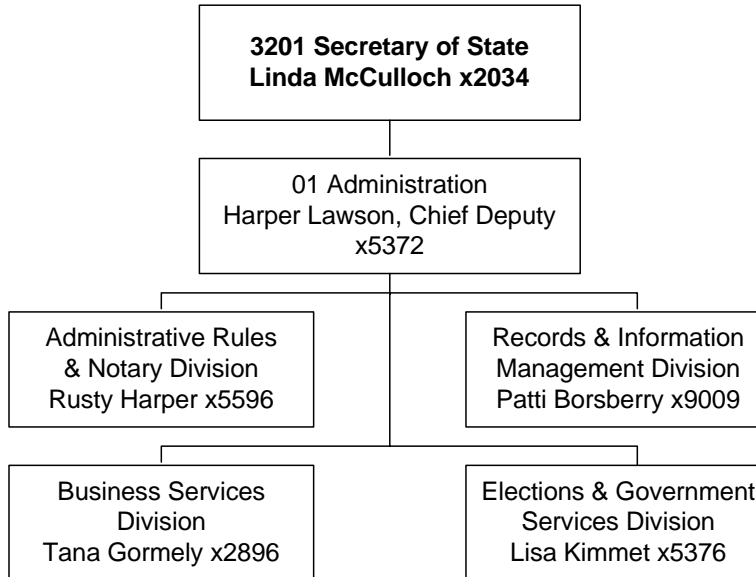


# SECRETARY OF STATES OFFICE-3201 BUSINESS & GOVERNMENT SERVICES-01

Please note that this agency also contains HB 2 funding.



**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

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

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

## Proprietary Rates

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	54.25	1.00	0.00	55.25	1.00	0.00	55.25
Personal Services	2,970,191	148,319	0	3,118,510	147,388	0	3,117,579
Operating Expenses	1,848,146	364,672	0	2,212,818	336,535	0	2,184,681
Equipment & Intangible Assets	23,200	0	0	23,200	0	0	23,200
<b>Total Costs</b>	<b>\$4,841,537</b>	<b>\$512,991</b>	<b>\$0</b>	<b>\$5,354,528</b>	<b>\$483,923</b>	<b>\$0</b>	<b>\$5,325,460</b>
Proprietary	4,841,537	512,991	0	5,354,528	483,923	0	5,325,460
<b>Total Funds</b>	<b>\$4,841,537</b>	<b>\$512,991</b>	<b>\$0</b>	<b>\$5,354,528</b>	<b>\$483,923</b>	<b>\$0</b>	<b>\$5,325,460</b>

## **SECRETARY OF STATES OFFICE-3201 BUSINESS & GOVERNMENT SERVICES-01**

**Proprietary Program Description** -The Secretary of State conducts its daily operations through a single program, the Business and Government Services Program. The Elections and Government Services 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 division 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 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.

The Administrative Rules and Notary Division administers Notary and Administrative Rules Services. Administrative Rules is designated as the publisher of the Administrative Rules of Montana (ARM) and the Montana Administrative Register (Register) in the [HYPERLINK "http://data.opi.state.mt.us/bills/mca\\_toc/2\\_4.htm"](http://data.opi.state.mt.us/bills/mca_toc/2_4.htm)Montana Administrative Procedure Act. The unit serves as the filing depository for agency rule notices, rule adoptions, and interpretations. Proposed rule changes are printed in the Register which is published twice each month. The official, printed copy of the ARM is updated on a quarterly basis.

The notary staff process 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** - The division is in the process of automating rules. The project will 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 reactivated the State Records Committee and a Local Government Records Committee, which under the guidance of the Secretary of State must approve all disposal requests.

The Management Services Division is responsible for all support functions of the agency, including IT, purchasing, accounting, budgeting, and human resources.

## **SECRETARY OF STATES OFFICE-3201 BUSINESS & GOVERNMENT SERVICES-01**

### **Proprietary Revenues and Expenses -**

#### Revenue

The Office of the Secretary of State administers one proprietary fund. Revenue is received from fees charged to businesses and corporations for corporate filings, registration of assumed business names and trademarks; to state agencies and users of ARM for publishing and distributing the ARM and the MAR, and for storage and management of public documents; to candidates who file for elections; and to Montana citizens who apply to be notaries.

#### Expenses

In FY 2010, the Secretary of State's Office expended 59.7 percent of the budget in personal services, and 40.3 percent in operating. The total proprietary budget in FY 2010 was \$5.05 million.

**Proprietary Rate Explanation** -Funding for the program is with enterprise type proprietary funds. As such, the legislature does not approve rates or appropriate funds for the proprietary portion of the Secretary of State. Rates for the Secretary of State are established in administrative rule.

**SECRETARY OF STATES OFFICE-3201  
BUSINESS & GOVERNMENT SERVICES-01**

**2013 Biennium Report on Internal Service and Enterprise Funds**

Fund	Fund Name	Agency #	Agency Name	Program Name				
6053		32010	Secretary of State	Business & Government Services				
			Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>								
Fee revenue								
	Revenue from Fee B		4,952,557	4,352,572	4,642,299	4,844,400	4,970,500	5,235,500
	Net Fee Revenue		4,952,557	4,352,572	4,642,299	4,844,400	4,970,500	5,235,500
	Investment Earnings		152,581	47,655	8,659	12,000	20,000	20,000
	Securities Lending Income		4,915	6,075	-	-	-	-
	Premiums		-	-	-	-	-	-
	Other Operating Revenues		50,690	19,546	71,415	10,600	75,000	15,000
	Total Operating Revenue		5,160,743	4,425,848	4,722,373	4,867,000	5,065,500	5,270,500
<b>Operating Expenses:</b>								
	Personal Services		3,027,607	3,119,000	3,019,176	3,036,144	3,118,510	3,117,579
	Other Operating Expenses		2,397,000	2,128,206	1,832,913	2,365,676	2,236,018	2,207,881
	SIMS Operating Expenses		-	225,084	212,226	218,717	-	-
	Total Operating Expenses		5,424,607	5,472,290	5,064,315	5,620,537	5,354,528	5,325,460
	Operating Income (Loss)		(263,864)	(1,046,442)	(341,942)	(753,537)	(289,028)	(54,960)
<b>Nonoperating Revenues (Expenses):</b>								
	Gain (Loss) Sale of Fixed Assets		-	-	-	-	-	-
	Federal Indirect Cost Recoveries		-	-	-	-	-	-
	Other Nonoperating Revenues (Expenses)		-	-	-	-	-	-
	Net Nonoperating Revenues (Expenses)		-	-	-	-	-	-
	Income (Loss) Before Operating Transfers		(263,864)	(1,046,442)	(341,942)	(753,537)	(289,028)	(54,960)
	Contributed Capital		-	-	-	-	-	-
	Operating Transfers In (Note 13)		-	-	-	-	-	-
	Operating Transfers Out (Note 13)		-	-	-	-	-	-
	Change in net assets		(263,864)	(1,046,442)	(341,942)	(753,537)	(289,028)	(54,960)
	Total Net Assets- July 1 - As Restated		3,808,187	3,522,126	2,479,684	2,137,781	2,792,223	2,503,195
	Prior Period Adjustments		(21,804)	4,000	39	1,407,979	-	-
	Cumulative effect of account change		-	-	-	-	-	-
	Total Net Assets - July 1 - As Restated		3,786,383	3,526,126	2,479,723	3,545,760	2,792,223	2,503,195
	Net Assets- June 30		<b>3,522,519</b>	<b>2,479,684</b>	<b>2,137,781</b>	<b>2,792,223</b>	<b>2,503,195</b>	<b>2,448,235</b>
	60 days of expenses							
	(Total Operating Expenses divided by 6)		904,101	912,048	844,053	936,756	892,421	887,577

**SECRETARY OF STATES OFFICE-3201  
BUSINESS & GOVERNMENT SERVICES-01**

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

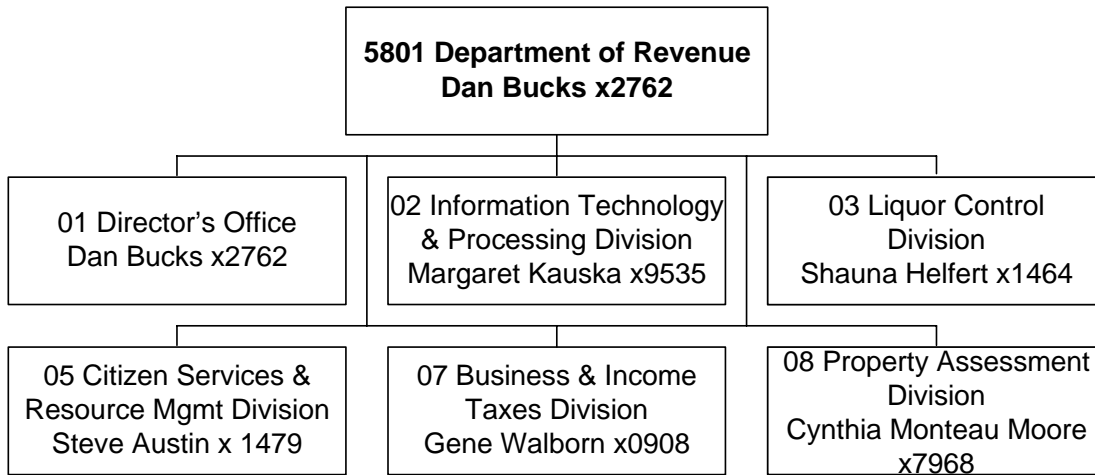
	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$67,252	\$0
FY 2013	\$67,189	\$0

**PL- 1 - Agency FTE -**

The Secretary of State requests 1.00 FTE for the Records Management Division. Currently the position is a modified position and is currently filled with a permanent status employee.

# DEPARTMENT OF REVENUE-5801

Please note that this agency also contains HB 2 funding.



**Mission Statement** - The Department of Revenue administers approximately 40 Montana taxes and fees to achieve equity and integrity, while protecting taxpayer rights and information; values all property as accurately as possible and supervises Montana's property tax system; administers liquor laws to protect public health and safety; receives abandoned property and seeks to return it to its rightful Montana owners; informs and advises the Governor, the legislature, and the public on tax trends and issues; and cooperates with local, state, tribal and federal governments to advance the public interest under the law.

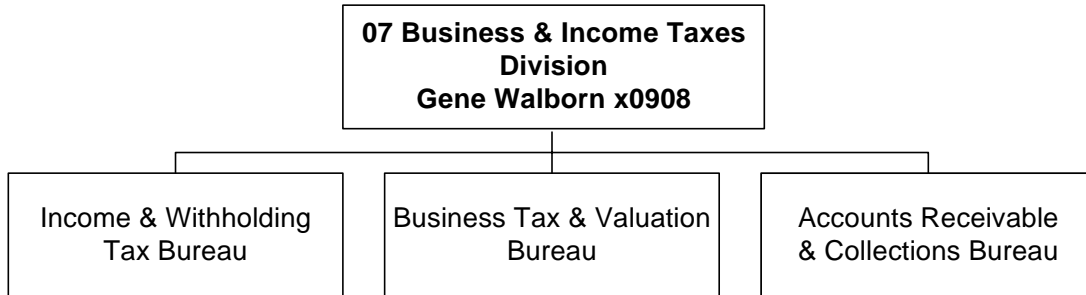
The department's activities resulted in over \$2.55 billion in annual state and local tax collections and liquor profits in FY 2010.

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

Agency Proposed Budget							
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	3.50	0.00	0.00	3.50	0.00	0.00	3.50
Personal Services	144,380	4,613	0	148,993	4,807	0	149,187
Operating Expenses	29,275	10	0	29,285	330	0	29,605
<b>Total Costs</b>	<b>\$173,655</b>	<b>\$4,623</b>	<b>\$0</b>	<b>\$178,278</b>	<b>\$5,137</b>	<b>\$0</b>	<b>\$178,792</b>
Proprietary	173,655	4,623	0	178,278	5,137	0	178,792
<b>Total Funds</b>	<b>\$173,655</b>	<b>\$4,623</b>	<b>\$0</b>	<b>\$178,278</b>	<b>\$5,137</b>	<b>\$0</b>	<b>\$178,792</b>

**DEPARTMENT OF REVENUE-5801  
BUSINESS AND INCOME TAXES DIVISION-07**

Please note that this program also contains HB 2 funding.



**Proprietary Rates**

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	3.50	0.00	0.00	3.50	0.00	0.00	3.50
Personal Services	144,380	4,613	0	148,993	4,807	0	149,187
Operating Expenses	29,275	10	0	29,285	330	0	29,605
<b>Total Costs</b>	<b>\$173,655</b>	<b>\$4,623</b>	<b>\$0</b>	<b>\$178,278</b>	<b>\$5,137</b>	<b>\$0</b>	<b>\$178,792</b>
Proprietary	173,655	4,623	0	178,278	5,137	0	178,792
<b>Total Funds</b>	<b>\$173,655</b>	<b>\$4,623</b>	<b>\$0</b>	<b>\$178,278</b>	<b>\$5,137</b>	<b>\$0</b>	<b>\$178,792</b>

**Proprietary Program Description** -Montana law authorizes the Department of Revenue to assist other agencies in the collection of delinquent accounts. The department retains a percentage of these collections for the costs of assistance in conjunction with 17-4-103 (3)(a), MCA. The department established the Collections Services Program to administer its statutory responsibilities under Title 17, chapter 4, MCA. This program is the only Internal Service Fund program in the department. Currently there are 3.50 FTE allocated to this program. This program supports the centralized debt collection function for the State of Montana which was previously administered by the Department of Administration and State Auditor's Office.

**Proprietary Revenues and Expenses -**

The department is currently authorized to charge a 5% commission for its collection services excluding the collection of overpaid child support payments made to custodial parents (debt code 43) and collection of delinquent child support payments from noncustodial parents (debt code 44). The commissions collected are used to pay the expenses of the Collection Services Program. Approximately 80% of the expenditures are paid in salaries and benefits with the remaining expenditures paid for operating expenses of the program.

Proper administration of this program requires a minimum of a 9-month working capital balance due to the timing of program collections, as the program collects the largest amount of revenues on delinquent accounts during the income tax season and the hunting permitting season.

**Proprietary Rate Explanation** -The department requests that a maximum commission rate of 5% continue into the 2013 biennium. Exempted from this rate is collection of overpaid child support payments made to custodial parents (debt code 43) or collection of delinquent child support payments from noncustodial parents (debt code 44).

**DEPARTMENT OF REVENUE-5801  
BUSINESS AND INCOME TAXES DIVISION-07**

**2013 Biennium Report on Internal Service and Enterprise Funds**

Fund	Fund Name	Agency #	Program Name
6554	BIT Collection Services	58010	Business & Income Tax Division

	Actual FYE08	Actual FYE09	Actual FYE10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>						
Fee revenue						
Charges for Services (non-DOR)	95,730	53,592 <span style="color: green;">▲</span>	63,131	57,438	75,000	75,000
Charges for Services (DOR)	-	-	46,237	74,054	75,000	75,000
Net Fee Revenue	95,730	53,592	109,368	131,492	150,000	150,000
Total Operating Revenue	95,730	53,592	109,368	131,492	150,000	150,000
<b>Operating Expenses:</b>						
Personal Services	65,755	84,989	145,548	143,702	148,993	149,187
Other Post Employment Expense	6,102	11,737	9,548			
Other Operating Expenses	19,794	18,434	29,276	39,786	29,285	29,605
Total Operating Expenses	91,651	115,159	184,372	183,488	178,278	178,792
Operating Income (Loss)	<b>4,079</b>	<b>(61,567)</b>	<b>(75,004)</b>	<b>(51,996)</b>	<b>(28,278)</b>	<b>(28,792)</b>
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	4,079 <span style="color: green;">▲</span>	(61,567) <span style="color: green;">▲</span>	(75,004) <span style="color: green;">▲</span>	(51,996) <span style="color: green;">▲</span>	(28,278) <span style="color: green;">▲</span>	(28,792)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	4,079	(61,567)	(75,004)	(51,996)	(28,278)	(28,792)
Total Net Assets- July 1 - As Restated	242,304	246,383	184,817	109,812 <span style="color: green;">▲</span>	57,817	29,539
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	-	-	-	-
Net Assets- June 30	<b>246,383</b>	<b>184,817</b>	<b>109,812</b>	<b>57,817</b>	<b>29,539</b>	<b>747</b>
60 days of expenses (Total Operating Expenses divided by 6)	15,275	19,193	30,729	30,581	29,713	29,799

**Requested Rates for Internal Service Funds**

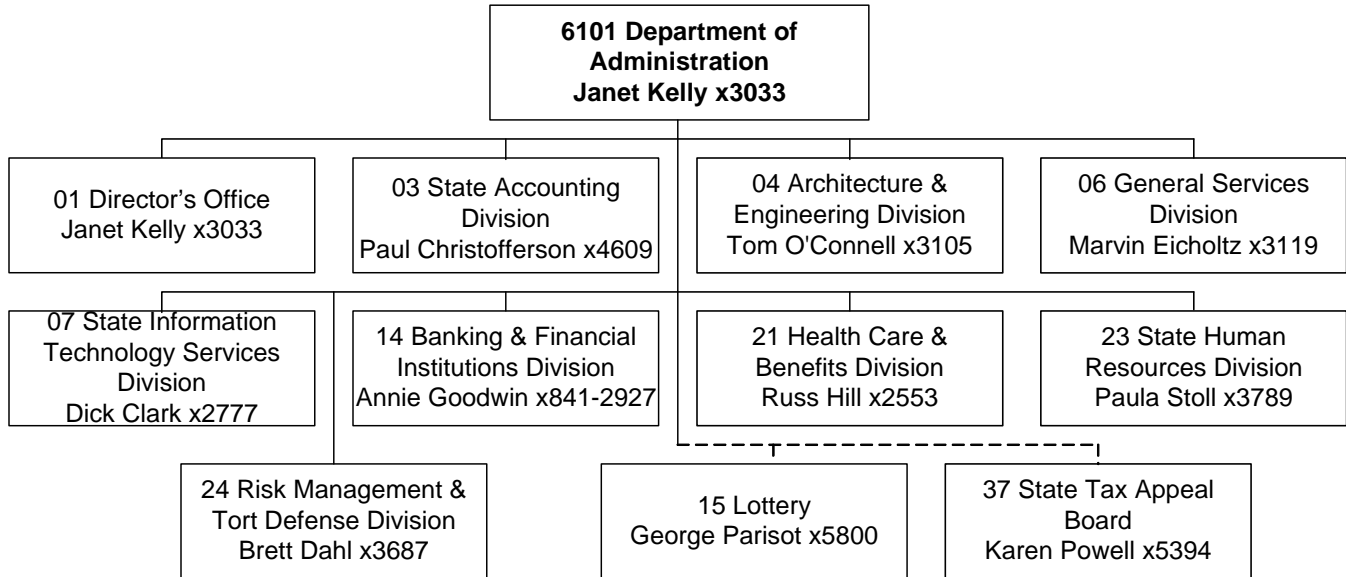
**Fee/Rate Information**

	Actual FYE08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
Fee Group A	5%	5%	5%	5%	5%	5%



# DEPARTMENT OF ADMINISTRATION-6101

Please note that this agency also contains HB 2 funding.



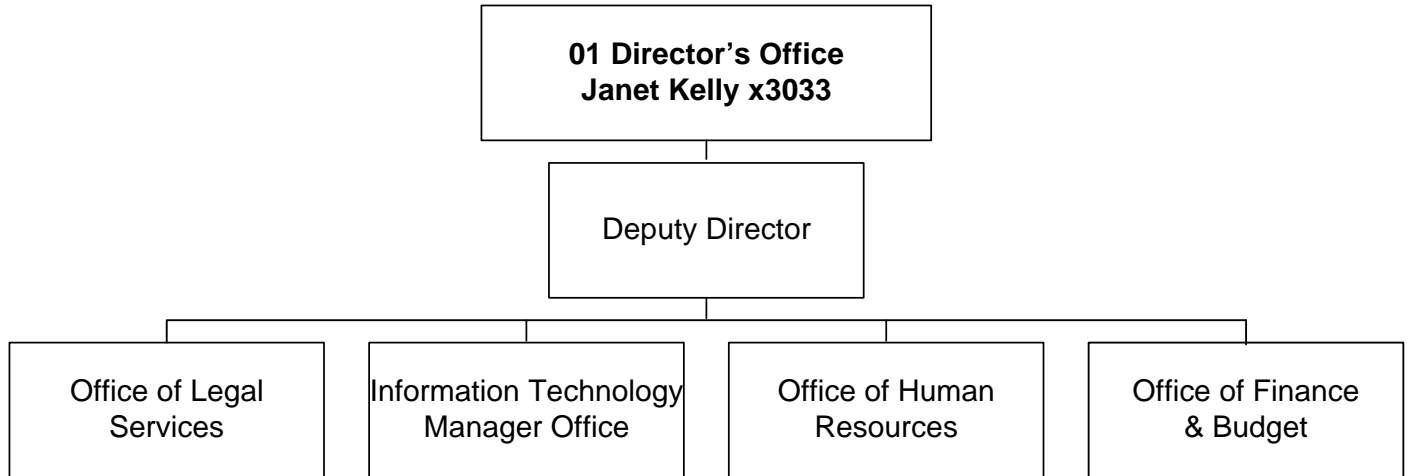
**Mission Statement** - The Department of Administration's mission is to serve, satisfy, and support our customers.

**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 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	376.35	0.00	1.00	377.35	0.00	1.00	377.35
Personal Services	25,459,524	(137,174)	76,661	25,399,011	(135,625)	76,462	25,400,361
Operating Expenses	61,303,041	971,038	58,000	62,332,079	1,421,425	58,000	62,782,466
Equipment & Intangible Assets	5,994,226	0	0	5,994,226	0	0	5,994,226
Benefits & Claims	138,565,636	21,556,905	0	160,122,541	37,132,297	0	175,697,933
Debt Service	461,602	0	0	461,602	0	0	461,602
<b>Total Costs</b>	<b>\$231,784,029</b>	<b>\$22,390,769</b>	<b>\$134,661</b>	<b>\$254,309,459</b>	<b>\$38,418,097</b>	<b>\$134,462</b>	<b>\$270,336,588</b>
Proprietary	231,784,029	22,390,769	134,661	254,309,459	38,418,097	134,462	270,336,588
<b>Total Funds</b>	<b>\$231,784,029</b>	<b>\$22,390,769</b>	<b>\$134,661</b>	<b>\$254,309,459</b>	<b>\$38,418,097</b>	<b>\$134,462</b>	<b>\$270,336,588</b>

**DEPARTMENT OF ADMINISTRATION-6101  
DIRECTOR'S OFFICE-01**

Please note that this program also contains HB 2 funding.



**Proprietary Rates**

Program Proposed Budget	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	14.33	0.00	0.00	14.33	0.00	0.00	14.33
Personal Services	982,107	94,856	0	1,076,963	93,388	0	1,075,495
Operating Expenses	156,717	(5,074)	0	151,643	(2,522)	0	154,195
<b>Total Costs</b>	<b>\$1,138,824</b>	<b>\$89,782</b>	<b>\$0</b>	<b>\$1,228,606</b>	<b>\$90,866</b>	<b>\$0</b>	<b>\$1,229,690</b>
Proprietary	1,138,824	89,782	0	1,228,606	90,866	0	1,229,690
<b>Total Funds</b>	<b>\$1,138,824</b>	<b>\$89,782</b>	<b>\$0</b>	<b>\$1,228,606</b>	<b>\$90,866</b>	<b>\$0</b>	<b>\$1,229,690</b>

**Proprietary Program Description** -The Director's Office has 14.33 FTEs providing proprietarily-funded services in the areas of legal, human resources, and financial management. The Office of Legal Services advises the divisions on legal matters. The Office of Human Resources processes payroll, assists with recruitment, selection and orientation of new employees, classifies positions and develops policies for the department. The Office of Finance and Budget prepares and presents the biennial budget, processes budget change documents, monitors approved budgets for compliance with state law and legislative intent, and provides accounting assistance. Additionally, the Director's Office provides IT management and project management services.

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

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

# DEPARTMENT OF ADMINISTRATION-6101

## DIRECTOR'S OFFICE-01

### Proprietary Revenues and Expenses -

Changes in Services or Fees - Management has determined that a rate increase is not necessary in order for the Director's Office proprietary fund to provide the necessary services to the divisions and attached-to agencies. Overall, the rate requested for the biennium is slightly lower than the rate requested for the 2011 biennium. The major cost driver is personal services. These costs will be allocated to the divisions within the department.

Working Capital - Billing for the Director's Office proprietary fund 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 Discussion - Fees are received monthly or quarterly, which requires the program to maintain around 45 days working capital to cover operations until payment is made.

Services provided in exchange for customer payments include the general management and oversight of all divisions by the Director's Office, including IT management and project management, the coordination and preparation of the department's biennial budget for submission to the Office of Budget and Program Planning (OBPP) and presentation to the Legislature, processing budget change documents on approved budgets through the OBPP, monitoring approved budgets for compliance with state law and legislative intent, providing accounting assistance to divisions within the department, processing payroll and providing new employee orientation for all divisions within the department, including attached-to agencies, assisting with recruitment and selection, classifying positions, developing personnel policies and procedures, and advising all divisions within the department on legal matters.

Customers will use SABHRS account 62827 to record the expenditures for payment of fees and charges. Base year fees were funded as follows: General fund 6%; State special revenue funds 10%; Proprietary funds 84%.

**Proprietary Rate Explanation** -The Director's Office proprietary fund requests that the Legislature approve a rate of \$574 per FTE in FY 2012 and \$570 per FTE in FY 2013 for the Office of Human Resources. The remainder of the Director's Office proprietary fund requests a rate of \$903,354 in FY 2012 and \$902,951 in FY 2013. 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 the Office of Finance and Budget costs are allocated based on percentage of appropriation by division. The Office of Human Resources costs are allocated based on the number of FTE within a program. The Office of Legal Services costs are allocated to other non-general funded divisions in the department based on a time-use study. The allocations may be realigned if there are changes to the customer base.

### Expenses

The expenses incurred by the Director's Office proprietary fund are personal services and operations with a total of 14.33 proprietary funded FTE in the base year.

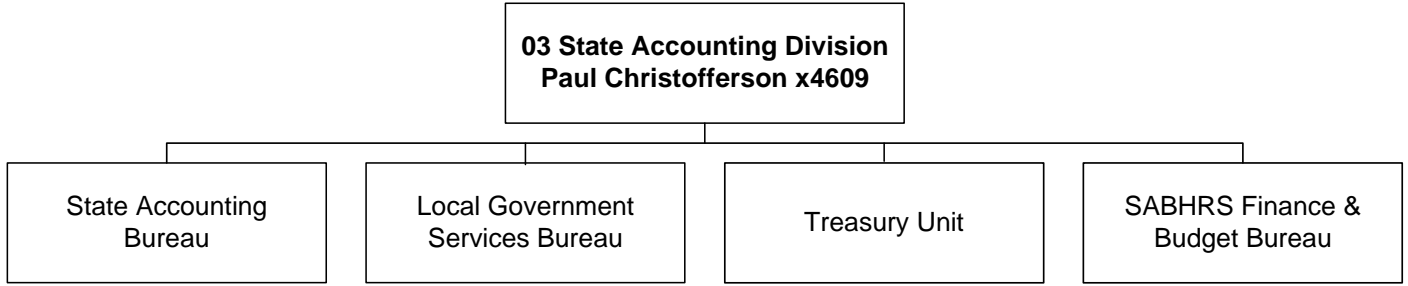
**DEPARTMENT OF ADMINISTRATION-6101  
DIRECTOR'S OFFICE-01**

**2013 Biennium Report on Internal Service and Enterprise Funds**

Fund	Fund Name	Agency #	Agency Name	Program Name				
06534	Management Services	61010	Administration	Administrative Financial Services				
			Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
			FY 08	FY 09	FY 10	FY 11	FY 12	FY 13
<b>Operating Revenues:</b>								
Fee revenue								
	Management Services		984,922	974,737	1,243,325	1,282,862	1,228,672	1,229,544
	Net Fee Revenue		984,922	974,737	1,243,325	1,282,862	1,228,672	1,229,544
	Other Operating Revenues		3	271	1,139	-	-	-
	Total Operating Revenue		984,925	975,008	1,244,464	1,282,862	1,228,672	1,229,544
<b>Operating Expenses:</b>								
	Personal Services		854,956	908,736	993,060	1,014,451	1,076,963	1,075,495
	Other Operating Expenses		150,379	124,058	156,530	196,280	151,643	154,195
	Total Operating Expenses		1,005,335	1,032,794	1,149,590	1,210,731	1,228,606	1,229,690
	Operating Income (Loss)		<b>(20,410)</b>	<b>(57,786)</b>	<b>94,874</b>	<b>72,131</b>	<b>66</b>	<b>(146)</b>
<b>Nonoperating Revenues (Expenses):</b>								
	Other Nonoperating Revenues (Expenses)		-	-	-	-	-	-
	Net Nonoperating Revenues (Expenses)		-	-	-	-	-	-
	Income (Loss) Before Operating Transfers		(20,410)	(57,786)	94,874	72,131	66	(146)
	Operating Transfers Out		-	-	-	-	-	-
	Change in net assets		(20,410)	(57,786)	94,874	72,131	66	(146)
	Total Net Assets- July 1 - As Restated		62,354	41,675	(16,111)	78,763	150,894	150,960
	Prior Period Adjustments		(269)	-	-	-	-	-
	Cumulative effect of account change		-	-	-	-	-	-
	Total Net Assets - July 1 - As Restated		62,085	41,675	(16,111)	78,763	150,894	150,960
	Net Assets- June 30		<b>41,675</b>	<b>(16,111)</b>	<b>78,763</b>	<b>150,894</b>	<b>150,960</b>	<b>150,814</b>
	60 days of expenses (Total Operating Expenses divided by 6)		167,556	172,132	191,598	201,789	204,768	204,948
<b>Requested Rates for Internal Service Funds</b>								
<b>Fee/Rate Information</b>								
			Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
			FYE 08	FYE 09	FYE 10	FY 11	FY 12	FY 13
	Management Services		984,922	974,737	1,243,325	1,282,862	1,228,672	1,229,544
<p>Management Services requests that the Legislature approve a rate of \$903,354 in FY 2012 and \$902,951 in FY 2013 to provide revenue for all functions except the Office of Human Resources. The Office of Human Resources requests a rate of \$574 per FTE in FY 2012 and \$570 per FTE in FY 2013. 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.</p>								

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Please note that this program also contains HB 2 funding.



**Proprietary Rates**

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	27.83	0.00	1.00	28.83	0.00	1.00	28.83
Personal Services	1,846,641	(48,591)	76,661	1,874,711	(46,736)	76,462	1,876,367
Operating Expenses	3,548,285	(476,460)	0	3,071,825	(329,797)	0	3,218,488
Debt Service	25,573	0	0	25,573	0	0	25,573
<b>Total Costs</b>	<b>\$5,420,499</b>	<b>(\$525,051)</b>	<b>\$76,661</b>	<b>\$4,972,109</b>	<b>(\$376,533)</b>	<b>\$76,462</b>	<b>\$5,120,428</b>
Proprietary	5,420,499	(525,051)	76,661	4,972,109	(376,533)	76,462	5,120,428
<b>Total Funds</b>	<b>\$5,420,499</b>	<b>(\$525,051)</b>	<b>\$76,661</b>	<b>\$4,972,109</b>	<b>(\$376,533)</b>	<b>\$76,462</b>	<b>\$5,120,428</b>

**Proprietary Program Description -Statewide Accounting, Budgeting and Human Resources Program (Fund 06511)**

The Statewide Accounting, Budgeting and Human Resource (SABHRS) Finance and Budget Bureau (SFAB) is responsible for operational support and maintenance for the enterprise financial and budget development information systems to effectively meet legislative and management needs and to serve the citizens of Montana. The bureau works in partnership with the State Accounting Bureau, OBPP, LFD and the State Human Resources Division (SHRD).

The financial and accounting business processes are supported by seven PeopleSoft Applications/Modules and is the repository for all State accounting transactions and operating budgets (900 core users along with 1100 management/reporting users). SFAB and the Department of Environmental Quality (DEQ) successfully implemented the Billing and E-Bill Pay modules in Fiscal Years 09 and 10. These new modules are available to all agencies for use. The use of the general ledger and asset management is mandated for all agencies except the University System.

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. (383 Users) The use of MBARS is required for budgetary development for all agencies except the Universities.

The enterprise portal product provides the gateway into the applications, including self-service, and is also supported by SFAB. Because the portal provides access to the mandated financial modules use is also mandated for agencies using the system.

SFAB has a total of 18 FTE supporting these applications including upgrades, testing, and user training.

Alternate Services – The division is not aware of alternative sources for the management of the state financial and budgetary systems.

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Customers Served - The SABHRS finance and MBARS systems serve all state agencies. All state agencies are required to use these systems.

Major Changes - No major changes have occurred.

2013 Biennium Report on Internal Service and Enterprise Funds								
Fund	Fund Name	Agency #	Agency Name	Program Name				
06511	SABHRS	6101	Administration	State Accounting Division				
			Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
			FY08	FY09	FY10	FY11	FY12	FY13
<b>Operating Revenues:</b>								
Fee revenue								
	SABHRS Services		4,116,841	3,973,995	4,157,446	4,158,942	3,554,526	3,795,313
	Net Fee Revenue		4,116,841	3,973,995	4,157,446	4,158,942	3,554,526	3,795,313
Premiums								
	Other Operating Revenues		1,428	150	24	-	-	-
	Total Operating Revenue		4,118,269	3,974,145	4,157,470	4,158,942	3,554,526	3,795,313
<b>Operating Expenses:</b>								
Personal Services								
	Other Operating Expenses		2,627,604	2,429,756	3,070,495	2,965,738	2,263,439	2,441,312
	Total Operating Expenses		3,670,435	3,610,329	4,479,373	4,289,166	3,627,820	3,807,786
Operating Income (Loss)			<b>447,834</b>	<b>363,816</b>	<b>(321,903)</b>	<b>(130,224)</b>	<b>(73,294)</b>	<b>(12,473)</b>
<b>Nonoperating Revenues (Expenses):</b>								
Gain (Loss) Sale of Fixed Assets								
	Federal Indirect Cost Recoveries		-	-	-	-	-	-
	Other Nonoperating Revenues (Expenses)		1,611,420	-	-	-	-	-
	Net Nonoperating Revenues (Expenses)		1,611,420	-	-	-	-	-
Income (Loss) Before Operating Transfers			2,059,255	363,816	(321,903)	(130,224)	(73,294)	(12,473)
Contributed Capital								
	Operating Transfers In (Note 13)		507,559	-	-	-	-	-
	Operating Transfers Out (Note 13)		(1,586,037)	-	-	-	-	-
	Change in net assets		980,777	363,816	(321,903)	(130,224)	(73,294)	(12,473)
Total Net Assets- July 1 - As Restated			378,755	797,160	1,160,977	839,074	708,850	635,556
Prior Period Adjustments			(562,371)	-	-	-	-	-
Cumulative effect of account change			-	-	-	-	-	-
Total Net Assets - July 1 - As Restated			(183,616)	797,160	1,160,977	839,074	708,850	635,556
Net Assets- June 30			<b>797,160</b>	<b>1,160,977</b>	<b>839,074</b>	<b>708,850</b>	<b>635,556</b>	<b>623,083</b>
60 days of expenses								
	(Total Operating Expenses divided by 6)		611,739	601,721	746,562	714,861	604,637	634,631
<b>Requested Rates for Internal Service Funds</b>								
<b>Fee/Rate Information</b>								
			Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
			FYE 08	FYE 09	FYE 10	FY 11	FY 12	FY 13
	SABHRS Services Fee		4,116,841	3,973,995	4,157,446	4,158,942	3,554,526	3,795,313
	Working Capital		194,395	733,074	688,090	557,866	484,572	472,099
Note:	Prior to FY 2007, SABHRS revenues and expenditures were included in ITSD's fund 06522.							

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### Revenues and Expenses – SABHRS Account 62148

Changes in Services or Fees - The major cost drivers for the SFAB include the mid tier (data processing and storage) services, personal services, and software licensing and maintenance

Mid tier costs are projected to decrease significantly in FY 2012-2013 (\$1.5 million or 49%) due to SITSD's FMM rate calculation. Software maintenance is projected to increase by 3% each fiscal year. A license metric was met during FY 2010 resulting in additional payments of \$195 thousand in license fees and about \$43 thousand in maintenance. The State may meet an additional license metric, with a cost of \$195 thousand in FY 2013 only, if the budget exceeds the \$3.575 billion budget license cap increment. There would also be an additional \$43 thousand in maintenance costs should this budget license cap increment be reached. If the adjusted state HB-2 budget exceeds \$3.3 billion (possibly in FY 2013), a license metric and maintenance increase would be incurred for the Enterprise Portal, for a total potential additional cost of \$152,500 which would be split in half with SHRD.

Working Capital Discussion - The ending working capital for FY 2010 was \$699,000 or approximately 57 days. The program anticipates that working capital from 20 to 60 days will be sufficient for the Bureau. If additional working capital were needed an additional factor would be included in the rates to provide the needed increase. A working capital factor is not included in the 2012/2013 rates. SFAB refunded \$350,000 back to state agencies during FY 2010 to reduce the working capital in the fund and to reflect budget cuts taken by SFAB.

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

Cash Flow Discussion - The bureau bills for the SFAB either monthly or annually per agency preferences. Turnaround time for payment is around 45 days. This should provide sufficient cash to fund operations in 2012 and 2013. SFAB is funded as a fixed cost component of agency budgets using account 62148, SABHRS Administration Costs. All of the services provided by the bureau are funded under a single fixed cost rate. The approximate funding for SFAB follows:

General fund	\$1.6 million or 36%
State special revenue	\$0.6 million or 15%
Federal special revenue	\$0.7 million or 15%
Proprietary	\$0.8 million or 20%
All other funds	\$0.6 million or 14%

**Rate Explanation** - The rate for SFAB costs is based on projected expenditures. The annual agency total is subdivided into the following areas: 92% for journal lines, and 8% for budget journal lines originating from MBARS. Using these factors, agencies are allocated a fixed cost for each fiscal year. As noted above the average turnaround time for the billed costs is 45 days. As a result of these factors, and because excess working capital does not exist, the generation or reduction of working capital is not included in the rate setting process.

The balance sheet for fund 06511 at fiscal year end 2010 includes \$873 thousand in cash. Material liabilities include \$89 thousand in non-current compensated absences, \$122 thousand in current compensated absences, and \$154 thousand in long-term other post employment benefits.

### Warrant Writer Program (Fund 06564)

**Program Description** - The department provides the check writing and automatic-deposit services for most state agencies through the Warrant Writer Program. The program produces and processes warrants and tracks them on SABHRS. Warrant printing is provided by the Print and Mail Services within the General Services Division. The program generates, mails, tracks, and reconciles 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, vendor file maintenance, and federal 1099-MISC processing. The program funds 5.83 FTE and is authorized through 17-8-305, MCA.

Decentralized alternatives exist for some of the services provided by warrant writer. For example the university system prints payroll and some vendor checks on their campuses. These payments still use all of the services provided through

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warrant writer except warrant printing. The unemployment insurance system uses the printing function provided by warrant writer but performs most of the other services normally provided by the program. While alternatives exist for agencies to process checks and electronically transfer funds to vendors, when using the state accounting system, these must be economical and cost effective and meet internal control requirements prior to receiving approval from the department. During 2010, the warrant printing function, previously provided internally, was moved to Print and Mail Services.

### Revenues and Expenses

Changes in Services or Fees - Fees remained materially unchanged or decreased for FY 2012 and 2013 except for the \$.02 postage increase projected for the US Postal Service. Total payments processed through warrant writer are anticipated to remain at the around 3 million level for both fiscal year 2012 and 2013.

Working Capital Discussion - Billing for warrants is performed monthly and is based on actual warrants issued. Turnaround time for payment takes around 45 days. Working capital is factored into the rate after expenditures are calculated. If working capital is too high, revenues (through the rates that generate the revenue) are reduced. At fiscal year-end 2010 working capital was \$211 thousand for the program. This working capital exceeds the 60 day balance by \$58 thousand or 23 days. The excess working capital balance was caused by additional fixed cost recoveries resulting from an unanticipated high volume of payments issued by the State in fiscal year 2010 and the movement of agencies to lower cost electronic payment methods. The projected transaction volume used in the rate development process for 2010 was 2.5 million with actual payment transactions for the fiscal year at 3.1 million. The use of lower cost payment methods significantly reduced the expenditure level in the fund and directly contributed to a \$130 thousand or 12% decrease in expenditures between FY 2009 and FY2010, reducing the working capital calculation base. The current rates are designed to eliminate the excess working capital balance.

The printing equipment and related stock account for \$87 thousand of the assets of the fund. These are not included in working capital since they are not expendable.

Fund Equity and Reserved Fund Balance - No fund balance is required to be reserved for this program. Rates proposed for the 2013 biennium are intended to stabilize fund balance.

### Cash Flow Discussion

Historical Trends:

FY 2008	FY 2009	FY 2010	FY 2011 EST	FY 2012 EST	FY 2013 EST
<i>Mailers</i>					
874,215	784,173	752,885	737,908	722,932	705,235
<i>Non-mailers</i>					
100,386	54,079	85,231	86,233	87,234	90,310
<i>Emergency Warrants</i>					
104	90	82	81	81	80
<i>Payroll</i>					
49,163	44,581	40,690	38,358	36,027	31,938
<i>Duplicates</i>					
1,245	844	914	887	859	885
<i>Externals</i>					
203,639	197,377	203,819	200,163	196,507	197,527
<i>Direct Deposit Mailer</i>					
324,152	284,574	242,149	227,230	212,311	211,603



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<i>Direct Deposit Non-Mailer</i>					
706,979	769,829	959,050	969,055	979,060	988,975
<i>UI Print Only</i>					
152,213	322,363	402,424	321,939	409,732	440,317
<i>UI EFT</i>					
71,890	278,119	450,096	360,077	356,212	356,249
<i>Total</i>					
2,412,096	2,487,910	3,137,339	2,941,931	3,000,955	3,023,119

Comparing two biennia of warrant activity by agencies developed these trends.

A 45 to 60 day working capital balance should provide sufficient cash to fund operations in 2012 and 2013. Warrant writer is funded using the rates included in the rate schedule under account 62113, Warrant Writer Services. All of the services provided by the bureau are funded under the rates included in the table. The 2010 funding for warrant writer follows:

General fund	\$246 thousand or 24.7%
State special revenue	\$185 thousand or 18.7%
Federal special revenue	\$285 thousand or 28.7%
Proprietary	\$ 52 thousand or 5.2%
All other funds	\$226 thousand or 22.7%

**Rate Explanation - Warrant Writer Unit**

The rates requested are by category - mailer, non-mailer, payroll, university system external, emergency, duplicate, non-mailer direct deposit, mailer direct deposit, UI warrant, and UI direct deposit (no advice). Customers are billed based on actual payments processed. This rate structure changed since the last biennium with the re-assumption of the printing duties within warrant writer. The unit funds 5.83 FTE.

Demand for each warrant category is made by comparing two biennia of actual activity to project usage for the upcoming biennium. Each payment type pays for associated direct, variable costs. For example, 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. Duplicate and emergency warrants pay for personnel time to process each individual request. Similar allocations are made to the other payment types for direct costs. All categories share in general operating expenses of the program.

Major cost drivers include postage (44%), Personal Services (22%), and contract printing of warrants and advices (20%).

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2013 Biennium Report on Internal Service and Enterprise Funds								
Fund	Fund Name	Agency #	Agency Name	Program Name				
06564	Warrant Writing	61010	Administration	Adminstrative Financial Services				
			Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
			FY08	FY09	FY10	FY11	FY12	FY13
<b>Operating Revenues:</b>								
Fee revenue								
	Revenue from Warrant Writing Fees		1,210,927	1,032,439	994,227	975,000	950,000	900,000
	Net Fee Revenue		1,210,927	1,032,439	994,227	975,000	950,000	900,000
	Investment Earnings		-	-	-	-	-	-
	Securities Lending Income		-	-	-	-	-	-
	Premiums		-	-	-	-	-	-
	Other Operating Revenues		12	-	-	-	-	-
	Total Operating Revenue		1,210,939	1,032,439	994,227	975,000	950,000	900,000
<b>Operating Expenses:</b>								
	Personal Services		215,193	223,024	206,612	226,296	218,787	218,607
	Other Operating Expenses		880,202	812,955	714,835	838,252	745,178	713,511
	Total Operating Expenses		1,095,395	1,035,979	921,447	1,064,548	963,965	932,118
	Operating Income (Loss)		115,544	(3,540)	72,780	(89,548)	(13,965)	(32,118)
<b>Nonoperating Revenues (Expenses):</b>								
	Income (Loss) Before Operating Transfers		115,544	(3,540)	72,780	(89,548)	(13,965)	(32,118)
	Contributed Capital		-	-	-	-	-	-
	Change in net assets		115,544	(3,540)	72,780	(89,548)	(13,965)	(32,118)
	Total Net Assets- July 1 - As Restated		13,940	129,726	126,186	198,966	109,418	95,453
	Prior Period Adjustments		242	-	-	-	-	-
	Cumulative effect of account change		-	-	-	-	-	-
	Total Net Assets - July 1 - As Restated		14,182	129,726	126,186	198,966	109,418	95,453
	Net Assets- June 30		129,726	126,186	198,966	109,418	95,453	63,335
	60 days of expenses (Total Operating Expenses divided by 6)		182,566	172,663	153,575	177,425	160,661	155,353
<b>Requested Rates for Internal Service Funds</b>								
<b>Fee/Rate Information</b>								
			Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
			FYE 08	FYE 09	FYE 10	FY 11	FY 12	FY 13
Fee Group A								
	Mailer		0.68860	0.69200	0.72121	0.72446	0.74392	0.74464
	Non-Mailer		0.25840	0.26180	0.30121	0.29446	0.28392	0.28464
	Emergency		4.78180	4.78090	13.64547	13.64872	14.11292	14.11364
	Duplicates		5.59350	5.59260	3.26014	3.26339	3.35417	3.35489
Externals								
	Externals - Payroll		0.23050	0.23050	0.20503	0.19882	0.20512	0.21239
	Externals - Universities		0.19660	0.20000	0.12229	0.11531	0.13859	0.13907
Direct Deposit								
	Direct Deposit - Mailer		0.64680	0.64450	0.76229	0.77531	0.81859	0.82907
	Direct Deposit - No Advice Printed		0.23870	0.22690	0.17892	0.11531	0.13859	0.13907
Unemployment Insurance								
	Mailer - Print Only		0.00000	0.00000	0.17892	0.17915	0.14533	0.14557
	Direct Deposit - No Advice Printed		0.00000	0.00000	0.04538	0.04297	0.04769	0.04785
			Actual	Actual	Actual	Estimated	Estimated	Estimated
			FY08	FY09	FY10	FY11	FY12	FY13
	Fiscal Year End Working Capital		87,053	129,939	211,001	121,453	107,488	75,370

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### Local Government Audit and Reporting Program (Fund 06042)

The Audit Review program is responsible for administering the provisions of the Montana Single Audit Act, which specifies the audit requirements for all Montana local government entities. The work of the Audit Review program is mandated primarily in 2-7-5, MCA. The Audit Review Program funds 5.00 FTE. During fiscal year 2011 an FTE was moved from the General Fund to fund 06042. An EPP has been submitted for this move as part the legislative budget process. 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 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
- Requests for special audits and arranges for such audits if determined to be necessary.

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

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

### Revenues and Expenses

The Audit Review Program receives revenues from three fees:

The report filing fee, required by 2-7-514, MCA, is based upon costs incurred by the department for administering the Audit Review Program. All local government entities that are required to submit audits pay the filing fee. The Fee schedule has been adopted as ARM 2.4.402 and shown in the fund report.

As provided by 2-7-503, MCA, a fee is collected from local governments that are required to submit financial reviews. The fee has been adopted in ARM 2.4.410. The current fee in the rule is \$75.

A roster fee is collected from certified public accountants for inclusion on a roster of independent auditors who are authorized to audit local government entities in Montana. The annual auditor roster fee has been adopted as ARM

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2.4.406. The current fee in the rule is \$100 per year.

The program also may receive reimbursement for audited entities for costs to contract for special audits as requested. It is the intent of the program to maintain fees sufficient to pay program costs at current level staffing. Because the Single Audit Review Program is funded with an enterprise type proprietary fund, the legislature does not approve the fees for the program. Instead, fees are established in administrative rule. The Single 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.

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

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2013 Biennium Report on Internal Service and Enterprise Funds							
Fund	Fund Name	Agency #	Agency Name	Program Name			
06042	Single Audit Review - HB328	61010	Administration	State Accounting Division			
			Actual	Actual	Actual	Budgeted	Budgeted
			FY08	FY09	FY10	FY11	FY12
							Budgeted
							FY13
<b>Operating Revenues:</b>							
Fee revenue							
	Revenue from Audit Review Roster Fees		5,800	5,300	5,500	5,800	5,800
	Revenue from Annual Report Filing Fees		353,430	330,885	350,815	309,200	350,000
	Net Fee Revenue		359,230	336,185	356,315	315,000	355,800
Other Operating Revenues							
			224	10	6	25	-
	Total Operating Revenue		359,454	336,195	356,321	315,025	355,800
<b>Operating Expenses:</b>							
Personal Services							
			191,281	189,217	219,274	226,643	291,543
Other Operating Expenses							
			82,627	94,883	95,077	86,477	88,781
	Total Operating Expenses		273,908	284,100	314,351	313,120	380,324
	Operating Income (Loss)		85,546	52,095	41,970	1,905	(24,524)
<b>Nonoperating Revenues (Expenses):</b>							
Other Nonoperating Revenues (Expenses)							
			(10,908)	-	-	-	-
	Net Nonoperating Revenues (Expenses)		(10,908)	-	-	-	-
Income (Loss) Before Operating Transfers							
			74,638	52,095	41,970	1,905	(24,524)
Operating Transfers Out (Note 13)							
			-	-	-	-	-
	Change in net assets		74,638	52,095	41,970	1,905	(24,524)
Total Net Assets- July 1 - As Restated							
			179,613	254,251	306,346	348,316	350,221
Prior Period Adjustments							
			-	-	-	-	-
Cumulative effect of account change							
			-	-	-	-	-
Total Net Assets - July 1 - As Restated							
			179,613	254,251	306,346	348,316	350,221
Net Assets- June 30							
			254,251	306,346	348,316	350,221	325,697
60 days of expenses							
	(Total Operating Expenses divided by 6)		45,651	47,350	52,392	52,187	63,387
							63,421
<b>Requested Rates for Enterprise Funds</b>							
<b>Fee/Rate Information</b>							
			Actual	Actual	Actual	Budgeted	Budgeted
			FY 08	FY 09	FY 10	FY 11	FY 12
							Budgeted
							FY 13
			Variable fee,	Variable fee,	Variable fee,	Variable fee,	Variable fee,
			as follows:	as follows:	as follows:	as follows:	as follows:
Major Fee: Local Government Report Filing Fee:							
	Annual revenues less than \$200,000		\$0	\$0	\$0	\$0	\$0
	Annual revenues equal to or greater than \$200,000, but less than \$500,000		\$200	\$0	\$0	\$0	\$0
	Annual revenues equal to or greater than \$500,000, but less than \$1,000,000		\$435	\$435	\$435	\$435	\$435
	Annual revenues equal to or greater than \$1,000,000, but less than \$1,500,000		\$635	\$635	\$635	\$635	\$635
	Annual revenues equal to or greater than \$1,500,000, but less than \$2,500,000		\$760	\$760	\$760	\$760	\$760
	Annual revenues equal to or greater than \$2,500,000, but less than \$5,000,000		\$845	\$845	\$845	\$845	\$845
	Annual revenues equal to or greater than \$5,000,000, but less than \$10,000,000		\$890	\$890	\$890	\$890	\$890
	Annual revenues are equal to or greater than \$10,000,000, but less than \$50,000,000		\$965	\$965	\$965	\$965	\$965
	Annual revenues are equal to or greater than \$50,000,000		\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Minor Fee: Auditor Roster Fee:							
	Annual Fee:		\$100	\$100	\$100	\$100	\$100

**DEPARTMENT OF ADMINISTRATION-6101  
STATE ACCOUNTING DIVISION-03**

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

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$0	\$0
FY 2013	\$236,773	\$0

**PL- 301 - Oracle/PeopleSoft Portal Licensing & Maint. Fee OTO -**

This request is for possibility of a trigger being met for the Statewide Budgeting and Human Resource System (SABHRS) Financial modules licensing and maintenance agreement. If the HB 2 budget, less OPI transfers to local school districts, exceeds \$3.6 billion, a Statewide Budgeting and Human Resource System (SABHRS) Financial modules licensing and maintenance increase will be triggered. The rate impact is a 3.5% increase.

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$0	\$0
FY 2013	\$76,250	\$0

**PL- 302 - Oracle/PeopleSoft Portal Fee OTO -**

If the HB 2 budget, less OPI transfers to local school districts, exceeds \$3.6 billion a Statewide Budgeting and Human Resource System (SABHRS) Portal licensing and maintenance increase will be triggered. The rate impact is a 1.1% increase.

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$38,500	\$0
FY 2013	\$40,425	\$0

**PL- 303 - Oracle/PeopleSoft 5% Annual Fee Increase -**

Funds the anticipated 5% PeopleSoft maintenance increase for the Statewide Accounting Budgeting and Human Resource System (SABHRS) Financials modules for both fiscal years 2012 and 2013. The rate impact is a 1.2% increase

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$50,000	\$0
FY 2013	\$50,000	\$0

**PL- 304 - Add MBARS Programming Back to the Base -**

As the result of the IT projects module implementation, and a related decrease in MBARS programming costs during the related period of time, the MBARS budget was not included in the base budget. This adds MBARS programming back to the base. The rate impact is a 1.5% increase

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$54,668	\$0
FY 2013	\$10,256	\$0

**PL- 305 - Purchasing Licensing and Maintenance Increase -**

During the previous budget cycle the PeopleSoft SABHRS Purchasing module licensing increase was not correctly calculated by PeopleSoft and not included in the budget as the result of this error. This provides authority in the 2013 biennium for this payment.

