867,293	867,274	987,261	996,441
Operating Expenses:						
Personal Services	479,201	369,369	663,657	768,401	814,426	819,222
Other Operating Expenses	68,952	72,280	127,224	114,704	135,184	137,483
Total Operating Expenses	548,153	441,649	790,881	883,105	949,610	956,705
Operating Income (Loss)	**(40,776)**	**65,422**	**76,412**	**(15,831)**	**37,651**	**39,736**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(40,776)	65,422	76,412	(15,831)	37,651	39,736
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	(68,533)	-	-	-
Change in net assets	(40,776)	65,422	7,879	(15,831)	37,651	39,736
Total Net Assets- July 1 - As Restated	14,754	(26,022)	39,400	47,513	31,682	69,333
Prior Period Adjustments	-	-	234	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	-	-	-	-
Net Assets- June 30	**(26,022)**	**39,400**	**47,513**	**31,682**	**69,333**	**109,069**
60 days of expenses						
(Total Operating Expenses divided by 6)	91,359	73,608	131,814	147,184	158,268	159,451

Requested Rates for Internal Service Funds

Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Management Services					45-Day Working	45-Day Working
	507,137	507,046	867,274	867,274	Capital Reserve	Capital Reserve

Note: In FY 06 the HR Unit and the Legal Unit were merged into the Management Services Unit.

Management Services requests that the Legislature approve a 45-day working capital rate for the 2009 biennium. These indirect administrative costs are allocated and charged to the programs within the agency and attached-to agencies served by Management Services to provide revenue to support centralized functions.

Department Of Administration-6101
Admin Financial Serv Division-03

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

Revenues and Expenses-
Changes in Services or Fees - Fees are increasing significantly in FY 2008 and FY 2009 primarily as a result of postage rate increases. It is anticipated that fund balance and working capital will be negative at the end of FY 2007. These increases will bring the fund positive by the end of 2009.

The object of expenditure that agencies record the warrant writer cost is 62113. The funds that pay into the warrant writer fund consist of 27% general fund, 16% state special revenue, 20% federal special revenue, 17% proprietary, and 20% of other funds.

Working Capital Discussion-
Billing for warrants is done monthly and is based on actual warrants issued. Turnaround time for payment is around 45 days. Working capital is factored into the rate after expenditures are calculated. If working capital is too high, revenues (and the rates that generate the revenue) are reduced.

Fund Equity and Reserved Fund Balance-
No fund balance is required to be reserved for this program. Fund balance decreased during FY 2006, and represented around 34 days of working cash. This was caused by reduced costs along with the unanticipated postage rate increase. Rates proposed for the 2009 biennium are intended to stabilize fund balance.

Cash Flow Discussion-
Bills are sent out the first of the week of the month for the previous month's activities, and funds are generally received within 45 days. Comparing two biennia of warrant activity by agencies developed these trends.

Historical Trends:

FY 2004	FY 2005	FY 2006	FY 2007 EST	FY 2008 EST	FY 2009 EST
Mailers					
1,030,163	1,169,261	907,524	1,022,527	963,988	924,994
Non-mailers					
179,078	151,073	147,036	183,094	149,095	144,262
Emergency Warrants					
104	130	118	103	141	156
Duplicates					
1,812	1,990	2,059	1,955	1,654	1,719
Externals					
176,773	190,425	160,933	202,039	164,743	163,410
Direct Deposit Mailer					
184,469	211,082	230,743	234,173	262,091	290,147
Direct Deposit Non-Mailer					
458,605	508,649	515,756	560,561	568,646	628,282

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Rate Explanation –
The rates requested are by category - mailer, PRD and TRS mailer, non-mailer, emergency, duplicate, payroll external, university external, mailer direct deposit, and non-mailer direct deposit warrant. This rate structure is more detailed than the last biennium. The unit funds 6.33 FTE.

Expenses of the program are calculated and fund balance is factored in. If fund balance is high, revenues (rates) are reduced to under-recover. The FYE 2006 fund balance was around 34 days. Bills are sent to agencies one week after month-end. Agencies generally pay within 45 days. The program needs to retain 45 days working capital to pay costs of operation including postage until agencies pay their invoices. The rates for FY 2008 and 2009 are designed to bring the fund balance back to 29 days after the fund is anticipated to become negative during FY 2007.

Demand for each warrant category is made by comparing two biennia of actual activity to project usage for the upcoming biennium. Mailer warrants factor in warrant stock cost, postage, and printing while non-mailer warrants factor in warrant stock cost and printing. Both types of warrants pay for the required reconciliation between SABHRS Accounts Payable Module and our bank account. Direct deposits pay five cents for bank processing. Duplicate and emergency warrants pay for personnel time to process each individual request. All categories share in general operating expenses of the program.

Major cost drivers include contract printing of warrants, warrant stock, and postage to mail warrants.

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2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06564	Warrant Writer	61010	Administration	Adminstrative Financial Services

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Revenue from Warrant Writing Fees	845,913	812,563	801,502	801,502	983,000	985,000
Net Fee Revenue	845,913	812,563	801,502	801,502	983,000	985,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	107	197	69	-	-	-
Total Operating Revenue	846,020	812,760	801,571	801,502	983,000	985,000
Operating Expenses:						
Personal Services	181,893	206,057	206,680	206,828	227,526	228,168
Other Operating Expenses	709,874	596,053	666,731	688,990	725,633	699,336
Total Operating Expenses	891,767	802,110	873,411	895,818	953,159	927,504
Operating Income (Loss)	**(45,747)**	**10,650**	**(71,840)**	**(94,316)**	**29,841**	**57,496**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(45,747)	10,650	(71,840)	(94,316)	29,841	57,496
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(45,747)	10,650	(71,840)	(94,316)	29,841	57,496
Total Net Assets- July 1 - As Restated	179,706	133,959	144,641	72,599	(21,717)	8,124
Prior Period Adjustments	-	32	(202)	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	179,706	133,991	144,439	72,599	(21,717)	8,124
Net Assets- June 30	**133,959**	**144,641**	**72,599**	**(21,717)**	**8,124**	**65,620**
60 days of expenses						
(Total Operating Expenses divided by 6)	148,628	133,685	145,569	149,303	158,860	154,584

Requested Rates for Internal Service Funds
Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Fee Group A	-	-	-	-	-	-
Mailer	0.58625	0.58017	0.58331	0.58089	0.68860	0.69200
Mailer - PRD and TRS					0.27860	0.28200
Non-Mailer	0.17803	0.17195	0.18159	0.17917	0.25840	0.26180
Emergency	4.26759	4.26588	4.70228	4.70170	4.78180	4.78090
Duplicates	5.63949	5.63768	6.03998	6.03939	5.59350	5.59260
Externals	0.15523	0.14915	0.15575	0.15333		
Externals - Payroll					0.23050	0.23390
Externals - Universities					0.19660	0.20000
Direct Deposit	0.15599					
Direct Deposit - Mailer		0.52390	0.54578	0.54510	0.64680	0.64450
Direct Deposit - Non Mailer		0.15390	0.15578	0.15510	0.23870	0.22690

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Program Description-
The Audit Review program, fund 06042, is responsible for administering the provisions of the Montana Single Audit Act, which specifies the audit requirements for all Montana local government entities. The program performs the following services: mails out to and receives annual financial reports from approximately 900 local governments, enters selected financial data from the reports into a database, obtains and enters into the database information regarding school district revenues, determines which local government entities are subject to audit under the Act and notifies them of the audit requirements, accepts applications from and maintains a roster of independent auditors authorized to conduct local government audits, prepares and keeps current a legal compliance supplement for use by independent auditors in conducting local government audits, receives and approves audit contracts for local government audits, verifies that all local governments required to have audits do so, receives and reviews local government audit reports to determine whether the audits have been conducted in accordance with required standards, notifies state agencies of audit findings related to financial assistance programs that they administer, receives and reviews each local government's response to the audit report findings and determines whether the entity has developed a satisfactory plan to correct deficiencies noted in the audit report, maintains on file copies of all local government entity audit reports and the local governments responses to audit findings, and makes those reports and responses available upon request to state and federal agencies and the public, provides technical advice on accounting, auditing, and legal compliance matters to local governments and certified public accountants conducting local government audits; investigates or refers to auditors for follow-up action complaints or allegations received from the public, either directly or through the Legislative Auditor's hotline; provides information regarding local government audits, audit findings, entity responses to findings, and legal compliance and accounting requirements to the public; and evaluates requests for special audits and arranges for such audits if determined to be necessary.

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

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

Funding for the Audit Review Program (fund 06042) is primarily derived from filing fees paid by local governments that are required to be audited by the Montana Single Audit Act (2-7-514, MCA) and from fees paid by certified public accountants who wish to be included on the roster of independent auditors authorized to conduct audits of local governments. In the event of a situation in which the Audit Review Program had to contract directly with a private auditor to conduct a special audit, pay the auditor from program funds, and then collect the fee from the local government as a reimbursement for the audit costs, additional revenue would be generated. In some cases however, the audited local government entity may lack the fiscal resources to pay for either all or part of the costs of the special audit or review. The department will collect all funds that can be collected. Although to date the program has usually arranged to have the private auditor contract directly with the local government needing a special audit and be paid directly by the local government, there have been two or three instances in which the department had to contract for the special audit or review in order to ensure that it was conducted in the best interests of the citizens of the affected local government entity. In some of these cases the Audit Review Program had to pay the engagement costs and was not able to recover all costs from the local government because of the government's financial condition. As noted above, all funds that possibly can be collected from the local government resulting from a special audit or review have and will be collected.

Revenues and Expenses-
Based on the most current information available, approximately 490 local government entities will be required to have audits for FY 2003, with approximately another 20 school districts having financial reviews.

FY 2004 audit contracts are still being received and processed, and final numbers are not yet available for that fiscal year. Since biennial audits are permitted under Montana law, the department contracts for approximately 470 audits each year. The program anticipates that the number of entities required to be audited each year will remain relatively constant, with a small increase in the number of special purpose districts being required to be audited. As described in more detail above, the program approves contracts for each required audit or financial review, monitors the audit or review progress, and receives copies of the final audit or review report. The program also reviews 100 percent of the audit and review findings and the entities' responses to or corrective action plans for those findings, and evaluates the adequacy of the responses or corrective action plans before determining whether or not to accept them. Audit and review findings and entity responses relating to state programs or state administered federal programs are referred to the appropriate state agency for action.

The Audit Review program conducts initial quality control reviews of 100 percent of the audits and financial review reports received. In a typical year, more detailed quality control desk reviews are conducted of approximately 10 to 20 percent of the audit reports received, and detailed quality control reviews of audit working papers are conducted for a limited number of audit reports based on staff time available.

In addition, over 950 local governments (excluding school districts and associated cooperatives) are required to file annual financial reports with the department each fiscal year. Information from these reports is utilized to determine whether an entity is required to be audited under state law. The number of annual financial reports received is expected to remain relatively constant, with a small annual increase each year in the number of special purpose districts required to be audited.

To perform the work required at current level, the Audit Review program is currently authorized 4.00 FTE. Staffing is expected to remain at 4.00 FTE for FY 2006 and FY 2007.

The Audit Review program has one major and one minor fee revenue. It is the intent of the department to maintain fees sufficient to pay program operating costs at current level staffing. The Audit Review program does not receive any direct appropriations. Funding is derived entirely from the fees described below, except for occasional fee reimbursements for special audits or reviews, as discussed in more detail below.

Change in fees-
Major Fee: The major fee revenue is the report filing fee required by 2-7-514, MCA. The fee is required by statute to be based upon the costs incurred by the department. All local government entities required to be audited under Title 2, Chapter 7, part 5, MCA, pay the filing fee. For all local governments except school districts and associated cooperatives, that fee is required to be paid by the local government at the time that it files its annual financial report with the Department of Administration. In the case of school districts and associated cooperatives, the Office of Public Instruction is required to file a listing of school districts subject to audit by December 31 each year. OPI is also required to pay the filing fee for school districts and associated cooperatives subject to audit. The Department of Administration bills OPI for the filing fees once a year in January, based on the information provided by OPI in December. The department is required to adopt the fee schedule by administrative rule based upon the local government entity's revenue amounts. That fee schedule has been adopted as ARM 2.4.402. Fees were reduced effective for annual financial reports for years ended June 30, 1997 and after, which were those received by the department during FY 98 and after. As the result of an anticipated negative working capital balance at the end of FY 2009, under the current fee structure, a fee increase is anticipated for the 2009 biennium.

Minor Fee: The minor fee revenue is the roster fee provided for by 2-7-506, MCA. That section provides that the Department of Administration may prepare and maintain a roster of independent auditors authorized to conduct audits of Montana local government entities. The department, in consultation with the Board of Public Accountants, is required to adopt rules governing the:

- criteria for the selection of the independent auditor;
- procedures and qualifications for placing applicants on the roster;
- procedures for reviewing the qualifications of independent auditors on the roster to justify their continuance on the roster; and
- fees payable to the department for application for placement on the roster.

The department has adopted the above as ARM 2.4.406. The current fee in rule is $50 per year. The minor auditor roster fee will be increased from $50 to $100 per year under the proposed rate structure.

Revenue from the increased fees for FY 2008 through FY 2009 is estimated to be approximately $315,000. If the fee increase is not obtained, the revenues are projected at $273,675 with a projected fund balance of ($24,338) by FYE 2009.

Special Audit Fees: As mentioned above, the department will solicit bids and contract with qualified CPA firms to conduct any special audits or reviews deemed appropriate and necessary by the Audit Review program. The department anticipates that audit rates will be competitive and to some extent negotiable. It should be noted however, that these types of audit engagements typically involve problematic entities and higher costs are a likely result. Since the state is responsible for contracting directly with the CPA firm conducting the special audit or review, unless the local government proceeds to contract directly with a CPA firm and pay that firm directly if it has sufficient financial resources, it is essential that sufficient resources remain available to pay for such an audit engagement should one be deemed necessary. The department's cost recovery will be entirely dependent on the fiscal capacity of the audited local government entity. All reasonable efforts will be made to recover special audit costs from audited entities.

It is extremely difficult, if not impossible, to project the number of defalcations, or allegations of extraordinary financial impropriety that might require special audits or reviews in the future. The department is therefore not projecting any FY 2006 and FY 2007 expenditures for such engagements. If any such engagements are required and the costs exceed the program's authorized spending authority, a budget amendment may be necessary.

With regard to special audits conducted through the Audit Review Program, the related revenue objective is to recover any special audit or review costs from audited local government entities in order to ensure that sufficient resources remain available for future special audits or review costs should such engagements be deemed necessary. The Audit Review Program does not receive any direct appropriations for special audits, and no revenue amount is projected because of the difficulty in projecting the need for such special audits. No such audits were required during FY 2003 or to date during FY 2004. Funding derived from reimbursable special audit costs received from local government entities undergoing audits or reviews would be deposited to the Audit Review Program enterprise fund to reimburse it for any special audit costs incurred.

Working Capital Discussion-
The accompanying report on the enterprise funds showing changes in retained earnings and total fund equity for the Audit Review Program (06042).

The OBPP guidelines provide that projected working capital reserves may not exceed 60 days average daily expenditures for projected personal services, operating expenses, and miscellaneous operating. The working capital reserve level appears to assume that revenue will be received in some uniform manner throughout the fiscal year. That is not the case for the Audit Review program. The filing fees paid by local governments and the Office of Public Instruction is the major revenue source for the program. The fee, except for school districts and associated cooperatives, is required to be paid at the time that the local government files its annual financial report. Those reports are due within six months after the close of the fiscal year. Since almost all Montana local governments operate on a July 1 to June 30 fiscal year, most reports are due by December 31 and the reports and fees are received by the department during December. Extensions may be granted, and some reports with the required fees are not paid until several months later. In the case of school districts and associated cooperatives, the Office of Public Instruction does not pay the filing fees for those entities until January. Approximately 3.2 percent of program revenue is received within the first two months (60 days) of the fiscal year, only 5.7 percent within the first three months, 9 percent within the first four months, 13.8 percent within the first five months, and 20 percent within the first six months. Approximately 54 percent is received at one time in January from OPI. In excess of 90 percent of roster fees paid by CPAs are received between April 15 and June 30 each year. Therefore, depending on the exact time during the year that certain major expenditures are incurred, the program needs approximately a four to five month working capital reserve at the beginning of each fiscal year in order to avoid cash deficits. Even with the fee increase requested the fund is projected to be below a 60 day working capital reserve at FYE 2009.

Fund Equity and Reserved Fund Balance-
The Audit Review program has no specific requirement to reserve fund balance.

Cash Flow Discussion-
See the discussion under "Working Capital Discussion" above. Most program expenses are incurred fairly uniformly

throughout the fiscal year, except for periodic equipment and contracted services expenditures. The timing of contracted services expenditures associated with audit reviews cannot normally be preplanned. Other than normal operating costs, there are no significant reoccurring cash obligations that must be covered by cash on hand. There could, however, be a significant cash payout for unused vacation and sick leave in the event of the termination or retirement of long-term employees.

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Fund	Fund Name	Agency #	Agency Name	Program Name
06042	Single Audit Review - HB328	61010	Administration	Administrative Financial Services

	Actual FY04	Actual FY05	Actual FY06	Budget FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Net Fee Revenue	269,850	274,975	273,675	259,025	315,000	315,000
Other Operating Revenues	70	-	2	-	-	-
Total Operating Revenue	269,920	274,975	273,677	259,025	315,000	315,000
Operating Expenses:						
Personal Services	199,558	202,953	215,338	208,919	236,742	234,549
Other Operating Expenses	96,982	81,722	82,154	97,586	81,887	82,144
Total Operating Expenses	296,540	284,675	297,492	306,505	318,629	316,693
Operating Income (Loss)	**(26,620)**	**(9,700)**	**(23,815)**	**(47,480)**	**(3,629)**	**(1,693)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(26,620)	(9,700)	(23,815)	(47,480)	(3,629)	(1,693)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(26,620)	(9,700)	(23,815)	(47,480)	(3,629)	(1,693)
Total Net Assets- July 1 - As Restated	215,335	188,715	179,015	155,800	108,320	104,691
Prior Period Adjustments	-	-	600	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	215,335	188,715	179,615	155,800	-	-
Net Assets- June 30	**188,715**	**179,015**	**155,800**	**108,320**	**104,691**	**102,998**
60 days of expenses						
(Total Operating Expenses divided by 6)	49,423	47,446	49,582	51,084	53,105	52,782

Requested Rates for Enterprise Funds

Fee/Rate Information

	Actual FYE 04	Actual FY 05	Actual FY 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
	Variable fee, as follows:	Variable fee, as follows:	Variable fee, as follows:	Variable fee, as follows:	Variable fee, as follows:	Variable fee, as follows:
Major Fee: Local Government Report Filing Fee:						
Annual revenues less than $200,000	$0	$0	$0	$0	$0	$0
Annual revenues equal to or greater than $200,000, but less than $500,000	$175	$175	$175	$175	$200	$200
Annual revenues equal to or greater than $500,000, but less than $1,000,000	$375	$375	$375	$375	$425	$425
Annual revenues equal to or greater than $1,000,000, but less than $1,500,000	$525	$525	$525	$525	$600	$600
Annual revenues equal to or greater than $1,500,000, but less than $2,500,000	$600	$600	$600	$600	$700	$700
Annual revenues equal to or greater than $2,500,000, but less than $5,000,000	$675	$675	$675	$675	$775	$775
Annual revenues equal to or greater than $5,000,000, but less than $10,000,000	$725	$725	$725	$725	$825	$825
Annual revenues are equal to or greater than $10,000,000, but less than $50,000,000	$775	$775	$775	$775	$900	$900
Annual revenues are equal to or greater than $50,000,000	$775	$775	$775	$775	$975	$975
Minor Fee: Auditor Roster Fee:	Annual Fee:	Annual Fee:	Annual Fee:	Annual Fee:	Annual Fee:	Annual Fee:
Annual Fee	$50	$50	$50	$50	$100	$100

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

	Total Agency Impact	General Fund Total
FY 2008	$6,176,878	$0
FY 2009	$6,223,888	$0

PL- 310 - SABHRS Bureau Reorganization to Program 3 -

The Department of Administration has reorganized and moved the SABHRS support bureau from the Information Technology Services Division to the Administrative Financial Services Division. The reorganization was not captured in the base budget. This decision package moves 35.00 FTE and related operating expenses to implement the reorganization.

	Total Agency Impact	General Fund Total
FY 2008	$80,860	$0
FY 2009	$81,729	$0

PL- 311 - Allocate Department Indirect /Administrative costs -

This request is to fund the department’s indirect costs charged by the centralized services bureau.

Department Of Administration-6101
General Services Program-06

Please note that this program also contains HB0002 data.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	90.71	2.04	(0.90)	91.85	2.04	(0.90)	95.85
Personal Services	2,974,832	858,591	(50,402)	3,783,021	963,483	(50,447)	3,887,868
Operating Expenses	19,028,073	988,768	71,466	20,088,307	1,224,949	53,465	20,306,487
Equipment	489,532	(60,700)	0	428,832	(200,000)	0	289,532
Total Costs	**$22,492,437**	**$1,786,659**	**$21,064**	**$24,300,160**	**$1,988,432**	**$3,018**	**$24,483,887**
State/Other Special	0	0	0	0	0	0	0
Federal Special	0	0	0	0	0	0	0
Proprietary	22,492,437	1,786,659	21,064	24,300,160	1,988,432	3,018	24,483,887
Total Funds	**$22,492,437**	**$1,786,659**	**$21,064**	**$24,300,160**	**$1,988,432**	**$3,018**	**$24,483,887**

Program Description -The General Services Division provides the following functions funded with proprietary fund. These programs are described below along with a discussion of the program revenues, expenses, and rates being requested to finance the programs:

- Facilities Management
- Print & Mail Services
- Surplus Property
- Central Stores
- Statewide Fueling Network
- Procurement Card

Proprietary Program Description-
Facilities Management Bureau, fund 06528, 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 provided include all utilities consumed on the complex (water, sewer, electricity, natural gas, and garbage collection), locksmith services, painting, remodeling, architectural services, recycling, emergency response and management, security, construction services, and grounds maintenance.

The bureau supervises service contracts for the capitol complex including security, pest control, mechanical maintenance, janitorial services, elevator repair and maintenance, carpet replacement, fire extinguisher and fire sprinkler systems maintenance and access control. The program provides assistance to all agencies, on a statewide basis, to negotiate co-location of agencies, to procure leased space for field offices and manages the lease/purchase of buildings for agencies throughout the state.

Operational authority for the bureau is provided by Title 2, Chapter 17, MCA.

Revenue-
Revenue percentage breakdown for bureau operations is as follows: 92% - square footage rental rates for office and warehouse space billed to agencies occupying state owned buildings under the Department of Administration, 5% for grounds maintenance, 2% for construction and handyman services (these services are outside the scope of rent and include remodeling, furniture repair, relocating offices, installing office fixtures, providing addition electrical sources required by specialized equipment, or construction contracting), and 1% for recycling.

The expenditure account codes agencies use to record payments to Facilities Management are:

- Office and Warehouse Rent – 62527

- Grounds Maintenance – 62770
- Handyman Charges – 62891
- Project Work - 62701
- Training - 62809

Revenue is recorded by Facilities Management in revenue accounts:

- Office Rent – 525044
- Warehouse Rent – 525050
- Grounds Maintenance – 526025
- Handyman Charges - 525045
- Project Work – 525046
- Recycling – 525122
- Training - 526060

Indicator	FY 2004	FY 2005	FY 2006	Est FY 2007	Est FY 2008	Est FY 2009
Work Orders Issued	5,373	5,884	5,514	5,600	5,625	5,650
State office Space sq. ft.	907,743	914,371	908,113	908,113	908,113	961,983
State Storage Space sq. ft.	94,063	94,063	86,867	84,629	84,629	84,629
Private Leased Space - Helena sq ft.	499,188	462,903	540,198	605,498	605,498	648,498
Private Leased Space - Other sq. ft.	706,528	692,337	745,180	71,180	761,180	61,180
Active Leases	276	276	327	337	350	360
Number of Buildings Serviced	45	45	46	46	46	47
Recycled Paper (in tons)	370	328	350	350	350	350

Expenses-
The bureau expenses include: personal services, contracted services, utilities, and maintenance. Facilities Management has 22.90 FTE and projected personal services cost increases of 3% per year. Grounds Maintenance: - Includes 8.1 FTE and projected personal services cost increases of 3% per year. Additionally the staff elected to unionize which increased hourly wages. Contracted Services – Includes all major contracts for insurance, janitorial, mechanical, elevator, pest control, access control, and security. Service contracts reflect an increase of 19% in FY 2008 and 22% in FY 2009. The increases are due to additional service requirements, equipment, gasoline, and petroleum product cost increases and higher prevailing wage rates. Several large contracts including janitorial services, mechanical maintenance, and security will be bid in FY2007. Prevailing wage rates have increased 19.2% for janitorial, 18% for mechanical maintenance, and 28% for security workers.

Utilities - Electricity is projected to increase 11.3% in FY 2008 and 12% in FY 2009. Natural Gas is projected to increase12.4% in FY 2008 and 7.5% in FY 2009. Water and Sewer Expenditures are estimated to increase 3.4% per year according to the public works director with the City of Helena. Sanitation Services are projected to increase 20% in FY 2009 when a new contract will be bid. The increased costs include a 17% prevailing wage rate increase and petroleum product increases and equipment costs.

Working Capital-
Facilities Management rates are set to recover sufficient revenue to meet all personal services, operation costs, equipment replacement costs, and to maintain an adequate working capital balance. The billing and payment cycle supports the accumulation of approximately 60-day working capital balance. User agencies are billed monthly and agencies are requested to pay for services by the end of the next month. 60-day working capital allows the bureau to pay monthly expenses of personal services and maintain current operations.

Rate Explanation-
Rent is based on square footage occupied and is assessed to each agency in the buildings controlled by the Department of Administration. The rates are established to cover the cost of personal services, operating expenses including maintenance and equipment. Grounds maintenance charges are based on square footage of office space occupied in buildings controlled by the Department of Administration. The rates are established to cover the cost of personal services, operating expenses including maintenance, and equipment replacement.

Department Of Administration-6101
General Services Program-06

2009 Biennium Report on Internal Service and Enterprise Funds 2009

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

	Actual FY04	Actual FY05	Actuals FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Revenue from Office Rental Rate	5,373,776	5,727,215	6,119,733	6,423,608	9,192,452	9,647,708
Revenue from Warehouse Rental Rate	224,573	212,373	340,502	373,336	356,203	384,808
Revenue from Recycling Revenue	18,694	25,842	14,366	20,000	15,000	15,000
Revenue from Handyman Charges	95,331	108,811	78,954	50,000	65,000	65,000
Revenue from Project Work	193,405	145,866	193,602	70,000	80,000	80,000
Revenue from Grounds Maintenance	-		356,384	356,384	454,424	465,426
Net Fee Revenue	5,905,695	6,220,107	7,103,541	7,293,328	10,163,079	10,657,942
Investment Earnings	-	-	-	-		
Securities Lending Income	-	-	-	-		
Premiums	-	-	-	-		
Other Operating Revenues	420	526	1,412	-		
Total Operating Revenue	5,906,115	6,220,633	7,104,953	7,293,328	10,163,079	10,657,942
Operating Expenses:						
Personal Services	949,052	1,016,722	1,262,128	1,405,288	1,502,867	1,509,204
Other Operating Expenses	5,211,154	5,927,067	6,573,033	6,506,061	8,730,038	8,712,152
Total Operating Expenses	6,160,206	6,943,789	7,835,161	7,911,349	10,232,905	10,221,356
Operating Income (Loss)	**(254,091)**	**(723,156)**	**(730,208)**	**(618,021)**	**(69,826)**	**436,586**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(254,091)	(723,156)	(730,208)	(618,021)	(69,826)	436,586
Contributed Capital	-	-	-	-		
Operating Transfers In (Note 13)	500,000	836,875	500,000	500,000	-	-
Operating Transfers Out (Note 13)	-	(51,245)	(157,889)	-		
Change in net assets	245,909	62,474	(388,097)	(118,021)	(69,826)	436,586
Total Net Assets- July 1 - As Restated	467,480	716,607	764,152	764,135		
Prior Period Adjustments	1,471	-	-	-		
Cumulative effect of account change	-	-	-	-		
Total Net Assets - July 1 - As Restated	468,951	716,607	764,152	764,135	-	-
Net Assets- June 30	**714,860**	**779,081**	**376,055**	**646,114**	**(69,826)**	**436,586**
60 days of expenses						
(Total Operating Expenses divided by 6)	1,026,701	1,157,298	1,305,860	1,318,558	1,705,484	1,703,559

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

Agency Number : 61010	Actual	Budgeted	Budgeted	Budgeted	Budgeted	Budgeted
Fund Number: 06528	FYE 04	FY 05	FY 06	FY 07	FY 08	FY 09
Office Rent (per sq. ft.)	5.988	6.228	6.613	6.681	8.179	8.592
Warehouse Rent (per sq. ft.)	2.27	2.29	3.901	3.969	4.209	4.547
Grounds Maintenance (per sq. ft.)			0.3896	0.3896	0.496	0.508
Project Mgmt (In-house)	15%	15%	15%	15%	15%	15%
Project Mgmt (Contracted)	5%	5%	5%	5%	5%	5%

Department Of Administration-6101
General Services Program-06

Proprietary Program Description-
The Print & Mail Services Bureau, fund 06530, provides printing and mail services to all units and agencies within State government. The bureau has seven basic components: 1) internal printing; 2) external (contracted) printing; 3) photocopy pool; 4) mail preparation; 5) central mail operations; 6) inter-agency (deadhead mail); and 7) postal contract station with locked mail boxes in the Capitol.

All printing or purchasing of printing is requested through Print & Mail Services, which determines the most cost effective method of project completion. Not all requests for printing are completed internally. Nearly 74 percent of printing expenditures are procured through commercial vendors.

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

Revenue Description-
Revenue is received in the following percentages: internal printing (provides printing, duplicating, desktop publishing, binding and quick copy services) 13.5%, external (contracted) printing 36.1%, photocopy pool (provides agencies with photocopy machines) 8.5%, mail preparation (prepares documents for mailing and includes tabbing, labeling, inkjet addressing, inserting and bar coding) 5.1%, central mail operations (mail pick-up and delivery in agency offices, metering of out-going U.S. Mail, United Parcel Services (UPS) and express mail services) 34.5%, Inter-agency (Deadhead Mail) 1.8%, postal contract station (located at the Capital for public use)station .1/2%. Print and Mail Services receives $3,248 monthly from the U.S. Postal Service for operation of the Capitol Post Office

Historical and Projected Demands

1) Internal Printing
Number of impressions (millions)

Fiscal Year	2004	2005	2006	2007	2008	2009
	40.1	45.3	37.4	44.4	37.4	44.4

2) External (contracted) printing
Dollar amount of contracted printing (millions)

Fiscal Year	2004	2005	2006	2007	2008	2009
	3.0	3.1	3.4	3.4	3.4	3.4

3) Photocopy Pool
Number of copiers

Fiscal Year	2004	2005	2006	2007	2008	2009
	279	285	283	288	283	288

4) Mail Preparation
Number of pieces inserted (millions)

Fiscal Year	2004	2005	2006	2007	2008	2009
	1.49	2.42	2.33	2.48	2.39	2.52

5) Central Mail Operations
Number of pieces of outgoing mail processed (millions)

Fiscal Year	2004	2005	2006	2007	2008	2009
	7.9	7.4	8.0	8.4	8.0	8.4

6) Inter-agency (Deadhead Mail
Number of units (millions)

Fiscal Year	2004	2005	2006	2007	2008	2009
	.64	.64	.62	.62	.61	.60

Department Of Administration-6101
General Services Program-06

7) Postal Contract Station
Contract Payment (dollars)

Fiscal Year	2004	2005	2006	2007	2008	2009
	$38,976	$38,976	$38,976	$38,976	$38,976	$38,976

Account Codes

1) Internal Printing
    Expenditure - 62190
    Revenue – 525083, 525085, 525086, 525087
2) External (contracted) Printing
    Expenditure - 62190
    Revenue - 525088
3) Photocopy Pool
    Expenditure – 62193
    Revenue - 525089
4) Mail Preparation
    Expenditure – 62190, 62304
    Revenue - 525009
5) Central Mail Operations
    Expenditure – 62304
    Revenue - 525049
6) Inter-agency (Deadhead Mail)
    Expenditure – 62307
    Revenue - 525059
7) Postal Contract Station
    The public pays for stamps and other postal services by cash or check. All proceeds are deposited daily to the U.S. Post Office. The SABHRS account used to record the monthly contract payment from the U.S. Postal Service is 525048.

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

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

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

Mail Preparation: In Mail Preparation, the major costs include personal services, equipment repair and maintenance and equipment replacement. This service area is expected to grow substantially in the area of mail inserting. Agency demand for multiple page, variable data inserting is expected to grow because it reduces printing and mailing costs and personalizes mail. Unscheduled equipment repair or replacement and increased agency demand for inserting provide the greatest amount of uncertainty in forecasting cost for Mail Preparation.

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

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

Postal Contract Station: Personal services are the major cost for the Capitol Post Office. Costs have historically remained consistent for the Capitol Post Office. The yearly contract payment of $38,976 has remained constant. A recent request to the Postal Service to increase the contract amount was denied.

Overhead costs for administration accounting and supplies are allocated to six of Print & Mail Services Bureau service categories based on FTE. The Capitol Post Office contract does not allow reimbursement for overhead costs.

Print & Mail Services has 41.95 FTE.

Working Capital-
Print & Mail Services rates are set to recover sufficient revenue to meet personal services and operations costs and allow maintaining no more than a 45-day working capital balance. The program billing and payment cycles support the accumulation of a 60-day working capital balance. User agencies are billed monthly and agencies are requested to pay for services by the end of the next month. This allows Print & Mail Services to pay monthly expenses of personal services and maintain current operations. The largest balance sheet accounts that contribute most significantly to Print & Mail Services fund equity balance are equipment and accumulated depreciation accounts which are due to the large volume of equipment needed by Print & Mail Services to provide it's services. Other significant accounts would be Merchandise Inventory and Prepaid Expense, which is used to purchase postage. At FYE 2006 the amount of fund equity attributed to working capital was $1,157,924, which equates to a 41-day working capital balance.

Rate Explanation-
Print and Mail Services requests a 60-day working capital rate for the 2009 biennium. The 60-day working capital rate is the most logical to use as Print and Mail Services charges over 100 specific rates depending on the service provided. The 60 day working capital rate allows the program to operate like a business whereby, it can adjust the individual rates due to unforeseen expenses or sales volume changes. The actual rates charged to agencies are based on monitoring working capital to ensure the program is maintaining fees commensurate with costs. Historically, the program has operated with a 60-day working capital rate. Last biennium the rate was reduced to 45-days working capital. Restricting the program to 45-days working capital creates cash flow problems as agencies are billed and accounts are collected on a 60-day cycle. A 60-day working capital is necessary to maintain current operations, inventory levels, and equipment maintenance and replacement.

Overall volume of services is projected to remain constant. Direct and indirect and administrative overhead can be attributed to each program. Therefore, costs can best be recovered by charging for each unit of service provided. External printing recovers costs by charging a percentage markup on the cost of the printing job.

Rates for each service are determined as follows: Each service was broken into fixed, variable direct costs, indirect costs and administrative overhead in a past study. To recover costs, the program has made appropriate minor adjustments to those base figures. The rates have remained substantially the same for the last 14 years.

Department Of Administration-6101
General Services Program-06

2009 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Internal Printing	1,177,102	1,418,472	1,190,716	1,399,165	1,190,716	1,399,165
External Printing	2,967,083	3,093,063	3,441,492	3,441,492	3,441,492	3,441,492
Photocopy Pool	775,990	856,494	894,808	924,808	894,808	924,808
Mail Preparation	292,058	444,807	483,620	523,620	563,620	603,620
Mail Operations	3,214,786	3,080,658	3,284,393	3,675,304	3,538,104	3,675,304
Inter-agency (Deadhead Mail)	127,631	125,648	167,859	171,635	213,206	213,206
Postal Contract Station	38,976	38,976	38,976	38,976	38,976	38,976
Net Fee Revenue	8,593,626	9,058,118	9,501,864	10,175,000	9,880,922	10,296,571
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	730	16	31	-	-	-
Total Operating Revenue	8,594,356	9,058,134	9,501,895	10,175,000	9,880,922	10,296,571
Operating Expenses:						
Personal Services	1,140,013	1,117,862	1,157,725	1,621,626	1,527,496	1,623,068
Other Operating Expenses	7,459,614	7,666,321	8,364,348	8,503,259	8,816,852	9,066,888
Total Operating Expenses	8,599,627	8,784,183	9,522,073	10,124,885	10,344,348	10,689,956
Operating Income (Loss)	**(5,271)**	**273,951**	**(20,178)**	**50,115**	**(463,426)**	**(393,385)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(1,947)	(16,750)	(115,582)	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(1,947)	(16,750)	(115,582)	-	-	-
Income (Loss) Before Operating Transfers	(7,218)	257,201	(135,760)	50,115	(463,426)	(393,385)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(7,218)	257,201	(135,760)	50,115	(463,426)	(393,385)
Total Net Assets- July 1 - As Restated	1,747,429	1,669,079	2,090,674	1,954,914	2,005,029	1,541,603
Prior Period Adjustments	(71,132)	164,394	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	1,676,297	1,833,473	2,090,674	1,954,914	2,005,029	1,541,603
Net Assets- June 30	**1,669,079**	**2,090,674**	**1,954,914**	**2,005,029**	**1,541,603**	**1,148,218**
60 days of expenses						
(Total Operating Expenses divided by 6)	1,433,271	1,464,031	1,587,012	1,687,481	1,724,058	1,781,659

Requested Rates for Internal Service Funds

Print and Mail Services requests that the Legislature approve a total charge of $213,206 to user agencies for FY 2008 and FY 2009 for the Inter-agency (Deadhead Mail) per the fixed cost allocations. Print and Mail Services requests that the Legislature approve a 60-day working capital rate for the remainder of the program for the 2009 biennium.

Department Of Administration-6101
General Services Program-06

Proprietary Program Description-
The Central Stores Program contracts with a large warehouse distribution center to provide on-line ordering for office supplies. The program also develops standard specifications, procures, warehouses, and delivers commonly used office supplies, paper products, and janitorial supplies to all state agencies and participating local governments. There are10.75 FTE funded from the revenues generated. Section 18-4-221, MCA, requires the Department of Administration to procure or supervise the procurement of all supplies and services needed by the state.

Customers include all agencies and units within state government, and participating local governments. Title 18-4-302(3),MCA, mandates state agencies to use central stores unless an alternate supplier's publicly advertised price, established catalog price, or discount price offered to the agency is less than the price offered by the central stores program if the office supply conforms in all material respects to the terms, conditions, and quality offered by the central stores program. Local governments and University System employees are provided optional use of Central Stores.

A major change to services is providing customers with an on-line ordering site.

Revenues and Expenses-

Change in Services or Fees: The major cost for Central Stores is goods purchased for resale. Volume is projected to increase due to the recently added on-line ordering ability.

Working Capital Discussion: Maintaining a 60-day working capital is adequate to recover sufficient revenue to maintain operations, inventory levels, and equipment maintenance and replacement.

Fund Equity and Reserved Fund Balance: This program has no need to reserve fund balance. The objective is to maintain a stable fund balance compared to the FY 2006 base year.

Cash Flow Discussion: Agencies are billed daily and accounts are collected within 60 days.

State agencies and local government customers are charged based on the supplies they order. State agency customers pay for program services with expenditure accounts that appropriately fit the products they order, including these for commonly used items: 66211 coarse paper, 66219 forms, 62226 fine paper, 62256 janitorial supplies, and 62296 computer paper.

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

FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
$4,282,084	$4,568,085	$4,688,225	$4,700,000	$4,850,000	$5,000,000

Changes in volume of service depend on demand from user agencies. Increases in levels of service also increase our major cost, which is goods purchased for resale.

Rate Explanation- The rate requested is 60-days working capital. Central Stores recovers costs by charging a percentage markup on the cost of supplies distributed to agencies. The 60-day working capital rate allows the program to operate like a business whereby it can adjust the percentage markup due to unforeseen expenses or sales volume changes. The actual markup charged is based on monitoring working capital to ensure the program is maintaining fees commensurate with costs. Charging a percentage markup allows for adequate cost recovery for direct, indirect, and administrative expenses. Historically, the program has operated with a 60-day working capital rate. Last biennium the rate was reduced to 45-days working capital. Restricting the program to 45-days working capital creates cash flow problems as agencies are billed and accounts are collected on a 60-day cycle. A 60-day working capital is necessary to maintain current operations, inventory levels, and equipment maintenance and replacement.

The balance sheet accounts that contribute most significantly to fund equity balance are cash, receivables, and inventory. Approximately half of the fund equity balance can be attributed to working capital (cash and receivables) and half to inventory.

Customers place orders and are billed for the items that they order. A percentage markup on the cost of supplies allows for adequate cost recovery for program expenses. Currently the markup is 20%.

Department Of Administration-6101
General Services Program-06

Expenses-
The major expenses for Central Stores are goods purchased for resale and personal services. Future expenses depend on demand for program services. The largest expense, goods purchased for resale, depends on demand from user agencies. Factors that contribute to uncertainty in forecasting this expense are agency needs for products and supplies and vendor price increases. There were 10.75 FTE funded for the base year. There are no significant Present Law adjustments or new proposals for this fund.

2009 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Central Stores Supplies	4,282,084	4,568,085	4,688,518	4,280,000	4,850,000	5,000,000
Net Fee Revenue	4,282,084	4,568,085	4,688,518	4,280,000	4,850,000	5,000,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	211	-	42	-	-	-
Total Operating Revenue	4,282,295	4,568,085	4,688,560	4,280,000	4,850,000	5,000,000
Operating Expenses:						
Personal Services	328,451	316,330	341,274	480,207	477,906	479,196
Other Operating Expenses	4,299,761	4,319,397	4,288,927	4,430,733	4,176,259	4,101,555
Total Operating Expenses	4,628,212	4,635,727	4,630,201	4,910,940	4,654,165	4,580,751
Operating Income (Loss)	**(345,917)**	**(67,642)**	**58,359**	**(630,940)**	**195,835**	**419,249**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	(5,339)	(5,494)	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	(5,339)	(5,494)	-	-	-
Income (Loss) Before Operating Transfers	(345,917)	(72,981)	52,865	(630,940)	195,835	419,249
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(345,917)	(72,981)	52,865	(630,940)	195,835	419,249
Total Net Assets- July 1 - As Restated	1,136,285	790,385	718,221	771,136	140,196	336,031
Prior Period Adjustments	17	817	50	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	1,136,302	-	-	-	-	-
Net Assets- June 30	**790,385**	**718,221**	**771,136**	**140,196**	**336,031**	**755,280**
60 days of expenses						
(Total Operating Expenses divided by 6)	771,369	772,621	771,700	818,490	775,694	763,459

Requested Rates for Internal Service Funds
Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Fee Group A	-	-	-	-	-	-
Central Stores Supplies	10%	20%	20%	25%	25%	25%

A 60 day working capital is the rate requested. A markup of not more than 25 percent is projected to maintain a no more than 60 day working capital.

Department Of Administration-6101
General Services Program-06

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

Revenues-
Revenue is generated through a 0.6 % rebate on fuel purchases. The program records revenues into the fund using the following SABHRS account: 525092 – Statewide Fueling Network.

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

Dollar amount charged on all cards (millions): FY 2004- 8, FY 2005-9.1, FY 2006-13.7, FY 2007-15, FY 2008-15.5, FY 2009- 16

Expenses-
Major classes of expenses for the statewide Fueling Program are personal services and operational costs. The Program had 0.60 FTE funded in FY 2006. The 0.6% rebate on fuel purchases is sufficient to meet Statewide Vehicle Fueling Program costs. Excess revenue has been deposited in State Special Revenue Fund 02211. The Legislature approved a 45-day working capital rate for the 2007 biennium.

Rate Explanation-
The Statewide Vehicle Fueling Program requests that the legislature approve a funding switch to state special revenue for the 2009 biennium.

Department Of Administration-6101
General Services Program-06

2009 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Statewide Fueling Network	21,083	32,222	56,666	-	-	-
Revenue from Fee B	-	-	-	-	-	-
Revenue from Fee C	-	-	-	-	-	-
Revenue from Fee D	-	-	-	-	-	-
Revenue from Fee E	-	-	-	-	-	-
Revenue from Fee F	-	-	-	-	-	-
Net Fee Revenue	21,083	32,222	56,666	-	-	-
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues - 0.6 percent rebate				45,506	50,715	50,834
Total Operating Revenue	21,083	32,222	56,666	45,506	50,715	50,834
Operating Expenses:						
Personal Services	28,098	31,713	35,424	36,653	33,657	33,684
Other Operating Expenses	9,902	4,218	18,259	8,853	17,058	17,150
Total Operating Expenses	38,000	35,931	53,683	45,506	50,715	50,834
Operating Income (Loss)	**(16,917)**	**(3,709)**	**2,983**	**-**	**-**	**-**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(16,917)	(3,709)	2,983	-	-	-
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(16,917)	(3,709)	2,983	-	-	-
Total Net Assets- July 1 - As Restated	22,933	6,016	2,307	5,290	5,290	5,290
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	22,933	6,016	2,307	5,290	5,290	5,290
Net Assets- June 30	**6,016**	**2,307**	**5,290**	**5,290**	**5,290**	**5,290**
60 days of expenses						
(Total Operating Expenses divided by 6)	6,333	5,989	8,947	7,584	8,453	8,472

Requested Rates for Internal Service Funds

Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Fee Group A	-	-	-	-	-	-
Statewide Fueling (0.5% of Fuel Purchase)	0.5	0.5	0.5	-	-	-

The Statewide Fueling program requests that the 0.5% of gross fuel purchases fee be abolished for the 2009 biennium. Instead the Statewide Fueling program requests a funding switch to State Special Revenue and be funded by a 0.6% rebate on fuel purchases for the 2009 biennium.

Department Of Administration-6101
General Services Program-06

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

Revenues-
Revenue is generated through volume discount rebates. The program records revenues into the fund (06571) using the following SABHRS revenue account: 585115 – Volume Discount Rebates. Historical and projected trends associated with volume of services provided are:

Fiscal Year	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Amt charged on cards (millions)	30.8	34.2	45.6	47.5	50	50

Expenses-
Major classes of expenses for the State Procurement Card Program are personal services and operational costs. The program has 0.10 FTE funded in FY 2006. State Procurement Card Program volume discount rebates are sufficient to meet personal services and operating costs. Excess revenue has been deposited in state special revenue fund 02211. The legislature approved an administrative fee of $1.00 per card per month as the rate for the 2007 biennium. The Program requests that the $1.00 per month card charge be eliminated and that the program's funding be switched to state special revenue for the 2009 biennium.

Rate Explanation-
The State Procurement Card Program requests that the legislature approve a funding switch from proprietary to state special revenue for the 2009 biennium.

Department Of Administration-6101
General Services Program-06

2009 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Procurement Card	1,875	-	3,415	-	-	-
Net Fee Revenue	1,874	-	3,415	-	-	-
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues - Volume Discount	9,112	27,581	30,945	20,000	16,079	16,091
Total Operating Revenue	10,986	27,581	34,360	20,000	16,079	16,091
Operating Expenses:						
Personal Services	9,351	16,578	19,567	5,084	4,764	4,768
Other Operating Expenses	16,672	12,092	13,937	16,244	11,315	11,323
Total Operating Expenses	26,023	28,670	33,504	21,328	16,079	16,091
Operating Income (Loss)	**(15,037)**	**(1,089)**	**856**	**(1,328)**	**-**	**-**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(15,037)	(1,089)	856	(1,328)	-	-
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(15,037)	(1,089)	856	(1,328)	-	-
Total Net Assets- July 1 - As Restated	18,500	3,463	2,374	3,230	1,902	1,902
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	18,500	3,463	2,374	3,230	1,902	1,902
Net Assets- June 30	**3,463**	**2,374**	**3,230**	**1,902**	**1,902**	**1,902**
60 days of expenses						
(Total Operating Expenses divided by 6)	4,337	4,778	5,584	3,555	2,680	2,682

Requested Rates for Internal Service Funds
Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Fee Group A	-	-	-	-	-	-
Procurement Card (per unit, per month)	$1.00/per car	$1.00/per car	$1.00/per car	-	-	-

The Procurement Card program requests that the $1.00 per card monthly fee be abolished for the 2009 biennium. Instead the Procurement Card program requests a funding switch to State Special Revenue and be funded by a volume discount rebate on total Procurement Card puchases for the 2009 biennium.

Department Of Administration-6101
General Services Program-06

Proprietary Program Description-
The Property & Supply Bureau, fund 06066, operates the surplus property program to administer the sale of surplus property no longer needed by agencies. This property is distributed to state agencies or other eligible organizations. The program sells property through on-line auctions, fixed price warehouse sales, public auctions, and garage sales. The Surplus Property 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. There are 6.40 FTE funded for the base year. According to 18-4-221, MCA, the department is required to sell, trade, or otherwise dispose of surplus supplies belonging to the state.

Revenues and Expenses-
Changes in Services or Fees: 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. An additional service that has been added is an on-line auction which provides more opportunities for government agencies and the public.

Working Capital Discussion-
There is not a need to vary from the 60 day working capital formula. Maintaining a 60 day working capital is adequate to recover sufficient revenue to maintain operations.

Fund Equity and Reserved Fund Balance-
This program has no need to reserve fund balance. The objective is to maintain a stable fund balance as compared to the FY 2006 base year.

Cash Flow Discussion-
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 the general fund.

Rate Explanation-
The surplus property program is an enterprise fund and does not require a rate approval by the legislature. The program operates using a 60 day working capital. This allows the program to recover sufficient revenue to meet personal services and operating costs.

Department Of Administration-6101
General Services Program-06

2009 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
State Surplus Property Handling Fee	-	-	-	-	395,000	395,000
Federal Surplus Property Handling Fee	-	-	-	-	5,000	5,000
Net Fee Revenue	301,978	267,385	297,890	295,000	400,000	400,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	101	1	5	-	-	-
Total Operating Revenue	302,079	267,386	297,895	295,000	400,000	400,000
Operating Expenses:						
Personal Services	191,286	188,459	183,737	251,112	274,752	276,400
Other Operating Expenses	417,083	284,540	377,045	86,959	363,757	284,864
Total Operating Expenses	608,369	472,999	560,782	338,071	638,509	561,264
Operating Income (Loss)	**(306,290)**	**(205,613)**	**(262,887)**	**(43,071)**	**(238,509)**	**(161,264)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(4,877)	(11,832)	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(4,877)	(11,832)	-	-	-	-
Income (Loss) Before Operating Transfers	(311,167)	(217,445)	(262,887)	(43,071)	(238,509)	(161,264)
Contributed Capital	176,785	159,486	377,773		235,431	235,431
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(134,382)	(57,959)	114,886	(43,071)	(3,078)	74,167
Total Net Assets- July 1 - As Restated	223,828	89,311	19,562	130,993	87,922	84,844
Prior Period Adjustments	(135)	(11,790)	(3,455)	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	-	-	-	-
Net Assets- June 30	**89,311**	**19,562**	**130,993**	**87,922**	**84,844**	**159,011**
60 days of expenses						
(Total Operating Expenses divided by 6)	101,395	78,833	93,464	56,345	106,418	93,544

The State Surplus handling fees are: If property is sold for less than $200, the program retains the proceeds. The program retains $200 plus unusual expenses for property sold for $200-$2,000, and 10% plus unusual expenses for property that is sold for more than $2,000.
The Federal Surplus Property program fees are an allocation of freight expense and 14% of acquisition cost. This is included in the Federal Plan of Operation, which has been approved by teh Federal General Services Administration.

Department Of Administration-6101
General Services Program-06

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

	Total Agency Impact	General Fund Total
FY 2008	$8,253	$0
FY 2009	$9,906	$0

PL- 311 - Allocate Department Indirect/Administrative Costs -
This request is to fund the department's indirect costs charged by the centralized services bureau.

	Total Agency Impact	General Fund Total
FY 2008	$20,000	$0
FY 2009	$0	$0

PL- 601 - Surplus Yard - Gravel (OTO) -
The Surplus Property Program requests that the surplus yard be improved with a gravel base for $20,000.

	Total Agency Impact	General Fund Total
FY 2008	$84,545	$0
FY 2009	$84,850	$0

PL- 603 - Modified FTE - Grounds Maintenance -
The Facilities Management Bureau is requesting funding to make the part-time grounds maintenance employees full-time for a total of 2.04 FTE and $84,545 in FY 2008 and $84,850 in FY 2009. This increase results from additional service locations, increased services for snow management, tree pruning, chemical application, and parking lot cleaning and maintenance.

	Total Agency Impact	General Fund Total
FY 2008	$338,702	$0
FY 2009	$338,702	$0

PL- 609 - Increase in Contracted Services -
This budget request is to fund increases in contracts going to bid at the end of FY 2007. Contracts are anticipated to increase by approximately 23%. The contracts include: janitorial, mechanical and elevator maintenance, pest control, and security protection. The increases are due to increases in workload, prevailing wages, petroleum based products, and insurance.

	Total Agency Impact	General Fund Total
FY 2008	$70,000	$0
FY 2009	$0	$0

PL- 612 - Replacement Equip - Central Stores Program - OTO -
This request is to replace the following equipment in the Central Stores Program: forklift: $15,000, delivery van: $10,000, and delivery truck: $45,000.

	Total Agency Impact	General Fund Total
FY 2008	($189,700)	$0
FY 2009	($200,000)	$0

PL- 613 - Reduce Equipment Budget -
Equipment expenditures in the base year for Print and Mail Services were higher than normal to meet new USPS security mandates, resulting in more than what is needed for FY 2008 and FY 2009. This request reduces the equipment budget to a level that is appropriate.

	Total Agency Impact	General Fund Total
FY 2008	$59,000	$0
FY 2009	$0	$0

PL- 615 - Replacement Equipment - Surplus Property (OTO) -
The Surplus Property Program requests to replace a forklift, trailer, and truck at a total cost of $59,000. This equipment will be used for transporting, delivery, and picking up surplus property.

	Total Agency Impact	General Fund Total
FY 2008	$15,000	$0
FY 2009	$283,721	$0

PL- 616 - Legislative Session Costs and Overtime -
This budget request will provide the funding for overtime and operating costs associated with operating the legislative print shop during legislative session.

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

	Total Agency Impact	General Fund Total
FY 2008	($17,281)	$0
FY 2009	($17,295)	$0

NP- 602 - Funding Switch 0.10 FTE Procard Program -
The State Procurement Card program requests a funding switch from an internal service fund to a state special revenue fund. The internal service fund recovered revenue through a card fee charged to user agencies. A new contract awarded in FY 2006 has eliminated the need to charge the card fee. Future revenue to support program costs, will be generated through a volume rebate from the card company based on the yearly procurement card total purchases.

	Total Agency Impact	General Fund Total
FY 2008	($8,634)	$0
FY 2009	($8,642)	$0

NP- 604 - Funding Switch 0.20 FTE Position 04002 -
The State Procurement is requesting a funding change for 0.20 FTE in the State Procurement Bureau. The position was previously funded 80% from the general fund and 20% from proprietary funds when the incumbent in this position was the Deputy Division Administrator and worked in general fund and proprietary programs. Reorganization in FY 2006 resulted in this position being reclassified to a contracts officer which should be 100% general funded.

	Total Agency Impact	General Fund Total
FY 2008	($52,860)	$0
FY 2009	($52,984)	$0

NP- 606 - Funding switch 0.60 FTE Fueling Program -
The Statewide Vehicle Fueling program requests a fund switch from an internal service fund to a state special revenue fund. The internal service fund recovered revenue through a fee charged on fuel purchases. A new fueling contract awarded in FY 2006 has eliminated the need to charge the fee. Future revenue will be generated through a volume discount rebate of .006 of gross fuel purchases.

	Total Agency Impact	General Fund Total
FY 2008	$99,839	$0
FY 2009	$81,939	$0

NP- 608 - Helena Police Officer on Complex -
The Executive requests funding for the Helena Police Department to provide one, armed, officer for security for the Capitol Complex. The officer will work Monday through Friday from 8 to 5, and additional hours during the session.

Department Of Administration-6101
Information Tech Serv Division-07

Please note that this program also contains HB0002 data.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	181.50	(24.00)	8.00	165.50	(24.00)	8.00	165.50
Personal Services	11,258,576	(1,216,735)	581,745	10,623,586	(1,182,221)	582,460	10,658,815
Operating Expenses	22,553,695	(3,420,194)	(726,000)	18,407,501	(3,427,551)	(726,000)	18,400,144
Equipment	2,158,535	894,000	70,000	3,122,535	894,000	7,000	3,059,535
Debt Service	163,393	(54,480)	0	108,913	(54,480)	0	108,913
Total Costs	**$36,134,199**	**($3,797,409)**	**($74,255)**	**$32,262,535**	**($3,770,252)**	**($136,540)**	**$32,227,407**
General Fund	0	0	0	0	0	0	0
State/Other Special	0	0	0	0	0	0	0
Federal Special	0	0	0	0	0	0	0
Proprietary	36,134,199	(3,797,409)	(74,255)	32,262,535	(3,770,252)	(136,540)	32,227,407
Total Funds	**$36,134,199**	**($3,797,409)**	**($74,255)**	**$32,262,535**	**($3,770,252)**	**($136,540)**	**$32,227,407**

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

- Shared statewide desktop and data network services
- Central mainframe computer processing
- Mid-tier access and production services
- Local and long-distance telephone networking
- IT planning, research and coordination
- Design, development, and continuous maintenance support of IT applications
- Personal computer (PC) and office automation support and consultation
- Design and development of telephone equipment, networking applications, and other telecommunication needs
- Internet and intranet services
- Electronic government planning and coordination
- Central imaging
- Geographic information systems (GIS) coordination
- Cyber protection
- Disaster recovery facilities for critical data processing applications
- IT training

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

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

ITSD's costs are based on predicted utilization and projects planned in all service categories. As services and costs increase or decrease, the management of ITSD strives to ensure that the fees being charged to state agencies remain commensurate with the costs. ITSD will fund 158.50 FTE in FY 2008 and FY 2009 from the revenues generated in all areas.

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

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

One major cost driver in all of ITSD's services is fixed personal services expense that is projected on assigned FTE. There are a number of major cost drivers associated with the desktop services rate including communications costs and software costs. These are projected on current utilization as well as contracted agreements. Mainframe and midtier processing also has a number of major cost drivers which include software expenses based on contracted amounts, supplies based on base year expenditures, and depreciation and debt service interest expense based on current schedules and on projected purchases. Telephone equipment charges and Long distance charges major cost drivers include communication and maintenance expenses which are based on base year and contracted amounts and supplies which is also projected from base year.

Working Capital discussion-
ITSD is requesting a 30-day working capital to maintain ongoing operational costs. This amount of working capital is required for monthly payments to vendors in a timely manner. Based on a MAXIMUS recommendation and conversations with the Legislative Auditors, ITSD has considered working capital when determining rates for the 2009 biennium.

Fund Equity and Reserved Fund Balance-
A portion of the fund balance to this proprietary fund does relate to the investment in equipment. Management does not predict any major changes in the fund balance from the 2007 Biennium level.

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

ITSD provides the following services for a specific charge:

- 62174 is Desktop Services that includes a shared statewide user fee, access fee and an enterprise management services fee.
- Mainframe processing is included in a combination of Disk Storage charges, Batch, TSO, IDMS, CICS CPU seconds charges and Read/Write Computer Transactions. These are located in accounts 62142, 62172, 62177, 62178, 62180.
- 62370 includes telephone equip charges which are for basic and electronic telephone sets.
- 62385 is for Long Distance charges.
- 621A7 is for Web Services. The fee is designed to recover the costs incurred by ITSD to provide web services and the infrastructure necessary to support more than 36 million web visits each year. This rate does not go into effect until FY 2009.

In the past, state agencies were required to count network-attached devices and report them to ITSD. This was a fairly manual process so it was difficult to do, not always accurate, and raised questions about how equitable it was (e.g. should printers or other devices be charged the same as desktops?). Beginning in FY 2008, billing will be done by user rather than device, except for certain non-state users (see the detailed fee descriptions below). Each user accessing resources on SummitNet is required to have an enterprise directory logon id account, and accounts cannot be shared by multiple people. Billing will be an automated process generated from user accounts in Active Directory. Certain user accounts will be exempted from billing such as administrative accounts (secondary account with higher privileges used by system administrators), resource accounts (shared resources such as central mailboxes, conference rooms, etc), and service accounts (for processes or applications such as backups).

Mainframe processing is expecting an approximate 30% decrease over the 2009 biennium. This is based on past trends and agency input.

Telephone equipment utilization is based on base year volume.

Long Distance utilization is expected to remain at the 2007 biennial numbers.

The customer payments received by ITSD include several funding sources.

Rate Explanation –
Desktop services rates are charged on a monthly basis by active directory accounts on the state's network. Mainframe and midtier charges are based upon central processing unit (CPU) seconds or other per transaction rates and client server contracts. Voice telecommunications rates are charged based on equipment and long distance usage. Customers are billed at the actual fee or rate based upon the methodology used to develop those rates.

ITSD's rates are based on predicted expenditures, utilization, and projects planned in all service categories. ITSD strives to ensure that the rates being charged to state agencies remain commensurate with costs. ITSD projects utilization numbers for service categories based on current level, trends, and feedback from agencies. History has shown that these numbers do not always materialize and have shown to have negative impact on ITSD's rate recovery.

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

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

ITSD has in the past had the authority to maintain a 60-day working capital. In the 2003 Legislative Session that authority was decreased to 45 days, and in the 2005 Legislative Session that authority was further decreased down to 30 days. The objective of having a working capital is to adequately recover costs to maintain current operations and plan for any unanticipated program changes or equipment purchases.

Working Capital Discussion-
ITSD is requesting a 30-day working capital to maintain ongoing operational costs. This amount of working capital is required for monthly payments to vendors in a timely manner.

Fund Equity-
The largest balance sheet accounts that contribute most significantly to ITSD's fund equity balance is the 1704 Equipment and 1709 Accumulated Depreciation accounts which are due to the large volume of equipment needed by ITSD to provide its services. The amount of fund equity attributed to working capital is about $2.2 million.

Department Of Administration-6101
Information Tech Serv Division-07

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

	Total Agency Impact	General Fund Total
FY 2008	($3,423)	$0
FY 2009	($471)	$0

PL- 311 - Allocate Department Indirect/Administrative Costs -
This request is to fund the department's indirect costs charged by the centralized services bureau.

	Total Agency Impact	General Fund Total
FY 2008	$46,003	$0
FY 2009	$46,042	$0

PL- 705 - 1.00 FTE Computer Programmer Position -
This request is to make a modified position permanent in the Information Technology Services Division's application development area. Demands from agencies continue to increase workload in the applications development area. Several Service Level Agreements (SLA's) have been signed to provide services as needed to these agencies.

	Total Agency Impact	General Fund Total
FY 2008	$116,956	$0
FY 2009	$117,058	$0

PL- 706 - 2.00 FTE Computer System Engineers -
The Executive requests 2.00 FTE in the Information Technology Services Division. These positions will be responsible for support of Windows, Unix, and Linux based systems. The duties include design, acquisition, implementation, maintenance, and support of a variety of computing systems such as: server hardware, disk systems (SAN), operating systems, virtual machines (VMWare's ESX), Active Directory, Espion Interceptor, Nimbus (performance monitor), Control-M (job scheduling), Upstream (backup), and selected applications such as Exchange (email), WinPak (door locks), FileNet (imaging), etc. The positions are needed due to the growth in the number of servers and anticipated growth in the future.

	Total Agency Impact	General Fund Total
FY 2008	$119,727	$0
FY 2009	$119,833	$0

PL- 707 - Enterprise Directory: Improve Security &Efficiency -
This request is for 2.00 FTE each fiscal year to work on developing one enterprise directory infrastructure. The state currently has a multitude of directories for identifying users and controlling their access to various computing platforms (mainframe, mid-tier and PC LAN) and applications. This proposal establishes an enterprise directory infrastructure that will reduce the total number of directories, support directory-enabled applications, reduce administrative effort, improve security and reduce the number of signons. The benefits include: eliminating redundant/inaccurate data, reduce security risks, improve user productivity, and provide more efficient system administration.

	Total Agency Impact	General Fund Total
FY 2008	$127,894	$0
FY 2009	$127,995	$0

PL- 708 - 4.00 FTE Computer Operator: Elim. Single Op Shifts -
The Information Technology Services Division requests 4.00 FTE and approximately $127,900 each year to increase staffing of the state data center. The proposal provides increased staff to eliminate shifts that are currently manned by a single operator. Currently, only eight operators staff a 7x24x365 operation. This creates challenges to cover operator absences due to vacation or illness, and has resulted in overtime costs. The cost is $255,889, and will be funded with proprietary funds.

Department Of Administration-6101
Information Tech Serv Division-07

	Total Agency Impact	General Fund Total
FY 2008	$924,000	$0
FY 2009	$940,000	$0

PL- 709 - Network & Server Investment to Provide 24/7 IT Svcs -

The state has increasing demands to provide 24x7 e-services to citizens. It has become critical for the systems that provide these services to remain operational even when certain components fail or must be taken down for maintenance. These include: the network servers, disk storage, tape backup systems, and uninterruptible power supplies. This proposal is designed to fund high availability in the following areas: Servers - provide more server redundancy through use of clustering and virtualization technology;

Disk Storage - implement additional storage area networks (SANs) to allow for disk mirroring between the primary data center and an alternate site; Tape Backup System - implement an additional automated tape library so that backup processing can continue in the event of a failure to the existing ATL; and Uninterruptible Power Supply - install a secondary UPS so that processing can continue uninterrupted even if the primary UPS fails.

	Total Agency Impact	General Fund Total
FY 2008	$50,258	$0
FY 2009	$50,301	$0

PL- 715 - Video Support Position -

This budget request is for a senior telecommunications analyst in the Interactive Video Support section of the Network Technology Services Bureau. This position is responsible for carrying out the development, implementation, and operation of interactive video systems throughout the state network. In addition, the position will assist management in developing video performance levels, establish goals and objectives for the video support unit, evaluate manufacturer equipment and vendor support services, and assist in the development of cost recovery and billing system directions for interactive video services.

	Total Agency Impact	General Fund Total
FY 2008	$111,475	$0
FY 2009	$111,572	$0

PL- 723 - MITA Audit Staffing - 2.00 FTE -

As a result of a recent legislative audit, the department requests 2.00 FTE and approximately $111,500 each year of proprietary funding to assist in the continued implementation of the Montana Information Technology Act.

	Total Agency Impact	General Fund Total
FY 2008	$127,776	$0
FY 2009	$127,889	$0

PL- 734 - Pilot Remote Office Support -

This proposal creates a pilot program of 2.00 FTE to provide remote network and desktop support. The positions would be located in Billings due to the number of office sites, number of users, and dependence on the network/computer center located in Billings. This will improve the service levels that remote offices have had to accept in the past, reduce the cost to support remote offices, and improve the reliability of the infrastructure supporting the workers and citizen access to state services.

	Total Agency Impact	General Fund Total
FY 2008	($5,664,572)	$0
FY 2009	($5,672,820)	$0

PL- 738 - SABHRS Bureau Reorganization -

The Department of Administration has reorganized and moved the SABHRS support bureau from the Information Technology Services Division to the Administrative Financial Services Division. The reorg was not captured in the base budget. This decision package moves 35.00 FTE and related operating expenses to implement the reorg.

	Total Agency Impact	General Fund Total
FY 2008	($186,995)	$0
FY 2009	($187,242)	$0

PL- 740 - GIS Funding Switch for 3.00 FTE -

This request is a fund switch of 3.00 FTE that are currently funded with a proprietary fund to state special revenue fund. The positions will be funded through the Montana Land Information Act (MLIA). It is expected that there will be $860,530 cash available each year for grants to the counties, but because there were no grants made in FY 06, there is no base budget for grants. Consequently, $860,530 grant authority is requested each year along with additional operating authority each year.

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

	Total Agency Impact	General Fund Total
FY 2008	$55,738	$0
FY 2009	$55,786	$0

NP- 713 - 1.00 FTE Network Support Position -

This budget request is for a position that is responsible for working with agency IT managers, multiple IT support groups, building architects, and wiring vendors throughout the state to determine what the agencies needs are, develop cable plant designs supporting current and future voice, video, and data applications, oversee the bid process for acquiring the services specified, certify the work was completed as requested, and approve the invoice for payment when the work has been completed and the plant certified.

	Total Agency Impact	General Fund Total
FY 2008	($129,993)	$0
FY 2009	($192,326)	$0

NP- 735 - State Telephone Network Support -

The Information Technology Services Division contracts with an outside vendor, NextiraOne, to provide telephone services for all agencies of state government and university campuses for both internal telephone communications and public access for the calling public to state agencies and employees. It is recommended that a new contract for core maintenance services be awarded to a vendor for 2nd level technical support, 7X24 hour monitoring and call out, and provisioning of a critical spare parts cache. In addition, due to the merger between NextiraOne and Blackbox Network Services, the intent will be to reduce the number of FTE located in Montana as they have in many other parts of the country. NextiraOne/Blackbox have told the department the best way to accomplish the restructuring in Montana would be to transfer the dedicated technical staff to the State of Montana. The state and university system will assume responsibility for the 8 dedicated technicians to provide the day-to-day support currently provided in the current contract with NextiraOne. Technicians would be located in Missoula, Bozeman, Billings, Dillon, and Helena. A cost analysis shows the state would save could save over $100,000 each year by implementing a core maintenance support agreement versus the dedicated FTE contract currently in place.

Department Of Administration-6101
Health Care & Benefits Division-21

Please note that this program also contains HB0002 data.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	10.87	0.00	4.00	14.87	0.00	4.00	14.87
Personal Services	513,265	75,442	214,918	803,625	77,959	215,165	806,389
Operating Expenses	4,448,298	1,247,856	11,061	5,707,215	1,500,282	2,880	5,951,460
Benefits & Claims	94,017,678	18,477,450	0	112,495,128	29,640,127	0	123,657,805
Total Costs	**$98,979,241**	**$19,800,748**	**$225,979**	**$119,005,968**	**$31,218,368**	**$218,045**	**$130,415,654**
Proprietary	98,979,241	19,800,748	225,979	119,005,968	31,218,368	218,045	130,415,654
Total Funds	**$98,979,241**	**$19,800,748**	**$225,979**	**$119,005,968**	**$31,218,368**	**$218,045**	**$130,415,654**

Program Description –
The Health Care and Benefits Division manages two proprietary programs; employee benefits, which includes the state's health and other benefit insurance plans, and the flexible spending accounts. The employee benefits program, fund 06559, is charged with providing state employees, retirees, members of the legislature, and their families with adequate medical, dental, prescription drug, life, and other related group benefits in an efficient manner and at an affordable cost. The program operates a self-insured health, prescription drug, and dental plan. Life, long-term disability, and long-term care insurance are purchased from private sector vendors on a fully-insured basis. The program contracts with private companies to provide claims processing services, health screenings, employee assistance program, flexible spending account administration, and wellness plan administration.

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

The program is funded by the state contribution for group benefits and by premiums and fees paid by plan members. Statutory authority is at 2-18-701 and 2-18-801, MCA.

Alternate Sources: As an alternative to providing a self-insured health plan, the state could purchase an insured plan from the private sector. Historical studies of comparable insurance plans have shown that this alternative would be more expensive. The state has operated a statewide plan since 1979 and a self-insured plan since the early 1980s.

Customers Served: In excess of 35,000 people are covered by the benefit plans provided by the division in the following categories; 12,200 regular full-time and part-time executive, legislative, and judicial branch employees; 3,300 retirees; 100 COBRA participants; and 19,400 dependents.

Proprietary Revenues and Expenses –
No significant changes in service are contemplated. Fees must be increased as discussed below. The primary cost driver in the fund is the cost of health and prescription drug claims. Medical claim costs are projected to be increasing at a rate of approximately 10 percent annually. Drug claims are projected to be increasing 13 percent annually.

Working Capital –
The Benefits and Health Insurance program maintains a substantial reserve to allow it to cover health claims against the self-insured plan. 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 permits the program to cover its

pending liability for claims that have been incurred but not paid or submitted for payment, at any point in time and to protect the well-being of participants in the plan. Reserve levels are monitored closely by managers of the program with the assistance of its benefits consultant to ensure that the plan is complying with the insurance industries standard practices and requirements. As a result of instability in the fund during the 2003 biennium, the State Employee Group Benefits Advisory Council (SEGBAC is authorized under 2-15-1016, MCA) opted to recommend the fund maintain a minimum of two to three months claims and operating expenses in reserve beyond the statutorily required reserves. This is not uncommon practice in the insurance industry and is similar to working capital balances maintained in other governmental funds.

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

Cash Flow –
It is projected that about $8.6 million per month in claims will be paid in FY 2008 and $9.5 million in FY 2009. Premiums are collected either bimonthly with paycheck processing or at the beginning of the month depending on whether the premium is for active employees, retirees, legislators, or COBRA employees.

The cost of providing medical care continues to rise at a rate significantly higher than general inflation. Based on FY 2006 expenditures of approximately $84.5 million for medical, dental, and prescription drug claims, these expenditures are projected to be $103.0 million in FY 2008 and $114.2 million in FY 2009. This does not take into account future benefit plan changes which may impact expenditure projections.

Claims costs make up approximately 94.5 percent of program expenditures. Administrative costs comprise about 5.5 percent of total program expenditures including contracting with vendors to process claims and administrative costs directly within the department. In comparison, insurance companies generally have administrative costs that range from 14 percent to as high as 28 percent and pay 72 to 86 percent of their premiums out in claims.