**DEPARTMENT OF ADMINISTRATION-6101  
STATE ACCOUNTING DIVISION-03**

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

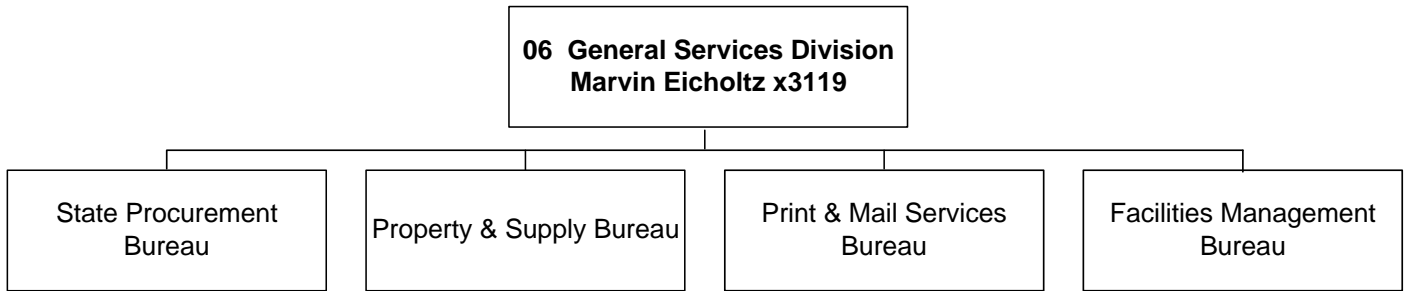
	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$76,661	\$0
FY 2013	\$76,462	\$0

**NP- 55400 - 4% Personal Services Reduction -**

The Governor has included a 4% reduction in general fund personal services budgets as a part of his budget recommendations. This decision package reduces general fund in the State Accounting Program by \$76,661 in FY 2012 and \$76,462 in FY 2013 to implement the budget reduction. . The reduction of 1.00 HB 2 FTE reflects a funding switch of the Local Government Services Bureau Chief position from the general fund to the Local Government Services enterprise fund.

**DEPARTMENT OF ADMINISTRATION-6101  
GENERAL SERVICES PROGRAM-06**

Please note that this program also contains HB 2 funding.



**Proprietary Rates**

Program Proposed Budget	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	95.85	0.00	0.00	95.85	0.00	0.00	95.85
Personal Services	3,577,455	838,358	0	4,415,813	838,586	0	4,416,041
Operating Expenses	22,556,320	361,572	0	22,917,892	434,731	0	22,991,051
Equipment & Intangible Assets	269,812	0	0	269,812	0	0	269,812
Debt Service	148,623	0	0	148,623	0	0	148,623
<b>Total Costs</b>	<b>\$26,552,210</b>	<b>\$1,199,930</b>	<b>\$0</b>	<b>\$27,752,140</b>	<b>\$1,273,317</b>	<b>\$0</b>	<b>\$27,825,527</b>
Proprietary	26,552,210	1,199,930	0	27,752,140	1,273,317	0	27,825,527
<b>Total Funds</b>	<b>\$26,552,210</b>	<b>\$1,199,930</b>	<b>\$0</b>	<b>\$27,752,140</b>	<b>\$1,273,317</b>	<b>\$0</b>	<b>\$27,825,527</b>

**Proprietary Program Description** -The General Services Division is composed of four bureaus responsible for providing certain internal services to government agencies and the public.

The Facilities Management Bureau manages the following services for state agencies in the capitol complex and several state-owned buildings in the Helena area either directly or through the administration of service contracts: repair, maintenance, construction, energy consumption, disaster response and recovery, space allocation, lease negotiation, security, janitorial, recycling, pest control, grounds maintenance, and garbage collection.

The State Procurement Bureau procures or supervises the procurement of all supplies and services, and provides technical assistance to government agencies and the public to ensure compliance with the Montana Procurement Act. The bureau also manages the state's energy procurement, vehicle fueling and procurement card programs.

The Print and Mail Services Bureau provides print and mail services to state agencies. Services include internal and external (contracted) printing, photocopy pool services, mail preparation, central mail operations, and inter-agency (deadhead) mail. The bureau also operates the United States post office in the Capitol and provides three quick copy locations on the Capitol Complex.

The Property and Supply Bureau manages the central stores program and the state and federal surplus property programs.



# DEPARTMENT OF ADMINISTRATION-6101

## GENERAL SERVICES PROGRAM-06

### Facilities Management Bureau (Fund 06528)

**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 include providing all utilities on the complex including water, sewer, electricity, natural gas and garbage collection, locksmith services, repair and maintenance, construction, construction management, grounds maintenance, leasing services, recycling, emergency response and management, and security. The bureau manages several service contracts for the capitol complex including security, pest control, mechanical maintenance, janitorial services, elevator repair and maintenance, and fire sprinkler systems maintenance and access control.

Operational authority for the bureau is provided by Title 2, Chapter 17, Part 8, Section 811, MCA.

**Revenue** - Revenues percentages for facilities management are as follows:

- 92% - Square footage rental rate for office and warehouse space billed to agencies occupying space in state owned buildings controlled by the Department of Administration.
- 5% - Grounds Maintenance.
- 2% -Construction, and handyman services. These services are outside the scope of rent and include remodeling, relocating offices, repair and maintenance and construction services.
- 1% - Recycling.

#### Account Codes:

##### *Rent –*

- The SABHRS account used by agencies when paying office rent is 62527 – Rent – DofA Buildings.
- The SABHRS account used to record revenues received from rent payments is 525044 – Office Rent – General Services.
- The SABHRS account used by agencies when paying warehouse rent is 62527 – Rent – DofA Buildings.
- The SABHRS account used to record revenues received from rent payments is 525050 – Warehouse Rent – General Services.

##### *Grounds Maintenance –*

- The SABHRS account used by agencies when paying grounds maintenance is 62770 – Capitol Complex Grounds.
- The SABHRS account used to record revenues received from ground maintenance is 526025 – Grounds Maintenance Revenue.

##### *Handyman Charges –*

- The SABHRS account used by agencies when paying for repair and maintenance charges is 62891 – Handyman Charges.
- The SABHRS account used to record revenues received for repair and maintenance charges is 525045 – Miscellaneous Maintenance Charges.

##### *Construction Project Work –*

- The SABHRS account used by agencies when paying for construction project work is 62701 – Repair and Maintenance – Buildings and Grounds.
- The SABHRS account used to record revenues received for construction project work is 525046 – Project Work – General Services.

##### *Recycling –*

- The SABHRS account used to record revenues received from recycling is 525122 – Recycling.

##### *Training –*

- The SABHRS account used by agencies when paying for training is 62809 – Education and Training Expense.
- The SABHRS account used to record revenue from training is 526060 – Training Workshop Fee.

#### Expenses

*Personal Services* – The bureau currently has 34.90 FTE. This consists of 26.80 FTE in Facilities Management and 8.10 in Grounds Maintenance.

## DEPARTMENT OF ADMINISTRATION-6101 GENERAL SERVICES PROGRAM-06

*Contracted Services* – This includes all major contracts for janitorial, mechanical, elevator, pest control, access control, security and insurance. In regards to janitorial contracts, the prevailing wage increased 23% over the past biennium. The other service contracts reflect an increase of 3.03% in FY 2012 and 5.31% in FY 2013. These increases are due to additional service requirements, equipment, and higher prevailing wages.

*Utilities* - Electricity is projected to increase over the FY 2010 base year by 3.32% in the 2013 biennium. Natural Gas is expected to decline by (35.45%). The table below shows that while demand for electricity increased in FY 2007, it has remained relatively stable over the past three fiscal years. While natural gas over the 5 year period has only increased an average of 3.3%. Expenditures on electricity and natural gas from FY 2006 thru FY 2010 increased 4.8% and 11.3% respectively.

Fiscal Year	Electricity		Natural Gas	
	\$	Kwh	\$	Dkt
2006	1,181,464	15,148,776	642,936	57,419
2007	1,301,645	16,074,994	632,000	58,437
2008	1,316,559	14,559,522	708,642	57,309
2009	1,357,231	14,725,384	729,718	61,481
2010	1,238,116	14,456,873	715,514	59,312

The City of Helena Department of Public Works is estimating that sewer rates will increase by 9% and water increasing by 2% based on the CPIU index.

*Repair & Maintenance* – These are expenses related to the maintenance and upkeep of all state buildings and grounds both within the state capitol complex and a 10 mile radius thereof. For the 2013 biennium, the funds for facilities management long-range building program projects were reduced 6.54% in FY 2012 and 13.19% in FY 2013, and deferred maintenance funds for projects were reduced by 14.44% in each fiscal year.

Working Capital - Facilities Management rates are set to recover sufficient revenue to meet all personal services, operating costs, and equipment replacement expenditures and 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 feet occupied and is assessed 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 also based on square feet of office space occupied in buildings controlled by the Department of Administration. Again, the rates are established to cover the cost of personal services, operating expenses including maintenance and equipment replacement.

The following rates have been requested for the next biennium:

	-----Budgeted-----				-----Requested-----	
	FYE 08	FYE 09	FYE 10	FY 11	FY 12	FY 13
Office Rent (per sq. ft.)	8.179	8.592	8.869	9.002	8.412	8.460
Storage Rent (per sq. ft.)	4.209	4.547	4.804	5.010	4.844	4.876
Project Management (In-house)	15%	15%	15%	15%	15%	15%
Project Management (contracted)	5%	5%	5%	5%	5%	5%
Grounds Maintenance (per sq. ft.)	0.496	0.508	0.541	0.543	0.494	0.494

**DEPARTMENT OF ADMINISTRATION-6101  
GENERAL SERVICES PROGRAM-06**

2013 Biennium Report on Internal Service and Enterprise Funds								
Fund	Fund Name	Agency #	Agency Name		Program Name			
06528	Rent & Maintenance	6101	Department of Administration		General Services			
			Actuals FY08	Actual FY09	Actual FY 10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>								
Fee revenue								
	Revenue from Office Rental Rate		9,283,302	9,759,805	9,528,412	9,819,581	8,120,569	8,141,733
	Revenue from Warehouse Rental Rate		351,688	381,905	406,937	421,692	401,098	403,747
	Revenue from Recycling Revenue		31,094	17,811	19,699	26,495	19,060	19,060
	Revenue from Handyman Charges		75,386	88,426	96,231	11,140	15,426	15,426
	Revenue from Project Work		231,049	521,252	128,090	27,465	25,041	25,041
	Revenue from Grounds Maintenance		456,925	467,989	500,422	505,373	478,573	478,573
	Net Fee Revenue		10,429,444	11,237,188	10,679,791	10,811,746	9,059,767	9,083,580
	Other Operating Revenues		-	8,657	49	-	-	-
	Total Operating Revenue		10,429,444	11,245,845	10,679,840	10,811,746	9,059,767	9,083,580
<b>Operating Expenses:</b>								
	Personal Services		1,517,694	1,566,864	1,652,198	1,830,710	1,878,397	1,878,856
	Other Operating Expenses		7,056,615	6,605,546	7,982,936	7,856,983	7,469,692	7,552,880
	Total Operating Expenses		8,574,309	8,172,410	9,635,134	9,687,693	9,348,089	9,431,736
	Operating Income (Loss)		<b>1,855,135</b>	<b>3,073,435</b>	<b>1,044,706</b>	<b>1,124,053</b>	<b>(288,322)</b>	<b>(348,156)</b>
<b>Nonoperating Revenues (Expenses):</b>								
	Gain (Loss) Sale of Fixed Assets		4,740	7,811	(24,975)	-	-	-
	Federal Indirect Cost Recoveries		-	-	-	-	-	-
	Other Nonoperating Revenues (Expenses) (1)		738,312	-	-	-	-	-
	Net Nonoperating Revenues (Expenses)		743,052	7,811	(24,975)	-	-	-
	Income (Loss) Before Operating Transfers		2,598,187	3,081,246	1,019,731	1,124,053	(288,322)	(348,156)
	Contributed Capital		-	-	-	-	-	-
	LRBP Transfers Out		(1,060,968)	(384,428)	470,104	-	-	-
	Operating Transfers Out (Note 13)		-	-	-	-	-	-
	Change in net assets		1,537,219	2,696,818	1,489,835	1,124,053	(288,322)	(348,156)
	Total Net Assets- July 1 - As Restated		624,396	2,194,009	4,890,827	6,380,662	7,504,715	7,216,393
	Prior Period Adjustments		32,394	-	-	-	-	-
	Cumulative effect of account change		-	-	-	-	-	-
	Total Net Assets - July 1 - As Restated		656,790	2,194,009	4,890,827	6,380,662	7,504,715	7,216,393
	Net Assets- June 30		<b>2,194,009</b>	<b>4,890,827</b>	<b>6,380,662</b>	<b>7,504,715</b>	<b>7,216,393</b>	<b>6,868,237</b>
	60 days of expenses							
	(Total Operating Expenses divided by 6)		1,429,052	1,362,068	1,605,856	1,614,616	1,558,015	1,571,956
<b>Requested Rates for Internal Service Funds</b>								
<b>Fee/Rate Information for Legislative Action</b>								
Agency Number : 61010			Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
Fund Number: 06528			FYE 08	FY 09	FY 10	FY 11	FY 12	FY 13
	Office Rent (per sq. ft.)		8.179	8.592	8.869	9.002	8.412	8.460
	Warehouse Rent (per sq. ft.)		4.209	4.547	4.804	5.010	4.844	4.876
	Grounds Maintenance (per sq. ft.)		0.496	0.508	0.541	0.543	0.494	0.494
	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

## Print & Mail Services Bureau (06530)

### Program Description

The Print & Mail Services Bureau provides printing and mail services to all agencies within State Government. The Bureau has seven components: 1) internal printing; 2) external (contracted) printing; 3) photocopy pool; 4) mail preparation; 5) central mail operations; 6) inter-agency (deadhead mail); 7) postal station in the Capitol. All printing or purchasing of printing is requested through Print & Mail Services, which determines the most cost effective method of project completion. Approximately 75 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. Print & Mail Services is accounted for in fund 06530.

### Revenue Description - Revenue is received in the following percentages:

- **Internal Printing 14.40 %** of revenue. Internal printing provides printing, duplicating, desktop publishing, binding and quick copy services, variable data printing warrant writer and mainframe printing.
- **External (contracted) printing 31.22 %** of revenue. External printing procures printing through commercial vendors.
- **Photocopy Pool 7.39 %** of revenue. The Photocopy Pool provides agencies with photocopiers contracted through the private sector.
- **Mail Preparation 5.47 %** of revenue. Mail Preparation prepares documents for mailing and includes tabbing, labeling, inkjet addressing, inserting and bar coding.
- **Central Mail Operations 38.89 %** of revenue. Central Mail Operations includes pick-up and metering of outgoing U.S. Mail and express small package services.
- **Inter-agency (Deadhead Mail) 2.31 %** of revenue. Inter-agency mail provides sorting and delivery of incoming mail and pickup and delivery of Deadhead mail.
- **Postal Contract Station .32 %** of revenue. The Postal Contract Station located at the Capitol provides postal services to the public. Print & Mail Services receives \$3,248.00 monthly from the U.S. Postal Service for operation of the Capitol Post Office.

### Historical and Projected Demands

#### Fiscal Year

	2010	2011	2012	2013	2014	2015
<b>Internal Printing - Number of impressions (millions)</b>	29.52	33.20	28.20	32.20	27.20	31.20
<b>External (contracted) printing - Dollar amount of contracted printing (millions)</b>	3.80	3.80	3.80	3.80	3.80	3.80
<b>Photocopy Pool - Number of copiers</b>	274	280	274	280	274	280
<b>Mail Preparation - Number of pieces (millions)</b>	14.37	13.91	13.95	14.35	14.50	14.71
<b>Central Mail Operations - Number of pieces of outgoing mail processed (millions)</b>	2.05	2.05	2.05	2.05	2.05	2.05

## DEPARTMENT OF ADMINISTRATION-6101 GENERAL SERVICES PROGRAM-06

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

0.30	0.30	0.27	0.28	0.25	0.26
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**Postal Contract Station - Contract Payment (dollars)**

\$38,976	\$38,976	\$38,976	\$38,976	\$38,976	\$38,976
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Account Codes

**Internal Printing –**

- The SABHRS account used by agencies to pay for internal printing is 62190 – Printing-Print Services
- The SABHRS accounts used to record revenues received from payments are:
  - 525083 Desktop
  - 525085 Duplicating
  - 525086 Bindery
  - 525087 Quick Copy

**External (contracted) printing**

- The SABHRS account used by agencies to pay for external printing is 62191 – Printing – Other Provider.
- The SABHRS account used to record revenue received from payments is 525088 – Printing Coordination.

**Photocopy Pool**

- The SABHRS account used by agencies to pay for photocopier usage is 62193 – Photocopy Services.
- The SABHRS account used to record revenues received from payment is 525089 – Photocopy Services.

**Mail Preparation**

- The SABHRS accounts used by agencies to pay for Mail Preparation are:
  - 62190 – Printing-Print Services
  - 62304 – Postage and Mailing
- The SABHRS account used to record revenues received from payment is 525009 – Mail Preparation.

**Central Mail Operations**

- The SABHRS account used by agencies to pay for Central Mail operations is 2304 – Postage and Mailing.
- The SABHRS account used to record revenues received from payments is 525049 – Outgoing U.S. Mail.

**Inter-agency (Deadhead Mail)**

- The SABHRS account used by agencies to pay for inter-agency mail is 62307 – Messenger Services.
- The SABHRS account used to record revenues received from payments is 525059 – Deadhead Mail.

**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 Post Office Contract

**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. Internal printing impressions are projected to decrease each fiscal year due to agency budget reductions and use of the internet and email for communications. Unscheduled equipment repair or replacement provides the greatest amount of uncertainty in forecasting costs for internal printing.

## **DEPARTMENT OF ADMINISTRATION-6101 GENERAL SERVICES PROGRAM-06**

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. Agency demand for multiple page variable data printing and inserting is expected to decrease for the next biennium due to budget reductions. It is anticipated that in the subsequent biennium the economy may rebound precipitating a renewed demand for this process as it affords the agencies with a process that reduces the postage cost and personalizes documents. 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 and USPS mandated upgrades.

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.

Administrative Overhead - Costs for administration and accounting are allocated to all seven of Print & Mail Services Bureau service categories based on FTE.

Print & Mail Services Bureau has authority for 35.53 FTE for FY 2012-2013.

Working Capital - Print & Mail Services rates are set to recover sufficient revenue to meet personal services and operations costs and allow maintaining no more than a 60-day working capital balance. User agencies are billed monthly and agencies are requested to pay for services by the end of the next month. This allows Print & Mail Services to pay monthly expenses of personal services and maintain current operations. The largest balance sheet accounts that contribute most significantly to Print & Mail Services fund equity balance is the 1704-equipment and 1709- accumulated depreciation accounts which are due to the costs of equipment needed to provide printing and mailing services. Other significant accounts would be 1802- merchandise inventory and 1905 -prepaid expense, which is used to purchase postage. At FYE 2010 the amount of fund equity attributed to working capital was \$1,467,486, which equates to a 43 day working capital balance. The 43 day working capital balance is projected to decrease in FY 2012 and FY 2013 because rates will remain the same even though Internal Printing and Mail Preparation volumes are projected to decrease which will result in reduced revenues.

**Rate Explanations** - All Print & Mail Services projects are unique. Print & Mail Services has over 100 rates to provide services to agencies. Overall volume of services is projected to remain constant. Direct and administrative overhead is allocated to each program. Costs are recovered by charging for each unit of service provided. External printing and the photocopy pool recover costs by charging a percentage markup on the invoice for the printing job and or photocopier. Rates for each service are determined as follows:

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

DP Mainframe printing new billing rate - Beginning with Fiscal Year 2012 mainframe printing costs will be billed by Print & Mail Services. Prior to Fiscal Year 2012 mainframe printing costs were billed by SITSD through a combination of rates based upon the type of mainframe printing such as laser image or batch remote. Print & Mail Services will be recovering mainframe printing costs by using a single cost per impression rate. The proposed rate of \$0.069 will recover all costs except paper. Paper would be billed to user agencies based on the type of paper. Historically, demand for mainframe printing has been decreasing. We project over the next biennium a 10 percent decrease in mainframe printing. The proposed rate was calculated by taking the estimated mainframe printing costs including personal services, operations and administrative overhead and dividing this total by the estimated total mainframe impressions of 6.87 million.

**Rate Request**

Listed below are Print & Mail Services proposed rates for the 2013 biennium. The requested rates are the same as the approved rates for FY 2010-2011 except for a new rate for mainframe printing and a slight increase in the Interagency Mail rate.

	<b>FY 2012</b>	<b>FY 2013</b>
Print and Mail Services		
Internal Printing		
Impression Cost		
1-20	\$0.0762	\$0.0762
21-100	\$0.0336	\$0.0336
101-1000	\$0.0193	\$0.0193
1001-5000	\$0.0078	\$0.0078
5000 +	\$0.0039	\$0.0039
Color Copy		
8 ½ x 11	\$0.25	\$0.25
11 x 17	\$0.50	\$0.50
Ink		
Black per Sheet	\$0.0002	\$0.0002
Color	\$15.00	\$15.00
Special Mix	\$25.00	\$25.00
Large Format Color per ft.	\$12.70	\$12.70
Collating Machine	\$0.0072	\$0.0072
Collating Hand	\$0.60	\$0.60

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Stapling Hand	\$0.018	\$0.018
Stapling In-line	\$0.012	\$0.012
Saddle Stitch	\$0.036	\$0.036
Folding (base + per sheet)	\$12.00 + \$0.006	\$12.00 + \$0.006
Folding Rt Angle (base + per sheet)	\$12.00 + \$0.006	\$12.00 + \$0.006
Folding In-line	\$0.036	\$0.036
Punching Standard 3-hole	\$0.0012	\$0.0012
Punching Nonstandard (base + per sheet)	\$3.60 + \$0.0012	\$3.60 + \$0.0012
Cutting	\$0.66	\$0.66
Padding	\$0.0024	\$0.0024
Scoring, perf, num (setup + duplicating rate)	\$6.00 + Dup Rate	\$6.00 + Dup Rate
Perfect Binding (setup + per sheet)	\$18.00 + \$0.66	\$18.00 + \$0.66
Spiral Binding	\$0.69	\$0.69
Laminating		
8 ½ x 11	\$0.57	\$0.57
11 x 17	\$0.85	\$0.85
Tape Binding	\$0.60	\$0.60
Tabs	\$0.60	\$0.60
Transparencies	\$0.60	\$0.60
Shrink Wrapping	\$0.30	\$0.30
Hand Work Production	\$0.60	\$0.60
Overtime	\$22.15	\$22.15
Desktop	\$46.36	\$46.36
Scan	\$9.52	\$9.52
Proof	\$0.25	\$0.25
Programming	\$45.46	\$45.46
File Transfer	\$22.73	\$22.73



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Variable Data	\$0.009	\$0.009
Mainframe Printing	\$0.069	\$0.069
CD Duplicating	\$1.75	\$1.75
DVD Duplicating	\$3.50	\$3.50
Silver Plates		
8 ½ x 11	\$9.20	\$9.20
11 x 17	\$10.35	\$10.35
CTP Plates		
8 ½ x 11	\$9.20	\$9.20
11 x 17	\$10.35	\$10.35
External Printing		
Percent of Invoice markup	6.73%	6.73%
Photocopy Pool		
Percent of Invoice markup	15.9%	15.9%
Mail Preparation		
Tabbing	\$0.021	\$0.021
Labeling	\$0.021	\$0.021
Ink Jet	\$0.034	\$0.034
Inserting	\$0.030	\$0.030
Winsort	\$0.062	\$0.062
Permit Mailings	\$0.062	\$0.062
Mail Operations		
Machinable	\$0.043	\$0.043
Non-machinable	\$0.080	\$0.080
Seal Only	\$0.020	\$0.020
Postcards	\$0.049	\$0.049
Certified Mail	\$0.614	\$0.614
Registered Mail	\$0.614	\$0.614

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International Mail	\$0.400	\$0.400
Flats	\$0.110	\$0.110
Priority	\$0.614	\$0.614
Express Mail	\$0.614	\$0.614
USPS Parcels	\$0.400	\$0.400
Insured Mail	\$0.614	\$0.614
Media Mail	\$0.307	\$0.307
Standard Mail	\$0.200	\$0.200
Postage Due	\$0.061	\$0.061
Fee Due	\$0.061	\$0.061
Tapes	\$0.245	\$0.245
Express Services	\$0.500	\$0.500
Interagency Mail	\$297,657 yearly	\$297,657 yearly
Postal Contract (Capitol)	\$38,976 yearly	\$38,976 yearly

**DEPARTMENT OF ADMINISTRATION-6101  
GENERAL SERVICES PROGRAM-06**

2013 Biennium Report on Internal Service and Enterprise Funds								
Fund	Fund Name	Agency #	Agency Name		Program Name			
06530	Print & Mail Services	6101	Department of Administration		General Services			
			Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
			FY08	FY09	FY10	FY11	FY12	FY13
<b>Operating Revenues:</b>								
Fee revenue								
Internal Printing			1,715,880	2,038,383	1,752,421	1,927,717	1,829,873	1,878,273
External Printing			3,427,515	3,507,389	3,801,568	3,801,568	3,801,568	3,801,568
Photocopy Pool			930,642	944,190	899,923	525,000	899,923	904,923
Mail Preparation			528,138	531,821	666,577	646,577	656,577	666,177
Mail Operations			3,836,751	4,091,245	4,735,725	4,191,245	4,937,426	4,937,426
Inter-agency (Deadhead Mail)			210,112	208,801	281,917	281,917	297,657	297,657
Postal Contract Station			38,976	38,976	38,976	38,976	38,976	38,976
Net Fee Revenue			10,688,014	11,360,805	12,177,107	11,413,000	12,462,000	12,525,000
Other Operating Revenues			6	8	7	-	-	-
Total Operating Revenue			10,688,020	11,360,813	12,177,114	11,413,000	12,462,000	12,525,000
<b>Operating Expenses:</b>								
Personal Services			1,409,840	1,382,806	1,350,421	1,782,421	1,769,188	1,769,017
Other Operating Expenses			9,411,289	9,872,418	10,853,162	9,698,162	11,290,772	11,286,028
Total Operating Expenses			10,821,129	11,255,224	12,203,583	11,480,583	13,059,960	13,055,045
Operating Income (Loss)			(133,109)	105,589	(26,469)	(67,583)	(597,960)	(530,045)
<b>Nonoperating Revenues (Expenses):</b>								
Gain (Loss) Sale of Fixed Assets			(11,792)	(11,036)	(78,147)	-	-	-
Federal Indirect Cost Recoveries			-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)			-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)			(11,792)	(11,036)	(78,147)	-	-	-
Income (Loss) Before Operating Transfers			(144,901)	94,553	(104,616)	(67,583)	(597,960)	(530,045)
Contributed Capital			-	-	-	-	-	-
Change in net assets			(144,901)	94,553	(104,616)	(67,583)	(597,960)	(530,045)
Total Net Assets- July 1 - As Restated			1,966,922	1,821,823	1,916,376	1,811,760	1,744,177	1,146,217
Prior Period Adjustments			(198)	-	-	-	-	-
Cumulative effect of account change			-	-	-	-	-	-
Total Net Assets - July 1 - As Restated			1,966,724	1,821,823	1,916,376	1,811,760	1,744,177	1,146,217
Net Assets- June 30			<b>1,821,823</b>	<b>1,916,376</b>	<b>1,811,760</b>	<b>1,744,177</b>	<b>1,146,217</b>	<b>616,172</b>
60 days of expenses								
(Total Operating Expenses divided by 6)			1,803,522	1,875,871	2,033,931	1,913,431	2,176,660	2,175,841
<b>Requested Rates for Internal Service Funds</b>								
Print and Mail Services requests that the Legislature approve the requested rates for FY 2012 and FY 2013 as show n.								

# DEPARTMENT OF ADMINISTRATION-6101

## GENERAL SERVICES PROGRAM-06

### Central Stores Program (Fund 06531)

**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. The program has authority for 10.75 FTE. 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. 18-4-302(3), MCA, requires 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

### Revenues and Expenses

Change in Services or Fees - The major cost for Central stores is goods purchased for resale. There are no planned changes in services or fees.

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 2010 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, 62236 office supplies, 62256 janitorial supplies, and 62296 computer paper.

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

<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
\$4,936,999	\$4,994,516	\$5,022,044	\$4,854,919	\$4,612,173	\$4,381,564	\$4,162,486

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

### Rate Explanation

Central Stores requests a maximum markup of 25%. This is the same rate that was approved last biennium. Central Stores recovers costs by charging a percentage markup on the cost of supplies distributed to agencies. 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. The balance sheet accounts that contribute most significantly to fund equity balance are cash (1104), receivables (1203 and 1823) and inventory (1802). Customers place orders and are billed for the items that they order.

### Expenses

The major expenses for Central Stores are goods purchased for resale and personal services. Future expenses depend on demand for services. The largest expense, goods purchased for resale, depends on demand from user agencies. Factors that contribute to uncertainty in forecasting these expenses are agency needs for our service and vendor price increases.

The program has authority for 10.75 FTE.

**DEPARTMENT OF ADMINISTRATION-6101  
GENERAL SERVICES PROGRAM-06**

**2013 Biennium Report on Internal Service and Enterprise Funds**

Fund	Fund Name	Agency #	Agency Name	Program Name
06531	Central Stores	6101	Department of	General Services Division

	Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>						
Fee revenue						
Central Stores Supplies	4,994,516	5,022,044	4,854,919	5,000,000	5,000,000	5,000,000
Net Fee Revenue	4,994,516	5,022,044	4,854,919	5,000,000	5,000,000	5,000,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	6	9	7	-	-	-
Total Operating Revenue	4,994,522	5,022,053	4,854,926	5,000,000	5,000,000	5,000,000
<b>Operating Expenses:</b>						
Personal Services	394,391	384,261	388,508	511,278	523,505	523,025
Other Operating Expenses	4,631,758	4,597,678	4,450,553	4,532,143	4,561,237	4,556,331
Total Operating Expenses	5,026,149	4,981,939	4,839,061	5,043,421	5,084,742	5,079,356
Operating Income (Loss)	(31,627)	40,114	15,865	(43,421)	(84,742)	(79,356)
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(31,627)	40,114	15,865	(43,421)	(84,742)	(79,356)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(31,627)	40,114	15,865	(43,421)	(84,742)	(79,356)
Total Net Assets- July 1 - As Restated	804,435	772,972	813,086	828,951	785,530	700,788
Prior Period Adjustments	164	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	804,599	772,972	813,086	828,951	785,530	700,788
Net Assets- June 30	<b>772,972</b>	<b>813,086</b>	<b>828,951</b>	<b>785,530</b>	<b>700,788</b>	<b>621,432</b>
60 days of expenses (Total Operating Expenses divided by 6)	837,692	830,323	806,510	840,570	847,457	846,559

**Requested Rates for Internal Service Funds**

**Fee/Rate Information**

	Actual FYE 08	Actual FY 09	Actual FY 10	Budgeted FY 11	Budgeted FY 12	Budgeted FY 13
Fee Group A	-	-	-	-	-	-
Central Stores Supplies	20%	20%	20%	25%	25%	25%

Central Stores requests a maximum markup of 25% This is the same rate that was approved last biennium.

## DEPARTMENT OF ADMINISTRATION-6101 GENERAL SERVICES PROGRAM-06

### Surplus Property Program (Fund 06066)

**Program Description** - The Property & Supply Bureau 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 auction, fixed price warehouse sales, public auction 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. The program has authority for 4.4 FTE. 18-4-221, MCA, requires the Department 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.

Working Capital Discussion - If the program could maintain a 60-day working capital, that would be adequate to recover sufficient revenue to maintain operations.

Fund Equity and Reserved Fund Balance - This program has no need to reserve fund balance.

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 because it sells property to the general public. Therefore, rate approval by the legislature is not necessary. The program operates by charging up to \$500 plus three percent per item sold. The current funding structure is adequate to generate sufficient revenue to cover personal services and operating expenses assuming the same amount of property is turned in for sale compared to fiscal year 2010.

**DEPARTMENT OF ADMINISTRATION-6101  
GENERAL SERVICES PROGRAM-06**

2013 Biennium Report on Internal Service and Enterprise Funds									
Fund 06066	Fund Name Surplus Property	Agency # 6101	Agency Name Department of	Program Name General Services					
				Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>									
Fee revenue									
	State Surplus Property Handling Fee			-	-	-	297,000	455,000	455,000
	Federal Surplus Property Handling Fee			-	-	-	12,000	10,000	10,000
	Misc. Revenue			309,227	415,303	662,387	-	-	-
	Net Fee Revenue			309,227	415,303	662,387	309,000	465,000	465,000
	Investment Earnings			-	-	-	-	-	-
	Other Operating Revenues			-	-	-	-	-	-
	Total Operating Revenue			309,227	415,303	662,387	309,000	465,000	465,000
<b>Operating Expenses:</b>									
	Personal Services			230,381	236,680	246,548	226,660	244,723	245,143
	Other Operating Expenses			125,996	452,049	357,093	121,075	125,626	125,247
	Inventory Adjustment*			297,411	-	-	-	465,000	465,000
	Total Operating Expenses			653,788	688,729	603,641	347,735	835,349	835,390
	Operating Income (Loss)			<b>(344,561)</b>	<b>(273,426)</b>	<b>58,746</b>	<b>(38,735)</b>	<b>(370,349)</b>	<b>(370,390)</b>
<b>Nonoperating Revenues (Expenses):</b>									
	Gain (Loss) Sale of Fixed Assets			(4,865)	-	3,757	-	-	-
	Federal Indirect Cost Recoveries			-	-	-	-	-	-
	Other Nonoperating Revenues (Expenses)			-	-	-	-	-	-
	Net Nonoperating Revenues (Expenses)			(4,865)	-	3,757	-	-	-
	Income (Loss) Before Operating Transfers			(349,426)	(273,426)	62,503	(38,735)	(370,349)	(370,390)
	Contributed Capital*			326,178	321,045	408,464	326,000	465,000	465,000
	Change in net assets			(23,248)	47,619	470,967	287,265	94,651	94,610
	Total Net Assets- July 1 - As Restated			(17,636)	(40,884)	6,735	477,702	764,967	859,618
	Prior Period Adjustments			-	-	-	-	-	-
	Cumulative effect of account change			-	-	-	-	-	-
	Total Net Assets - July 1 - As Restated			(17,636)	(40,884)	6,735	477,702	764,967	859,618
	Net Assets- June 30			<b>(40,884)</b>	<b>6,735</b>	<b>477,702</b>	<b>764,967</b>	<b>859,618</b>	<b>954,228</b>
	60 days of expenses								
	(Total Operating Expenses divided by 6)			108,965	114,788	100,607	57,956	139,225	139,232
<p>The State Surplus handling fees are: If property is sold for less than \$500, the program retains the proceeds. The program retains \$500 plus 3% and unusual expenses for property sold for more than \$500. 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 the Federal General Services Administration.</p>									

**DEPARTMENT OF ADMINISTRATION-6101  
GENERAL SERVICES PROGRAM-06**

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

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$100,522	\$0
FY 2013	\$160,106	\$0

**PL- 602 - FMB increase for contracted Services -**

The executive funds \$260,628 in estimated inflationary increases in contracted services. Several janitorial contracts, the elevator and mechanical maintenance contracts, and the access control contract are up for rebid. The contracted services decision package increases the rate charged by Facilities Management in FY 2012 by \$0.085 and FY 2013 of \$0.135 per square foot.

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$104,422	\$0
FY 2013	\$104,422	\$0

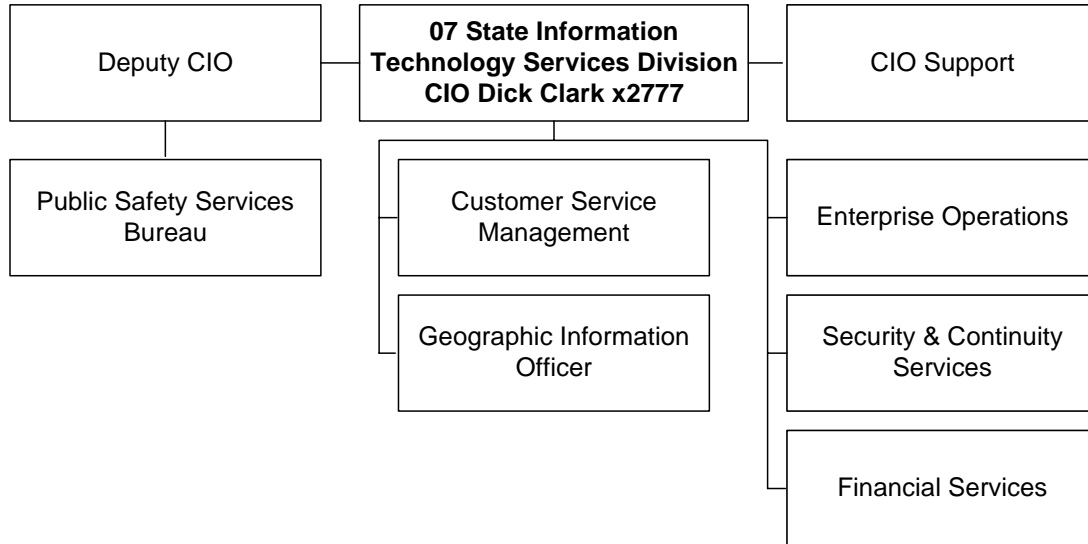
**PL- 605 - Add FWP Spring Meadow Lake Facility to GSD -**

The Facilities Management Bureau (FMB) of the General Services Division (GSD) will be assuming responsibilities for the facility management of Spring Meadow Lake facility of Fish, Wildlife and Parks. FMB will then take over all of the utility costs estimated at \$59,000 which includes electricity, natural gas, sewer and water. In addition, current annual service contracts (janitorial, mechanical, and sanitation services) will run another \$39,482. Grounds maintenance is estimated at \$5,940. The impact of adding building and grounds maintenance of the FWP Spring Meadow Lake facility to GSD will increase the rental rate by \$0.088 per square foot in both FY 2012 and FY 2013.



# DEPARTMENT OF ADMINISTRATION-6101 STATE INFORMATION TECHNOLOGY DIVISION-07

Please note that this program also contains HB 2 funding.



Program Proposed Budget							
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	174.50	0.00	0.00	174.50	0.00	0.00	174.50
Personal Services	14,968,359	(1,265,601)	0	13,702,758	(1,259,989)	0	13,708,370
Operating Expenses	19,779,923	87,518	0	19,867,441	48,295	0	19,828,218
Equipment & Intangible Assets	5,724,414	0	0	5,724,414	0	0	5,724,414
Debt Service	287,406	0	0	287,406	0	0	287,406
<b>Total Costs</b>	<b>\$40,760,102</b>	<b>(\$1,178,083)</b>	<b>\$0</b>	<b>\$39,582,019</b>	<b>(\$1,211,694)</b>	<b>\$0</b>	<b>\$39,548,408</b>
Proprietary	40,760,102	(1,178,083)	0	39,582,019	(1,211,694)	0	39,548,408
<b>Total Funds</b>	<b>\$40,760,102</b>	<b>(\$1,178,083)</b>	<b>\$0</b>	<b>\$39,582,019</b>	<b>(\$1,211,694)</b>	<b>\$0</b>	<b>\$39,548,408</b>

## Proprietary Rates

**Proprietary Program Description** –State Information Technology Services Division (SITSD) manages Information Technology (IT) services for state government. It includes:

- Hosting services
  - Servers
  - Storage
  - Web sites
  - Applications
  - Enterprise email
  - Basic Mapping Service Center
- Systems development services
  - Application development
  - Web application development
  - GIS application development

## **DEPARTMENT OF ADMINISTRATION-6101 STATE INFORMATION TECHNOLOGY DIVISION-07**

- Communications and connectivity services
  - Local and long-distance voice services
  - Design and development of telephone equipment and voice applications
  - Internet access
  - Data network services
  - Video conferencing services
- Operations support
  - Imaging scanning and content management
  - Application printing
  - Systems operations and tape management
  - Local area network (LAN) administration
  - PC and desktop office software support
  - Enterprise-wide Service Center support
- Enterprise Services
  - Statewide Continuity Planning
  - Information System Risk Management
  - Enterprise Security and Computing Systems Monitoring
  - Montana Information Technology Act (MITA) oversight of IT activities
    - IT strategic planning and agency IT plan approval
    - IT policy, standards and procedures
  - Enterprise IT Councils, Advisory Groups and Conference Support
  - State Chief Information Officer and Geographic Information Officer activities
  - Enterprise-wide IT procurement and contract management
  - Enterprise application hosting - Citrix and Oracle
  - IT training coordination
  - mt.gov and MINE portal development and website hosting
  - Active Directory
  - State telephone operators
- Public Safety Services
  - E-9-1-1 program
  - Interoperability Montana (IM) public safety radio program
- State of MT Data Center Project

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

Funding for SITSD is primarily from charges to state agencies for server and application hosting, and data/voice network services. A significant portion of SITSD's budget is Enterprise Services. Funding for Enterprise Services comes from agency charges based on a per-user allocation.

SITSD's rates are based on the full cost process known as the Financial Transparency Model (FTM), an activity based budgeting model. Over the past year SITSD has defined over 200 services, allocated costs and staff time to each service, and estimated units of service provided to each agency. Rates are based on a detailed allocation of expenditures and staff time to each service. SITSD also implemented a staff time tracking system to refine the accuracy of staff time allocation. For a wide variety of services agencies will have the choice of using the service or altering the units consumed. SITSD management will have to closely monitor rates and the underlying costs to ensure a service remains competitive.

SITSD will fund 191.00 FTE through its proprietary funding in FY 2012 and FY 2013 from the revenues generated in all areas.

The Enterprise Services listed above 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.

# DEPARTMENT OF ADMINISTRATION-6101

## STATE INFORMATION TECHNOLOGY DIVISION-07

### **Proprietary Revenues and Expenses -**

Change in Services or Fees - The basic set of SITSD services will remain the same with very few exceptions, although SITSD has now built a Services Catalog which describes each of the roughly 200 services that are offered. One change that has occurred is in SITSD's hosting rates. In previous years all of SITSD's hosting charges to state applications were based on their storage size only. This was causing subsidization by large storage applications and smaller applications that did not require substantial storage were not paying their share. The program now has the capability to track other metrics and are able to allocate true costs not only to storage but also to backup, support, software licensing, servers, etc. This has caused some true ups with lower rates and less subsidization for larger users and now smaller applications are paying their true costs. The remaining few exceptions are new services that will generate very modest revenues. SITSD is not dropping any services. During the current biennium the State of Montana Data Centers (SMDC) will be completed and the major equipment will be migrated out of the Mitchell building.

SITSD's rate/fees structure will be fundamentally consistent for the next biennium. SITSD rates will be based on customer deliverables (agency services). Enterprise-wide services that benefit the entire state-wide organization will be charged to agencies on a per-user basis via Active Directory email accounts. The costs for Enterprise Services will not be distributed to agency specific services and buried in agency rates.

The IT industry has economies of scale and SITSD's rates reflect the trend as more agencies use larger volumes of services. Counteracting this trend is agency demand for more advanced technologies and a greater level of service. Faster network speeds are a prime example. Virtual meetings, streaming video, and a greater number of agency web-based applications all require more bandwidth. Higher network costs are a major cost driver.

Other cost drivers include the SMDC project and the continuing increase in agency demand for SITSD application, storage and server hosting. This expands SITSD's budget size, but not individual rates.

Working Capital Discussion - SITSD 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. This also allows SITSD to meet the growing service needs of agencies throughout the 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 2011 Biennium level.

Cash Flow Discussion - SITSD invoices state agencies and other entities for hosting, systems development, operations and telecommunications services monthly. Receipt of revenues is typically collected within 30-60 days; however, SITSD does occasionally have delayed payments from agencies. SITSD'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.

SITSD provides the following services for a specific charge:

- 621B1 - SITSD Storage Hosting Services – Migration, testing and operation of application data on SITSD storage equipment.
- 621B2 - SITSD Server Hosting Services – Migration, testing and operation of an agency supported application on ITSD servers at an ITSD facility.
- 621B3 - SITSD Web Hosting Services – Hosting of qualifying websites and web content on SITSD equipment at an ITSD facility.
- 621B4 – SITSD Application Services - Migration, testing, operation and support of an application on SITSD equipment at an ITSD facility.
- 621B5 – SITSD Email Services - All services related to the delivery, storage, management and archiving of Enterprise email.
- 621B6 – SITSD Imaging Services - Scanning, imaging, storage and management of all types of documents and electronic artifacts.
- 621B7 – SITSD Sharp Content Services - Usage of SITSD's full featured web content management service,

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Sharp Content.

- 621B8 – SITSD Operations Support Services - Production operations support such as backups, tape archiving and systems monitoring.
- 621B9 – SITSD Database Hosting Services – Migration, support and hosting of state standard databases.
- 621C1 – Installation Services - The installation of commercially available hardware and software.
- 621C2 – SITSD Application Development Services - Planning, developing, implementing and maintaining application solutions.
- 621C3 – SITSD Web Development Services - Planning, developing, implementing and maintaining web solutions and e-Government services.
- 621C4 – GIS Application Development - Requirements definition, design, development testing, installation and training for GIS applications and systems.
- 621C5 – SITSD Enterprise Services - Enterprise deliverables funded through an Active Directory chargeback (subsidy).
- 621C6 – SITSD Professional Services – Professional IT expertise, advice and counsel where the deliverables are not hardware, software or systems.
- 621C7 – SITSD PMO Services – Enterprise project management services.
- 621C8 – SITSD Equipment Hosting Services – Hosting of equipment in an SITSD facility.
- 621C9 – SITSD GIS Services – Base Map Service Center (BMSC)/GIS Services.
- 622B1 – SITSD Asset Broker - SITSD hardware or software assets and agency assets where costs are passed on to the agency.
- 623B0 – SITSD Voice Services - Equipment, connectivity, applications and directories related to voice technology.
- 623B1 – SITSD Video Services - Scheduling, coordination, set up, bridging, problem resolution and monitoring of video conferences.
- 623B2 – SITSD Network Services – Connectivity and transport services.
- 623B4 – SITSD Long Distance Services – Long distance telephone services.
- 62876I – SITSD Training Services – SITSD sponsored training.

### Historical and Projected Trends

- In the past, state agencies were required to count network-attached devices and report that to SITSD. 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 was 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 (see policy ENT-SEC-063). 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).
- All other services are based on base utilization numbers as a starting point and planned and projected utilization numbers made by each agency or customer.

### Customer Payments

- The customer payments received by SITSD include several funding sources.

**Proprietary Rate Explanation** -SITSD rates are based on a wide variety of measures, each measure proportional to the usage which is determined by each agency.

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

- Hosting services
  - Storage hosting rates are based on space usage.
  - Server hosting
    - Mainframe rate based on actual usage.

## DEPARTMENT OF ADMINISTRATION-6101 STATE INFORMATION TECHNOLOGY DIVISION-07

- Mid-tier server's rates based on a formula that accounts for the size of server, space used, and SITSD staff time required.
- Application hosting rates are based on space, backup, servers used, support required and licensing usage.
- Connectivity services
  - Data network rates are based on the number of connections with Active Directory accounts on the network
  - Video services are based on conference hours.
  - Voice services
    - Telephone desktop equipment rates are based on type of equipment.
    - Local calls are based on a flat rate.
    - Long distance and toll free services are based on minutes.
- Enterprise Service rate is based on the number of users with Active Directory accounts on the network.

Customers are billed at the actual fee or rate based upon the FTM activity based budgeting model that allocates costs to individual services.

SITSD's rates are based on predicted expenditures, utilization and projects planned from agencies in all service categories. SITSD strives to ensure that the rates being charged to state agencies remain commensurate with the expenditures. SITSD 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 SITSD's rate recovery.

- SITSD determines its rates using the Financial Transparency Model (FTM) for activity based budgeting. All SITSD costs including personal services are assigned to individual services if possible or distributed as indirect costs to the appropriate group of services, group of customers, or ITSD budget unit. The FTM calculates rates on this cost allocation and agency planned or forecasted units of deliverable services. ITSD management has a primary objective of maintaining fees commensurate with costs since agencies have the option of not using SITSD services. SITSD's rates are now more comparable to the private sector.
- SITSD 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 - SITSD 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.

The largest balance sheet accounts that contribute most significantly to SITSD's fund equity balance is the 1704 Equipment and 1709 Accumulated Depreciation accounts which are due to the large volume of equipment needed by SITSD to provide its services

Service Units - SITSD's FTM model employs a separate unit for each service. The unit is the increment in which the customer/agency buys the service or product.

- Hours
- quantity of storage (gigabytes)
- number of user email mailboxes
- long distance minutes
- and others

SITSD offers over 200 services so there are a wide variety of units. The allocation of units of service is by customer/agency planned utilization.

There are a few services such as Enterprise Services and some Asset Brokerage where the unit allocation is not agency selectable. Enterprise Services costs are associated with state-wide services and benefits, not agency specific services, and therefore are distributed to agencies on an agency FTE basis. Asset Brokerage or fixed enterprise software costs,

## **DEPARTMENT OF ADMINISTRATION-6101 STATE INFORMATION TECHNOLOGY DIVISION-07**

such as Microsoft, are also allocated to FTEs. In both cases the Active Directory count of email users is the actual surrogate for FTEs.

Rate Explanation - Customers are billed at the actual fee or rate based upon the methodology used to develop those rates.

SITSD determines its rates using the FTM model for activity based budgeting. All SITSD costs including personal services are assigned to individual services if possible or distributed as indirect costs to the appropriate group of services, group of customers, or SITSD budget unit. The FTM model calculates rates on this cost allocation and agency planned and forecasted units of deliverable services.

SITSD uses the FTM model for distributing indirect costs to separate rates. Those costs that cannot be assigned directly to an individual service or customer are allocated to:

- an appropriate group of services
- an appropriate group of customers
- all services within a budget unit.

The FTM model distributes the indirect costs based on the number of hours on each service/customer row, (i.e. Customer X has 5% of the total hours in the budget unit; Customer X receives 5% of the indirect costs).

### **Expenses**

- One major cost driver in all of SITSD's services is fixed personal services expense that is projected on assigned FTE.
- There are a number of major cost drivers associated with the network services rates including communications costs and software costs. These are projected on current utilization as well as contracted agreements.
- Hosting services have 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.

There are no non-typical and one-time expenses included in the data range.

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

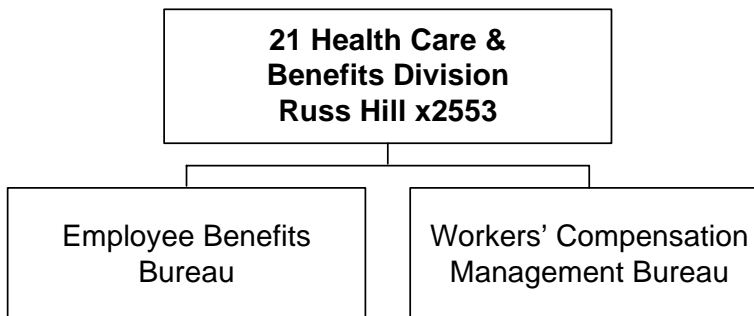
There are 178.00 FTE funded in the current base year.

**DEPARTMENT OF ADMINISTRATION-6101  
STATE INFORMATION TECHNOLOGY DIVISION-07**

2013 Biennium Report on Internal Service and Enterprise Funds								
Fund	Fund Name	Agency #	Agency Name	Program Name				
06522	SITSD Proprietary	6101	Department of Administration	State Information Technology Services				
			Actual FY08	Actual FY09	Actual FY010	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>								
Fee revenue			34,785,386	37,836,310	41,430,278	40,610,336	39,500,500	39,700,500
Other Charges For Services			-	-	-	-	1,547,636	1,613,916
Net Fee Revenue			34,785,386	37,836,310	41,430,278	40,610,336	41,048,136	41,314,416
Investment Earnings			-	-	-	-	-	-
Securities Lending Income			-	-	-	-	-	-
Premiums			41	301	240	-	-	-
Other Operating Revenues			109,033	530,838	21,885	-	-	-
Total Operating Revenue			34,894,460	38,367,449	41,452,403	40,610,336	41,048,136	41,314,416
<b>Operating Expenses:</b>								
Personal Services			13,557,541	14,473,657	14,929,431	16,448,850	15,979,604	15,970,587
Other Operating Expenses			25,579,269	26,586,366	25,256,033	24,161,486	25,554,731	25,828,834
Total Operating Expenses			39,136,810	41,060,023	40,185,464	40,610,336	41,534,335	41,799,421
Operating Income (Loss)			<b>(4,242,350)</b>	<b>(2,692,574)</b>	<b>1,266,939</b>	-	<b>(486,199)</b>	<b>(485,005)</b>
<b>Nonoperating Revenues (Expenses):</b>								
Gain (Loss) Sale of Fixed Assets			(150)	-	-	-	-	-
Federal Indirect Cost Recoveries			-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)			-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)			(150)	-	-	-	-	-
Income (Loss) Before Operating Transfers			(4,242,500)	(2,692,574)	1,266,939	-	(486,199)	(485,005)
Contributed Capital			-	250,000	-	-	-	-
Operating Transfers In (Note 13)			-	(501,738)	-	-	-	-
Operating Transfers Out (Note 13)			-	-	-	-	-	-
Change in net assets			(4,242,500)	(2,944,312)	1,266,939	-	(486,199)	(485,005)
Total Net Assets- July 1 - As Restated			6,215,000	1,972,500	(971,812)	295,127	295,127	(191,072)
Prior Period Adjustments			-	-	-	-	-	-
Cumulative effect of account change			-	-	-	-	-	-
Total Net Assets - July 1 - As Restated			6,215,000	1,972,500	(971,812)	295,127	295,127	(191,072)
Net Assets- June 30			<b>1,972,500</b>	<b>(971,812)</b>	<b>295,127</b>	<b>295,127</b>	<b>(191,072)</b>	<b>(676,077)</b>
60 days of expenses (Total Operating Expenses divided by 6)			6,522,802	6,843,337	6,697,577	6,768,389	6,922,389	6,966,570
45 days of expenses (Total Operating Expenses divided by 8)			4,892,101	5,132,503	5,023,183	5,076,292	5,191,792	5,224,928
<b>Requested Rates for Internal Service Funds</b>								
<b>Fee/Rate Information</b>								
			Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FY 11	Budgeted FY 12	Budgeted FY 13
<b>State Information Technology Services Division</b>								
Charge For Services			-	-	-	-	-	-
			30-Day Working Capital Reserve	30-Day Working Capital Reserve	30-Day Working Capital Reserve	30-Day Working Capital Reserve	30-Day Working Capital Reserve	30-Day Working Capital Reserve
Note:								
The State Information Technology Services Division seeks the ability to continue to charge various rates in order to maintain a 30-day working capital.								