The program records premium revenues received from the state contribution, out-of-pocket premiums for dependents, retirees, legislators, and COBRA participants in revenue accounts 525039, 525040, 525041, 525042, 525077, and 525079 in fund 06559. Contracted claims administrator fees are recorded in accounts 62102, 62199, and 62868. Medical and dental claims are paid out of account 67299 and 67205. Prescription drug claims are paid from account 67206. Managed care services for the managed care plans are still done via contracted services with third party administrators and are paid from accounts 67203 and 67204. Vision services are paid from 67209. Long-term care premiums are paid from account 67210 and Life Insurance premiums are paid from 67299. Wellness plans Why Weight and Well on the Way are paid from 67201.

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

The objective for the state contribution is to provide sufficient dollars to underwrite affordable coverage for all participants in the plan including sufficient dollars to cover the "employee only" cost of providing a core medical, dental, and life insurance benefit. Historically, there have been a few dollars of the state contribution left over that employees can apply toward dependent coverage, additional life insurance, purchase of optional benefits, or to place into a medical or dependent care flexible spending account (FSA).

Income for the program in FY 2006 was approximately $97.8 million. The state share portion of this income was $70.0 million or 72 percent. Of the $70.0 million, approximately $1.4 million, or 2 percent, was due to additional state share appropriated by the Legislature during the 2005 session to address the financial shortfall in the employee benefit plan fund during the previous biennia. The remaining income was from participant paid premiums and investment earnings. Total expenses during FY 2006 were $90.2 million. Remaining restoration of statutory reserves and accumulation of excess reserves, discussed under Working Capital, made up the difference.

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

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

The following schedule shows historical rates for the state contribution, for employee insurance coverage, as well as historical medical and pharmacy cost trends. Rates for FY 2008 and FY 2009 have not been determined at this time.

Fiscal Year	Mo. Employer Contribution	Percent Incr. Over Prev. Yr	Medical Cost Trend	Pharmacy Cost Trend
1996	$220	-4.3%	N/A	N/A
1997	$225	2.3%	N/A	N/A
1998	$245	8.9%	9.0%	20.8%
1999	$270	10.2%	8.9%	33.2%
2000	$285	5.5%	8.7%	9.2%
2001	$295	3.5%	2.1%	17.9%
2002	$325	10.2%	13.4%	15.9%
2003	$366	12.6%	4.4%	11.6%
2004	$410	12.0%	-3.3%	-2.8%
2005	$460	12.2%	9.9%	13.3%
2006	$506	10.0%	10.0%**	13.0%**
2007	$557*	10.1%	10.0%**	13.0%**

*The FY 2007 rate becomes effective January 1, 2007.
** Projected trend rates.

Department Of Administration-6101
Health Care & Benefits Division-21

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06559	Group Benefits Claims A/C	61010	Department of Administration	Health Care and Benefits Division

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Revenue from Fee F	-	-	-	-	-	-
Net Fee Revenue	-	-	-	-	-	-
Investment Earnings	161,739	576,339	1,239,821	1,123,000	1,123,000	1,123,000
Securities Lending Income	4,209	20,684	47,007	-	-	-
Premiums	85,724,313	93,656,242	98,521,478	109,125,925	111,458,302	122,399,131
Other Operating Revenues	308,383	934,442	738,024	748,000	748,000	748,000
Total Operating Revenue	86,198,644	95,187,707	100,546,330	110,996,925	113,329,302	124,270,131
Operating Expenses:						
Personal Services	680,889	829,324	502,381	571,552	803,625	806,389
Other Operating Expenses	76,528,258	85,272,480	94,142,651	110,529,679	112,309,623	123,735,156
Total Operating Expenses	77,209,147	86,101,804	94,645,032	111,101,231	113,113,248	124,541,545
Operating Income (Loss)	**8,989,497**	**9,085,903**	**5,901,298**	**(104,306)**	**216,054**	**(271,414)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	(830)	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	(830)	-	-	-
Income (Loss) Before Operating Transfers	8,989,497	9,085,903	5,900,468	(104,306)	216,054	(271,414)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	(150,000)	(614,199)	-	-	-
Change in net assets	8,989,497	8,935,903	5,286,269	(104,306)	216,054	(271,414)
Total Net Assets- July 1 - As Restated	546,863	9,563,125	21,240,549	26,526,291	26,421,985	26,638,039
Prior Period Adjustments	26,765	2,741,521	(527)	-	-	-
Cumulative effect of account change	-		-	-	-	-
Total Net Assets - July 1 - As Restated	573,628	12,304,646	21,240,022	26,526,291	26,421,985	26,638,039
Net Assets- June 30	**9,563,125**	**21,240,549**	**26,526,291**	**26,421,985**	**26,638,039**	**26,366,625**
60 working days of expenses (Total Operating Expenses divided by 6)	12,868,191	14,350,301	15,774,172	18,516,872	18,852,208	20,756,924

Requested Rates for Internal Service Funds

Fee/Rate Information for Legislative Action

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 06	Budgeted FY 07
Fee Group A						
State share per employee per month	$388	$435	$483	$532	n/a	n/a

Rates are established to maintain adequate actuarial reserves. Actual state share rates are set for each calendar year as opposed to a fiscal year. This table shows the average monthly state share rate for each fiscal year. Rates for FY 2008 and 2009 have not been determined at this time.

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

	Total Agency Impact	General Fund Total
FY 2008	$1,523	$0
FY 2009	$1,696	$0

PL- 311 - Allocate Department Indirect/Administrative Costs -
This request will fund changes in the department's indirect/administrative costs for services received from other proprietary funded centralized service functions of the agency.

	Total Agency Impact	General Fund Total
FY 2008	$55,315	$0
FY 2009	$55,315	$0

PL- 2102 - Office Space Lease for HCBD -
In March 2006, the Health Care and Benefits Division was created within the department. Currently, there is insufficient space within the Mitchell Building to support co-location and house staff for this division and the State Personnel Division. In addition, the Health Insurance Portability and Accountability Act (HIPAA) requirements for handling protected health information and the need for privacy in dealing with members' personal medical and health care information requires the ability to secure certain staff and information within the division. This request increases authority by $55,315 per year to permit the division to be housed off of the Capitol complex.

	Total Agency Impact	General Fund Total
FY 2008	$30,000	$0
FY 2009	$0	$0

PL- 2103 - SABHRS Readiness Assessment (Biennial/OTO) -
Oracle recently acquired PeopleSoft. The new product is Oracle Fusion and will replace PeopleSoft. This one-time-only request of $30,000 in FY 2008 is to review and evaluate the two products, and explore other options for the state's human resource system.

	Total Agency Impact	General Fund Total
FY 2008	$19,039,576	$0
FY 2009	$30,505,634	$0

PL- 2104 - HCBD Insurance Claims/Administration Cost Trends -
Additional authority will be needed in the 2009 biennium to fund increases in medical, dental, and prescription drug claims costs which are projected to increase at 10 percent annually for medical costs, 8 percent annually for dental costs, and 13 percent annually for prescription drug costs. Operating costs are projected to increase by 5 percent The projected trend rates are consistent with increases in the health care industry within Montana and on the national level. They are very comparable, and potentially even slightly lower than comparable trend rates utilized by plans similar in size and demographics to the state’s health plan. Total health claim costs in FY 2006 were $84,545,000 and they are anticipated to reach $105 million in FY 2008 and $117 million by FY 2009.

	Total Agency Impact	General Fund Total
FY 2008	$27,500	$0
FY 2009	$27,500	$0

PL- 2105 - Maintenance Agreement - Electronic Benefits Module -
In conjunction with State Personnel Division, the HCBD is acquiring a software license and services related to an electronic content interactive system. The purpose of this software is to provide on-line, self-service information in an interactive, customized fashion for benefit plan users. This type of software is designed to permit users to research and model specific situations and information regarding their benefit plans and how it applies to their specific situation. Periodic updates and maintenance of the system require users to pay an annual maintenance fee. The HCBD and SPD will each cover half of the anticipated annual maintenance cost of $55,000.

Department Of Administration-6101
Health Care & Benefits Division-21

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

	Total Agency Impact	General Fund Total
FY 2008	$225,979	$0
FY 2009	$218,045	$0

NP- 2101 - Addition of 4.00 FTE for HCBD -

In March 2006, the Health Care and Benefits Division (HCBD) was created within the Department of Administration. The HCBD carries out the responsibilities of the department related to its statutory charge to “establish a program under which the state may provide state employees with adequate group hospitalization, health, medical, disability, life, and other related group benefits in an efficient manner and at an affordable cost.” (2-18-808, MCA). The division is requesting a total of 4.00 additional FTE. A claims auditor is needed to review and analyze the accuracy and completeness of health, dental, and prescription drug claims submitted for payment. A documents technician is needed to design, review, and update forms and publications for the HCBD. A registered nurse is needed to provide managed care services for the State of Montana and Montana University System’s health plans. An information technology manager is needed to coordinate and communicate the division’s requirements for technology system operations between the SABHRS and Payroll divisions and all third party administrators who process claims for the state.

Department Of Administration-6101
State Personnel Division-23

Please note that this program also contains HB0002 data.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	15.97	0.00	0.00	15.97	0.00	0.00	15.97
Personal Services	796,564	48,022	0	844,586	51,380	0	847,944
Operating Expenses	349,442	85,297	28,400	463,139	41,431	0	390,873
Total Costs	**$1,146,006**	**$133,319**	**$28,400**	**$1,307,725**	**$92,811**	**$0**	**$1,238,817**
Proprietary	1,146,006	133,319	28,400	1,307,725	92,811	0	1,238,817
Total Funds	**$1,146,006**	**$133,319**	**$28,400**	**$1,307,725**	**$92,811**	**$0**	**$1,238,817**

Program Description –
The State Personnel Division manages two proprietary programs: the Professional Development Center (training) and Central Payroll (payroll and benefits eligibility processing).

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

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

FY 2002	3,286
FY 2003	2,246
FY 2004	2,933
FY 2005	2,981
FY 2006	3,739

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

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

Proprietary Revenues and Expenses-
The Professional Development Center (PDC) operates on a budget of about $275,000 a year. The budget is typically split into the following expense categories: personal services (62%), variable costs (27%), fixed costs (11%).

The major cost driver for all PDC rates is personal services with 3.08 FTE. Indirect fixed costs which are allocated to the program also have a significant impact on the rates as these costs will not vary based upon service levels provided. The program has direct control over the remaining 27% of costs comprising contracted training consultants, printing, training supplies, postage, telephone, non-state building room rentals for trainings conducted off the capitol complex, trainer development, and travel expenses. Of the direct PDC expenses, about one-half of these costs lend themselves to be adjusted within a very short-term time-frame in direct response to the level of demand for PDC's services. Examples of these costs are contracted consultants, travel, and room rentals. The remaining half of the direct PDC expenses remain fairly stable throughout the year and require longer-term planning and trend analysis, in order to make changes in their levels. As demand for services ebbs and flows throughout a budget cycle, only about 13% of PDC's costs can be controlled within the short-term time-frame in response to the actual demand for their services. Hence, rates for PDC's operations must be established with the consideration that about 87% of its costs are fixed and cannot be changed rapidly in response to unanticipated changes in demand for the services.

The table below depicts historic and projected levels of open-enrollment and contract services and shows how participation levels vary from year to year. Service levels provided in FY 2006 were substantially above the levels provided in FY 2005. Program managers have expanded the scope of services provided. This has had a positive impact on participation levels as well as revenue flows. It is anticipated this trend will continue through FY 2007 and into the next biennium. Training rates for the 2009 biennium are based on the proportion of fixed and personal services costs to the overall anticipated program cost, in an effort to ensure that demand driven revenues are sufficient to cover total program expenses.

Fiscal Year	Open Enrollment Participants	Open Enrollment Hours	Contract Service Participants	Contract Service Hours
FY 1998	908	813	1990	726
FY 1999	883	882	1396	599
FY 2000	1368	1115	1921	444
FY 2001	1292	1162	1853	377
FY 2002	1473	1145	1813	420
FY 2003	1217	1104	1273	438
FY 2004	1522	1288	1411	465
FY 2005	1492	1333	1489	400
FY 2006	1644	1494	2095	343
FY 2007 - proj	1660	1500	2100	400
FY 2008 - proj	1700	1560	2150	450
FY 2009 - proj	1750	1580	2200	500

Working Capital-

The average time between PDC providing a service and collecting revenue is 45 days. The PDC has no requirement to reserve any of its fund balance and management desires to maintain a fund balance sufficient to provide a minimum 45-day working capital. In order to cover on-going expenses over a 45-day period, PDC should maintain a working capital reserve of $34,000. The program's revenue stream can fluctuate significantly whereas, as discussed above, the major portion of training expenditures are relatively stable and tied up in personal services, fixed costs, and its constant variable costs. Historically, revenues have been low in the first fiscal quarter and increased in each subsequent quarter as agencies gain more comfort in directing their discretionary funds to personnel training. Ideally, a 60-day working capital would permit PDC to keep up with its fixed and on-going expenditures when demand for services is lower than the average expected revenue, and would cover periods of potential cash shortages during the accounts receivable collection cycle. As of the end of FY 2006, PDC had working capital of approximately $23,000 which computes to a 30-day working capital. The rates being requested for the 2009 biennium are intended to permit PDC to reach a 45-day minimum working capital reserve over the next biennium by including the reserve shortage amount in its constant and fixed costs for the rate calculation.

Cash Flow-

During fiscal year 2006, the average turnaround period for revenue receipts was about 45 days from the time revenue was earned. 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 occur independent of its revenue stream. This is the time of year when PDC runs short of cash. Toward the end of the year agencies process their training invoices more readily and send more people to training. Eventually, as PDC's financial condition stabilizes, it would be conducive to PDC's operations to build and maintain a 60-day working capital reserve.

Specific Services and SABHRS Accounts: The primary services provided by PDC are open enrollment training courses and contract training. For open enrollment trainings, PDC schedules, promotes, and conducts courses that are open to students from all state agencies, and other public entities. PDC charges a set fee per student for attendance. At the onset of FY 2004, PDC implemented a scheduled rate hike to $75 for a half day and $97 for a full day.

At mid-year in FY 2004, PDC took action to improve its fiscal standing. It raised fees to $85 for a half day and $110 for a full day. At the same time, it started offering discounts to agencies for multiple enrollments in a course. Two to four employees attending from an agency receive a 10% fee discount. Five or more employees from an agency receive a 20% fee discount. The PDC maintained these fee levels through FY 2005 and FY 2006. At the beginning of FY 2007, the program raised fees to $87 for a half day and $115 for a full day, in line with the budget approved for the 2007 biennium.

PDC conducts four management course series that last six or seven days, with an average cost of $470 per student. If any open-enrollment training involves travel outside Helena, the fee remains the same and PDC absorbs the travel and facility expenses.

PDC also contracts with individual agencies to provide training for its staff. The agency schedules, promotes, and provides the facility for training. PDC provides the instruction and class materials. On a contract, PDC charges a flat fee, depending on the length of the training and the number of events the agency has contracted. For FY 1995 through FY 2001, the typical contract fee was $450 for a half day and $700 for a full day. In FY 2002 and FY 2003, the typical contract fee was $500 for a half day and $750 for a full day. At the onset of FY 2004, PDC implemented a scheduled rate hike to $760 for a full day. At mid-year in FY 2004, PDC raised fees to $540 for a half day and $800 for a full day. These fees remained the same through FY 2005 and FY 2006. At the onset of FY 2007, the rate for a half-day session went to $550; the full-day rate remained at $800. If the training involves travel outside Helena, travel expenses are added to the contract fee. If an agency contracts for more than one training event, PDC discounts the fee, based on the number of events. Discounts range from 8 to 20%. These discounts follow a written, consistent fee schedule.

For facilitation, mediation, consulting, and curriculum development PDC charges an hourly rate of $60 and adds travel expenses, if any, to the invoice. On average, these services account for 8% of total revenue each year.

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

PDC records revenue in account 522091. Customers record payments to PDC in accounts 62809 (education/training), and 62102 consulting and professional services.

Proprietary Rate Explanation-

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

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

An analysis of expenditures shows that 20% of total costs can be associated with specific products or services. The remaining 80% are personal services and other fixed cost that must be allocated through staff time. One-half of the shortage necessary to acquire a 45-day working capital requirement has been added to the fixed costs for the rate calculations in order to reach the minimum working capital requirement by the end of the 2009 biennium.

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

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

The base rates for FY 2008 and FY 2009 are projected as follows:

FY 2008 ($315,000 x .80) + 0.5(11,000)] / (6240 x .30) = $137.55 / hour
FY 2009 ($288,000 x .80) + 0.5(11,000)] / (6240 x .30) = $126.01 / hour

Justification for a minimum 45-day working capital is provided in the narrative section for proprietary revenues and expenses. Cash on hand and net accounts receivable less current accounts payable most significantly contribute to fund equity.

With the above rates established, setting actual prices for services becomes more an art than a science. PDC differs from nearly every other fee-for-service program within state government, primarily because it does not have a captive market. Besides using PDC, agencies may establish their training in-house or buy it from other providers. Employee training is a discretionary expense by agencies. Managers approve or disapprove each training request, and it is often the first expense to get cut when budgets are tight.

In this environment, PDC aims to provide high-quality training at a competitive cost. The fees need to be market-based as well as cost-based. To calculate its fee-for-service rates, PDC analyzes past and projected expenses, participation levels, and revenue streams, coupled with information about competitors' fees. This provides a reasonable basis for setting the following fees.

Type of service	**FY 2008**	**FY 2009**
Open enrollment courses		
Two-day course, per participant	182	185
One-day course, per participant	115	118
Half-day course, per participant	87	90
Eight-day management series	550	560
Six-day management series	425	430
Four-day administrative assistant series	320	325
Contract courses		
Full day of training, flat fee	800	820
Half day of training, flat fee	550	560
Other services		
Consulting or facilitating, hourly fee	62	65
All other services, hourly fee	57	60

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Fund	Fund Name	Agency #	Agency Name	Program Name
06525	Intergovernmental Training	61010	Department of Administration	State Personnel Division

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Revenue from Training Fees	285,340	239,877	259,170	268,000	326,000	299,000
Net Fee Revenue	285,340	239,877	259,170	268,000	326,000	299,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	260	186	141	-	-	-
Total Operating Revenue	285,600	240,063	259,311	268,000	326,000	299,000
Operating Expenses:						
Personal Services	154,981	127,004	169,593	171,409	171,673	171,836
Other Operating Expenses	137,569	106,900	105,783	108,452	114,875	116,446
Total Operating Expenses	292,550	233,904	275,376	279,861	286,548	288,282
Operating Income (Loss)	**(6,950)**	**6,159**	**(16,065)**	**(11,861)**	**39,452**	**10,718**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(6,950)	6,159	(16,065)	(11,861)	39,452	10,718
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	(8,954)	-	-	-	-
Change in net assets	(6,950)	(2,795)	(16,065)	(11,861)	39,452	10,718
Total Net Assets- July 1 - As Restated	33,513	26,563	23,768	7,703	(4,158)	35,294
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	33,513	26,563	23,768	7,703	(4,158)	35,294
Net Assets- June 30	**26,563**	**23,768**	**7,703**	**(4,158)**	**35,294**	**46,012**
60 days of expenses (Total Operating Expenses divided by 6)	48,758	38,984	45,896	46,644	47,758	48,047

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

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Fee Group A						
Training Services per hour	$128.12	$128.59	$127.86	$127.97	$137.55	$126.01

The Training Program determines rates by analyzing its billable staff hours, overhead costs, and variable costs which are directly associated with providing a specific training service. Service fees include an allocation of total overhead costs based on an estimate of total billable hours during the year. Rates are established to build up to a 60-day working capital.

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Proprietary Program Description-

The Payroll/Benefits Operations Bureau, fund 06563, operates the PeopleSoft payroll, benefits, and HR system to process, distribute, report, and account for payroll, benefits, and associated withholding and deductions for 13,000+ state employees in the Executive, Legislative, and Judicial branches. The bureau establishes and maintains standards, processes, and procedures to be followed by state agencies in preparing and submitting payroll, benefits, and related HR data into the system. The system operated by the bureau provides information and processing in support of division and statewide functions and programs including employee benefits (group insurance, FSA, deferred compensation) classification, pay, labor relations, policy and training. The program staff is 12.89 FTE. Statutory authority is 2-18-401, and 2-18-403, MCA.

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

Customers Served: Over 13,000 active employees are paid biweekly in addition to the processing of benefit eligibility elections for 35,000 active, retired, and terminated employees and covered dependents in 35 state agencies of the Executive, Legislative, and Judicial branches.

Proprietary Revenues and Expenses-

The major cost drivers for the Payroll/Benefit Operations Bureau are personal services for 12.89 FTE, consulting services, audit fees, computer services/laser printing, and warrant writing fees, totaling 92 percent of total expenses. The fixed costs are based on fees developed by other divisions/agencies for services provided to the bureau. The percent distribution of expenses is as follows:

Personal Services	74%
Consulting Services	7%
Warrant Writing	1%
Audit Fees	3%
Computer Services	7%
SABHRS Services	0.5%
Other Expenses	7.5%
Total	100.0%

Increases in personal services are difficult to forecast. Historically, due to the Peoplesoft HR upgrades, overtime expenses have increased as staff members are required to perform normal production duties as well as devote considerable time to the analysis, training, and implementation of the newest software release. Upgrade efforts are currently scheduled for the first quarter of FY 2008. A trend is also developing to centralize additional payroll processes. As business processes are re-evaluated and re-designed it is becoming necessary to centralize specific tasks to increase the functionality of the software.

Working Capital Discussion-

The payroll rates established for the 2009 biennium provide for the maintenance of a 60-day working capital amount of $151,610 by the end of FY 2009. The working capital is needed to fund the payroll process prior to the quarterly receipt of fees from each agency in order to ensure the uninterrupted processing of the state payroll on a bi-weekly cycle.

Fund Equity and Reserved Fund Balance-

The payroll fund had a fund balance of $86,614 as of FYE 2006. By the end of FY 2009 it is expected that the program will have a fund balance of $174,645. The program does not have a requirement to reserve any of its fund equity.

Cash Flow Discussion-

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

The payroll program is accounted for as a proprietary fund and uses the following SABHRS account. Revenue account 521049 (payroll processing fees) represents 100 percent of revenue collected. The revenues are collected from two sources. Central payroll processing costs are allocated to each agency based on the average number of employees processed and paid bi-weekly by each agency the previous biennium. The costs associated with processing the benefit eligibility elections of the 35,000 plan members are allocated to the Health Care and Benefits Division.

Agencies record payments of payroll processing fees in expenditure account 62114 (payroll service fees). The following schedule shows the average number of employee payroll checks and advices processed and paid for the past three years, and projections through the 2005 biennium.

Fiscal Year	Avg. # of Employees Processed and Paid	
FY 2000	12,029	
FY 2001	14,706	note: Increased employee counts due to fires
FY 2002	13,334	
FY 2003	13,841	
FY 2004	13,020	
FY 2005	13,096	
FY 2006	13,157	
FY 2007 (est.)	13,148	
FY 2008 (est.)	13,096	
FY2009 (est.)	13,157	

Proprietary Rate Explanation-

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

The fee charged to the Health Care and Benefits Division is determined by projecting the costs of processing eligibility elections of the 35,000 plan members through the next biennium.

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Fund	Fund Name	Agency #	Agency Name	Program Name
06563	Payroll Fund	61010	Administration	State Personnel Division

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Revenue from Payroll Fees	435,310	461,614	453,103	453,103	1,036,598	1,002,608
Revenue from Transfers from Benefits	-	-	-	-	-	-
Revenue from Miscellaneous Service Fees	416	886	-	-	-	-
Net Fee Revenue	435,726	462,500	453,103	453,103	1,036,598	1,002,608
Investment Earnings	-	-	21	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	101	-	-	-	-	-
Total Operating Revenue	435,827	462,500	453,124	453,103	1,036,598	1,002,608
Operating Expenses:						
Personal Services	266,501	246,217	636,846	692,206	672,913	676,108
Other Operating Expenses	145,343	130,272	161,946	190,400	346,279	272,288
Total Operating Expenses	411,844	376,489	798,792	882,606	1,019,192	948,396
Operating Income (Loss)	**23,983**	**86,011**	**(345,668)**	**(429,503)**	**17,406**	**54,212**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-		-	-
Federal Indirect Cost Recoveries	-	-	-		-	-
Other Nonoperating Revenues (Expenses)	-	-	-		-	-
Net Nonoperating Revenues (Expenses)	-	-	-		-	-
Income (Loss) Before Operating Transfers	23,983	86,011	(345,668)	(429,503)	17,406	54,212
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	381,623	407,371	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	23,983	86,011	35,955	(22,132)	17,406	54,212
Total Net Assets- July 1 - As Restated	20,044	44,027	130,038	165,993	143,861	161,267
Prior Period Adjustments	-	-	-		-	-
Cumulative effect of account change	-	-	-		-	-
Total Net Assets - July 1 - As Restated	20,044	44,027	130,038	165,993	143,861	161,267
Net Assets- June 30	**44,027**	**130,038**	**165,993**	**143,861**	**161,267**	**215,479**
60 working days of expenses (Total Operating Expenses divided by 6)	68,641	62,748	133,132	147,101	169,865	158,066

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

	Actual FYE 04	Actual FY 05	Actual FY 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Fee Group A						
Payroll fees (per employee processed per pay period)	$1.25	$1.32	$1.34	$1.34	$1.56	$1.47

Payroll rates have been established to maintain a 60-day working capital. A budget is established for the 2009 biennium, distributed as a fixed cost to the Employee Benefits program for services rendered by the Payroll Unit to support benefit operations associated with managing the State's payroll system; and to state agencies based on a projected number of employees to be paid. The estimate of the number of employees each agency pays is determined from experience in FYs 2005 and 2006.

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

	Total Agency Impact	General Fund Total
FY 2008	$6,394	$0
FY 2009	$6,632	$0

PL- 311 - Allocate Department Indirect/Administrative Costs -
This request will fund changes in the department's indirect/administrative costs for services received from other proprietary funded centralized service functions of the agency.

--New Proposals--

	Total Agency Impact	General Fund Total
FY 2008	$28,400	$0
FY 2009	$0	$0

NP- 2310 - Advanced Payroll Systems Training -
This budget request is for funding of $28,400 to be used to contract directly with the PeopleSoft/Oracle Corporation for specific, high-level, on-site payroll, human resources, and benefits systems training for its staff. A PeopleSoft payroll trainer will be on-site for several weeks to provide in-depth orientation and training on the system.

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Please note that this program also contains HB0002 data.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	16.00	0.00	0.00	16.00	0.00	0.00	16.00
Personal Services	776,033	193,149	0	969,182	195,793	0	971,826
Operating Expenses	4,284,427	1,575,565	0	5,859,992	1,566,415	0	5,850,842
Benefits & Claims	1,876,913	0	0	1,876,913	0	0	1,876,913
Total Costs	**$6,937,373**	**$1,768,714**	**$0**	**$8,706,087**	**$1,762,208**	**$0**	**$8,699,581**
Proprietary	6,937,373	1,768,714	0	8,706,087	1,762,208	0	8,699,581
Total Funds	**$6,937,373**	**$1,768,714**	**$0**	**$8,706,087**	**$1,762,208**	**$0**	**$8,699,581**

Program Description –

In accordance with 2-9-201, MCA, the Department of Administration is authorized to accumulate a self-insurance fund (fund 06532) to pay for losses, purchase insurance, and to fund operations. Insurance premium payments are made by state agencies (account 525100) into a self-insurance fund from legislative appropriations. Funding for insurance is authorized in agency's budgets by the Office of Budget and Program Planning and approved by the legislature each biennium in accordance with 17-7-501, MCA. All charges are recorded in 62104. Proceeds from the self-insurance fund are statutorily appropriated for the payment of property/casualty claims in accordance with 2-9-305, MCA. Passage of HB 576 during the 1995 legislative session changed statute to move proprietary funds off budget and require fees and charges that finance internal service funds to be commensurate with costs and approved by the legislature in accordance with 17-7-123, MCA.

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

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

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

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

In February of 2006, the Risk Management & Tort Defense Division contracted with Tillinghast Inc., an actuarial consulting firm, to project the State of Montana’s estimated unpaid loss and loss adjustment expenses (i.e. payments for settlements, judgments, verdicts, attorney's fees, adjuster's fees, and associated costs).

Actuarial evaluations provide an estimate of the funding that would be necessary if all of the state's claims and lawsuits for prior fiscal years came due at the same time. For example, actuarial projections of unpaid losses as of 6/30/2006 are estimated at $16,215,516. If the state had to pay all of these losses at once then it would need $16,215,516 on 6/30/2006. Actuarially projected future loss costs for FY 2008 and FY 2009 developed to ultimate projected loss for those fiscal years are respectively $6,044,068 and $6,421,827.

Revenues and Expenses -
Auto - State agencies own or lease approximately 9,200 vehicles. Vehicles are used for diverse and 'high risk' activities such as highway maintenance, law enforcement, construction, and 'off-road' travel. These activities present significant liability exposure for the state. Department of Administration initiatives to prevent and mitigate claims through insurance premium discounts, loss prevention, implementation of policies and procedures, and effective claims management have been very successful.

Approximately 6,800 state and university employees have attended defensive driving training since FY 2000. The number of claims, total incurred losses, and average cost per claim have declined since FY2003. Claims, loss expenses, and actuarial estimates of claims payable are trending downward and provide an indication that premiums for this line of insurance should be reduced. Proposed premiums are $1,146,000 for each year of the '2009 biennium' and represent a reduction of $522,644 each year of the biennium from FY 2006.

Aviation - State agencies own and operate 26 aircraft (including helicopters) that are used for various functions such as law enforcement, game management, fire fighting, transportation of state employees, and aerial topography. The number of flights into West Yellowstone totals 3,000 per year. The state also owns and operates 15 state airports that connect Montana citizens and visitors. Historically, the state has had very few aviation losses. The number of claims, total incurred losses, and average cost per claim, have been stable since FY 2000.

Proposed premiums for the '2009' biennium are slightly higher due to an increase in the cost of catastrophic commercial insurance. An actuarial study is not conducted for aviation insurance due to the small number of claims and variability in costs. Proposed premiums are $167,807 in FY 2008 and $185,931 in FY09 and represent a decrease of $6,207 in FY 2008 and an increase of $11,917 in FY 2009 from FY 2006.

General Liability - State agencies operate prisons, hospitals, and institutions. In addition, state agencies are responsible for highway maintenance and design, law enforcement, wildlife resource management, supervision of foster children, and many other vital, high-risk functions.

The number of liability claims and associated costs continues to decline despite an increase in exposure. On July 1, 2000 the Department of Transportation assumed responsibility for an additional 7,500 miles of secondary highways formerly maintained by cities and counties. The total incurred losses and average cost per claim have declined since FY 2000.

Claims, loss expenses, and actuarial estimates of claims payable have declined. Proposed premiums are $7,124,000 for FY 2008 and FY 2009 and represent a reduction of $79,492 each year of the biennium.

Property - State agencies and universities own or lease 4,219 properties with an estimated current replacement cost value in excess of $3 billion. In addition, the state maintains and operates 545 boilers and is responsible for fine art whose estimated market value exceeds $200,000,000.

The Risk Management & Tort Defense Division self-funds losses that fall below commercial catastrophic insurance deductibles of $250,000 per occurrence. State agencies have experienced numerous, catastrophic losses stemming from flood, hail, wind, fire, and arson. Recent hurricane losses in Florida and the Tsunami in India have had a significant impact on the affordability and availability of commercial insurance. State property exposure is significant.

The number of claims, total incurred losses, and average cost per claim since FY 2000 are volatile. Proposed premiums are $4,443,591 each year of the biennium and represent a reduction of $941,704 for both FY 2008 and FY 2009 from FY 2006.

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Rate Explanation –
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.

Funding for insurance is authorized in agency's budgets by the Office of Budget and Program Planning and approved by the legislature each biennium in accordance with 17-7-123, MCA. Proceeds from the property/casualty insurance fund are used to pay claims, purchase insurance, and fund operations.

Premium Development – Premium development involves the following steps: Step 1 - Evaluate historical exposure, losses, and premiums; Step 2 - Project unallocated expenses through FY 2009; Step 3 - Project allocated expenses through FY 2009; Step 4 - Determine an appropriate level of premium to achieve funding objectives; Step 5 - Apportion premiums to state agencies and universities based upon historical loss experience and exposure (i.e. vehicles, properties, FTE, etc.).

2009 Biennium Proposed Premiums - Proposed premiums for the '2009 biennium are as follows: Auto – FY 2008 and FY 2009, $1,146,000 each year of the biennium; Aviation – FY 2008 $167,807 and FY 2009 $185,931; General Liability- FY 2008 and FY 2009, $7,124,500 each year of the biennium; and Property – FY 2008 and FY 2009, $4,443,591 each year of the biennium.

Premiums for FY 2008 and FY 2009 are apportioned based upon exposure and uniform reductions in loss experience as follows:

Auto: Total auto premium collections of $1,146,000 each year of the biennium is comprised of two separate insurance coverage: auto comp/collision FY 2008-$226,809 and FY 2009-$345,072 and auto liability premium FY 2008-$919,191and FY 2009-$800,928. Auto comp/collision premiums for FY 2008 and FY 2009 are based upon total values of reported vehicles. Auto liability insurance premium is $919,191 in FY 2008 (39.5% reduction from FY 2006) and $800,928 in FY 2009 (47.3% reduction from FY 2006).Premium reductions will be applied uniformly across agencies.

Aviation: Aviation premium of $167,807 in FY 2008 and $185,931 in FY 2009 is allocated to those agencies that have aircraft based upon charges from commercial insurance carriers for each aircraft, depending on the year, make, model, and value of the aircraft. Airport premium is apportioned to those agencies that have airports based upon the number of airports.

General Liability: Total general liability premium of $7,124,500 each year of the biennium is comprised of commercial coverage and self-insured coverage as follows: commercial coverage FY 2008-$60,118 and FY 2009 $60,118 and self-insured coverage FY 2008-$7,064,382 and FY 2009-$7,064,382. Commercial coverage charges are negotiated with commercial insurance carriers. Self-insured coverage collections are $7,064,382 in FY 2008 and FY 2009 (a 1.9% reduction from FY 2006). Reductions in premium each year of the biennium will be applied uniformly across agencies.

Property: Property insurance premium of $4,443,591 is allocated to each agency based its percentage of reported exposures (e.g. building replacement cost values, boilers & machinery, etc.).

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Fund	Fund Name	Agency #	Agency Name	Program Name
6532	Agency Insurance Int Srv	61010	Department of Administration	Risk Management & Tort Defense

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Revenue from Fee F	-	-	-	-	-	-
Net Fee Revenue	-	-	-	-	-	-
Investment Earnings	59,371	282,784	775,979	-	-	-
Securities Lending Income	-	-	13,528	-	-	-
Premiums	14,717,612	15,283,793	13,932,064	14,499,856	12,881,898	12,900,022
Other Operating Revenues	6,386	24,378	192	-	-	-
Total Operating Revenue	14,783,369	15,590,955	14,721,763	14,499,856	12,881,898	12,900,022
Operating Expenses:						
Personal Services	654,187	655,937	771,833	859,346	969,182	971,826
Other Operating Expenses	1,942,226	4,660,762	2,894,205	7,617,804	7,735,266	7,725,990
Total Operating Expenses	2,596,413	5,316,699	3,666,038	8,477,150	8,704,448	8,697,816
Operating Income (Loss)	**12,186,956**	**10,274,256**	**11,055,725**	**6,022,706**	**4,177,450**	**4,202,206**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	37,518	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	37,518	-	-	-
Income (Loss) Before Operating Transfers	12,186,956	10,274,256	11,093,243	6,022,706	4,177,450	4,202,206
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	615,582	1,134,367	296,251	682,067	682,067	682,067
Operating Transfers Out (Note 13)	(369,491)	(10,236)	-	(126,576)	(126,576)	(126,576)
Change in net assets	12,433,047	11,398,387	11,389,494	6,578,197	4,732,941	4,757,697
Total Net Assets- July 1 - As Restated	(33,651,273)	(21,218,226)	(9,819,839)	1,569,655	8,147,852	12,880,793
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	(33,651,273)	(21,218,226)	(9,819,839)	-	-	-
Net Assets- June 30	**(21,218,226)**	**(9,819,839)**	**1,569,655**	**8,147,852**	**12,880,793**	**17,638,490**
60 days of expenses (Total Operating Expenses divided by 6)	432,736	886,117	611,006	1,412,858	1,450,741	1,449,636

Requested Rates for Internal Service Funds
Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Premium	-	-	-	-	-	-
Auto/Comp/Collision	1,028,497	1,031,695	1,604,213	1,671,416	1,146,000	1,146,000
Aviation	167,184	167,622	174,014	174,003	167,807	185,931
General Liability	10,566,132	11,142,552	7,203,992	7,242,383	7,124,500	7,124,500
Property/Miscellaneous	2,955,799	2,941,924	4,949,845	5,412,054	4,443,591	4,443,591
Total	14,717,612	15,283,793	13,932,064	14,499,856	12,881,898	12,900,022

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

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

	Total Agency Impact	General Fund Total
FY 2008	($1,580)	$0
FY 2009	($1,172)	$0

PL- 311 - Allocate Department Indirect/Administrative Costs -
This request will fund changes in the department's indirect/administrative costs for services received from other proprietary funded centralized service functions of the agency.