## DEPARTMENT OF ADMINISTRATION-6101 HEALTH CARE & BENEFITS DIVISION-21

Please note that this program also contains HB 2 funding.



### Proprietary Rates

Program Proposed Budget	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	16.87	0.00	0.00	16.87	0.00	0.00	16.87
Personal Services	1,116,623	61,645	0	1,178,268	62,029	0	1,178,652
Operating Expenses	7,613,799	841,334	0	8,455,133	1,113,779	0	8,727,578
Benefits & Claims	135,248,203	21,556,905	0	156,805,108	37,132,297	0	172,380,500
<b>Total Costs</b>	<b>\$143,978,625</b>	<b>\$22,459,884</b>	<b>\$0</b>	<b>\$166,438,509</b>	<b>\$38,308,105</b>	<b>\$0</b>	<b>\$182,286,730</b>
Proprietary	143,978,625	22,459,884	0	166,438,509	38,308,105	0	182,286,730
<b>Total Funds</b>	<b>\$143,978,625</b>	<b>\$22,459,884</b>	<b>\$0</b>	<b>\$166,438,509</b>	<b>\$38,308,105</b>	<b>\$0</b>	<b>\$182,286,730</b>

### Proprietary Program Description

#### State employee group benefits and flexible spending – fund 06559 and 06027

The employee benefits program is charged with providing state employees, retirees, members of the Legislature, judges and judicial branch employees, and their families with adequate medical, dental, prescription drug, life, and other related group benefits in an efficient manner and at an affordable cost. The program operates a self-insured health, prescription drug, and dental plan. Life, long-term disability, vision, 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, 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 are able to choose between the indemnity and managed care plans. The indemnity plan is administered by Blue Cross and Blue Shield of Montana, and the managed care plans are administered by Blue Cross and Blue Shield of Montana and New West Health Services, through their provider networks.

The program is funded by the state contribution for group benefits and by premiums and fees paid by plan members. The program currently supports 13.87 FTE.

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



## DEPARTMENT OF ADMINISTRATION-6101 HEALTH CARE & BENEFITS DIVISION-21

Customers Served: In excess of 32,000 are covered by the benefit plans provided by the division in the following categories; 12,900 regular full-time and part-time executive, legislative, and judicial branch employees; 3,300 retirees; 45 COBRA participants; and 16,500 dependents.

### **Proprietary Revenues and Expenses**

Change in Services or Fees: 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 8-11 percent annually. Drug claims are projected to increase approximately 10 to 13 percent annually during the 2013 biennium.

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

The division, based on actuarial determination, uses a risk-based capital approach to set reserve levels. The risk-based capital (RBC) model is a methodology promulgated by the National Association of Insurance Commissioners (NAIC) and is used by virtually all of the states. The RBC formula establishes a minimum capital level for the state plan based on its specific features and compares it to the plan's actual capital level. This ratio provides a measure to compare to recommended levels of capitalization for insurance risk. In Montana, the Legislature adopted this model for determining the level of assets that are needed in domestic health insurance corporations in 1995. It is codified in Title 33, MCA as the regulatory standard applied to health care insurers in Montana.

Under the RBC approach, a target ratio of a measure known as the "authorized control level" of reserves indicates the financial stability of the insurance plan. Under the NAIC guidelines adopted by Montana, the minimum recommended level of reserves required for an insurer is 200% of the authorized control level. Levels below that amount are subject to varying degrees of regulatory oversight and control.

The State Employee Benefit Plan actuary recommended the plan set a reserve level target equivalent to 300% of the authorized control level with the 200% target as a minimum. This level is reasonable given that other insurance companies in the same marketplace have much higher reserves levels, anywhere from 700% to 1,000% of the authorized control level. These insurers may also generate more capital through debt, while the State Employee Benefit Plan cannot. As of December 31, 2009, the State Employee Benefit Plan had reserves equivalent to 204% of the authorized control level. Subsequently, that percentage has been increasing.

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

Fund Equity and Reserved Fund Balance: A portion of the actuarially recommended reserves includes a component titled the "Grandfathered benefit" reserve. This component is a portion of the reserve identified for certain types of coverage and is set aside to pay the claim liability incurred when the state changed the timing on collecting 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 credited for the month of employer contribution collected prior to the change at the time they separate from service.

Cash Flow: It is projected that about \$10.6 million per month in claims expenses will be paid in FY 2011 and \$11.5 million per month in FY 2012. 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. Retirees are required to pay the full amount of the premium but the premium is subsidized indirectly by the state share and other revenues. Employees who cover their dependents pay a portion of the cost to insure their family members while a portion is subsidized indirectly by state share and other revenue sources such as investment earnings.

## DEPARTMENT OF ADMINISTRATION-6101 HEALTH CARE & BENEFITS DIVISION-21

The cost of providing medical care continues to rise at a rate significantly higher than general inflation. Based on FY 2010 expenditures of approximately \$124.3 million for medical, dental, and prescription drug claims, these expenditures are projected to be \$135.4 million in FY 2011 and \$146.9 million in FY 2012. This does not take into account future benefit plan changes which may impact expenditure projections.

Claims costs make up approximately 92 percent of program expenditures. Administrative costs comprise about 8 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 and 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 62170. 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, long-term disability premiums are paid from account 67211, and Life Insurance premiums are paid from account 67299.

**Rate Explanation** – The rate provided in HB 13 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 amount is a subject of collective bargaining and is negotiated as a part of the overall pay package for state employees.

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 2010 was approximately \$136.9 million. The state share portion of this income was approximately \$100.9 million or 74 percent. The remaining income was from participant paid premiums and investment earnings. Total expenses during FY 2010 were \$135.0 million.

Projected income for the next biennium needs to match projected expenditures and other actuarially required liabilities 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 2112 and FY 2013 have not been determined at this time.

<i>Fiscal Year</i>	<i>Monthly Employer Contribution</i>	<i>Percent Incr. Over Prev. Yr</i>	<i>Medical Cost Trend</i>	<i>Pharmacy Cost Trend</i>
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%

**DEPARTMENT OF ADMINISTRATION-6101  
HEALTH CARE & BENEFITS DIVISION-21**

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	6.3%	6.1%	9.5%
2007	\$557	10.1%	4.1%	15.0%
2008	\$590	10.1%	14.0%	3.6***
2009	\$626	10.0%	10.0%	4.3***
2010	\$679	8.5%	9.0%**	-18%****
2011	\$733*	8.0%	9.0%**	10%**

\* The FY 2011 rate becomes effective January 1, 2011.

\*\* Projected trend rates.

\*\*\* The Pharmacy trend shown includes adjustments for prior year contractual recovery of performance guarantees and rebates as well as Retiree Drug Subsidy reimbursements from the federal government. After removing the financial adjustments, actual cost and utilization trend is anticipated to be approximately 12% and 8.1%, respectively.

\*\*\*\* The Pharmacy trend shown is for the year of implementation of the URx pharmacy program. The pharmacy trend is expected to return to a level of 10% per year from this base amount over the next biennium.

### **Proprietary Program Description**

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

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

The program is funded through a fixed cost rate charged to state agencies. The program currently supports 3 FTE.

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

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

### **Proprietary Revenues and Expenses**

Change in Services or Fees - No significant changes in services are contemplated. Fees are reduced slightly over the next biennium.

Working Capital - The program's expenses primarily consist of personal services and operating costs. The program strives to maintain a 60 day working capital, which equates to approximately \$66,000. The maintenance of a 60 day working capital is factored into the fixed cost rate determination.

Fund Equity and Reserved Fund Balance - The workers' compensation management program does not have any reserve fund balance requirements. Program management intends to maintain fund balance at current levels as compared to the FY 2010 base year fund balance.

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

## DEPARTMENT OF ADMINISTRATION-6101 HEALTH CARE & BENEFITS DIVISION-21

The program personnel work with the state employees and agency personnel to offer a safe working environment for its employees and reduce on-the-job injuries and accidents in the workplace. In addition, the program personnel work with injured state of Montana workers in an effort to return the employee to work as soon as possible, even if it is in a different position than was originally held. The workers' compensation program fees are paid from account 62114A. The program is not anticipating a change in the volume of services provided in the coming biennium.

The base year funding, by fund type, for customer payments were as follows:

General Fund	\$166,557
State Special Revenue Fund	\$137,289
Federal Special Revenue Fund	\$61,137
Enterprise Fund	\$ 17,568
Internal Service Fund	\$66,694
Pension Trust Fund	\$1,701

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

**Expenses** - The program consists of 3 FTE. This accounts for almost 60% of the programs expenses over the next biennium. The remaining costs are attributable to operating expenses of the program. This includes a one time allocation for the program to obtain a database to assist in management and decision-making related to workers' compensation.

**DEPARTMENT OF ADMINISTRATION-6101  
HEALTH CARE & BENEFITS DIVISION-21**

2013 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	Actual	Actual	Budgeted	Budgeted	Budgeted
			FY08	FY09	FY10	FY11	FY12	FY13
<b>Operating Revenues:</b>								
Fee revenue								
	Revenue from Fee F		68,129	71,501	295,515	-	-	-
	Net Fee Revenue		68,129	71,501	295,515	-	-	-
	Investment Earnings		1,835,950	2,068,933	2,396,146	1,500,000	2,660,460	2,926,500
	Securities Lending Income		131,476	237,442	40,629	-	-	-
	Premiums		113,849,387	123,818,785	130,513,833	159,493,369	143,890,283	161,157,117
	Other Operating Revenues		2,783,606	4,952,422	3,647,677	2,460,000	3,247,529	3,502,667
	Total Operating Revenue		118,668,548	131,149,083	136,893,800	163,453,369	149,798,272	167,586,284
<b>Operating Expenses:</b>								
	Personal Services		795,179	892,898	914,125	988,127	964,689	964,753
	Other Operating Expenses		111,492,958	130,561,276	134,049,626	143,217,479	156,487,739	171,657,754
	Total Operating Expenses		112,288,137	131,454,174	134,963,751	144,205,606	157,452,428	172,622,507
	Operating Income (Loss)		6,380,411	(305,091)	1,930,049	19,247,763	(7,654,156)	(5,036,223)
<b>Nonoperating Revenues (Expenses):</b>								
	Gain (Loss) Sale of Fixed Assets		-	-	-	-	-	-
	Federal Indirect Cost Recoveries		-	-	-	-	-	-
	Other Nonoperating Revenues (Expenses)		-	-	-	-	-	-
	Net Nonoperating Revenues (Expenses)		-	-	-	-	-	-
	Income (Loss) Before Operating Transfers		6,380,411	(305,091)	1,930,049	19,247,763	(7,654,156)	(5,036,223)
	Contributed Capital		-	-	-	-	-	-
	Operating Transfers In (Note 13)		-	33,146	-	-	-	-
	Operating Transfers Out (Note 13)		-	-	-	-	-	-
	Change in net assets		6,380,411	(271,945)	1,930,049	19,247,763	(7,654,156)	(5,036,223)
	Total Net Assets- July 1 - As Restated		33,503,383	39,883,794	39,611,849	41,541,898	60,789,661	53,135,505
	Prior Period Adjustments		-	-	-	-	-	-
	Cumulative effect of account change		-	-	-	-	-	-
	Total Net Assets - July 1 - As Restated		33,503,383	39,883,794	39,611,849	41,541,898	60,789,661	53,135,505
	Net Assets- June 30		39,883,794	39,611,849	41,541,898	60,789,661	53,135,505	48,099,282
	60 working days of expenses							
	(Total Operating Expenses divided by 6)		18,714,690	21,909,029	22,493,959	24,034,268	26,242,071	28,770,418
<b>Requested Rates for Internal Service Funds</b>								
<b>Fee/Rate Information for Legislative Action</b>								
			Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
			FYE 08	FY 09	FY 10	FY 11	FY 12	FY 13
	Fee Group A							
	State share per employee per month		\$574	\$608	653	706	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 2012 and 2013 have not been determined at this time.								

**DEPARTMENT OF ADMINISTRATION-6101  
HEALTH CARE & BENEFITS DIVISION-21**

**2013 Biennium Report on Internal Service and Enterprise Funds**

Fund	Fund Name	Agency #	Agency Name	Program Name				
06027	Flexible Spending Funds	61010	Department of Administration	Health Care and Benefits Division				
			Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>								
Fee revenue								
	Revenue from Administrative Fees		135,832	72,906	66,701	148,500	143,736	146,448
	Net Fee Revenue		135,832	72,906	66,701	148,500	143,736	146,448
	Investment Earnings		22,028	8,840	1,756	25,000	6,000	10,000
	Securities Lending Income		710	1,127	269	-	-	-
	Premiums		7,112,796	7,700,291	7,228,059	8,000,000	8,472,772	9,150,594
	Other Operating Revenues		-	-	-	-	-	-
	<b>Total Operating Revenue</b>		<b>7,271,366</b>	<b>7,783,164</b>	<b>7,296,785</b>	<b>8,173,500</b>	<b>8,622,508</b>	<b>9,307,042</b>
<b>Operating Expenses:</b>								
	Personal Services		-	-	-	-	-	-
	Other Operating Expenses		6,879,408	7,761,047	7,518,828	7,583,935	8,571,805	9,249,627
	<b>Total Operating Expenses</b>		<b>6,879,408</b>	<b>7,761,047</b>	<b>7,518,828</b>	<b>7,583,935</b>	<b>8,571,805</b>	<b>9,249,627</b>
	<b>Operating Income (Loss)</b>		<b>391,958</b>	<b>22,117</b>	<b>(222,043)</b>	<b>589,565</b>	<b>50,703</b>	<b>57,415</b>
<b>Nonoperating Revenues (Expenses):</b>								
	Other Nonoperating Revenues (Expenses)		-	-	-	-	-	-
	<b>Net Nonoperating Revenues (Expenses)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Income (Loss) Before Operating Transfers</b>		<b>391,958</b>	<b>22,117</b>	<b>(222,043)</b>	<b>589,565</b>	<b>50,703</b>	<b>57,415</b>
	Operating Transfers Out		-	-	-	-	-	-
	<b>Change in net assets</b>		<b>391,958</b>	<b>22,117</b>	<b>(222,043)</b>	<b>589,565</b>	<b>50,703</b>	<b>57,415</b>
	Total Net Assets- July 1 - As Restated		672,701	1,064,659	1,086,776	864,733	1,454,298	1,505,001
	Prior Period Adjustments		-	-	-	-	-	-
	Cumulative effect of account change		-	-	-	-	-	-
	<b>Total Net Assets - July 1 - As Restated</b>		<b>672,701</b>	<b>1,064,659</b>	<b>1,086,776</b>	<b>864,733</b>	<b>1,454,298</b>	<b>1,505,001</b>
	<b>Net Assets- June 30</b>		<b>1,064,659</b>	<b>1,086,776</b>	<b>864,733</b>	<b>1,454,298</b>	<b>1,505,001</b>	<b>1,562,416</b>
	45 days of expenses (Total Operating Expenses divided by 8)		859,926	970,131	939,854	947,992	1,071,476	1,156,203
<b>Requested Rates for Enterprise Funds</b>								
<b>Fee/Rate Information</b>								
			Actual FYE 08	Actual FY 09	Actual FY 10	Budgeted FY 11	Budgeted FY 12	Budgeted FY 13
	Fee Group A							
	Administrative Fee (per member per month)		\$2.25	\$0.00	\$2.26	\$2.26	\$2.26	\$2.26
Administrative fees charged and collected from plan participants are determined through the competitive bid process as part of the selection of a plan administrator.								

**DEPARTMENT OF ADMINISTRATION-6101  
HEALTH CARE & BENEFITS DIVISION-21**

**2013 Biennium Report on Internal Service and Enterprise Funds**

Fund	Fund Name	Agency #	Agency Name	Program Name				
06575	Worker's Comp Mgmt	61010	Department of Administration	Health Care and Benefits Division				
			Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>								
Fee revenue								
	Revenue from Administrative Fees		-	-	450,946	395,171	390,298	388,298
			-	-	-	-	-	-
	Net Fee Revenue		-	-	450,946	395,171	390,298	388,298
Premiums								
			-	-	-	-	-	-
Other Operating Revenues								
			-	-	42	-	-	-
	Total Operating Revenue		-	-	450,988	395,171	390,298	388,298
<b>Operating Expenses:</b>								
Personal Services								
			-	4,766	194,314	251,150	213,579	213,899
Other Operating Expenses								
			-	-	192,990	144,021	200,697	200,697
	Total Operating Expenses		-	4,766	387,304	395,171	414,276	414,596
Operating Income (Loss)								
			-	<b>(4,766)</b>	<b>63,684</b>	-	<b>(23,978)</b>	<b>(26,298)</b>
<b>Nonoperating Revenues (Expenses):</b>								
Other Nonoperating Revenues (Expenses)								
			-	-	-	-	-	-
	Net Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Operating Transfers								
			-	<b>(4,766)</b>	<b>63,684</b>	-	<b>(23,978)</b>	<b>(26,298)</b>
Contributed Capital								
			-	-	-	-	-	-
Operating Transfers Out (Note 13)								
			-	-	-	-	-	-
	Change in net assets		-	<b>(4,766)</b>	<b>63,684</b>	-	<b>(23,978)</b>	<b>(26,298)</b>
Total Net Assets- July 1 - As Restated								
			-	-	<b>(4,766)</b>	58,918	58,918	34,940
Prior Period Adjustments								
			-	-	-	-	-	-
Cumulative effect of account change								
			-	-	-	-	-	-
Total Net Assets - July 1 - As Restated								
			-	-	<b>(4,766)</b>	58,918	58,918	34,940
Net Assets- June 30								
			-	<b>(4,766)</b>	<b>58,918</b>	<b>58,918</b>	<b>34,940</b>	<b>8,642</b>
60 days of expenses								
	(Total Operating Expenses divided by 6)		-	-	64,551	65,862	69,046	69,099
<b>Requested Rates for Enterprise Funds</b>								
<b>Fee/Rate Information</b>								
			Actual FYE 08	Actual FY 09	Actual FY 10	Budgeted FY 11	Budgeted FY 12	Budgeted FY 13
Fee Group A								
	Administrative Fee (per payroll warrant per pay period)				\$0.00	\$1.12	\$1.09	\$1.08
Program rates have been established to maintain a 60-day working capital. The rates are to be paid by state agencies and are based on a projected number of payroll warrants to be issued.								
Note: Prior to fiscal year 2010, the program expenditures were included in the General Fund.								

**DEPARTMENT OF ADMINISTRATION-6101  
HEALTH CARE & BENEFITS DIVISION-21**

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

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$1,107,780	\$0
FY 2013	\$1,785,602	\$0

**PL- 211 - Flexible Spending Increase -**

The number of employees electing to participate in pre-tax Flexible Spending and the contribution amounts has been increasing each year for the past several years. HCBD anticipates this trend will continue over the 2013 biennium, requiring an additional \$2,893,382 of appropriation authority. In addition, program participants pay a program administration fee to cover the costs of administering the program. Therefore, there is no rate impact.

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$21,309,612	\$0
FY 2013	\$36,489,983	\$0

**PL- 212 - Increase for Benefit Claims -**

The Health Care and Benefits Division (HCBD) projects an average annual trend of 8-11 percent in medical claims and 10-12 percent in prescription drug costs. The state is actively involved in providing managed care services to help contain its claims costs and has been successful in keeping the claims trend rate well below the increase being experienced by a majority of other plans in the United States. Knowing that the state will continue to see increased costs in health coverage, additional budget authority of \$20,449,125 and \$35,349,695 is requested for FY 2012 and FY 2013, respectively.

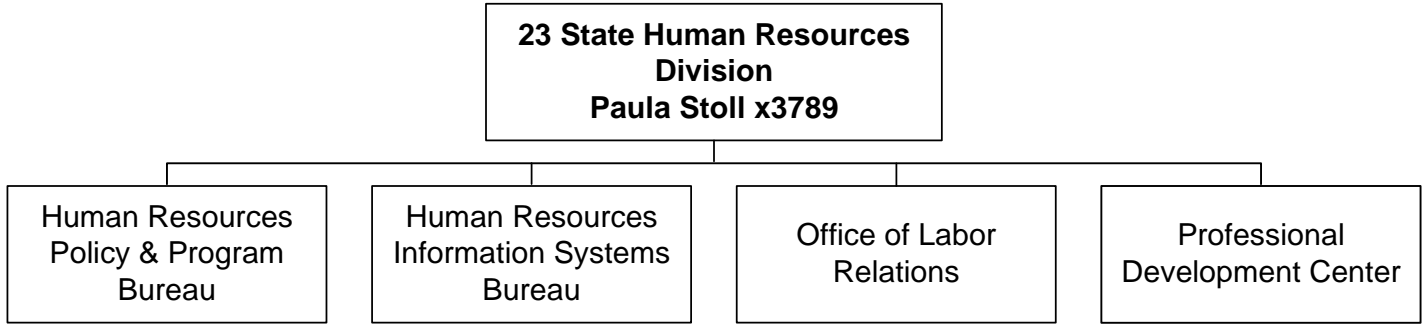
Claims administration and operating costs are also predicted to increase 6 to 8 percent annually. The increases are due to a combination of increased third party administrator fees and increased Human Resource Information Services fees. The benefit program will require an additional \$860,487 and \$1,143,288 in FY2010 and FY2011, respectively, to administer the state's benefit programs.

The funding for the state employee group benefits plan (benefits and administrative costs) come from the state share contribution provided for in 2-18-703, MCA, and the pay plan bill. In addition, retirees and members who cover their dependents contribute toward premiums out-of-pocket. The rate impact of the increasing plan costs is unknown because of the nature of the program. There are several factors considered when setting rates for the different health benefits options.



**DEPARTMENT OF ADMINISTRATION-6101  
STATE HUMAN RESOURCES DIVISION-23**

Please note that this program also contains HB 2 funding.



**Proprietary Rates**

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	30.97	0.00	0.00	30.97	0.00	0.00	30.97
Personal Services	1,981,532	72,685	0	2,054,217	69,972	0	2,051,504
Operating Expenses	1,894,609	(36,092)	58,000	1,916,517	(31,060)	58,000	1,921,549
Equipment & Intangible Assets	0	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$3,876,141</b>	<b>\$36,593</b>	<b>\$58,000</b>	<b>\$3,970,734</b>	<b>\$38,912</b>	<b>\$58,000</b>	<b>\$3,973,053</b>
General Fund	0	0	0	0	0	0	0
Proprietary	3,876,141	36,593	58,000	3,970,734	38,912	58,000	3,973,053
<b>Total Funds</b>	<b>\$3,876,141</b>	<b>\$36,593</b>	<b>\$58,000</b>	<b>\$3,970,734</b>	<b>\$38,912</b>	<b>\$58,000</b>	<b>\$3,973,053</b>

**Proprietary Program Description** - The State Human Resources Division manages two proprietary programs: the Professional Development Center (PDC) for training; and the Human Resources Information Services (HRIS) bureau for payroll and benefits eligibility processing.

**Professional Development Center/Training Program (Fund 06525)**

The Professional Development Center (PDC) program provides training and related services throughout locations in the state of Montana. The PDC offers training directed towards improving state practices, meeting state and federal regulations, and providing professional services such as facilitation, mediation, or curriculum design. All services to customers rely on fees to support operations. The program is internal service fund 06525, consisting of 3.04 FTE. The statutory authority for this program comes from 2-18-102, MCA.

Alternative Source - Agencies do not have a mandate to use PDC services; they can purchase training from any source including professional seminars, conferences, symposia, or contracted providers.

Customers Served - The PDC's primarily serves agencies and units in Montana state government and university system. The PDC's services also attract participants from local and federal government agencies, private industry, and non-profit organizations.

The service level is measured by the number of participants in the program. Total participants served over the past five years are as follows:

FY 2006	3,739
FY 2007	4,039
FY 2008	3,806
FY 2009	3,225
FY 2010	2,401

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Major Changes - Other than an immoderate decrease in service level volume in the current biennium, there were no major changes to the services provided or the customer base in the current or previous biennia. However, the program expects significant growth in service demand during the 2013 biennium.

### Revenues and Expenses

Change in Services or Fees – Although the PDC generally has historically had three professional trainers, the program manager spent 50% of his time in FY 2010 on a general fund workforce development project. This percentage increased to 100% in FY 2011. This shift to general fund is one-time-only for the 2011 biennium, after which the manager’s salary will revert back to the PDC proprietary fund.

This shift in FTE funding will affect both the amount of revenue the program generates, as well as expenditures as illustrated in the figures below:

Fiscal Year	FTE	Revenue	Expenses	Pers Svc %	Variable Cost %	Fixed Cost %
FY 2008	3.08	\$321,139	\$331,080	57%	31%	12%
FY 2009	3.08	343,525	406,246	62%	29%	9%
FY 2010	2.58	281,820	247,860	42%	43%	15%
FY 2011 – proj	2.08	261,640	248,473	47%	41%	12%
FY 2012 – proj	3.08	422,222	395,000	55%	35%	10%
FY 2013 – proj	3.08	405,686	397,102	54%	36%	10%

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 2010 were less than the levels provided in FY 2009. PDC staff has maintained the scope of services provided. The program expects this negative trend may continue through FY 2011, but will improve in the next biennium due to an anticipated change in the rate methodology.

Fiscal Year	Open Class Participants	Open Class Hours	Contract Participants	Contract Hours
FY 2009	1761	1467	1464	663
FY 2010	1368	1429	1033	333
FY 2011 – proj	1450	1580	2100	700
FY 2012 – proj	2100	1650	1700	400
FY 2013 – proj	2150	1700	1050	350

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

Fund Equity and Reserved Fund Balance – The PDC has no requirement to reserve any of its fund balance. Management’s objective is to maintain a stable fund balance sufficient to provide a 45-day working capital balance.

Cash Flow Discussion – During fiscal year 2010, the average turnaround period for revenue receipts was about 45 days from the time service took place. Historically, during the first two quarters of a fiscal year, demand for PDC services is lower and cash receipts tend to be at their lowest levels. Cash outflows remain stable during this time period, as 87% of expenses are constant and independent of its revenue stream. This is the time of year when PDC runs short of cash. Toward the end of the year agencies process their training invoices more readily and send more people to training.

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

PDC also contracts with individual agencies to provide training for their 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. 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 25%. These discounts follow a written, consistent fee schedule.

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For facilitation, mediation, consulting, and curriculum development PDC charges an hourly rate. On average, these services account for 5% of total revenue each year. Two minor revenue categories are publication sales and room rentals. Revenue from publications and meeting rooms is a little more than 1% of total annual revenue.

Deposits for all PDC services are recorded in the following organizations on SABHRS under the Department of Administration (61010). PDC records revenue in account 522091 and all base year funding was proprietary.

Customer's record payments to PDC in SABHRS accounts 62809-Education/Training Costs, and 62102-Consulting and Professional Services.

**Rate Explanation** – Currently the PDC charges tuition to each participant for attending an open-enrollment training course. Tuition rates were based on two factors: (1) projected attendance and (2) competitive pricing. Both can be empirically determined. In an effort to increase revenue, the program can only attract more participants. Keeping fees competitive steers effort toward attracting more participants. Tuition rates for the 2011 biennium were 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 were sufficient to cover total program expenses.

However, during the current and probable future budget challenges, agencies are trimming discretionary costs such as training. The department views the Training Program's coursework as an investment to develop and improve the quality and knowledge base of employees, promoting best practices throughout state government.

Through the executive planning process for the 2013 biennium and beyond, the PDC is requesting to change the program's funding method. Rather than the current process of charging tuition to each participant for attending a training course, the PDC is requesting to charge a fixed cost rate to agencies based on their FTE.

**Attendance:**

An analysis of the past seven complete fiscal years shows that, on average, 1,591 people attended open-enrollment courses each year, and 1,648 attended contract courses.

The program can apply the historic averages to projected attendance in FY 2012, and multiply by the proposed fees to project revenue. Projected expenses for FY 2012 are \$395,000. Historically, open-enrollment courses have generated 74% of annual revenue, contract courses 26%. In FY 2012, open-enrollment courses would need to generate at least \$292,300 and contract courses \$102,700. The application of past trends to projected participation appears in Table 1.

**Table 1**

FY 2012 Open Enrollment:	Type of course	Attend	Fee	Revenue
Total projected 2,100	Full-day courses (56% of participants)	1,176	\$120	\$141,120
	Half-day courses (34% of participants)	714	93	66,402
	Series (10% of participants)	210	480	<u>100,800</u>
Total open-enrollment revenue				\$308,322
FY12 Contract Courses:				
Projected attendance 1,700	1,700 participants generating \$67 each	1,700	\$67	\$113,900
Total projected revenue				\$422,222

Finally, projecting attendance is an imperfect science. Historical data over the past seven fiscal years show that PDC staff has hit a wide range in matching projections, from 78% to 141%. The overall average for the period is 93%. Table 2 shows total revenue of \$422,222, and 93% of that amount is \$392,666, which is within 1% of the projected expenses of \$395,000.

Table 2 repeats the analysis for FY 2013.

**DEPARTMENT OF ADMINISTRATION-6101  
STATE HUMAN RESOURCES DIVISION-23**

**Table 2**

FY 2013 Open Enrollment:	Type of course	Attend	Fee	Revenue
Total projected 2,200	Full-day courses (56% of participants)	1,232	\$123	\$151,536
	Half-day courses (34% of participants)	748	95	71,060
	Series (10% of participants)	220	482	<u>106,040</u>
Total open-enrollment revenue				\$328,636
FY13 Contract Courses:				
Projected attendance 1,150	1,150 participants generating \$67 each	1,150	\$67	\$77,050
Total projected revenue				\$405,686

Table 2 shows total revenue of \$405,686, and 93% of that amount is \$377,288, which is within 1% of the projected expenses of \$397,102.

**Rate Structure** - The Professional Development Center proposes the following fee structure for the 2013 Biennium. These rates stem from the foregoing analysis and remain below the mean for comparable training services in Montana. The rates for FY 2012 are the same as those approved by the Legislature for FY 2011 in the current biennium. The proposed rates for FY 2013 represent, on average, an increase of 1.3% over FY 2012 rates.

Type of service	FY 2012	FY 2013
Open enrollment courses		
Two-day course, per participant	187	190
One-day course, per participant	120	123
Half-day course, per participant	93	95
Eight-day management series	565	570
Six-day management series	435	440
Four-day administrative assistant series	330	333
Contract courses		
Full day of training, flat fee	825	830
Half day of training, flat fee	565	570

**HRIS Bureau (Fund 06563)**

The HRIS Bureau operates the SABHRS payroll, benefits and HR system to process, distribute, report and account for payroll, benefits and associated withholding and deductions for over 13,500 state employees in the Executive, Legislative and Judicial branches. The bureau 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, and pension) classification, pay, labor relations, policy and training. The program staff consists of 27.93 FTE. Statutory authority is 2-18-401, MCA 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 13,500 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 34 state agencies of the Executive, Legislative, and Judicial branches.

## DEPARTMENT OF ADMINISTRATION-6101 STATE HUMAN RESOURCES DIVISION-23

### Revenues and Expenses

Change in Services or Fees - In the previous biennium, agency fees were originally established at \$9.37 and \$8.04 for FY 2010 and FY 2011, respectively, per warrant or advice processed. The FY 2010 fee, which is significantly higher, included a fee component to cover an additional one-time-only expense associated with meeting an FTE threshold metric as outlined in the existing license agreement with Oracle/PeopleSoft.

For the 2013 biennium, HRIS is requesting agency fees of \$8.06 and \$8.10 for FY 2012 and FY 2013, respectively.

The major cost drivers in the 2013 biennium for the HRIS Bureau are as follows:

Personal Services	48%
SITSD & Oracle License Fees	43%
Legal, Audit, & Communication	2%
Administrative Costs Fees	4%
Printing	2%
Postage and Mailing	0.6%

No changes in services for the 2013 biennium are expected, except that the HRIS bureau is requesting one new proposal to transfer the state's on-line employment application and job listings from SITSD to HRIS.

Working Capital Discussion - The HRIS rates established for the 2013 biennium provide for the maintenance of a 60-day working capital amount of \$453,015 by the end of FY 2013. The working capital is needed to fund payroll, benefit eligibility processing, and SABHRS HR costs prior to the quarterly receipt of fees from each agency.

Fund Equity and Reserved Fund Balance - The HRIS fund had a fund balance of \$458,138 as of FYE10. By the end of 2013 it is expected that the program will have a fund balance of \$209,211. 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 HRIS fee receipts on a regular and stable basis throughout the year. There are no unusual cash outlays that occur in the HRIS fund.

The HRIS program is accounted for as a proprietary fund and uses the following SABHRS account. Revenue account 521049 (HRIS 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 HRIS processing fees in expenditure account 62114 (HRIS 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 2013 biennium.

Fiscal Year	Avg. # of Employees Processed and Paid
FY 2008	13,561
FY 2009	13,892
FY 2010	13,953
FY 2011 (est.)	14,011
FY 2012 (est.)	13,887
FY 2013 (est.)	13,945

### Rate Explanation

HRIS fees charged to state agencies are determined by projecting the cost of operating the HRIS program through the next biennium. HRIS rates are set as a fixed cost and allocated out to each agency based on the number of 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 in conjunction with the Memorandum of Understanding outlining the type and frequency of services delivered.

**DEPARTMENT OF ADMINISTRATION-6101  
STATE HUMAN RESOURCES DIVISION-23**

2013 Biennium Report on Internal Service and Enterprise Funds								
Fund	Fund Name	Agency #	Agency Name	Program Name				
06563	Human Resources Information Services	61010	Administration	State Human Resource Division				
			Actual	Actual	Actual	Projected	Projected	Projected
			FY08	FY09	FY10	FY11	FY12	FY13
<b>Operating Revenues:</b>								
Fee revenue								
	Revenue from HRIS Fees		1,036,598	3,223,321	4,265,937	3,689,469	3,917,857	3,961,972
	Revenue from HRIS SABHRS		2,253,563	-	-	-	-	-
	Revenue from Transfers from Benefits		-	-	-	-	-	-
	Revenue from Miscellaneous Service Fees		-	-	-	-	-	-
	Net Fee Revenue		3,290,161	3,223,321	4,265,937	3,689,469	3,917,857	3,961,972
	Investment Earnings		-	-	-	-	-	-
	Securities Lending Income		-	-	-	-	-	-
	Premiums		-	-	-	-	-	-
	Other Operating Revenues		273	50	-	-	-	-
	Total Operating Revenue		3,290,434	3,223,371	4,265,937	3,689,469	3,917,857	3,961,972
<b>Operating Expenses:</b>								
	Personal Services		1,668,038	1,654,369	1,744,950	1,906,754	1,907,734	1,912,389
	Other Operating Expenses		3,511,251	1,902,876	2,066,954	1,860,971	2,095,122	2,135,255
	Total Operating Expenses		5,179,289	3,557,245	3,811,904	3,767,725	4,002,856	4,047,644
	Operating Income (Loss)		<b>(1,888,855)</b>	<b>(333,874)</b>	<b>454,033</b>	<b>(78,256)</b>	<b>(84,999)</b>	<b>(85,672)</b>
<b>Nonoperating Revenues (Expenses):</b>								
	Net Nonoperating Revenues (Expenses)		-	-	-	-	-	-
	Income (Loss) Before Operating Transfers		(1,888,855)	(333,874)	454,033	(78,256)	(84,999)	(85,672)
	Contributed Capital		1,586,037	-	-	-	-	-
	Operating Transfers In (Note 13)		-	-	-	-	-	-
	Operating Transfers Out (Note 13)		-	-	-	-	-	-
	Change in net assets		(302,818)	(333,874)	454,033	(78,256)	(84,999)	(85,672)
	Total Net Assets- July 1 - As Restated		78,426	337,979	4,105	458,138	379,882	294,883
	Prior Period Adjustments		562,371	-	-	-	-	-
	Cumulative effect of account change		-	-	-	-	-	-
	Total Net Assets - July 1 - As Restated		640,797	337,979	4,105	458,138	379,882	294,883
	Net Assets- June 30		<b>337,979</b>	<b>4,105</b>	<b>458,138</b>	<b>379,882</b>	<b>294,883</b>	<b>209,211</b>
	60 working days of expenses							
	(Total Operating Expenses divided by 6)		863,215	592,874	635,317	627,954	667,143	674,607
<b>Requested Rates for Internal Service Funds</b>								
<b>Fee/Rate Information for Legislative Action</b>								
			Actual	Actual	Actual	Projected	Projected	Projected
			FY 08	FY 09	FY 10	FY 11	FY 12	FY 13
	Fee Group A							
	HRIS fees (per employee processed per pay period)		\$1.56	\$1.47	\$9.37	\$8.04	\$8.06	\$8.10
Health Resources Information Services (HRIS) rates have been established under the authority of 2-18-401, MCA, and 2-18-403, MCA. Projected HRIS expenditures anticipated for the 2013 biennium are distributed as a fixed cost fee to the Health Care Benefits Division for services rendered by HRIS to support benefit operations associated with managing the state's payroll system; and as a fixed cost rate to state agencies based on an estimated average number of payroll warrants/advises per pay period per agency. The agencies' payroll warrant/advice counts are based upon FY 2009 and FY 2010 data.								

**DEPARTMENT OF ADMINISTRATION-6101  
STATE HUMAN RESOURCES DIVISION-23**

2013 Biennium Report on Internal Service and Enterprise Funds							
Fund	Fund Name	Agency #	Agency Name	Program Name			
06525	Intergovernmental Training	61010	Department of	State Human Resources Division			
			Actual	Actual	Actual	Projected	Projected
			FY08	FY09	FY10	FY11	FY12
							Projected
							FY13
<b>Operating Revenues:</b>							
Fee revenue							
	Revenue from Training Fees		321,139	343,528	281,820	261,940	395,000
	Net Fee Revenue		321,139	343,528	281,820	261,940	395,000
	Investment Earnings		-	-	-	-	-
	Securities Lending Income		-	-	-	-	-
	Premiums		-	-	-	-	-
	Other Operating Revenues		322	230	191	-	-
	Total Operating Revenue		321,461	343,758	282,011	261,940	395,000
							397,102
<b>Operating Expenses:</b>							
	Personal Services		187,416	253,333	104,428	127,975	218,729
	Other Operating Expenses		143,664	152,913	143,432	145,486	154,097
	Total Operating Expenses		331,080	406,246	247,860	273,461	372,826
							373,532
	Operating Income (Loss)		(9,619)	(62,488)	34,151	(11,521)	22,174
							23,570
<b>Nonoperating Revenues (Expenses):</b>							
	Net Nonoperating Revenues (Expenses)		-	-	-	-	-
	Income (Loss) Before Operating Transfers		(9,619)	(62,488)	34,151	(11,521)	22,174
							23,570
	Contributed Capital		-	-	-	-	-
	Operating Transfers In (Note 13)		-	-	-	-	-
	Operating Transfers Out (Note 13)		-	-	-	-	-
	Change in net assets		(9,619)	(62,488)	34,151	(11,521)	22,174
							23,570
	Total Net Assets- July 1 - As Restated		(68)	(9,687)	(72,492)	(38,341)	(49,862)
	Prior Period Adjustments		-	(317)	-	-	-
	Cumulative effect of account change		-	-	-	-	-
	Total Net Assets - July 1 - As Restated		(68)	(10,004)	(72,492)	(38,341)	(49,862)
	Net Assets- June 30		(9,687)	(72,492)	(38,341)	(49,862)	(27,688)
							(4,118)
	60 days of expenses						
	(Total Operating Expenses divided by 6)		55,180	67,708	41,310	45,577	62,138
							62,255
<b>Requested Rates for Internal Service Funds</b>							
<b>Fee/Rate Information for Legislative Action</b>							
			Actual	Actual	Actual	Projected	Projected
			FY 08	FY 09	FY 10	FY 11	FY 12
							Projected
							FY 13
Fee Group A							
	Training Services per hour						
Open Enrollment Courses							
	Two-Day Course (per participant)		\$182.00	\$185.00	\$185.00	\$188.00	\$188.00
	One-Day Course (per participant)		\$115.00	\$118.00	\$118.00	\$120.00	\$120.00
	Half-Day Course (per participant)		\$87.00	\$90.00	\$90.00	\$93.00	\$93.00
	Eight-Day Management Series (per participant)		\$550.00	\$560.00	\$560.00	\$565.00	\$565.00
	Six-Day Management Series (per participant)		\$425.00	\$430.00	\$430.00	\$435.00	\$435.00
	Four-Day Administrative Assistant Series (per participant)		\$320.00	\$325.00	\$325.00	\$330.00	\$330.00
							\$333.00
Contract Courses							
	Full Day Training (flat fee)		\$800.00	\$820.00	\$820.00	\$825.00	\$825.00
	Half Day Training (flat fee)		\$550.00	\$560.00	\$560.00	\$565.00	\$565.00
							\$570.00
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.							

**DEPARTMENT OF ADMINISTRATION-6101  
STATE HUMAN RESOURCES DIVISION-23**

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

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$13,579	\$0
FY 2013	\$13,986	\$0

**PL- 2301 - Oracle/PeopleSoft 3% Annual Fee Increase -**

Oracle/PeopleSoft has indicated that the Human Resources Information Services (HRIS) bureau should anticipate an annual three percent cost increase on future technical support and software maintenance contracts for SABHRS HRMS modules. Estimated increases in costs are \$13,578 and \$13,986 for FY2012 and FY2013, respectively, for a total 2013 biennial increase of \$27,564 in proprietary funds. Rate impact \$0.04/\$0.04 per warrant/advice processed.

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$0	\$0
FY 2013	\$76,250	\$0

**PL- 2302 - Oracle/PeopleSoft Portal Fee OTO -**

A contractual agreement exists between the State Human Resource Division and Oracle/PeopleSoft for a potential one-time only (OTO) estimated cost of \$76,250 based on meeting a metric of expansion of license portal during the 2013 biennium. This request should be classified as an OTO/restricted appropriation in proprietary funds. Rate impact \$-0-/\$.21 per warrant/advice processed.

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$105,600	\$0
FY 2013	\$105,600	\$0

**PL- 2305 - Electronic Data and Disk Storage Increase -**

The Human Resources Information Services (HRIS) bureau anticipates expanding required electronic and tape storage capacity for a biennial estimated cost of \$211,200. Rate impact \$0.29/\$0.29 per warrant/advice processed

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$23,573	\$0
FY 2013	\$23,573	\$0

**PL- 2306 - Mid Tier cost increase -**

The Human Resources Information Services (HRIS) bureau anticipates an increase in mid-tier processing costs at an estimated biennial cost of \$47,146. Rate impact \$0.07/\$0.07 per warrant/advice processed

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

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$58,000	\$0
FY 2013	\$58,000	\$0

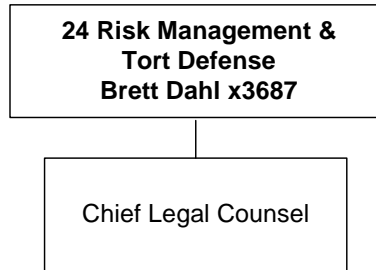
**NP- 2303 - Web-based State Employment Application & Job Listings -**

The Human Resources Information Services (HRIS) bureau is requesting \$116,000 in proprietary funds for the 2013 biennium for database hosting and maintaining a web-based state employment application, job listing and administration services. The annual amounts are estimated at \$58,000 for FY 2012; and \$58,000 for FY 2013. Rate impact \$0.16/\$0.16 per warrant/advice processed.



# DEPARTMENT OF ADMINISTRATION-6101 RISK MANAGEMENT & TORT DEFENSE-24

Please note that this program also contains HB 2 funding.



## Proprietary Rates

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	16.00	0.00	0.00	16.00	0.00	0.00	16.00
Personal Services	986,807	109,474	0	1,096,281	107,125	0	1,093,932
Operating Expenses	5,753,388	198,240	0	5,951,628	187,999	0	5,941,387
Equipment & Intangible Assets	0	0	0	0	0	0	0
Benefits & Claims	3,317,433	0	0	3,317,433	0	0	3,317,433
<b>Total Costs</b>	<b>\$10,057,628</b>	<b>\$307,714</b>	<b>\$0</b>	<b>\$10,365,342</b>	<b>\$295,124</b>	<b>\$0</b>	<b>\$10,352,752</b>
Proprietary	10,057,628	307,714	0	10,365,342	295,124	0	10,352,752
<b>Total Funds</b>	<b>\$10,057,628</b>	<b>\$307,714</b>	<b>\$0</b>	<b>\$10,365,342</b>	<b>\$295,124</b>	<b>\$0</b>	<b>\$10,352,752</b>

**Proprietary 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.

## DEPARTMENT OF ADMINISTRATION-6101 RISK MANAGEMENT & TORT DEFENSE-24

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.

In January of 2010, the Risk Management & Tort Defense Division contracted with Towers Watson, 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 6/30/2010 are estimated at \$16,673,977. If the state had to pay all of these losses at once then it would need \$16,673,977 on 6/30/2010. Actuarially projected future loss costs for FY 2012 and FY 2013 developed to ultimate projected loss for those fiscal years are respectively \$5,922,167 and \$6,434,320.

### **Revenues and Expenses -**

**AUTO** - State agencies own or lease approximately 9,900 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 risk 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 11,800 state and university employees have attended defensive driving training since FY 2001. The number of claims, total incurred losses, and average cost per claim have declined since FY 2003. Proposed premiums are \$1,135,000 for each year of the 2013 biennium, unchanged from the 2011 biennium.

**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 state also owns and operates 15 state airports that connect Montana citizens and visitors. The number of flights into West Yellowstone, for example, totals over 3,000 per year. 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 2003.

An actuarial study is not conducted for aviation insurance due to the small number of claims and variability in costs. Proposed premiums are \$212,451 for each year of the 2013 biennium and remain unchanged from FY 2010 and FY 2011.

**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 and variety of potential risks have increased. Inmates incarcerated in prisons operated or supervised by the Department of Corrections and the number of offenders on probation or parole has also increased. On July 1, 2000 the Department of Transportation assumed responsibility for an additional 7,500 miles of secondary highways formerly maintained by cities and counties.

Despite an increase in risk, total incurred losses and average cost per claim have declined since FY 2002. Proposed premiums are \$6,750,000 for FY 2012 and FY 2013 and represent no change from the current biennium.

**PROPERTY** - State agencies and universities own or lease 4,443 properties with an estimated current replacement cost value of over \$4 billion. In addition, the state maintains and operates over 600 boilers and is responsible for fine art that has an estimated market value in excess of \$374,000,000.

The Risk Management & Tort Defense Division self-funds losses that fall below commercial catastrophic insurance deductibles of \$500,000 per occurrence. State agencies have experienced numerous, catastrophic losses stemming from arson, earthquake, fire, flood, hail, and wind. State property risk is significant.

## DEPARTMENT OF ADMINISTRATION-6101 RISK MANAGEMENT & TORT DEFENSE-24

Total incurred losses have been volatile since FY 2002. Proposed premiums are \$4,200,000 each year of the biennium and represent no change from the 2011 biennium.

**Proprietary Rate Explanation - INTERNAL SERVICE FUND** - 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** - For purposes of premium development, all insurance premiums are combined into the following decision packages for HB 2; auto, aviation, general liability, and property. The development of property/casualty insurance premium for each decision package involves a five-step process: Step 1 - Evaluate historical exposure, losses, and premiums; Step 2 - Project unallocated expenses through FY 2013; Step 3 - Project allocated expenses through FY 2013; Step 4 - Determine an appropriate level of premium to achieve funding goal; Step 5 - Apportion premiums to state agencies and universities based upon historical loss experience and exposure.

**2013 BIENNIUM PROPOSED PREMIUMS** - Proposed premiums for the 2013 biennium are as follows: Auto – FY 2012 and FY 2013, \$1,135,000 each year of the biennium; Aviation – FY 2012 and FY 2013, \$212,451 each year of the biennium; General Liability- FY 2012 and FY 2013, \$6,750,000 each year of the biennium; and Property – FY 2012 and FY 2013, \$4,200,000 each year of the biennium.

Premiums for FY 2012 and FY 2013 are apportioned based upon exposure and uniform reductions in loss experience as follows:

**Auto:** Total auto premium collections of \$1,135,000 each year of the biennium is comprised of two separate insurance coverages: auto comp/collision FY 2012-\$465,814 and FY 2013-\$515,379 and auto liability premium FY 2012-\$669,186 and FY 2013-\$619,621. Auto comp/collision premiums for FY 2012 and FY 2013 are based upon total values of reported vehicles. Auto liability premiums are based upon agency losses and the number of vehicles reported. Auto insurance premiums remain constant each year of the biennium.

**Aviation:** Aviation premium of \$212,451 in FY 2012 and FY 2013 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 \$6,750,000 each year of the biennium is comprised of commercial coverage and self-insured coverage as follows: commercial coverage FY 2012-\$72,951 and FY 2013-\$72,951 and self-insured coverage FY 2012-\$6,677,049 and FY 2013-\$6,677,049. Commercial coverage charges are negotiated with commercial insurance carriers. Self-insured coverage collections are \$6,677,049 in FY 2012 and FY 2013 (no change from FY 2010).

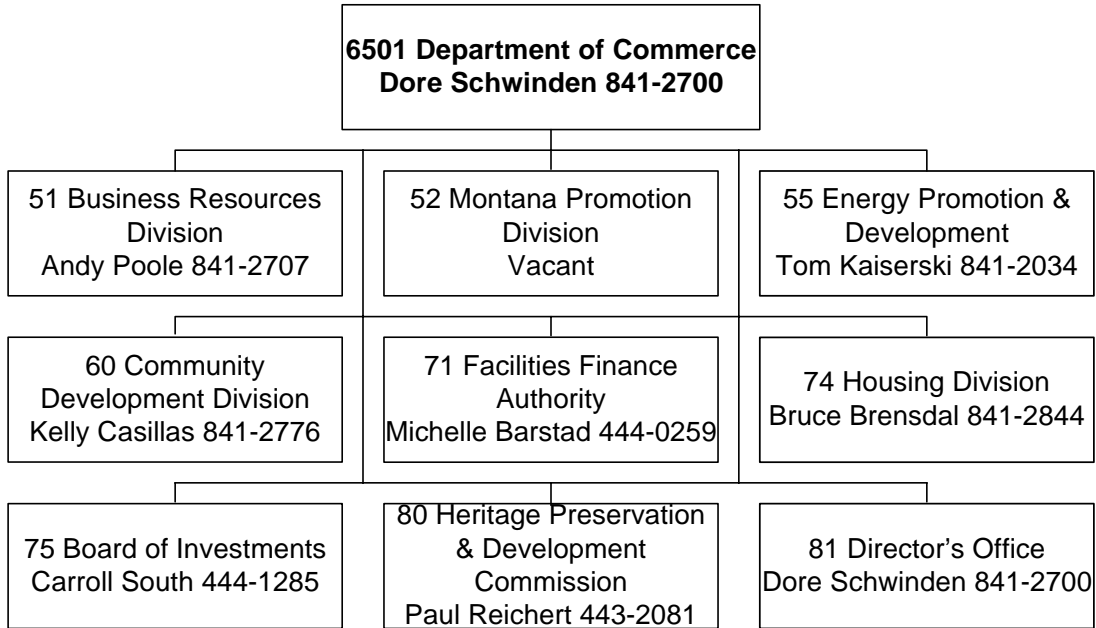
**Property:** Property insurance premium of \$4,200,000 is allocated to each agency based on its percentage of reported exposures (e.g. building replacement cost values, boilers & machinery, etc.).