	Total Agency Impact	General Fund Total
FY 2008	$572,370	$0
FY 2009	$572,370	$0

PL- 2401 - RMTD Insurance -
Reinsurance premiums are projected to increase 35% due to catastrophic losses worldwide. This request will provide spending authority to allow the division to pay the increase reinsurance premiums.

	Total Agency Impact	General Fund Total
FY 2008	$1,000,000	$0
FY 2009	$1,000,000	$0

PL- 2402 - RMTD Libby Asbestos Litigation -
Over 1,000 plaintiffs are seeking damages stemming from exposure to hazardous materials at Libby. The Risk Management & Tort Defense Division is responsible for the defense of these claims on several fronts including participation in sponsored federal relief programs, pursuit of damages against insurance companies, and defense of class action lawsuits. This request will provide spending authority for the division to defend the State of Montana on these various fronts.

State Compensation Ins. Fund - 6103

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

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

Montana State Fund oversees two programs:

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

Section 39-71-2321, MCA, provides that all funds deposited in Montana State Fund may be expended as provided in 17-8-101(2)(b), MCA, under general laws, or contracts entered into in pursuance of law, permitting the disbursement. Based on this statutory provision Montana State Fund 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. The board is vested with full power, authority, and jurisdiction over Montana State Fund. The board may perform all acts necessary or convenient in the exercise of any power, authority, or jurisdiction over the state fund, either in the administration of the state fund or in connection with the insurance business to be carried on under the provisions of this part, as fully and completely as the governing body of a private mutual insurance carrier, in order to fulfill the objectives and intent of this part, 39-71-2315, MCA

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 attend Montana State Fund board meetings and receive board meeting agendas and information relating to agenda items.

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

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

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

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

State Compensation Ins. Fund - 6103

Agency Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	296.50	0.00	0.00	296.50	3.50	0.00	300.00
Personal Services	18,856,402	1,078,301	0	19,934,703	1,791,228	0	20,647,630
Operating Expenses	13,703,194	11,875,532	0	25,578,726	12,851,584	0	26,554,778
Equipment	3,134,690	(824,697)	0	2,309,993	(1,006,557)	0	2,128,133
Benefits & Claims	124,461,944	27,000,313	0	151,462,257	33,613,865	0	158,075,809
Total Costs	**$160,156,230**	**$39,129,449**	**$0**	**$199,285,679**	**$47,250,120**	**$0**	**$207,406,350**
Proprietary	160,156,230	39,129,449	0	199,285,679	47,250,120	0	207,406,350
Total Funds	**$160,156,230**	**$39,129,449**	**$0**	**$199,285,679**	**$47,250,120**	**$0**	**$207,406,350**

State Compensation Ins. Fund – 6103
Montana State Fund - 01

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	296.50	0.00	0.00	296.50	3.50	0.00	300.00
Personal Services	18,856,402	1,078,301	0	19,934,703	1,791,228	0	20,647,630
Operating Expenses	12,690,627	12,683,099	0	25,373,726	13,664,151	0	26,354,778
Equipment	3,134,690	(824,697)	0	2,309,993	(1,006,557)	0	2,128,133
Benefits & Claims	113,568,125	26,519,472	0	140,087,597	33,230,660	0	146,798,785
Total Costs	**$148,249,844**	**$39,456,175**	**$0**	**$187,706,019**	**$47,679,482**	**$0**	**$195,929,326**
Proprietary	148,249,844	39,456,175	0	187,706,019	47,679,482	0	195,929,326
Total Funds	**$148,249,844**	**$39,456,175**	**$0**	**$187,706,019**	**$47,679,482**	**$0**	**$195,929,326**

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

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

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

Under the workers' compensation and occupational disease laws of Montana, Montana State Fund is liable for payment of benefits to employees for injuries arising out of and in the course of employment, or in the case of death or injury, to the beneficiaries. Montana State Fund pays benefits to injured employees based on a schedule of benefits established in law (Title 39, Chapter 71, MCA).

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

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

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

State Compensation Ins. Fund – 6103
Montana State Fund - 01

Montana State Fund's Board of Directors is the approving authority for Montana State Fund's annual budget (39-71-2363, MCA). The board has not approved the expenditure levels in the following budget table for the 2009 Biennium. Changes in business conditions and the competitive market in which Montana State Fund operates, as well as changing trends in medical and indemnity benefits, will result in changes to the budgets the Board of Directors will ultimately approve in the 2009 Biennium.

Montana State Fund operates in a team environment focused on responsiveness toward our customers and business partners. We follow accepted insurance industry practices to ensure financial strength and stability and stability in the marketplace. Montana State Fund has a fiduciary responsibility to all who receive benefits to make certain that we retain adequate equity to deal with any future contingencies.

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

Revenues and Expenses -
Workers' compensation premiums and investment earnings on Montana State Fund assets fund Montana State Fund operations. Montana State Fund does not receive direct appropriations of general fund monies.

Montana State Fund will be implementing a change to SABHRS accounting codes that will impact budget and expenditures representations from FY 2006 base budget. Two types of transactions, with budgetary material amounts, that in FY 2006 were recorded on SABHRS as budgeted transactions are being changed to record as non-budgeted transactions beginning in FY 2007 and forward.

1) Contingent commissions associated with Montana State Fund's reinsurance program will be recorded as a non-budgeted expenditure. This is a non-cash transaction that has the impact of reducing actual expenditures as compared to budget when recorded as a budgeted transaction as in FY 2006. Recording these reinsurance transactions as non-budgeted will provide a more representative reflection of State Fund's actual expenditures as compared to budget. This change will not impact Montana State Fund's financial statements or financial position.

2) Old Fund administrative cost allocation's SABHRS transactions will be changed to non-budgeted beginning in FY 2007 and forward. The actual expenditures of administering the Old Fund claims are recorded as budgeted in the appropriate accounts as Montana State Fund expenditures. This change will not impact the allocation of the expense of administering Old Fund claims by Montana State Fund, as provided in law (39-71-2352(3),MCA), just the budgetary treatment of the allocation. The Old Fund, fund 06039, will be charged for the expense but the expenditures will be reflected against the Montana State Fund (Program 01) budget rather than the Old Fund (program 02) budget. Recording the allocation as non-budgeted will provide a more representative reflection of Montana State Fund, program 01, and the Old Fund, program 02, actual expenditures as compared to budget. This change will not impact the Old Fund's or Montana State Fund's financial statements or financial position.

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

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

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

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

	Total Agency Impact	General Fund Total
FY 2008	$38,982,053	$0
FY 2009	$47,175,816	$0

PL- 1 - Adjust MBARS to MSF staff estimate for State Fund -
Montana State Fund’s budget is annually approved by its’ Board of Directors as provided in law. The budget data provided for the biennium reflects staff estimates of the FY 2008 and FY 2009 annual budgets using the Montana State Fund's FY 2007 Strategic Business Plan and board approved FY 2007 budget as the basis of these estimates. The FY 2008 and FY 2009 budgets reflect expenditures of continued operations under current law, payment of benefits to injured employees, estimated impacts FY 2007 strategic initiatives, and initiatives expected in FY 2008 and FY 2009.

State Compensation Ins. Fund – 6103
Old Fund - 02

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	1,012,567	(807,567)	0	205,000	(812,567)	0	200,000
Benefits & Claims	10,893,819	480,841	0	11,374,660	383,205	0	11,277,024
Total Costs	**$11,906,386**	**($326,726)**	**$0**	**$11,579,660**	**($429,362)**	**$0**	**$11,477,024**
Proprietary	11,906,386	(326,726)	0	11,579,660	(429,362)	0	11,477,024
Total Funds	**$11,906,386**	**($326,726)**	**$0**	**$11,579,660**	**($429,362)**	**$0**	**$11,477,024**

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

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

Old Fund operating expenses are for direct expenses of the Old Fund, such as the Department of Labor and Industry's Administrative Assessment. A fund balance transfer from the Old Fund to Montana State Fund, limited in law to no more than $1.25 million per year, compensates Montana State Fund for the expense of Old Fund for claims administration.

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

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

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

If in any fiscal year after the old fund liability tax is terminated claims for injuries resulting from accidents that occurred before July 1, 1990, are not adequately funded, any amount necessary to pay claims for injuries resulting from accidents that occurred before July 1, 1990, must be transferred from the general fund to the account provided for in 39-71-2321.

State Compensation Ins. Fund – 6103
Old Fund - 02

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

	Total Agency Impact	General Fund Total
FY 2008	($326,726)	$0
FY 2009	($429,362)	$0

PL- 2 - Adjust MBARS to MSF Staff Estimate for Old Fund -
The Old Fund budget is annually approved by the Montana State Fund Board of Directors. The data provided in MBARS for the biennium reflects MSF staff estimates.

This decision package is being used to adjust MBARS to reflect State Fund staff estimates of FY 2008 and FY 2009 annual budgets.

Dept Of Fish, Wildlife & Parks-5201

Please note that this agency also contains HB0002 data.

Mission Statement - Montana Fish, Wildlife & Parks, through our 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 Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	3.26	0.80	0.00	4.06	0.80	0.00	4.06
Personal Services	141,478	15,865	0	157,343	16,435	0	157,913
Operating Expenses	2,031,016	323,579	0	2,354,595	523,300	0	2,554,316
Equipment	806,416	0	0	806,416	0	0	806,416
Total Costs	**$2,978,910**	**$339,444**	**$0**	**$3,318,354**	**$539,735**	**$0**	**$3,518,645**
Proprietary	2,978,910	339,444	0	3,318,354	539,735	0	3,518,645
Total Funds	**$2,978,910**	**$339,444**	**$0**	**$3,318,354**	**$539,735**	**$0**	**$3,518,645**

Dept Of Fish, Wildlife & Parks-5201
Field Services Division-02

Please note that this program also contains HB0002 data.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	311,541	(284)	0	311,257	5,473	0	317,014
Total Costs	**$311,541**	**($284)**	**$0**	**$311,257**	**$5,473**	**$0**	**$317,014**
Proprietary	311,541	(284)	0	311,257	5,473	0	317,014
Total Funds	**$311,541**	**($284)**	**$0**	**$311,257**	**$5,473**	**$0**	**$317,014**

Program Description-

The Field Services Program (fund 06502) provides aerial surveillance of wildlife for projections. This program's table is presented under the Management and Finance Division (program 9) section since the majority of the expenditures are recorded there. Field Services records expenditures for aircraft activity. Management & Finance records revenue for both the aircraft and vehicle activity as well as the expenditures for vehicle activity. See Management and Finance Division (program 9) section for complete proprietary analysis of this fund.

Dept Of Fish, Wildlife & Parks-5201
Parks Division-06

Please note that this program also contains HB0002 data.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	94,405	186	0	94,591	231	0	94,636
Total Costs	**$94,405**	**$186**	**$0**	**$94,591**	**$231**	**$0**	**$94,636**
Proprietary	94,405	186	0	94,591	231	0	94,636
Total Funds	**$94,405**	**$186**	**$0**	**$94,591**	**$231**	**$0**	**$94,636**

Program Description -
23-1-105 (5), MCA, authorizes the Parks Division of Montana Fish, Wildlife and Parks to establish an enterprise fund (fund 06068) for the purpose of managing state park visitor services revenue.

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

The fund was established primarily to better manage parks visitor centers that sell books at parks like Ulm Pishkun, Makoshika, and Chief Plenty Coups as well as parks that sell items like firewood. Monies generated go back into the purchase of inventory and also the improvement of visitor services in state parks and FWP overall.

In FY 2006 this fund accounted for the following monies: $109,580 of earned revenue, $94,408 of expenditures and a fund balance in the amount of $136,577.

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

Working Capital-
A 60-day working capital requirement will provide sufficient cash to fund on-going operations.

Fund Equity-
A portion of the fund balance will be reserved for the inventory.

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

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

Dept Of Fish, Wildlife & Parks-5201
Parks Division-06

2009 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Goods For Resale	74,858	100,299	94,704	80,000	95,000	95,000
Net Fee Revenue	74,858	100,299	94,704	80,000	95,000	95,000
Investment Earnings	360	1,517	3,704	-	-	-
Securities Lending Income	-	-	65	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	75,218	101,816	98,473	80,000	95,000	95,000
Operating Expenses:						
Personal Services	-	-	-	-	-	-
Other Operating Expenses	(7,076)	62,104	52,755	80,222	94,591	94,636
Total Operating Expenses	(7,076)	62,104	52,755	80,222	94,591	94,636
Operating Income (Loss)	**82,294**	**39,712**	**45,718**	**(222)**	**409**	**364**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	82,294	39,712	45,718	(222)	409	364
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	82,294	39,712	45,718	(222)	409	364
Total Net Assets- July 1 - As Restated	25,743	108,037	147,749	193,467	193,245	193,654
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	25,743	108,037	147,749	193,467	193,245	193,654
Net Assets- June 30	**108,037**	**147,749**	**193,467**	**193,245**	**193,654**	**194,018**
60 days of expenses						
(Total Operating Expenses divided by 6)	(1,179)	10,351	8,793	13,370	15,765	15,773

Requested Rates for Enterprise Funds

Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Fee Group A	-	-	-	-	-	-
Goods for resale						

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

Dept Of Fish, Wildlife & Parks-5201
Management And Finance-09

Please note that this program also contains HB0002 data.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	3.26	0.80	0.00	4.06	0.80	0.00	4.06
Personal Services	141,478	15,865	0	157,343	16,435	0	157,913
Operating Expenses	1,625,070	323,677	0	1,948,747	517,596	0	2,142,666
Equipment	806,416	0	0	806,416	0	0	806,416
Total Costs	**$2,572,964**	**$339,542**	**$0**	**$2,912,506**	**$534,031**	**$0**	**$3,106,995**
Proprietary	2,572,964	339,542	0	2,912,506	534,031	0	3,106,995
Total Funds	**$2,572,964**	**$339,542**	**$0**	**$2,912,506**	**$534,031**	**$0**	**$3,106,995**

Program Description –
The management and Finance Division is responsible for the overall management and department direction regarding policy, planning, program development, guidelines, and budgets. Proprietary funds in this division consist of 06501-duplicating center, 06502- vehicle fund, and 06503-warehouse inventory.

The department's duplicating center (fund 06501) provides duplicating and bindery services to department employees. The Duplicating Center has 1.00 FTE and whenever the demand for services is considered too large, the excess jobs are taken to Publications & Graphics to be completed.

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

The department's warehouse (fund 06503) contains mainly uniform items (both for wardens and non-wardens) and items specifically related to the duties of the department such as gill nets for the fisheries biologists. Overhead costs are recovered by charging a predetermined fixed percentage to all sales.

Revenues and Expenses-
Expenses recovered for the duplicating center (06501)in the rates are for personal services, of the 1.00 FTE for operating expenses and the materials needed for duplicating.

The objective of the vehicle fund (fund 06502) is to recover (through rates and annual auction revenues) sufficient funds to cover administrative costs to operate the program (personal services and operations), fuel and repair costs of fleet in addition to being able to replace fleet vehicles at approximately 100,000 miles. A total of 2.56 FTE are funded in this fund. The two largest costs are fuel and repairs. In FY 2004 the fund spent over $675,000 on fuel and $500,000 on repairs. In FY 2006 the fund spent over $985,000 on fuel and $550,000 on repairs. Gasoline expenses have increased an average of 15% over the past four years and we project this rate to continue into the next biennium. In FY 2006 the department drove just over 5,700,000 miles in department vehicles. Due to the proposed rates in FY 2008 and FY2009, the program anticipates revenues of $3.1 million in FY 2006 and $3.3 in FY07.

The expenses associated with the warehouse include personal services, miscellaneous office supplies and expenses for the warehouse worker and inventory purchased needed to replenish existing stock. Revenues are the sales of inventory items to department employees. The department anticipates revenues to be constant at around $90,000 per year for FY 2008 and FY 2009. Beginning in FY 2002, there is 0.20 FTE funded with this program. After reviewing the duties of the warehouseman, the department is requesting this to be increased to 0.50 FTE.

Dept Of Fish, Wildlife & Parks-5201
Management And Finance-09

Working Capital Discussion-
The 60-day working capital for the duplicating center (fund 06501) requirement provides sufficient cash to fund on-going operations of this program. Field projects are billed monthly for the services provided during the month. The workload is fairly consistent so there is little fluctuation in cash balances except when additional inventory is purchased.

The department attempts to manage the vehicle (fund 06502) so that a 60-day working capital amount of cash is available when the cash balance is at its lowest level. To compensate for a cash flow problem created by increasing fuel costs rates were increase 7% in FY 2006. The Executive requests an additional rate increase of 25% in FY 2008 and 10% in FY 2009 for our vehicles and 16% each year for our aircraft. The department attempts to ensure that fees are commensurate with costs over time. It does this in two ways. First, proposed rates for the next biennium take into consideration any excess income or loss generated from previous periods. Second, prior to finalizing new rates at the beginning of a new fiscal year, the rates are recalculated based on actual information. In order to maintain a positive cash balance, the vehicle fund currently has a $300,000 loan from another fund. Working capital at FYE06 was ($58,590). The department anticipates a positive working capital at the end of FY 2009. Divisions are billed monthly for the miles driven (hours flown) during the previous month. Cash balances fluctuate during the year for two reasons. The first is that monthly mileage is greater during in the summer and fall than during the winter and spring. The second reason is that new vehicles are purchased in the spring. Thus cash balances are normally highest in December after the hunting season and lowest in the spring after purchasing the new vehicles. Fiscal year end balances tend to be significantly higher than spring balances

The 60-day working capital requirement for warehouse inventory (fund 06503) provides sufficient cash to fund on-going operations of this program. The department attempts to ensure that fees are commensurate with costs over time by adjusting the proposed rates for excess income or loss from previous periods. Field projects are billed monthly for the purchases made during the month. Cash balances fluctuate during the year. Cash balances are lowest during the winter when stock is replenished and highest during the summer when temporary and seasonal employees are hired.

Fund Equity and Reserved Fund Balance-
A portion of the duplicating center (fund 06501) balance has been reserved for equipment and inventory. At FYE 2006 the book value of the fund's assets was $35,568 and the fund had $8,929 in inventory.

There is no requirement to reserve fund balance for the vehicle fund (fund 06502). At FYE 2006, the vehicle fund had total assets of $6,665,000 and the book value (original cost less accumulated depreciation) of the fleet was $6,198,000. The major liability is a $300,000 loan to ensure a positive cash balance at year-end. A portion of the program's fund balance has been reserved for the book value of department vehicles and aircraft.

A portion of the warehouse fund (fund 06503) balance has been reserved for the warehouse inventory, at FYE 2006, the warehouse inventory was $100,500.

Rate Explanation-
The rate methodology for the duplicating center (fund 06501) attempts to determined a rate for various duplicating and bindery services that allows the fund to recover both the cost of the raw materials and all associated personal services and operating costs. Rates have been historically adjusted based on the need to increase or decrease the cash balance. The requested rates have been increased only to recover anticipated inflationary increases in the raw materials and administrative costs.

The rate methodology for vehicle fund (fund 06502) attempts to determine a cost per mile rate for various classes of vehicles and a cost per hour rate for each class of aircraft. The methodology is to determine the previous year's expenses, including operating, maintenance and administration expenses minus the previous year's revenue generated from the rates and the annual vehicle auction to establish the net cash inflow. Future year expenses are estimated based on the most current year's information plus a 3% inflationary factor. Using the most current year's mileage and the projected expenses, a cost/mile (hour) rate is determined for the future years. The goal is to have a cash balance at fiscal year end equal to 60 days of total operating expenses. Due to the current cash balance and the increased fuel costs, the proposed vehicle rates have been increased 25% in FY 2008 and 10% in FY 2009 and our proposed aircraft rates have been increased and average of 16% each year of the biennium. In addition, in order to more fairly charge users, a minimum mileage rate was instigated in FY 2000. This was an attempt to recover overhead costs whether a vehicle is driven or not. A minimum monthly overhead charge would be assessed to each vehicle that is not driven a minimum number of miles. By using this method, the overhead costs are recovered and low mileage vehicles are not being subsidized by higher mileage vehicles.

The rate requested for the warehouse inventory (fund 06503) is an overhead rate that is added to the cost of the inventory items. The overhead rate will generate sufficient revenue to cover the administrative costs of the program. In order to fund 0.20 FTE for a warehouse worker, the 2001 Legislature approved a 14% fixed overhead rate for FY 2002 and FY 2003. The department requested and received a reduced rate of 5% for the FY 2006 and FY 2007. The department requests to continue the 5% overhead rate for FY 2008 and FY 2009. The rate is calculated by estimating the support costs required to maintain the warehouse function such as personal services, office supplies and other miscellaneous office costs. Based on estimated warehouse sales, a fixed overhead percentage is determined that allows the department to recover the warehouse support costs. This rate is also adjusted for any previous over or under collections. Due to the size of this operation, a simple warehouse overhead rate has been considered the most logical.

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Fund	Fund Name	Agency #	Agency Name	Program Name
06501	Duplicating Center	52010	Fish, Wildlife & Parks	Management & Finance

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Revenue from Duplicating Center	95,176	90,940	65,469	90,000	110,000	110,000
Net Fee Revenue	95,176	90,940	65,469	90,000	110,000	110,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	95,176	90,940	65,469	90,000	110,000	110,000
Operating Expenses:						
Personal Services	29,267	29,306	32,210	33,596	33,640	33,640
Other Operating Expenses	58,674	62,529	52,750	52,317	74,561	74,630
Total Operating Expenses	87,941	91,835	84,960	85,913	108,201	108,270
Operating Income (Loss)	**7,235**	**(895)**	**(19,491)**	**4,087**	**1,799**	**1,730**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	2,400	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	2,400	-	-	-	-	-
Income (Loss) Before Operating Transfers	9,635	(895)	(19,491)	4,087	1,799	1,730
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	9,635	(895)	(19,491)	4,087	1,799	1,730
Total Net Assets- July 1 - As Restated	53,482	63,117	62,222	42,731	46,818	48,617
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	53,482	63,117	62,222	42,731	46,818	48,617
Net Assets- June 30	**63,117**	**62,222**	**42,731**	**46,818**	**48,617**	**50,347**
60 days of expenses						
(Total Operating Expenses divided by 6)	14,657	15,306	14,160	14,319	18,034	18,045

Requested Rates for Internal Service Funds

Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Duplicating (number of copies)						
1-20	0.045	0.045	0.045	0.050	0.050	0.055
21-100	0.030	0.030	0.030	0.035	0.035	0.040
101-1000	0.025	0.025	0.025	0.025	0.030	0.035
1001-5000	0.020	0.020	0.020	0.025	0.025	0.030
Color Copies	0.250	0.200	0.200	0.020	0.250	0.250
Bindery						
Colating (per sheet)	0.005	0.005	0.005	0.005	0.005	0.005
Hand stapling (per set)	0.015	0.015	0.015	0.015	0.015	0.015
Saddle stitch (per set)	0.030	0.030	0.030	0.030	0.030	0.030
Folding (per sheet)	0.005	0.005	0.005	0.005	0.005	0.005
Punching (per sheet)	0.001	0.001	0.001	0.001	0.001	0.001
Cutting (per minute)	0.550	0.550	0.550	0.550	0.550	0.550

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2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06502	Vehicle Fund	52010	Fish, Wildlife & Parks	Management & Finance

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Revenue from vehicle fees	2,210,440	2,222,828	2,324,827	2,500,000	2,696,000	2,650,000
Revenue from aircraft fees	-	-	-	-	304,000	350,000
Net Fee Revenue	2,210,440	2,222,828	2,324,827	2,500,000	3,000,000	3,000,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	4	7,892	-	-	-	-
Total Operating Revenue	2,210,444	2,230,720	2,324,827	2,500,000	3,000,000	3,000,000
Operating Expenses:						
Personal Services	74,824	95,638	89,945	136,703	77,524	77,600
Other Operating Expenses	1,948,846	2,099,808	2,230,306	2,351,728	2,917,368	3,092,298
Total Operating Expenses	2,023,670	2,195,446	2,320,251	2,488,431	2,994,892	3,169,898
Operating Income (Loss)	**186,774**	**35,274**	**4,576**	**11,569**	**5,108**	**(169,898)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(108,268)	(297,310)	(424,817)	(150,000)	(125,000)	(100,000)
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(108,268)	(297,310)	(424,817)	(150,000)	(125,000)	(100,000)
Income (Loss) Before Operating Transfers	78,506	(262,036)	(420,241)	(138,431)	(119,892)	(269,898)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	65,718	158,982	109,316	120,000	110,000	110,000
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	144,224	(103,054)	(310,925)	(18,431)	(9,892)	(159,898)
Total Net Assets- July 1 - As Restated	6,451,333	6,594,648	6,491,594	6,180,669	6,162,238	6,152,346
Prior Period Adjustments	(909)	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	6,450,424	6,594,648	6,491,594	6,180,669	6,162,238	6,152,346
Net Assets- June 30	**6,594,648**	**6,491,594**	**6,180,669**	**6,162,238**	**6,152,346**	**5,992,448**
60 days of expenses (Total Operating Expenses divided by 6)	337,278	365,908	386,709	414,739	499,149	528,316

Requested Rates for Internal Service Funds

Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Revenue from vehicle fees						
Sedans (per mile)	0.28	0.31	0.30	0.30	0.38	0.40
Vans (per mile)	0.29	0.32	0.33	0.33	0.41	0.43
Utilities (per mile	0.36	0.38	0.37	0.37	0.46	0.50
Pickups - 1/2 ton (per mile)	0.35	0.36	0.32	0.32	0.38	0.40
Pickups - 3/4 ton (per mile)	0.35	0.36	0.37	0.37	0.46	0.51
Revenue from aircraft fees						
Two place - single engine (per hour)	56.72	56.72	59.56	62.54	75.05	90.06
Partnavia (per hour)	283.60	297.78	297.78	297.78	357.34	428.80
Turbine helicoptors (per hour)	345.72	345.72	363.01	363.01	417.46	480.08

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

NOTE: This table is being presented under program 9 since the majority of the expenditures are recorded under it.
Program 2 Field Services records expenditures for aircraft activity.
Program 9 Management & Finance records revenue for both the aircraft and vehicle activity as well as the expenditures for vehicle activity.

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2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06503	Warehouse Inventory	52010	Fish, Wildlife & Parks	Management & Finance

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Revenue from warehouse sales	103,141	91,960	99,246	80,000	80,000	80,000
Net Fee Revenue	103,141	91,960	99,246	80,000	80,000	80,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	2	-	-	-	-
Total Operating Revenue	103,141	91,962	99,246	80,000	80,000	80,000
Operating Expenses:						
Personal Services	4,692	5,233	18,610	20,779	15,165	15,310
Other Operating Expenses	71,835	94,055	116,984	73,287	120,505	120,531
Total Operating Expenses	76,527	99,288	135,594	94,066	135,670	135,841
Operating Income (Loss)	**26,614**	**(7,326)**	**(36,348)**	**(14,066)**	**(55,670)**	**(55,841)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(18,566)	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(18,566)	-	-	-	-	-
Income (Loss) Before Operating Transfers	8,048	(7,326)	(36,348)	(14,066)	(55,670)	(55,841)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	8,048	(7,326)	(36,348)	(14,066)	(55,670)	(55,841)
Total Net Assets- July 1 - As Restated	198,121	206,169	198,843	162,495	148,429	92,759
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	198,121	206,169	198,843	162,495	148,429	92,759
Net Assets- June 30	**206,169**	**198,843**	**162,495**	**148,429**	**92,759**	**36,918**
60 days of expenses (Total Operating Expenses divided by 6)	12,755	16,548	22,599	15,678	22,612	22,640

Requested Rates for Internal Service Funds

Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Warehouse overhead rate	5%	5%	5%	5%	5%	5%

The rates above indicate percentage markup on cost of uniform pieces and other warehouse items that are purchased by the warehouse fund for department employees.

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

	Total Agency Impact	General Fund Total
FY 2008	$17,811	$0
FY 2009	$28,766	$0

PL- 205 – Field Services Aircraft Fuel -
The Field Services Division requests a proprietary fund authority increase of $46,577 for the 2009 biennium due to vacant positions and increase of operating expenses due to activation of two aircraft that had previously been inactive during the base year.

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

	Total Agency Impact	General Fund Total
FY 2008	$333,243	$0
FY 2009	$518,493	$0

PL- 961 - Mgmt and Finance Proprietary -
The increase in vehicle proprietary FTE allows the department to have an additional half time mechanic in its vehicle shop. The department has found that it is more cost effective to perform as many routine maintenance and vehicle repairs as possible at the Helena shop.

Dept. Of Environmental Quality-5301

Please note that this agency also contains HB0002 data.

Mission Statement - To protect, promote 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 Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	55.50	0.00	0.00	55.50	0.00	0.00	55.50
Personal Services	2,930,900	339,354	0	3,270,254	351,589	0	3,282,489
Operating Expenses	1,221,777	1,016,822	0	2,238,599	978,030	0	2,199,807
Equipment	24,731	(4,731)	0	20,000	(4,731)	0	20,000
Total Costs	**$4,177,408**	**$1,351,445**	**$0**	**$5,528,853**	**$1,324,888**	**$0**	**$5,502,296**
Proprietary	4,177,408	1,351,445	0	5,528,853	1,324,888	0	5,502,296
Total Funds	**$4,177,408**	**$1,351,445**	**$0**	**$5,528,853**	**$1,324,888**	**$0**	**$5,502,296**

Dept. Of Environmental Quality-5301
Central Management Program-10

Please note that this program also contains HB0002 data.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	55.50	0.00	0.00	55.50	0.00	0.00	55.50
Personal Services	2,930,900	339,354	0	3,270,254	351,589	0	3,282,489
Operating Expenses	1,221,777	1,016,822	0	2,238,599	978,030	0	2,199,807
Equipment	24,731	(4,731)	0	20,000	(4,731)	0	20,000
Total Costs	**$4,177,408**	**$1,351,445**	**$0**	**$5,528,853**	**$1,324,888**	**$0**	**$5,502,296**
Proprietary	4,177,408	1,351,445	0	5,528,853	1,324,888	0	5,502,296
Total Funds	**$4,177,408**	**$1,351,445**	**$0**	**$5,528,853**	**$1,324,888**	**$0**	**$5,502,296**

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

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

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

The department has one proprietary fund, which is an internal service fund used to account for the department's indirect cost activity. The department is proposing a change in the method of indirect rate application from one rate applied only to personal services to two rates, one applied to personal services and a second applied to operating expenses. It is the department’s opinion that application of these two rates provides a more equitable basis for funding proprietary services. The department anticipates negotiating the indirect cost rates with the U.S. Environmental Protection Agency (EPA).

Revenues and Expenses -
The department anticipates negotiating the indirect cost rates with the U.S. Environmental Protection Agency (EPA) of approximately 22.5 percent applied against personal services and 3 percent applied against operating costs for FY2008 and 21 percent and 4 percent respectively for FY 2009. Revenues generated by the current indirect cost rates fund 55.50 FTE.

The Central Management Program provides the services presented in the program description and the department propose adding operating expenses previously directly charged to programs, most notably rent, to be covered by proprietary funding. The cost of providing certain support services directly relate to the number of staff served while other services relate more specifically to contacts and other operating expenses. The department negotiates an indirect rate with EPA based on these computations annually. Adjustments for over-recovery and under-recovery in the previous year are made to the calculations each year. EPA and DEQ agree to the services that are included in the indirect calculation. Funding is collected from all non-proprietary sources expended within the department. The FY 2006 base collections were: $506,042 in general fund, $2,033,215 in state special revenue, $1,794,712 in federal special revenue, and $80,698 for non-budgeted activities.

Expense Description-
The major cost drivers within this program are personal services costs, contracts and fixed operating expenses. The program also incurs some travel costs for attendance of public and government meetings, limited overtime costs incurred during peak work periods such as fiscal year end, budget submittal, and special and normal legislative sessions and miscellaneous office supplies and expenses. Expenses are determined by projecting increases or decreases in program staff, contacted activities and fixed operating expenses. Non-typical and one-time expenses are backed out of the cost analysis before calculating the indirect rates. The indirect rate proposed to the legislature will fund 55.50 FTE.

Working Capital-
The objective of program management is to recover costs to fund necessary, ongoing operation of the Central Management Program. The program has no requirement to reserve an excess fund balance. However, the fund normally carries a 60-day working capital balance to meet immediate cash needs for covering payroll and various operating costs that are not charged equally throughout the year.

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

Rate Explanation –
Currently, the department is requesting a methodology change in the calculation of the indirect cost allocation plan. In the past, a fixed rate has been applied against personal services, temporary services, and work-study contracts charged within each division of the department, other than the proprietary expenses in the Central Management Program. Review of the proprietary fund calculation disclosed that programs supporting more personnel and less contract/operating services were bearing a disproportionate share of indirect costs compared with programs with high operating and contract service costs. With these inconsistencies in mind, the department has developed a new methodology charging a smaller percentage on personal services and a marginal rate on operating expenses. In addition to analyzing the rates, the department reviewed the expenses covered by the proprietary fund and determined it would be appropriate and beneficial to all programs to include building rent and photocopy expenses.

The legislature approves a cap for the indirect rate. In the previous legislative session, this cap was set at 24% on the personal services basis. For the 2009 biennium, the department requests approval of a 22.5% cap on the personal services rate and 4% cap on the operating rate. The department negotiates the annual indirect cost rate with the cognizant agency, the Environmental Protection Agency (EPA). The approved rate is a fixed rate which may be slightly lower than the cap set by legislature. The difference is that the negotiated rate must, and does, include a carry-forward amount representing under-recovery or over-recovery in the fund in a given year. The rate negotiated may be lower but never higher than the legislative cap.

The indirect cost rate is determined based on guidelines prescribed by the federal government. In addition, the department complies with 17-3-111, MCA, which requires agencies to negotiate a rate that would recover indirect costs to the fullest extent possible.

Dept. Of Environmental Quality-5301
Central Management Program-10

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06509	DEQ Indirects	5301	DEQ	Central Management Division

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Revenue from State Services	2,057,043	2,105,376	2,624,142	5,078,720	5,556,743	5,591,445
Net Fee Revenue	2,057,043	2,105,376	2,624,142	5,078,720	5,556,743	5,591,445
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	119,534	-	-	-
Other Operating Revenues	56,227	-	3,024	-	-	-
Total Operating Revenue	2,113,270	2,105,376	2,746,700	5,078,720	5,556,743	5,591,445
Operating Expenses:						
Personal Services	2,467,609	2,691,955	2,970,567	3,250,680	3,955,023	3,936,026
Other Operating Expenses	1,143,806	1,417,642	1,182,083	1,293,549	1,573,830	1,566,270
Total Operating Expenses	3,611,415	4,109,597	4,152,650	4,544,229	5,528,853	5,502,296
Operating Income (Loss)	**(1,498,145)**	**(2,004,221)**	**(1,405,950)**	**534,491**	**27,890**	**89,149**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(1,181)	-	(54,192)	-	-	-
Federal Indirect Cost Recoveries	1,571,619	1,665,274	1,792,090	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	1,570,438	1,665,274	1,737,898	-	-	-
Income (Loss) Before Operating Transfers	72,293	(338,947)	331,948	534,491	27,890	89,149
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	14,018	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	72,293	(338,947)	345,966	534,491	27,890	89,149
Total Net Assets- July 1 - As Restated	1,109,504	1,182,067	842,340	1,156,198	1,690,689	1,718,579
Prior Period Adjustments	270	(780)	(32,108)	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	1,109,774	1,181,287	810,232	1,156,198	1,690,689	1,718,579
Net Assets- June 30	**1,182,067**	**842,340**	**1,156,198**	**1,690,689**	**1,718,579**	**1,807,728**
60 days of expenses						
(Total Operating Expenses divided by 6)	601,903	684,933	692,108	757,372	921,476	917,049

Requested Rates for Internal Service Funds

Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Requested Rates for Internal Service Funds	22.6	23.0	25.0	25.0	-	-
(Changed Methodogy see below)						
Personal Services					22.5	21.0
Operating Expenditures					3.0	4.0

The department has one proprietary fund, which is an internal service fund used to account for the Department's indirect cost activity. The department anticipates negotiating the indirect cost rates with the U.S. Environmental Protection Agency (EPA) of approximately 22.5% applied against personal services and 3% applied against operating costs for FY2008 and 21% and 4% respectively for FY 2009. Revenues generated by the current indirect cost rates fund 55.50 FTE.

Dept. Of Environmental Quality-5301
Central Management Program-10

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

	Total Agency Impact	General Fund Total
FY 2008	$82,181	$0
FY 2009	$82,181	$0

PL- 1002 - Central Management Operating Adjustment -

The Executive recommends $82,181 each year of proprietary funds for additional contracted services, office rent, and indirect costs as well as restoration of operating costs for vacancies during the base year.

Dept Nat Resource/Conservation-5706

Please note that this agency also contains HB0002 data.

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	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	21.93	0.00	0.00	21.93	0.00	0.00	21.93
Personal Services	946,420	208,419	0	1,154,839	212,762	0	1,159,182
Operating Expenses	965,720	20,454	0	986,174	35,019	0	1,000,739
Total Costs	**$1,912,140**	**$228,873**	**$0**	**$2,141,013**	**$247,781**	**$0**	**$2,159,921**
General Fund	0	0	0	0	0	0	0
Proprietary	1,912,140	228,873	0	2,141,013	247,781	0	2,159,921
Total Funds	**$1,912,140**	**$228,873**	**$0**	**$2,141,013**	**$247,781**	**$0**	**$2,159,921**

Dept Nat Resource/Conservation-5706
Forestry/Trust Lands-35

Please note that this program also contains HB0002 data.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	21.93	0.00	0.00	21.93	0.00	0.00	21.93
Personal Services	946,420	208,419	0	1,154,839	212,762	0	1,159,182
Operating Expenses	965,720	20,454	0	986,174	35,019	0	1,000,739
Total Costs	**$1,912,140**	**$228,873**	**$0**	**$2,141,013**	**$247,781**	**$0**	**$2,159,921**
General Fund	0	0	0	0	0	0	0
Proprietary	1,912,140	228,873	0	2,141,013	247,781	0	2,159,921
Total Funds	**$1,912,140**	**$228,873**	**$0**	**$2,141,013**	**$247,781**	**$0**	**$2,159,921**

Program Description -
The Air Operations Program in the Forestry Division is funded from the air operations proprietary account for those costs that can be supported by the aircraft rates charged for the use of the aircraft and general fund and fire protection tax revenue for fixed costs. The program operates six medium helicopters, one light helicopter, and three single engine fixed-wing airplanes. Aircraft are primarily used for fire detection, support and suppression of wildfires, and reclamation work in the Department of Environmental Quality. Fixed costs are paid by the general fund and the fire protection tax revenues since they must be paid regardless of the number of hours flown. These costs include hangar rent, insurance and personnel costs. The general fund and fire protection taxes are appropriated by the legislature and transferred to and spent from the proprietary account. Variable costs that are dependent on the hours flown, such as fuel and maintenance, are recovered through an hourly rate charged to all users of the aircraft. Users of the aircraft include DNRC, other state agencies, federal agencies and the state's wildfire suppression efforts. This revenue is also deposited in the proprietary account.

Revenues and Expenses -
Air Operations Revenue: The primary source of revenue is the collection of aircraft rental charges. Additional transfer-In revenue is received from HB2 transfers of fixed costs (FTE, Insurance & Rent) from the general fund and the fire protection tax revenues. The department has limited cooperative agreements to assist our federal partners (U.S. Forest Service) with fire protection. The department also has agreements with other state agencies for non-fire related aircraft rental services. The customers served are comprised primarily of state land managers for the DNRC. This involves initial attack of fires under state direct protection and federal and other state agencies. Historic and projected trends are dependent on length and severity of the fire season. Base year funding by fund type would be comprised primarily from general and federal funds. The expense account used in SABHRS to record aircraft rental is 62525. The revenue accounts used in SABHRS to record aircraft revenue are 522067-522076 (there is a separate account for each aircraft).

Expense: The cost drivers for the aircraft rates are to try and recover the actual expenses needed to maintain the aircraft in an air worthy condition and remain mission ready for the purpose of initial attack on wild fires on state and federal ground. This includes all costs associated with the maintenance and operation of that aircraft. There are some factors that contribute to the uncertainty in forecasting future expenses. This includes unforeseen events such as FAA and manufacturer directives, aircraft incidents resulting in unplanned maintenance, fluctuations in fuel and parts, and length and severity of the fire season. Average fire season and routine maintenance of aircraft are used to determine the anticipated future costs of major cost drivers. In FY 2006, non-typical expenditures were incurred in the building of a new helicopter ($200,000).

Charges for services do not support any FTE for the aviation section. All FTE (12.26) are supported by the general fund and fire protection tax transfers-in.

Dept Nat Resource/Conservation-5706
Forestry/Trust Lands-35

Rate Explanation –
The reimbursement rates for the operation of the department aircraft are based on the time life of 5000 hours of aircraft usage. The rate has been determined to maintain the aircraft in its original condition. At the end of 5000 hours, all parts should have been replaced and a new maintenance / operation cycle started.

Dept Nat Resource/Conservation-5706
Forestry/Trust Lands-35

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06538	Air Operation Internal Service	57060	Department of Natural Resources and Conservation	Forestry/Trust Lands Division

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Subsequent Injury Fund Assessment	-	-	-	-	-	-
Revenue from Bell UH-1Hs	403,550	218,312	498,108	600,000	1,075,000	1,075,000
Revenue from Bell Jet Rangers	120,771	69,397	53,360	10,000	95,000	95,000
Revenue from Cessna 180 Series	94,264	51,462	54,112	50,000	78,750	78,750
Net Fee Revenue	618,585	339,171	605,580	660,000	1,248,750	1,248,750
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	412	319	593	-	-	-
Total Operating Revenue	618,997	339,490	606,173	660,000	1,248,750	1,248,750
Operating Expenses:						
Personal Services	365,116	413,440	664,484	714,824	794,574	797,767
Other Operating Expenses	748,434	523,952	876,110	783,894	885,150	899,506
Total Operating Expenses	1,113,550	937,392	1,540,594	1,498,718	1,679,724	1,697,273
Operating Income (Loss)	**(494,553)**	**(597,902)**	**(934,421)**	**(838,718)**	**(430,974)**	**(448,523)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	(523)	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	(523)	-	-	-	-
Income (Loss) Before Operating Transfers	(494,553)	(598,425)	(934,421)	(838,718)	(430,974)	(448,523)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	436,118	585,705	1,009,421	1,000,000	824,421	825,921
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(58,435)	(12,720)	75,000	161,282	393,447	377,398
Total Net Assets- July 1 - As Restated	157,460	99,025	86,305	175,089	336,371	729,818
Prior Period Adjustments	-	-	13,784	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	157,460	99,025	100,089	175,089	336,371	729,818
Net Assets- June 30	**99,025**	**86,305**	**175,089**	**336,371**	**729,818**	**1,107,216**
60 days of expenses (Total Operating Expenses divided by 6)	185,592	156,232	256,766	249,786	279,954	282,879

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

	Actual FYE 04	Actual FY 05	Actual FY 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Fee Group A						
Bell UH-1H Helicopter	875.00	875.00	875.00	875.00	1,075.00	1,075.00
Bell Jet Ranger Helicopter	355.00	355.00	355.00	355.00	475.00	475.00
Cessna 180 Fixed Wing	95.00	95.00	95.00	95.00	150.00	150.00

Dept Nat Resource/Conservation-5706
Forestry/Trust Lands-35

Program Description -
The Montana Conservation Seedling Nursery produces and distributes seedlings for conservation plantings including applications such as fire and logging reforestation, farmstead windbreaks, shelterbelts, wildlife habitat, and stream stabilization, as well as other conservation uses. The program 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 one million seedlings annually on 110 acres of state land and in 9,000 square feet of greenhouse space. Sixty-seven plant species are currently in production. Eight hundred ninety-five landowners purchased seedlings in FY 2006. The nursery program is funded solely from the nursery proprietary account. No general fund or federal dollars are used in the program.

Revenues and Expenses -
Nursery Revenue: The primary source of revenue is seedling sales. Other revenue sources are such services as seed collection, cleaning, and storage and the sale of 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, the Conservation Reserve Program (CRP), tribal agencies, the Wildlife Habitat Incentives Program (WHIP), Pheasants Forever, and numerous other conservation programs and organizations. Historic and projected trends in nursery revenue are dependent on conservation activity in the state, landowner access to cost-share dollars for implementation of conservation projects, and long-term seedling production contracts from large scale conservation activities. Revenue potential is also 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 revenue accounts used in SABHRS to record nursery revenue are 552101, (Sale of Nursery Products) and 520224 (Nursery Services).

Expense: 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, every personal services, operating and capital equipment cost is included when setting prices.

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.

Dept Nat Resource/Conservation-5706
Forestry/Trust Lands-35

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06003	State Nursery Enterprise Fund	57060	Department of Natural Resources and Conservation	Forestry/Trust Lands Division

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Subsequent Injury Fund Assessment	-	-	-	-	-	-
Revenue from Nursery Sales	-	-	379,623	467,053	437,000	478,500
Revenue from Nursery Services	-	-	2,200	33,600	25,000	27,500
Net Fee Revenue	-	-	381,823	500,653	462,000	506,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	29	-	-	-
Total Operating Revenue	-	-	381,852	500,653	462,000	506,000
Operating Expenses:						
Personal Services	-	-	294,586	360,576	360,265	361,415
Other Operating Expenses	-	-	99,521	127,096	101,024	101,233
Total Operating Expenses	-	-	394,107	487,672	461,289	462,648
Operating Income (Loss)	**-**	**-**	**(12,255)**	**12,981**	**711**	**43,352**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	-	-	(12,255)	12,981	711	43,352
Contributed Capital	-	-	7,119	-	-	-
Operating Transfers In (Note 13)	-	-	17,190	-	-	-
Operating Transfers Out (Note 13)	-	-	(25,080)	-	-	-
Change in net assets	-	-	(13,026)	12,981	711	43,352
Total Net Assets- July 1 - As Restated	-	-	45	(12,981)	(0)	711
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	45	(12,981)	(0)	711
Net Assets- June 30	**-**	**-**	**(12,981)**	**(0)**	**711**	**44,063**
60 days of expenses (Total Operating Expenses divided by 6)	-	-	65,684	81,279	76,882	77,108

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

	Actual FYE 04	Actual FY 05	Actual FY 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Revenue from Nursery Sales			VARIES*	VARIES*	VARIES*	VARIES*
Revenue from Nursery Services			VARIES*	VARIES*	VARIES*	VARIES*

*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.

Department Of Agriculture-6201

Please note that this agency also contains HB0002 data.

Mission Statement - 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

Agency Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	0	100	0	100	100	0	100
Operating Expenses	618	60,057	0	60,675	60,057	0	60,675
Total Costs	**$618**	**$60,157**	**$0**	**$60,775**	**$60,157**	**$0**	**$60,775**
Proprietary	618	60,157	0	60,775	60,157	0	60,775
Total Funds	**$618**	**$60,157**	**$0**	**$60,775**	**$60,157**	**$0**	**$60,775**

Department Of Agriculture-6201
Agricultural Sciences Division-30

Please note that this program also includes HB 2 data.

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

Revenues and Expenses -
Fees are charged for certification and registration of alfalfa leaf-cutter bees in Montana and for laboratory expenses. The fees are set by rule. There is a one-time $15 registration fee for alfalfa leaf-cutting bee owners. There is a $30 certification fee per sample for certifying samples. There is a $30 fee for sample analysis per sample, and if requested an additional fee of $20 for sex ratio and percent emergence. The operating expenses relate to purchasing X-ray film, other supplies to operate the program, and council per diem. There are no changes in services or fees.

Working Capital Discussion-
Using the agreed upon formula, the program must maintain $103 in cash to maintain an ongoing operation.

Fund Equity and Reserved Fund Balance-
The program shall expend only those funds which are raised by fees under this part. In the event that funds are insufficient to finance the costs of services, services may be reduced.

Cash Flow Discussion-
Cash flow into the program is dependent on the health of the industry, and the subsequent requests for services. Cash obligations are required to maintain a fully functional laboratory for analysis of samples.

Rate Explanation –
Fees are charged for certification and registration of alfalfa leaf-cutter bees in Montana and for laboratory expenses. The fees are set by rule. There is a one-time $15 registration fee for alfalfa leaf-cutting bee owners. There is a $30 certification fee per sample for certifying samples. There is a $30 fee for sample analysis per sample, and if requested an additional fee of $20 for sex ratio and percent emergence. Rates are $30 for a minor A license and $15 for a minor B license.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	0	100	0	100	100	0	100
Operating Expenses	618	1,857	0	2,475	1,857	0	2,475
Total Costs	**$618**	**$1,957**	**$0**	**$2,575**	**$1,957**	**$0**	**$2,575**
Proprietary	618	1,957	0	2,575	1,957	0	2,575
Total Funds	**$618**	**$1,957**	**$0**	**$2,575**	**$1,957**	**$0**	**$2,575**

Department Of Agriculture-6201
Agricultural Sciences Division-30

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

	Total Agency Impact	General Fund Total
FY 2008	$1,950	$0
FY 2009	$1,950	$0

PL- 3001 - Program 30 Base Budget Adjustments -

The budget includes $1,950 each year of the biennium for operating adjustments in the alfalfa leaf-cutter bee program

Department Of Agriculture-6201
Agricultural Sciences Division-30

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
6011	Alfalfa Leaf Cutting Bee	62010	Agriculture	Ag Sciences Division

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Revenue from Lab Fee	530	660	240	550	550	550
Revenue from Registration Fee	-	90	1,140		-	-
Net Fee Revenue	530	750	1,380	550	550	550
Investment Earnings	50	112	270	200	250	250
Securities Lending Income	-	-	5	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	4	2	-	-	-	-
Total Operating Revenue	584	864	1,655	750	800	800
Operating Expenses:						
Personal Services	75	-	-	150	100	100
Other Operating Expenses	436	642	622	1,006	2,475	2,475
Total Operating Expenses	511	642	622	1,156	2,575	2,575
Operating Income (Loss)	**73**	**222**	**1,033**	**(406)**	**(1,775)**	**(1,775)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	73	222	1,033	(406)	(1,775)	(1,775)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	73	222	1,033	(406)	(1,775)	(1,775)
Total Net Assets- July 1 - As Restated	6,784	6,857	7,079	8,112	7,706	5,931
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	-	-	-	-
Net Assets- June 30	**6,857**	**7,079**	**8,112**	**7,706**	**5,931**	**4,156**
60 days of expenses						
(Total Operating Expenses divided by 6)	85	107	104	193	429	429

Requested Rates for Enterprise Funds
Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Fee Group A	-	-	-	-	-	-
Certified Samples	30	30	30	30	30	30
Sample Analysis	30	30	30	30	30	30
Sex Ratio	20	20	20	20	20	20
Fee Group B	-	-	-	-	-	-
Registration	15	15	15	15	15	15

The Alfalfa Leaf-cutting Bee Program was established in 1981. The Alfalfa Seed Committee establishes standards for pathogens and parasites, certification of bees, and management of the program.

Department Of Agriculture-6201
Agricultural Development Division-50

Please note that this program also contains HB0002 data.

Program Description –
The Hail Insurance Program (fund 06052) has been in operation since 1917. The function of the program is to provide low cost hail insurance coverage for many crops grown in Montana to assist producers in recovering their input costs should there be hail damage. The program insures approximately 1.7 million acres of crops with coverage exceeding $60 million each year. The program pays for 3.17 permanent FTE and 5.88 seasonal FTE to support program operations. The program is statutorily appropriated under Title 80, Chapter 2, part 2, MCA.

Revenue and Expenses-
Change in Services or Fees: No changes in services or fees.

Working Capital Discussion-
Using the agreed upon formula, the program must maintain $772,223 in cash to maintain an ongoing operation.

Fund Equity and Reserved Fund Balance-
According to 80-2-228, MCA, requires the state hail board to have a reserve fund. Each year the state hail board hires an actuarial consultant to review the hail program and recommend the reserve amount. This reserve may fluctuate depending upon the amount of losses or current year premiums which fluctuate with market and moisture conditions.

Cash Flow Discussion-
Hail program cash flow is dependent upon the amount of hail insurance purchased which is directly affected by the amount of moisture received through out the state as well as market conditions. Cash obligations are determined by the ongoing administrative expenses of the program, at the end of the season and at the hail board's discretion refunds to persons insured, and an annual transfer of 1.5% of the gross annual fees imposed and collected to the general fund at fiscal year end.

Rate Explanation-
Hail premiums charged are set by 80-2-208, MCA, and cannot exceed $40 per acre for non-irrigated land and $56 per acre for irrigated land.

Department Of Agriculture-6201
Agricultural Development Division-50

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
6052	Hail Insurance	62010	Agriculture	Ag Development Division

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Net Fee Revenue	-	-	-	-	-	-
Investment Earnings	61,507	157,809	363,176	360,000	360,000	360,000
Accommodations Tax	-	-	-	100	100	100
Securities Lending Income	-	-	6,331	-	-	-
Hail Insurance Premium	3,741,627	4,644,419	5,801,660	5,000,000	5,000,000	5,000,000
Hail Insurance Premium Penalty & Interest	6,094	5,690	8,551	3,000	3,000	3,000
Total Operating Revenue	3,809,228	4,807,918	6,179,718	5,363,100	5,363,100	5,363,100
Operating Expenses:						
Personal Services	226,367	212,243	238,457	252,829	285,676	286,255
Other Operating Expenses	1,722,256	2,940,967	4,393,390	7,064,204	6,879,815	6,792,403
Total Operating Expenses	1,948,623	3,153,210	4,631,847	7,317,033	7,165,491	7,078,658
Operating Income (Loss)	**1,860,605**	**1,654,708**	**1,547,871**	**(1,953,933)**	**(1,802,391)**	**(1,715,558)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	1,860,605	1,654,708	1,547,871	(1,953,933)	(1,802,391)	(1,715,558)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	(13,732)	(37,659)	(69,038)	(33,732)	(69,038)	(69,038)
Change in net assets	1,846,873	1,617,049	1,478,833	(1,987,665)	(1,871,429)	(1,784,596)
Total Net Assets- July 1 - As Restated	5,285,218	7,132,092	8,749,141	10,227,974	8,240,309	6,368,880
Prior Period Adjustments	1	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	-	-	-	-
Net Assets- June 30	**7,132,092**	**8,749,141**	**10,227,974**	**8,240,309**	**6,368,880**	**4,584,284**
60 days of expenses (Total Operating Expenses divided by 6)	324,771	525,535	771,975	1,219,506	1,194,249	1,179,776

Requested Rates for Enterprise Funds

Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Premium	1.5	1.5	1.5	1.5	1.5	1.5

Hail premiums are set by the Board of Hail Insurance and vary by county based on risk. The Hail Insurance Program has been in operation since 1971. The function of the program is to provide low cost hail insurance coverage for any crop grown in Montana to assist producers in recovering their input costs should there be hail damage. The program insures approximately 1.4 million acres of crops with coverage exceeding $30 million each year. The Hail Board establishes the rates. There are 56 zones, of which each could have it's own separate rate.

Department Of Agriculture-6201
Agricultural Development Division-50

Program Description –
The Montana Beginning Farmer/Rancher Loan Program (fund 06016) is a tax-exempt bond program designed to assist beginning farmers/ranchers in the State of Montana to acquire agricultural property at lower interest rates. The program enables lenders, individuals, partnerships, corporations, and other entities to receive federally tax-exempt interest with respect to a loan or contract sale made to a qualifying beginning farmer/rancher. The financial institution, after arranging the loan or sales contract, will obtain from the Montana Agriculture Loan authority (the authority) a federally tax-exempt bond in the amount of the loan or unpaid balance. The loan and its collateral will be assigned to the financial institution as security for the bond. In the case of a contract sale, the contract will be entered into by the authority, and the financial institution will receive the bond to evidence the authority's obligations under the contract. The authority's right, title and interest in the contract will then be assigned to the beginning farmer/rancher who assumes payment obligations of the authority under the contract. Once the program is operational, it will fund a 0.50 FTE and related operating expenses. The FTE will not be filled until revenue will support it. The program is appropriated under Title 80, Chapter 12, part 2, MCA.

Revenue and Expenses-
Change in Services or Fees: No changes in services or fees.

Working Capital Discussion-
The program has not issued any loans in the last biennium.

Fund Equity and Reserved Fund Balance-
The beginning farm/ranch program uses its funds to promote and administer the loan program and funds are only expended as needed.

Cash Flow Discussion-
The program's cash flow is contingent upon the number of loans completed.

Rate Description-
The Montana Beginning Farmer/Rancher Loan Program is funded by applicants who pay a $50 application fee and a loan participation fee of 1.5% of the value of the bond.

Department Of Agriculture-6201
Agricultural Development Division-50

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
6016	Beginning Farm/Ranch Loan Prg	62010	Agriculture	Ag Development Division

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Beginning Farm Ranch Loan Fees	3,300	25	-	56,000	61,000	60,000
Net Fee Revenue	3,300	25	-	56,000	61,000	60,000
Investment Earnings	14	12	23	50	50	50
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	3,314	37	23	56,050	61,050	60,050
Operating Expenses:						
Personal Services	-	-	-	-	-	-
Other Operating Expenses	3,343	-	-	58,200	58,200	58,200
Total Operating Expenses	3,343	-	-	58,200	58,200	58,200
Operating Income (Loss)	**(29)**	**37**	**23**	**(2,150)**	**2,850**	**1,850**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(29)	37	23	(2,150)	2,850	1,850
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(29)	37	23	(2,150)	2,850	1,850
Total Net Assets- July 1 - As Restated	2,316	2,287	2,324	2,347	197	3,047
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	-	-	-	-
Net Assets- June 30	**2,287**	**2,324**	**2,347**	**197**	**3,047**	**4,897**
60 days of expenses						
(Total Operating Expenses divided by 6)	557	-	-	9,700	9,700	9,700

Requested Rates for Enterprise Funds

Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Fee Group A	-	-	-	-	-	-
% of loan balance	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

Department Of Agriculture-6201
Agricultural Development Division-50

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	0	58,200	0	58,200	58,200	0	58,200
Total Costs	**$0**	**$58,200**	**$0**	**$58,200**	**$58,200**	**$0**	**$58,200**
Proprietary	0	58,200	0	58,200	58,200	0	58,200
Total Funds	**$0**	**$58,200**	**$0**	**$58,200**	**$58,200**	**$0**	**$58,200**

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

	Total Agency Impact	General Fund Total
FY 2008	$58,200	$0
FY 2009	$58,200	$0

PL- 5012 - Montana Beginning Farm/Ranch Loan -

This request is for $116,400 in proprietary spending authority in the 2009 biennium. The authority is authorized for beginning farm/ranch loans under 80-12-311, MCA.

Department Of Commerce-6501

Please note that this agency also contains HB0002 data.

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

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

Agency Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	92.00	1.50	1.00	94.50	1.50	1.00	94.50
Personal Services	5,010,885	721,716	59,277	5,791,878	737,186	59,341	5,807,412
Operating Expenses	3,910,192	1,839,708	7,035	5,756,935	1,530,658	7,035	5,447,885
Equipment	14,040	153,200	0	167,240	10,000	0	24,040
Local Assistance	0	0	0	0	0	0	0
Grants	1,688,299	88,960	0	1,777,259	108,960	0	1,797,259
Benefits & Claims	32,400,596	4,700,000	0	37,100,596	7,292,000	0	39,692,596
Total Costs	**$43,024,012**	**$7,503,584**	**$66,312**	**$50,593,908**	**$9,678,804**	**$66,376**	**$52,769,192**
Proprietary	43,024,012	7,503,584	66,312	50,593,908	9,678,804	66,376	52,769,192
Total Funds	**$43,024,012**	**$7,503,584**	**$66,312**	**$50,593,908**	**$9,678,804**	**$66,376**	**$52,769,192**

Department Of Commerce-6501
Facility Finance Authority-71

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

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

Customers include health care and related facilities, entities serving persons with development and/or mental disabilities, and prerelease/methamphetamine treatment centers.

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

Revenues and Expenses -
Revenue: The Facility Finance Authority is funded entirely by proprietary funds (funds 06012 and 06015) with revenues collected from interest, fees, and charges from participating institutions. There are no direct appropriations provided in HB 2.

The Authority has gradually reduced its application and annual administrative fee assessments contingent upon its business volume. Customer volume is assumed to be at the current level throughout the 2009 biennium.

Authority revenues are primarily recorded in the following SABHRS revenue codes:

	FY 2006	Percent
521135	153,293.65	20.511%
521136	203,296.52	27.202%
521137	77,266.11	10.339%
521190	9,235.00	1.236%
522110	784.46	0.105%
530025	82,001.68	10.972%
531626	(1,423.57)	(0.191%)
531644	1,429.57	0.191%
538006	21,473.46	2.873%
582886	200,000.00	26.761%
Totals:	$747,356.59	100.00%

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

	FY 2006	Percent
FTE	2.00	
Personal Services	162,582.42	31.145%
Operating Expenses	113,399.39	21.723%
Grants	46,040.00	8.820%
Transfers	200,000.00	38.313%
Totals:	$522,021.81	100.00%

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.

Department Of Commerce-6501
Facility Finance Authority-71

For the purposes of this analysis, it is assumed the authority's ongoing work and customer levels remain constant. Non-typical and one time only expenses, if any, are subtracted from any proposed budgets. Personal services expenditures fund 2.00 FTE and board member per diem.

Working Capital Discussion-
The 60 day working capital calculation is not reasonably applicable to the authority because national bond rating agencies, national bond insurers, and institutional investors expect the authority to reserve two years operating capital (approximately $664,678) to assure that the authority can financially operate between legislative sessions.

Fund Equity and Reserved Fund Balance-
The total fund equity requirement for the 2009 biennium ($6,000,000) is derived from the following authority program reserve mandates:

A. Biennium Working Capital Reserve; $664,678
B. Capital Reserve Account (Loan Loss Reserve); $4,723,031
C. Facility Direct Loan Program Reserve; $1,033,100

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

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	2.00	0.00	1.00	3.00	0.00	1.00	3.00
Personal Services	156,265	(2,350)	59,277	213,192	(925)	59,341	214,681
Operating Expenses	110,539	12,617	7,035	130,191	2,216	7,035	119,790
Equipment	0	0	0	0	0	0	0
Local Assistance	0	0	0	0	0	0	0
Grants	46,040	13,960	0	60,000	13,960	0	60,000
Total Costs	**$312,844**	**$24,227**	**$66,312**	**$403,383**	**$15,251**	**$66,376**	**$394,471**
Proprietary	312,844	24,227	$66,312	403,383	15,251	$66,376	394,471
Total Funds	**$312,844**	**$24,227**	**$66,312**	**$403,383**	**$15,251**	**$66,376**	**$394,471**

Department Of Commerce-6501
Facility Finance Authority-71

2009 Biennium Report on Internal Service and Enterprise Funds 2009

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

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Administrative Fees	311,840	280,199	443,876	326,000	345,000	340,000
Investment Earnings	40,092	62,299	103,475	50,000	135,000	135,000
Securities Lending Income	-	-	1,430	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	351,932	342,498	548,781	376,000	480,000	475,000
Operating Expenses:						
Personal Services	153,557	149,249	162,582	140,816	153,915	155,340
Other Operating Expenses	118,538	127,148	160,863	149,810	182,922	172,501
Total Operating Expenses	272,095	276,397	323,445	290,626	336,837	327,841
Operating Income (Loss)	**79,837**	**66,101**	**225,336**	**85,374**	**143,163**	**147,159**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	79,837	66,101	225,336	85,374	143,163	147,159
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	200,000	-	-	-
Operating Transfers Out (Note 13)	-	-	(200,000)	-	-	-
Change in net assets	79,837	66,101	225,336	85,374	143,163	147,159
Total Net Assets- July 1 - As Restated	2,338,258	2,418,095	2,484,196	2,709,532	2,794,906	2,938,069
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	2,338,258	2,418,095	2,484,196	2,709,532	2,794,906	2,938,069
Net Assets- June 30	**2,418,095**	**2,484,196**	**2,709,532**	**2,794,906**	**2,938,069**	**3,085,228**
60 days of expenses (Total Operating Expenses divided by 6)	45,349	46,066	53,908	48,438	56,140	54,640

Requested Rates for Enterprise Funds
Fee/Rate Information

Application Fee:

Loan Amount	Fee
Up to $5,000,000	30 basis points (bp) (.0030)
Up to $10,000,000	the > of 25 bp or $ 15,000
Up to $25,000,000	the > of 15 bp or $ 25,000
Up to $50,000,000	the > of 12.5 bp or $ 37,500
Up to $100,000,000	the > of 7.5 bp or $ 62,500
Over $100,000,000	the > of 6.5 bp or $ 75,000

Annual Fee:

	Fee
Stand Alone Bond Issues	5 bp X the outstanding principal amount
Private Placement bond issues	5 bp X the outstanding principal amount
Trust Fund Loan Program	5 bp X the outstanding principal amount
Master Loan Program	10 bp X the outstanding principal amount

Authority: Fee revenues: 90-7-202 and 90-7-211, MCA; Investment Earnings: 90-7-202, MCA

Department Of Commerce-6501
Facility Finance Authority-71

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

	Total Agency Impact	General Fund Total
FY 2008	$25,938	$0
FY 2009	$25,769	$0

PL- 7102 - FFA Administrative Costs Adjustments -
This Executive requests overtime, per diem, travel, administrative costs, and grant adjustments in the amount of $25,938 in FY 2008 and $25,769 in FY 2009 in the Facility Finance Authority Program. The funding source for this request is a proprietary fund.

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

	Total Agency Impact	General Fund Total
FY 2008	$66,312	$0
FY 2009	$66,376	$0

NP- 7101- Facility Finance Authority Additional FTE -
The Montana Facilities Finance Authority (MFFA) requests 1.00 FTE due to dramatically increased workload requirements. The workload increase is due to the expansion of eligible facilities, the creation of two new programs, and the growing complexity of stand alone bond financing. The funding for this proposal will be paid by revenues collected from interest, fees, and charges from participating institutions.

Department Of Commerce-6501
Housing Division-74

Please note that this program also contains HB0002 data.

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 powers of the board are vested in a seven member board, appointed by the Governor, subject to the confirmation of the State Senate. The board provides policy direction to the agency staff, authorizes bond issues, approves development financing and evaluates board housing programs. These programs include the Homeownership Program, Multifamily Loan Programs, Low Income Housing Tax Credit Program, Housing Revolving Loan Fund and the Reverse Annuity Mortgage (RAM) Program.

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

There has not been any significant program, service, or customer base change since the last session. The Board of Housing is primarily mandated in Title 2, Chapter 15; and Title 90, Chapter 1, and Chapter 6, MCA.

Section 8 Housing Program Description:

Project Based Section 8 Contract Administration (PBS8): The PBS8 Program is the HUD contract administrator for low-income rental properties HUD subsidizes throughout the state. The program provides rental assistance to projects at fixed locations instead of the tenants. Landlords perform administrative tasks at the local level. The agency performs annual property reviews, oversees property management, and makes rent subsidy payments to owners. The agency earns fees from HUD under a performance-based contract for the tasks performed. The Project Based Program renews rent contracts to project owners as they expire. Contract Managers prepare special damage claims, annual rent increases, respond to emergencies, check compliance for fair housing and waiting lists, on-site management reviews, follow-up to physical inspections, review of management decisions, and budget assistance to local property owners. The program provides 4,268 units of rental housing in 101 projects, for low income and elderly families in the state.

The Project Based Section 8 program is funded by fund 06074 with revenues derived from a performance based annual contribution contract with HUD. There are no direct appropriations provided in HB 2; the Project Based Section 8 program is completely self-supporting.

Tenant Based Section 8 Contract Administration (TBS8): TBS8 provides over 4,100 rent assisted units for very low income families (including elderly and disabled) to ensure they have decent, safe, and sanitary housing, using the HUD Section 8 Housing Choice Vouchers and Moderate Rehabilitation programs. The program operates on a first come, first serve basis statewide, through a network of field agencies the department contracts with for administration of local operations in the program. Leases are entered on the open rental market between tenants and private landlords. The program makes a subsidy payment to the property owner on behalf of the tenant. Payments are based on applicable unit rent limits and tenants generally pay 30% of their income towards rent and utilities.

The Tenant Based Section 8 program fund is 06075, with revenues derived from a performance based annual contribution contract with HUD. There are no direct appropriations provided in HB 2; the Tenant Based Section 8 program is completely self-supporting.

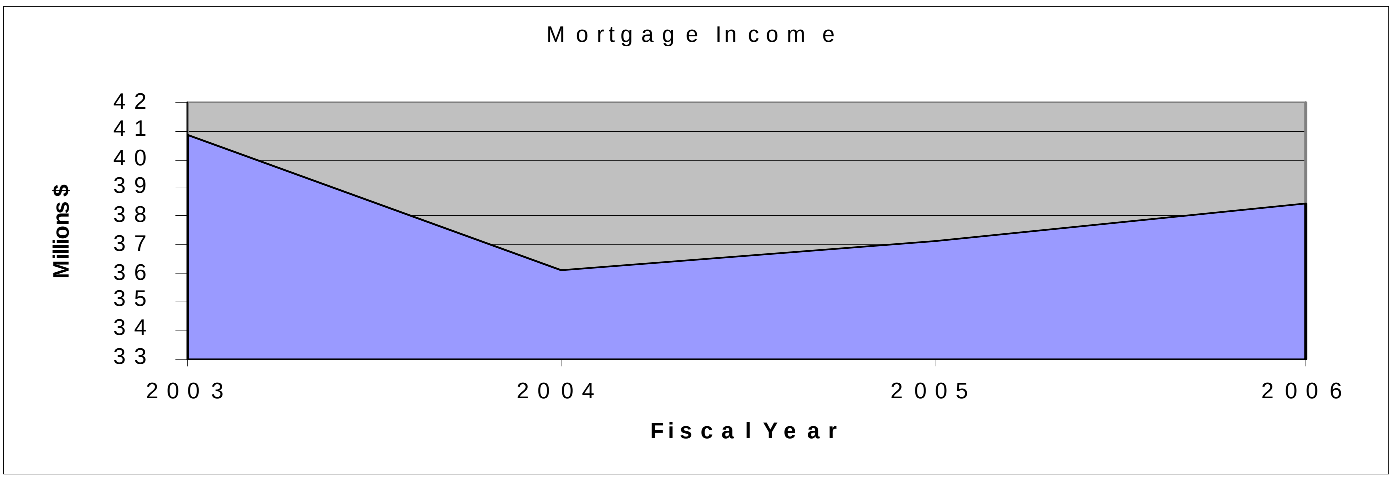
The Section 8 Housing programs are primarily mandated in 24 CFR Parts 5, 8, 35, 792, 813, 880, 882, 883, 887, 888, 891, 903, 982, 984 and 985 of the Code of Federal Regulations Section 8 Housing authorization and the Governor's Executive Order 27-81 Authorization of Section 8 Housing.

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

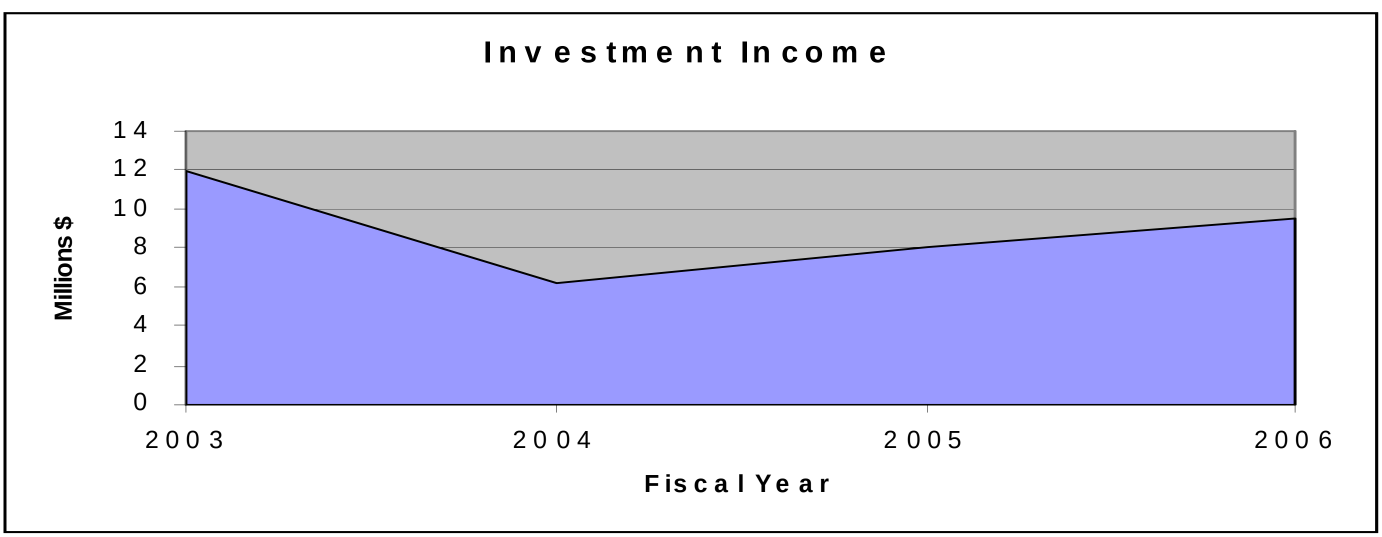
There has not been any significant program, service, or customer base change since the last session; however the federal government has proposed maintaining the levels of funding for the Housing Choice Vouchers program with only a minor increase effectively allowing the program to serve fewer families with rising costs for rent and utilities.

Revenues and Expenses -
Overview of board financial operations: Under the Montana Housing Act of 1975, the board does not receive any general fund money. The board is completely self-supporting. Substantially all of the funds for the board's programs and operations are provided by the private sector through the sale of tax-exempt bonds. The Board of Housing is funded by four enterprise funds with revenues derived from an administrative charge applied to projects and mortgages financed.