**DEPARTMENT OF ADMINISTRATION-6101  
RISK MANAGEMENT & TORT DEFENSE-24**

2013 Biennium Report on Internal Service and Enterprise Funds								
Fund	Fund Name	Agency #	Agency Name	Program Name				
06532	Agency Insurance Int Srv	61010	Department of Administration	Risk Management & Tort Defense				
			Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>								
Revenue from Fee F			-	-	-	-	-	-
Net Fee Revenue			-	-	-	-	-	-
Investment Earnings			1,113,873	403,542	76,737	500,000	100,000	100,000
Securities Lending Income			35,882	51,441	11,741	-	-	-
Premiums			12,349,788	12,351,402	11,757,470	12,297,451	12,297,451	12,297,451
Other Operating Revenues			193	154	138	-	-	-
Total Operating Revenue			13,499,736	12,806,539	11,846,086	12,797,451	12,397,451	12,397,451
<b>Operating Expenses:</b>								
Personal Services			885,617	994,250	1,000,322	1,079,770	1,096,281	1,093,932
Other Operating Expenses			15,382,879	10,582,149	10,732,369	13,866,912	9,269,061	9,258,820
Total Operating Expenses			16,268,496	11,576,399	11,732,691	14,946,682	10,365,342	10,352,752
Operating Income (Loss)			<b>(2,768,760)</b>	<b>1,230,140</b>	<b>113,395</b>	<b>(2,149,231)</b>	<b>2,032,109</b>	<b>2,044,699</b>
<b>Nonoperating Revenues (Expenses):</b>								
Gain (Loss) Sale of Fixed Assets			-	-	-	-	-	-
Federal Indirect Cost Recoveries			-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)			96,897	141,977	235,093	-	-	-
Net Nonoperating Revenues (Expenses)			96,897	141,977	235,093	-	-	-
Income (Loss) Before Operating Transfers			(2,671,863)	1,372,117	348,488	(2,149,231)	2,032,109	2,044,699
Contributed Capital			-	-	-	-	-	-
Operating Transfers In (Note 13)			1,681,152	874,509	616,046	383,885	616,046	616,046
Operating Transfers Out (Note 13)			(941,583)	(679,783)	(640,042)	-	-	-
Change in net assets			(1,932,294)	1,566,843	324,492	(1,765,346)	2,648,155	2,660,745
Total Net Assets- July 1 - As Restated			8,520,941	6,588,932	8,156,775	8,481,267	6,715,921	9,364,076
Prior Period Adjustments			285	1,000	-	-	-	-
Cumulative effect of account change			-	-	-	-	-	-
Total Net Assets - July 1 - As Restated			8,521,226	6,589,932	8,156,775	-	-	-
Net Assets- June 30			<b>6,588,932</b>	<b>8,156,775</b>	<b>8,481,267</b>	<b>6,715,921</b>	<b>9,364,076</b>	<b>12,024,821</b>
60 days of expenses								
(Total Operating Expenses divided by 6)			2,711,416	1,929,400	1,955,449	2,491,114	1,727,557	1,725,459
<b>Requested Rates for Internal Service Funds</b>								
<b>Fee/Rate Information</b>								
			Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FY 11	Budgeted FY 12	Budgeted FY 13
Premium								
Auto/Comp/Collision			1,097,185	1,104,048	1,043,146	1,135,000	1,135,000	1,135,000
Aviation			167,807	178,625	212,450	212,451	212,451	212,451
General Liability			7,064,383	7,123,899	6,749,999	6,750,000	6,750,000	6,750,000
Property/Miscellaneous			4,020,413	3,929,251	3,747,424	4,200,000	4,200,000	4,200,000
Total			12,349,788	12,335,823	11,753,019	12,297,451	12,297,451	12,297,451

# DEPARTMENT OF COMMERCE-6501

Please note that this agency also contains HB 2 funding.



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

"The Department of Commerce will enhance and sustain a healthy economy so Montana businesses, communities, and people can prosper."

## Goals and Objectives:

- Work to improve the state's economy through business creation, expansion, retention, and diversification of the state's economic base.
- Provide direct technical assistance and training for Montana's entrepreneurs, businesses, and their employees in partnership with communities, counties, and local and regional development groups.
- Enhance the growth of the Montana economy through the promotion of tourism development, promoting and protecting historic sites, and the marketing of Montana as a travel and filmmaking destination.
- Promote access to new markets, both foreign and domestic, for Montana goods and services.
- Provide financing for homeownership and rental assistance opportunities for Montana families.
- Develop and improve public infrastructure and housing opportunities for the state's citizens by providing grants and technical assistance to Montana communities and counties.
- Prudently manage the investments of state and local government funds.
- Provide fair and equal treatment of our fellow employees and our customers.

**Statutory Authority** - 2-15-18, MCA.

## DEPARTMENT OF COMMERCE-6501

Agency Proposed Budget							
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	95.50	0.00	0.00	95.50	0.00	0.00	95.50
Personal Services	6,110,081	332,211	0	6,442,292	325,495	0	6,435,576
Operating Expenses	6,530,051	1,553,681	0	8,083,732	1,522,122	0	8,052,173
Equipment & Intangible Assets	5,002	19,998	0	25,000	68,498	0	73,500
Grants	70,811	0	0	70,811	0	0	70,811
Benefits & Claims	36,326,765	2,580,947	0	38,907,712	3,780,947	0	40,107,712
Transfers	22,299	0	0	22,299	0	0	22,299
<b>Total Costs</b>	<b>\$49,065,009</b>	<b>\$4,486,837</b>	<b>\$0</b>	<b>\$53,551,846</b>	<b>\$5,697,062</b>	<b>\$0</b>	<b>\$54,762,071</b>
Proprietary	49,065,009	4,486,837	0	53,551,846	5,697,062	0	54,762,071
<b>Total Funds</b>	<b>\$49,065,009</b>	<b>\$4,486,837</b>	<b>\$0</b>	<b>\$53,551,846</b>	<b>\$5,697,062</b>	<b>\$0</b>	<b>\$54,762,071</b>

# DEPARTMENT OF COMMERCE-6501 FACILITY FINANCE AUTHORITY-71

Please note that this program also contains HB 2 funding.

**71 Facilities Finance Authority  
Michelle Barstad 444-0259**

## Proprietary Rates

Program Proposed Budget	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	3.00	0.00	0.00	3.00	0.00	0.00	3.00
Personal Services	200,435	(2,515)	0	197,920	(2,451)	0	197,984
Operating Expenses	121,738	7,462	0	129,200	(3,623)	0	118,115
Grants	70,811	0	0	70,811	0	0	70,811
Transfers	22,299	0	0	22,299	0	0	22,299
<b>Total Costs</b>	<b>\$415,283</b>	<b>\$4,947</b>	<b>\$0</b>	<b>\$420,230</b>	<b>(\$6,074)</b>	<b>\$0</b>	<b>\$409,209</b>
Proprietary	415,283	4,947	0	420,230	(6,074)	0	409,209
<b>Total Funds</b>	<b>\$415,283</b>	<b>\$4,947</b>	<b>\$0</b>	<b>\$420,230</b>	<b>(\$6,074)</b>	<b>\$0</b>	<b>\$409,209</b>

**Proprietary 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 and for-profit manufacturing facilities. Cost savings are shared with consumers in the form of lower fees.

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

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

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

### Revenues and Expenses -

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

The authority application and annual administrative fee assessments are contingent upon its business volume. Customer volume is assumed to be at the current level throughout the 2011 biennium.

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

	FY 2010	%
521135	\$ 187,831.75	27.272%
521136	\$ 249,768.78	36.265%

**DEPARTMENT OF COMMERCE-6501  
FACILITY FINANCE AUTHORITY-71**

521137	\$ 122,910.84	7.846%
521190	\$ 52,636.01	7.642%
522110	\$ 14.00	0.002%
530025	\$ 6,122.78	0.889%
531626	(\$ 316.64)	(0.046%)
531644	\$ 936.83	0.136%
538006	\$ 68,837.35	9.995%
<b>Totals:</b>	<b>\$ 688,741.70</b>	<b>100.00%</b>

**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 2010	%
FTE	3.00	
Personal Services	\$ 194,679.43	46.734%
Operating Expenses	\$ 151,078.71	36.267%
Grants	\$ 70,810.70	16.999%
<b>Totals:</b>	<b>\$ 416,568.84</b>	<b>100.00%</b>

There is little uncertainty in forecasting future costs of major cost drivers, unless the Authority were to become involved in litigation related to the issuance and maintenance of bonds.

For the purposes of this analysis, it is assumed the Authority's ongoing work and customer levels remain constant. Non-typical and one time only expenses, if any, are subtracted from any proposed budgets. Personal services expenditures fund 3.00 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 \$909,278) to assure that the Authority can financially operate between legislative sessions.

Fund Equity and Reserved Fund Balance - The Total Fund Equity requirement for the 2013 biennium (\$13,650,111) is derived from the following Authority Program Reserve mandates:

- A. Biennium Working Capital Reserve; \$909,278
- B. Capital Reserve Account (Loan Loss Reserve); \$10,986,171
- C. Facility Direct Loan Program Reserve; \$1,754,662

Rate Explanation - The Facilities Finance Authority is funded by an enterprise fund; funds 06012 and 06015; and Authority customers are outside of state government. The fee structure that is proposed does not materially vary from that proposed in the last session.



# DEPARTMENT OF COMMERCE-6501 FACILITY FINANCE AUTHORITY-71

## 2013 Biennium Report on Internal Service and Enterprise Funds 2013

Fund	Fund Name	Agency #	Agency Name	Program Name
06012	HFA Loan Program	65010	Dept. of Commerce	Facility Finance Authority
06015	Facilities Finance Authority			

	Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>						
Fee revenue						
Administrative Fees	443,686	448,835	613,161	502,000	475,000	475,000
Investment Earnings	133,438	87,456	74,960	154,000	40	40
Securities Lending Income	3,336	2,853	620	750	80	80
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	580,460	539,144	688,742	656,750	475,120	475,120
<b>Operating Expenses:</b>						
Personal Services	153,131	196,035	194,679	196,798	197,920	197,984
Other Operating Expenses	222,475	182,225	221,889	257,841	222,310	211,225
Total Operating Expenses	375,606	378,260	416,569	454,639	420,230	409,209
Operating Income (Loss)	<b>204,854</b>	<b>160,884</b>	<b>272,173</b>	<b>202,111</b>	<b>54,890</b>	<b>65,911</b>
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	204,854	160,884	272,173	202,111	54,890	65,911
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	500,000	-	-	-	-
Operating Transfers Out (Note 13)	-	(500,000)	-	-	-	-
Change in net assets	204,854	160,884	272,173	202,111	54,890	65,911
Total Net Assets- July 1	3,112,276	3,317,130	3,478,010	3,750,183	3,952,294	4,007,184
Prior Period Adjustments	-	(5)	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	3,112,276	3,317,125	3,478,010	3,750,183	3,952,294	4,007,184
<b>Net Assets - June 30 (Fund Balance)</b>	<b>3,317,130</b>	<b>3,478,010</b>	<b>3,750,183</b>	<b>3,952,294</b>	<b>4,007,184</b>	<b>4,073,095</b>
<b>60 days of expenses</b>						
(Total Operating Expenses divided by 6)	<b>62,601</b>	<b>63,043</b>	<b>69,428</b>	<b>75,773</b>	<b>70,038</b>	<b>68,202</b>

### 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

The above chart shows a difference in the actuals for FY 2010. This is due to an audit cost.

**DEPARTMENT OF COMMERCE-6501  
FACILITY FINANCE AUTHORITY-71**

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

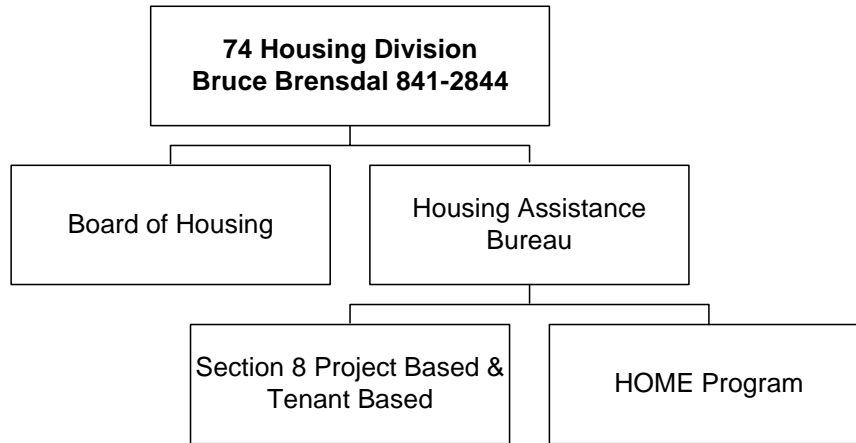
	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$3,162	\$0
FY 2013	\$3,651	\$0

**PL- 7108 - FFA ADMINISTRATIVE COSTS ADJUSTMENTS -**

This decision package annualizes the cost of attending meetings and lease agreements.

**DEPARTMENT OF COMMERCE-6501  
HOUSING DIVISION-74**

Please note that this program also contains HB 2 funding.



**Proprietary Rates**

Program Proposed Budget	Base Budget	PL Base	New	Total	PL Base	New	Total
Budget Item	Fiscal 2010	Adjustment	Proposals	Exec. Budget	Adjustment	Proposals	Exec. Budget
	Fiscal 2010	Fiscal 2012	Fiscal 2012	Fiscal 2012	Fiscal 2013	Fiscal 2013	Fiscal 2013
FTE	41.50	0.00	0.00	41.50	0.00	0.00	41.50
Personal Services	2,123,342	77,231	0	2,200,573	77,929	0	2,201,271
Operating Expenses	4,133,466	1,457,348	0	5,590,814	1,429,098	0	5,562,564
Equipment & Intangible Assets	0	25,000	0	25,000	8,500	0	8,500
Benefits & Claims	36,326,765	2,580,947	0	38,907,712	3,780,947	0	40,107,712
<b>Total Costs</b>	<b>\$42,583,573</b>	<b>\$4,140,526</b>	<b>\$0</b>	<b>\$46,724,099</b>	<b>\$5,296,474</b>	<b>\$0</b>	<b>\$47,880,047</b>
Proprietary	42,583,573	4,140,526	0	46,724,099	5,296,474	0	47,880,047
<b>Total Funds</b>	<b>\$42,583,573</b>	<b>\$4,140,526</b>	<b>\$0</b>	<b>\$46,724,099</b>	<b>\$5,296,474</b>	<b>\$0</b>	<b>\$47,880,047</b>

**Board of Housing Proprietary Program Description:**

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

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

**Section 8 Housing Proprietary 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.

## DEPARTMENT OF COMMERCE-6501 HOUSING DIVISION-74

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

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

The Tenant Based Section 8 program is funded by enterprise funds 06075 and 06085 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.

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

**Board of Housing Revenues, Expenses, and Fund Equity:**

Mortgage & Investment Income - The board's income is primarily from Mortgage and Investment income. Mortgage Income is the interest people pay on board loans used to purchase 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. Investment income comes from interest earned on investing reserves the board is required to hold and bond and program moneys not yet used to buy mortgages or pay bondholders. Both future Mortgage Income and Investment Income for the board depend on the interest rate environment which is determined by the national financial markets.

Other Income - The board charges the Board of Investments for managing its mortgage loans and for loan cancellations, extensions, or for reviewing certain loan applications.

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

	FY 2010	%
512033	\$ 519.87	0.001%
521022	\$ 9,528.00	0.020%
525130	\$ 37,572.00	0.079%
526062	\$ 387,209.62	0.809%
530014	\$ 2,080,615.73	4.348%
530025	\$ 1,936.88	0.004%
531626	\$ 100.17	0.000%
531644	\$ 296.36	0.001%
538040	(\$ 96,648.48)	(0.202%)
538041*	\$ 41,715,095.00	87.173%
538042	\$ 3,358,214.83	7.018%
538046	\$ 5,034.53	0.011%
554040	\$ 103,300.00	0.216%
584001	\$ 14,772.03	0.031%
584010	\$ 3,827.98	0.008%

**DEPARTMENT OF COMMERCE-6501  
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599001	\$ 231,865.95	0.485%
Totals:	\$ 47,853,040.13	100.00 %

\* 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.

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

The remaining expenses are for Loan Servicing and Operations. 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 10,000 mortgages, 300 investment accounts, and 28 bond series.

	FY 2010	%
FTE	21.50	
Personal Services	\$ 1,125,271.81	2.439%
Operating Expenses	\$ 4,602,070.00	9.975%
Debt Service	\$ 40,409,873.22	87.586%
Total:	\$ 46,137,215.03	100.000 %

\*The board currently operates with a staff of 21.50 people in 21.50 Full Time Equivalent (FTE) positions. Fiscal Year (FY) 2010 Servicing and Operations expenses are for SABHRS Funds 06030, 06031, 06078, and 06079.

**Working Capital Discussion** - 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. 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.

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

The board also charges a cancellation, extension and late fees. These fees are capitalized and are amortized as income over the life of the loans, as required by GAAP.

**Low Income Housing Tax Credit Charges** - The board receives a tax credit allocation, annually. The board charges 4 1/2% of the amount of tax credit reserved. The board is also required to monitor the projects that receive tax credits to determine if the projects are in compliance with tax credit regulations. The board charges \$35 per unit for compliance fees.

**Other Loan Programs** - Housing Montana Fund: The interest that will be charged on HRLA loan will range from 2% - 6%. Reverse Annuity Mortgage Loans (RAM) Charges: The loans accrue interest at 5%.

**DEPARTMENT OF COMMERCE-6501  
HOUSING DIVISION-74**

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

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

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

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

Fund Equity and Reserved Fund Balance - As stated in the board's financial statements, Note 1, Fund Accounting: Net Assets – Restricted for Bondholders represent bond program funds that are required to be used for program purposes as prescribed by individual bond indentures. The following are restrictions on the Restricted Net Assets: Special trust funds and accounts within the indenture are pledged as collateral for the bonds under the individual program indentures; Reserve requirements on cash and investments; Mortgage loans receivable are also pledged as security for holders of the bonds; Certain indentures require asset-liability coverage ratios be met as well as cash flow certificates be furnished for any significant change anticipated in the financial structure of an indenture.

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

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.

**Section 8 Housing Revenues, Expenses, and Fund Equity:**

Revenue Description - Both Section 8 Housing programs are funded entirely by enterprise funds; Project Based Section 8 with fund 06074; and Tenant Based Section 8 with funds 06075 and 06085. There are no direct appropriations provided in HB 2. Funding entities 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 2010	%
512033	\$ 333.50	0.002%
530025	\$ 6,747.58	0.035%
531626	(\$ 348.96)	(0.002%)
531644	\$ 1,032.43	0.005%
538006	\$ 25,922.03	0.135%
594109	\$ 940,254.00	4.901%
594111	\$ 18,209,224.96	94.923%
Total:	\$ 19,183,165.54	100.000%

**DEPARTMENT OF COMMERCE-6501  
HOUSING DIVISION-74**

Tenant Based Section 8 Housing revenues (funds 06075 and 06085) are primarily recorded in the following SABHRS revenue codes:

	FY 2010	%
512033	\$ 353.95	0.002%
530025	\$ 11,016.41	0.054%
531626	(\$ 569.73)	(0.003%)
531644	\$ 1,685.59	0.008%
594108	\$ 94,917.02	0.463%
594110	\$ 31,827.77	0.155%
594112	\$ 18,412,826.62	89.760%
594116	\$ 152,325.24	0.743%
594117	\$ 159,909.78	0.780%
594118	\$ 184,524.72	0.900%
594119	\$ 245,535.48	1.197%
594121	\$ 125,626.35	0.612%
594122	\$ 23,898.12	0.116%
594124	\$ 141,933.84	0.692%
594125	\$ 247,387.92	1.206%
594126	\$ 352,453.80	1.718%
594127	\$ 50,521.50	0.246%
594128	\$ 277,233.84	1.351%
<b>Total:</b>	<b>\$ 20,513,408.22</b>	<b>100.000 %</b>

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

	FY 2010	%
FTE	8.00	
Personal Services	\$ 421,377.87	2.236%
Operating Expenses	\$ 218,541.17	1.159%
Benefits and Claims	\$ 18,207,664.96	96.605%
<b>Total:</b>	<b>\$ 18,847,584.00</b>	<b>100.000 %</b>

Major cost drivers for the Tenant Based Section 8 program, funds 06075 and 06085, can best be represented in the following table:

	FY 2010	%
FTE	12.00	
Personal Services	\$ 589,949.14	2.879%
Operating Expenses	\$ 1,784,833.76	8.710%
Benefits and Claims	\$ 18,116,429.10	88.411%
<b>Total:</b>	<b>\$ 20,491,212.00</b>	<b>100.000 %</b>

Working Capital Discussion - Revenues are generated in the Project Based Section 8 Contract Administration under a

## **DEPARTMENT OF COMMERCE-6501 HOUSING DIVISION-74**

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 per unit for each rental unit under lease each month. Revenues are used to pay for contract administration of the program. HUD regulations do not allow the PHA to earn new reserve balances after 2003, and old reserve balances are committed to paying program administration costs 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), Also see working capital discussion above.

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

Non-typical and one time only expenses, if any, are subtracted from proposed budgets. The Project Based Section 8 program is authorized 8.00 FTE and the Tenant Based Section 8 program is authorized 12.00 FTE; for a total 20.00 FTE.



## DEPARTMENT OF COMMERCE-6501 HOUSING DIVISION-74

### 2013 Biennium Report on Internal Service and Enterprise Funds 2013

Fund	Fund Name	Agency #	Agency Name	Program Name
06074	SEC 8 Project Based	65010	Dept. of Commerce	Housing Division - PB Section 8

	Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FY 11	Budgeted FY 12	Budgeted FY 13
<b>Operating Revenues:</b>						
Fee revenue						
Administration Fees	37,700	-	-	-	-	-
Investment Earnings	83,758	61,292	32,654	37,650	37,650	37,650
Securities Lending Income	2,013	3,767	1,032	1,100	1,100	1,100
Premiums	-	-	-	-	-	-
Other Operating Revenues	18,141,485	18,707,462	19,149,479	22,896,750	21,508,180	22,131,537
Total Operating Revenue	18,264,956	18,772,521	19,183,166	22,935,500	21,546,930	22,170,287
<b>Operating Expenses:</b>						
Personal Services	405,249	426,295	421,378	379,119	442,062	441,819
Other Operating Expenses	17,444,946	17,963,294	18,426,207	21,869,813	19,926,165	20,521,013
Total Operating Expenses	17,850,195	18,389,590	18,847,584	22,248,932	20,368,227	20,962,832
Operating Income (Loss)	414,761	382,932	335,581	686,568	1,178,703	1,207,455
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	414,761	382,932	335,581	686,568	1,178,703	1,207,455
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	414,761	382,932	335,581	686,568	1,178,703	1,207,455
Total Net Assets- July 1	2,136,929	2,551,689	2,934,621	3,270,202	3,956,770	5,135,473
Prior Period Adjustments	(1)	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	2,136,928	2,551,689	2,934,621	3,270,202	3,956,770	5,135,473
<b>Net Assets- June 30 (Fund Balance)</b>	<b>2,551,689</b>	<b>2,934,621</b>	<b>3,270,202</b>	<b>3,956,770</b>	<b>5,135,473</b>	<b>6,342,928</b>
<b>60 days of expenses</b>						
(Total Operating Expenses divided by 6)	2,975,033	3,064,932	3,141,264	3,708,155	3,394,705	3,493,805

#### Requested Rates for Enterprise Funds Fee/Rate Information

	Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FY 11	Budgeted FY 12	Budgeted FY 13
Administration 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, and annually.						
Administration 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. Can be either positive or negative, based on whether time standards and performance requirements are met on each of the 17 IBPS standards. Rate 3 (per unit)						
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.

## DEPARTMENT OF COMMERCE-6501 HOUSING DIVISION-74

### 2013 Biennium Report on Internal Service and Enterprise Funds 2013

Fund	Fund Name	Agency #	Program Name
06075	HUD Section 8 Housing Program	65010	Housing Division - TB Section 8
06085	HUD Section 8 Mod Rehab	65010	Housing Division - TB Section 8

	Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FY 11	Budgeted FY 12	Budgeted FY 13
<b>Operating Revenues:</b>						
Fee revenue						
Administration Fees	-	-	-	-	-	-
Investment Earnings	284,765	83,279	11,016	11,680	11,680	11,680
Securities Lending Income	9,154	7,048	1,116	2,050	2,050	2,050
Premiums	-	-	-	-	-	-
Other Operating Revenues	17,497,301	16,579,337	20,501,276	23,402,603	23,402,603	24,089,737
Total Operating Revenue	17,791,220	16,669,664	20,513,408	23,416,333	23,416,333	24,103,467
<b>Operating Expenses:</b>						
Personal Services	523,082	544,648	589,949	598,411	602,628	603,354
Other Operating Expenses	17,348,515	18,640,716	19,901,263	21,453,487	21,378,774	21,967,254
Total Operating Expenses	17,871,597	19,185,364	20,491,212	22,051,898	21,981,402	22,570,608
Operating Income (Loss)	<b>(80,377)</b>	<b>(2,515,700)</b>	<b>22,196</b>	<b>1,364,435</b>	<b>1,434,931</b>	<b>1,532,859</b>
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(80,377)	(2,515,700)	22,196	1,364,435	1,434,931	1,532,859
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(80,377)	(2,515,700)	22,196	1,364,435	1,434,931	1,532,859
Total Net Assets- July 1	7,239,521	7,159,146	4,643,446	4,665,642	6,030,077	7,465,008
Prior Period Adjustments	2	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	7,239,521	7,159,146	4,643,446	4,665,642	6,030,077	7,465,008
<b>Net Assets- June 30 (Fund Balance)</b>	<b>7,159,146</b>	<b>4,643,446</b>	<b>4,665,642</b>	<b>6,030,077</b>	<b>7,465,008</b>	<b>8,997,867</b>
<b>60 days of expenses (Total Operating Expenses divided by 6)</b>	<b>2,978,600</b>	<b>3,197,561</b>	<b>3,415,202</b>	<b>3,675,316</b>	<b>3,663,567</b>	<b>3,761,768</b>

#### Requested Rates for Enterprise Funds Fee/Rate Information

	Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FY 11	Budgeted FY 12	Budgeted FY 13
Administration Contract Rate	\$45.71	\$46.25	\$54.85	\$63.44	\$64.07	\$64.72
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 2012 and FY 2013.						
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.						
Homeownership Start-up Fee Rate	\$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 Rate	\$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.						

**DEPARTMENT OF COMMERCE-6501  
HOUSING DIVISION-74**

**2013 Biennium Report on Internal Service and Enterprise Funds 2013**

Fund	Fund Name	Agency #	Agency Name	Program Name
06030	BOH Financial			
06031	Housing Trust			
06078	Affordable	65010	Dept. of Commerce	Housing Division - Board of Housing
06079	Revolving Loan			

	Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FY 11	Budgeted FY 12	Budgeted FY 13
<b>Operating Revenues:</b>						
Fee revenue						
Administrative Fees	283,304	254,900	223,565	226,387	252,979	275,854
Investment Earnings	10,860,589	9,771,697	8,570,449	8,678,652	9,698,073	10,574,988
Securities Lending Income	1,527	1,374	1,205	1,220	1,364	1,487
Premiums	-	-	-	-	-	-
Other Operating Revenues	49,494,600	44,532,230	39,057,822	39,550,931	44,196,704	48,193,041
Total Operating Revenue	60,640,020	54,560,201	47,853,041	48,457,190	54,149,120	59,045,370
<b>Operating Expenses:</b>						
Personal Services	1,116,987	1,141,639	1,125,272	1,284,945	1,155,883	1,156,098
Other Operating Expenses	1,734,699	5,214,054	4,602,070	6,352,466	6,009,692	6,269,706
Debt Service Expenses	51,059,987	45,924,681	40,409,873	40,623,852	44,144,765	48,660,815
Total Operating Expenses	53,911,673	52,280,375	46,137,215	48,261,263	51,310,340	56,086,619
Operating Income (Loss)	<b>6,728,347</b>	<b>2,279,826</b>	<b>1,715,826</b>	<b>195,927</b>	<b>2,838,780</b>	<b>2,958,751</b>
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	6,290	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	234,382	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	240,672	-	-	-	-	-
Income (Loss) Before Operating Transfers	6,969,019	2,279,826	1,715,826	195,927	2,838,780	2,958,751
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	6,969,019	2,279,826	1,715,826	195,927	2,838,780	2,958,751
Total Net Assets- July 1 - As Restated	146,237,840	153,206,859	155,486,686	157,202,511	157,398,439	160,237,219
Prior Period Adjustments	-	1	-	-	-	-
Depreciation adjustment	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	146,237,840	153,206,860	155,486,686	157,202,511	157,398,439	160,237,219
<b>Net Assets- June 30 (Fund Balance)</b>	<b>153,206,859</b>	<b>155,486,686</b>	<b>157,202,511</b>	<b>157,398,439</b>	<b>160,237,219</b>	<b>163,195,970</b>
<b>60 days of expenses</b>						
(Total Operating Expenses divided by 6)	<b>8,985,279</b>	<b>8,713,396</b>	<b>7,689,536</b>	<b>8,043,544</b>	<b>8,551,723</b>	<b>9,347,770</b>

**DEPARTMENT OF COMMERCE-6501  
HOUSING DIVISION-74**

Fee	Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FY 11	Budgeted FY 12	Budgeted FY 13	Authority
Cancellation fees-Single Family Program	1/2 of 1 % of the loan amount reserved	No Change	No Change	No Change	No Change	No Change	MCA 90-6-104
Extension Fee	1/4 of 1% of the loan amt for 30 days	No Change	No Change	No Change	No Change	No Change	MCA 90-6-104
Late Fee	1/2 of 1% of the loan amt for 30 days	No Change	No Change	No Change	No Change	No Change	MCA 90-6-104
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	MCA 90-6-104 & IRC Section 143(g)(2)
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	MCA 90-6-104 & IRC Section 143(g)(2)
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	MCA 90-6-104 & IRC Section 143(f)(2)
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	MCA 90-6-104 & IRC regs 1.148-2(d)(2)(iii)
Multifamily Reservation Fee	up to 1% of the loan amount reserved	No Change	No Change	No Change	No Change	No Change	MCA 90-6-104
Reservation fees-Low Income Tax Credit Program	4 1/2% of the tax credit amount reserved	No Change	No Change	No Change	No Change	No Change	MCA 90-6-104
Compliance monitoring fee-Low Income Tax Credit	\$25 per unit	No Change	\$30 per unit	\$35 per unit	No Change	No Change	MCA 90-6-104
Interest income on reverse annuity mortgage loans	5% (new ) 7% (old) loans	No Change	No Change	No Change	No Change	No Change	MCA 90-6-501 a
Housing Revolving Loan Fund (HRLA)	variable rates ranging from 2% to 6%	No Change	No Change	No Change	No Change	No Change	MCA 90-6-131
Interest on Investments	STIP investment rate	No Change	No Change	No Change	No Change	No Change	MCA 90-6-104

**DEPARTMENT OF COMMERCE-6501  
HOUSING DIVISION-74**

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

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$1,399,756	\$0
FY 2013	\$1,428,416	\$0

**PL- 7408 - HD ADMINISTRATIVE COSTS ADJUSTMENTS -**

The board needs to annualize costs such as travel, attending meetings, various financial and legal fees. Consulted, Foreclosures, property fees vary with the economic demand. Also included is a minor equipment replacement schedule.

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$2,580,947	\$0
FY 2013	\$3,780,947	\$0

**PL- 7409 - HD SECTION 8 HOUSING ASSISTANCE ADJUSTMENTS -**

The Housing Assistance Bureau's Section 8 Housing Programs are adjusting the amount of rental assistance payments to match costs necessary to assure full payment for leased units in the HUD Tenant and Project Based Section 8 rental assistance programs in the 2013 biennium. These programs need authority in place to match federal budgets for rent payments.

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$68,103	\$0
FY 2013	\$59,361	\$0

**PL- 7410 - HD SOFTWARE & SOFTWARE MAINTENANCE -**

The project is accomplished by purchasing an additional module of software currently in use by the Housing Division. The software allows audit compliance checklists to be downloaded to a mobile device that is then used at the client's site to record audit information. Once connectivity to the network is re-established, the audit information is up-loaded to the system. This saves time in transcribing audit information and inputting it into the system - saving time and reducing errors. Note: This decision package is funded with proprietary fund; not a HB 2 fund.

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$0	\$0
FY 2013	\$8,500	\$0

**PL- 7411 - HD SERVER REPLACEMENTS -**

The objective is to maintain Information Technology equipment that is performing critical processing functions at a level to ensure their reliability and availability to support the business processes of our Housing Division. Servers will be evaluated and replaced at varying times throughout the 2013 biennium, per the 5 year replacement schedule for each server. This request is for a single server used to support the Housing Division applications.

Note: This decision package is funded with proprietary funds; not a HB 2 fund.

**DEPARTMENT OF COMMERCE-6501  
BOARD OF INVESTMENTS-75**

Please note that this program also contains HB 2 funding.

**75 Board of Investments  
Carroll South 444-1285**

**Proprietary Rates**

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	33.00	0.00	0.00	33.00	0.00	0.00	33.00
Personal Services	2,504,195	271,530	0	2,775,725	265,773	0	2,769,968
Operating Expenses	2,028,291	93,829	0	2,122,120	91,643	0	2,119,934
Equipment & Intangible Assets	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$4,532,486</b>	<b>\$365,359</b>	<b>\$0</b>	<b>\$4,897,845</b>	<b>\$357,416</b>	<b>\$0</b>	<b>\$4,889,902</b>
Proprietary	4,532,486	365,359	0	4,897,845	357,416	0	4,889,902
<b>Total Funds</b>	<b>\$4,532,486</b>	<b>\$365,359</b>	<b>\$0</b>	<b>\$4,897,845</b>	<b>\$357,416</b>	<b>\$0</b>	<b>\$4,889,902</b>

**Unified Investment Program** - The Board of Investments manages the Unified Investment Program mandated by Article VIII, Section 13 of the Montana Constitution. Section 2-15-1808 created the Board of Investments and Section 17-6-201 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 \$12.0 billion. The board manages the portfolio under the "prudent expert principle."

To provide for diversification and reduced risk, the board manages several investment pools in which funds of similar types are invested. The Legislative Auditor audits the board annually. The board consists of nine members appointed by the Governor. The board also has two non-voting legislative liaisons, from different political parties; one appointed by the President of the Senate and one appointed by the Speaker of the House.

**In-State Investments** - Section 17-6-305, MCA authorizes the board to invest 25 percent of the Permanent Coal Tax Trust Fund to assist Montana's economic development. This "In-State Investment Program" makes business loans from the Trust Fund in participation with financial institutions. The board lends Trust Fund monies to local governments to fund infrastructure that will serve job-creating businesses locating in the government's jurisdiction. The board also lends low-interest monies funded from the Trust Fund to value-added type businesses creating jobs. Throughout Fiscal 2010, 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 15 years, and short-term loans to finance cash flow deficits or bridge financing are also available. The INTERCAP and In-State Investment Programs were created in fiscal year 1984 as part of the "Build Montana" program.

The Board of Investments is funded by two proprietary fund types. Fund 06014, an enterprise fund, funds the Intercap or Bond Programs. Fund 06527, an internal service fund, funds the Investment Programs.

Board of Investments' responsibilities are mandated primarily in Article VIII, Section 13 of the Montana Constitution, Title 2, Chapter 15, and Title 17, Chapters 5 and 6, MCA.

Board of Investments' customers include: state agencies, the university system, local governments, financial institutions, and local economic development organizations.

## DEPARTMENT OF COMMERCE-6501 BOARD OF INVESTMENTS-75

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.

### Proprietary Revenues and Expenses -

Revenue Description - Nearly all Bond Program revenues (fund 06014, an enterprise fund) are generated by the difference between interest rates on bonds sold and the interest rate charged on loans to borrowers. Since these revenues are only received from the trustee on an annual basis, a 270 day fund balance is required to provide adequate funding for the Bond Program between draws. Remaining revenues are received monthly from the board's contract with the Montana Facility Finance Authority.

Nearly all Investment Program revenues (fund 06527, an internal service fund) 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 2010 base year funding, by fund type for the Investment Program, fund 06527 is as follows:

	FY 2010	%
General Fund	\$ 177,292.97	3.641%
State Special	\$ 94,905.99	1.949%
Federal Special	\$ 6,106.27	0.125%
Proprietary	\$ 280,265.07	5.756%
Expendable Trust	\$ 167,517.20	3.440%
Non Expendable Trust	\$ 3,982,341.50	81.782%
Local Government	\$ 87,226.96	1.791%
University	\$ 55,621.88	1.142%
Debt Service	\$ 18,190.18	0.374%
Total:	\$ 4,869,468.00	100.000%

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

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

	FY 2010	%
527054	\$ 15.00	0.000%
530008	\$ 100,460.15	3.319%
530010	\$ 69,571.67	2.299%
530014	(\$ 43,865.86)	(1.449%)
530025	\$ 1,075.13	0.036%
530029	\$ 6,765.59	0.224%
530030	(\$ 1,205.54)	(0.040%)
531626	(\$ 55.60)	(0.002%)
531644	\$ 164.50	0.005%
538006	\$ 128,969.67	4.261%
538043	\$ 2,270,123.21	75.004%
582886	\$ 472,340.00	15.606%
582920	\$ 22,298.93	0.737%
Total:	\$ 3,026,656.85	100.00%

## DEPARTMENT OF COMMERCE-6501 BOARD OF INVESTMENTS-75

Investment Program revenues (fund 06527) are primarily recorded in the following SABHRS revenue code:

	FY 2010	%
521055	\$ 4,869,468.00	100.000%

### Expense Description:

The major cost drivers within the Board of Investments are personal services, operating expenses and expenditures related to the periodic replacement of computer equipment. Additionally, over \$1.835 million was disbursed from fund 06014 in FY 2010 via a statutory appropriation for debt service requirements related to the state's bonding activity.

FY 2010 base year expenditures, for fund 06014 are as follows:

	FY 2010	%
FTE	4.00	
Personal Services	\$ 205,745.14	9.488%
Operating Expenses	\$ 123,065.86	5.676%
Debt Service	\$ 1,839,514.00	84.836%
Total:	\$ 2,168,325.00	100.000%

FY 2010 base year expenditures, for fund 06527 are as follows:

	FY 2010	%
FTE	29.00	
Personal Services	\$ 2,369,343.50	61.305%
Operating Expenses	\$ 1,967,819.68	50.916%
Transfers Out - NB	(\$ 472,340.00)	(12.221%)
Total:	\$ 3,864,823.18	100.00%

Please note that fund 06527 also pays for 1.00 FTE in the Treasurers' Office in the Department of Administration through a direct appropriation in HB 2.

There is little uncertainty in forecasting major cost drivers and for the purposes of this analysis it is assumed the Division's workload and customer levels will remain constant, although investment portfolios will continue to grow in size.

Non-typical and one time only expenses, if any, are subtracted from proposed budgets. The Board of Investments is authorized 33.00 FTE (approximately 29.00 funded from fund 06527, and 4.00 funded from fund 06014) and personal services expenditures include board member per diem.

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

Revenues for fund 06527 are assessed on a monthly basis; since collections lag by at least one month the board must maintain a nominal 60 day working capital reserve to meet ongoing operational expenses.

Fund Equity and Reserved Fund Balance - At the proposed rates, the Department projects a fiscal year end 2013 ending



## DEPARTMENT OF COMMERCE-6501 BOARD OF INVESTMENTS-75

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 2013 biennium because it provides an easy comparison with historical financial activity.

<b>2013 Biennium Report on Internal Service and Enterprise Funds 2013</b>									
<b>Fund</b>	<b>Fund Name</b>	<b>Agency #</b>	<b>Agency Name</b>	<b>Program Name</b>					
06014	Industrial Revenue Bond I-95	65010	Dept. of Commerce	Board of Investments					
			Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FY 11	Budgeted FY 12	Budgeted FY 13	
<b>Operating Revenues:</b>									
Fee revenue									
	Fee Revenues		33,321	26,427	-	500	1,000	1,500	
	Investment Earnings		1,043,973	403,540	261,771	236,738	223,015	253,158	
	Securities Lending Income		321	371	165	350	400	450	
	Premiums		-	-	-	-	-	-	
	Other Operating Revenues		3,425,901	3,131,533	2,270,082	1,854,943	2,101,511	2,316,282	
	<b>Total Operating Revenue</b>		<b>4,503,516</b>	<b>3,561,871</b>	<b>2,532,018</b>	<b>2,092,531</b>	<b>2,325,926</b>	<b>2,571,390</b>	
<b>Operating Expenses:</b>									
	Personal Services		297,247	195,598	205,745	330,872	198,590	199,786	
	Operating Expenses		149,548	118,507	123,067	168,307	187,877	174,626	
	Debt Service Expenses		4,105,985	3,207,411	1,839,514	1,084,071	1,317,378	1,555,878	
	<b>Total Operating Expenses</b>		<b>4,552,780</b>	<b>3,521,516</b>	<b>2,168,325</b>	<b>1,583,250</b>	<b>1,703,845</b>	<b>1,930,290</b>	
	<b>Operating Income (Loss)</b>		<b>(49,264)</b>	<b>40,356</b>	<b>363,693</b>	<b>509,281</b>	<b>622,081</b>	<b>641,100</b>	
<b>Nonoperating Revenues (Expenses):</b>									
	Gain (Loss) Sale of Fixed Assets		-	-	-	-	-	-	
	Federal Indirect Cost Recoveries		-	-	-	-	-	-	
	Other Nonoperating Revenues (Expenses)		-	-	-	-	-	-	
	<b>Net Nonoperating Revenues (Expenses)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
	<b>Income (Loss) Before Operating Transfers</b>		<b>(49,264)</b>	<b>40,356</b>	<b>363,693</b>	<b>509,281</b>	<b>622,081</b>	<b>641,100</b>	
	Contributed Capital		-	-	-	-	-	-	
	Operating Transfers In (Note 13)		-	725,000	494,639	-	-	-	
	Operating Transfers Out (Note 13)		-	-	-	-	-	-	
	<b>Change in net assets</b>		<b>(49,264)</b>	<b>765,356</b>	<b>858,332</b>	<b>509,281</b>	<b>622,081</b>	<b>641,100</b>	
	<b>Total Net Assets- July 1</b>		<b>4,690,833</b>	<b>4,641,568</b>	<b>5,406,924</b>	<b>6,265,255</b>	<b>6,774,537</b>	<b>7,396,618</b>	
	Prior Period Adjustments		(1)	-	-	-	-	-	
	Cumulative effect of account change		-	-	-	-	-	-	
	<b>Total Net Assets - July 1 - As Restated</b>		<b>4,690,832</b>	<b>4,641,568</b>	<b>5,406,924</b>	<b>6,265,255</b>	<b>6,774,537</b>	<b>7,396,618</b>	
	<b>Net Assets- June 30 (Fund Balance)</b>		<b>4,641,568</b>	<b>5,406,924</b>	<b>6,265,255</b>	<b>6,774,537</b>	<b>7,396,618</b>	<b>8,037,718</b>	
<b>60 days of expenses</b>									
	<b>(Total Operating Expenses divided by 6)</b>		<b>758,797</b>	<b>586,919</b>	<b>361,388</b>	<b>263,875</b>	<b>283,974</b>	<b>321,715</b>	
<b>Requested Rates for Enterprise Funds</b>									
<b>Fee/Rate Information</b>									
			Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FY 11	Budgeted FY 12	Budgeted FY 13	Authority
	Budgeted Revenues								
	Fees & Investment Revenues		\$4,503,516	\$ 4,286,871	\$3,026,657	\$ 2,092,531	\$2,325,926	\$2,571,390	MCA 17-5-1504(6) MCA 17-5-1611(5)(6) MCA 17-5-1621(6) MCA 17-5-1643(1)

**DEPARTMENT OF COMMERCE-6501  
BOARD OF INVESTMENTS-75**

**2013 Biennium Report on Internal Service and Enterprise Funds 2013**

Fund	Fund Name	Agency #	Agency Name	Program Name
06527	Investment Division	65010	Dept. of Commerce	Board of Investments

	Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FY 11	Budgeted FY 12	Budgeted FY 13
<b>Operating Revenues:</b>						
Fee revenue						
Administrative Fees	4,585,816	4,713,745	4,869,468	4,417,089	4,831,041	4,831,041
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	37	-	-	-	-
Total Operating Revenue	4,585,816	4,713,782	4,869,468	4,417,089	4,831,041	4,831,041
<b>Operating Expenses:</b>						
Personal Services	2,359,279	2,431,442	2,369,344	2,557,064	2,627,135	2,620,183
Other Operating Expenses	2,042,537	1,858,002	1,967,820	2,286,341	1,937,743	1,949,718
Total Operating Expenses	4,401,816	4,289,444	4,337,163	4,843,405	4,564,878	4,569,901
Operating Income (Loss)	<b>184,000</b>	<b>424,338</b>	<b>532,305</b>	<b>(426,316)</b>	<b>266,163</b>	<b>261,140</b>
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	184,000	424,338	532,305	(426,316)	266,163	261,140
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	(725,000)	(472,340)	-	-	-
Change in net assets	184,000	(300,662)	59,965	(426,316)	266,163	261,140
Total Net Assets- July 1	330,512	514,512	213,850	273,815	(152,501)	113,662
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	330,512	514,512	213,850	273,815	(152,501)	113,662
<b>Net Assets- June 30 (Fund Balance)</b>	<b>514,512</b>	<b>213,850</b>	<b>273,815</b>	<b>(152,501)</b>	<b>113,662</b>	<b>374,802</b>
60 days of expenses (Total Operating Expenses divided by 6)	733,636	714,907	722,861	807,234	760,813	761,650

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

	Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FY 11	Budgeted FY 12	Budgeted FY 13
BOI Administrative Fee Rate	\$4,585,816	4,713,745	4,869,468	4,417,089	4,831,041	4,831,041

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.

**DEPARTMENT OF COMMERCE-6501  
BOARD OF INVESTMENTS-75**

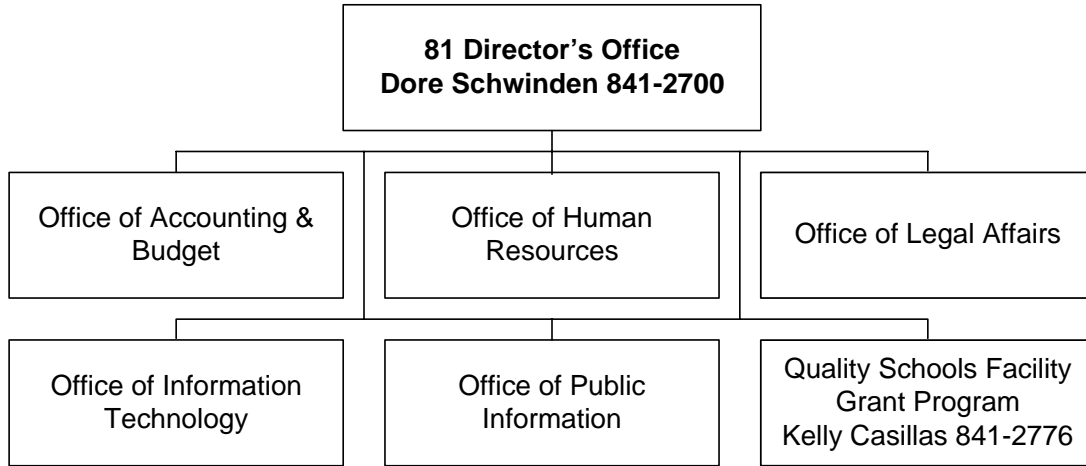
-----Present Law Adjustments-----

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$14,283	\$0
FY 2013	\$95,387	\$0

**PL- 7508 - BOI ADMINISTRATIVE COSTS ADJUSTMENTS** - Board of Investment administrative cost adjustments include adjustments for overtime, per diem, data network services, minor computer hardware, rent adjustments, indirect cost adjustments, and the removal of non-debt services interest.

## DEPARTMENT OF COMMERCE-6501 DIRECTOR'S OFFICE - 81

Please note that this program also contains HB 2 funding.



### Proprietary Rates

Program Proposed Budget	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	18.00	0.00	0.00	18.00	0.00	0.00	18.00
Personal Services	1,282,109	(14,035)	0	1,268,074	(15,756)	0	1,266,353
Operating Expenses	246,556	(4,958)	0	241,598	5,004	0	251,560
Equipment & Intangible Assets	5,002	(5,002)	0	0	59,998	0	65,000
<b>Total Costs</b>	<b>\$1,533,667</b>	<b>(\$23,995)</b>	<b>\$0</b>	<b>\$1,509,672</b>	<b>\$49,246</b>	<b>\$0</b>	<b>\$1,582,913</b>
Proprietary	1,533,667	(23,995)	0	1,509,672	49,246	0	1,582,913
<b>Total Funds</b>	<b>\$1,533,667</b>	<b>(\$23,995)</b>	<b>\$0</b>	<b>\$1,509,672</b>	<b>\$49,246</b>	<b>\$0</b>	<b>\$1,582,913</b>

**Proprietary Program Description** -The Director's Office provides overall leadership, communication, and management support to the Department of Commerce staff, programs, bureaus, divisions and administratively attached boards. The office provides executive, administrative, legal, and policy direction along with offering problem-solving guidance. The office keeps abreast of department related issues and acts in a public relations and informational capacity to ensure a positive image of the Department. The office works closely with economic and community development organizations, businesses, communities, governmental entities, elected official and the public to diversify and expand the state's economic base. The office acts as the liaison with private business, local governments, administratively attached boards, public and private interest groups, the legislature, Indian tribes, individuals, other governmental agencies, and the Governor's Office.

The Director's Office also provides effective and efficient internal support to Department of Commerce staff, programs, bureaus, divisions and administratively attached boards. Services are provided by the Offices of Accounting and Budget, Legal Affairs, Human Resources, Information Technology, and Public Information.

The Director's Office is funded through an internal service fund; fund 06542.

The Director's Office responsibilities are mandated primarily in Title 2, Chapter 15 and Title 90, Chapter 1, MCA.

Customers are all divisions, bureaus, programs, and employees of the Department of Commerce. Use of these services is mandated by agency policies and procedures; there are no alternative sources for these services; although the department may contract for legal services from time to time whenever it is most appropriate and cost effective to do so.

## DEPARTMENT OF COMMERCE-6501 DIRECTOR'S OFFICE - 81

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

### Proprietary Revenues and Expenses -

Revenue Description - The Director's Office 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 provides all of the services listed in the program description to all department divisions, bureaus, programs, and employees.

The customer base for the Director's Office includes:

- Business Resources Division
- Montana Promotion Division
- Energy Promotion and Development Division
- Community Development Division
- Montana Facility Finance Authority
- Housing Division
- Board of Investments
- Montana Heritage Preservation and Development Commission
- Quality Schools Facility Grant Program
- Montana Council on Developmental Disabilities

The revenue objective of the Director's Office is to maintain the lowest possible indirect charge to supported divisions, bureaus, and programs, while maintaining a 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 2010 base year funding, by fund type is as follows:

Fund	FY 2010 Amount	FY 2010 %
General Fund	\$ 351,274.57	22.051%
State Special	\$ 468,396.65	29.404%
Federal Special	\$ 98,846.85	6.205%
Capital Projects	\$ 39,846.85	2.501%
Proprietary	\$ 634,574.62	39.835%
Misc Reimbursement	\$ 51.50	00.003%
<b>Total:</b>	<b>\$ 1,592,991.04</b>	<b>100.000%</b>

Customer expenditures are primarily recorded in SABHRS expenditure account 62827; while Director's Office revenues are primarily recorded in the following SABHRS revenue codes:

Revenue Code	FY 2010 Amount	FY 2010 %
520702	\$ 1,330,551.02	83.525%
522017	\$ 39.50	00.002%
525045	\$ 25,000.00	01.569%
581505	\$ 12.00	00.001%
584002	\$ 237,388.52	14.902%
<b>Total:</b>	<b>\$ 1,592,991.04</b>	<b>100.000%</b>

**DEPARTMENT OF COMMERCE-6501  
DIRECTOR'S OFFICE - 81**

Expense Description - The major cost drivers within the Director's Office 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:

Item	FY 2010 Amount	FY 2010 %
FTE	18.00	
Personal Services	\$ 1,285,644.77	80.472%
Operating Expenses	\$ 306,982.33	19.215%
Equipment	\$ 5,002.00	0.313%
<b>Total:</b>	<b>\$ 1,597,629.10</b>	<b>100.000%</b>

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 staffing requirements and indirect cost rates and make the necessary adjustments when needed.

For the purposes of this analysis, it is assumed the agencies divisions, bureaus, programs, and staff remain constant. Non-typical and one-time-only expenses are subtracted out of the future cost projections before calculating the indirect rate. The proposed indirect cost rate will fund 18.00 FTE in the 2013 biennium.

Working Capital Discussion - the Director's Office 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 working capital objective is to recover the costs necessary to fund ongoing operations. A nominal 60 day working capital reserve is needed to meet ongoing operational costs.

Fund Equity and Reserved Fund Balance - At the proposed rates, the department projects a fiscal year end 2013 ending working capital reserve of approximately 60 days. All interest earnings on the working capital reserve are distributed to the state general fund.

Proprietary Rate Explanation -Rate Explanation - The Director's Office calculates a federal indirect cost rate on an annual basis. This rate is a fixed rate for federally funded programs. This rate is then applied against actual federally funded personal services expenditures within the department.

The federally calculated rate requires that a carry-forward amount be built into the rate. This carry-forward amount represents the amount the Director's Office under-recovered or over-recovered in a given fiscal year. This computation compares what was originally calculated to what actually occurred. The difference is then carried forward into the following year's rate.

The indirect cost rate is determined based on guidelines prescribed by the federal government. Additionally, the Director's Office complies with 17-3-111, MCA, which requires agencies to calculate a rate that would recover indirect costs to the greatest extent possible. In order to comply with this statute, the Director's Office has requested a rate that may vary slightly from the annually calculated federal rate. The rate approved by the Legislature is considered a cap; therefore, the department cannot impose a rate higher than what has been approved by the Legislature. However, the annually calculated federal rate may be slightly lower.

**Rate Explanation** - The Director's Office calculates a federal indirect cost rate on an annual basis. This rate is a fixed rate for federally funded programs. This rate is then applied against actual federally funded personal services expenditures within the department.

**DEPARTMENT OF COMMERCE-6501**  
**DIRECTOR'S OFFICE - 81**

The federally calculated rate requires that a carry-forward amount be built into the rate. This carry-forward amount represents the amount the Director's Office under-recovered or over-recovered in a given fiscal year. This computation compares what was originally calculated to what actually occurred. The difference is then carried forward into the following year's rate.

The indirect cost rate is determined based on guidelines prescribed by the federal government. Additionally, the Director's Office complies with 17-3-111, MCA, which requires agencies to calculate a rate that would recover indirect costs to the greatest extent possible. In order to comply with this statute, the Director's Office has requested a rate that may vary slightly from the annually calculated federal rate. The rate approved by the Legislature is considered a cap; therefore, the department cannot impose a rate higher than what has been approved by the Legislature. However, the annually calculated federal rate may be slightly lower.

**DEPARTMENT OF COMMERCE-6501  
DIRECTOR'S OFFICE - 81**

**2013 Biennium Report on Internal Service and Enterprise Funds 2013**

Fund	Fund Name	Agency #	Agency Name	Program Name
06542	Commerce Centralized Services	65010	Dept. of Commerce	Director's Office

	Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FY 11	Budgeted FY 12	Budgeted FY 13
<b>Operating Revenues:</b>						
Fee revenue						
Administrative Fees	1,290,148	1,310,099	1,330,551	1,330,551	1,242,948	1,229,048
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	25,017	25,693	25,052	25,000	25,000	25,000
Total Operating Revenue	1,315,165	1,335,792	1,355,603	1,355,551	1,267,948	1,254,048
<b>Operating Expenses:</b>						
Personal Services	1,140,336	1,248,484	1,285,645	1,334,658	1,268,074	1,266,353
Other Operating Expenses	303,430	337,125	311,984	248,987	241,598	316,560
Total Operating Expenses	1,443,766	1,585,609	1,597,629	1,583,645	1,509,672	1,582,913
Operating Income (Loss)	<b>(128,601)</b>	<b>(249,817)</b>	<b>(242,027)</b>	<b>(228,094)</b>	<b>(241,724)</b>	<b>(328,865)</b>
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	197,750	246,062	237,389	237,389	242,137	244,558
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	197,750	246,062	237,389	237,389	242,137	244,558
Income (Loss) Before Operating Transfers	69,149	(3,755)	(4,638)	9,295	413	(84,307)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	69,149	(3,755)	(4,638)	9,295	413	(84,307)
Total Net Assets- July 1	150,335	219,485	215,728	211,090	220,385	220,797
Prior Period Adjustments	1	(2)	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	150,336	219,483	215,728	211,090	220,385	220,797
<b>Net Assets- June 30 (Fund Balance)</b>	<b>219,485</b>	<b>215,728</b>	<b>211,090</b>	<b>220,385</b>	<b>220,797</b>	<b>136,490</b>
<b>60 days of expenses</b>						
(Total Operating Expenses divided by 6)	<b>240,628</b>	<b>264,268</b>	<b>266,272</b>	<b>263,941</b>	<b>251,612</b>	<b>263,819</b>

**Requested Rates for Internal Service Funds**

**Fee/Rate Information**

	Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FY 11	Budgeted FY 12	Budgeted FY 13
State Programs						
Indirect Cost Rate	14.00%	13.75%	12.95%	12.95%	13.20%	13.20%
Federal Programs						
Indirect Cost Rate	14.00%	13.75%	12.95%	12.95%	13.20%	13.20%

Allocation Methodology: Indirect costs for the Director's Office are allocated to supported programs via a federally calculated indirect cost plan for federally funded programs, and a legislatively approved rate for state funded programs. Indirect cost rates are charged to supported programs based upon actual personal services expenditures.

Authority: Federally calculated indirect cost plan for federally funded programs, and legislatively approved rate for state funded programs. FY 2012 and FY 2013 federally approved rate is an estimated rate.

**Proprietary Significant Present Law -**



**DEPARTMENT OF COMMERCE-6501  
DIRECTOR'S OFFICE - 81**

**Significant Present Law:**

The only present law adjustments are for server replacements (SAN) and administrative costs; such as overtime and annual rent increases.

The impact of these Present Law proposals on the requested rate is minimal.

FY 2013 Server Replacements OTO:

	FY 2012	FY 2013
2013 Biennium Requested Rate	13.200%	13.200%
2013 Biennium Rate W/O Server	00.000%	12.850%
Variance:	13.200%	00.350%

Administrative Costs:

	FY 2012	FY 2013
2013 Biennium Requested Rate	13.200%	13.200%
2013 Biennium Rate W/O Admin Costs	13.195%	13.195%
Variance:	00.005%	00.005%

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

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	(\$1,029)	\$0
FY 2013	\$3,791	\$0

**PL- 8110 - DO ADMINISTRATIVE COSTS ADJUSTMENTS -**

This request annualizes administrative costs such as rent, minor computer hardware and overtime.

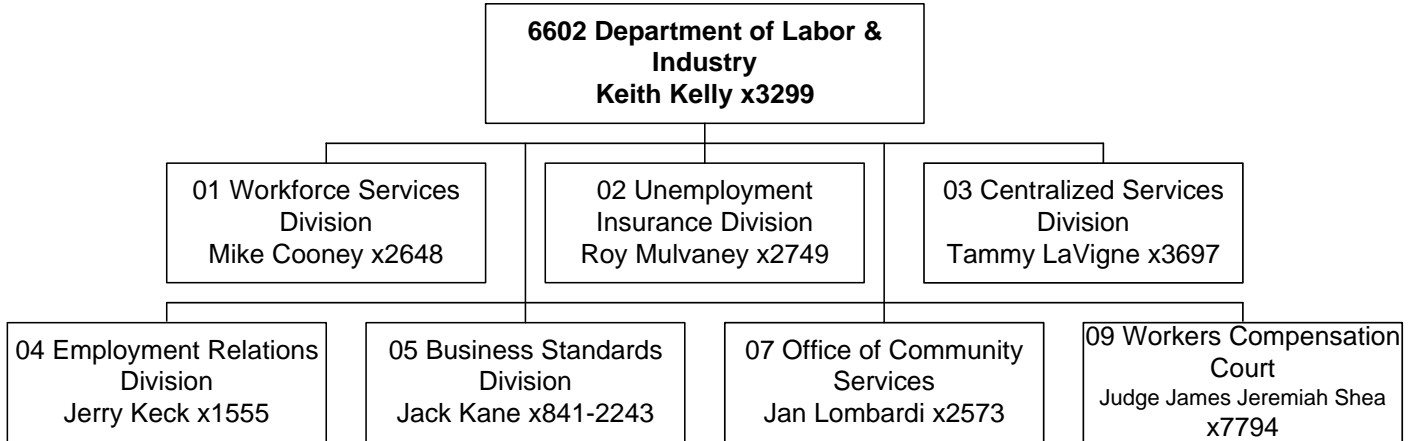
	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$0	\$0
FY 2013	\$70,000	\$0

**PL- 8111 - DO SERVER REPLACEMENTS -**

IT equipment used in support of agency business processes must be maintained to provide reliable, stable, secure and cost effective service. Information technology hardware has a life span that must be recognized and addressed to ensure performance, reliability and security. Servers will be evaluated and replaced at varying times throughout the FY 2012 & FY 2013 biennium, per the 5 year replacement schedule for each server. Our SAN is composed of 2 CPUs and a separate storage facility. This equipment was originally purchased in November 2007 and would be replaced in the November-December 2012 timeframe.

# DEPARTMENT OF LABOR & INDUSTRY-6602

Please note that this agency also contains HB 2 funding.



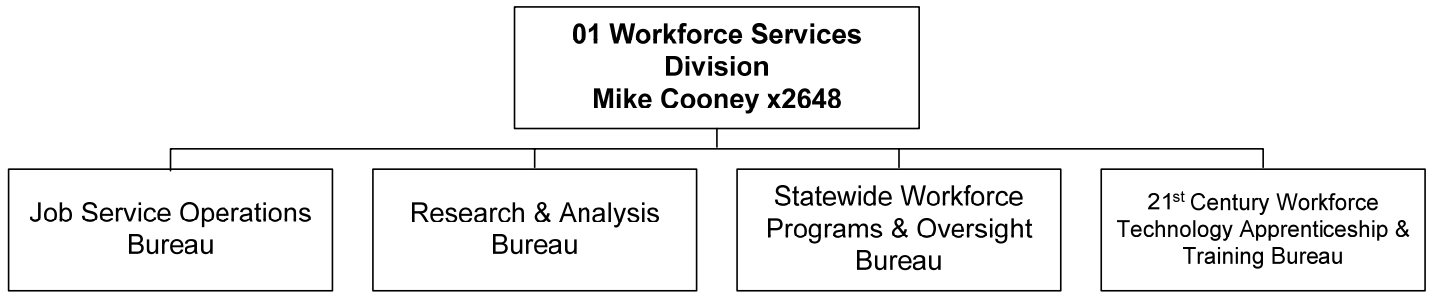
**Mission Statement** - The purpose of the Department of Labor and Industry is to promote the well-being of Montana's workers, employers, and citizens, and to uphold their rights and responsibilities.

**Statutory Authority** - Primarily Titles 18, 30, 37, 39, 49, 50, and 90, MCA, and the federal Corporation for National Service.

Agency Proposed Budget							
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	65.75	0.00	1.00	66.75	0.00	1.00	66.75
Personal Services	4,083,645	171,557	56,839	4,312,041	171,705	56,700	4,312,050
Operating Expenses	2,210,986	(274,929)	0	1,936,057	(415,315)	0	1,795,671
Equipment & Intangible Assets	30,054	0	0	30,054	0	0	30,054
Benefits & Claims	228,017,253	(42,000,000)	0	186,017,253	(57,000,000)	0	171,017,253
Transfers	246,414	0	0	246,414	0	0	246,414
<b>Total Costs</b>	<b>\$234,588,352</b>	<b>(\$42,103,372)</b>	<b>\$56,839</b>	<b>\$192,541,819</b>	<b>(\$57,243,610)</b>	<b>\$56,700</b>	<b>\$177,401,442</b>
Proprietary	234,588,352	(42,103,372)	56,839	192,541,819	(57,243,610)	56,700	177,401,442
<b>Total Funds</b>	<b>\$234,588,352</b>	<b>(\$42,103,372)</b>	<b>\$56,839</b>	<b>\$192,541,819</b>	<b>(\$57,243,610)</b>	<b>\$56,700</b>	<b>\$177,401,442</b>

**DEPARTMENT OF LABOR & INDUSTRY-6602  
WORK FORCE SERVICES DIVISION-01**

Please note that this program also contains HB 2 funding.



**Proprietary Rates**

Program Proposed Budget	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	37,165	0	0	37,165	0	0	37,165
<b>Total Costs</b>	<b>\$37,165</b>	<b>\$0</b>	<b>\$0</b>	<b>\$37,165</b>	<b>\$0</b>	<b>\$0</b>	<b>\$37,165</b>
Proprietary	37,165	0	0	37,165	0	0	37,165
<b>Total Funds</b>	<b>\$37,165</b>	<b>\$0</b>	<b>\$0</b>	<b>\$37,165</b>	<b>\$0</b>	<b>\$0</b>	<b>\$37,165</b>

**Proprietary Program Description** -The Montana Career Information System (MCIS) has been active in Montana since 1980. The purpose of MCIS is to deliver current career and labor market information to Montanans in an easy-to-use and easy-to-understand format. This is the only career information delivery system in the country that has specific Montana labor market information included in each file. MCIS is currently being funded by a College Access Challenge Grant for a wide variety of users: job service offices, vocational rehabilitation offices, high schools, community colleges, universities, tribal colleges, educational and training agencies, home use, and adult education programs. When the grant ends, MCIS will need to seek other funding or resort back to license fees for the basic system. There are currently optional components of MCIS not funded by the grant such as IDEAS (an interest inventory), Peterson Practice Tests, and Dependable Strengths that requires the program to collect fees associated with each optional component.

**Revenues and Expenses** -Revenue is generated through fees for purchase of a one year optional component license. Expenses are to pay the licensing entity for the optional component license.

**Rate Explanation** -Rates are charged as follows:

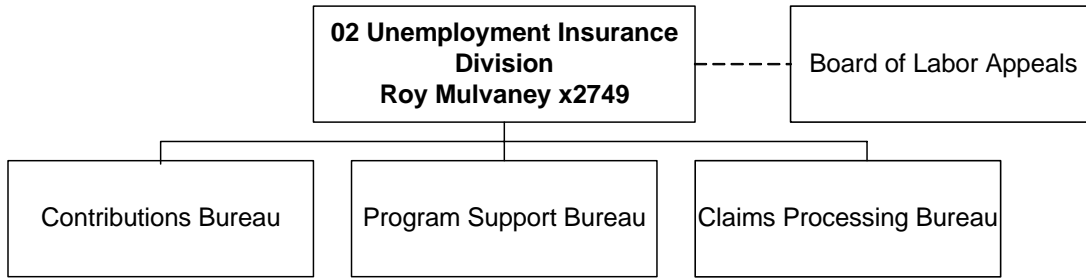
- IDEAS Assessment: \$100 per site license per year.
- Dependable Strengths: \$200 per site license per year.
- Peterson's Academic Practice Tests: (per site, per practice test package)
- Enrollment up to 200 - \$225
- Enrollment 201-500 - \$275
- Enrollment over 500 - \$325
- Peterson's Civil Service Practice Test Package: (per site)
- Schools - \$200
- Agencies - \$225

**DEPARTMENT OF LABOR & INDUSTRY-6602  
WORK FORCE SERVICES DIVISION-01**

2013 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 &	Workforce Services Division				
			Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>								
Fee revenue			2,400	1,250				
Charges for Services			15,832	7,248	73,530	65,100	65,100	65,100
Net Fee Revenue			18,232	8,498	73,530	65,100	65,100	65,100
Investment Earnings			-					
Securities Lending Income			-					
Premiums			-					
Other Operating Revenues			13					
Total Operating Revenue			18,245	8,498	73,530	65,100	65,100	65,100
<b>Operating Expenses:</b>								
Personal Services			-					
Other Operating Expenses			11,819	24,693	37,165	60,772	37,165	37,165
Total Operating Expenses			11,819	24,693	37,165	60,772	37,165	37,165
Operating Income (Loss)			6,426	(16,195)	36,365	4,328	27,935	27,935
<b>Nonoperating Revenues (Expenses):</b>								
Gain (Loss) Sale of Fixed Assets			-					
Federal Indirect Cost Recoveries			-					
Other Nonoperating Revenues (Expenses)			-					
Net Nonoperating Revenues (Expenses)			-					
Income (Loss) Before Operating Transfers			6,426	(16,195)	36,365	4,328	27,935	27,935
Contributed Capital			-					
Operating Transfers In (Note 13)			-					
Operating Transfers Out (Note 13)			-					
Change in net assets			6,426	(16,195)	36,365	4,328	27,935	27,935
Total Net Assets- July 1 - As Restated			31,726	38,152	21,957	58,322	62,650	90,585
Prior Period Adjustments			-	-	-	-	-	-
Cumulative effect of account change			-	-	-	-	-	-
Total Net Assets - July 1 - As Restated			31,726	38,152	21,957	58,322	62,650	90,585
Net Assets- June 30			38,152	21,957	58,322	62,650	90,585	118,520
60 days of expenses								
(Total Operating Expenses divided by 6)			1,970	4,116	6,194	10,129	6,194	6,194
<b>Fee/Rate Information</b>								
			Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FYE 11	Budgeted FYE 12	Budgeted FYE 13
Charges for Services			1,500	1,500	1,500	1,500	1,500	1,500
Group II	(High schools w/under 200 students)		725	725	725	725	725	725
Group II	(High schools w/over 200 students, agencies and busin		950	950	950	950	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 \$1500 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; The Real Game Series - up to \$325 depending on component/game; and Dependable Strengths - \$200 per								

**DEPARTMENT OF LABOR & INDUSTRY-6602  
UNEMPLOYMENT INSURANCE DIVISIO-02**

Please note that this program also contains HB 2 funding.



**Proprietary Rates**

Program Proposed Budget	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Benefits & Claims	227,676,190	(42,000,000)	0	185,676,190	(57,000,000)	0	170,676,190
Transfers	188,410	0	0	188,410	0	0	188,410
<b>Total Costs</b>	<b>\$227,864,600</b>	<b>(\$42,000,000)</b>	<b>\$0</b>	<b>\$185,864,600</b>	<b>(\$57,000,000)</b>	<b>\$0</b>	<b>\$170,864,600</b>
Proprietary	227,864,600	(42,000,000)	0	185,864,600	(57,000,000)	0	170,864,600
<b>Total Funds</b>	<b>\$227,864,600</b>	<b>(\$42,000,000)</b>	<b>\$0</b>	<b>\$185,864,600</b>	<b>(\$57,000,000)</b>	<b>\$0</b>	<b>\$170,864,600</b>

**Proprietary Program Description** -The Department of Labor and Industry (DLI) collects the contributions paid by employers, based on their industry or individual experience rate, to pay for their Unemployment Insurance. DLI expends the funds by paying Unemployment Insurance benefit claims.

**Revenues and Expenses** - The revenues received in the proprietary fund are from unemployment insurance tax collections, federal reimbursement for claims on federal employees, military personnel, claimants in other states, and interest earnings to the Unemployment Insurance Trust Fund. The expenditures are unemployment insurance benefits paid to claimants while unemployed, including federal withholding tax and child support payments the claimants have elected to be taken out of the benefit check.

**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 DIVISIO-02**

**2013 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 FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>								
Fee revenue								
Net Fee Revenue			-	-	-	-	-	-
Investment Earnings			13,284,078	11,897,405	6,873,513	4,400,000	1,400,000	1,400,000
Securities Lending Income								
Premiums			85,801,007	75,591,226	89,500,265	124,179,000	154,303,000	179,458,000
Other Operating Revenues			7,598,665	68,066,223	179,239,119	183,007,229	24,315,942	22,545,680
<b>Total Operating Revenue</b>			<b>106,683,750</b>	<b>155,554,854</b>	<b>275,612,898</b>	<b>311,586,229</b>	<b>180,018,942</b>	<b>203,403,680</b>
<b>Operating Expenses:</b>								
Personal Services			-	-	-	-	-	-
Other Operating Expenses			90,268,937	234,567,659	356,175,293	375,117,007	185,864,600	170,864,600
<b>Total Operating Expenses</b>			<b>90,268,937</b>	<b>234,567,659</b>	<b>356,175,293</b>	<b>375,117,007</b>	<b>185,864,600</b>	<b>170,864,600</b>
Operating Income (Loss)			<b>16,414,813</b>	<b>(79,012,805)</b>	<b>(80,562,395)</b>	<b>(63,530,778)</b>	<b>(5,845,658)</b>	<b>32,539,080</b>
<b>Nonoperating Revenues (Expenses):</b>								
Gain (Loss) Sale of Fixed Assets			-	-	-	-	-	-
Federal Indirect Cost Recoveries			-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)			-	-	-	-	-	-
<b>Net Nonoperating Revenues (Expenses)</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Income (Loss) Before Operating Transfers			16,414,813	(79,012,805)	(80,562,395)	(63,530,778)	(5,845,658)	32,539,080
Contributed Capital			-	-	-	-	-	-
Operating Transfers In (Note 13)			-	-	-	-	-	-
Operating Transfers Out (Note 13)			(1,299,031)	(803,145)	(188,410)	-	-	-
<b>Change in net assets</b>			<b>15,115,782</b>	<b>(79,815,950)</b>	<b>(80,750,805)</b>	<b>(63,530,778)</b>	<b>(5,845,658)</b>	<b>32,539,080</b>
Total Net Assets- July 1 - As Restated			261,617,693	277,096,840	197,280,890	116,530,084	52,999,306	47,153,648
Prior Period Adjustments			363,365	-	-	-	-	-
Cumulative effect of account change			-	-	-	-	-	-
Total Net Assets - July 1 - As Restated			261,981,058	277,096,840	197,280,896	116,530,084	52,999,306	47,153,648
Net Assets- June 30			<b>277,096,840</b>	<b>197,280,890</b>	<b>116,530,084</b>	<b>52,999,306</b>	<b>47,153,648</b>	<b>79,692,728</b>
60 days of expenses								
(Total Operating Expenses divided by 6)			15,044,823	39,094,610	59,362,549	62,519,501	30,977,433	28,477,433
<b>Requested Rates for Enterprise Funds</b>								
<b>Fee/Rate Information</b>								
			Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FYE 11	Budgeted FYE 12	Budgeted FYE 13
Unemployment Insurance Contributions/Benefits			90,333	234,246,830	356,159,935	375,117,000	185,676,190	170,676,190
Note:								
MCA 39-51-1217 sets the rate which employers are charged contributions for the purpose of paying Unemployment Insurance Benefits. (FY11 Approp does not match at this time due to BCD has not been processed.)								

**DEPARTMENT OF LABOR & INDUSTRY-6602  
UNEMPLOYMENT INSURANCE DIVISIO-02**

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

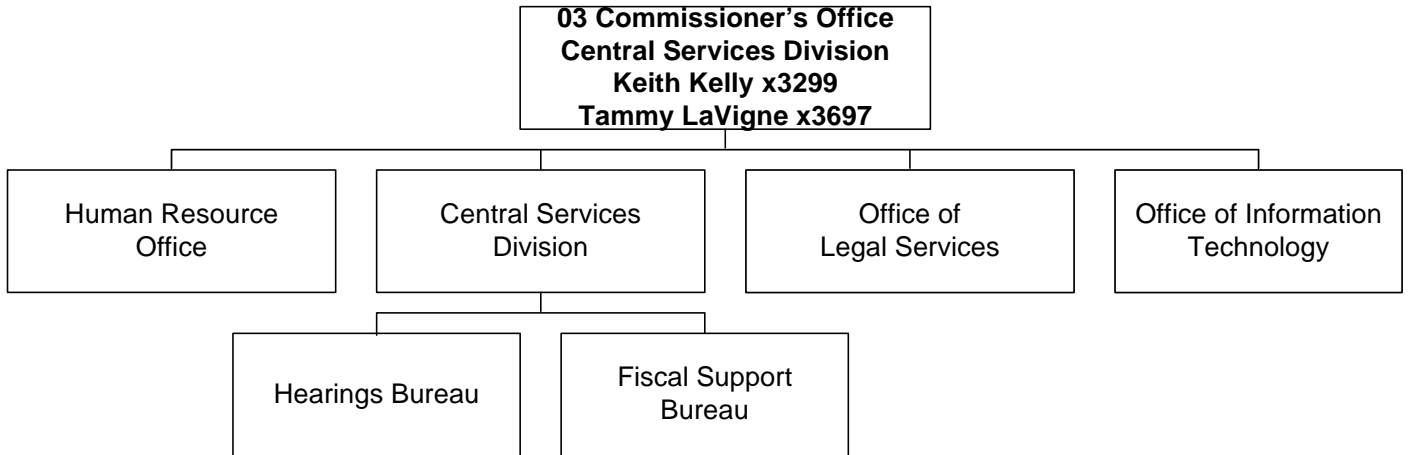
	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	(\$42,000,000)	\$0
FY 2013	(\$57,000,000)	\$0

**PL- 204 - Unemployment Insurance Benefits -**

This decision package is a reduction of unemployment benefits for the biennium of \$99 million. Unemployment benefits will be reduced by \$42 million in FY 2012 and \$57 million in FY 2013. It is anticipated that the state's economy will stabilize and claims filed for unemployment benefits will decrease.

**DEPARTMENT OF LABOR & INDUSTRY-6602  
COMMISSIONER'S OFFICE/CSD-03**

Please note that this program also contains HB 2 funding.



**Proprietary Rates**

Program Proposed Budget	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	65.75	0.00	1.00	66.75	0.00	1.00	66.75
Personal Services	4,083,645	171,557	56,839	4,312,041	171,705	56,700	4,312,050
Operating Expenses	2,173,821	(274,929)	0	1,898,892	(415,315)	0	1,758,506
Equipment & Intangible Assets	30,054	0	0	30,054	0	0	30,054
<b>Total Costs</b>	<b>\$6,287,520</b>	<b>(\$103,372)</b>	<b>\$56,839</b>	<b>\$6,240,987</b>	<b>(\$243,610)</b>	<b>\$56,700</b>	<b>\$6,100,610</b>
Proprietary	6,287,520	(103,372)	56,839	6,240,987	(243,610)	56,700	6,100,610
<b>Total Funds</b>	<b>\$6,287,520</b>	<b>(\$103,372)</b>	<b>\$56,839</b>	<b>\$6,240,987</b>	<b>(\$243,610)</b>	<b>\$56,700</b>	<b>\$6,100,610</b>

**Proprietary Program Description** -Supportive services provided by the Commissioner's Office and Centralized Services Division are funded through a cost allocation plan whereby the department programs are assessed a percentage of their personal service costs. 33.50 FTE are funded by the revenues generated. Services provided by the cost allocation plan include: budgeting, accounting and fiscal management, internal controls, contracting, purchasing, asset management, human resources, payroll, and benefits.

The Office of Information Technology provides network support to the department's five programs and two administratively attached entities. 21.00 FTE are funded by revenues generated through two rates. One rate is for direct services billed to the departments bureaus and the other is a monthly indirect rate based on division active directory count.

The Hearings Bureau holds administrative hearings on behalf of the Business Standards Licensing Bureaus and Building Codes Bureau. An hourly rate is assessed for administrative law judge and paralegal time associated with the hearings. 0.50 FTE are funded by the revenue generated.

The Office of Legal Services provides legal services to the Business Standards Division whereby an hourly rate for attorney fees is established. The revenues generated fund 11.75 FTE.

**Revenues and Expenses** - Revenue Description: The Commissioner's Office/Centralized 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 on federally calculated, and legislatively approved indirect cost



## DEPARTMENT OF LABOR & INDUSTRY-6602 COMMISSIONER'S OFFICE/CSD-03

rates applied to actual personal service expenditures as well as rates charged based on time distribution and active directory counts.

Services and Fees - There are no significant changes to the methodology for calculating the rate for Centralized Services, Hearings Bureau or the Office of Legal Services. The Office of Information Technology has moved from one rate to two rates.

Working Capital - All rates consider a 60-day or less working capital to meet ongoing operational costs.

Fund Equity and Reserved Fund Balance - At the proposed rates, the Centralized Services Division projects a fiscal year end 2013 ending working capital reserve of approximately 60 days for all proposed rates.

Expenses - Expenses recovered in the rates are for personal services of the 66.75 FTE covered under these rates, operating expenditures to support those FTE, and some department wide fixed costs.

**Proprietary Rate Explanation** -The cost allocation rate (CAP) must be approved by the U.S. Department of Labor which has requirements including a working capital of no more than 60 days. The rate, which is assessed to personal service expenditures, is determined by calculating the total costs of providing the services divided by the projected department personal services expenditures. The rate requested for the 2013 biennium is 8.24% for FY 2012 and 8.26% for FY 2013.

The Office of Information Technology rates (OIT) must be approved by the U.S. Department of Labor which has requirements including a working capital of no more than 60 days. The direct rate is calculated based on the projected direct cost of services for the 2013 biennium divided by the direct hours of service provided in the 2011 biennium. The monthly indirect rate is calculated based on the projected indirect cost of services for the 2013 biennium divided by the active directory counts for the Department divided by 12 months. The direct rate request is \$42 per direct hour of service and the indirect rate request is \$161 a month per active directory for the 2013 biennium.

The Hearings Bureau rate per hour is calculated based on the projected cost of services for the 2013 biennium divided by the direct hours of service provided in the 2011 biennium. Rates are established for both administrative law judges and paralegal services are \$90 and \$50 respectively.

The Office of Legal Services rate per hour is calculated on projected costs of services for the 2013 biennium divided by the direct hours of service provided in the 2011 biennium. The rate for the 2013 biennium is \$95 per hour.

**DEPARTMENT OF LABOR & INDUSTRY-6602  
COMMISSIONER'S OFFICE/CSD-03**

**2013 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								
			Actual	Actual	Actual	Budgeted	Budgeted	Budgeted	
			FY08	FY09	FY10	FY11	FY12	FY13	
<b>Operating Revenues:</b>									
Fee revenue									
Cost Allocation Plan (CAP)-Nonfederal									
			2,189,148	2,045,532	1,991,651	2,033,998	2,124,607	2,117,182	
			-	-	-	-			
			2,189,148	2,045,532	1,991,651	2,033,998	2,124,607	2,117,182	
Investment Earnings									
Securities Lending Income									
Premiums									
Other Operating Revenues									
			253	113	182	-			
			2,189,401	2,045,645	1,991,833	2,033,998	2,124,607	2,117,182	
<b>Operating Expenses:</b>									
Personal Services									
			2,075,937	2,387,753	1,784,355	2,110,374	1,995,398	1,995,787	
Other Operating Expenses									
			1,479,953	1,506,504	1,820,603	1,634,691	1,369,889	1,229,359	
			3,555,890	3,894,257	3,604,958	3,745,065	3,365,287	3,225,146	
Operating Income (Loss)									
			(1,366,489)	(1,848,612)	(1,613,125)	(1,711,067)	(1,240,680)	(1,107,964)	
<b>Nonoperating Revenues (Expenses):</b>									
Gain (Loss) Sale of Fixed Assets									
			(5,009)	(3,706)	-	-			
Federal Indirect Cost Recoveries									
			1,658,795	1,702,260	1,431,528	1,445,142	1,516,785	1,511,407	
Other Nonoperating Revenues (Expenses)									
			-	-	-	-			
			1,653,786	1,698,554	1,431,528	1,445,142	1,516,785	1,511,407	
Income (Loss) Before Operating Transfers									
			287,297	(150,058)	(181,597)	(265,925)	276,105	403,443	
Contributed Capital									
Operating Transfers In (Note 13)									
Operating Transfers Out (Note 13)									
			-	-	-	-			
			287,297	(150,058)	(181,597)	(265,925)	276,105	403,443	
Total Net Assets- July 1 - As Restated									
			162,651	477,203	327,145	150,955	(114,970)	161,135	
Prior Period Adjustments									
			27,255	-	5,406	-			
Cumulative effect of account change									
			-	-	-	-			
			189,906	477,203	332,551	150,955	(114,970)	161,135	
			477,203	327,145	150,955	(114,970)	161,135	564,578	
60 days of expenses									
			(Total Operating Expenses divided by 6)	592,648	649,043	600,826	624,178	560,881	537,524

**Requested Rates for Internal Service Funds**

**Fee/Rate Information**

	Actual	Budgeted	Budgeted	Budgeted	Budgeted	Budgeted
	FYE 08	FYE 09	FYE 10	FYE 11	FYE 12	FYE 13
Cost Allocation Plan (CAP)						
Requested Rate	9.125%	9.125%	11.000%	10.600%	8.240%	8.260%

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**

**2013 Biennium Report on Internal Service and Enterprise Funds**

Fund	Fund Name	Agency #	Agency Name	Program Name
6552	BSD/Legal	66020	Department of Labor & Industry	Commissioner's Office
6574	BSD/Hearings			

	Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>						
Fee revenue						
Charges for services	1,071,734	1,114,735	1,293,655	1,021,000	1,111,000	1,111,000
Net Fee Revenue	1,071,734	1,114,735	1,293,655	1,021,000	1,111,000	1,111,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
<b>Total Operating Revenue</b>	<b>1,071,734</b>	<b>1,114,735</b>	<b>1,293,655</b>	<b>1,021,000</b>	<b>1,111,000</b>	<b>1,111,000</b>
<b>Operating Expenses:</b>						
Personal Services	863,661	834,288	901,260	977,872	929,311	929,517
Other Operating Expenses	201,375	205,680	206,233	157,661	174,320	174,218
<b>Total Operating Expenses</b>	<b>1,065,036</b>	<b>1,039,968</b>	<b>1,107,493</b>	<b>1,135,533</b>	<b>1,103,631</b>	<b>1,103,735</b>
Operating Income (Loss)	<b>6,698</b>	<b>74,767</b>	<b>186,162</b>	<b>(114,533)</b>	<b>7,369</b>	<b>7,265</b>
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	-	(14,000)	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
<b>Net Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>(14,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Income (Loss) Before Operating Transfers	<b>6,698</b>	<b>60,767</b>	<b>186,162</b>	<b>(114,533)</b>	<b>7,369</b>	<b>7,265</b>
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
<b>Change in net assets</b>	<b>6,698</b>	<b>60,767</b>	<b>186,162</b>	<b>(114,533)</b>	<b>7,369</b>	<b>7,265</b>
Total Net Assets- July 1 - As Restated	18,629	25,327	86,094	272,199	157,666	165,035
Prior Period Adjustments	-	-	(56)	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	18,629	25,327	86,038	272,199	157,666	165,035
Net Assets- June 30	<b>25,327</b>	<b>86,094</b>	<b>272,199</b>	<b>157,666</b>	<b>165,035</b>	<b>172,300</b>
60 days of expenses (Total Operating Expenses divided by 6)	177,506	173,328	184,582	189,256	183,939	183,956

**Requested Rates for Internal Service Funds**

**Fee/Rate Information**

	Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FYE 11	Budgeted FYE 12	Budgeted FYE 13
Recharge Rate	54%	54%				
Recharge Amount	3,500,000	3,600,000				
Attorney rate per hour			\$95	\$95	\$95	\$95
Administrative Law Judge rate per hour	\$81	\$81	\$90	\$90	\$90	\$90
Administrative Services rate per hour	\$47	\$47	\$50	\$50	\$50	\$50

The rate will support the Business Standards Division. Legal Services attorney rates are \$95 per hour. Administrative Law judges and paralegal administrative services rates are \$90 and \$50 per hour for the 2011 biennium.

**DEPARTMENT OF LABOR & INDUSTRY-6602  
COMMISSIONER'S OFFICE/CSD-03**

<b>2013 Biennium Report on Internal Service and Enterprise Funds</b>										
Fund	Fund Name	Agency #	Agency Name		Program Name					
06568	Commissioner's Office/OIT	66020	Department of Labor & Industry		Commissioner's Office					
			Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13		
<b>Operating Revenues:</b>										
Fee revenue										
Cost Allocation Plan (CAP)-Nonfederal					1,851,150	1,851,150	1,926,194	1,918,170		
Net Fee Revenue			-	-	1,851,150	1,851,150	1,926,194	1,918,170		
Investment Earnings										
Securities Lending Income										
Premiums										
Other Operating Revenues										
Total Operating Revenue					-	-	1,851,305	1,851,150	1,926,194	1,918,170
<b>Operating Expenses:</b>										
Personal Services					1,475,741	1,300,133	1,468,946	1,468,473		
Other Operating Expenses					432,420	410,935	391,533	391,773		
Total Operating Expenses					-	-	1,908,161	1,711,068	1,860,479	1,860,246
Operating Income (Loss)					-	-	<b>(56,856)</b>	<b>140,082</b>	<b>65,715</b>	<b>57,924</b>
<b>Nonoperating Revenues (Expenses):</b>										
Gain (Loss) Sale of Fixed Assets										
Federal Indirect Cost Recoveries										
Other Nonoperating Revenues (Expenses)										
Net Nonoperating Revenues (Expenses)					-	-	-	-	-	-
Income (Loss) Before Operating Transfers					-	-	(56,856)	140,082	65,715	57,924
Contributed Capital										
Operating Transfers In (Note 13)										
Operating Transfers Out (Note 13)										
Change in net assets					-	-	(56,856)	140,082	65,715	57,924
Total Net Assets- July 1 - As Restated					-	-	-	(56,856)	83,226	148,941
Prior Period Adjustments										
Cumulative effect of account change										
Total Net Assets - July 1 - As Restated					-	-	-	(56,856)	83,226	148,941
Net Assets- June 30					-	-	<b>(56,856)</b>	<b>83,226</b>	<b>148,941</b>	<b>206,865</b>
60 days of expenses										
(Total Operating Expenses divided by 6)					-	-	318,027	285,178	310,080	310,041
<b>Requested Rates for Internal Service Funds</b>										
<b>Fee/Rate Information</b>										
			Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FYE 11	Budgeted FYE 12	Budgeted FYE 13		
Cost Allocation Plan (CAP)										
Requested Direct Rate					\$ 121.00	\$ 121.00	\$ 42.00	\$ 42.00		
Requested Indirect Rate							\$ 161.00	\$ 161.00		
The OIT Rate direct rate is \$42 per direct hour of service and the indirect rate request is \$161 a month per active directory for the 2013 biennium.										

**DEPARTMENT OF LABOR & INDUSTRY-6602  
COMMISSIONER'S OFFICE/CSD-03**

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

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$4,824	\$0
FY 2013	\$4,750	\$0

**PL- 301 - CSD Indirect Rate Adjustment -**

The Centralized Services Division (CSD) is requesting \$48,647 for FY 2012 and \$48,416 for FY 2013 to meet anticipated adjusted costs for the negotiated CAP and the Office of Information Technology (OIT) network support indirect cost rates. The CAP adjustment for CSD is \$44,564 for the 2013 biennium of which \$8,735 is general fund. The OIT adjustment for the CSD is \$52,499 for the 2013 biennium of which \$4,011 is general fund.

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

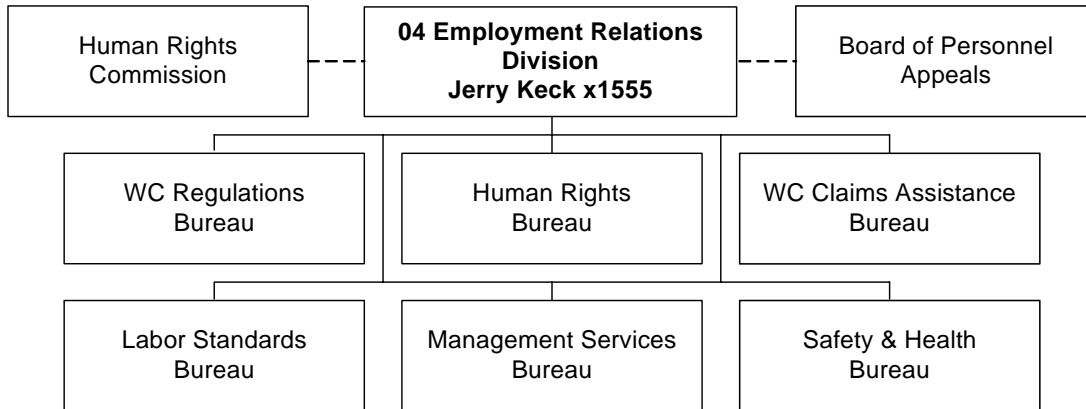
	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$56,839	\$0
FY 2013	\$56,700	\$0

**NP- 302 - CSD Legal FTE -**

The Office of Legal Services is requesting 1.00 FTE to perform paralegal services for the Business Standards Division because of increased workload. Currently a modified FTE performs this work. This position will be fully funded by proprietary funds and has no effect on proposed FY 2013 CSD/Legal Bureau biennial rates.

## DEPARTMENT OF LABOR & INDUSTRY-6602 EMPLOYMENT RELATIONS DIVISION-04

Please note that this program also contains HB 2 funding.



### Proprietary Rates

Program Proposed Budget	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
Budget Item							
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Benefits & Claims	341,063	0	0	341,063	0	0	341,063
Transfers	58,004	0	0	58,004	0	0	58,004
<b>Total Costs</b>	<b>\$399,067</b>	<b>\$0</b>	<b>\$0</b>	<b>\$399,067</b>	<b>\$0</b>	<b>\$0</b>	<b>\$399,067</b>
Proprietary	399,067	0	0	399,067	0	0	399,067
<b>Total Funds</b>	<b>\$399,067</b>	<b>\$0</b>	<b>\$0</b>	<b>\$399,067</b>	<b>\$0</b>	<b>\$0</b>	<b>\$399,067</b>

**Proprietary 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 \$700,000 to provide an operating balance for payment of benefits and administrative costs.(39-71-901..920, MCA)

**Revenues and Expenses** - Montana's Subsequent Injury program is funded through an annual assessment on Plan 1 (Self Funded) workers compensation employers and a surcharge on premium for Plan 2 (Private sector), and Plan 3 (State Fund) employers. The assessment is based on a percentage of the compensation and medical benefits paid in Montana by each insurer in the preceding calendar year. The expenses consist of the administration costs within the Employment Relations Division and the assumed liability for qualified subsequently injured workers and that benefit cost exposure. (39-71-905, MCA)

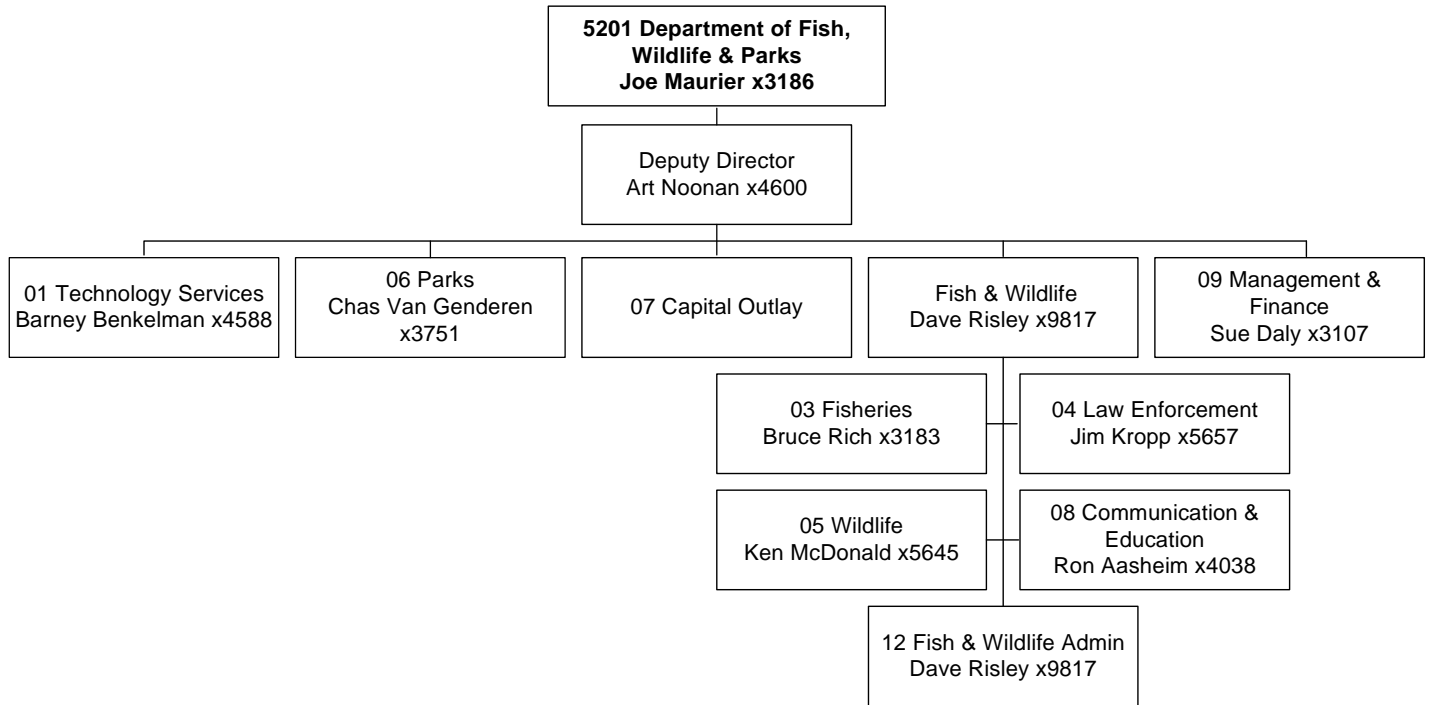
**Rate Explanation** -The Subsequent Injury fund rate is set by the Employment Relations Division based on the total amount of paid losses reimbursed by the fund in the preceding calendar year. A schedule for this rate of assessment is contained in the Employment Relations Division annual report. <http://erd.dli.mt.gov/annualrpt/ar2010/AnnualReport09.pdf>

**DEPARTMENT OF LABOR & INDUSTRY-6602  
EMPLOYMENT RELATIONS DIVISION-04**

2013 Biennium Report on Internal Service and Enterprise Funds								
Fund	Fund Name	Agency #	Agency Name	Program Name				
6040	Subsequent Injury-Trust	66020	Dept. of Labor & Industry	Employment Relations Division				
			Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>								
Fee revenue								
	Subsequent Injury Fund Assessment (and Surcharge)		\$488,029	\$607,729	\$645,653	\$1,065,153	\$608,226	\$649,887
	Net Fee Revenue		\$488,029	\$607,729	\$645,653	\$1,065,153	\$608,226	\$649,887
	Investment Earnings		\$56,334	-\$79,065	\$25,466	\$21,211	-\$79,065	\$56,334
	Securities Lending Income		\$24,704	\$3,601	\$547	\$195	\$3,601	\$24,704
	Premiums (Charges for Services)		-\$389	\$0	\$0	\$0	\$0	-\$389
	Other Operating Revenues		\$4,330	\$1,005	\$514	\$514	\$1,005	\$4,330
	Total Operating Revenue		\$573,009	\$533,270	\$672,180	\$1,087,073	\$533,767	\$734,867
<b>Operating Expenses:</b>								
Personal Services								
	Other Operating Expenses		\$985,238	\$363,291	\$444,235	\$742,842	\$399,067	\$399,067
	Total Operating Expenses		\$985,238	\$363,291	\$444,235	\$742,842	\$399,067	\$399,067
	Operating Income (Loss)		<b>(\$412,229)</b>	<b>\$169,979</b>	<b>\$227,945</b>	<b>\$322,311</b>	<b>\$134,700</b>	<b>\$335,800</b>
<b>Nonoperating Revenues (Expenses):</b>								
	Other Nonoperating Revenues (Expenses)		\$0	\$0	\$0	\$0	\$0	\$0
	Net Nonoperating Revenues (Expenses)		\$0	\$0	\$0	\$0	\$0	\$0
	Income (Loss) Before Operating Transfers		(\$412,229)	\$169,979	\$227,945	\$322,311	\$134,700	\$335,800
	Contributed Capital		\$0	\$0	\$0	\$0	\$0	\$0
	Operating Transfers In (Note 13)		\$0	\$0	\$0	\$0	\$0	\$0
	Operating Transfers Out (Note 13)		(\$105,994)	(\$94,145)	(\$58,004)	(\$105,994)	(\$94,145)	(\$58,004)
	Change in net assets		(\$518,224)	\$75,835	\$169,941	\$216,317	\$40,555	\$277,796
	Total Net Assets- July 1 - As Restated		(2,155,601)	(2,692,214)	(\$2,620,433)	(\$2,450,833)	(\$2,234,516)	(\$2,193,961)
	Prior Period Adjustments		(\$18,390)	\$0	(\$40,170)	\$0	\$0	\$0
	Cumulative effect of account change		\$0	\$0	\$0	\$0	\$0	\$0
	Total Net Assets - July 1 - As Restated		(\$2,173,991)	(\$2,692,214)	(\$2,660,603)	(\$2,450,833)	(\$2,234,516)	(\$2,193,961)
	Net Assets- June 30 *		<b>(\$2,692,215)</b>	<b>(\$2,616,379)</b>	<b>(\$2,490,662)</b>	<b>(\$2,234,516)</b>	<b>(\$2,193,961)</b>	<b>(\$1,916,166)</b>
	60 days of expenses (Total Operating Expenses divided by 6)		\$164,206	\$60,548	\$74,039	\$123,807	\$66,511	\$66,511
<b>Requested Rates for Enterprise Funds</b>								
<b>Fee/Rate Information</b>								
			Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FYE 11	Budgeted FYE 12	Budgeted FYE 13
<b>Admin Assessment and Surcharge</b>								
	Plan I- Insureds (Admin costs & benefits paid to certified claimants)		\$111,705	\$146,115	\$171,686	\$173,130	\$146,115	\$171,686
	Plan II- Insureds (Admin costs & benefits paid to certified claimants)		\$143,793	\$181,111	\$177,151	\$347,937	\$181,111	\$177,151
	Plan III- Old Insureds (Admin costs & benefits paid to certified claimants)		\$10,002	\$20,500	\$4,236	\$24,736	\$20,500	\$4,236
	Plan III- New Insureds (Admin costs & benefits paid to certified claimants)		\$232,529	\$260,500	\$296,814	\$519,351	\$260,500	\$296,814
The rates are based on the four Workers Compensation (WC) insurance plans' share of the WC market as compared to the net outlay of the Subsequent Injury Fund (SIF) in a calendar year. Please see 39-71-915, MCA, for particular details.								

# DEPARTMENT OF FISH, WILDLIFE & PARKS-5201

Please note that this agency also contains HB 2 funding.



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

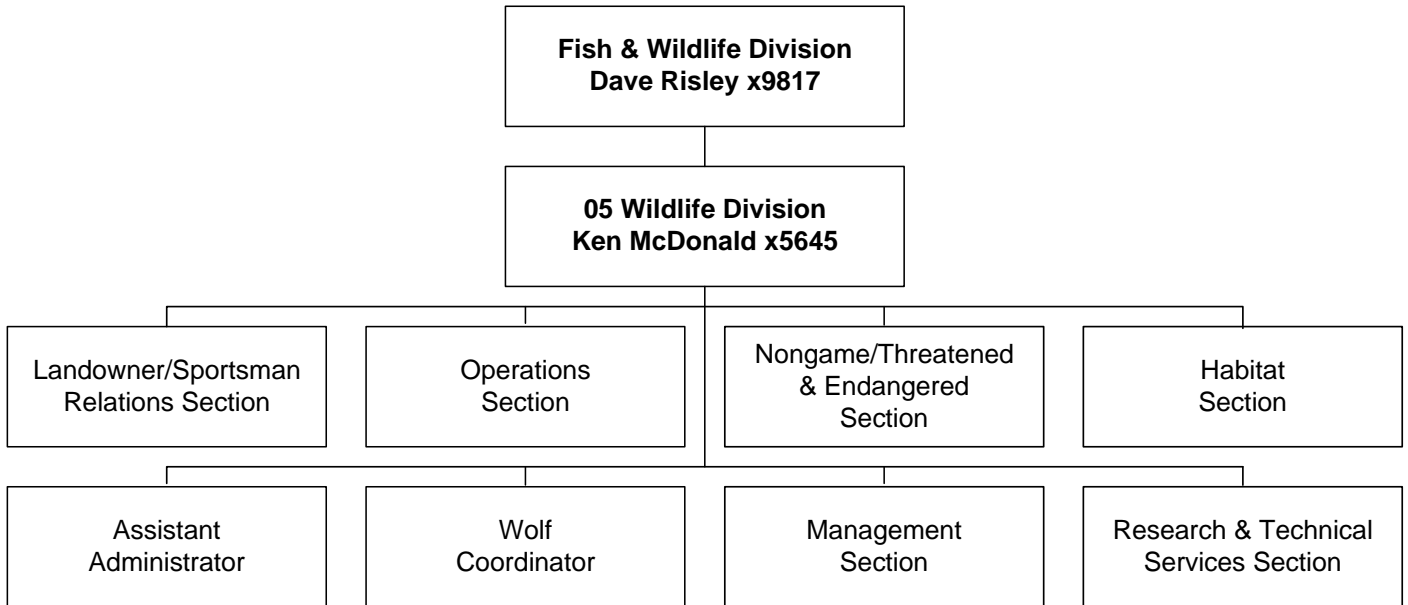
**Statutory Authority** - Title 87 and 23, MCA.

Agency Proposed Budget							
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	4.06	0.00	0.00	4.06	0.00	0.00	4.06
Personal Services	181,739	1,018	0	182,757	1,258	0	182,997
Operating Expenses	2,228,223	450,337	0	2,678,560	553,614	0	2,781,837
Equipment & Intangible Assets	825,931	163,682	0	989,613	200,835	0	1,026,766
<b>Total Costs</b>	<b>\$3,235,893</b>	<b>\$615,037</b>	<b>\$0</b>	<b>\$3,850,930</b>	<b>\$755,707</b>	<b>\$0</b>	<b>\$3,991,600</b>
Proprietary	3,235,893	615,037	0	3,850,930	755,707	0	3,991,600
<b>Total Funds</b>	<b>\$3,235,893</b>	<b>\$615,037</b>	<b>\$0</b>	<b>\$3,850,930</b>	<b>\$755,707</b>	<b>\$0</b>	<b>\$3,991,600</b>



**DEPARTMENT OF FISH, WILDLIFE & PARKS-5201  
WILDLIFE DIVISION-05**

Please note that this program also contains HB 2 funding.



**Proprietary Rates**

Program Proposed Budget	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	289,823	69,788	0	359,611	84,173	0	373,996
<b>Total Costs</b>	<b>\$289,823</b>	<b>\$69,788</b>	<b>\$0</b>	<b>\$359,611</b>	<b>\$84,173</b>	<b>\$0</b>	<b>\$373,996</b>
Proprietary	289,823	69,788	0	359,611	84,173	0	373,996
<b>Total Funds</b>	<b>\$289,823</b>	<b>\$69,788</b>	<b>\$0</b>	<b>\$359,611</b>	<b>\$84,173</b>	<b>\$0</b>	<b>\$373,996</b>

**Proprietary Program Description -Aircraft Fund**

The department's aircraft fund provides aircrafts to department employees. These revenue users are department employees, mostly fish and wildlife biologists. Every month, users are charged for the hours flown during the previous month.

**Revenues and Expenses - Aircraft Fund**

Revenues, Expenses and Fund Equity - The objective of the aircraft account is to recover (through rates) sufficient funds to cover insurance costs, fuel, repair costs, and general operational costs of the airplanes. Personal Services are not covered by this fund. The two largest costs are fuel and repairs. The average annual repair costs for the past six years have been \$181,000. In FY 2010 the department flew just under 1,000 hours in department aircrafts.

Working Capital Discussion - The department attempts to manage this account so that a 60-day working capital amount of cash is available when the cash balance is at its lowest level. To compensate for a cash flow problem created by increasing fuel costs rates and reduce flight hours due to vacant positions rates were increased by 20% in both FY 2010 and FY 2011. Due to anticipated increased flight hours and steady fuel prices, the program is requesting no increases to our FY 2010 rates.

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

## DEPARTMENT OF FISH, WILDLIFE & PARKS-5201 WILDLIFE DIVISION-05

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 aircraft fund currently has a \$300,000 loan from another fund. The program anticipates repaying this loan by the end of FY 2013.