Revenue: About 98% of the board's income is from mortgage and investment income. Mortgage income is the interest people pay on board loans used to purchases their homes 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. For example, board mortgage income (below) followed financial markets, decreasing until 2004 because national interest rates decreased. In response, people refinanced higher rate board mortgages with lower rate mortgages and new board mortgages also had lower rates. This decreased mortgage income. Starting in 2005, national interest rates began increasing and board mortgage income increased.



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. Investment income (below) followed the same pattern, decreasing as interest rates decreased, and then increasing as interest rates increased.



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

The board charges the board of investments for managing its mortgage loans and for loan cancellations, extensions, or for reviewing certain loan applications.

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

	FY 2006	Percent
512033	$ 519.11	0.001%
522017	$ 24.00	0.000%
525130	$ 31,780.00	0.069%
526062	$ 283,794.80	0.617%
530014*	$ (2,958,274.74)	-6.433%
530025	$ 34,960.27	0.076%
530223	$ (10,299.21)	-0.022%
531626	$ (607.04)	-0.001%
531644	$ 609.58	0.001%
538002	$ (40,000.28)	-0.087%
538025	$ 5,557.70	0.012%
538040	$ (3,144.10)	-0.007%
538041	$ 38,556,850.58	83.845%
538042	$ 9,583,642.56	20.841%
538046	$ 4,840.94	0.011%
554040	$ 65,000.00	0.141%
584001	$ 6,475.00	0.014%
584010	$ 975.00	0.002%
593410	$ 186,332.38	0.405%
599001	$ 236,603.80	0.515%
Totals:	$ 45,985,640.35	100.000%

* 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. For example, during 1998, the first year that GASB 31 was implemented, the board recorded an unrealized gain of approximately $2.8 million. In FY 2006 the amount was unrealized loss of $2.9 million. In any one year the difference depends on the market. If investments are sold on the valuation date the board would have a realized gain or loss, however the board holds long-term investments until maturity. At maturity, the investment pays off and there is no market gain or loss.

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

According to state statute and, in some cases, the Internal Revenue Code, the board is allowed to earn the amounts that are presented on the "Report on Internal Service and Enterprise Funds". The board earns the bulk of its income from the spread between the interest yield on the Single Family Mortgage loans and the yield on the bonds. The board is allowed to earn 1 1/2% on Pre 1980 Single Family Programs and 1 1/8% on the Post 1980 Single Family Programs.

Financial institutions used to originate Single Family loans for the board may charge two points, which they keep or originate loans with no points, at a slightly higher rate and have the loans purchased at 102%. Approximately 1% of the loans have 2 points charged. According to tax law, origination points must be included in the amount that the board can earn. Operating expenses and servicing fees must be paid from the 1 1/8% that the board is allowed to earn. Servicing fees are .375% of the mortgage principal balance. The board does not always receive the full 1 1/8% or 1 1/2% spread. The spreads for the last several bond issues were as follows:

* 1996A	- 1.125%
* 1997A1	- 1.39063%
* 1997A2	- 1.08842%
* 1998A	- 1.10078%
* 1998B	- 1.04678%
* 1999A	- 1.11985%
* 2000A	- 1.10302%
* 2000B	- 1.11709%
* 2001A	- 1.11898%
* 2002A	- 1.12251%
* 2002B	- 1.09666%
* 2003A1	- 1.21126%
* 2003A2	- .07883%
* 2003B1	- 1.45392%
* 2003B2	- .51062%
* 2003C	- .83833%
* 2004A	- .82319%
* 2004B	- .49576%
* 2004C	- 1.01778%
* 2005A	- .89501%
* 2005RA	- 1.0336%
* 2005B	- .81353%
* 2006A	- .8008%

Operating expenses and service fees further reduce the amount of these earnings. The 1 1/8% or 1 1/2% that the board can earn is based on certain assumptions at the time the bond issue is structured. One of the assumptions is that the loans will prepay at 100% of the historical FHA prepayment rate. If the loans actually prepay faster, the board will not earn the initial spread that was calculated. The board only earns this spread if the loans are held for the amount of time that is originally estimated. If the loans prepay early, the money is invested and then is used to redeem bonds. When the mortgages pay off, the board has lost the ability to earn the spread between the mortgage yield and bond yield. Historically, prepayments on the majority of the loans have been over 100%, and the board expects this trend to continue.

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

Multifamily programs can earn 1 1/2% spread between the mortgage yield and the bond yield. On the last several issues, the Board did not receive the full 1 1/2% spread. The spreads for the last three bond issues are as follows:

1996A - .826%
1998A - .28156572%

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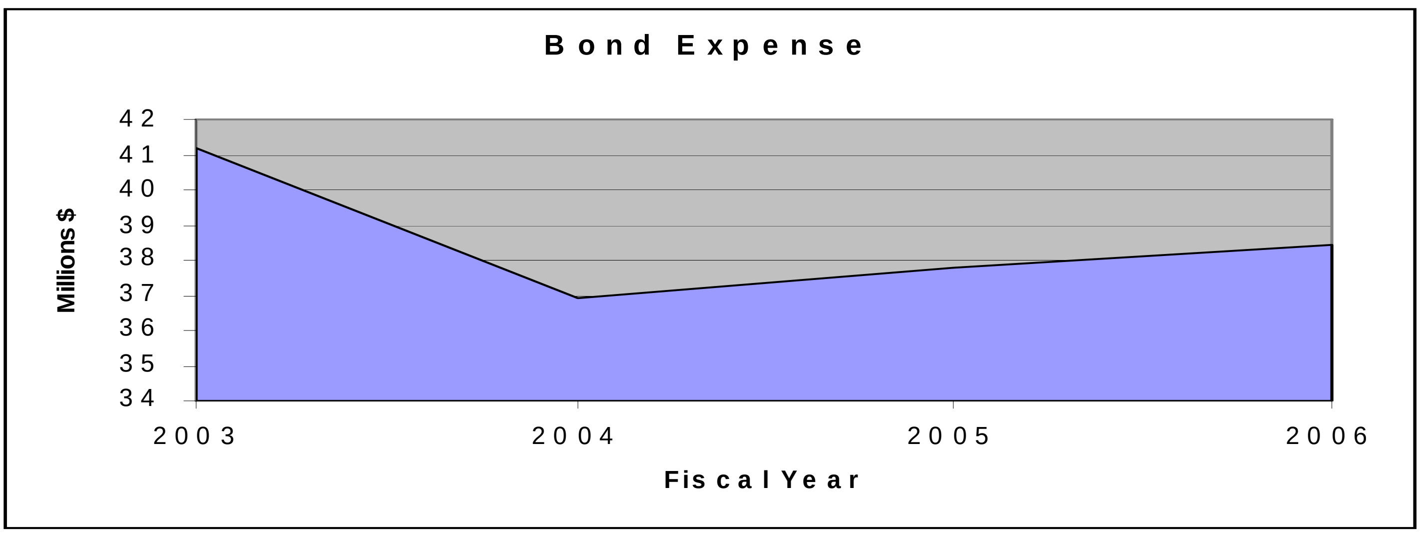
1999A - 1.013963%

Low Income Housing Tax Credit Charges: The board receives approximately $2.1 million dollars of tax credit allocation, annually. The board charges 4 1/2% of the amount of tax credit reserved. In the next biennium, reservation fee income is estimated to be approximately $94,500 per year. The board is also required to monitor the projects that receive tax credits to determine if the projects are in compliance with tax credit regulations. The board charges $25 per unit for compliance fees. The board has approximately 4,500 units. Approximately $112,500, annually, will be received during the biennium. Tax credit fees are charged to cover the operating expenses of the program.

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

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

Expenses: 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, 88 % of total expenses. Bond interest rates vary (below) and respond to the interest rate environment set by the national financial markets. As with the previous section, board rates move with the market. When market rates increase, expenses for bond debt also increase.



The remaining 12 % of expenses are for loan servicing and operations. As shown in the following table, greater than half of servicing and operations expenses pay for professional services to banks, mortgage companies and other professionals for issuing bonds, selling mortgages, collecting the monthly mortgage payments, legal services and paying bondholders. The remaining expenses pay for the board's staff* and staff operations including purchasing and recording mortgage loans, recording repayments and prepayments, investing funds, issuing and redeeming bonds, operating all loan programs and bookkeeping for over 11,000 mortgages, 300 investment accounts, and 31 bond series.

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	FY 2006	Percent
FTE	20.50	
Personal Services	$ 978,777.38	2.226%
Operating Expenses	$ 4,155,333.81	9.452%
Grants	$ 247,404.54	0.563%
Debt Service	$ 38,582,778.33	87.759%
Total:	$ 43,964,294.06	100.000%

FY 2006 servicing and operations expenses are for SABHRS funds 06030, 06031, 06078, and 06079.

Working Capital Discussion-

Collection Of Mortgage Payments & Purchase Of Loans: Each month the Board receives funds from the financial institutions that service the Board's Single Family and Multifamily loans. The funds include the amount of principal, interest, less servicing fees (.375%, .125% and .10% of the principal balance) that are due on the Board's loans. The Board's trustees collect the money. Twice monthly, the Board purchases loans from new bond proceeds, prepayments or other revenues.

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

Payment of Bond Debt: Principal and interest, on the Multifamily and Single Family Bond issues, is due on each February 1, June 1, August 1, and December 1. Scheduled debt payments for 2007 are $50,624,869; 2008 are $52,049,419; and 2009 are $52,819,204.

Investments: The deposit of the initial bond proceeds, used for purchasing loans, is normally invested in a fixed-rate guaranteed investment contract. All debt service reserve funds and mortgage reserve funds that must be held as security for the bondholders are invested in long-term securities, repurchase agreements or guaranteed investment contracts. Under the Multifamily Program, the funds are invested to the next debt service date or to a loan purchase date.

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

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

Fund Equity and Reserved Fund Balance-

Net Assets/Restricted Net Assets: As stated in the board's financial statements, Note 1, Fund Accounting: Net Assets – Restricted for bondholders represent bond program funds that are required to be used for program purposes as prescribed by individual bond indentures. The following are restrictions on the restricted net assets: special trust funds and accounts within the indenture are pledged as collateral for the bonds under the individual program indentures; reserve requirements on cash and investments; mortgage loans receivable are also pledged as security for holders of the bonds; certain indentures require asset-liability coverage ratios be met as well as cash flow certificates be furnished for any significant change anticipated in the financial structure of an indenture.

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

In addition to the legal requirements mentioned above, the Board commits funds to various projects and programs throughout the year. The Board has set aside over $200 million of first mortgage funds for special programs. In FY 2006, the Board originated approximately $ 28.5 million of loans under this program to households with an average income of $ 28,200, which is below 60% of the median income of the state. As of the end of FY 2006, the Board had $21,329,479 in outstanding Recycled Mortgage Program commitments.

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.

Management Objectives Regarding Fund Balance: The major component of the board's fund balance (retained earnings) is its single-family program. The board has been recycling repayments and prepayments of mortgages for several years. The board has committed these funds to special programs, at rates that are in many cases below the average coupon on the bonds. The average income on the special programs is less than $27,000, whereas the average income on the board's regular bond programs is about $38,000. The board intends to continue these special programs as they serve Montana citizens the board would not otherwise be able to serve.

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

The board is reviewed at the time of each bond issue by two rating agencies: Standard & Poor's, and Moody's Investor Services. In order to meet the cash flow tests, the board must have sufficient assets, earnings, and liquidity, to meet all bond interest and principal expenses, as well as pay operating expenses. The board just received an Aa1 from Moody's and an AA+ from Standard & Poor’s on its largest indenture. The board's rating reflects the rates the board gets on its bonds, which is reflected in the mortgage rates passed on to first time home buyers in Montana.

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

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Administrative Fees	214,712	219,123	380,599	225,000	225,000	225,000
Investment Earnings	6,184,387	10,967,626	6,620,427	6,750,000	7,020,000	7,300,800
Securities Lending Income	-	-	610	1,000	1,000	1,000
Premiums	-	-	-	-	-	-
Other Operating Revenues	36,389,535	37,275,124	38,740,558	53,325,399	64,358,940	75,101,674
Total Operating Revenue	42,788,634	48,461,873	45,742,194	60,301,399	71,604,940	82,628,474
Operating Expenses:						
Personal Services	828,467	940,524	978,777	1,035,074	1,042,342	1,045,498
Other Operating Expenses	1,481,627	1,560,088	1,718,678	2,986,364	2,811,093	2,721,796
Debt Service Expenses	38,685,254	39,958,754	41,238,457	54,293,051	65,565,904	76,457,019
Total Operating Expenses	40,995,348	42,459,366	43,935,912	58,314,489	69,419,339	80,224,313
Operating Income (Loss)	**1,793,286**	**6,002,507**	**1,806,282**	**1,986,910**	**2,185,601**	**2,404,161**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	(1,782)	-	-	-
Federal Indirect Cost Recoveries	12,943	7,105	7,450	-	-	-
Other Nonoperating Revenues (Expenses)	238,508	396,721	236,604	250,000	250,000	250,000
Net Nonoperating Revenues (Expenses)	251,451	403,826	242,272	250,000	250,000	250,000
Income (Loss) Before Operating Transfers	2,044,737	6,406,333	2,048,554	2,236,910	2,435,601	2,654,161
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	2,044,737	6,406,333	2,048,554	2,236,910	2,435,601	2,654,161
Total Net Assets- July 1 - As Restated	124,872,438	126,917,175	133,323,508	135,369,714	137,606,624	140,042,225
Prior Period Adjustments	-	-	(2,348)	-	-	-
Depreciation adjustment	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	124,872,438	126,917,175	133,321,160	135,369,714	137,606,624	140,042,225
Net Assets- June 30	**126,917,175**	**133,323,508**	**135,369,714**	**137,606,624**	**140,042,225**	**142,696,386**
60 days of expenses						
(Total Operating Expenses divided by 6)	6,832,558	7,076,561	7,322,652	9,719,082	11,569,890	13,370,719

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Fee	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Reservation fees-Single Family Program	1/2 of 1 % of the loan amount reserved	Fee was terminated	No Change	No Change	No Change	No Change
Cancellation fees-Single Family Program		1/2 of 1 % of the loan amount reserved	No Change	No Change	No Change	No Change
Extension Fee	1/4 of 1% of the loan amt for 30 days	No Change	No Change	No Change	No Change	No Change
Late Fee	1/2 of 1% of the loan amt for 30 days	No Change	No Change	No Change	No Change	No Change
Pre 1980 Single Family Programs	1 1/2% spread between mortgage interest rate and bond yield. No limit on investment earnings	No Change	No Change	No Change	No Change	No Change
Post Single Family Programs	1 1/8% spread between mortgage interest rate and bond yield. Investment earnings limited to the bond yield	No Change	No Change	No Change	No Change	No Change
Pre 1986 Multifamily Program	1 1/2% spread between the mortgage interest rate and the bond yield. No limit on investment earnings	No Change	No Change	No Change	No Change	No Change
Post 1986 Multifamily Program	1 1/2% spread between the mortgage interest rate and the bond yield. Investment earnings limited to the bond yield	No Change	No Change	No Change	No Change	No Change
Multifamily Reservation Fee	up to 1% of the loan amount reserved	No Change	No Change	No Change	No Change	No Change
Reservation fees-Low Income Tax Credit Program (LIT	4 1/2% of the tax credit amount reserved	No Change	No Change	No Change	No Change	No Change
Compliance monitoring fee-Low Income Tax Credit Pro	$20 per unit	No Change	$25 per unit	No Change	No Change	No Change
Interest income on reverse annuity mortgage loans (RA	5% (new) 7% (old) loans	No Change	No Change	No Change	No Change	No Change
Housing Revolving Loan Fund (HRLA)			variable rates ranging from 2% to 6%	No Change	No Change	No Change
Interest on Investments	STIP investment rate	No Change	No Change	No Change	No Change	No Change

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

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

	FY 2006	
512033	$ 227.54	0.001%
530025	$ 42,532.41	0.246%
531626	$ (738.52)	-0.004%
531644	$ 741.49	0.004%
538006	$ 7,333.37	0.042%
594109	$ 847,433.00	4.896%
594111	$ 16,410,473.31	94.814%
Total:	$ 17,308,002.60	100.000%

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

	FY 2006	
512033	$ 23.20	0.000%
530025	$ 134,176.23	0.723%
531626	$ (2,329.80)	-0.013%
531644	$ 2,339.16	0.013%
538006	$ 5,732.71	0.031%
594110	$ 65,478.61	0.353%
594112	$ 16,479,003.77	88.785%
594113	$ 61,212.34	0.330%
594116	$ 125,008.72	0.674%
594117	$ 124,228.56	0.669%
594118	$ 139,482.64	0.751%
594119	$ 242,412.20	1.306%
594120	$ 57,828.46	0.312%
594121	$ 106,465.64	0.574%
594122	$ 87,515.06	0.472%
594124	$ 105,398.70	0.568%
594125	$ 209,069.28	1.126%
594126	$ 270,005.20	1.455%
594127	$ 92,136.68	0.496%
594128	$ 255,468.80	1.376%
Total:	$ 18,560,656.16	100.000%

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

	FY 2006	Percent
FTE	7.00	
Personal Services	$ 322,422.08	1.905%
Operating Expenses	$ 189,138.06	1.118%
Benefits and Claims	$ 16,410,483.31	96.977%
Total:	$ 16,922,043.45	100.000%

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

	FY 2006	Percent
FTE	12.00	
Personal Services	$ 500,762.17	2.748%
Operating Expenses	$ 339,918.56	1.865%
Grants	$ 1,394,854.62	7.654%
Benefits and Claims	$ 15,988,955.09	87.733%
Total:	$ 18,224,490.44	100.000%

Working Capital Discussion-
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, and are paid and reimbursed monthly by HUD, based on actual program benefits paid to owners.

Revenues for the TBS8 are generated at the rate of $45.79 per unit for each rental unit under lease each month, effective January 1, 2006. Revenues are used to pay for contract administration of the program. HUD regulations do not allow the PHA to earn new reserve balances after 2003, and old reserve balances are committed to paying program administration costs only and HUD may require their use to pay rental subsidies in the future. Retained earnings are used to supplement interest earnings and older operating reserves in paying for contract administration costs that exceed current revenues. Rental subsidies are paid and reimbursed by HUD. The PHA is not allowed to retain any funds for other than the payment of rents under the program.

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

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

Rate Explanation Section 8 Housing-
Both funds revenues are derived from competitively awarded performance based Annual Contribution Contracts with HUD, and both programs are completely self-supporting. There is little uncertainty in forecasting major cost drivers and for the purposes of this analysis it is assumed the Section 8 programs workload and customer level will remain constant.

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

The Project Based Section 8 Contract Administration is funded through a performance based contract with HUD, based on a 5 year renewable RFP. The division entering the seventh year, and expect HUD to extend our contract in future years, as we have obtained an outstanding review score in most years we have administered the program. Administrative costs are paid as a fixed percent of the HUD fair market rent, currently 2%, with a provision for another 1% awarded for superior performance, or 1% removed for failure to perform. The amounts received are based in 17 different Incentive based performance standards, each of which is evaluated by HUD. Retained earnings are to be used for operations of this program. Funding for rents is paid by HUD, based on actual contracts negotiated between the department and the 107 individual owners of the projects, set up on a procedure dictated by HUD. Non-typical and one time only expenses, if any, are subtracted from proposed budgets. The Project Based Section 8 program is authorized 7.00 FTE and the Tenant Based Section 8 program is authorized 12.00 FTE; for a total 19.00 FTE.

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Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	39.50	1.00	0.00	40.50	1.00	0.00	40.50
Personal Services	1,794,972	151,856	0	1,946,828	157,265	0	1,952,237
Operating Expenses	1,937,044	1,124,489	0	3,061,533	1,069,648	0	3,006,692
Equipment	14,040	78,200	0	92,240	0	0	14,040
Local Assistance	0	0	0	0	0	0	0
Grants	1,642,259	75,000	0	1,717,259	95,000	0	1,737,259
Benefits & Claims	32,400,596	4,700,000	0	37,100,596	7,292,000	0	39,692,596
Debt Service	0	0	0	0	0	0	0
Total Costs	**$37,788,911**	**$6,129,545**	**$0**	**$43,918,456**	**$8,613,913**	**$0**	**$46,402,824**
Proprietary	37,788,911	6,129,545	0	43,918,456	8,613,913	0	46,402,824
Total Funds	**$37,788,911**	**$6,129,545**	**$0**	**$43,918,456**	**$8,613,913**	**$0**	**$46,402,824**

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Fund	Fund Name	Agency #	Agency Name	Program Name
6074	SEC 8 Project Based	65010	Dept. of Commerce	Housing Division - PB Section 8

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Administration Fees	-	-	-	-	-	-
Investment Earnings	8,678	28,136	49,866	10,500	10,500	10,500
Securities Lending Income	-	-	741	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	16,020,550	17,199,810	17,258,134	19,986,185	20,197,986	21,006,326
Total Operating Revenue	16,029,228	17,227,946	17,308,741	19,996,685	20,208,486	21,016,826
Operating Expenses:						
Personal Services	311,745	328,073	322,422	318,024	352,156	353,750
Other Operating Expenses	15,374,536	16,603,368	16,600,360	19,425,284	19,018,801	20,327,165
Total Operating Expenses	15,686,281	16,931,441	16,922,782	19,743,308	19,370,957	20,680,915
Operating Income (Loss)	**342,947**	**296,505**	**385,959**	**253,377**	**837,529**	**335,911**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	(3,932)	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	(3,932)	-	-	-	-
Income (Loss) Before Operating Transfers	342,947	292,573	385,959	253,377	837,529	335,911
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	342,947	292,573	385,959	253,377	837,529	335,911
Total Net Assets- July 1 - As Restated	-	980,042	1,272,600	1,658,559	1,911,936	2,749,465
Prior Period Adjustments	637,095	(15)	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	1,272,600	1,658,559	1,911,936	2,749,465
Net Assets- June 30	**980,042**	**1,272,600**	**1,658,559**	**1,911,936**	**2,749,465**	**3,085,376**
60 days of expenses (Total Operating Expenses divided by 6)	2,614,380	2,821,907	2,820,464	3,290,551	3,228,493	3,446,819

Requested Rates for Enterprise Funds
Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Administrative Contract Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Base fee rate paid by HUD = 2% time Fair Market Rent for all projects under ACC contract for standard performance, as judged by HUD monthly, quarterly.						
Administrative Contract Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Performance fee incentive rate based on 17 Incentive Based Performance Standards (IBPS), graded monthly, quarterly, and annually by HUD.						
Rent Contracts Rate	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Amounts for rentals are based on 100% of contracted amounts per unit each month, less tenant share of rents.						

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Fund	Fund Name	Agency #	Program Name
6075	HUD Section 8 Housing Program	65010	Housing Division - TB Section 8

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Administration Fees	-	-	-	-	-	-
Investment Earnings	35,246	55,222	139,909	43,000	43,000	43,000
Securities Lending Income	-	-	2,339	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	18,354,340	19,011,953	18,420,738	21,844,003	22,719,483	23,629,981
Total Operating Revenue	18,389,586	19,067,175	18,562,986	21,887,003	22,762,483	23,672,981
Operating Expenses:						
Personal Services	528,932	504,234	500,762	576,991	552,330	552,989
Other Operating Expenses	18,870,921	18,502,975	17,726,058	22,716,265	20,164,381	21,426,354
Total Operating Expenses	19,399,853	19,007,209	18,226,820	23,293,256	20,716,711	21,979,343
Operating Income (Loss)	**(1,010,267)**	**59,966**	**336,166**	**(1,406,253)**	**2,045,772**	**1,693,638**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(1,010,267)	59,966	336,166	(1,406,253)	2,045,772	1,693,638
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(1,010,267)	59,966	336,166	(1,406,253)	2,045,772	1,693,638
Total Net Assets- July 1 - As Restated	-	1,814,181	1,874,147	2,210,313	804,060	2,849,832
Prior Period Adjustments	2,824,448	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	2,824,448	1,814,181	1,874,147	2,210,313	804,060	2,849,832
Net Assets- June 30	**1,814,181**	**1,874,147**	**2,210,313**	**804,060**	**2,849,832**	**4,543,470**
60 days of expenses (Total Operating Expenses divided by 6)	3,233,309	3,167,868	3,037,803	3,882,209	3,452,785	3,663,224

Requested Rates for Enterprise Funds Fee/Rate Information

	Actual FYE 04	Actual FY 05	Actual FY 06	Budgeted FY 07	Budgeted FY08	Budgeted FY09
Administration Contract Rate	$45.79	$45.79	$45.71	$46.25	$46.80	$47.34
Base fee rate paid by HUD = $45.79 per unit per month under lease for Housing Choice Vouchers, and $45.79 per month for each unit under HAP contract on Mod Rehab. Estimate increases of 3.5% per year for FY 2006 and FY 2007.						
Hard to House Fees Rate	$75.00	$75.00	$75.00	$75.00	$75.00	$75.00
Under HUD contract, for every family with 3 or more minors which either leases the first time or moves; HUD will pay a fee of $75.00.						
Home Owenership Start up Fee	$1,000.00	$1,000.00	$1,000.00	$1,000.00	$1,000.00	$1,000.00
Under HUD contract, for every family the program starts in Homeownership Vouchers Homeownership Assistance, HUD allows a fee of $1,000.						
Project Based Section 8 Opt-Out Start-up Fee	$250.00	$250.00	$250.00	$250.00	$250.00	$250.00
Under HUD contract, for every unit HUD approves transferring from Project Based Section 8 to the Housing Choice Vouchers Program, HUD provides reimbursement of start-up expenses of $250.						
Rents Contract Rate	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Amounts for rentals are based on 100% of contracted amounts per unit each month, less tenant share of rents.						

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

	Total Agency Impact	General Fund Total
FY 2008	$53,837	$0
FY 2009	$50,407	$0

PL- 7404 - HD Board of Housing FTE -
This decision package requests 1.00 FTE to meet workload requirements in the Single-Family Homeownership program and the Accounting/Finance program. The need for this FTE is due to new board loan products that are more complex

than past loan products and require tailor-made program and accounting criteria. The cost is $53,837 in the first year and $50,407 in the second year funded by the BOH Financial Program Fund.

	Total Agency Impact	General Fund Total
FY 2008	$85,000	$0
FY 2009	$15,000	$0

PL- 7406 - HD Business Process Review - OTO -
The Board of Housing is requesting budget authority to conduct a Business Process Review of its electronic operations and remedy any deficiencies identified in the review. Implementing the proposal outcome will result in compliance with state statutes and ITSD planning objectives. The total request is $85,000 in FY 2008 and $15,000 in FY 2009 and funded by proprietary funds.

	Total Agency Impact	General Fund Total
FY 2008	$52,500	$0
FY 2009	$32,500	$0

PL- 7407 - HD Housing Assistance Bureau Imaging -
The Housing Assistance Bureau needs electronic imaging in the Tenant and Project Based Section 8 housing programs. The programs currently maintain physical files which occupy a significant amount of prime office space. Estimated annual costs for the FileNet imaging services from ITSD are $32,500 each fiscal year. The Housing Assistance Bureau would also need $20,000 in FY 2008 only to purchase commercial duty imaging scanners ($10,000) each.

	Total Agency Impact	General Fund Total
FY 2008	$66,200	$0
FY 2009	$8,800	$0

PL- 7408 - HD AOD Pre-Qualification Software - OTO -
This request is for the Board of Housing to purchase software that pre-qualifies and tracks Montana consumers for board programs and loans. The cost of the AOD Pre-Qualification Software Module is $58,200 and the module requires an annual $8,000 license and maintenance fee which increases 10% each year. The estimated cost for FY 2008 is $66,200 and $8,800 in FY 2009. The Board of Housing is funded by enterprise funds with revenues derived from an administrative charge applied to projects and mortgages financed.

	Total Agency Impact	General Fund Total
FY 2008	$5,742,566	$0
FY 2009	$8,447,507	$0

PL- 7410 - HD Administrative Costs Adjustments -
The Executive requests administrative cost adjustments for the Board of Housing. They include: overtime, per diem for the Board of Housing members, costs paid to trustees for administering bond issues, legal fees, court fees, foreclosure fees, computer hardware, travel, and rent. The total amount is $5,742,566 in FY 2008 and $8,447,507 in FY 2009, funded by the HUD Section 8 Housing Program Fund.

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Please note that this program also contains HB0002 data.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	34.00	0.00	0.00	34.00	0.00	0.00	34.00
Personal Services	2,063,992	492,915	0	2,556,907	497,482	0	2,561,474
Operating Expenses	1,654,884	678,153	0	2,333,037	449,785	0	2,104,669
Equipment	0	0	0	0	0	0	0
Local Assistance	0	0	0	0	0	0	0
Grants	0	0	0	0	0	0	0
Total Costs	**$3,718,876**	**$1,171,068**	**$0**	**$4,889,944**	**$947,267**	**$0**	**$4,666,143**
Proprietary	3,718,876	1,171,068	0	4,889,944	947,267	0	4,666,143
Total Funds	**$3,718,876**	**$1,171,068**	**$0**	**$4,889,944**	**$947,267**	**$0**	**$4,666,143**

Program Description –
The Board of Investments manages the Unified Investment Program mandated by Article VIII, Section 13 of the Montana Constitution. Section 17-6-201, MCA, created the Board of Investments, and gave the board sole authority to invest state funds. The board also invests local government funds at their discretion. The board currently manages an investment portfolio with a market value of approximately $11.2 billion. The board manages the portfolio under the "prudent expert principle."

To provide for diversification and reduced risk, the board manages several investment pools in which funds of similar types are invested. The Legislative Auditor audits the board annually. The board consists of nine members appointed by the Governor.

In-State Investments: Section 17-6-305, MCA authorizes the board to invest up to 25 percent of the permanent coal tax trust fund to assist Montana's economic development. This "In-State Investment Program" makes business loans from the trust in participation with financial institutions. The board lends trust fund monies to local governments to fund infrastructure that will serve job-creating businesses locating in the government's jurisdiction. The board also lends low-interest monies funded from the trust to value-added type businesses creating jobs. Throughout fiscal 2006, the board purchased Montana residential mortgages with pension funds as part of the In-State Investment Program.

INTERCAP Program: The board sells tax-exempt bonds and lends the proceeds to eligible governments for a variety of projects. Loan terms range from one to ten years, and short-term loans to finance cash flow deficits or bridge financing are also available. The INTERCAP and In-State Investment Programs were created in FY 1984 as part of the "Build Montana" program.

The Board of Investments is funded by two proprietary fund types. Fund 06014 funds the Intercap and Bond Programs. Fund 06527 funds the Investment Programs.

Board of Investment responsibilities are mandated primarily in Article VIII, Section 13 of the Montana Constitution, Title 2, Chapter 15, and Title 17, Chapters 5 and 6, MCA.

Board of Investments customers include: state agencies, the university system, local governments, financial institutions, and local economic development organizations.

There has been no significant change in the services provided by the Board of Investments from those provided in the last biennium, although the investment portfolio continues to grow in size and complexity.

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Revenues and Expenses -
Revenue Description: 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 boards contract with the Montana Facility Finance Authority.

Nearly all investment program revenues are generated from charges to each account that the board invests. The revenue objective of the Investment Program is to fairly assess the costs of operations while maintaining a reasonable and prudent 60 day working capital reserve. The Board of Investments does not receive any direct appropriations.

FY 2006 base year funding, by fund type for the Investment Program, fund 06527, is as follows:

Fund Type	FY 2006	Percent
General Fund	$ 77,974.76	2.418%
State Special	$ 41,323.21	1.282%
Federal Special	$ 2,497.57	0.077%
Proprietary	$ 157,248.67	4.877%
Expendable Trust	$ 79,154.10	2.455%
Non Expendable Trust	$ 2,776,507.71	86.107%
Local Government	$ 64,855.06	2.011%
University	$ 21,976.06	0.682%
Debt Service	$ 2,952.83	0.092%
Misc Reimbursement	$ -	0.000%
Total:	$ 3,224,489.97	100.000%

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

Bond Program revenues, fund 06014, are primarily recorded in the following SABHRS revenue codes:

Revenue Account	FY 2006	Percent
525130	$ 4,671.18	0.169%
527054	$ 1,011.99	0.037%
530008	$ 395,384.01	14.289%
530010	$ 355,313.21	12.840%
530014	$ (8,574.31)	-0.310%
530023	$ (1,022.30)	-0.037%
530025	$ 7,281.04	0.263%
530029	$ (111,459.61)	-4.028%
538043	$ 2,106,750.73	76.135%
538044	$ 17,784.57	0.643%
Total:	$ 2,767,140.51	100.000%

Investment Program revenues, fund 06527, are primarily recorded in revenue account 521055.

Expense Description: The major cost drivers within the Board of Investments are personal services, operating expenses and expenditures related to the periodic replacement of computer equipment. Additionally, over $3.068 million was disbursed from fund 06014 in FY 2006 via a statutory appropriation for debt service requirements related to the state's bonding activity.

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FY 2006 base year expenditures, for fund 06014 are as follows:

	FY 2006	Percent
FTE	4.00	
Personal Services	$ 249,636.53	7.256%
Operating Expenses	$ 121,926.83	3.544%
Debt Service	$ 3,068,931.82	89.200%
Total:	$ 3,440,495.18	100.000%

FY 2006 base year expenditures, for fund 06527 are as follows:

	FY 2006	Percent
FTE	30.00	
Personal Services	$ 1,884,259.40	54.018%
Operating Expenses	$ 1,603,958.56	45.982%
Total:	$ 3,488,217.96	100.000%

Please note that accounting entity 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 in size and complexity.

Non-typical and one time only expenses, if any, are subtracted from proposed budgets. The Board of Investments is authorized 34.00 FTE (approximately 30.00 funded from accounting entity 06527, and 4.00 funded from accounting entity 06014) and personal services expenditures include board member per diem.

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

Revenues for fund 06527 are assessed on a monthly basis; since collections lag by at least one month the Board must maintain a nominal 60 day working capital reserve to meet ongoing operational expenses.

Fund Equity and Reserved Fund Balance-
At the proposed rates, the department projects a FYE 2009 ending working capital reserve of approximately 60 days for fund 06527. All interest earnings on the working capital reserve are distributed to the state general fund.

Rate Explanation -
The Board of Investments recovers its costs from the entities that use its services. Typically, this has been done by requesting a maximum level of expenditures similar to what occurs in HB 2 and setting the fee at that level. This process has worked very well since the passage of HB 576 and this methodology is continued in the 2009 biennium because it provides an easy comparison with historical financial activity.

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

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Operating Revenues:						
Fee revenue						
Fee Revenues	7,939	4,671	6,794	13,000	13,000	13,000
Investment Earnings	82,642	636,922	570,078	501,426	793,135	816,929
Securities Lending Income	-	-	259			
Premiums	-	-	-			
Other Operating Revenues	2,161,416	2,125,547	3,049,576	3,614,669	5,338,398	5,382,885
Total Operating Revenue	2,251,997	2,767,140	3,626,707	4,129,095	6,144,533	6,212,814
Operating Expenses:						
Personal Services	186,075	252,489	249,637	266,950	277,628	288,733
Operating Expenses	158,927	183,086	122,185	119,120	122,372	126,267
Debt Service Expenses	1,851,563	2,190,826	3,068,932	3,696,131	5,621,546	5,781,182
Total Operating Expenses	2,196,565	2,626,401	3,440,754	4,082,201	6,021,546	6,196,182
Operating Income (Loss)	**55,432**	**140,739**	**185,953**	**46,894**	**122,987**	**16,632**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	(2,945)	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	(2,945)	-	-	-	-
Income (Loss) Before Operating Transfers	55,432	137,794	185,953	46,894	122,987	16,632
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	(900,000)	-	-
Change in net assets	55,432	137,794	185,953	(853,106)	122,987	16,632
Total Net Assets- July 1 - As Restated	4,975,121	5,030,553	5,168,347	5,354,300	4,501,194	4,624,181
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	4,975,121	5,030,553	5,168,347	5,354,300	4,501,194	4,624,181
Net Assets- June 30	**5,030,553**	**5,168,347**	**5,354,300**	**4,501,194**	**4,624,181**	**4,640,813**
60 days of expenses						
(Total Operating Expenses divided by 6)	366,094	437,734	573,459	680,367	1,003,591	1,032,697

Requested Rates for Enterprise Funds

Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Fees & Investment Revenues	$2,161,416	$2,767,141	$3,626,449	$4,129,095	6,144,533	6,212,814

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

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Operating Revenues:						
Fee revenue						
Administrative Fees	2,958,910	2,963,764	3,224,490	3,128,734	4,664,072	4,664,072
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	2,958,910	2,963,764	3,224,490	3,128,734	4,664,072	4,664,072
Operating Expenses:						
Personal Services	2,024,742	1,779,348	1,884,259	2,345,733	2,422,450	2,415,651
Other Operating Expenses	822,509	1,476,351	1,603,959	1,669,724	2,207,413	1,974,897
Total Operating Expenses	2,847,251	3,255,699	3,488,218	4,015,457	4,629,863	4,390,548
Operating Income (Loss)	**111,659**	**(291,935)**	**(263,728)**	**(886,723)**	**34,209**	**273,524**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	(3,482)	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	(3,482)	-	-	-	-
Income (Loss) Before Operating Transfers	111,659	(295,417)	(263,728)	(886,723)	34,209	273,524
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	900,000	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	111,659	(295,417)	(263,728)	13,277	34,209	273,524
Total Net Assets- July 1 - As Restated	662,048	773,707	478,290	214,562	227,839	262,048
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	662,048	773,707	478,290	214,562	227,839	262,048
Net Assets- June 30 (Fund Balance)	**773,707**	**478,290**	**214,562**	**227,839**	**262,048**	**535,572**
Add Non Current Assets	130,843	129,476	152,424	181,385	188,640	196,186
Working Capital	**904,550**	**607,766**	**366,986**	**409,224**	**450,688**	**731,758**
60 days of expenses						
(Total Operating Expenses divided by 6)	474,542	542,617	581,370	669,243	771,644	731,758

Requested Rates for Internal Service Funds

Fee/Rate Information for Legislative Action

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
BOI Administrative Fee						
Rate	$2,958,910	$2,963,764	$3,224,490	$3,128,734	$ 4,664,072	$ 4,664,072

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.

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

	Total Agency Impact	General Fund Total
FY 2008	$390,000	$0
FY 2009	$390,000	$0

PL- 7501 - BOI Investment Research & Investment Tools -
The Board of Investments requires tools and resources necessary to effectively manage the $11.2 billion portfolio and address the unfunded pension liabilities issues. The administration requests present law adjustments including funding for a general investment consultant, a specialist real estate consultant, accessing the Bloomberg Financial Network, and annualized research costs for a total of $390,000 in FY 2008 and FY 2009. The funding is proprietary funds.

	Total Agency Impact	General Fund Total
FY 2008	$235,686	$0
FY 2009	$94,236	$0

PL- 7502 - BOI Administrative Costs Adjustments -
This request is for administrative costs adjustments of overtime, per diem, rent, and subscriptions for a total proprietary funding of $235,686 in FY 2008 and $94,236 in FY 2009.

Department Of Commerce-6501
Director/Management Services-81

Please note that this program also contains HB0002 data.

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

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

The Director's Office and the Management Services Division are funded through an internal service fund; fund 06542. The Director's Office/Management Services Division responsibilities are mandated primarily in Title 2, Chapter 15 and Title 90, Chapter 1, MCA.

Customers are all divisions, bureaus, programs, and employees of the Department of Commerce. Use of these services is mandated by agency policies and procedures; there are no alternative sources for these services; although the department may contract for legal services from time to time whenever it is most appropriate and cost effective to do so. There has not been any significant program, service, or customer base change since the last session.

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

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

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

FY 2006 base year funding, by fund type is as follows:

	FY 2006	Percent
General Fund	$ 197,052.95	15.869%
State Special	$ 368,923.77	29.709%
Federal Special	$ 119,568.58	9.629%
Proprietary	$ 556,213.89	44.792%
Misc. Reimbursement	$ 12.00	0.001%
Totals:	$ 1,241,771.19	100.000%

Department Of Commerce-6501
Director/Management Services-81

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

	FY 2006	Percent
520702	$981,171.31	79.014%
522017	$12.00	0.001%
525045	$25,000.00	2.013%
584002	$235,587.88	18.972%
Totals:	$1,241,771.19	100.000%

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

	FY 2006	Percent
FTE	16.50	
Personal Services	$1,005,708.00	82.282%
Operating Expenses	$216,565.00	17.718%
Totals:	$1,222,273.00	100.000%

Factors that contribute to uncertainty in forecasting expenses involve potential legislative actions since the cost of providing centralized support services is directly related to the number and complexity of the agencies divisions, bureaus, and programs; and the number of agency staff served. As agency services and programs increase, or decrease; management needs to remain cognizant of divisions staffing requirements and indirect cost rates and make the necessary adjustments when needed.

For the purposes of this analysis, it is assumed the agencies divisions, bureaus, programs, and staff remain constant. Non-typical and one-time-only expenses are subtracted out of the divisions future cost projections before calculating the indirect rate. The proposed indirect cost rate will fund 17.00 FTE in the 2009 biennium; 0.50 FTE more than the number of FTE approved in the 2007 biennium.

Working Capital Discussion-
The division's indirect cost rate is calculated by dividing projected annual expenses, plus a nominal 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 division's working capital objective is to recover the costs necessary to fund the division's ongoing operations. The division needs to maintain a nominal 60 day working capital reserve to meet ongoing operational costs.

Fund Equity and Reserved Fund Balance-
At the proposed rates, the department projects a FYE 2009 ending working capital reserve of approximately 60 days. All interest earnings on the working capital reserve are distributed to the state general fund.

Rate Explanation –
The division 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, not including the Director's Office/ Management Services Division.

The federally calculated rate requires that a carry-forward amount be built into the rate. This carry-forward amount represents the amount the division under-recovered or over-recovered in a given fiscal year. This computation compares what was originally calculated to what actually occurred. The difference is then carried forward into the following year's rate.

Department Of Commerce-6501
Director/Management Services-81

The divisions indirect cost rate is determined based on guidelines prescribed by the federal government. Additionally, the division complies with 17-3-111, MCA, which requires agencies to calculate a rate that would recover indirect costs to the greatest extent possible. In order to comply with this statute, the division has requested a rate that may vary slightly from the annually calculated federal rate. The rate approved by the Legislature is considered a cap; therefore, the division cannot impose a rate higher than what has been approved by the Legislature. However, the annually calculated federal rate may be slightly lower.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	16.50	0.50	0.00	17.00	0.50	0.00	17.00
Personal Services	995,656	79,295	0	1,074,951	83,364	0	1,079,020
Operating Expenses	207,725	24,449	0	232,174	9,009	0	216,734
Equipment	0	75,000	0	75,000	10,000	0	10,000
Local Assistance	0	0	0	0	0	0	0
Grants	0	0	0	0	0	0	0
Total Costs	**$1,203,381**	**$178,744**	**$0**	**$1,382,125**	**$102,373**	**$0**	**$1,305,754**
Proprietary	1,203,381	178,744	0	1,382,125	102,373	0	1,305,754
Total Funds	**$1,203,381**	**$178,744**	**$0**	**$1,382,125**	**$102,373**	**$0**	**$1,305,754**

Department Of Commerce-6501
Director/Management Services-81

2009 Biennium Report on Internal Service and Enterprise Funds 2009

Fund	Fund Name	Agency #	Agency Name	Program Name
6542	Commerce Centralized Services	65010	Dept. of Commerce	Director/Management Services

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Operating Revenues:						
Fee revenue						
Administrative Fees	896,437	954,738	1,216,759	1,270,000	1,336,017	1,318,972
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	57,278	25,000	25,012	25,000	25,000	25,000
Total Operating Revenue	953,715	979,738	1,241,771	1,295,000	1,361,017	1,343,972
Operating Expenses:						
Personal Services	859,583	911,124	1,005,708	1,042,734	1,117,949	1,122,181
Other Operating Expenses	206,479	203,192	216,565	228,433	313,761	233,264
Total Operating Expenses	1,066,062	1,114,316	1,222,273	1,271,167	1,431,710	1,355,445
Operating Income (Loss)	**(112,347)**	**(134,578)**	**19,498**	**23,833**	**(70,693)**	**(11,473)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(112,347)	(134,578)	19,498	23,833	(70,693)	(11,473)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(112,347)	(134,578)	19,498	23,833	(70,693)	(11,473)
Total Net Assets- July 1 - As Restated	412,246	299,599	165,021	184,519	208,352	137,659
Prior Period Adjustments	(300)	-				
Cumulative effect of account change	-					
Total Net Assets - July 1 - As Restated	411,946	299,599	165,021	184,519	208,352	137,659
Net Assets- June 30 (Fund Balance)	**299,599**	**165,021**	**184,519**	**208,352**	**137,659**	**126,186**
Add Non Current Assets	85,722	88,876	91,775	94,775	97,775	100,775
Working Capital	**385,321**	**253,897**	**276,294**	**303,127**	**235,434**	**226,961**
60 days of expenses (Total Operating Expenses divided by 6)	177,677	185,719	203,712	211,861	238,618	225,908

Requested Rates for Internal Service Funds
Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
State Programs						
Indirect Cost Rate	15.00%	15.00%	13.70%	13.65%	14.00%	13.75%
Federal Programs						
Indirect Cost Rate	15.00%	15.00%	13.70%	13.65%	14.00%	13.75%

Allocation Methodology: Indirect costs for the Director's Office/Management Services Division 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.
Authority: Federally calculated indirect cost plan for federally funded programs, and legislatively approved rate for state funded programs. FY 2008 and FY 2009 federal rate is an estimated rate.

Department Of Commerce-6501
Director/Management Services-81

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

	Total Agency Impact	General Fund Total
FY 2008	$83,000	$0
FY 2009	$10,000	$0

PL- 8101 - MSD Hardware Replacements - OTO -

This one time only request for both years is to replace servers and network printers at a cost of $83,000 in the first year and $10,000 in the second year. This expense is funded with a proprietary fund.

	Total Agency Impact	General Fund Total
FY 2008	$33,921	$0
FY 2009	$30,472	$0

PL- 8103 - MSD Web Developer FTE-

The Executive requests 0.50 FTE for a web services position in the Management Services Division at a cost of $33,921 in FY 2008 and $30,472 in FY 2009. The Commerce Centralized Services Proprietary Fund is the funding source.

	Total Agency Impact	General Fund Total
FY 2008	$16,129	$0
FY 2009	$11,066	$0

PL- 8104 - MSD Administrative Costs Adjustments -

This request is for overtime, computer equipment, and rent at a cost of $16,129 in the first year and $11,066 in the second.

Department Of Justice-4110

Please note that this agency also contains HB0002 data.

Mission Statement - 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 - 2-15-501, 2-15-2001 through -2021, and Title 44, MCA.

Agency Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	20.00	0.00	(3.00)	17.00	0.00	(3.00)	17.00
Personal Services	919,348	256,187	(134,147)	1,041,388	260,815	(134,263)	1,045,900
Operating Expenses	212,724	2,746	0	215,470	5,156	0	217,880
Total Costs	**$1,132,072**	**$258,933**	**($134,147)**	**$1,256,858**	**$265,971**	**($134,263)**	**$1,263,780**
Proprietary	1,132,072	258,933	(134,147)	1,256,858	265,971	(134,263)	1,263,780
Total Funds	**$1,132,072**	**$258,933**	**($134,147)**	**$1,256,858**	**$265,971**	**($134,263)**	**$1,263,780**

Department Of Justice-4110
Agency Legal Services-06

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	20.00	0.00	(3.00)	17.00	0.00	(3.00)	17.00
Personal Services	919,348	256,187	(134,147)	1,041,388	260,815	(134,263)	1,045,900
Operating Expenses	212,724	2,746	0	215,470	5,156	0	217,880
Total Costs	**$1,132,072**	**$258,933**	**($134,147)**	**$1,256,858**	**$265,971**	**($134,263)**	**$1,263,780**
Proprietary	1,132,072	258,933	(134,147)	1,256,858	265,971	(134,263)	1,263,780
Total Funds	**$1,132,072**	**$258,933**	**($134,147)**	**$1,256,858**	**$265,971**	**($134,263)**	**$1,263,780**

Program Description –
Agency Legal Services Bureau (ALSB) provides legal, hearing examiner, and investigative services to state agency clients on a contract basis. ALSB attorneys and investigators bill clients for their services and case-related and incidental costs. ALSB has 17.00 FTE funded from the revenues generated.

The Attorney General is the legal officer for the state per Article VI, Section 4(4), Montana Constitution. Montana Code Annotated 2-4-611(2) provides that state agencies may request from the Attorney General's Office a hearing examiner in a contested case.

Alternate Sources: State agencies have the option to use in-house or private counsel and investigators to do the work provided by ALSB. Private law firms, however, typically charge considerably more per hour than ALSB, and ALSB attorneys and investigators have specific knowledge and experience that agencies find beneficial.

Customers Served: ALSB serves State of Montana agencies, boards, and commissions that have entered contracts with ALSB. According to Executive Order 5-93, agencies must receive approval from the Legal Services Review Committee (made up of a representative of the Attorney General, the Budget Director, and the Governor’s Chief Legal Counsel) prior to contracting for outside legal services.

Revenues and Expenses -
Change in Service or Fees: The Agency Legal Services is proposing to increase their rates per hour for attorneys from $74 to $84 beginning in FY 2008. Investigator positions are being increased from $46 to $50 beginning in FY 2008.

Working Capital Discussion-
The objective of program management is to recover costs to fund necessary and ongoing operations. The program will increase cash on hand from a projected cash balance without the above increase of $47,063 at the end of the 2009 biennium to a $213,431 positive balance. A 60 day working capital would be approximately $217,000.

Fund Equity and Reserved Fund Balance-
The program would like to maintain a working fund balance of sixty days. However this has never been done due to the need to keep rates down.

Cash Flow Discussion-
With the proposed rate increase, the department anticipates that cash flow should be sufficient to maintain the proposed rates though the 2011 biennium without an increase. It is difficult to anticipate costs increases that far in advance.

Rate Explanation –
Rates are based on personal services and operating expenses for attorneys and investigators. The rates take into consideration holidays, non billable hours, sick and vacation leave.

Department Of Justice-4110
Agency Legal Services-06

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Program Name
6500	Agency Legal Services	4110	Agency Legal Services

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue			1,095,784	1,151,616	1,234,800	1,234,800
Pass Though Revenue			68,616	100,000	100,000	100,000
Agency Fee Revenue	-	1,111,165	18,162	-	-	-
	-	-	-	-	-	-
Net Fee Revenue	1,145,768	1,111,165	1,182,562	1,251,616	1,334,800	1,334,800
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	219	-	33	-	-	-
Total Operating Revenue	1,145,987	1,111,165	1,182,595	1,251,616	1,334,800	1,334,800
Operating Expenses:						
Personal Services	906,761	884,793	931,284	974,347	1,009,371	1,038,243
Other Operating Expenses	243,447	209,946	152,266	162,000	164,206	164,206
Pass Though Expense			68,616	100,000	100,000	100,000
Total Operating Expenses	1,150,208	1,094,739	1,152,166	1,236,347	1,273,577	1,302,449
Operating Income (Loss)	**(4,221)**	**16,426**	**30,429**	**15,269**	**61,223**	**32,351**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(4,221)	16,426	30,429	15,269	61,223	32,351
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(4,221)	16,426	30,429	15,269	61,223	32,351
Total Net Assets- July 1 - As Restated	(82,074)	(86,295)	(69,869)	(39,440)	(24,171)	37,052
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	(82,074)	(86,295)	(69,869)	(39,440)	(24,171)	37,052
Net Assets- June 30	**(86,295)**	**(69,869)**	**(39,440)**	**(24,171)**	**37,052**	**69,403**
60 days of expenses (Total Operating Expenses divided by 6)	191,701	182,457	192,028	206,058	212,263	217,075

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

	Actual FYE 04	Actual FY 05	Actual FY 06	Actual FY 07	Budgeted FY08	Budgeted FY09
Fee Group A						
Attorney rate per hour	$ 71.80	$ 71.80	$ 71.80	$ 71.80	$ 84.00	$ 84.00
Invesitgators rate per hour	$ 39.80	$ 39.80	$ 39.80	$ 39.80	$ 50.00	$ 50.00

Department Of Justice-4110
Agency Legal Services-06

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

	Total Agency Impact	General Fund Total
FY 2008	$2,360	$0
FY 2009	$3,576	$0

PL- 602 - ALS Base Adjustments -

Rent on the building that Agency Legal Services Bureau leases has a 2% cost increase at the start of each fiscal year. Rent in the base year was $58,428. Applying this to each fiscal year results in an increase of $2,360 for FY 2008 and $3,576 for FY 2009.

--New Proposals--

	Total Agency Impact	General Fund Total
FY 2008	($134,147)	$0
FY 2009	($134,263)	$0

NP- 601 - Agency Legal Services FTE Reductions -

The Department of Justice is requesting that 3.00 FTE in the Agency Legal Services Bureau be removed from the base. Due to workload changes, these three positions have remained vacant for over one year. This reduction of $134,147 in FY 2008 and $134,263 in FY 2009 is in proprietary funding.

Department Of Corrections-6401

Please note that this agency also contains HB0002 data.

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

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

Agency Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	58.51	4.00	0.00	62.51	4.00	0.00	62.51
Personal Services	2,888,757	395,820	0	3,284,577	409,181	0	3,297,938
Operating Expenses	5,398,995	96,500	0	5,495,495	100,829	0	5,499,824
Equipment	173,623	256,460	0	430,083	450,460	0	624,083
Capital Outlay	(532,058)	0	0	(532,058)	0	0	(532,058)
Total Costs	**$7,929,317**	**$748,780**	**$0**	**$8,678,097**	**$960,470**	**$0**	**$8,889,787**
Proprietary	7,929,317	748,780	0	8,678,097	960,470	0	8,889,787
Total Funds	**$7,929,317**	**$748,780**	**$0**	**$8,678,097**	**$960,470**	**$0**	**$8,889,787**

Department Of Corrections-6401
Mont Correctional Enterprises-04

Please note that this program also contains HB0002 data.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	58.51	4.00	0.00	62.51	4.00	0.00	62.51
Personal Services	2,888,757	395,820	0	3,284,577	409,181	0	3,297,938
Operating Expenses	5,398,995	96,500	0	5,495,495	100,829	0	5,499,824
Equipment	173,623	256,460	0	430,083	450,460	0	624,083
Capital Outlay	(532,058)	0	0	(532,058)	0	0	(532,058)
Total Costs	**$7,929,317**	**$748,780**	**$0**	**$8,678,097**	**$960,470**	**$0**	**$8,889,787**
Proprietary	7,929,317	748,780	0	8,678,097	960,470	0	8,889,787
Total Funds	**$7,929,317**	**$748,780**	**$0**	**$8,678,097**	**$960,470**	**$0**	**$8,889,787**

Proprietary Program Description -
Montana Correctional Enterprises (MCE) operates the following proprietary programs: Industries includes furniture, upholstery, print, sign, laundry and custom cowboy boot manufacturing at Montana State Prison. In addition the Industry program at Montana Women's Prison includes sewing and embroidery, heat transfers, hygiene kit assembly, custom lanyard manufacturing and fiscal oversight of the Prison Paws for Humanities Dog Training Program. Agriculture includes beef and dairy cattle, crops, feedlot, dairy milking parlor, dairy processing, lumber processing, and the Montana Food Bank Network Cannery, which are all located at the Montana State Prison facility. Vocational Education operates a motor vehicle maintenance shop and custom Toyota Training Cutaway operation. Food Factory operates a cook chill operation and bakery, which provide food products to various institutions. Canteen provides commissary items to inmates at the Montana State and Montana Women's Prisons.

Propriety Rate Explanations-
The Montana Correctional Enterprises (MCE) program rates are as follows:

Industries - Rates for furniture, upholstery, print and sign, hygiene kit assembly and sales, and sewing and embroidery are based on competitive product pricing and current market conditions. Rates for the custom cowboy boot manufacturing and lanyard programs are based on labor and overhead costs and services performed, per contract.

Laundry – The breakeven cost for the laundry is approximately $.43 per pound without delivery. This is an increase of $.04 per pound over the past fiscal year. The increase is due to the increased cost of utilities and laundry chemicals. If any profit is achieved, it is maintained within the industries fund to be used for future laundry equipment replacements.

Agriculture – Ranch and Dairy rates are based on the current market price of cattle, crops and dairy products. Lumber processing rates are based on the current market value of the services performed, per contract. The Cannery rates are based on actual expenditures incurred, and passed on to the Montana Food Bank Network, Department of Health and Human Services and/or Department of Corrections.

Vocational Education – Motor Vehicle Maintenance rates are based on the cost of parts and supplies and a labor charge for vehicle repairs. The labor charge is based on cost of civilian and inmate labor and program overhead. The Toyota Training Cutaway program rates are based on services performed for the Toyota Corporation, per contract.

Food Factory – Rates are based on the cost of raw product, supplies and other operating expenditures. All meal prices are commensurate with actual costs incurred. If any profit in achieved, it is maintained within the Food Factory fund to be used for future equipment replacement.

Canteen – Rates are based on the cost of commissary product plus a 12% margin to cover operating expenditures.

Department Of Corrections-6401
Mont Correctional Enterprises-04

2009 Biennium Report on Internal Service and Enterprise Funds 2009

Fund	Fund Name	Agency #	Agency Name	Program Name
6033	Prison Ranch	64010	Dept. of Corrections	Mont Correctional Enterprises

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Sales of Products	-	-	-	3,150,000	3,200,000	3,200,000
MFBN Cannery Service Revenues	-	-	-	130,000	130,000	130,000
Net Fee Revenue	3,570,698	3,406,704	3,047,937	3,280,000	3,330,000	3,330,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	5,492	12,848	13,670	18,400	18,400	18,400
Total Operating Revenue	3,576,190	3,419,551	3,061,608	3,298,400	3,348,400	3,348,400
Operating Expenses:						
Personal Services	1,019,440	1,019,082	1,202,888	1,233,932	1,214,489	1,218,621
Other Operating Expenses	2,010,221	1,937,902	1,712,898	1,976,074	1,971,399	1,973,396
Total Operating Expenses	3,029,661	2,956,984	2,915,786	3,210,006	3,185,888	3,192,017
Operating Income (Loss)	**546,529**	**462,567**	**145,822**	**88,394**	**162,512**	**156,383**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-			-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	546,529	462,567	145,822	88,394	162,512	156,383
Contributed Capital	-		-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	30,004	566,793	532,058	-	-	-
Change in net assets	576,533	1,029,360	677,880	88,394	162,512	156,383
Total Net Assets- July 1 - As Restated	9,134,154	9,684,125	10,152,342	10,287,010	9,855,916	10,046,375
Prior Period Adjustments	(26,562)	(561,143)	(543,212)	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	9,107,592	9,122,982	9,609,130	10,287,010	9,855,916	10,046,375
Net Assets- June 30	**9,684,125**	**10,152,342**	**10,287,010**	**10,375,404**	**10,018,428**	**10,202,758**
60 days of expenses						
(Total Operating Expenses divided by 6)	504,944	492,831	485,964	535,001	530,981	532,003

Department Of Corrections-6401
Mont Correctional Enterprises-04

2009 Biennium Report on Internal Service and Enterprise Funds 2009

Fund	Fund Name	Agency #	Agency Name	Program Name
6034	MSP Institutional Industries	64010	Dept. of Corrections	Mont Correctional Enterprises

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Sale of Industries Products	-	-		2,750,000	2,750,000	2,750,000
Net Fee Revenue	1,564,315	1,814,375	2,655,418	2,750,000	2,750,000	2,750,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	1,564,315	1,814,375	2,655,418	2,750,000	2,750,000	2,750,000
Operating Expenses:						
Personal Services	829,136	828,321	952,974	1,327,639	1,278,812	1,284,362
Other Operating Expenses	793,743	1,483,382	1,503,466	1,397,917	1,360,818	1,361,602
Total Operating Expenses	1,622,879	2,311,703	2,456,440	2,725,556	2,639,630	2,645,964
Operating Income (Loss)	**(58,564)**	**(497,328)**	**198,978**	**24,444**	**110,370**	**104,036**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets		-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(58,564)	(497,328)	198,978	24,444	110,370	104,036
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)		-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(58,564)	(497,328)	198,978	24,444	110,370	104,036
Total Net Assets- July 1 - As Restated	1,147,026	2,627,127	2,129,799	2,328,778	2,353,222	2,463,592
Prior Period Adjustments	143		-	-	-	-
Cumulative effect of account change	1,538,522	-	-	-	-	-
Total Net Assets - July 1 - As Restated	2,685,691	2,627,127	2,129,799	2,328,778	2,353,222	2,463,592
Net Assets- June 30	**2,627,127**	**2,129,799**	**2,328,778**	**2,353,222**	**2,463,592**	**2,567,628**
60 days of expenses						
(Total Operating Expenses divided by 6)	270,480	385,284	409,407	454,259	439,938	440,994

Requested Rates for Enterprise Funds

Fee/Rate Information

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Cost Per Pound for Laundry Services, including delivery						
Base Laundry Price for Customer	0.39	0.39	0.39	0.39	0.43	0.43
Delivery Charge per Pound						
Montana Developmental Center	0.05	0.05	0.05	0.05	0.05	0.05
Riverside Youth Correctional Facility	0.05	0.05	0.05	0.05	0.05	0.05
Montana Law Enforcement Academy	0.15	0.15	0.15	0.15	0.15	0.15
Montana Chemical Dependency Corp.	0.04	0.04	0.04	0.04	0.04	0.04
START Program	0.01	0.01	0.01	0.01	0.01	0.01
Montana State Hospital	0.01	0.01	0.01	0.01	0.01	0.01

Department Of Corrections-6401
Mont Correctional Enterprises-04

2009 Biennium Report on Internal Service and Enterprise Funds 2009

Fund	Fund Name	Agency #	Agency Name	Program Name
6545	Vocational Education	64010	Dept. of Corrections	Mont Correctional Enterprises

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Revenue from Motor Vehicle Maintenance Service	-	-	-	460,000	475,000	475,000
Net Fee Revenue	369,733	388,850	373,685	460,000	475,000	475,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	369,733	388,850	373,685	460,000	475,000	475,000
Operating Expenses:						
Personal Services	187,854	208,058	200,684	212,340	236,590	237,122
Other Operating Expenses	174,537	191,238	232,117	242,284	229,898	229,926
Total Operating Expenses	362,391	399,296	432,801	454,624	466,488	467,048
Operating Income (Loss)	**7,342**	**(10,446)**	**(59,116)**	**5,376**	**8,512**	**7,952**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	7,342	(10,446)	(59,116)	5,376	8,512	7,952
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	7,342	(10,446)	(59,116)	5,376	8,512	7,952
Total Net Assets- July 1 - As Restated	152,734	160,076	150,571	112,879	118,255	126,767
Prior Period Adjustments	-	941	21,424	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	152,734	161,017	171,995	112,879	118,255	126,767
Net Assets- June 30	**160,076**	**150,571**	**112,879**	**118,255**	**126,767**	**134,719**
60 days of expenses						
(Total Operating Expenses divided by 6)	60,399	66,549	72,134	75,771	77,748	77,841

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

			Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Fee Group A -								
Rate 1	per hour	Labor Charge for Motor Vehicle Maint	$ 23.50	$ 23.50	$ 23.50	$ 26.50	$ 26.50	$ 26.50
Rate 2 (per unit)		Supply fee as a percentage of actual cost of parts	3%	3%	3%	3%	3%	3%
Rate 3		Parts are sold at actual cost						

Department Of Corrections-6401
Mont Correctional Enterprises-04

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
6573	MSP institutional	64010	Dept. of Corrections	Secure Custody Facilities

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Food Product Sales	-	-	-	3,000,000	3,000,000	3,000,000
Net Fee Revenue	2,582,248	2,929,513	3,088,551	3,000,000	3,000,000	3,000,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	2,582,248	2,929,513	3,088,551	3,000,000	3,000,000	3,000,000
Operating Expenses:						
Personal Services	708,916	744,267	774,761	817,598	791,276	794,955
Other Operating Expenses	1,846,174	2,142,069	2,345,707	2,171,977	2,163,278	2,164,826
Total Operating Expenses	2,555,090	2,886,336	3,120,468	2,989,575	2,954,554	2,959,781
Operating Income (Loss)	**27,158**	**43,177**	**(31,917)**	**10,425**	**45,446**	**40,219**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	27,158	43,177	(31,917)	10,425	45,446	40,219
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)		-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	27,158	43,177	(31,917)	10,425	45,446	40,219
Total Net Assets- July 1 - As Restated	3,709,510	3,736,668	3,779,845	3,747,928	3,758,353	3,803,799
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	3,709,510	3,736,668	3,779,845	3,747,928	3,758,353	3,803,799
Net Assets- June 30	**3,736,668**	**3,779,845**	**3,747,928**	**3,758,353**	**3,803,799**	**3,844,018**
60 days of expenses (Total Operating Expenses divided by 6)	425,848	481,056	520,078	498,263	492,426	493,297

Requested Rates for Internal Service Funds

Fee/Rate Information for Legislative Action

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Tray Meal Prices to all customers						
Base Tray Price, no delivery	$ 1.37	$ 1.37	$ 1.37	$ 1.37	$ 1.37	$ 1.37
Delivery Charge Per Trayed Meal						
Montana State Prison	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01
Riverside Youth Correctional Facility	$ 0.64	$ 0.64	$ 0.64	$ 0.64	$ 0.64	$ 0.64
Helena Pre Release	$ 0.64	$ 0.64	$ 0.64	$ 0.64	$ 0.64	$ 0.64
WATCh DUI Program	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22
New Meth Treatment Center					$ 0.64	$ 0.64

Bulk Food is sold at cost, with a spoilage percentage added on and an overhead charge to cover operating expenses and delivery. Overhead charge is based on historical costs and volume of sales to the customer, as a percentage of overall food costs. Delivery is based on actual delivery costs.

		FY04	FY05	FY06	FY07	FY08	FY09
	Spoilage percentage to all customers	3%	3%	3%	3%	4%	4%
(Overhead Chrg)	Montana State Hospital	9%	9%	9%	9%	9%	9%
	Montana State Prison	65%	65%	65%	65%	65%	65%
	Treasure State Correctional Training	8%	8%	8%	8%	8%	8%

Department Of Corrections-6401
Mont Correctional Enterprises-04

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

	Total Agency Impact	General Fund Total
FY 2008	$54,382	$0
FY 2009	$54,493	$0

PL- 404 - Food Factory Additional 2.0 FTE -

This request is for 2.00 FTE additional food service production positions for the Montana Correctional Enterprise Food Factory. Due to increased bed capacity with the MSP low side overflow unit, Helena Pre-Release, and proposed methamphetamine treatment center, the demand for services are expected to increase by 25% to over 12,500 meals per day over the next 4 years. The Executive requests $54,838 in proprietary funding for FY 2008 and $54,493 in FY 2009.

	Total Agency Impact	General Fund Total
FY 2008	$256,460	$0
FY 2009	$450,460	$0

PL- 405 - Ranch, Industries and Food Factory Equipment Replacement -

This request will provide equipment replacement for the Prison Ranch and Industries and the Food Factory. The Executive requests proprietary funding of $256,460 in FY 2008 and $450,460 in FY 2009.

	Total Agency Impact	General Fund Total
FY 2008	$530,500	$0
FY 2009	$530,500	$0

PL- 406 - Ranch, Industries & Overtime and Inmate Pay -

This request is for zero based overtime and inmate payroll expenditures for the MSP Ranch, Industries, and Food Factory. The Executive requests $530,500 in proprietary funding each year of the biennium.

	Total Agency Impact	General Fund Total
FY 2008	$160,437	$0
FY 2009	$160,650	$0

PL- 407 - Continuation of MCE/MFBN Food Bank Program -

This request will continue the operation of the Montana Food Bank program with 2.00 FTE and operating expenses. The Montana Food Bank Network (MFBN) was able to secure funding, and the operation is still in existence. This request is for $160,437 of proprietary funding in FY 2008 and $160,650 in FY 2009.

Department Of Labor & Industry-6602

Please note that this agency also contains HB0002 data.

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, 39, 49, 50, and 90, MCA, and the federal Corporation for National Service.

Agency Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	81.75	2.00	2.00	85.75	2.00	2.00	85.75
Personal Services	4,152,819	455,803	74,816	4,683,438	479,655	74,968	4,707,442
Operating Expenses	1,482,225	529,863	9,181	2,021,269	432,793	7,497	1,922,515
Equipment	31,055	0	0	31,055	0	0	31,055
Benefits & Claims	70,887,424	0	0	70,887,424	0	0	70,887,424
Transfers	613,192	0	0	613,192	0	0	613,192
Total Costs	**$77,166,715**	**$985,666**	**$83,997**	**$78,236,378**	**$912,448**	**$82,465**	**$78,161,628**
General Fund	0	0	0	0	0	0	0
State/Other Special	72,911	(72,911)	0	0	(72,911)	0	0
Federal Special	0	0	0	0	0	0	0
Proprietary	77,093,804	1,058,577	83,997	78,236,378	985,359	82,465	78,161,628
Total Funds	**$77,166,715**	**$985,666**	**$83,997**	**$78,236,378**	**$912,448**	**$82,465**	**$78,161,628**

Department Of Labor & Industry-6602
Work Force Services Division-01

Please note that this program also contains HB0002 data.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	0.75	0.00	0.00	0.75	0.00	0.00	0.75
Personal Services	9,093	30,108	0	39,201	30,192	0	39,285
Operating Expenses	5,847	(35)	0	5,812	(35)	0	5,812
Total Costs	**$14,940**	**$30,073**	**$0**	**$45,013**	**$30,157**	**$0**	**$45,097**
Proprietary	14,940	30,073	0	45,013	30,157	0	45,097
Total Funds	**$14,940**	**$30,073**	**$0**	**$45,013**	**$30,157**	**$0**	**$45,097**

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 Student Assistance Foundation (through a grant) for a wide variety of users: job service offices, vocational rehabilitation offices, high schools, community colleges, universities, tribal colleges, educational and training agencies, home use, and adult education programs. If the grant with the Student Assistance Foundation ends, MCIS will need to resort back to license fees for the basic system. There are currently optional components of MCIS not funded by the Student Assistance Foundation such as IDEAS (an interest inventory) that requires MCIS to collect fees associated with this optional component.

Revenues and Expenses -
Revenue comes to MCIS by billing users for optional components and services. Major classes of expenses for the MCIS program are personal services and computer programming charges.

Rate Explanation –
The fees charged by MCIS are not to exceed $1,500 per site. Fees will be charged by optional component per site as follows:

- IDEAS Assessment - $100 per site
- Civil Service Practice Tests - $200 per site
- Dependable Strengths - $200 per site
- Academic Practice Tests Package - $225-450 depending on enrollment

Department Of Labor & Industry-6602
Work Force Services Division-01

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency	Agency Name	Program Name
6051	MT Career Info System	66020	Dept. of Labor & Industry	Workforce Services Division

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Charges for Services	127,819	129,038	2,740	55,000	55,000	60,000
Net Fee Revenue	127,819	129,038	2,740	55,000	55,000	60,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	4	-	-	-	-	-
Total Operating Revenue	127,823	129,038	2,740	55,000	55,000	60,000
Operating Expenses:						
Personal Services	67,664	53,994	8,455	38,000	39,201	39,285
Other Operating Expenses	56,632	60,581	6,403	108,312	5,812	5,812
Total Operating Expenses	124,296	114,575	14,858	146,312	45,013	45,097
Operating Income (Loss)	**3,527**	**14,463**	**(12,118)**	**(91,312)**	**9,987**	**14,903**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	3,527	14,463	(12,118)	(91,312)	9,987	14,903
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	3,527	14,463	(12,118)	(91,312)	9,987	14,903
Total Net Assets- July 1 - As Restated	25,776	29,304	43,767	31,649	(59,663)	(49,676)
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	25,776	29,304	43,767	69,251	(59,663)	(49,676)
Net Assets- June 30	**29,303**	**43,767**	**31,649**	**(59,663)**	**(49,676)**	**(34,773)**
60 days of expenses						
(Total Operating Expenses divided by 6)	20,716	19,096	2,476	24,385	7,502	7,516

Fee/Rate Information

		Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Charges for Services		1,150	1,150	1,150	1,150	1,500	1,500
Group II	(High schools w/under 200 students)	977	977	977	977	725	725
Group II	(High schools w/over 200 students, agencies and business)	2,000	2,000	2,000	2,000	950	950

Rates will be charged for optional components and services associated with the Montana Career Information System (MCIS). The fees charged by MCIS are not to exceed $1,500 per site. Fee will be charged by optional components as follows: IDEAS Assessment - $100 per site; Civil Service Practice Tests - $200 per site; Academic Practice Tests - $225-450 per site depending on enrollment; and Dependable Strengths - $200 per site.

Department Of Labor & Industry-6602
Unemployment Insurance Division-02

Please note that this program also contains HB0002 data.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	138	0	0	138	0	0	138
Benefits & Claims	70,461,639	0	0	70,461,639	0	0	70,461,639
Transfers	557,800	0	0	557,800	0	0	557,800
Total Costs	**$71,019,577**	**$0**	**$0**	**$71,019,577**	**$0**	**$0**	**$71,019,577**
Proprietary	71,019,577	0	0	71,019,577	0	0	71,019,577
Total Funds	**$71,019,577**	**$0**	**$0**	**$71,019,577**	**$0**	**$0**	**$71,019,577**

Program Description –
The Department of Labor and Industry (DLI) collects the contributions paid by employers, based on their industry or individual experience rate, to pay for their unemployment insurance. DLI expends the funds by paying unemployment insurance benefit claims.

Revenues and Expenses -
The revenues received in the proprietary fund are for the Unemployment Insurance Program tax collections, federal reimbursement for claims on federal employees, military personnel, and claimants in other states, and interest earnings to the unemployment insurance trust fund. The expenditures are unemployment insurance benefits paid to claimants while unemployed, including federal withholding tax and child support payments the claimants have elected to be taken out of the benefit check.

Rate Explanation –
The Unemployment Insurance Division administers the state unemployment insurance law. There is no proprietary rate but a collection of contributions from employers that are used to pay the unemployment insurance benefits to claimants who have involuntarily become unemployed.