Fund Equity and Reserved Fund Balance - There is no requirement to reserve fund balance. At FYE 2010, the aircraft fund had total assets of \$280,000 and the book value (original cost less accumulated depreciation) of the fleet was \$182,000. 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 aircraft.

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

### **Rate Explanation**

The rate methodology attempts to determine a cost/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 to establish the net cash inflow. Future year expenses are estimated based on the most current year's information plus a 5% inflationary factor. Using anticipated future year's usage and the projected expenses, a cost (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.

### **Aircraft Rates**

<b>Description</b>	<b>FY 2012</b>	<b>FY 2013</b>
Per Hour Rates:		
2 Place Single Engine	\$108.07	\$108.07
Partnavia	\$514.56	\$514.56
Turbine Helicopters	\$576.10	\$576.10

Adjustments to the Base Rate - No adjustments to the base rate have been requested this biennium.

**DEPARTMENT OF FISH, WILDLIFE & PARKS-5201  
WILDLIFE DIVISION-05**

**2013 Biennium Report on Internal Service and Enterprise Funds**

Fund	Fund Name	Agency #	Agency Name	Program Name					
06540	FWP Aircraft	52010	Fish, Wildlife & Parks	Wildlife					
				Actuals FY08	Actual FY09	Actuals FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>									
Fee revenue									
	Revenue from vehicle fees			300,774	251,584	354,179	380,120	370,000	370,000
	Revenue from aircraft fees			-	-				
	Net Fee Revenue			300,774	251,584	354,179	380,120	370,000	370,000
	Investment Earnings			-	-	-	-	-	-
	Securities Lending Income			-	-	-	-	-	-
	Premiums			-	-	-	-	-	-
	Other Operating Revenues			-	-	-	-	-	-
	Total Operating Revenue			300,774	251,584	354,179	380,120	370,000	370,000
<b>Operating Expenses:</b>									
	Personal Services			-	-				
	Other Operating Expenses			412,573	274,749	312,506	345,780	359,611	373,996
	Total Operating Expenses			412,573	274,749	312,506	345,780	359,611	373,996
	Operating Income (Loss)			<b>(111,799)</b>	<b>(23,165)</b>	<b>41,673</b>	<b>34,340</b>	<b>10,389</b>	<b>(3,996)</b>
<b>Nonoperating Revenues (Expenses):</b>									
	Gain (Loss) Sale of Fixed Assets								
	Federal Indirect Cost Recoveries			-	-	-	-	-	-
	Other Nonoperating Revenues (Expenses)			-	-	-	-	-	-
	Net Nonoperating Revenues (Expenses)			-	-	-	-	-	-
	Income (Loss) Before Operating Transfers			(111,799)	(23,165)	41,673	34,340	10,389	(3,996)
	Contributed Capital			-	-	-	-	-	-
	Operating Transfers In (Note 13)								
	Operating Transfers Out (Note 13)			(19,631)	-	-	-	-	-
	Change in net assets			(131,430)	(23,165)	41,673	34,340	10,389	(3,996)
	Total Net Assets- July 1 - As Restated			79,307	(52,123)	(75,288)	(34,340)	(0)	10,388
	Prior Period Adjustments			-	-	(725)	-	-	-
	Cumulative effect of account change			-	-	-	-	-	-
	Total Net Assets - July 1 - As Restated			79,307	(52,123)	(76,013)	(34,340)	(0)	10,388
	Net Assets- June 30			<b>(52,123)</b>	<b>(75,288)</b>	<b>(34,340)</b>	<b>(0)</b>	<b>10,388</b>	<b>6,393</b>
	60 days of expenses (Total Operating Expenses divided by 6)			68,762	45,791	52,084	57,630	59,935	62,333
<b>Requested Rates for Internal Service Funds</b>									
<b>Fee/Rate Information</b>									
				Actuals FY08	Actual FY09	Actuals FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
	Revenue from aircraft fees								
	Two place - single engine (per hour)			75.05	90.06	108.07	129.69	108.07	108.07
	Partnavia (per hour)			357.34	428.80	514.56	617.47	514.56	514.56
	Turbine helicopters (per hour)			417.46	480.08	576.10	691.32	576.10	576.10

**DEPARTMENT OF FISH, WILDLIFE & PARKS-5201  
WILDLIFE DIVISION-05**

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

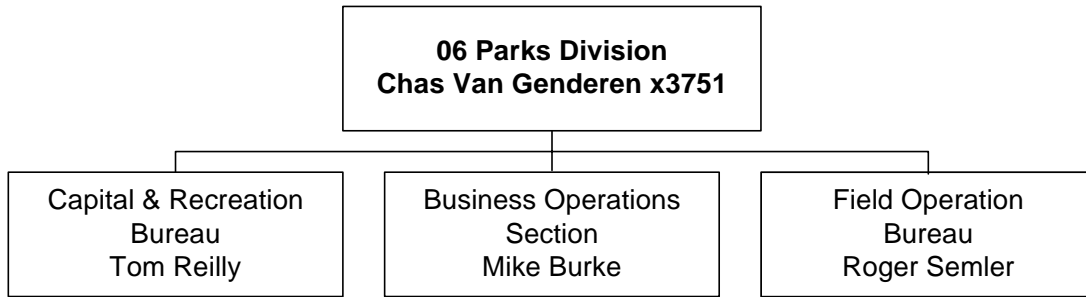
	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$62,363	\$0
FY 2013	\$80,335	\$0

**PL- 510 - FWP Aircraft Proprietary Operations Adjustment -**

This operating adjustment is for \$62,363 in FY 2012 and \$80,335 in FY 2013 of proprietary funds to reflect estimated expenses in aircraft repair and maintenance in the upcoming biennium. There is no impact to rates.

**DEPARTMENT OF FISH, WILDLIFE & PARKS-5201  
PARKS DIVISION-06**

Please note that this program also contains HB 2 funding.



**Proprietary Rates**

Program Proposed Budget	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
Budget Item							
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	7,256	(7,256)	0	0	(7,256)	0	0
Operating Expenses	107,767	2,233	0	110,000	2,233	0	110,000
<b>Total Costs</b>	<b>\$115,023</b>	<b>(\$5,023)</b>	<b>\$0</b>	<b>\$110,000</b>	<b>(\$5,023)</b>	<b>\$0</b>	<b>\$110,000</b>
Proprietary	115,023	(5,023)	0	110,000	(5,023)	0	110,000
<b>Total Funds</b>	<b>\$115,023</b>	<b>(\$5,023)</b>	<b>\$0</b>	<b>\$110,000</b>	<b>(\$5,023)</b>	<b>\$0</b>	<b>\$110,000</b>

**Proprietary Program Description** – The statute 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 Montana State Parks visitor centers that sell books, clothing, and commemorative items 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 2010, this fund accounted for the following monies: \$138,564 of earned revenue, \$110,614 of expenditures and a fund balance in the amount of \$290,974.

**Revenues and Expenses** - Revenues are generated by the sales of interpretive and educational merchandise at park visitor centers and regional offices. The expenses associated with the enterprise fund include office supplies, merchandising materials, and the purchase of inventory to replenish stock. As the program develops, the 60-day working capital requirement would provide sufficient cash to fund on-going operations of the program. The cash balances are highest in the winter after the parks season ends and lowest in the spring when stock is purchased to replenish inventory.

**Rate Explanation** –The goal of the program is to ensure sufficient revenues are collected to replenish inventory.

**DEPARTMENT OF FISH, WILDLIFE & PARKS-5201  
PARKS DIVISION-06**

**2013 Biennium Report on Internal Service and Enterprise Funds**

Fund	Fund Name	Agency #	Agency Name	Program Name
06068	MFWP Visitor Services	5201	Fish Wildlife & Parks	Parks Division

	Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>						
Fee revenue						
Goods For Resale	110,953	123,655	138,023	142,000	145,000	150,000
Net Fee Revenue	110,953	123,655	138,023	142,000	145,000	150,000
Investment Earnings	4,769	2,106	491	-	-	-
Securities Lending Income	34	178	50	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	8	-	-	-	-	-
Total Operating Revenue	115,764	125,939	138,564	142,000	145,000	150,000
<b>Operating Expenses:</b>						
Personal Services	-	-	7,256	31,500	30,000	30,000
Other Operating Expenses	105,336	97,110	103,358	110,000	110,000	110,000
Total Operating Expenses	105,336	97,110	110,614	141,500	140,000	140,000
Operating Income (Loss)	10,428	28,829	27,950	500	5,000	10,000
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	10,428	28,829	27,950	500	5,000	10,000
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	10,428	28,829	27,950	500	5,000	10,000
Total Net Assets- July 1 - As Restated	220,746	232,050	263,320	290,974	291,474	296,474
Prior Period Adjustments	876	2,441	(296)	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	221,622	234,491	263,024	290,974	291,474	296,474
Net Assets- June 30	232,050	263,320	290,974	291,474	296,474	306,474
60 days of expenses (Total Operating Expenses divided by 6)	17,556	16,185	18,436	23,583	23,333	23,333

**Requested Rates for Enterprise Funds**

**Fee/Rate Information**

	Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
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. FTE expenses relate directly to operations of the enterprise store locations. The Enterprise fund applies a markup of approximately 40% or more on goods purchased for resale to ensure sufficient revenues to replenish stock.

**DEPARTMENT OF FISH, WILDLIFE & PARKS-5201  
PARKS DIVISION-06**

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

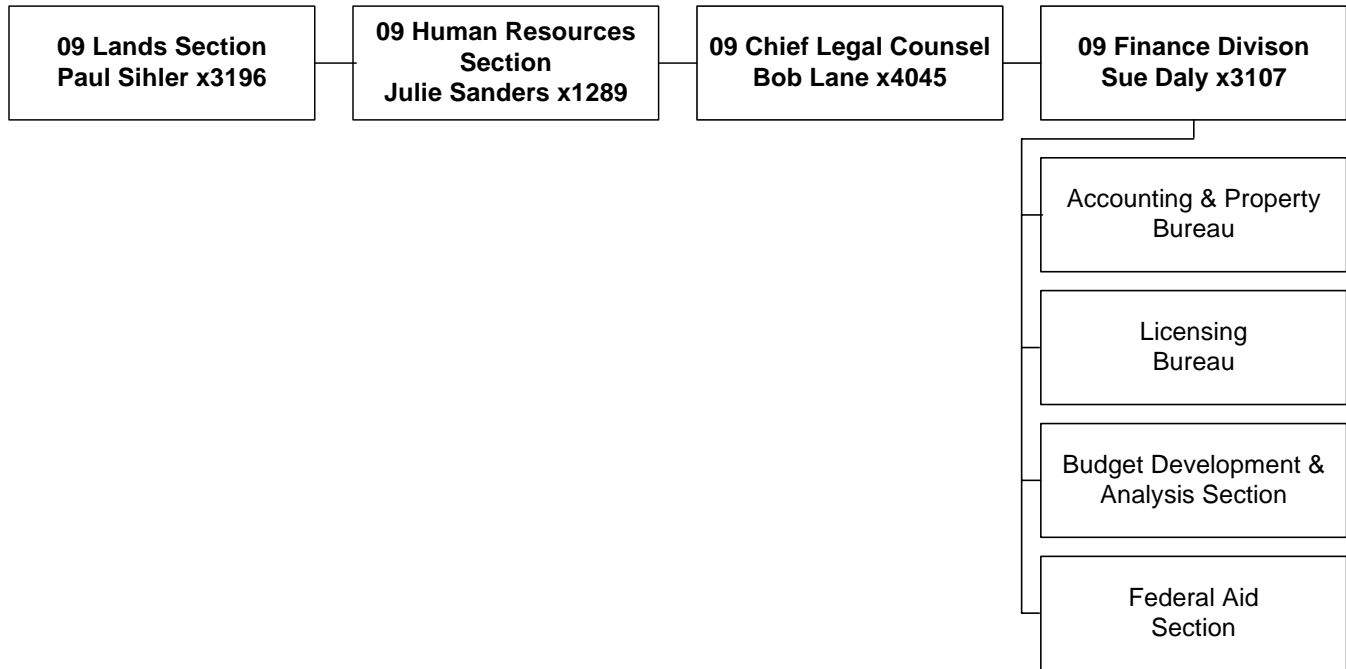
	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$2,222	\$0
FY 2013	\$2,217	\$0

**PL- 607 - Visitor Services Proprietary Fund Ops Adjustment -**

This operating adjustment is for \$2,222 in FY 2012 and \$2,217 in FY 2013 of proprietary funds for expected expenses in the upcoming biennium. There is no impact to rates.

## DEPARTMENT OF FISH, WILDLIFE & PARKS-5201 MANAGEMENT & FINANCE-09

Please note that this program also contains HB 2 funding.



### Proprietary Rates

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	4.06	0.00	0.00	4.06	0.00	0.00	4.06
Personal Services	174,483	8,274	0	182,757	8,514	0	182,997
Operating Expenses	1,830,633	378,316	0	2,208,949	467,208	0	2,297,841
Equipment & Intangible Assets	825,931	163,682	0	989,613	200,835	0	1,026,766
<b>Total Costs</b>	<b>\$2,831,047</b>	<b>\$550,272</b>	<b>\$0</b>	<b>\$3,381,319</b>	<b>\$676,557</b>	<b>\$0</b>	<b>\$3,507,604</b>
Proprietary	2,831,047	550,272	0	3,381,319	676,557	0	3,507,604
<b>Total Funds</b>	<b>\$2,831,047</b>	<b>\$550,272</b>	<b>\$0</b>	<b>\$3,381,319</b>	<b>\$676,557</b>	<b>\$0</b>	<b>\$3,507,604</b>

### Proprietary Program Description

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

**Equipment Enterprise Fund** - The department's equipment fund provides a fleet of vehicles 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 during the previous month.

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



# DEPARTMENT OF FISH, WILDLIFE & PARKS-5201

## MANAGEMENT & FINANCE-09

### Revenues and Expenses -

#### Duplicating Center

Revenues and Expenses and Fund Equity - Expenses recovered in the rates are the personal services of the 1.00 FTE, operating expenses and the raw materials needed for duplicating.

Rates have been historically adjusted based on the need to increase or decrease the cash balances in the account. Prior to requesting new rates, a review of the cash balance is completed. At FYE 2010, the cash balance was (\$458).

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

Fund Equity and Reserved Fund Balance - A portion of the program's fund balance has been reserved for the duplicating center's equipment and inventory. At FYE 2010 the book value of the fund's assets was \$7,456 and the fund had \$10,576 in inventory.

Cash Flow Discussion - 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.

#### Equipment Fund

Revenues, Expenses and Fund Equity - The objective of the vehicle account is to recover (through rates and annual auction revenues) sufficient funds to cover administrative costs to operate the program (personal services and operations), fuel and repair costs of fleet in addition to being able to replace fleet vehicles at approximately 120,000 miles. A total of 2.56 FTE are funded in this fund. The two largest costs are fuel and repairs. In FY 2006 the fund spent over \$930,000 on fuel and \$365,000 on repairs. In FY 2008 the fund spent \$1.28 million on fuel and \$340,000 on repairs. In FY 2010 the fund spent over \$1.1 million on fuel and \$380,000 on repairs. Gasoline expenses have decreased 14% in the past two years but are expected to increase again in the near future. In FY 2010 the department drove just over 5.8 million miles in department vehicles. Due to the proposed rates in FY 2012 and FY 2013, the program anticipates revenues of \$2.9 million in FY 2012 and \$3 million in FY 2013.

Working Capital Discussion - The department attempts to manage this account so that a 60-day working capital amount of cash is available when the cash balance is at its lowest level. Since the cash balance is finally positive and fuel prices have stabilized, the program is requesting no increases in the next biennium to our FY 2011 rates.

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.

Fund Equity and Reserved Fund Balance - There is no requirement to reserve fund balance. At FYE 2010, the vehicle fund had total assets of \$6,765,082 and the book value (original cost less accumulated depreciation) of the fleet was \$6,276,786. A portion of the program's fund balance has been reserved for the book value of department vehicles.

Cash Balance Discussion - 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 lower than spring balances

#### Warehouse Inventory

Revenues and Expenses - The expenses associated with the warehouse include personal services, miscellaneous office supplies and expenses for the warehouse worker and inventory purchased needed to replenish existing stock. Revenues are the sales of inventory items to department employees. The program anticipates revenues to be constant at around \$90,000 per year for FY 2012 and FY 2013.

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

**DEPARTMENT OF FISH, WILDLIFE & PARKS-5201  
MANAGEMENT & FINANCE-09**

made during the month. Cash balances fluctuate during the year.

Cash Balance Discussion - Cash balances are lowest during the winter when stock is replenished and highest during the summer when temporary and seasonal employees are hired and issued uniform items.

**Rate Explanation**

**Duplicating Center**

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

**Proposed Rates**

<b>Item</b>	<b>FY 2012</b>	<b>FY 2013</b>
Copies		
1-20	\$0.065	\$0.070
21-100	\$0.050	\$0.055
101-1,000	\$0.045	\$0.050
1,001-5,000	\$0.040	\$0.045
Color - per sheet	\$0.25	\$0.25
Binding		
Collating (per sheet)	\$0.010	\$0.010
Hand Stapling (per set)	\$0.020	\$0.020
Saddle stitch (per set)	\$0.035	\$0.035
Folding (per sheet)	\$0.010	\$0.010
Punching (per sheet)	\$0.005	\$0.005
Cutting (per minute)	\$0.600	\$0.600

**Vehicle**

The rate methodology attempts to determine a cost/mile rate for various classes of vehicles. 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 10% 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. Since the cash balance is finally positive and fuel prices have stabilized, the program is requesting no increases to the FY 2011 rates.

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.

**Proposed Rates**

<b>Description</b>	<b>FY 2012</b>	<b>FY 2013</b>
Per Mile Rates:		
Sedans	\$0.46	\$0.46
Vans	\$0.53	\$0.53
Utilities	\$0.58	\$0.58
Pickup 1/2 Ton	\$0.53	\$0.53
Pickup 3/4 Ton	\$0.61	\$0.61

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

**DEPARTMENT OF FISH, WILDLIFE & PARKS-5201  
MANAGEMENT & FINANCE-09**

miles.

**Warehouse Inventory**

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

The approved FY 2010 and FY 2011 rate was 18%. Due to a substantial increase to our inventory, the program currently has a \$27,000 loan from another fund. This loan is necessary to maintain a positive cash balance in this fund. In order to reduce this loan, the program is now requesting a warehouse overhead rate of 24% in FY 2012 and 26% in FY 2013. The rate is calculated by estimating the support costs required to maintain the warehouse function such as personal services, office supplies and other miscellaneous office costs. Based on estimated warehouse sales, a fixed overhead percentage is determined that allows the department to recover the warehouse support costs. This rate is also adjusted for any previous over or under collections. Due to the size of this operation, a simple warehouse overhead rate has been considered the most logical.

**DEPARTMENT OF FISH, WILDLIFE & PARKS-5201  
MANAGEMENT & FINANCE-09**

2013 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency #	Agency Name	Program Name		
06501	Duplicating Center	52010	Fish, Wildlife & Parks	Management & Finance		
			Actual	Actual	Actual	Budgeted
			FY08	FY09	FY10	FY11
						Budgeted
						FY12
						Budgeted
						FY13
<b>Operating Revenues:</b>						
Fee revenue						
	Revenue from Duplicating Center		69,261	85,196	81,826	83,000
	Net Fee Revenue		69,261	85,196	81,826	83,000
	Investment Earnings		-	-	-	-
	Securities Lending Income		-	-	-	-
	Premiums		-	-	-	-
	Other Operating Revenues		-	-	-	-
	Total Operating Revenue		69,261	85,196	81,826	83,000
<b>Operating Expenses:</b>						
	Personal Services		36,185	38,083	38,658	37,746
	Other Operating Expenses		47,585	60,294	46,629	40,481
	Total Operating Expenses		83,770	98,377	85,287	78,227
	Operating Income (Loss)		<b>(14,509)</b>	<b>(13,181)</b>	<b>(3,461)</b>	<b>4,773</b>
<b>Nonoperating Revenues (Expenses):</b>						
	Gain (Loss) Sale of Fixed Assets		-	-	-	-
	Federal Indirect Cost Recoveries		-	-	-	-
	Other Nonoperating Revenues (Expenses)		-	-	-	-
	Net Nonoperating Revenues (Expenses)		-	-	-	-
	Income (Loss) Before Operating Transfers		(14,509)	(13,181)	(3,461)	4,773
	Contributed Capital		-	-	-	-
	Operating Transfers In (Note 13)		-	-	-	-
	Operating Transfers Out (Note 13)		-	-	-	-
	Change in net assets		(14,509)	(13,181)	(3,461)	4,773
	Total Net Assets- July 1 - As Restated		39,277	24,768	11,587	8,126
	Prior Period Adjustments		-	-	-	-
	Cumulative effect of account change		-	-	-	-
	Total Net Assets - July 1 - As Restated		39,277	24,768	11,587	8,126
	Net Assets- June 30		<b>24,768</b>	<b>11,587</b>	<b>8,126</b>	<b>12,899</b>
	60 days of expenses (Total Operating Expenses divided by 6)		13,962	16,396	14,215	13,038
<b>Requested Rates for Internal Service Funds</b>						
<b>Fee/Rate Information</b>						
			Actual	Actual	Actual	Budgeted
			FY08	FY09	FY10	FY11
						Budgeted
						FY12
						Budgeted
						FY13
	Duplicating (number of copies)					
	1-20		0.050	0.055	0.060	0.065
	21-100		0.035	0.040	0.045	0.050
	101-1000		0.030	0.035	0.040	0.045
	1001-5000		0.025	0.030	0.035	0.040
	Color Copies		0.250	0.200	0.250	0.250
	Bindery					
	Colating (per sheet)		0.005	0.010	0.010	0.010
	Hand stapling (per set)		0.015	0.020	0.020	0.020
	Saddle stitch (per set)		0.030	0.035	0.035	0.035
	Folding (per sheet)		0.005	0.010	0.010	0.010
	Punching (per sheet)		0.001	0.005	0.005	0.005
	Cutting (per minute)		0.550	0.600	0.600	0.600

## DEPARTMENT OF FISH, WILDLIFE & PARKS-5201 MANAGEMENT & FINANCE-09

### 2013 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 FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>						
Fee revenue						
Revenue from vehicle fees	2,666,709	2,794,317	3,067,727	2,800,000	2,900,000	3,000,000
Net Fee Revenue	2,666,709	2,794,317	3,067,727	2,800,000	2,900,000	3,000,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	2,666,709	2,794,317	3,067,727	2,800,000	2,900,000	3,000,000
<b>Operating Expenses:</b>						
Personal Services	78,713	120,225	127,437	122,305	125,974	129,753
Other Operating Expenses	2,364,181	2,343,789	2,513,002	2,935,077	3,052,480	3,174,579
Total Operating Expenses	2,442,894	2,464,014	2,640,439	3,057,382	3,178,454	3,304,333
Operating Income (Loss)	<b>223,815</b>	<b>330,303</b>	<b>427,288</b>	<b>(257,382)</b>	<b>(278,454)</b>	<b>(304,333)</b>
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	765	29,421	40,201	(100,000)	(100,000)	(100,000)
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	765	29,421	40,201	(100,000)	(100,000)	(100,000)
Income (Loss) Before Operating Transfers	224,580	359,724	467,489	(357,382)	(378,454)	(404,333)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	155,282	114,118	73,299	100,000	100,000	100,000
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	379,862	473,842	540,788	(257,382)	(278,454)	(304,333)
Total Net Assets- July 1 - As Restated	5,367,543	5,740,302	6,214,144	6,758,797	6,501,415	6,222,960
Prior Period Adjustments	(7,103)	-	3,865	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	5,360,440	5,740,302	6,218,009	6,758,797	6,501,415	6,222,960
Net Assets- June 30	<b>5,740,302</b>	<b>6,214,144</b>	<b>6,758,797</b>	<b>6,501,415</b>	<b>6,222,960</b>	<b>5,918,628</b>
60 days of expenses (Total Operating Expenses divided by 6)	407,149	410,669	440,073	509,564	529,742	550,722

#### Requested Rates for Internal Service Funds

##### Fee/Rate Information

	Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FYE 11	Budgeted FYE 12	Budgeted FYE 13
Revenue from vehicle fees						
Sedans (per mile)	0.36	0.38	0.45	0.46	0.46	0.46
Vans (per mile)	0.40	0.42	0.52	0.53	0.53	0.53
Utilities (per mile)	0.43	0.46	0.57	0.58	0.58	0.58
Pickups - 1/2 ton (per mile)	0.39	0.41	0.52	0.53	0.53	0.53
Pickups - 3/4 ton (per mile)	0.44	0.48	0.60	0.61	0.61	0.61

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

**DEPARTMENT OF FISH, WILDLIFE & PARKS-5201  
MANAGEMENT & FINANCE-09**

**2013 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 FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>								
Fee revenue								
	Revenue from warehouse sales		103,992	78,168	85,663	90,000	95,000	100,000
	Net Fee Revenue		103,992	78,168	85,663	90,000	95,000	100,000
	Investment Earnings		-	-	-	-	-	-
	Securities Lending Income		-	-	-	-	-	-
	Premiums		-	-	-	-	-	-
	Other Operating Revenues		-	-	-	-	-	-
	Total Operating Revenue		103,992	78,168	85,663	90,000	95,000	100,000
<b>Operating Expenses:</b>								
	Personal Services		15,173	11,061	12,472	22,730	23,412	24,114
	Other Operating Expenses	7551	114,744	82,839	75,761	105,242	100,000	100,000
	Total Operating Expenses		129,917	93,900	88,233	127,972	123,412	124,114
	Operating Income (Loss)		(25,925)	(15,732)	(2,570)	(37,972)	(28,412)	(24,114)
<b>Nonoperating Revenues (Expenses):</b>								
	Gain (Loss) Sale of Fixed Assets		-	-	-	-	-	-
	Federal Indirect Cost Recoveries		-	-	-	-	-	-
	Other Nonoperating Revenues (Expenses)		-	-	-	-	-	-
	Net Nonoperating Revenues (Expenses)		-	-	-	-	-	-
	Income (Loss) Before Operating Transfers		(25,925)	(15,732)	(2,570)	(37,972)	(28,412)	(24,114)
	Contributed Capital		-	-	-	-	-	-
	Operating Transfers In (Note 13)		-	-	-	-	-	-
	Operating Transfers Out (Note 13)		-	-	-	-	-	-
	Change in net assets		(25,925)	(15,732)	(2,570)	(37,972)	(28,412)	(24,114)
	Total Net Assets- July 1 - As Restated		138,796	112,871	97,139	94,569	56,597	28,185
	Prior Period Adjustments		-	-	-	-	-	-
	Cumulative effect of account change		-	-	-	-	-	-
	Total Net Assets - July 1 - As Restated		138,796	112,871	97,139	94,569	56,597	28,185
	Net Assets- June 30		112,871	97,139	94,569	56,597	28,185	4,071
	60 days of expenses (Total Operating Expenses divided by 6)		21,653	15,650	14,706	21,329	20,569	20,686
<b>Requested Rates for Internal Service Funds</b>								
<b>Fee/Rate Information</b>								
			Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
	Warehouse overhead rate		5%	5%	18%	20%	24%	26%
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.								

**DEPARTMENT OF FISH, WILDLIFE & PARKS-5201  
MANAGEMENT & FINANCE-09**

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

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$2,020	\$0
FY 2013	\$2,407	\$0

**PL- 904 - Duplicating Center Operations Adjustment -**

This operating adjustment is for \$2,020 in FY 2012 and \$2,407 in FY 2013 in proprietary funds for additional inflationary costs anticipated in the upcoming biennium. This represents approximately a 1% rate increase.

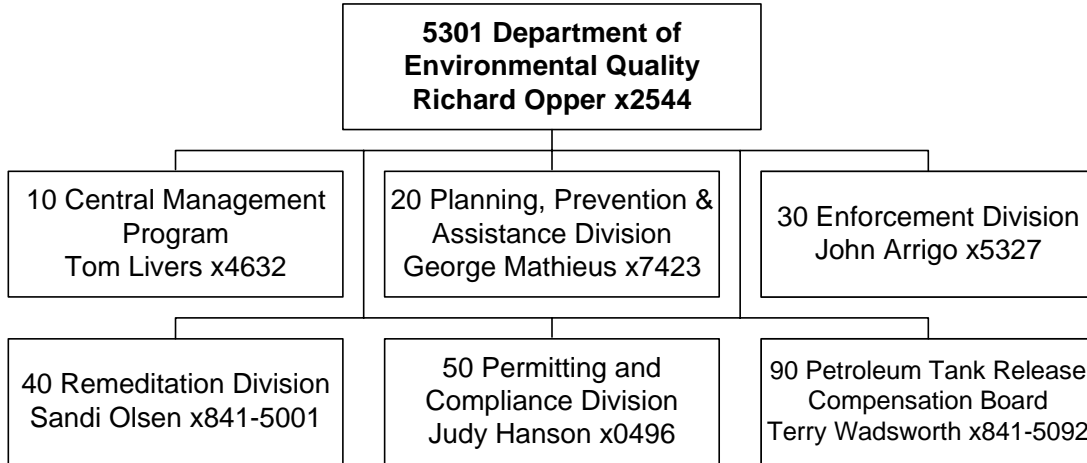
	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$373,682	\$0
FY 2013	\$450,835	\$0

**PL- 905 - Equipment Proprietary Fund Operations Adjustment -**

This base restoration is for \$373,682 in FY 2012 and \$450,835 in FY 2013 in equipment proprietary funds for expenses and inflation anticipated in the upcoming biennium. Current rates are sufficient to support this level of expenditure.

# DEPARTMENT OF ENVIRONMENTAL QUALITY-5301

Please note that this agency also contains HB 2 funding.



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

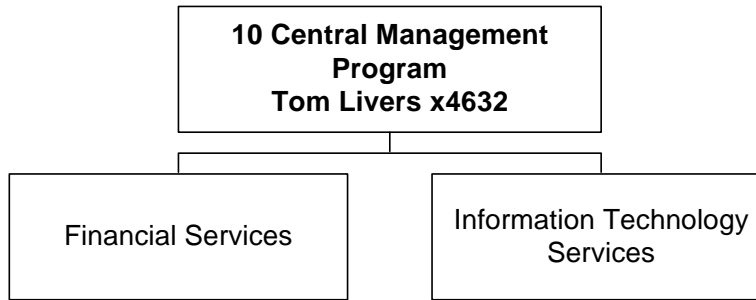
**Statutory Authority** - Titles 2, 7, 37, 50, 69, 75, 76, 80, 82 and 90, MCA; USC 24, 30, 33 and 42; PL No. 92-500, 95-87, 91, 95-224 and 99-519.

Agency Proposed Budget							
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	55.50	0.00	0.00	55.50	0.00	0.00	55.50
Personal Services	3,890,642	(1,208)	0	3,889,434	(4,407)	0	3,886,235
Operating Expenses	2,895,837	(8,124)	0	2,887,713	(136,059)	0	2,759,778
Equipment & Intangible Assets	8,173	0	0	8,173	0	0	8,173
<b>Total Costs</b>	<b>\$6,794,652</b>	<b>(\$9,332)</b>	<b>\$0</b>	<b>\$6,785,320</b>	<b>(\$140,466)</b>	<b>\$0</b>	<b>\$6,654,186</b>
Proprietary	6,794,652	(9,332)	0	6,785,320	(140,466)	0	6,654,186
<b>Total Funds</b>	<b>\$6,794,652</b>	<b>(\$9,332)</b>	<b>\$0</b>	<b>\$6,785,320</b>	<b>(\$140,466)</b>	<b>\$0</b>	<b>\$6,654,186</b>



## DEPARTMENT OF ENVIRONMENTAL QUALITY-5301 CENTRAL MANAGEMENT PROGRAM-10

Please note that this program also contains HB 2 funding.



### Proprietary Rates

Program Proposed Budget	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	55.50	0.00	0.00	55.50	0.00	0.00	55.50
Personal Services	3,890,642	(1,208)	0	3,889,434	(4,407)	0	3,886,235
Operating Expenses	2,895,837	(8,124)	0	2,887,713	(136,059)	0	2,759,778
Equipment & Intangible Assets	8,173	0	0	8,173	0	0	8,173
<b>Total Costs</b>	<b>\$6,794,652</b>	<b>(\$9,332)</b>	<b>\$0</b>	<b>\$6,785,320</b>	<b>(\$140,466)</b>	<b>\$0</b>	<b>\$6,654,186</b>
Proprietary	6,794,652	(9,332)	0	6,785,320	(140,466)	0	6,654,186
<b>Total Funds</b>	<b>\$6,794,652</b>	<b>(\$9,332)</b>	<b>\$0</b>	<b>\$6,785,320</b>	<b>(\$140,466)</b>	<b>\$0</b>	<b>\$6,654,186</b>

**Proprietary 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; a deputy director, an administrative officer, a 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 changed 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 negotiates the indirect cost rates with the U.S. Environmental Protection Agency (EPA).

## DEPARTMENT OF ENVIRONMENTAL QUALITY-5301 CENTRAL MANAGEMENT PROGRAM-10

**Revenues and Expenses** - The department has one proprietary fund, which is an internal service fund used to account for the department's indirect cost activity. The department anticipates negotiating an indirect cost rate with the U.S. Environmental Protection Agency (EPA) of approximately 24.0% percent on personal services and 4% on operating expenses in fiscal years 2012 & 2013. Revenues generated by the current indirect cost rate fund 55.50 FTE.

The Central Management Program provides the services presented in the program description. The cost of providing support services is directly related to the number of staff served and contracts and other operating expenses processed. The department negotiates an indirect rate with EPA based on that computation annually. Adjustments for over-recovery and under-recovery in the previous year are made to the calculations each year. EPA and DEQ agree to the services that are included in the indirect calculation. Funding is collected from all non-proprietary sources expended within the department. The fiscal year 2010 base collections were: \$860,612 in general fund, \$3,048,111 in state special revenue, and \$2,697,514 in federal special revenue.

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

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

**Fund Equity** - The department does not reserve a fund balance on the accounting records nor does it try to maintain a fund balance. The revenues generated should be enough to cover the current year's operations. However, due to timing factors, the fund balance does not always equal zero. Some of the fixed costs are due early in the fiscal year before current revenues are collected but the working capital is sufficient to cover these.

**Rate Explanation** -The department is requesting to continue separate indirect rates for personal services and operating expenses as approved in several previous legislative sessions (first passage 2007 Session).

The approved cap for FY 2010 and FY 2011 was set at 24% on the personal services and 4.0% for operating expenses. For the 2013 biennium, the department requests approval of the rate, a 24.0% cap on the personal services rate and 4% cap on the operating rate. The department negotiates the annual indirect cost rate with our cognizant agency, the Environmental Protection Agency (EPA). The approved rate is a fixed rate which may be slightly lower than the cap set by the 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 Section 17-3-111, MCA, which requires agencies to negotiate a rate that would recover indirect costs to the fullest extent possible.

**DEPARTMENT OF ENVIRONMENTAL QUALITY-5301  
CENTRAL MANAGEMENT PROGRAM-10**

**2013 Biennium Report on Internal Service and Enterprise Funds 2007**

Fund 6509	Fund Name DEQ Indirects	Agency # 5301	Agency Name DEQ	Program Name Central Management Division
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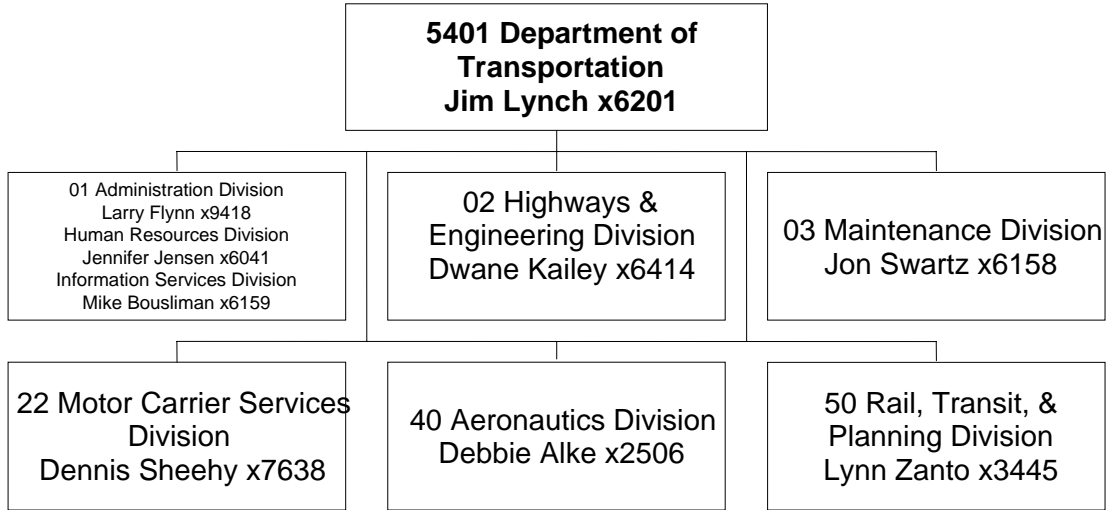
	Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>						
Fee revenue						
Revenue from State Services	3,273,141	3,850,923	4,361,892	4,264,547 <span style="color: green;">▲</span>	4,264,547 <span style="color: green;">▲</span>	4,264,547
Net Fee Revenue	3,273,141	3,850,923	4,361,892	4,264,547	4,264,547	4,264,547
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	<span style="color: green;">▲</span> 27,786 <span style="color: green;">▲</span>	<span style="color: green;">▲</span> 24,457 <span style="color: green;">▲</span>	9,057	12,250	12,250	12,250
Total Operating Revenue	<u>3,300,927</u>	<u>3,875,380</u>	<u>4,370,949</u>	<u>4,276,797</u>	<u>4,276,797</u>	<u>4,276,797</u>
<b>Operating Expenses:</b>						
Personal Services	3,264,185	3,762,947	3,902,760	3,834,120	3,896,699	3,873,833
Other Operating Expenses	2,561,327	2,534,000	3,058,654	2,773,975	2,874,244	2,759,350
Total Operating Expenses	<u>5,825,512</u>	<u>6,296,947</u>	<u>6,961,414</u>	<u>6,608,095</u>	<u>6,770,943</u>	<u>6,633,183</u>
Operating Income (Loss)	<b>(2,524,585)</b>	<b>(2,421,568)</b>	<b>(2,590,465)</b>	<b>(2,331,298)</b>	<b>(2,494,146)</b>	<b>(2,356,386)</b>
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	2,014,879	2,283,575	2,743,972	2,645,654 <span style="color: green;">▲</span>	2,645,654 <span style="color: green;">▲</span>	2,645,654
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	<u>2,014,879</u>	<u>2,283,575</u>	<u>2,743,972 <span style="color: green;">▲</span></u>	<u>2,645,654 <span style="color: green;">▲</span></u>	<u>2,645,654 <span style="color: green;">▲</span></u>	<u>2,645,654</u>
Income (Loss) Before Operating Transfers	(509,706)	(137,992)	153,507 <span style="color: green;">▲</span>	314,356 <span style="color: green;">▲</span>	151,508 <span style="color: green;">▲</span>	289,268
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	<u>(509,706)</u>	<u>(137,992)</u>	<u>153,507</u>	<u>314,356</u>	<u>151,508</u>	<u>289,268</u>
Total Net Assets- July 1 - As Restated	1,117,768	488,774	364,828	516,900	831,256	982,764
Prior Period Adjustments	(119,288)	14,045	(1,435)	-	-	-
Cumulative effect of account change						
Total Net Assets - July 1 - As Restated	998,480	502,820	363,393	516,900	831,256	982,764
Net Assets- June 30	<u><b>488,774</b></u>	<u><b>364,828</b></u>	<u><b>516,900</b></u>	<u><b>831,256</b></u>	<u><b>982,764</b></u>	<u><b>1,272,032</b></u>
60 days of expenses (Total Operating Expenses divided by 6)	970,919	1,049,491	1,160,236	1,101,349	1,128,491	1,105,531

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

	Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
Requested Rates for Internal Service Funds						
Personal Services	22.50%	21.00%	24.00%	24.00%	24.00%	24.00%
Operating	3.00%	4.00%	4.00%	4.00%	4.00%	4.00%

# DEPARTMENT OF TRANSPORTATION-5401

Please note that this agency also contains HB 2 funding.



**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 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	131.00	0.00	0.00	131.00	0.00	0.00	131.00
Personal Services	7,827,744	389,575	0	8,217,319	396,314	0	8,224,058
Operating Expenses	13,895,447	1,033,938	0	14,929,385	1,391,938	0	15,287,385
Equipment & Intangible Assets	10,423,757	0	0	10,423,757	0	0	10,423,757
Debt Service	209,382	45,850	0	255,232	45,850	0	255,232
<b>Total Costs</b>	<b>\$32,356,330</b>	<b>\$1,469,363</b>	<b>\$0</b>	<b>\$33,825,693</b>	<b>\$1,834,102</b>	<b>\$0</b>	<b>\$34,190,432</b>
Proprietary	32,356,330	1,469,363	0	33,825,693	1,834,102	0	34,190,432
<b>Total Funds</b>	<b>\$32,356,330</b>	<b>\$1,469,363</b>	<b>\$0</b>	<b>\$33,825,693</b>	<b>\$1,834,102</b>	<b>\$0</b>	<b>\$34,190,432</b>

## DEPARTMENT OF TRANSPORTATION-5401 STATE MOTOR POOL-07

Please note that this program also contains HB 2 funding.

### Proprietary Rates

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	6.00	0.00	0.00	6.00	0.00	0.00	6.00
Personal Services	320,350	29,422	0	349,772	29,745	0	350,095
Operating Expenses	2,370,445	204,658	0	2,575,103	285,379	0	2,655,824
Equipment & Intangible Assets	2,756,694	0	0	2,756,694	0	0	2,756,694
Debt Service	209,382	45,850	0	255,232	45,850	0	255,232
<b>Total Costs</b>	<b>\$5,656,871</b>	<b>\$279,930</b>	<b>\$0</b>	<b>\$5,936,801</b>	<b>\$360,974</b>	<b>\$0</b>	<b>\$6,017,845</b>
Proprietary	5,656,871	279,930	0	5,936,801	360,974	0	6,017,845
<b>Total Funds</b>	<b>\$5,656,871</b>	<b>\$279,930</b>	<b>\$0</b>	<b>\$5,936,801</b>	<b>\$360,974</b>	<b>\$0</b>	<b>\$6,017,845</b>

**Proprietary 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.

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

Use of the program is optional to agencies when personnel are required to travel by vehicle for official state business, but is encouraged in the Montana Operations Manual (MOM). Other options to use by state employees are: 1) other state-owned vehicles not part of the State Motor Pool fleet; 2) personal vehicles, with authorization provided by the agency director; or 3) vehicles from a private rental agency contract. The 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 you meet conditions as discussed in 1-0310-30 of the MOM manual.

The program does not expect any major changes to the customer base. The program has made some reductions to the fleet which is projected to result in fewer miles traveled in the 2013 biennium.

### Proprietary Revenues and Expenses -

Changes in Services and Fees - Revenue is primarily generated through vehicle rental fees, which provided 98% of the program revenue in FY 2010. The program also receives revenues resulting from the sale of surplus property and accident damages reimbursed by private individuals or insurance companies. Vehicle rental fees come from two service classes: 1) short-term rentals and 2) long-term leases. Short-term rentals serve agency personnel generally located in the Helena area who need to travel to other state locations and return to Helena at the culmination of the travel event. Long-term leases serve agencies with personnel housed in offices in Helena and most typically in other parts of the state. Rental fees are billed once a month to each agency. Agency rental expenditures (exception Montana Department of Transportation (MDT)) are recorded to expenditure account 62510. MDT rental expenditures are recorded to expenditure accounts 62404 - Motor Pool Usage and 62470 - Motor Pool assigned rental. The Motor Pool program records revenues to account 525020 - Service Reimbursements.

A large portion of the program expenses are indirect costs, such as administrative overhead costs, insurance, interest payments and utility costs. Indirect costs are supported by the assigned rates allocated to the eight classes of vehicles.

## DEPARTMENT OF TRANSPORTATION-5401 STATE MOTOR POOL-07

Direct costs include fuel, oil, repairs, and tires, and are supported by the usage rates for all eight 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 2013 biennium according to current inflation factors as of June 2010.

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.

There are no expected changes in services. The assigned and usage rates are re-calculated each biennium for legislative approval.

Working Capital Discussion - The Motor Pool rental rates are set to recover sufficient cash to make payments on the inter-cap loan interest and principle, cover normal operating expenses and personal services. 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. The cash needed in FY 2010 for 60 days of personal services and operating expenses such as fuel, repair parts and utilities is approximately \$493,611. Furthermore a cash balance is required throughout the year to make the inter-cap loan interest and principle payments.

Fund Equity and Reserved Fund Balance - The Motor Pool does not have a requirement to reserve fund balance. There are no management objectives to increase/decrease or maintain fund balances, except for 60 days working capital. The Motor Pool owns its vehicles which is a significant factor to the current fund balance.

Cash Flow Discussion - Motor Pool has maintained a cash balance in order to meet operational needs, pay back the outstanding general fund loan, make recurring interest and principle payments on the inter-cap loan from Board of investments. The General fund loan will be paid back before FY 2012. The intent of the Motor Pool program is to become less reliant on operational loans to meet its obligations. The current rental rates are expected to generate the appropriate revenue to maintain that goal.

Historical and Projected Trends - The program has increased from 278 units in fiscal 1996 to a high of 1056 in fiscal 2009. During that time, annual mileage increased from 4.4 million to a high of 14.9 million miles in fiscal 2008. 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) encouraging agencies to lease new vehicles from the State Motor Pool instead of agencies purchasing vehicles directly. During fiscal 2010 the program began to reduce fleet size based on miles traveled. Along with a reduction in travel by state employees, this fleet reduction will decrease the fleet size and the miles traveled in the upcoming biennium.

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
FYE2005	833	Units	13,014,200 miles
FYE2006	884	Units	13,646,466 miles
FYE2007	943	Units	14,104,595 miles
FYE2008	1032	Units	14,972,276 miles
FYE2009	1056	Units	14,380,872 miles
FYE2010	1020	Units	13,758,259 miles
FY2011	977	Units	13,732,948 miles projected
FY2012	982	Units	13,398,258 miles projected
FY2013	982	Units	13,398,258 miles projected

## DEPARTMENT OF TRANSPORTATION-5401 STATE MOTOR POOL-07

### Base Year Funding by Fund Type

01 General	\$3,898,009.27
02 State/Other Spec Rev	\$1,277,302.27
03 Fed/Other Spec Rev	\$1,340,909.21
06 Enterprise	\$36,253.17
06 Internal Service	\$53,838.74
08 State/Other Spec Rev	\$28,453.01
09 Pension Trust	\$5,666.68

**Rate Explanation** - The State Motor Pool rental rates are based on a dual 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, and tires. The assigned rate is charged for hours the vehicle was used and 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 dual rate structure provides: 1) more stable revenue to make loan payments and other cost obligations; and 2) equity among all vehicles classes so that one vehicle class does not subsidize another vehicle class.

The Motor Pool costs are calculated to be commensurate with costs by using the Equipment Vehicle Management System (EVMS) to provide cost information related to direct and indirect costs for each vehicle class. This cost information (reconciled to SABHRS financial information) was used to project final costs for FY 2010 and to provide the base cost to project costs for FY 2012 and FY 2013 rates. The cost information is adjusted for projected fleet size and any inflationary values for indirect and operational costs. The Motor Pool financial team reviews the rates on a monthly basis to ensure the rates have been calculated accurately.

The cash needed in FY 2010 for 60 days of personal services and operating expenses such as fuel, repair parts and utilities is approximately \$493,611. Furthermore a cash balance is required throughout the year to make the inter-cap loan interest and principle payments.

The balance sheet accounts that most significantly contribute to the fund balance are the asset accounts, 1701 Land, 1704 Equipment, and 1709 Accumulated Depreciation- Equipment.

For the 2013 biennium, the State Motor Pool requests legislative approval of the rates shown in Table 1

Table 1 – State Motor Pool Base and 2013 Biennium Requested Rates							
		Actual	Actual	Tier 1 \$2.85/gal		Tier 1 \$2.85/gal	
	Tier 1 \$3.21/gal	FY 2010		FY 2012		FY 2013	
Class	Description	Assigned (per hour)	Usage (per mile)	Assigned (per hour)	Usage (per mile)	Assigned (per hour)	Usage (per mile)
02	Small Utilities	2.543	0.176	1.265	0.155	1.271	0.156
03	Hybrid SUV	1.690	0.129	1.685	0.101	1.689	0.101
04	Large Utilities	2.347	0.208	1.990	0.205	1.998	0.206
05	Hybrid Sedans	2.355	0.093	1.477	0.072	1.483	0.072
06	Passenger Cars	1.733	0.134	1.278	0.134	1.285	0.134
07	Small Pickup	1.667	0.199	1.343	0.200	1.348	0.201
11	Large Pickup	1.797	0.207	1.352	0.222	1.358	0.223
12	Vans	1.825	0.198	1.283	0.183	1.289	0.184
		Tier 2 \$3.71/gal		Tier 2 \$3.35/gal		Tier 2 \$3.35/gal	
02	Small Utilities	2.543	0.200	1.265	0.178	1.271	0.179
03	Hybrid SUV	1.690	0.146	1.685	0.116	1.689	0.117

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04	Large Utilities	2.347	0.239	1.990	0.237	1.998	0.238
05	Hybrid Sedans	2.355	0.105	1.477	0.083	1.483	0.083
06	Passenger Cars	1.733	0.151	1.278	0.153	1.285	0.154
07	Small Pickup	1.667	0.225	1.343	0.229	1.348	0.230
11	Large Pickup	1.797	0.236	1.352	0.253	1.358	0.255
12	Vans	1.825	0.224	1.283	0.210	1.289	0.211
		Tier 3 \$4.21/gal		Tier 3 \$3.85/gal		Tier 3 \$3.85/gal	
02	Small Utilities	2.543	0.225	1.265	0.201	1.271	0.202
03	Hybrid SUV	1.690	0.164	1.685	0.132	1.689	0.132
04	Large Utilities	2.347	0.271	1.990	0.268	1.998	0.269
05	Hybrid Sedans	2.355	0.118	1.477	0.094	1.483	0.094
06	Passenger Cars	1.733	0.169	1.278	0.172	1.285	0.173
07	Small Pickup	1.667	0.252	1.343	0.257	1.348	0.258
11	Large Pickup	1.797	0.266	1.352	0.285	1.358	0.286
12	Vans	1.825	0.251	1.283	0.237	1.289	0.238

Motor Pool Expenses - Major cost drivers are fuel, vehicle repairs, depreciation, utilities, interest payment on inter-cap loans and personal services. It was assumed that fuel prices would remain stable over the next few years and the average fuel price from FY 2010 was used. Gallons were determined using projected fleet size and average miles used per year for each class of vehicle. Fuel prices are difficult to project and can impact other costs such as tires, repair parts and lubricants. Repair costs and utilities were estimated at FY 2010 levels while personal services were calculated at the 2011 budget amount. The assigned and usage costs were adjusted using a 2.24% inflation factor from Inflation.com. Depreciation was calculated using the FY 2010 level plus depreciation from new vehicles projected to be purchased. The Motor Pool funds 6 FTE.



# DEPARTMENT OF TRANSPORTATION-5401 STATE MOTOR POOL-07

## 2013 Biennium Report on Internal Service and Enterprise Funds

Fund 6506	Fund Name Motor Pool	Agency # 5401	Agency Name Transportation	Program Name State Motor Pool	Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Projected FY12	Projected FY13
<b>Operating Revenues:</b>										
Service Reimbursements					5,903,943	5,960,317	6,804,990	7,813,497	5,572,600	5,599,508
Net Fee Revenue					5,903,943	5,960,317	6,804,990	7,813,497	5,572,600	5,599,508
Investment Earnings					-	-	-	-	-	-
Securities Lending Income					-	-	-	-	-	-
Premiums					-	-	-	-	-	-
Other Operating Revenues					1,683	34,873	6,663	20,000	20,000	20,000
Total Operating Revenue					5,905,626	5,995,190	6,811,653	7,833,497	5,592,600	5,619,508
<b>Operating Expenses:</b>										
Personal Services					337,428	336,227	318,893	341,216	349,772	350,095
Other Operating Expenses					5,666,694	5,184,168	4,990,049	6,221,742	5,587,029	5,667,750
Total Operating Expenses					6,004,122	5,520,395	5,308,943	6,562,958	5,936,801	6,017,845
Operating Income (Loss)					(98,496)	474,795	1,502,710	1,270,539	(344,201)	(398,337)
<b>Nonoperating Revenues (Expenses):</b>										
Gain (Loss) Sale of Fixed Assets					(68,559)	(33,361)	269,732	-	-	-
Federal Indirect Cost Recoveries					-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)					23,300	-	-	-	-	-
Net Nonoperating Revenues (Expenses)					(45,259)	(33,361)	269,732	-	-	-
Income (Loss) Before Operating Transfers					(143,755)	441,434	1,772,442	1,270,539	(344,201)	(398,337)
Contributed Capital					-	-	-	-	-	-
Operating Transfers In (Note 13)					-	-	-	-	-	-
Operating Transfers Out (Note 13)					-	-	-	-	-	-
Change in net assets					(143,755)	441,434	1,772,442	1,270,539	(344,201)	(398,337)
Total Net Assets- July 1 - As Restated					1,193,920	1,050,165	1,504,399	3,276,841	4,547,382	4,203,182
Prior Period Adjustments					-	12,799	-	-	-	-
Cumulative effect of account change					-	-	-	-	-	-
Total Net Assets - July 1 - As Restated					1,193,920	1,062,964	1,504,399	3,276,841	4,547,382	4,203,182
Net Assets- June 30					1,050,165	1,504,399	3,276,841	4,547,382	4,203,182	3,804,846
60 days of expenses					-	-	-	-	-	-
(Total Operating Expenses divided by 6)					1,000,687	920,066	884,824	1,093,826	989,467	1,002,974

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

	Actual FY 10		Actual FY 11		Budgeted FY 12		Budgeted FY 13		
	Assigned Rate	Usage Rate	Assigned Rate	Usage Rate	Assigned Rate	Usage Rate	Assigned Rate	Usage Rate	
<b>TIER 1 (Budgeted)</b>									
Rental Rate Fees									
Class 02	Small Utilities	2.543	0.176	2.428	0.176	1.265	0.155	1.271	0.156
Class 03	Hybrid SUV	1.690	0.129	2.323	0.128	1.685	0.101	1.689	0.101
Class 04	Large Utilities	2.347	0.208	2.359	0.210	1.990	0.205	1.998	0.206
Class 05	Hybrid Sedans	2.355	0.093	2.610	0.094	1.477	0.072	1.483	0.072
Class 06	Passenger Car	1.733	0.134	1.749	0.135	1.278	0.134	1.285	0.134
Class 07	Small Pickup	1.667	0.199	1.678	0.201	1.343	0.200	1.348	0.201
Class 11	Large Pickup	1.797	0.207	1.831	0.209	1.352	0.222	1.358	0.223
Class 12	Vans	1.825	0.198	1.858	0.200	1.283	0.183	1.289	0.184
<b>TIER 2 (Contingent \$3.71/gal)</b>									
Rental Rate Fees									
Class 02	Small Utilities	2.543	0.200	2.428	0.200	1.265	0.178	1.271	0.179
Class 03	Hybrid SUV	1.690	0.146	2.323	0.144	1.685	0.116	1.689	0.117
Class 04	Large Utilities	2.347	0.239	2.359	0.241	1.990	0.237	1.998	0.238
Class 05	Hybrid Sedans	2.355	0.105	2.610	0.107	1.477	0.083	1.483	0.083
Class 06	Passenger Car	1.733	0.151	1.749	0.153	1.278	0.153	1.285	0.154
Class 07	Small Pickup	1.667	0.225	1.678	0.228	1.343	0.229	1.348	0.230
Class 11	Large Pickup	1.797	0.236	1.831	0.238	1.352	0.253	1.358	0.255
Class 12	Vans	1.825	0.224	1.858	0.227	1.283	0.210	1.289	0.211
<b>TIER 3 (Contingent \$3.85/gal)</b>									
Rental Rate Fees									
Class 02	Small Utilities	2.543	0.225	2.428	0.224	1.265	0.201	1.271	0.202
Class 03	Hybrid SUV	1.690	0.164	2.323	0.161	1.685	0.132	1.689	0.132
Class 04	Large Utilities	2.347	0.271	2.359	0.272	1.990	0.268	1.998	0.269
Class 05	Hybrid Sedans	2.355	0.118	2.610	0.119	1.477	0.094	1.483	0.094
Class 06	Passenger Car	1.733	0.169	1.749	0.171	1.278	0.172	1.285	0.173
Class 07	Small Pickup	1.667	0.252	1.678	0.254	1.343	0.257	1.348	0.258
Class 11	Large Pickup	1.797	0.266	1.831	0.268	1.352	0.285	1.358	0.286
Class 12	Vans	1.825	0.251	1.858	0.253	1.283	0.237	1.289	0.238

**DEPARTMENT OF TRANSPORTATION-5401  
STATE MOTOR POOL-07**

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

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$2,388	\$0
FY 2013	\$2,388	\$0

**PL- 702 - Overtime/Differential -**

This request restores zero-based overtime and differential pay with associated benefits of \$2,388 per year of internal service proprietary funds from the motor pool. The impact from this decision package is an increase to the Motor Pool Assigned rate by .06% each year.

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$45,850	\$0
FY 2013	\$45,850	\$0

**PL- 703 - Interest Rate Increase Adjustment -**

This request is for \$45,850 per year in motor pool internal service proprietary funds to adjust for expected interest rate increases on inter-cap loans from the Board of Investments (BOI). The impact from this decision package is an increase to the Motor Pool Assigned rate by 1.24% each year and is included in submitted Motor Pool rates.

## DEPARTMENT OF TRANSPORTATION-5401 EQUIPMENT PROGRAM-08

Please note that this program also contains HB 2 funding.

### Proprietary Rates

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	123.00	0.00	0.00	123.00	0.00	0.00	123.00
Personal Services	7,375,363	334,444	0	7,709,807	340,917	0	7,716,280
Operating Expenses	11,448,115	835,410	0	12,283,525	1,112,386	0	12,560,501
Equipment & Intangible Assets	7,643,216	0	0	7,643,216	0	0	7,643,216
<b>Total Costs</b>	<b>\$26,466,694</b>	<b>\$1,169,854</b>	<b>\$0</b>	<b>\$27,636,548</b>	<b>\$1,453,303</b>	<b>\$0</b>	<b>\$27,919,997</b>
Proprietary	26,466,694	1,169,854	0	27,636,548	1,453,303	0	27,919,997
<b>Total Funds</b>	<b>\$26,466,694</b>	<b>\$1,169,854</b>	<b>\$0</b>	<b>\$27,636,548</b>	<b>\$1,453,303</b>	<b>\$0</b>	<b>\$27,919,997</b>

**Proprietary Program Description** - The Equipment Program is responsible for the acquisition, disposal, repair and maintenance of a fleet of approximately 4,600 individual units. The fleet is comprised of light duty vehicles, single and tandem axle dump trucks, specialized snow removal units, roadway maintenance units and other specialized equipment. Exclusively the various programs within the Montana Department of Transportation (MDT) such as Construction, Motor Carrier Services, Maintenance, and Right-of-Way use the fleet. All units are assigned to the various user programs and are charged rental on a bi-weekly basis. The Equipment Program supports 123.00 FTE. Alternate sources include renting heavy equipment from a rental company and renting or leasing light duty vehicles from a private rental agency contract.

The Equipment Bureau fleet vehicle program is funded under the rules and guidelines of HB 576. 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.

### Revenues and Expenses -

**Change in Services or Fees** - Revenue is generated through the vehicle/equipment rental fees, from the gain on sale of surplus assets and from reimbursements from equipment accidents caused by an outside party. 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 rental rates will be set to recover revenue to meet the programs obligations. There are no changes in services and fees. Rental rates are calculated each year.

The Equipment Program is responsible for expenses associated with the acquisition, repair, maintenance, and routine operating costs for the fleet.

Indirect costs are costs that cannot be traced directly to specific usage of the vehicles and equipment. Indirect costs include as administrative overhead costs, insurance, interest payments and utility costs and are supported by the assigned rates allocated to each of the equipment fleet class or subclasses. Direct costs, such as fuel, oil, repairs 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.

Rental fees are billed bi-weekly to each of the MDT user programs. Program user rental expenditures are recorded to expenditure accounts 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.

## DEPARTMENT OF TRANSPORTATION-5401 EQUIPMENT PROGRAM-08

Working Capital Discussion - The Equipment rental rates are set to recover sufficient cash to purchase assets, cover normal operating expenses and personal services. 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 cash needed for 60 days of personal services, operating expenses such as fuel, repair parts and utilities is approximately \$4,154,000. Furthermore a cash balance is required throughout the year to pay for equipment and light duty vehicle purchases.

Fund Equity and Reserved Fund Balance - The Equipment Program does not have a requirement to reserve fund balance. There are no management objectives to increase/decrease or maintain fund balances except for 60 days working capital as required by state law. The fund balance continues to grow due to the fact that the Equipment Program owns its vehicles and equipment. Also, 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 balance.

Cash Flow Discussion - The Equipment Program is internal to the Department of Transportation. The cash flow is dependent on the rental revenue and auction proceeds from 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.

Historical and Projected Trends - 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 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. During FY 2010 the program began to reduce fleet size based on miles traveled.

The fleet size from FY 1997 through FY 2010 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	21,797,235 miles
FYE 2007 4546 Units	21,511,744 miles
FYE 2008 4608 Units	21,682,290 miles
FYE 2009 4786 Units	21,533,226 miles
FYE 2010 4646 Units	20,672,278 miles

### Base Year Funding by Fund Type

Highway Special Revenue	\$23,088,579
GARVEE Bond Proceed	\$86,163
MDT ARRA Projects	\$567,500
MCS Border Enforcement	\$42,139
West Yellowstone Airport	\$1,249

**Rate Explanation** - The Equipment Program rental rates are based on a dual rate structure. The users pay a usage rate and an assigned rate. The usage rate is a 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 a per hour rate designed to recover "fixed costs" such as insurance, depreciation, and administrative overhead costs. Rental rates are adjusted yearly. The rates are based on the actual operational costs for each sub-class for the base rental period. These costs are adjusted to reflect changes in operations or operating costs from the base. The effects are internal to the Department of Transportation and the program is held accountable to

## **DEPARTMENT OF TRANSPORTATION-5401 EQUIPMENT PROGRAM-08**

ensure the rates recover only needed operational monies. Attached are the current FY 2011 rental rates, which will be adjusted yearly to reflect changes in operations.

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

The balance sheet accounts that most significantly contribute to the fund balance are the asset accounts 1704 Equipment, 1706 Construction Work in Progress and 1709 Accumulated Depreciation- Equipment.

Expenses - Major cost drivers are fuel, vehicle repairs, depreciation, utilities, and personal services. It was assumed that fuel prices would remain stable over the next few years. The Equipment Program rates are developed each year. Repair costs and utilities will be estimated at previous year levels and will be adjusted for inflation. Personal services is calculated using current year budgeted amounts. Depreciation will be calculated using the previous year level plus depreciation from new vehicles projected to be purchased. The Equipment Program funds 123.00 FTE.

**DEPARTMENT OF TRANSPORTATION-5401  
EQUIPMENT PROGRAM-08**

**2013 Biennium Report on Internal Service and Enterprise Funds**

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

	Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Projected FY12	Projected FY13
<b>Operating Revenues:</b>						
Service Reimbursements	-					
Net Fee Revenue	27,433,927	27,919,981	23,785,631	22,926,977	27,679,897	27,919,998
Investment Earnings						
Securities Lending Income						
Premiums						
Other Operating Revenues	159,843	125,923	246,924	150,000	150,000	150,000
Total Operating Revenue	27,593,770	28,045,904	24,032,555	23,076,977	27,829,897	28,069,998
<b>Operating Expenses:</b>						
Personal Services	6,994,768	7,187,735	7,142,235	7,555,961	7,709,807	7,716,280
Other Operating Expenses	18,859,666	17,995,712	17,609,299	19,879,640	19,926,741	20,203,718
Total Operating Expenses	25,854,434	25,183,447	24,751,535	27,435,601	27,636,548	27,919,998
Operating Income (Loss)	1,739,336	2,862,457	(718,980)	(4,358,624)	193,349	150,000
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	60,763	120,408	37,724			
Federal Indirect Cost Recoveries	-					
Other Nonoperating Revenues (Expenses)	-					
Net Nonoperating Revenues (Expenses)	60,763	120,408	37,724	-	-	-
Income (Loss) Before Operating Transfers	1,800,099	2,982,866	(681,256)	(4,358,624)	193,349	150,000
Contributed Capital	632,190	702,408	1,007,817			
Operating Transfers In (Note 13)	658,935					
Operating Transfers Out (Note 13)	-					
Change in net assets	3,091,224	3,685,274	326,561	(4,358,624)	193,349	150,000
Total Net Assets- July 1 - As Restated	62,004,471	64,964,200	68,646,346	68,973,757	64,615,133	64,808,482
Prior Period Adjustments	(131,495)	(3,128)	850			
Cumulative effect of account change	-					
Total Net Assets - July 1 - As Restated	61,872,976	64,961,072	68,647,196	68,973,757	64,615,133	64,808,482
Net Assets- June 30	<b>64,964,200</b>	<b>68,646,346</b>	<b>68,973,757</b>	<b>64,615,133</b>	<b>64,808,482</b>	<b>64,958,482</b>
60 days of expenses (Total Operating Expenses divided by 6)	4,309,072	4,197,241	4,125,256	4,572,600	4,606,091	4,653,333

**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.

**DEPARTMENT OF TRANSPORTATION-5401  
EQUIPMENT PROGRAM-08**

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

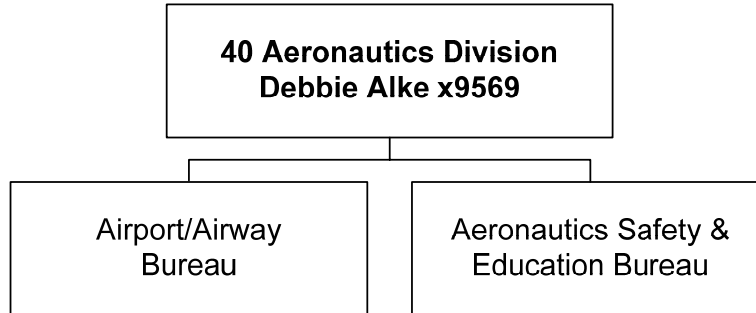
	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$37,338	\$0
FY 2013	\$37,338	\$0

**PL- 806 - Overtime/Differential -**

This request restores zero-based overtime and differential pay with associated benefits of \$37,338 per year of equipment internal service proprietary funds. The increase to rates is approximately 0.13%.

## DEPARTMENT OF TRANSPORTATION-5401 AERONAUTICS PROGRAM-40

Please note that this program also contains HB 2 funding.



### Proprietary Rates

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	2.00	0.00	0.00	2.00	0.00	0.00	2.00
Personal Services	132,031	25,709	0	157,740	25,652	0	157,683
Operating Expenses	76,887	(6,130)	0	70,757	(5,827)	0	71,060
Equipment & Intangible Assets	23,847	0	0	23,847	0	0	23,847
<b>Total Costs</b>	<b>\$232,765</b>	<b>\$19,579</b>	<b>\$0</b>	<b>\$252,344</b>	<b>\$19,825</b>	<b>\$0</b>	<b>\$252,590</b>
Proprietary	232,765	19,579	0	252,344	19,825	0	252,590
<b>Total Funds</b>	<b>\$232,765</b>	<b>\$19,579</b>	<b>\$0</b>	<b>\$252,344</b>	<b>\$19,825</b>	<b>\$0</b>	<b>\$252,590</b>

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

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

Fees for leases and other business services are both market and recovery based. Additional operating expenses planned in the 2011 biennium include only small airfield and terminal maintenance projects as well as any other requirements to meet all applicable federal airport regulations.

The West Yellowstone Airport is funded by an enterprise proprietary fund. There is one airport manager who works year round (though not full time hours at all times) and one airport operations chief and one airport fire fighter who are employed seasonally.



## DEPARTMENT OF TRANSPORTATION-5401 AERONAUTICS PROGRAM-40

**Revenues and Expenses** -Most Landing fees did not increase for FY2010 but one level is increasing for FY2011 and 2013 biennium. Landing fees - Scheduled Air Carrier will increase from \$0.60/1000lbs to \$1.10/1000lbs, Building leases – Car Rental and Airlines will increase from \$2.00 a square foot to \$2.25 and \$2.50 a square foot, Building leases – FBO and Hanger Grounds will increase from \$0.10 a square foot to \$0.12 a square foot, Ad Boards will increase from \$150 per board to \$200 per board and Non-Aeronautic Rentals will increase for the 2013 biennium as follows, Nevada Testing \$5.50 a square foot to \$6.00 a square foot, and City and Energy West usage \$10,000/\$12,500 per year to \$11,000/\$13,500 per year.

The enterprise revenue sources when combined with existing working capital balances are projected to recover sufficient cash to fund projected expenditures at the airport. The cash needed for 60-days of personal services and operating expenses average out to approximately \$16,250.

Annual expenses at the Yellowstone Airport, for a three year period, average \$249,618/year. The Yellowstone Airport currently supports 2.00 FTE. The FTE is needed to maintain Federal airport certification requirements.

The Yellowstone Airport proprietary fund balance is forecast to decrease slightly with a decrease in operating expenses. 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. The Yellowstone Airport is planning one major improvement project for the 2013 biennium. This improvement is a storage building for snow removal equipment and airport firefighting vehicles.

West Yellowstone Airport has maintained a cash balance to meet operational needs, and match federal airport improvement grants as they become available.

**Rate Explanation** - Fees for provided services are market based. There are only slight increases planned in the 2013 biennium for counter fees, building fees, gross percentages, sales receipts, and non-aero rentals. These fee increases are justified to help bring the current charged fees closer to common state industry standards based upon rates and charges schedules as reported by airport operators throughout the state. In addition, some of the changes are to standardize and even out current rates, which are charged at different levels for similar services.

### WYS Airport 2013 Biennium Rates

Fee Description	FY2012/2013 Fees
Landing Fees – Scheduled Air Carrier	\$1.10/1000 lbs.
Landing Fees – Other uses	9,001-16,500 lbs. = \$25
Landing Fees – Other uses	16,500 lbs. = \$1.60/1000 lbs.
Fuel Flowage Fee	\$0.06/gallon
Building Leases – car rental, airline	\$2.25 - \$2.50/sq. ft.
Building Leases – FBO, Hangar Ground	\$0.12/sq. ft.
Ad Boards	\$200 per board
Tax Transfer	\$11,000 est.
Sales receipts – car rental, café, and gift shop	10% of gross sales
Non-aero rentals	
City (2012 & 2013)	\$11,000 per year
Energy West (2012 & 2013)	\$13,500 per year
Nevada Testing (2012)	5.50 psfpa + utilities + usage fee (\$975 per customer annual and \$75 per day)
Nevada Testing (2013)	6.00 psfpa + utilities + usage fee (\$975 per customer annual and \$75 per day)

**DEPARTMENT OF TRANSPORTATION-5401  
AERONAUTICS PROGRAM-40**

**2013 Biennium Report on Internal Service and Enterprise Funds**

Fund 6007	Fund Name West Yellowstone Airport	Agency # 54010	Agency Name Transportation	Program Name Aeronautics Program
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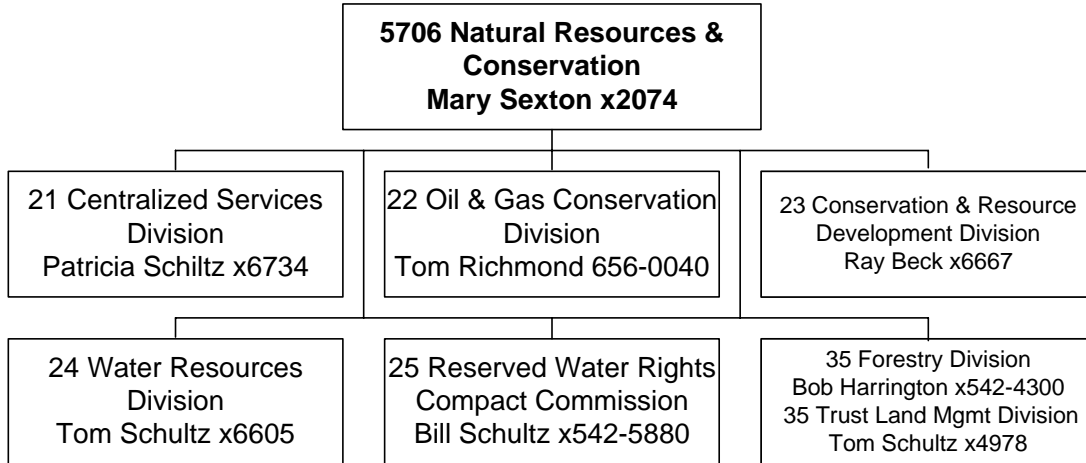
	Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>						
Fee revenue						
Miscellaneous Service Fee	-	-				
Net Fee Revenue	46,638	59,725	49,446	58,665	59,331	59,331
Investment Earnings	-	-				
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-				
Other Operating Revenues	126,178	106,282	128,255	109,504	110,204	110,204
Total Operating Revenue	172,816	166,007	177,701	168,169	169,535	169,535
<b>Operating Expenses:</b>						
Personal Services	131,901	135,630	132,030	150,107	157,740	157,683
Other Operating Expenses	117,214	126,134	105,945	90,992	94,604	94,907
Total Operating Expenses	249,115	261,764	237,975	241,099	252,344	252,590
Operating Income (Loss)	<b>(76,299)</b>	<b>(95,757)</b>	<b>(60,274)</b>	<b>(72,930)</b>	<b>(82,809)</b>	<b>(83,055)</b>
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	7,683	(7,683)			-	-
Other Nonoperating Revenues (Expenses)	(79,518)	(155,060)	(135,238)	-	-	-
Net Nonoperating Revenues (Expenses)	(71,835)	(162,743)	(135,238)	-	-	-
Income (Loss) Before Operating Transfers	(148,133)	(258,500)	(195,512)	(72,930)	(82,809)	(83,055)
Contributed Capital	174,369	1,024,261	119,040	-	-	-
Operating Transfers In (Note 13)	13,700	13,390		2,644	10,818	10,818
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	39,936	779,151	(76,472)	(70,286)	(71,991)	(72,237)
Total Net Assets- July 1 - As Restated	2,313,986	2,345,100	3,124,251	3,047,779	2,977,493	2,905,502
Prior Period Adjustments	(8,822)			-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	2,305,164	2,345,100	3,124,251	3,047,779	2,977,493	2,905,502
Net Assets- June 30	<b>2,345,100</b>	<b>3,124,251</b>	<b>3,047,779</b>	<b>2,977,493</b>	<b>2,905,502</b>	<b>2,833,265</b>
60 days of expenses (Total Operating Expenses divided by 6)	41,519	43,627	39,663	40,183	42,057	42,098

**Fee/Rate Information**

	Actuals FY 2010	Budgeted FY 2011	Budgeted FY 2012	Budgeted FY 2013
Fee Group A				
Landing Fees - Scheduled Air	\$0.60/1000 lbs	\$1.10/1000lbs	\$1.10/1000 lbs	\$1.10/1000 lbs
Landing Fees - Other uses	9,001-16,500lbs =\$25.00	9,001-16,500lbs =\$25.00	9,001-16,500lbs =\$25.00	9,001-16,500lbs =\$25.00
Landing Fees - Other uses	>16,500 lbs - \$1.60/1000lbs	>16,500 lbs - \$1.60/1000lbs	>16,500 lbs - \$1.60/1000lbs	>16,500 lbs - \$1.60/1000lbs
Fuel Flowage Fee	\$0.06/Gallon	\$0.06/Gallon	\$0.06/Gallon	\$0.06/Gallon
Building Leases - Car rental,	\$2.00/sq.ft.	\$2.25-2.50/sq.ft.	\$2.25-2.50/sq.ft..	\$2.25-2.50/sq.ft.
Building Leases -FBO,	\$0.10/sq.ft	\$0.12/sq.ft	\$0.12/sq.ft	\$0.12/sq.ft
Adboards	\$150/ board	\$200 / board	\$200 / board	\$200 / board
Tax Transfers	\$11,000	\$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	5.50 psfpa + utiities + usage fee(\$975 per customer annual and \$75 per day)	5.50 psfpa + utilities + usage fee(\$975 per customer annual and \$75 per day)	6.00 psfpa + utilities + usage fee(\$975 per customer annual and \$75 per day)
City	\$10,000/Year	\$10,000/Year	\$11,000/Year	\$11,000/Year
Energy West	\$12,500/Year	\$12,500/Year	\$13,500/Year	\$13,500/Year

# DEPARTMENT OF NATURAL RESOURCES & CONSERVATION-5706

Please note that this agency also contains HB 2 funding.



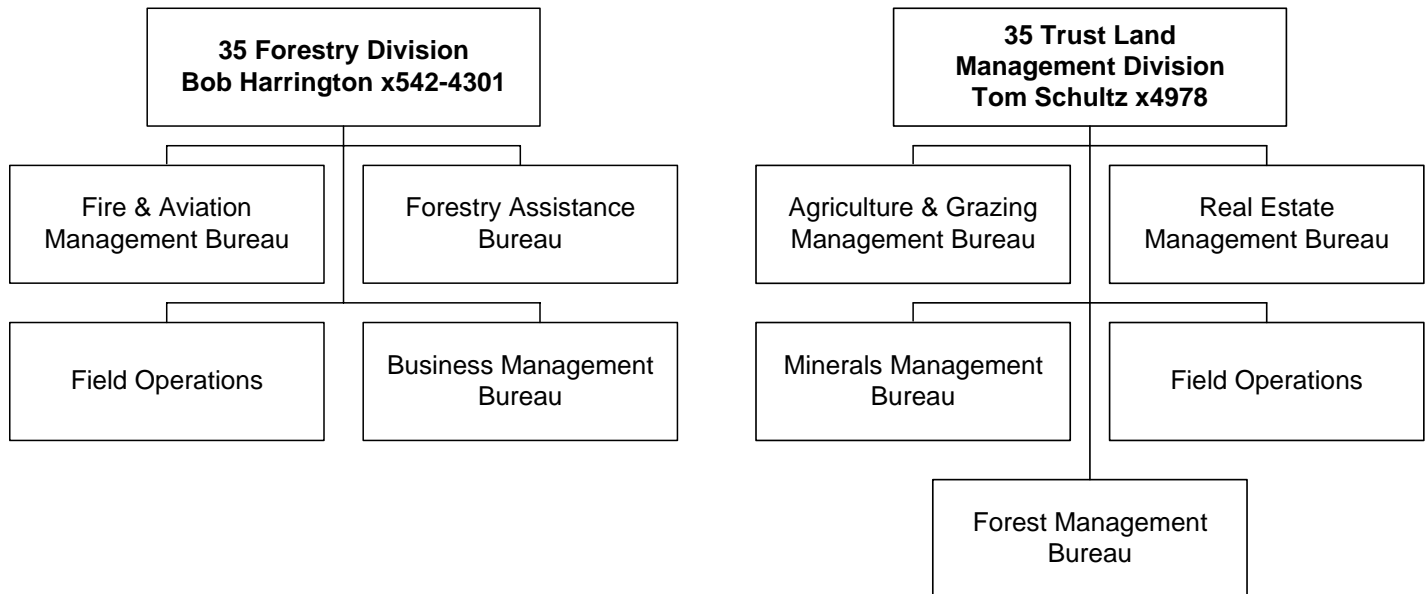
**Mission Statement** - To ensure Montana's land and water resources provide benefits for present and future generations.

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

Agency Proposed Budget							
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	25.15	0.00	(0.66)	24.49	0.00	(0.66)	24.49
Personal Services	1,536,764	87,760	(62,806)	1,561,718	86,422	(62,326)	1,560,860
Operating Expenses	1,080,369	35,929	0	1,116,298	45,273	0	1,125,642
Equipment & Intangible Assets	29,132	0	0	29,132	0	0	29,132
<b>Total Costs</b>	<b>\$2,646,265</b>	<b>\$123,689</b>	<b>(\$62,806)</b>	<b>\$2,707,148</b>	<b>\$131,695</b>	<b>(\$62,326)</b>	<b>\$2,715,634</b>
Proprietary	2,646,265	123,689	(62,806)	2,707,148	131,695	(62,326)	2,715,634
<b>Total Funds</b>	<b>\$2,646,265</b>	<b>\$123,689</b>	<b>(\$62,806)</b>	<b>\$2,707,148</b>	<b>\$131,695</b>	<b>(\$62,326)</b>	<b>\$2,715,634</b>

# DEPARTMENT OF NATURAL RESOURCES & CONSERVATION-5706 FORESTRY/TRUST LANDS-35

Please note that this program also contains HB 2 funding.



## Proprietary Rates

Program Proposed Budget	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	25.15	0.00	(0.66)	24.49	0.00	(0.66)	24.49
Personal Services	1,536,764	87,760	(62,806)	1,561,718	86,422	(62,326)	1,560,860
Operating Expenses	1,080,369	35,929	0	1,116,298	45,273	0	1,125,642
Equipment & Intangible Assets	29,132	0	0	29,132	0	0	29,132
<b>Total Costs</b>	<b>\$2,646,265</b>	<b>\$123,689</b>	<b>(\$62,806)</b>	<b>\$2,707,148</b>	<b>\$131,695</b>	<b>(\$62,326)</b>	<b>\$2,715,634</b>
Proprietary	2,646,265	123,689	(62,806)	2,707,148	131,695	(62,326)	2,715,634
<b>Total Funds</b>	<b>\$2,646,265</b>	<b>\$123,689</b>	<b>(\$62,806)</b>	<b>\$2,707,148</b>	<b>\$131,695</b>	<b>(\$62,326)</b>	<b>\$2,715,634</b>

## Proprietary Program Description –

**Air Operations** - 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) and general fund and fire protection tax revenue for fixed costs. The program operates five medium helicopters, two light helicopters, and three single engine fixed-wing airplanes. The aircraft are primarily used for fire detection, support and suppression of wildfires, 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 (14.23 FTE). The general fund and fire protection taxes are appropriated by the Legislature and transferred to and spent from the proprietary account. Variable costs that are dependent on the hours flown, such as fuel and maintenance, are recovered through an hourly rate charged to all users of the aircraft. Users of the aircraft include DNRC, other state agencies, and federal agencies. This revenue is deposited in the proprietary account. Statutory authority for the program is in 77-5-103, MCA.

Alternate Sources - Alternate sources of aviation services are available from private contractors, but historically the costs for these services have been two to three times more than the cost of the state run aircraft. Additionally, contracted services are often not available for the extended timeframes currently covered by the state operated aircraft.

# DEPARTMENT OF NATURAL RESOURCES & CONSERVATION-5706

## FORESTRY/TRUST LANDS-35

**Nursery** - 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, stream stabilization, and 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. In FY 2006, 895 landowners purchased seedlings. 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 -

#### **Air Operations:**

Change in Services or Fees - No changes in services or fees. The primary source of revenue is the collection of aircraft rental charges. Additional Transfer-In revenue is received from HB 2 transfers of fixed costs (FTE, Insurance & Rent) from the General Fund and the Fire Protection Tax revenues. The Department has limited cooperative agreements to assist federal agencies (U.S. Forest Service, BLM, USFWS, BIA, & NPS) and counties with fire protection. The Department also has agreements with other State Agencies for non-fire related aircraft rental services. The customers served are comprised primarily of state land managers for the DNRC. This involves initial attack of fires under State direct protection, assistance on county fires, and assistance to federal agencies. Historic and projected trends are dependent on length and severity of the fire seasons. Base year funding by fund type would be comprised primarily from state responsibility fires paid by the Fire Suppression Fund (state special revenue) and FEMA and U.S. Forest Service (federal special revenue). 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 Description - The cost drivers for the aircraft rates are to recover the actual expenses needed to maintain the aircraft in an air worthy condition and remain mission ready for the purpose of initial attack on wildfires on state, private, and federal ownership. This includes all costs associated with the maintenance and operation of the aircraft. There are some factors that contribute to the uncertainty in forecasting future expenses. This includes unforeseen events such as FAA and manufacturer repair and maintenance directives, aircraft incidents resulting in unplanned maintenance, cost fluctuations in fuel and parts, and the length and severity of the fire season. Average fire season and routine maintenance of aircraft are used to determine the anticipated future costs.

Charges for services do not support any FTE for the aviation section. All FTE (14.23) are supported by the General Fund and Fire Protection Tax transfers.

**Nursery** - 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 585103 (Misc. Nursery Income).

Expense Description - 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. 10.92 FTE were funded.

**DEPARTMENT OF NATURAL RESOURCES & CONSERVATION-5706  
FORESTRY/TRUST LANDS-35**

**Rate Explanation –**

**Air Operations:** 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.

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

\$1,075.00	Bell UH-1/H Helicopters
\$475.00	Jet Ranger Helicopter
\$150.00	Cessna 180 Series Aircraft

**Nursery** - 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 NATURAL RESOURCES & CONSERVATION-5706  
FORESTRY/TRUST LANDS-35**

**2013 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	Forestry/Trust Lands Division

	Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>						
Fee revenue						
Subsequent Injury Fund Assessment	-	-	-	-	-	-
Revenue from Nursery Sales	572,169	502,983	623,816	950,420	1,048,729	884,248
Revenue from Nursery Services	-	-	-	-	-	-
Revenue from Misc. Nursery Income	7,821	115	16,100	-	1,000	1,000
Revenue from Fee E	-	-	-	-	-	-
Revenue from Fee F	-	-	-	-	-	-
Net Fee Revenue	579,990	503,098	639,916	950,420	1,049,729	885,248
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	24	33	26	30	30	30
Total Operating Revenue	580,014	503,131	639,942	950,450	1,049,759	885,278
<b>Operating Expenses:</b>						
Personal Services	386,761	411,433	444,654	501,501	497,631	492,944
Other Operating Expenses	181,832	140,708	277,809	176,564	295,897	296,530
Total Operating Expenses	568,593	552,141	722,463	678,065	793,528	789,474
Operating Income (Loss)	11,421	(49,010)	(82,521)	272,385	256,231	95,804
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	(24,899)	(21,345)	(23,122)	(23,122)	(23,122)
Net Nonoperating Revenues (Expenses)	-	(24,899)	(21,345)	(23,122)	(23,122)	(23,122)
Income (Loss) Before Operating Transfers	11,421	(73,909)	(103,866)	249,263	233,109	72,682
Contributed Capital	-	14,400	3,600	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	11,421	(59,509)	(100,266)	249,263	233,109	72,682
Total Net Assets- July 1 - As Restated	14,883	26,304	(33,205)	(124,576)	124,687	357,796
Prior Period Adjustments	-	-	8,895	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	14,883	26,304	(24,310)	(124,576)	124,687	357,796
Net Assets- June 30	26,304	(33,205)	(124,576)	124,687	357,796	430,478
60 days of expenses (Total Operating Expenses divided by 6)	94,766	92,024	120,411	113,011	132,255	131,579

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

	Actual FY 08	Actual FY 09	Actual FY 09	Budgeted FY 09	Budgeted FY 09	Budgeted FY 09
Revenue from Nursery Sales	VARIABLES*	VARIABLES*	VARIABLES*	VARIABLES*	VARIABLES*	VARIABLES*
Revenue from Nursery Services	VARIABLES*	VARIABLES*	VARIABLES*	VARIABLES*	VARIABLES*	VARIABLES*

**\*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 NATURAL RESOURCES & CONSERVATION-5706  
FORESTRY/TRUST LANDS-35**

**2013 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	Forestry/Trust Lands Division

	Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>						
Fee revenue						
Subsequent Injury Fund Assessment	-	-	-	-	-	-
Revenue from Bell UH-1Hs	1,071,238	781,740	467,625	935,056	935,056	935,056
Revenue from Bell Jet Rangers	83,084	44,709	87,912	62,225	62,225	62,225
Revenue from Cessna 180 Series	78,398	66,810	43,365	88,650	88,650	88,650
Revenue from Fee E	-	-	-	-	-	-
Revenue from Fee F	-	-	-	-	-	-
Net Fee Revenue	1,232,720	893,259	598,902	1,085,931	1,085,931	1,085,931
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	25,917	880	1,236	1,000	1,000	1,000
Total Operating Revenue	1,258,637	894,139	600,139	1,086,931	1,086,931	1,086,931
<b>Operating Expenses:</b>						
Personal Services	915,760	884,359	1,120,672	1,034,642	1,073,949	1,067,916
Other Operating Expenses	1,185,726	901,311	820,335	1,272,179	849,533	858,244
Total Operating Expenses	2,101,486	1,785,670	1,941,006	2,306,821	1,923,482	1,926,160
Operating Income (Loss)	<b>(842,849)</b>	<b>(891,531)</b>	<b>(1,340,868)</b>	<b>(1,219,890)</b>	<b>(836,551)</b>	<b>(839,229)</b>
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	-	-	(2,123)	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	(34,728)	(42,073)	(32,355)	(36,385)	(36,385)	(36,385)
Net Nonoperating Revenues (Expenses)	(34,728)	(42,073)	(34,478)	(36,385)	(36,385)	(36,385)
Income (Loss) Before Operating Transfers	(877,577)	(933,604)	(1,375,345)	(1,256,275)	(872,936)	(875,614)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	959,896	977,351	1,218,390	1,228,444	1,274,250	1,269,339
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	82,319	43,747	(156,955)	(27,831)	401,314	393,725
Total Net Assets- July 1 - As Restated	119,675	201,994	245,742	88,786	60,955	462,269
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	119,675	201,994	245,742	88,786	60,955	462,269
Net Assets- June 30	<b>201,994</b>	<b>245,742</b>	<b>88,786</b>	<b>60,955</b>	<b>462,269</b>	<b>855,994</b>
60 days of expenses (Total Operating Expenses divided by 6)	350,248	297,612	323,501	384,470	320,580	321,027
Working Capital (Per State Acctg Div.)	296,105	341,669	225,143			

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

	Actual FY 08	Actual FY 09	Actual FY 10	Budgeted FY 11	Budgeted FY 12	Budgeted FY 13
Fee Group A						
Bell UH-1H Helicopter	1,075.00	1,075.00	1,075.00	1,075.00	1,075.00	1,075.00
Bell Jet Ranger Helicopter	475.00	475.00	475.00	475.00	475.00	475.00
Cessna 180 Fixed Wing	150.00	150.00	150.00	150.00	150.00	150.00



**DEPARTMENT OF NATURAL RESOURCES & CONSERVATION-5706  
FORESTRY/TRUST LANDS-35**

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

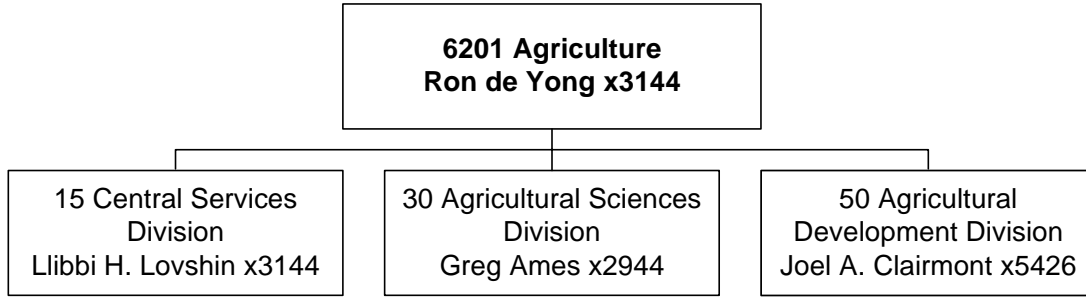
	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	(\$62,806)	\$0
FY 2013	(\$62,326)	\$0

**NP- 55400 - 4% General Fund Personal Services Reduction-Forestry -**

The Governor has included a 4% reduction in general fund personal services budgets as a part of his budget recommendations. In the HB 2 request, the transfer to air operations has been reduced by approximately \$62,000 per year which is in turn will reduce the proprietary funded FTE by 0.66 FTE.

## DEPARTMENT OF AGRICULTURE-6201

Please note that this agency also contains HB 2 funding.



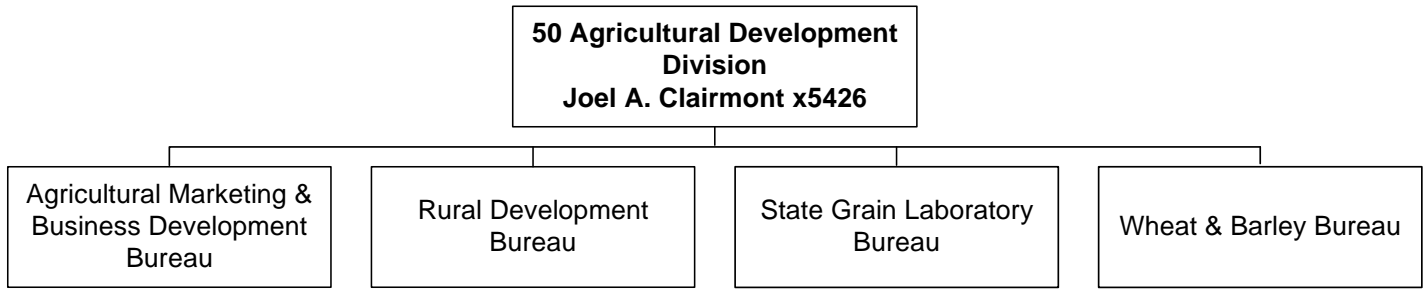
**Mission Statement** - To protect producers and consumers and to enhance and develop agriculture and allied industries.

**Statutory Authority** - Article XII, Section 1, Montana Constitution; Title 80, Chapters 1-20, MCA

Agency Proposed Budget							
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
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
<b>Total Costs</b>	<b>\$0</b>	<b>\$58,200</b>	<b>\$0</b>	<b>\$58,200</b>	<b>\$58,200</b>	<b>\$0</b>	<b>\$58,200</b>
Proprietary	0	58,200	0	58,200	58,200	0	58,200
<b>Total Funds</b>	<b>\$0</b>	<b>\$58,200</b>	<b>\$0</b>	<b>\$58,200</b>	<b>\$58,200</b>	<b>\$0</b>	<b>\$58,200</b>

**DEPARTMENT OF AGRICULTURE-6201  
AGRICULTURAL DEVELOPMENT DIVISION-50**

Please note that this program also contains HB 2 funding.



**Proprietary Rates**

Program Proposed Budget	Base Budget	PL Base	New	Total	PL Base	New	Total
Budget Item	Fiscal 2010	Adjustment	Proposals	Exec. Budget	Adjustment	Proposals	Exec. Budget
		Fiscal 2012	Fiscal 2012	Fiscal 2012	Fiscal 2013	Fiscal 2013	Fiscal 2013
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
<b>Total Costs</b>	<b>\$0</b>	<b>\$58,200</b>	<b>\$0</b>	<b>\$58,200</b>	<b>\$58,200</b>	<b>\$0</b>	<b>\$58,200</b>
Proprietary	0	58,200	0	58,200	58,200	0	58,200
<b>Total Funds</b>	<b>\$0</b>	<b>\$58,200</b>	<b>\$0</b>	<b>\$58,200</b>	<b>\$58,200</b>	<b>\$0</b>	<b>\$58,200</b>

**Proprietary 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 crops grown in Montana to assist producers in recovering their input costs should there be hail damage. The program insures approximately 1.9 million acres of crops with coverage exceeding \$85 million each year. The program pays for 3.17 permanent FTE and 4.55 seasonal FTE to support program operations. The program is statutorily appropriated under Title 80, Chapter 2, part 2, MCA.

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 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 statutorily appropriated under Title 80, Chapter 12, part 2, MCA.

**Revenues and Expenses –  
Hail Insurance Program**

Change in Services or Fees - No changes in services or fees.

Working Capital Discussion - Using the agreed upon formula, the program must maintain \$1,342,524 in cash to maintain an ongoing operation.

Fund Equity and Reserved Fund Balance - 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.

## **DEPARTMENT OF AGRICULTURE-6201 AGRICULTURAL DEVELOPMENT DIVISION-50**

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 throughout the state as well as market conditions. Cash obligations are determined by the ongoing administrative expenses of the program, end of the season hail board approved refunds to persons insured, and an annual transfer of 3.5% of the gross annual fees imposed and collected, 2% to the Department of Revenue and 1.5% to the general fund at fiscal year end.

### **Montana Beginning Farmer/Rancher Loan Program**

Change in Services or Fees - No changes in services or fees. Funds are generated by the sale of bonds and investment earnings.

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 Explanation – Hail Insurance Program**

Hail premiums charged are set by 80-2-208, MCA, and cannot exceed \$50 per acre for non-irrigated land and \$76 per acre for irrigated land.

### **Montana Beginning Farmer/Rancher Loan Program**

Applicants 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

## 2013 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06052	Hail Insurance	62010	Agriculture	Ag Development Division

	Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FY 11	Budgeted FY 12	Budgeted FY 13
<b>Operating Revenues:</b>						
Fee revenue						
Net Fee Revenue	-	-	-	-	-	-
Investment Earnings	402,077	173,844	32,270	36,000	50,000	50,000
Accommodations Tax	99	163	120	100	100	100
Securities Lending Income	12,953	22,160	4,938	-	-	-
Hail Insurance Premium	7,717,879	6,846,413	6,885,970	6,200,000	6,500,000	6,500,000
Hail Insurance Premium Penalty & Interest	12,515	12,830	29,323	13,000	15,000	15,000
Total Operating Revenue	8,145,523	7,055,410	6,952,621	6,249,100	6,565,100	6,565,100
<b>Operating Expenses:</b>						
Personal Services	308,244	342,594	397,613	459,739	440,386	444,631
Other Operating Expenses	10,755,471	3,744,605	5,840,394	10,009,687	7,614,760	7,614,863
Total Operating Expenses	11,063,715	4,087,199	6,238,007	10,469,426	8,055,146	8,059,494
Operating Income (Loss)	<b>(2,918,192)</b>	<b>2,968,211</b>	<b>714,614</b>	<b>(4,220,326)</b>	<b>(1,490,046)</b>	<b>(1,494,394)</b>
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(2,918,192)	2,968,211	714,614	(4,220,326)	(1,490,046)	(1,494,394)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	(121,298)	(99,561)	(97,969)	(121,298)	(97,969)	(97,969)
Change in net assets	(3,039,490)	2,868,650	616,645	(4,341,624)	(1,588,015)	(1,592,363)
Total Net Assets- July 1 - As Restated	12,117,911	9,078,421	11,947,071	12,563,716	8,222,092	6,634,077
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	-	-	-	-
Net Assets- June 30	<b>9,078,421</b>	<b>11,947,071</b>	<b>12,563,716</b>	<b>8,222,092</b>	<b>6,634,077</b>	<b>5,041,714</b>
60 days of expenses (Total Operating Expenses divided by 6)	1,843,953	681,200	1,039,668	1,744,904	1,342,524	1,343,249

### Requested Rates for Enterprise Funds

#### Fee/Rate Information

	Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FY 11	Budgeted FY 12	Budgeted FY 13
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 crops 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 its own separate rate.

**DEPARTMENT OF AGRICULTURE-6201  
AGRICULTURAL DEVELOPMENT DIVISION-50**

**2013 Biennium Report on Internal Service and Enterprise Funds**

Fund	Fund Name	Agency #	Agency Name	Program Name
06016	Beginning Farm/Ranch Loan Prg	62010	Agriculture	Ag Development Division

	Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FY 11	Budgeted FY 12	Budgeted FY 13
<b>Operating Revenues:</b>						
Fee revenue						
Beginning Farm Ranch Loan Fees			-	60,000	60,000	60,000
Net Fee Revenue	-	-	-	60,000	60,000	60,000
Investment Earnings	25	9	2	20	2	2
Securities Lending Income	1	1	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	26	10	2	60,020	60,002	60,002
<b>Operating Expenses:</b>						
Personal Services	-	-	-	-	-	-
Other Operating Expenses	-	-	-	58,200	58,200	58,200
Total Operating Expenses	-	-	-	58,200	58,200	58,200
Operating Income (Loss)	<b>26</b>	<b>10</b>	<b>2</b>	<b>1,820</b>	<b>1,802</b>	<b>1,802</b>
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	26	10	2	1,820	1,802	1,802
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	26	10	2	1,820	1,802	1,802
Total Net Assets- July 1 - As Restated	2,375	2,401	2,411	2,413	4,233	6,035
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	-	-	-	-
Net Assets- June 30	<b>2,401</b>	<b>2,411</b>	<b>2,413</b>	<b>4,233</b>	<b>6,035</b>	<b>7,837</b>
60 days of expenses (Total Operating Expenses divided by 6)	-	-	-	9,700	9,700	9,700
<b>Requested Rates for Enterprise Funds</b>						
<b>Fee/Rate Information</b>						
	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
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**

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

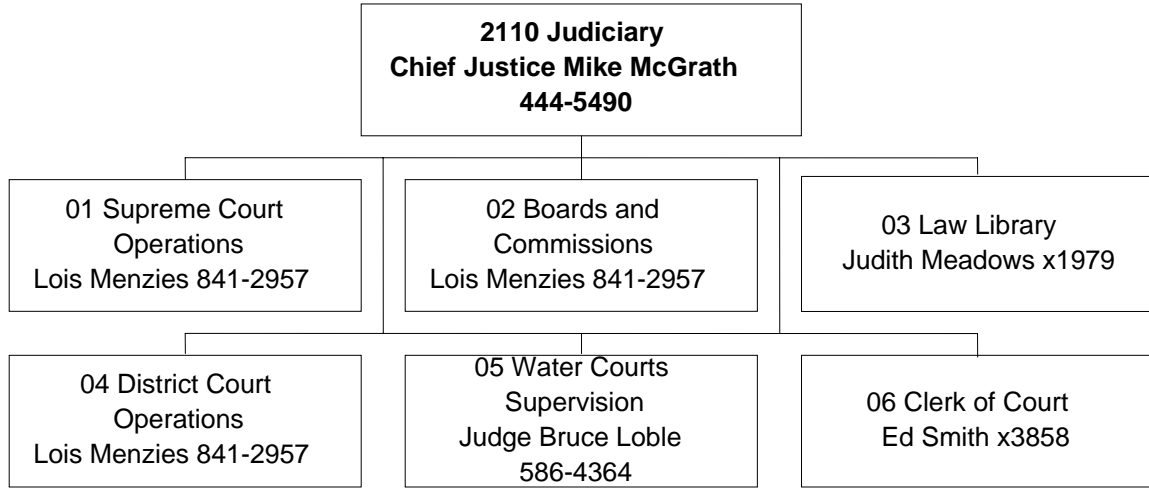
	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$58,200	\$0
FY 2013	\$58,200	\$0

**PL- 5004 - Montana Beginning Farm/Ranch Loan-Statutory -**

The budget includes \$116,400 of statutory state special revenue in the 2013 biennium. The statutory spending authority is authorized for Beginning Farm/Ranch loans under 80-12-311, MCA.

# JUDICIAL BRANCH-2110

Please note that this agency also contains HB 2 funding.



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

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

Agency Proposed Budget							
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	189,722	49	0	189,771	101	0	189,823
<b>Total Costs</b>	<b>\$189,722</b>	<b>\$49</b>	<b>\$0</b>	<b>\$189,771</b>	<b>\$101</b>	<b>\$0</b>	<b>\$189,823</b>
Proprietary	189,722	49	0	189,771	101	0	189,823
<b>Total Funds</b>	<b>\$189,722</b>	<b>\$49</b>	<b>\$0</b>	<b>\$189,771</b>	<b>\$101</b>	<b>\$0</b>	<b>\$189,823</b>



## JUDICIAL BRANCH-2110 LAW LIBRARY-03

Please note that this program also contains HB 2 funding.

**03 Law Library  
Judith Meadows 444-1979**

### Proprietary Rates

Program Proposed Budget	Base Budget	PL Base	New	Total	PL Base	New	Total
Budget Item	Fiscal 2010	Adjustment	Proposals	Exec. Budget	Adjustment	Proposals	Exec. Budget
		Fiscal 2012	Fiscal 2012	Fiscal 2012	Fiscal 2013	Fiscal 2013	Fiscal 2013
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	189,722	49	0	189,771	101	0	189,823
<b>Total Costs</b>	<b>\$189,722</b>	<b>\$49</b>	<b>\$0</b>	<b>\$189,771</b>	<b>\$101</b>	<b>\$0</b>	<b>\$189,823</b>
Proprietary	189,722	49	0	189,771	101	0	189,823
<b>Total Funds</b>	<b>\$189,722</b>	<b>\$49</b>	<b>\$0</b>	<b>\$189,771</b>	<b>\$101</b>	<b>\$0</b>	<b>\$189,823</b>

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

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

**JUDICIAL BRANCH-2110  
LAW LIBRARY-03**

**2013 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 FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>						
Fee revenue						
Law Library Online Searches Revenue	104,898	150,833	192,582	195,000	195,000	195,000
Net Fee Revenue	104,898	150,833	192,582	195,000	195,000	195,000
Total Operating Revenue	104,898	150,833	192,582	195,000	195,000	195,000
<b>Operating Expenses:</b>						
Personal Services	-	-	-	-	-	-
Other Operating Expenses	104,489	152,497	189,722	189,792	189,771	189,823
Total Operating Expenses	104,489	152,497	189,722	189,792	189,771	189,823
Operating Income (Loss)	<b>409</b>	<b>(1,664)</b>	<b>2,860</b>	<b>5,208</b>	<b>5,229</b>	<b>5,177</b>
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	409	(1,664)	2,860	5,208	5,229	5,177
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	409	(1,664)	2,860	5,208	5,229	5,177
Total Net Assets- July 1 - As Restated	4,715	5,124	3,460	6,320	11,528	16,757
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	-	-	-	-
Net Assets- June 30	<b>5,124</b>	<b>3,460</b>	<b>6,320</b>	<b>11,528</b>	<b>16,757</b>	<b>21,934</b>
60 days of expenses (Total Operating Expenses divided by 6)	17,415	25,416	31,620	31,632	31,629	31,637

**Requested Rates for Enterprise Funds**

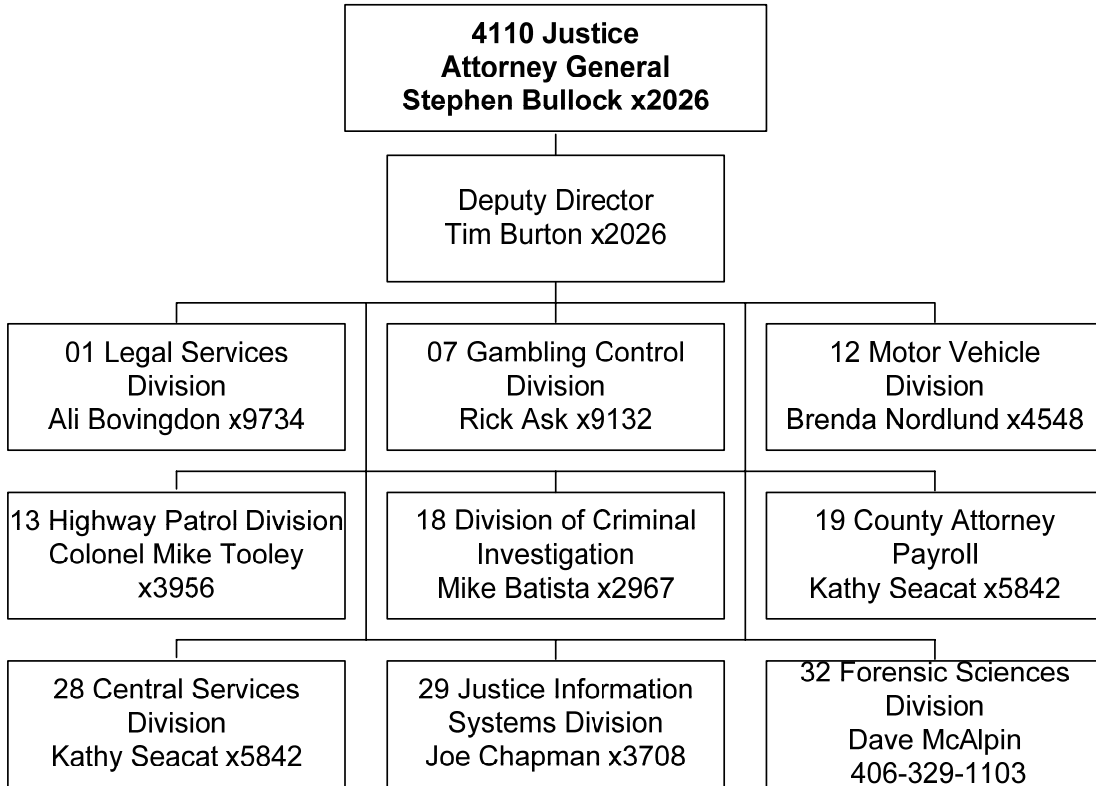
**Fee/Rate Information**

	Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FY 11	Budgeted FY 12	Budgeted FY 13
Law Library Online Searches	104,489	152,497	189,722	189,792	189,771	189,823

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.