Department Of Labor & Industry-6602
Unemployment Insurance Division-02

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
6069	UI Tax Benefit Fund	66020	Dept. Of Labor & Industry	Unemployment Insurance Division

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
	-	-	-	-	-	-
Net Fee Revenue	-	-				-
Investment Earnings	11,338,624	10,950,920	10,295,866	11,000,000	15,800,000	16,800,000
Securities Lending Income	-	-				-
Premiums	67,873,306	72,866,347	76,754,170	78,000,000	78,650,000	79,000,000
Other Operating Revenues	16,916,759	10,327,661	10,726,426	7,900,000	9,100,000	9,100,000
Total Operating Revenue	96,128,689	94,144,928	97,776,462	96,900,000	103,550,000	104,900,000
Operating Expenses:						
Personal Services	-	-	-	-	-	-
Other Operating Expenses	93,881,684	75,291,565	72,660,548	85,536,211	71,019,577	71,019,577
Total Operating Expenses	93,881,684	75,291,565	72,660,548	85,536,211	71,019,577	71,019,577
Operating Income (Loss)	**2,247,005**	**18,853,363**	**25,115,914**	**11,363,789**	**32,530,423**	**33,880,423**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	2,247,005	18,853,363	25,115,914	11,363,789	32,530,423	33,880,423
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	(4,297,012)	(2,728,652)	(557,800)	(2,234,343)	(2,101,153)	(840,534)
Change in net assets	(2,050,007)	16,124,711	24,558,114	9,129,446	30,429,270	33,039,889
Total Net Assets- July 1 - As Restated	193,632,207	191,032,270	207,156,981	231,715,095	240,844,541	271,273,811
Prior Period Adjustments	(549,930)		-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	193,082,277	191,032,270	207,156,981	231,715,095	240,844,541	271,273,811
Net Assets- June 30	**191,032,270**	**207,156,981**	**231,715,095**	**240,844,541**	**271,273,811**	**304,313,700**
60 days of expenses						
(Total Operating Expenses divided by 6)	15,646,947	12,548,594	12,110,091	14,256,035	11,836,596	11,836,596

Requested Rates for Enterprise Funds

Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Unemployment Insurance Contributions/Benefits	97,536,211	85,526,211	85,526,211	84,629,000	88,889,000	92,893,000

Department Of Labor & Industry-6602
Commissioner's Office/CSD-03

Please note that this program also contains HB0002 data.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	49.00	2.00	0.00	51.00	2.00	0.00	51.00
Personal Services	2,491,332	416,746	0	2,908,078	432,526	0	2,923,858
Operating Expenses	873,079	519,777	0	1,392,856	417,288	0	1,290,367
Equipment	7,205	0	0	7,205	0	0	7,205
Total Costs	**$3,371,616**	**$936,523**	**$0**	**$4,308,139**	**$849,814**	**$0**	**$4,221,430**
General Fund	0	0	0	0	0	0	0
State/Other Special	0	0	0	0	0	0	0
Federal Special	0	0	0	0	0	0	0
Proprietary	3,371,616	936,523	0	4,308,139	849,814	0	4,221,430
Total Funds	**$3,371,616**	**$936,523**	**$0**	**$4,308,139**	**$849,814**	**$0**	**$4,221,430**

Program Description –
Supportive services provided by the Commissioner’s Office and Centralized Services Division are funded through a cost allocation plan under which the other divisions in the department are assessed a percentage of their personal service costs to support centralized functions.

The Technical Services Bureau recovers cost for services to provide mainframe computer support and the Hearings Bureau provides administrative hearings to the Business Standards Division’s licensing and building codes bureaus.

Revenues and Expenses -
In addition to the adjusted base expenditures, the predominant share of statewide fixed costs will be charged to the FY08/09 cost allocation plan and recouped via the cost allocation rate.

Rate Explanation –
The cost allocation rate which funds the Commissioner’s Office and the Centralized Services Division, is the total costs of providing the services divided by the projected non-CAP personal service expenditures. The rate requested is 9.125% each year of the biennium.

Technical Services Bureau bills users based on actual use. The Hearings bureau establishes and hourly rate for attorneys and legal assistants not to exceed those charged by the Attorney Generals Office.

Department Of Labor & Industry-6602
Commissioner's Office/CSD-03

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
6546	Commissioner's Office/CSD	66020	Department of Labor & Industry	Commissioner's Office
6547	L/CSD-Direct Charge			
6574	BSD Hearings			

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Cost Allocation Plan (CAP)-Nonfederal	1,288,725	1,412,080	1,608,973	1,433,021	1,432,754	1,432,848
	-	-	-	-	-	-
Net Fee Revenue	1,288,725	1,412,080	1,608,973	1,433,021	1,432,754	1,432,848
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	113	-	-	985	-	-
Total Operating Revenue	1,288,838	1,412,080	1,608,973	1,434,006	1,432,754	1,432,848
Operating Expenses:						
Personal Services	1,744,439	1,865,028	2,147,525	2,107,573	2,262,158	2,274,125
Other Operating Expenses	521,712	585,773	819,766	694,467	1,267,517	1,162,803
Total Operating Expenses	2,266,151	2,450,801	2,967,291	2,802,040	3,529,675	3,436,928
Operating Income (Loss)	**(977,313)**	**(1,038,721)**	**(1,358,318)**	**(1,368,034)**	**(2,096,921)**	**(2,004,080)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(1,768)	-	(10,524)	-	-	-
Federal Indirect Cost Recoveries	968,250	1,088,476	1,163,780	1,430,000	2,220,414	2,220,414
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	966,482	1,088,476	1,153,256	1,430,000	2,220,414	2,220,414
Income (Loss) Before Operating Transfers	(10,831)	49,755	(205,062)	61,966	123,493	216,334
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(10,831)	49,755	(205,062)	61,966	123,493	216,334
Total Net Assets- July 1 - As Restated	303,979	293,148	342,996	137,934	199,900	323,393
Prior Period Adjustments	-	93	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	303,979	293,241	342,996	137,934	199,900	323,393
Net Assets- June 30	**293,148**	**342,996**	**137,934**	**199,900**	**323,393**	**539,727**
60 days of expenses						
(Total Operating Expenses divided by 6)	377,692	408,467	494,549	467,007	588,279	572,821

Requested Rates for Internal Service Funds

Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Cost Allocation Plan (CAP)						
Requested Rate	6.50%	6.38%	8%	8%	9.125%	9.125%

This rate is charged to the various divisions within the Department of Labor to provide revenue to support centralized functions. The fluctuations in this rate are due to the increase/decrease in the amount of revenue required to perform centralized services for the department.

Department Of Labor & Industry-6602
Commissioner's Office/CSD-03

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

	Total Agency Impact	General Fund Total
FY 2008	$16,355	$0
FY 2009	$18,398	$0

PL- 30001 - CSD Operating Increase -

This budget request for $16,355 in FY 2008 and $18,398 in FY 2009, is for indirect costs to support the Centralized Services Division. The funding source is proprietary funds.

	Total Agency Impact	General Fund Total
FY 2008	$186,280	$0
FY 2009	$186,280	$0

PL- 30002 - CSD Funding Switch -

This budget request totals $186,280 in both fiscal years for a funding switch for 2.00 FTE from state special revenue to proprietary funds.

Department Of Labor & Industry-6602
Employment Relations Division-04

Please note that this program also contains HB0002 data.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Benefits & Claims	425,785	0	0	425,785	0	0	425,785
Transfers	55,392	0	0	55,392	0	0	55,392
Total Costs	**$481,177**	**$0**	**$0**	**$481,177**	**$0**	**$0**	**$481,177**
Proprietary	481,177	0	0	481,177	0	0	481,177
Total Funds	**$481,177**	**$0**	**$0**	**$481,177**	**$0**	**$0**	**$481,177**

Program Description –
The Subsequent Injury Fund was established in 1973 to assist disabled persons in becoming employed by offering a financial incentive to the employers who hire them. The incentive has a limit of 104 weeks of benefits paid by their Workers' Compensation carrier in the event of an on-the-job injury to the certified employee, thus minimizing workers' compensation expenses. Beginning July 1, 1999, the fund is maintained by annual assessment of all Montana Workers' Compensation insurers, including self insured employers, private insurers and the State Fund. The asset balance is maintained at approximately $1,700,000 to provide an operating balance for payment of benefits and administrative costs.

Revenues and Expenses -
Beginning July 1, 1999, the fund is maintained by an annual assessment on all Workers' Compensation policyholders, which is collected by all Montana Workers' Compensation insurers. The assessment is statutorily set (Title 39-71-915 MCA) at the amount expended by the fund for the benefit payments plus the cost of administration in the previous calendar year, less other income. The assessment is allocated among Plan 1, Plan 2, and Plan 3 insurers based on their compensation and medical payments for the previous calendar year. Thus, any rate beyond one year into the future is an unknown, and based solely on the insured's current year's use.

Rate Explanation –
The assessment for the subsequent injury fund is allocated among insurers based on their compensation and medical payments for the previous calendar year per 39-71-915, MCA.

Department Of Labor & Industry-6602
Employment Relations Division-04

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
6040	Subsequent Injury-Trust Fund	66020	Dept. of Labor & Industry	Employment Relations Division

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Subsequent Injury Fund Assessment	72,075	318,517	128,462	129,000	200,000	200,000
Net Fee Revenue	72,075	318,517	128,462	129,000	200,000	200,000
Investment Earnings	11,270	46,417	44,879	40,000	40,000	40,000
Securities Lending Income	4,658	12,093	24,982	25,170	25,170	25,170
Premiums	-	-	-	-	-	-
Other Operating Revenues	334	454	4,400	4,300	4,400	4,500
Total Operating Revenue	88,337	377,481	202,723	198,470	269,570	269,670
Operating Expenses:						
Personal Services	-	-				-
Other Operating Expenses	176,657	646,680	762,016	331,435	506,177	506,177
Total Operating Expenses	176,657	646,680	762,016	331,435	506,177	506,177
Operating Income (Loss)	**(88,320)**	**(269,199)**	**(559,293)**	**(132,965)**	**(236,607)**	**(236,507)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(88,320)	(269,199)	(559,293)	(132,965)	(236,607)	(236,507)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	(28,877)	(30,729)	(55,392)	(55,000)	(57,140)	(57,319)
Change in net assets	(117,197)	(299,928)	(614,685)	(187,965)	(293,747)	(293,826)
Total Net Assets- July 1 - As Restated	(409,573)	(526,770)	(826,698)	(1,441,383)	(1,629,348)	(1,923,095)
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	(409,573)	(526,770)	(826,698)	(1,441,383)	(1,629,348)	(1,923,095)
Net Assets- June 30	**(526,770)**	**(826,698)**	**(1,441,383)**	**(1,629,348)**	**(1,923,095)**	**(2,216,921)**
60 days of expenses						
(Total Operating Expenses divided by 6)	29,443	107,780	127,003	55,239	84,363	84,363

Requested Rates for Enterprise Funds
Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Plan I- Insureds	-	-	-	-	12,000	11,000
(Admin costs & benefits paid to certified claimants)						
Plan II- Insureds	21,996	102,008	55,463	50,000	77,000	78,000
(Admin costs & benefits paid to certified claimants)						
Plan III- Old Insureds	10,868	11,415	-	11,000	11,000	11,000
(Admin costs & benefits paid to certified claimants)						
Plan III- New Insureds	29,425	113,172	72,998	68,000	100,000	100,000
(Admin costs & benefits paid to certified claimants)						

Department Of Labor & Industry-6602
Business Standards Division-05

Please note that this program also contains HB0002 data.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	32.00	0.00	2.00	34.00	0.00	2.00	34.00
Personal Services	1,652,394	8,949	74,816	1,736,159	16,937	74,968	1,744,299
Operating Expenses	603,161	10,121	9,181	622,463	15,540	7,497	626,198
Equipment	23,850	0	0	23,850	0	0	23,850
Total Costs	**$2,279,405**	**$19,070**	**$83,997**	**$2,382,472**	**$32,477**	**$82,465**	**$2,394,347**
State/Other Special	72,911	(72,911)	0	0	(72,911)	0	0
Proprietary	2,206,494	91,981	83,997	2,382,472	105,388	82,465	2,394,347
Total Funds	**$2,279,405**	**$19,070**	**$83,997**	**$2,382,472**	**$32,477**	**$82,465**	**$2,394,347**

Program Description –
The Business Standards Division maintains an internal service fund to cover division and bureau level costs of operation that are common to the bureaus, boards, and programs of the division. Common costs of operation are assessed through a cost allocation plan to the various state special revenue accounts on an equitable basis, while attempting to reach a reasonable working capital reserve of approximately 60 days by the end of FY2009.

Revenues and Expenses -
The cost allocation rate which funds the division level operating costs are assessed to the three bureaus on an FTE basis, with assessments as follows: *Bureau of Business & Measurement Standards (BBMS) - 54.4 percent, Health Care Licensing Bureau (HCLB)- 20.7 percent and Business & Occupational Licensing Bureau (BOLB) - 24.9 percent. BBMS will pay a percent of its share of division level operating costs with HB 2 direct charges covering the personal services costs of the division administrator and division rent. The division level, bureau level, and legal services operating costs assessments for HCLB and BOLB are passed through to the boards and programs located in each bureau on the basis of time distribution.

*The Building Codes Bureau and The Weights & Measures Bureau have been combined into what is now the Bureau of Business & Measurement Standards.

Rate Explanation –
Recharge rates are allocated to the state special revenue accounts based upon projected expenditures. Each program is assigned a percentage rate based on assigned FTE. That percentage is then applied to determine each program's share of the necessary revenues. Legal services expenditures are part of the overall recharge amounts, but fall under Centralized Services Division’s budget rather than in the Business Standards Division.

Department Of Labor & Industry-6602
Business Standards Division-05

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
6552	Admin Services	66020	Dept. of Labor & Industry	Business Standards Division

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Charges for services	2,283,254	2,461,234	2,865,597	3,031,482	3,300,000	3,505,913
Net Fee Revenue	2,283,254	2,461,234	2,865,597	3,031,482	3,300,000	3,505,913
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	6	-	-	-	-	-
Total Operating Revenue	2,283,260	2,461,234	2,865,597	3,031,482	3,300,000	3,505,913
Operating Expenses:						
Personal Services	1,695,018	1,866,097	2,109,504	1,925,848	2,382,079	2,394,032
Other Operating Expenses	634,614	597,650	654,165	1,105,634	757,834	763,728
Total Operating Expenses	2,329,632	2,463,747	2,763,669	3,031,482	3,139,913	3,157,760
Operating Income (Loss)	**(46,372)**	**(2,513)**	**101,928**	**-**	**160,087**	**348,153**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	345	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	345	-	-
Income (Loss) Before Operating Transfers	(46,372)	(2,513)	101,928	345	160,087	348,153
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(46,372)	(2,513)	101,928	345	160,087	348,153
Total Net Assets- July 1 - As Restated	(29,440)	(75,812)	(78,325)	23,563	23,908	183,995
Prior Period Adjustments	-	-	(40)	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	(29,440)	(75,812)	(78,365)	23,563	23,908	183,995
Net Assets- June 30	**(75,812)**	**(78,325)**	**23,563**	**23,908**	**183,995**	**532,148**
60 days of expenses (Total Operating Expenses divided by 6)	388,272	410,625	460,612	505,247	523,319	526,293

Requested Rates for Internal Service Funds

Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Recharge Rate	48%	48%	48%	48%	54%	54%
Recharge Amount	2,500,000	2,500,000	3,000,000	3,000,000	3,500,000	3,600,000

The rate will support the Business Standards Division Administration, Health Care Licensing & Business, Occupational Licensing Bureau's and the Legal Unit associated with Licensing Bureaus.

Department Of Labor & Industry-6602
Business Standards Division-05

--New Proposals--

	Total Agency Impact	General Fund Total
FY 2008	$40,559	$0
FY 2009	$38,938	$0

NP- 50002 - BOLB Additional FTE -

This budget request of proprietary funds is $40,559 in FY 2008 and $38,938 in FY 2009 for 1.00 FTE administrative support position for the Building & Occupational Licensing Bureau.

	Total Agency Impact	General Fund Total
FY 2008	$43,438	$0
FY 2009	$43,527	$0

NP- 50004 - BSD Admin Additional FTE -

This request is for 1.00 FTE administrative rules specialist for the Business Standards Division funded by proprietary funds of $43,438 in FY2008 and $43,527 in FY2009.

Office Of Public Instruction-3501

Please note that this agency also contains HB0002 data.

Mission Statement - It is the mission of the Office of Public Instruction to improve teaching and learning through communication, collaboration, advocacy, and accountability to those we serve.

Statutory Authority - Title 20, MCA.

Agency Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	23.40	0.13	0.30	23.83	0.13	0.30	23.83
Personal Services	1,083,181	102,384	12,797	1,198,362	105,990	12,808	1,201,979
Operating Expenses	766,170	93,655	8,559	868,384	48,464	8,561	823,195
Total Costs	**$1,849,351**	**$196,039**	**$21,356**	**$2,066,746**	**$154,454**	**$21,369**	**$2,025,174**
Proprietary	1,849,351	196,039	21,356	2,066,746	154,454	21,369	2,025,174
Total Funds	**$1,849,351**	**$196,039**	**$21,356**	**$2,066,746**	**$154,454**	**$21,369**	**$2,025,174**

Office Of Public Instruction-3501
State Level Activities-06

Please note that this program also contains HB0002 data.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	23.40	0.13	0.30	23.83	0.13	0.30	23.83
Personal Services	1,083,181	102,384	12,797	1,198,362	105,990	12,808	1,201,979
Operating Expenses	766,170	93,655	8,559	868,384	48,464	8,561	823,195
Total Costs	**$1,849,351**	**$196,039**	**$21,356**	**$2,066,746**	**$154,454**	**$21,369**	**$2,025,174**
Proprietary	1,849,351	196,039	21,356	2,066,746	154,454	21,369	2,025,174
Total Funds	**$1,849,351**	**$196,039**	**$21,356**	**$2,066,746**	**$154,454**	**$21,369**	**$2,025,174**

Program Description –
The Office of Public Instruction (OPI) internal service fund (fund 06512) is used to pool internal and statewide central service costs that are charged back to all of OPI's state and federally funded programs using a pre-approved indirect cost rate.

The Advanced Driver Education program (also known as Montana DR.I.V.E.) - This is a seasonal hands-on behind-the-wheel crash avoidance program operated by the Health Enhancement and Safety Division of the Office of Public Instruction at their training facility in Lewistown. The one-day and half-day refresher courses provide training to school bus drivers, driver education teachers, MDT employees, ambulance drivers, and others who drive as a part of their employment. The program offers its services to employees of government services and to the general public.

Revenues and Expenses -
Revenue Description: Indirect cost pool revenues are a function of the amount of expenditures recorded in the State Level Activities Program. Revenues are generated monthly by applying an approved indirect cost rate to the prior month's direct personal services and operating expenditures in both state and federally funded programs. Last fiscal year OPI federal programs contributed $1,099,972 (SABHRS revenue account 584002) towards the cost of "indirects"; general and other state-funded programs contributed $879,092 (SABHRS revenue account 520260). State and federal program payments to the indirect cost pool are recorded using SABHRS account 62827.

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

- Termination payouts (vacation/comp time/sick leave) for all staff (except the State Superintendent and her personal staff);
- Fixed costs paid to other state agency service providers;
- OPI's share of statewide indirect costs, allocated through a Statewide Cost Allocation Plan (SWCAP) prepared by the Department of Administration.
- Payroll, personnel, accounting, budgeting, data management, cash management, financial reporting, purchasing, word processing, mail delivery and resource center services to all OPI programs. Operating costs associated with 22.15 positions are paid from the pool, including the cost of rent for space they occupy, office supplies, postage, long distance phone charges, equipment, training, travel, photocopy charges, etc.
- General-use items such as paper, fax lines and shared equipment, including maintenance contracts on that equipment.

Working Capital Discussion-
Working capital is not considered in the rate determination. Sufficient working capital is needed for cash flow during the first 30 - 45 days of the fiscal year.

Office Of Public Instruction-3501
State Level Activities-06

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

Rate Explanation –
OPI negotiates a three year "predetermined rate" with the U.S. Department of Education every year. The rate is calculated in accordance with federal regulations and section 17-3-111(1), MCA. The proposed rate for FY's 2008 through 2010 is 19.14%.

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06512	Indirect Cost Pool	3501	Office of Public Instruction	State Level Activities

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Nonfederal indirect cost recoveries	633,535	670,018	879,092	850,000	850,000	850,000
Federal Indirect Cost Recoveries	910,384	1,138,708	1,099,972	1,050,000	1,050,000	1,050,000
Other Operating Revenues	2,171	2,784	3,472	-	-	-
Total Operating Revenue	1,546,090	1,811,510	1,982,536	1,900,000	1,900,000	1,900,000
Operating Expenses:						
Personal Services	968,660	1,044,037	1,010,252	1,074,459	1,120,995	1,124,523
Other Operating Expenses	605,007	598,289	693,342	547,239	810,257	766,140
Total Operating Expenses	1,573,667	1,642,326	1,703,594	1,621,698	1,931,252	1,890,663
Operating Income (Loss)	**(27,577)**	**169,184**	**278,942**	**278,302**	**(31,252)**	**9,337**
Total Net Assets- July 1 - As Restated	(16,660)	(44,237)	124,947	403,889	682,191	650,939
Total Net Assets - July 1 - As Restated	(16,660)	(44,237)	124,947	403,889	682,191	650,939
Net Assets- June 30	**(44,237)**	**124,947**	**403,889**	**682,191**	**650,939**	**660,276**
60 days of expenses (Total Operating Expenses divided by 6)	262,278	273,721	283,932	270,283	321,875	315,111

Requested Rates for Internal Service Funds
Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Unrestricted Rate	20.0%	21.4%	21.4%	21.4%	21.4%	21.4%
Restricted Rate	17.0%	17.3%	17.3%	17.3%	20.4%	20.4%

OPI's indirect cost rate is negotiated with the U.S. Department of Education every three-years in accordance with federal regulations published in OMB Circular A-87, U.S. Department of Education General Administrative Requirements, and section 17-3-111, MCA. The restricted rate approved by the U.S. Department of Education for FY2005-FY2007 is 17.3%. The approved unrestricted rate is 21.4%. The restricted rate is applied to all general fund programs and to federal programs with "supplement not supplant" requirements.

Office Of Public Instruction-3501
State Level Activities-06

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06067	Advanced Drivers Education	3501	Office of Public Instruction	State Level Activities

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
From Fee A - Full Day Workshop	84,153	121,927	92,244	148,000	155,000	160,000
Half Day Refresher Workshop	3,715	4,430	7,050	7,200	8,000	8,000
From Fee B - Daily Track Rentals, Exclusive	1,000	2,625	2,280	2,500	2,750	2,750
From Fee C - Periodic or Extended Track Rental, Non-Exclu.	N/A	-	-	-	-	-
From Fee D - Custom Training/Workshop	N/A	-	75,000	-	-	-
	-	-	-	-	-	-
Net Fee Revenue	88,918	128,982	176,574	157,700	165,750	170,750
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	2,685	-	-	-	-	-
Total Operating Revenue	91,603	128,982	176,574	157,700	165,750	170,750
Operating Expenses:						
Personal Services	49,294	76,621	83,896	58,291	77,367	77,456
Other Operating Expenses	39,864	74,866	73,509	42,549	83,756	83,857
Total Operating Expenses	89,158	151,487	157,405	100,840	161,123	161,313
Operating Income (Loss)	**2,445**	**(22,505)**	**19,169**	**56,860**	**4,627**	**9,437**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	2,445	(22,505)	19,169	56,860	4,627	9,437
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	2,445	(22,505)	19,169	56,860	4,627	9,437
Total Net Assets- July 1 - As Restated	36,031	38,476	15,971	35,140	92,000	96,627
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	36,031	38,476	15,971	35,140	92,000	96,627
Net Assets- June 30	**38,476**	**15,971**	**35,140**	**92,000**	**96,627**	**106,064**
60 days of expenses						
(Total Operating Expenses divided by 6)	14,860	25,248	26,234	16,807	26,854	26,886

Fee/Rate Information

		Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Fee Group A	Rate 1 (per unit) Full-Day Workshop	225	225-235	235-250	250	250-295	250-295
	Rate 2 (per unit) Half-Day Workshop	135	135-140	140-150	150	150-175	150-175
	Rate 3 (per unit)						
Fee Group B	Rate 4 (per unit) Daily Track Rental - Gov.	100	125	150	150-200	150-200	150-200
	Rate 5 (per unit) Daily/Yearly High Schools	30/550	30/550	35/575	35/575	40/600	40/600
	Rate 6 (per unit) Daily Track Rental Non-Profit	225	225-300	300-330	330-350	330-400	330-400
	Rate 7 (per unit) Daily Private for Profit	1750-2250	1750-2250	1750-2500	1750-2500	2000-2750	2000-2750
Fee Group C	Rate 8 (per unit) Periodic/Extended Non-Exclusive - Gov	N/A	Negotiated	Negotiated	Negotiated	Negotiated	Negotiated
	Rate 9 (per unit) Periodic/Extended Non-Exclusive - Non-Profit	N/A	N/A	N/A	Negotiated	Negotiated	Negotiated
Fee Group D	Rate 10 (per unit) Custom Full-Day Workshop	N/A	Negotiated	Negotiated	Negotated	Negotiated	Negotiated
	Rate 11 (per unit) Custom, Other training configurations	N/A	Negotiated	Negotiated	Negotated	Negotiated	Negotiated

Group A represents the workshops the Office of Public Instruction offers for driver improvement and advanced driver education. It is typically a one-day workshop or a half-day refresher course. It involves a driving track, four to five instructors, and 10-12 vehicles.

Group B are the fees other users of the tract pay for exclusive use of the track. The OPI serves as a lead agency to schedule the driving tract for other users and to arrange for care of the facility. Rate 5 for High Schools involves use of the track after hours or on dates not scheduled for other uses.

Group C are fees charged to groups that use the track on a non-exclusive basis that involves periodic or extended use, such as research projects that can accommodate other users, or are confined to dates that are not typically used. A fee that fairly represents the loss of track time from other uses, accounts for value added benefits to the program/facility, and takes into account wear and tear on facility will be negotiated.

Fiscal cycle note: Revenues and budgeting need to provide resources that can be carried over to cover costs incurred by the program in low/non-revenue months (September – March), and to accrue funds across fiscal years for replacement of ve

Increased rates in all areas represent increasing costs and major improvements to the track fall of 2004.

Office Of Public Instruction-3501
State Level Activities-06

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

	Total Agency Impact	General Fund Total
FY 2008	$4,046	$0
FY 2009	$4,052	$0

PL- 35 - Montana DR.I.V.E 0.125 FTE-

The Health Enhancement and Safety Division of OPI requests a proprietary fund authority increase of $8,294 for the 2009 biennium and 0.125 FTE for increased administrative support for the Montana DR.I.V.E. Program (Driver In-Vehicle Education program in Lewistown). This program is experiencing expanded interest and demand.

--New Proposals--

	Total Agency Impact	General Fund Total
FY 2008	$21,356	$0
FY 2009	$21,369	$0

NP- 50 - Montana DR.I.V.E. Rate Adjustment Request -

This is a request to increase fees for the Montana Advanced Driver Education Program, also known as the Montana DR.I.V.E. Program. User fees fund the program. No tax-source funds are involved.

Commissioner Of Higher Ed-5102

Please note that this agency also contains HB0002 data.

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 Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	3.65	0.00	1.00	4.65	0.00	1.00	4.65
Personal Services	335,101	(142,859)	47,321	239,563	(141,433)	47,336	241,004
Operating Expenses	4,144,011	138,118	0	4,282,129	138,267	0	4,282,278
Benefits & Claims	44,543,333	24,040,579	0	68,583,912	30,753,131	0	75,296,464
Debt Service	45,823	0	0	45,823	0	0	45,823
Total Costs	**$49,068,268**	**$24,035,838**	**$47,321**	**$73,151,427**	**$30,749,965**	**$47,336**	**$79,865,569**
Proprietary	49,068,268	24,035,838	47,321	73,151,427	30,749,965	47,336	79,865,569
Total Funds	**$49,068,268**	**$24,035,838**	**$47,321**	**$73,151,427**	**$30,749,965**	**$47,336**	**$79,865,569**

Commissioner Of Higher Ed-5102
MUS Group Insurance Program-05

Please note that this program also contains HB0002 data.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	3.65	0.00	1.00	4.65	0.00	1.00	4.65
Personal Services	335,101	(142,859)	47,321	239,563	(141,433)	47,336	241,004
Operating Expenses	3,727,212	138,118	0	3,865,330	138,267	0	3,865,479
Benefits & Claims	42,028,565	23,697,969	0	65,726,534	30,249,521	0	72,278,086
Total Costs	**$46,090,878**	**$23,693,228**	**$47,321**	**$69,831,427**	**$30,246,355**	**$47,336**	**$76,384,569**
Proprietary	46,090,878	23,693,228	47,321	69,831,427	30,246,355	47,336	76,384,569
Total Funds	**$46,090,878**	**$23,693,228**	**$47,321**	**$69,831,427**	**$30,246,355**	**$47,336**	**$76,384,569**

Program Description –
The Board of Regents provides faculty and staff with group benefits through the MUS Group Insurance Program. The commissioner is authorized by Board of Regents policy to administer the program as a self-insured, group insurance plan. All university system employees, retirees, and eligible dependents are offered medical, dental, vision, and group life insurance, as well as long-term disability benefits.

Commissioner Of Higher Ed-5102
MUS Group Insurance Program-05

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
6008	MUS Group Insurance Program	51020	Commissioner of Higher Education	MUS Group Insurance

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Subsequent Injury Fund Assessment	-	-	-	-	-	-
Revenue from Fee B	-	-	-	-	-	-
Revenue from Fee C	-	-	-	-	-	-
Revenue from Fee D	-	-	-	-	-	-
Revenue from Fee E	-	-	-	-	-	-
Revenue from Fee F	-	-	-	-	-	-
Net Fee Revenue	-	-	-	-	-	-
Investment Earnings	136,845	409,840	1,094,811	1,000,000	1,000,000	1,000,000
Securities Lending Income	-	-	-	20,000	20,000	20,000
Premiums	42,219,354	47,731,723	54,136,616	59,550,277	63,123,243	66,910,637
Other Operating Revenues	406,424	263,410	508,347	500,000	500,000	500,000
Total Operating Revenue	42,762,623	48,404,973	55,739,774	61,070,277	64,643,243	68,430,637
Operating Expenses:						
Personal Services	156,542	159,291	335,103	300,000	300,000	300,000
Other Operating Expenses	39,521,073	40,357,590	51,803,500	59,574,025	65,531,427	72,084,569
Total Operating Expenses	39,677,615	40,516,881	52,138,603	59,874,025	65,831,427	72,384,569
Operating Income (Loss)	**3,085,008**	**7,888,092**	**3,601,171**	**1,196,252**	**(1,188,184)**	**(3,953,932)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	3,085,008	7,888,092	3,601,171	1,196,252	(1,188,184)	(3,953,932)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	3,085,008	7,888,092	3,601,171	1,196,252	(1,188,184)	(3,953,932)
Total Net Assets- July 1 - As Restated	7,910,008	10,995,016	18,883,108	22,484,279	23,680,531	22,492,347
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	7,910,008	10,995,016	18,883,108	22,484,279	23,680,531	22,492,347
Net Assets- June 30	**10,995,016**	**18,883,108**	**22,484,279**	**23,680,531**	**22,492,347**	**18,538,415**
60 days of expenses						
(Total Operating Expenses divided by 6)	6,612,936	6,752,814	8,689,767	9,979,004	10,971,905	12,064,095

Requested Rates for Internal Service Funds

Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Fee Group A	-	-	-	-	-	-
Rate 1 (per unit)						
Rate 2 (per unit)						-
Rate 3 (per unit)						
Fee Group B						-
Rate 4 (per unit)						
Rate 5 (per unit)						-
Rate 6 (per unit)						
Rate 7 (per unit)						
Fee Group C						

HB2 Language: Because certain employee benefit plans require a large number of individual premiums for a variety of benefit options, because the portion of these premiums paid by the state is statutorily established in 2-18-703, and because the employee-paid portion of these premiums must be adjusted from time to time to maintain employee group benefit plans on an actuarially sound basis, the legislature defines rates and fees for Montana university system employee benefit programs to mean the state contribution toward employee group benefits provided for in 2-18-703, and the employee contribution toward employee group benefits necessary to maintain the employee group benefit plans on an actuarially sound basis.

Commissioner Of Higher Ed-5102
MUS Group Insurance Program-05

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

	Total Agency Impact	General Fund Total
FY 2008	$9,912,254	$0
FY 2009	$9,912,254	$0

PL- 5051 - Base Adjustment -
This request corrects MBARS to match base year expenditures. Two organizational units did not get correctly mapped into the budgeting system and therefore a total of $9,912,254 was inadvertently get recorded in the base budget.

	Total Agency Impact	General Fund Total
FY 2008	$137,621	$0
FY 2009	$137,621	$0

PL- 5052 - Flex Increase -
This request reflects the inflationary increases anticipated by the Benefits Bureau.

	Total Agency Impact	General Fund Total
FY 2008	$13,785,715	$0
FY 2009	$20,337,267	$0

PL- 5053 - Health Insurance Increase -
This request reflects the health insurance increases anticipated by the Health Insurance Program.

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

	Total Agency Impact	General Fund Total
FY 2008	$47,321	$0
FY 2009	$47,336	$0

NP- 5051 - Add Quality Assurance/Internal Auditor -
The Office of the Commissioner of Higher Education requests authority to add a quality assurance/internal auditor to the group insurance function for the Montana University System.

Commissioner Of Higher Ed-5102
MUS Self Funded Workers Comp-07

Please note that this program also contains HB0002 data.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	416,799	0	0	416,799	0	0	416,799
Benefits & Claims	2,514,768	342,610	0	2,857,378	503,610	0	3,018,378
Debt Service	45,823	0	0	45,823	0	0	45,823
Total Costs	**$2,977,390**	**$342,610**	**$0**	**$3,320,000**	**$503,610**	**$0**	**$3,481,000**
Proprietary	2,977,390	342,610	0	3,320,000	503,610	0	3,481,000
Total Funds	**$2,977,390**	**$342,610**	**$0**	**$3,320,000**	**$503,610**	**$0**	**$3,481,000**

Program Description-
The Montana Board of Regents created the Montana University System Self-Funded Workers’ Compensation Program (fund 06082) 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 (OCHE).

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

Rate Explanation-
Premium rates for the program are based upon commonly accepted actuarial principles developed by a qualified actuary and reviewed by an oversight committee comprised of university system representatives and the administrator of the State of Montana Risk Management and Tort Defense Division. Rates in the early years of the Self-funded program are based on historical data (5 years) of MUS claims experience and reserving practices of the State Fund which insured the MUS during that period.

Commissioner Of Higher Ed-5102
MUS Self Funded Workers Comp-07

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
6082	MUS Self-Funded Workers Comp	51020	Commissioner of Higher Education	MUS Self-Funded Workers Comp

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Subsequent Injury Fund Assessment	-	-	-	-	-	-
Net Fee Revenue	-	-	-	-	-	-
Investment Earnings	775	69,469	167,654	90,000	112,000	139,000
Securities Lending Income	-	-	-	-	-	-
Premiums	2,424,455	2,916,509	3,543,348	3,577,000	3,758,000	3,948,000
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	2,425,230	2,985,978	3,711,002	3,667,000	3,870,000	4,087,000
Operating Expenses:						
Personal Services	-	-	-	-	-	-
Other Operating Expenses	2,552,553	2,849,415	2,971,101	3,167,000	3,320,000	3,481,000
Total Operating Expenses	2,552,553	2,849,415	2,971,101	3,167,000	3,320,000	3,481,000
Operating Income (Loss)	**(127,323)**	**136,563**	**739,901**	**500,000**	**550,000**	**606,000**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(127,323)	136,563	739,901	500,000	550,000	606,000
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(127,323)	136,563	739,901	500,000	550,000	606,000
Total Net Assets- July 1 - As Restated	-	(127,323)	9,240	749,141	1,249,141	1,799,141
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	(127,323)	9,240	749,141	1,249,141	1,799,141
Net Assets- June 30	**(127,323)**	**9,240**	**749,141**	**1,249,141**	**1,799,141**	**2,405,141**
60 days of expenses						
(Total Operating Expenses divided by 6)	425,426	474,903	495,183	527,833	553,333	580,167

Requested Rates for Internal Service Funds

Fee/Rate Information

HB2 Language (proposed): The legislature defines rates for the Montana university system self funded workers compensation program to mean the amount necessary to maintain the plan on an actuarially sound basis.

Commissioner Of Higher Ed-5102
MUS Self Funded Workers Comp-07

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

	Total Agency Impact	General Fund Total
FY 2008	$342,610	$0
FY 2009	$503,610	$0

PL- 7001 - Inflationary adjustment -
The request reflects the anticipated cost adjustments necessary for FY 2008 and FY 2009 provided by the OCHE.