# DEPARTMENT OF JUSTICE-4110

Please note that this agency also contains HB 2 funding.



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

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

Agency Proposed Budget							
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	17.00	0.00	0.00	17.00	0.00	0.00	17.00
Personal Services	1,106,485	223,582	0	1,330,067	222,062	0	1,328,547
Operating Expenses	216,955	17,928	0	234,883	19,064	0	236,019
<b>Total Costs</b>	<b>\$1,323,440</b>	<b>\$241,510</b>	<b>\$0</b>	<b>\$1,564,950</b>	<b>\$241,126</b>	<b>\$0</b>	<b>\$1,564,566</b>
Proprietary	1,323,440	241,510	0	1,564,950	241,126	0	1,564,566
<b>Total Funds</b>	<b>\$1,323,440</b>	<b>\$241,510</b>	<b>\$0</b>	<b>\$1,564,950</b>	<b>\$241,126</b>	<b>\$0</b>	<b>\$1,564,566</b>

## DEPARTMENT OF JUSTICE-4110 AGENCY LEGAL SERVICES-06

Please note that this program also contains HB 2 funding.

### Proprietary Rates

Program Proposed Budget							
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	17.00	0.00	0.00	17.00	0.00	0.00	17.00
Personal Services	1,106,485	223,582	0	1,330,067	222,062	0	1,328,547
Operating Expenses	216,955	17,928	0	234,883	19,064	0	236,019
<b>Total Costs</b>	<b>\$1,323,440</b>	<b>\$241,510</b>	<b>\$0</b>	<b>\$1,564,950</b>	<b>\$241,126</b>	<b>\$0</b>	<b>\$1,564,566</b>
Proprietary	1,323,440	241,510	0	1,564,950	241,126	0	1,564,566
<b>Total Funds</b>	<b>\$1,323,440</b>	<b>\$241,510</b>	<b>\$0</b>	<b>\$1,564,950</b>	<b>\$241,126</b>	<b>\$0</b>	<b>\$1,564,566</b>

**Proprietary Program Description** -The Agency Legal Services Bureau (ALS) provides legal, hearing examiner, and investigative services to state agency clients on a contract basis. ALS attorneys and investigators bill clients for their services, case-related and incidental costs. The division consists of 17.00 FTE funded from the revenues generated.

**Statutory authority:** The Attorney General is the legal officer for the state per Article VI, Section 4(4), Montana Constitution. Montana Code Annotated § 2-4-611(2) provides that state agencies may request from the Attorney General's Office a hearing examiner in a contested case.

**Alternate Sources:** State agencies have the option to use in-house or private counsel and investigators instead of ALS. Private law firms, however, typically charge considerably more per hour, and ALS attorneys and investigators have specific knowledge and experience that agencies find beneficial. Per Executive Order 5-93 agencies must receive approval from the Legal Services Review Committee (made up of a representative of the Attorney General, Budget Director, and the Governor's Chief Legal Counsel) prior to contracting for outside legal services.

**Customers Served:** ALS serves State of Montana agencies, boards, and commissions that have entered into contracts with ALS.

**Revenues and Expenses** - Revenues are generated by fees charged to other state agencies for services provided. The primary cost drivers are personal services and fixed operating costs. There will be no one-time expenses. The average billable hours for staff are anticipated to remain the same for the next biennium. The working capital for FY 2010 is \$23,950, and is calculated in accordance with state accounting policy. The working capital is anticipated to remain static for the next biennium. The fund has historically operated with a negative fund balance. Since expenditures are expected to exceed revenue in the next biennium, the fund will continue to operate with a negative fund balance.

**Rate Explanation** -Although expenditures are expected to exceed revenues for the next biennium, the rates are requested to remain at \$93.00/hr for attorneys, and \$53.00/hr for paralegals. Due to the current financial situation, the request to increase rates to cover expenditure increases, and working capital, was not approved.

**DEPARTMENT OF JUSTICE-4110  
AGENCY LEGAL SERVICES-06**

**2013 Biennium Report on Internal Service and Enterprise Funds**

Fund 6500	Fund Name Agency Legal Services	Agency # 4110	Program Name Agency Legal Services
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	Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>						
Fee revenue	1,324,400	1,302,182	1,346,998	1,571,337	1,571,337	1,564,115
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
Net Fee Revenue	1,324,400	1,302,182	1,346,998	1,571,337	1,571,337	1,564,115
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	112	66	-	-	-
Total Operating Revenue	1,324,400	1,302,294	1,347,064	1,571,337	1,571,337	1,564,115
<b>Operating Expenses:</b>						
Personal Services	1,071,663	1,088,834	1,119,011	1,265,383	1,330,067	1,328,547
Other Operating Expenses	246,309	276,800	225,084	210,875	254,581	252,623
	-	-	-	-	-	-
Total Operating Expenses	1,317,972	1,365,634	1,344,018	1,476,258	1,584,648	1,581,170
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	-	-	-	-	-	-
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	-	-	-	-	-	-
Total Net Assets- July 1 - As Restated	(98,082)	(91,666)	(160,317)	(191,151)	(96,072)	(112,792)
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	(98,082)	(91,666)	(160,317)	(191,151)	(96,072)	(112,792)
Net Assets- June 30	<b>(91,654)</b>	<b>(160,317)</b>	<b>(191,151)</b>	<b>(96,072)</b>	<b>(112,792)</b>	<b>(129,847)</b>
60 days of expenses (Total Operating Expenses divided by 6)	219,662	227,606	224,003	246,043	264,108	263,528
<b>Requested Rates for Internal Service Funds</b>						
<b>Fee/Rate Information for Legislative Action</b>						
	Actual FYE 08	Actual FY 09	Actual FY 10	Actual FY 11	Budgeted FY12	Budgeted FY13
Fee Group A						
Attorney rate per hour	\$ 84.00	\$ 84.00	\$ 93.00	\$ 93.00	\$ 93.00	\$ 93.00
Investigators rate per hour	\$ 50.00	\$ 50.00	\$ 53.00	\$ 53.00	\$ 53.00	\$ 53.00

**DEPARTMENT OF JUSTICE-4110  
AGENCY LEGAL SERVICES-06**

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

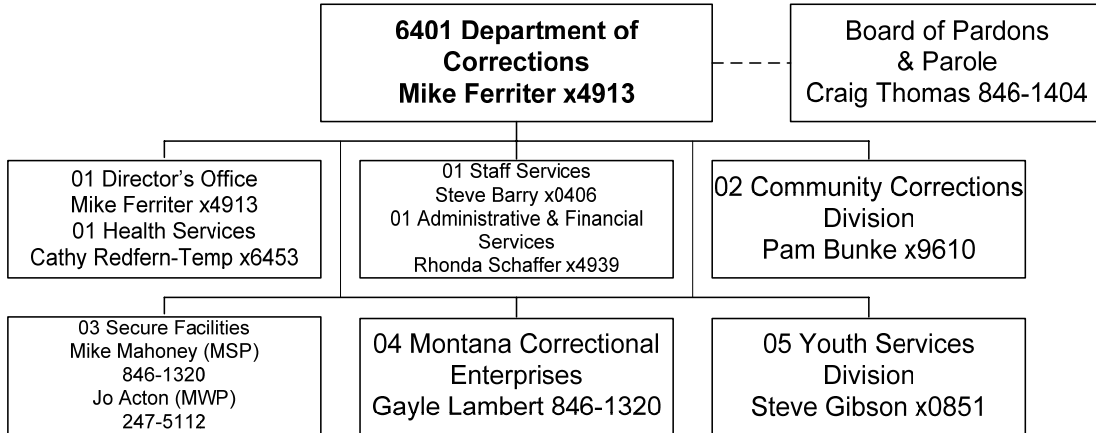
	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$3,409	\$0
FY 2013	\$5,165	\$0

**PL- 601 - ALS Base Adjustment -**

The Agency Legal Services (ALS) bureau requests \$8,574 proprietary authority for the 2013 biennium for contractual 2% lease increases. The increases are \$3,409 in FY 2012 and \$5,165 in FY 2013.

# DEPARTMENT OF CORRECTIONS-6401

Please note that this agency also contains HB 2 funding.



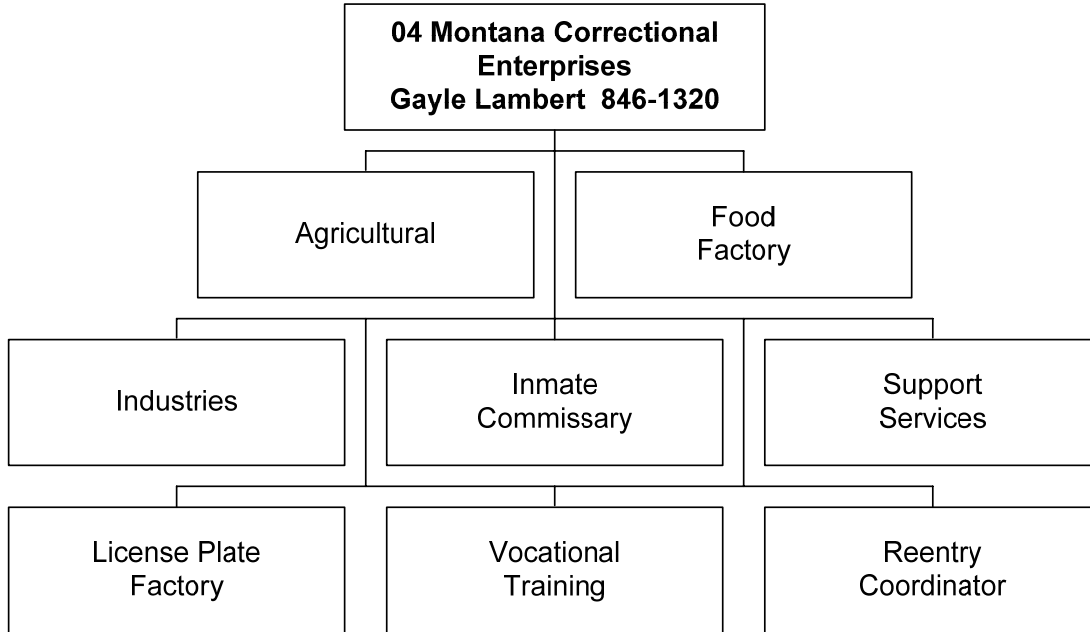
**Mission Statement** - The Montana Department of Corrections enhances public safety, promotes positive change in offender behavior, reintegrates offenders into the community, and supports victims of crime.

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

Agency Proposed Budget							
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	63.76	2.50	0.00	66.26	2.50	0.00	66.26
Personal Services	3,582,121	335,534	0	3,917,655	334,117	0	3,916,238
Operating Expenses	6,057,330	1,773,009	0	7,830,339	1,788,112	0	7,845,442
Equipment & Intangible Assets	44,624	275,000	0	319,624	275,000	0	319,624
Capital Outlay	88,846	0	0	88,846	0	0	88,846
<b>Total Costs</b>	<b>\$9,772,921</b>	<b>\$2,383,543</b>	<b>\$0</b>	<b>\$12,156,464</b>	<b>\$2,397,229</b>	<b>\$0</b>	<b>\$12,170,150</b>
Proprietary	9,772,921	2,383,543	0	12,156,464	2,397,229	0	12,170,150
<b>Total Funds</b>	<b>\$9,772,921</b>	<b>\$2,383,543</b>	<b>\$0</b>	<b>\$12,156,464</b>	<b>\$2,397,229</b>	<b>\$0</b>	<b>\$12,170,150</b>

# DEPARTMENT OF CORRECTIONS-6401 MONTANA CORRECTIONAL ENTERPRISES-04

Please note that this program also contains HB 2 funding.



## Proprietary Rates

Program Proposed Budget	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	63.76	2.50	0.00	66.26	2.50	0.00	66.26
Personal Services	3,582,121	335,534	0	3,917,655	334,117	0	3,916,238
Operating Expenses	6,057,330	1,773,009	0	7,830,339	1,788,112	0	7,845,442
Equipment & Intangible Assets	44,624	275,000	0	319,624	275,000	0	319,624
Capital Outlay	88,846	0	0	88,846	0	0	88,846
<b>Total Costs</b>	<b>\$9,772,921</b>	<b>\$2,383,543</b>	<b>\$0</b>	<b>\$12,156,464</b>	<b>\$2,397,229</b>	<b>\$0</b>	<b>\$12,170,150</b>
Proprietary	9,772,921	2,383,543	0	12,156,464	2,397,229	0	12,170,150
<b>Total Funds</b>	<b>\$9,772,921</b>	<b>\$2,383,543</b>	<b>\$0</b>	<b>\$12,156,464</b>	<b>\$2,397,229</b>	<b>\$0</b>	<b>\$12,170,150</b>

**Proprietary Program Description** -The Montana Correctional Enterprises (MCE) Industry program includes furniture, upholstery, print, sign, and laundry operations at the Montana State Prison facility. At the current time there are not any programs operating at the Montana Women's Prison or regional and private facilities.

The MCE Ranch and Dairy operation includes range cattle, crops, feedlot, land management, dairy milking parlor, dairy processing, heifer reproduction, lumber processing, and the Montana Food Bank Cannery, which are all located at the Montana State Prison facility.

The MCE Vocational Education program operates a motor vehicle maintenance shop and Toyota cutaway operation.

**Proprietary Revenues and Expenses** -MCE revenues are derived from the sale of product and services to state, city, county, non-profit and private customers. Operational needs, cash flow, economic return, customer orders, and product inventory levels determine the level of expenditures. Revenue levels are dependent on marketing efforts, cattle and dairy market conditions, legislative restrictions, governmental and non-profit customer needs and purchases, expansion and adjustment of the product line, private sector complaints and private customer contracts. In addition revenues for



## DEPARTMENT OF CORRECTIONS-6401 MONTANA CORRECTIONAL ENTERPRISES-04

the Laundry and Cook Chill operation are dependent on daily populations of the facilities they service, and Inmate Canteen revenues are dependent on orders received from inmates located at both Montana State and Montana Women's Prisons.

**Proprietary Rate Explanation** - The MCE Industries rates for furniture, upholstery, print and sign shops are based on competitive product pricing. The break even cost for laundry operations is approximately \$.38 per pound without delivery costs. Any profit is maintained within the industries fund to be used for future laundry equipment replacements, as well as the over industries enterprise operation.

MCE ranch and dairy rates are based on the current market prices of cattle, crops and dairy products. Lumber processing rates are based on current market value of the service performed.

The Food Factory rates are based on material cost and operating expenses. Meal prices are commensurate with costs incurred.

**DEPARTMENT OF CORRECTIONS-6401  
MONTANA CORRECTIONAL ENTERPRISES-04**

**2013 Biennium Report on Internal Service and Enterprise Funds 2013**

Fund	Fund Name	Agency #	Agency Name	Program Name
6572	MCE License Plate	64010	Dept. of Corrections	Mont Correctional Enterprises

	Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>						
Fee revenue						
Sale of License Plate Products	-	-	1,106,138	1,100,000	1,341,500	1,341,500
Net Fee Revenue	-	-	1,106,138	1,100,000	1,341,500	1,341,500
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	-	-	1,106,138	1,100,000	1,341,500	1,341,500
<b>Operating Expenses:</b>						
Personal Services	-	-	-	173,045	162,818	162,499
Other Operating Expenses	-	-	-	2,354,143	1,183,050	1,184,790
Total Operating Expenses	-	-	-	2,527,188	1,345,868	1,347,289
Operating Income (Loss)	-	-	1,106,138	(1,427,188)	(4,368)	(5,789)
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	-	-	1,106,138	(1,427,188)	(4,368)	(5,789)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	-	-	1,106,138	(1,427,188)	(4,368)	(5,789)
Total Net Assets- July 1 - As Restated	-	-	-	1,106,138	(321,050)	(325,418)
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	-	1,106,138	(321,050)	(325,418)
Net Assets- June 30	-	-	1,106,138	(321,050)	(325,418)	(331,207)
60 days of expenses (Total Operating Expenses divided by 6)	-	-	-	421,198	224,311	224,548
<b>Requested Rates for Enterprise Funds</b>						
<b>Fee/Rate Information</b>						
	Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
Cost Per Set of Plates for MCE License Plates cost per plate			6.20	6.20	6.20	6.20

**DEPARTMENT OF CORRECTIONS-6401  
MONTANA CORRECTIONAL ENTERPRISES-04**

2013 Biennium Report on Internal Service and Enterprise Funds							
Fund 6573	Fund Name MCE Food Factory	Agency # 64010	Agency Name Dept. of Corrections	Program Name Secure Custody Facilities			
		Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>							
Fee revenue							
Food Product Sales		3,325,524	3,483,776	3,544,935	3,900,000	3,900,000	3,900,000
Net Fee Revenue		3,325,524	3,483,776	3,544,935	3,900,000	3,900,000	3,900,000
Investment Earnings		-	-	-	-	-	-
Securities Lending Income		-	-	-	-	-	-
Premiums		-	-	-	-	-	-
Other Operating Revenues		-	-	-	-	-	-
Total Operating Revenue		3,325,524	3,483,776	3,544,935	3,900,000	3,900,000	3,900,000
<b>Operating Expenses:</b>							
Personal Services		861,919	928,895	987,849	995,774	958,371	959,507
Other Operating Expenses		2,668,115	2,901,337	2,831,739	2,989,008	3,052,117	3,052,967
Total Operating Expenses		3,530,034	3,830,232	3,819,588	3,984,782	4,010,488	4,012,474
Operating Income (Loss)		(204,510)	(346,456)	(274,653)	(84,782)	(110,488)	(112,474)
<b>Nonoperating Revenues (Expenses):</b>							
Gain (Loss) Sale of Fixed Assets		-	-	-	-	-	-
Federal Indirect Cost Recoveries		-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Operating Transfers		(204,510)	(346,456)	(274,653)	(84,782)	(110,488)	(112,474)
Contributed Capital		-	-	-	-	-	-
Operating Transfers In (Note 13)		-	-	-	-	-	-
Operating Transfers Out (Note 13)		-	(2,681)	-	-	-	-
Change in net assets		(204,510)	(349,137)	(274,653)	(84,782)	(110,488)	(112,474)
Total Net Assets- July 1 - As Restated		3,686,707	3,482,197	3,133,060	2,858,407	2,773,625	2,663,137
Prior Period Adjustments		-	-	-	-	-	-
Cumulative effect of account change		-	-	-	-	-	-
Total Net Assets - July 1 - As Restated		3,686,707	3,482,197	3,133,060	2,858,407	2,773,625	2,663,137
Net Assets- June 30		3,482,197	3,133,060	2,858,407	2,773,625	2,663,137	2,550,663
60 days of expenses (Total Operating Expenses divided by 6)		588,339	638,372	636,598	664,130	668,415	668,746
<b>Requested Rates for Internal Service Funds</b>							
<b>Fee/Rate Information for Legislative Action</b>							
		Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Tray Meal Prices to all customers</b>							
Base Tray-Hot/Cold		\$ 1.37	\$ 1.37	\$ 1.69	\$ 1.69	\$ 1.73	\$ 1.73
Base Tray-Hot						\$ 0.87	\$ 0.87
Detention Center Trays						\$ 2.45	\$ 2.45
Accessory Package						\$ 0.10	\$ 0.10
<b>Delivery Charge Per Trayed Meal</b>							
Montana State Prison		\$ 0.01	\$ 0.01				
Riverside Youth Correctional Facility		\$ 0.64	\$ 0.64				
Helena Pre Release		\$ 0.64	\$ 0.64				
WATCh DUI Program		\$ 0.22	\$ 0.22				
New Meth Treatment Center		\$ 0.64	\$ 0.64				
Ananconda Deer Lodge County Jail		\$ 1.13	\$ 1.13				
Delivery charge - per mile				\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50
Deliver charge - per hour				\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00
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.							
Spoilage percentage to all customers		4%	4%	4%	4%	5%	5%
<b>(Overhead Chrg)</b>							
Montana State Hospital		9%	9%			11%	11%
MSH - supplies only				12%	12%		
MSH - all overhead except supplies				6%	6%		
Montana State Prison		65%	65%			77%	77%
MSP - supplies only				77%	77%		
MSP - all overhead except supplies				41%	41%		
Treasure State Correctional Training		8%	8%			12%	12%
TSCTC - supplies only				11%	11%		
TSCTS - all overhead except supplies				6%	6%		

# DEPARTMENT OF CORRECTIONS-6401 MONTANA CORRECTIONAL ENTERPRISES-04

## 2013 Biennium Report on Internal Service and Enterprise Funds

Fund 6545	Fund Name Vocational Education	Agency # 64010	Agency Name Dept. of Corrections	Program Name Mont Correctional Enterprises
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	Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>						
Fee revenue						
Revenue from Motor Vehicle Maintenance Service	444,165	402,740	560,212	597,000	597,000	597,000
Net Fee Revenue	446,165	402,740	560,212	597,000	597,000	597,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	446,165	402,740	560,212	597,000	597,000	597,000
<b>Operating Expenses:</b>						
Personal Services	235,887	239,713	227,615	263,652	200,963	201,871
Other Operating Expenses	280,294	211,562	312,331	319,665	404,852	404,618
Total Operating Expenses	516,181	451,275	539,946	583,317	605,815	606,489
Operating Income (Loss)	(70,016)	(48,535)	20,266	13,683	(8,815)	(9,489)
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(70,016)	(48,535)	20,266	13,683	(8,815)	(9,489)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(70,016)	(48,535)	20,266	13,683	(8,815)	(9,489)
Total Net Assets- July 1 - As Restated	136,218	66,202	17,667	37,933	51,616	42,801
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	136,218	66,202	17,667	37,933	51,616	42,801
Net Assets- June 30	66,202	17,667	37,933	51,616	42,801	33,312
60 days of expenses (Total Operating Expenses divided by 6)	86,030	75,213	89,991	97,220	100,969	101,082

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

	Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Fee Group A -</b>						
Rate 1 per hour Labor Charge for Motor Vehicle Maint	\$ 23.50	\$ 26.50	\$ 26.50	\$ 26.50	\$ 26.50	\$ 26.50
Rate 2 (per unit) Supply fee as a percentage of actual cost	3%	3%	3%	3%	5%	5%
Rate 3 Parts are sold at actual cost	—————→					

**DEPARTMENT OF CORRECTIONS-6401  
MONTANA CORRECTIONAL ENTERPRISES-04**

**2013 Biennium Report on Internal Service and Enterprise Funds 2013**

Fund	Fund Name	Agency #	Agency Name	Program Name
6034	MSP Institutional Industries	64010	Dept. of Corrections	Mont Correctional Enterprises

	Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>						
Fee revenue						
Sale of Industries Products	2,598,139	2,535,610	2,387,949	2,670,000	2,670,000	2,670,000
Revenue from Fee B	-	-	-	-	-	-
Revenue from Fee C	-	-	-	-	-	-
Revenue from Fee D	-	-	-	-	-	-
Revenue from Fee E	-	-	-	-	-	-
Revenue from Fee F	-	-	-	-	-	-
Net Fee Revenue	2,598,139	2,535,610	2,387,949	2,670,000	2,670,000	2,670,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	2,598,139	2,535,610	2,387,949	2,670,000	2,670,000	2,670,000
<b>Operating Expenses:</b>						
Personal Services	1,212,701	1,172,398	1,192,206	1,240,058	1,288,659	1,287,068
Other Operating Expenses	1,510,622	1,457,986	1,209,710	1,499,730	1,376,079	1,377,272
Total Operating Expenses	2,723,323	2,630,384	2,401,916	2,739,788	2,664,738	2,664,340
Operating Income (Loss)	<b>(125,184)</b>	<b>(94,774)</b>	<b>(13,967)</b>	<b>(69,788)</b>	<b>5,262</b>	<b>5,660</b>
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(125,184)	(94,774)	(13,967)	(69,788)	5,262	5,660
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	(85,584)	-	-	-	-
Change in net assets	(125,184)	(180,358)	(13,967)	(69,788)	5,262	5,660
Total Net Assets- July 1 - As Restated	2,157,586	2,032,402	1,852,044	1,838,077	1,768,289	1,773,551
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	2,157,586	2,032,402	1,852,044	1,838,077	1,768,289	1,773,551
Net Assets- June 30	<b>2,032,402</b>	<b>1,852,044</b>	<b>1,838,077</b>	<b>1,768,289</b>	<b>1,773,551</b>	<b>1,779,211</b>
60 days of expenses (Total Operating Expenses divided by 6)	453,887	438,397	400,319	456,631	444,123	444,057

**Requested Rates for Enterprise Funds  
Fee/Rate Information**

	Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Cost Per Pound for Laundry Services, including delivery</b>						
Base Laundry Price for Customer	0.43	0.43	0.43	0.43	0.48	0.48
<b>Delivery Charge per Pound</b>						
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
University of Montana				0.20	0.20	0.20
<b>Fee Group C</b>						
Rate 8 (per unit)						
Rate 9 (per unit)						

**DEPARTMENT OF CORRECTIONS-6401  
MONTANA CORRECTIONAL ENTERPRISES-04**

**2013 Biennium Report on Internal Service and Enterprise Funds**

Fund	Fund Name	Agency #	Agency Name	Program Name
6033	Prison Ranch	64010	Dept. of Corrections	Mont Correctional Enterprises

	Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>						
Fee revenue						
Sales of Products	4,552,404	4,084,194	3,915,822	4,552,567	4,552,567	4,552,567
MFBN Cannery Service Revenues	-	-	-	-	-	-
Net Fee Revenue	4,552,404	4,084,194	3,915,822	4,552,567	4,552,567 <span style="color: green;">▲</span>	4,552,567
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	4,552,404	4,084,194	3,915,822	4,552,567	4,552,567	4,552,567
<b>Operating Expenses:</b>						
Personal Services	1,356,991	1,393,647	1,437,799	1,548,592	1,507,807	1,507,164
Other Operating Expenses	2,528,557	3,206,193	2,544,843	3,055,175	2,711,207	2,721,548
Total Operating Expenses	3,885,548	4,599,840	3,982,642	4,603,767	4,219,014	4,228,712
Operating Income (Loss)	<b>666,856</b>	<b>(515,646)</b>	<b>(66,820)</b>	<b>(51,200)</b>	<b>333,553 <span style="color: green;">▲</span></b>	323,855
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	-	-	(77,989)	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	(61,898)	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(61,898) <span style="color: green;">▲</span>	- <span style="color: green;">▲</span>	(77,989) <span style="color: green;">▲</span>	- <span style="color: green;">▲</span>	- <span style="color: green;">▲</span>	-
Income (Loss) Before Operating Transfers	604,958 <span style="color: green;">▲</span>	(515,646) <span style="color: green;">▲</span>	(144,809) <span style="color: green;">▲</span>	(51,200) <span style="color: green;">▲</span>	333,553 <span style="color: green;">▲</span>	323,855
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	(8,756)	-	-	-	-
Change in net assets	604,958	(524,402)	(144,809)	(51,200)	333,553	323,855
Total Net Assets- July 1 - As Restated	9,587,925	10,192,883	9,668,481	9,523,672	9,472,472	9,806,025
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	9,587,925	10,192,883	9,668,481	9,523,672	9,472,472	9,806,025
Net Assets- June 30	<b>10,192,883</b>	<b>9,668,481</b>	<b>9,523,672</b>	<b>9,472,472</b>	<b>9,806,025</b>	<b>10,129,880</b>
60 days of expenses						
(Total Operating Expenses divided by 6)	647,591	766,640	663,774	767,295	703,169	704,785

**DEPARTMENT OF CORRECTIONS-6401  
MONTANA CORRECTIONAL ENTERPRISES-04**

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

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$1,340,443	\$0
FY 2013	\$1,341,500	\$0

**PL- 404 - Set up License Plate IS Budget 61-3-33, MCA -**

The executive requests proprietary funding of \$1,340,443 and 2.50 FTE in FY 2012 and \$1,341,500 and 2.50 FTE in FY 2013 for a biennial total of \$2,681,943 for the License Plate Factory. The License Plate Factory needs to be set up under the internal service fund, pursuant to 61-3-338. , MCA. The program was removed from the general fund in fiscal year 2011 and set up through a budget change document in the internal service fund.

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$551,000	\$0
FY 2013	\$551,000	\$0

**PL- 406 - Staff Overtime and Inmate Payroll -**

The executive request is for spending authority only in the proprietary Ranch, Industries and Food Factory programs for overtime, holidays worked and inmate payroll which are zero based items and must be requested each biennium. This request is for \$551,000 proprietary funding each year of the biennium.

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$600,000	\$0
FY 2013	\$600,000	\$0

**PL- 407 - Increased Spending Authority -**

The executive request is for spending authority only in the proprietary Ranch, Industries and Food Factory programs. This request is for \$600,000 proprietary funding each year of the biennium.

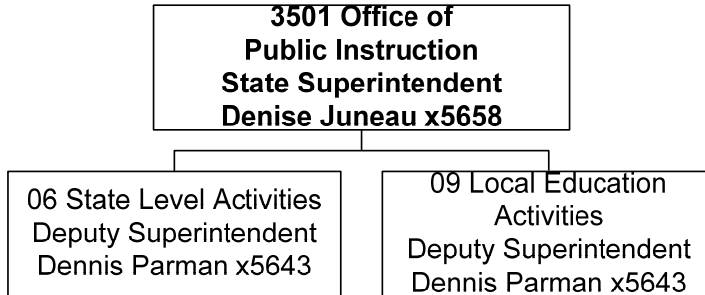
	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$275,000	\$0
FY 2013	\$275,000	\$0

**PL- 408 - Equipment Spending Authority -**

The executive request is for spending authority only for equipment purchases over the base budget in the proprietary Ranch, Industries and Food Factory programs. This request is for \$275,000 proprietary funding each year of the biennium.

# OFFICE OF PUBLIC INSTRUCTION-3501

Please note that this agency also contains HB 2 funding.



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

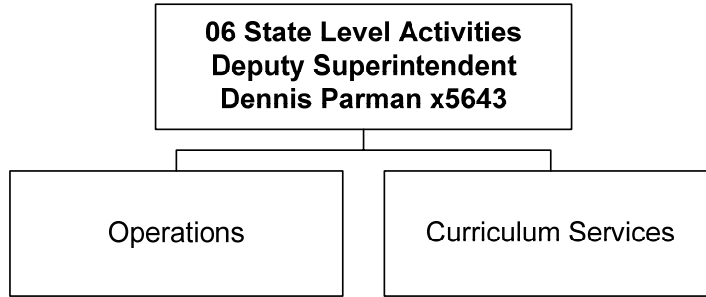
**Statutory Authority** - Title 20, MCA

Agency Proposed Budget							
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	23.83	0.00	0.00	23.83	0.00	0.00	23.83
Personal Services	1,790,911	(383,278)	0	1,407,633	(383,035)	0	1,407,876
Operating Expenses	897,612	51,942	0	949,554	(31,982)	0	865,630
<b>Total Costs</b>	<b>\$2,688,523</b>	<b>(\$331,336)</b>	<b>\$0</b>	<b>\$2,357,187</b>	<b>(\$415,017)</b>	<b>\$0</b>	<b>\$2,273,506</b>
Proprietary	2,688,523	(331,336)	0	2,357,187	(415,017)	0	2,273,506
<b>Total Funds</b>	<b>\$2,688,523</b>	<b>(\$331,336)</b>	<b>\$0</b>	<b>\$2,357,187</b>	<b>(\$415,017)</b>	<b>\$0</b>	<b>\$2,273,506</b>



**OFFICE OF PUBLIC INSTRUCTION-3501  
STATE LEVEL ACTIVITIES-06**

Please note that this program also contains HB 2 funding.



**Proprietary Rates**

Program Proposed Budget	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
Budget Item							
FTE	23.83	0.00	0.00	23.83	0.00	0.00	23.83
Personal Services	1,790,911	(383,278)	0	1,407,633	(383,035)	0	1,407,876
Operating Expenses	897,612	51,942	0	949,554	(31,982)	0	865,630
<b>Total Costs</b>	<b>\$2,688,523</b>	<b>(\$331,336)</b>	<b>\$0</b>	<b>\$2,357,187</b>	<b>(\$415,017)</b>	<b>\$0</b>	<b>\$2,273,506</b>
Proprietary	2,688,523	(331,336)	0	2,357,187	(415,017)	0	2,273,506
<b>Total Funds</b>	<b>\$2,688,523</b>	<b>(\$331,336)</b>	<b>\$0</b>	<b>\$2,357,187</b>	<b>(\$415,017)</b>	<b>\$0</b>	<b>\$2,273,506</b>

**Proprietary Program Description** -OPI Indirect Cost Pool - OPI's internal service fund (A/E 06512) is used to pool internal and state wide central service type costs that are charged back to all of OPI's state and federally funded programs using a pre-approved indirect cost rate.

The Advanced Driver Education program (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, state employees, ambulance drivers, firefighters, road crews and others who drive as a part of their employment. In operation since 1979, this program offers its services to employees of government services, fleet managers and to the general public.

**Revenues and Expenses - Indirect Cost Pool**

Revenue Description - Indirect cost pool revenues are a function of the amount of expenditures recorded in the State Level Activities Program. Revenues are generated monthly by applying an approved indirect cost rate to the prior month's direct personal services and operating expenditures in both state and federally funded programs. Last fiscal year OPI federal programs contributed \$1,368,474 (SABHRS revenue account 584002) towards the cost of "indirects"; general and other state-funded programs contributed \$1,208,401 (SABHRS revenue account 522029). State and federal program payments to the indirect cost pool are recorded using SABHRS account 62827. OPI negotiates a three year "predetermined rate" with the U.S. Department of Education. The rate is calculated in accordance with federal regulations and section 17-3-111(1), MCA. The federally approved rate for fiscal years 2011 through 2013 is 17 percent.

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).

## OFFICE OF PUBLIC INSTRUCTION-3501 STATE LEVEL ACTIVITIES-06

Services provided to OPI by other state agencies for a fee:

- o Depart. of Admin. (DofA) General Liability Insurance and Employee Bonds
- o DofA Warrant Writing Fees
- o DofA Human Resources Information Fees
- o DofA Workers' Comp Management Fee
- o Legislative Audit Fees
- o DofA SABHRS Costs
- o DofA telephone equipment charges, network services charges, and enterprise fees
- o DofA rent charge for common areas (bathrooms, halls, conference rooms)
- o DofA Capitol Complex Grounds Maintenance
- o 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 FTE are paid from the pool, including the cost of rent for space they occupy, office supplies, postage, long distance phone charges, equipment, training, travel, photocopy charges, etc.

General-use items such as paper, FAX lines and shared equipment, including maintenance contracts on that equipment.

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

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

### **DR.I.V.E. (Driver In-Vehicle Education) Program in Lewistown**

Revenue Description - Revenues are generated from workshop fees collected from program users. (Authority Title 20 MCA) Typically the program serves 500-600 participants a season. The current fee is \$290 for a full-day workshop per person. Program fees will remain within the same range as reported in the 2011 biennium of \$260 - \$320. This should cover any unusual maintenance costs that are incurred during a season. It is anticipated that services will remain approximately the same as present for the 2013 Biennium.

Expense Description - Cost drivers for fees include instructor expenses (includes salaries, travel and per diem); vehicle maintenance and operating expenses (fuel and repairs), classroom and track supplies, track lease, program advertising, and administration (planning, scheduling, registrations, advertising, professional development of staff, support services, etc.). Need for improvements to the facility are pending.

Working Capital Discussion - This program is a summer seasonal program that operates 45-55 days during June, July and August utilizing 10 – 12 vehicles. The program typically employs four professional instructors for each workshop (10 - 11 hours per day each) totaling 1.30 FTE. A director (0.15 FTE) and a program specialist (0.23 FTE) provide administrative support during the year. Most revenue is received in April - June through pre-paid workshop registrations. Most expenses are realized June through August, with continuing administrative expenses during the remainder of the year. The program requires 30 - 45 percent of its annual budget to be carried over into the next fiscal year to cover working expenses paid out July - March.

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

### **Rate Explanation**

#### **Indirect Cost Rates**

OPI negotiates a three year "predetermined rate" with the U.S. Department of Education. The rate is calculated in accordance with federal regulations and section 17-3-111(1), MCA. The approved rate for fiscal years 2010 through 2013 is 17 percent.

# OFFICE OF PUBLIC INSTRUCTION-3501 STATE LEVEL ACTIVITIES-06

## Montana DR.I.V.E. Program Rates

Workshop rates are fixed rates evaluated against workshop personnel expenses, operating expenses and depreciated vehicle costs on a seasonal basis to ensure workshop operating expenses are covered. Inflationary influences are anticipated as best as possible to ensure that inflation does not leave the program in a deficit situation. All attempts are made to keep workshop fees low since the potential customers such as bus drivers, volunteer firemen and ambulance drivers have small training budgets.

2013 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 FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>									
Fee revenue									
From Fee A - Full Day Workshop							160,000	160,000	160,000
Half Day Refresher Workshop									
From Fee B - Daily Track Rentals, Exclusive									
From Fee C - Periodic or Extended Track Rental, Non-Exclu.				-	-	-	-	-	-
From Fee D - Custom Training/Workshop				-	-	-	-	-	-
Misc. Income							500	500	500
Total Operating Revenue				166,477	147,278	160,829	160,500	160,500	160,500
<b>Operating Expenses:</b>									
Personal Services				91,554	89,579	55,619	81,674	80,675	80,714
Other Operating Expenses				51,803	126,018	65,280	65,500	75,000	85,000
Total Operating Expenses				143,357	215,596	120,900	147,174	155,675	165,714
Operating Income (Loss)				23,120	(68,319)	39,929	13,326	4,825	(5,214)
Total Net Assets- July 1 - As Restated				40,868	63,988	(4,330)	35,599	48,925	53,750
Net Assets- June 30				63,988	(4,330)	35,599	48,925	53,750	48,536
60 days of expenses (Total Operating Expenses divided by 6)									
				23,893	35,933	20,150	24,529	25,946	27,619
<b>Fee/Rate Information</b>									
				Actual FY 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11	Budgeted FY 12	Budgeted FY 13
Fee Group A	Rate 1 (per unit) Full-Day Workshop	250-260	260-295	260-320	260-320	260-320	260-320	260-320	260-320
	Rate 2 (per unit) Half-Day Workshop	150-155	155-175	155-190	155-190	155-190	155-190	155-190	155-190
	Rate 3 (per unit)								
Fee Group B	Rate 4 (per unit) Daily Track Rental - Gov.	150-200	150-200	150-200	150-200	150-200	150-200	150-200	150-200
	Rate 5 (per unit) Daily/Yearly High Schools	40/600	40/600	40/600	40/600	40/600	40/600	40/600	40/600
	Rate 6 (per unit) Daily Track Rental Non-Profit	330-400	330-400	330-400	330-400	330-400	330-400	330-400	330-400
	Rate 7 (per unit) Daily Private for Profit	2000-2750	2000-2750	2000-2750	2000-2750	2000-2750	2000-2750	2000-2750	2000-2750
Fee Group C	Rate 8 (per unit) Periodic/Extended Non-Exclusive - Gov	Negotiated	Negotiated	Negotiated	Negotiated	Negotiated	Negotiated	Negotiated	Negotiated
	Rate 9 (per unit) Periodic/Extended Non-Exclusive - Non-Profit	Negotiated	Negotiated	Negotiated	Negotiated	Negotiated	Negotiated	Negotiated	Negotiated
Fee Group D	Rate 10 (per unit) Custom Full-Day Workshop	Negotiated	Negotiated	Negotiated	Negotiated	Negotiated	Negotiated	Negotiated	Negotiated
	Rate 11 (per unit) Custom, Other training configurations	Negotiated	Negotiated	Negotiated	Negotiated	Negotiated	Negotiated	Negotiated	Negotiated
Misc. Income This includes fees collected for use of cones, equipment of other misc. assets							Negotiated	Negotiated	Negotiated
<p><b>Group A</b> 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.</p> <p><b>Group B</b> are the fees other users of the tract pay for exclusive use of the track. Rate 5 for High Schools involves use of the track after hours or on dates not scheduled for other uses.</p> <p><b>Group C</b> 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.</p> <p><b>Change of Lead Agency Status.</b> As of February 28, 2008, Western Transportation Institute became the lead agency at the Lewistown Montana driving facility and will now arrange for and collect use fees from other users. OPI now subleases the tract from WTI and will rarely see track revenue from other users based upon this change. OPI will occasionally realize misc. income from other uses of cones, signs, and other misc. assets.</p> <p><b>Fiscal cycle note:</b> 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 vehicles and periodic repairs to the facility.</p> <p>Increased rates in all areas represent increasing costs and improvements to the facility spring of 2011.</p>									

**OFFICE OF PUBLIC INSTRUCTION-3501  
STATE LEVEL ACTIVITIES-06**

**2013 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 FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>						
Nonfederal indirect cost recoveries	821,632	1,012,671	1,208,401	1,208,401	1,242,534	1,237,048
Federal Indirect Cost Recoveries	858,853	1,022,374	1,368,475	1,568,475	1,401,155	1,394,969
Other Operating Revenues	5,848	13,540	8,150	8,150	8,150	8,150
Total Operating Revenue	1,686,334	2,048,585	2,585,026	2,785,026	2,651,839	2,640,167
<b>Operating Expenses:</b>						
Personal Services	1,174,742	1,347,303	1,431,144	1,302,662	1,329,788	1,330,037
Termination costs for HB2 FTE (FY08-FY10 average-\$178,900)	119,090	139,032	278,580	180,000	200,000	200,000
Other Operating Expenses	824,515	850,846	834,985	957,724	886,431	802,344
Other Post Employment Expense	73,957	83,427	71,339	71,000	71,000	71,000
Total Operating Expenses	2,192,305	2,420,608	2,616,048	2,511,386	2,487,219	2,403,381
Operating Income (Loss)	(505,971)	(372,024)	(31,022)	273,640	164,620	236,786
Total Net Assets- July 1 - As Restated	797,653	291,682	(80,342)	(111,364)	162,276	326,896
Total Net Assets - July 1 - As Restated	797,653	291,682	(80,342)	(111,364)	162,276	326,896
Net Assets- June 30	291,682	(80,342)	(111,364)	162,276	326,896	563,682
60 days of expenses (Total Operating Expenses divided by 6)	365,384	403,435	436,008	418,564	414,537	400,564

**Requested Rates for Internal Service Funds**

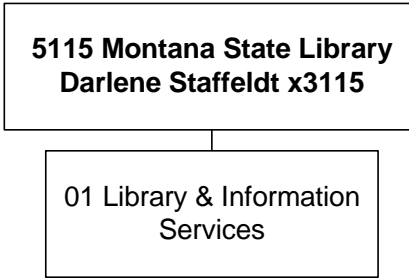
**Fee/Rate Information**

	Actual FY 08	Actual FY 09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
Unrestricted Rate	24.0%	24.0%	24.0%	17.5%	17.5%	17.5%
Restricted Rate	14.0%	14.0%	16.3%	17.0%	17.0%	17.0%

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 FY2011 FY2013 is 17%. The approved unrestricted rate is 17.5%. The restricted rate is applied to all general fund programs and to federal programs with "supplement not supplant" requirements.

# MONTANA LIBRARY COMMISSION-5115 STATEWIDE LIBRARY RESOURCES-01

Please note that this agency also contains HB 2 funding.



**Mission Statement** - The Montana State Library meets the information needs of Montana government agency management and staff, ensures all Montana citizens have access to information created by their government, supports the role of all Montana libraries in delivering quality library content and services to their patrons, works to strengthen local community public libraries, ensures that Montanans who are visually or physically handicapped are provided access to library resources, and measures its successes by its patrons' and partners' successes.

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

### Proprietary Rates

Program Proposed Budget	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	0.00	0.00	1.00	1.00	0.00	1.00	1.00
Personal Services	22,366	(22,366)	39,204	39,204	(22,366)	39,116	39,116
Operating Expenses	254,909	(298)	23,824	278,435	(284)	23,780	278,405
Equipment & Intangible Assets	44,369	0	(44,369)	0	0	(44,369)	0
<b>Total Costs</b>	<b>\$321,644</b>	<b>(\$22,664)</b>	<b>\$18,659</b>	<b>\$317,639</b>	<b>(\$22,650)</b>	<b>\$18,527</b>	<b>\$317,521</b>
Proprietary	321,644	(22,664)	18,659	317,639	(22,650)	18,527	317,521
<b>Total Funds</b>	<b>\$321,644</b>	<b>(\$22,664)</b>	<b>\$18,659</b>	<b>\$317,639</b>	<b>(\$22,650)</b>	<b>\$18,527</b>	<b>\$317,521</b>

**Proprietary Program Description** -The Montana Shared Catalog is a cooperative project involving 90+ libraries. Public libraries, school libraries, academic libraries, medical libraries, and other special libraries have pooled resources to purchase a robust library automation system. Members enjoy the benefits of shared expertise and the ability to provide great service to library customers. The Montana State Library became the fiscal agent for the Shared Catalog since FY 2008.

**Revenues and Expenses** -The Shared Catalog members pay membership dues that are used to pay operating expenses. There are approximately 90 member libraries that pay membership fees each year. Expenditures include payment of required fees for software licensing, user interface, and indexing to make the system run; payment for required yearly catalog and director station maintenance; a travel budget that includes meetings twice a year to make decisions on direction of the shared catalog and conference attendance; training to new library members as well as ongoing training to current members; and equipment replacement.

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

# MONTANA LIBRARY COMMISSION-5115 STATEWIDE LIBRARY RESOURCES-01

in accord with criteria set forth in the cost formula.

## 2013 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06021	MT Shared Catalog	51150	State Library	MT State Library

	Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>						
Other Operating Revenues	47,956	196,390	278,207	176,267	176,267	176,267
Total Operating Revenue	47,956	196,390	278,207	176,267	176,267	176,267
<b>Operating Expenses:</b>						
Personal Services	-	12,637	22,365	60,326	63,028	62,896
Other Operating Expenses	47,956	183,753	254,607	138,824	155,761	165,775
Equipment Expenses			44,369			
Total Operating Expenses	47,956	196,390	321,342	199,150	218,789	228,671
Operating Income (Loss)	-	-	(43,135)	(22,883)	(42,522)	(52,404)
Total Net Assets- July 1 - As Restated		-	240,586	197,451	174,568	132,046
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	240,586	197,451	174,568	132,046
Net Assets- June 30	-	-	197,451	174,568	132,046	79,642
60 days of expenses (Total Operating Expenses divided by 6)	7,993	32,732	53,557	33,192	36,465	38,112

### Requested Rates for Enterprise Funds Fee/Rate Information

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

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

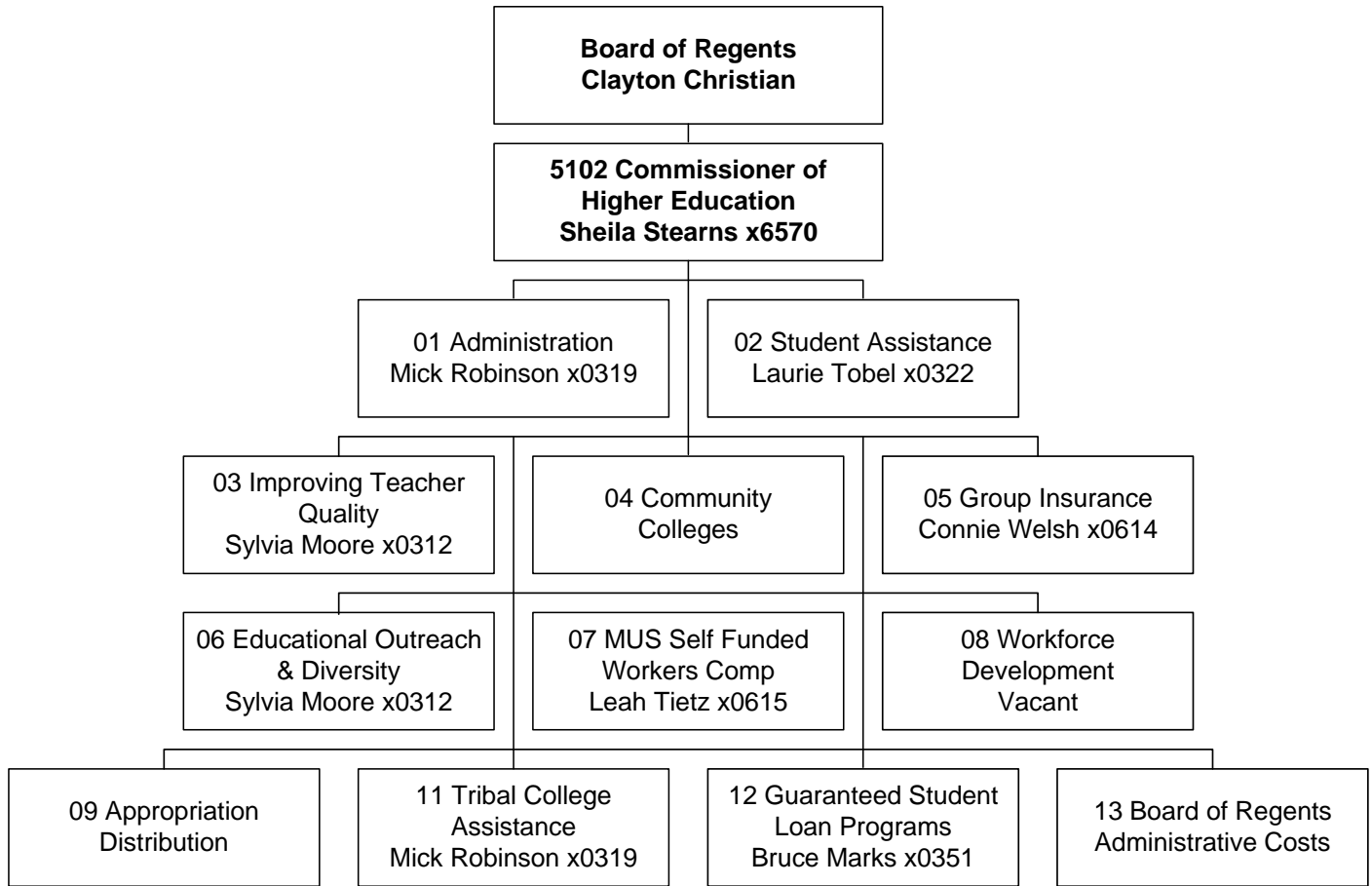
	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$18,659	\$0
FY 2013	\$18,527	\$0

### NP- 3 - MONTANA SHARED CATALOG -

The Montana State Library requests 1.0 permanent FTE in the proprietary fund for the Montana Shared Catalog and redistribution of base funding to operating expense. The Catalog is a cooperative project involving over 100 public, school, academic, medical and special libraries across Montana that have pooled resources to purchase a robust library automation system. Benefits include shared expertise and the ability to provide additional service to library customers. Montana State Library is the fiscal agent for the catalog.

# COMMISSIONER OF HIGHER EDUCATION-5102

Please note that this agency also contains HB 2 funding.



**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 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	5.65	0.00	0.00	5.65	0.00	0.00	5.65
Personal Services	470,063	(27,526)	0	442,537	(12,409)	0	457,654
Operating Expenses	6,398,444	5,000,308	0	11,398,752	10,000,531	0	16,398,975
Benefits & Claims	76,786,866	14,843,420	0	91,630,286	34,959,591	0	111,746,457
<b>Total Costs</b>	<b>\$83,655,373</b>	<b>\$19,816,202</b>	<b>\$0</b>	<b>\$103,471,575</b>	<b>\$44,947,713</b>	<b>\$0</b>	<b>\$128,603,086</b>
Proprietary	83,655,373	19,816,202	0	103,471,575	44,947,713	0	128,603,086
<b>Total Funds</b>	<b>\$83,655,373</b>	<b>\$19,816,202</b>	<b>\$0</b>	<b>\$103,471,575</b>	<b>\$44,947,713</b>	<b>\$0</b>	<b>\$128,603,086</b>

**COMMISSIONER OF HIGHER EDUCATION-5102  
MUS GROUP INSURANCE PROGRAM-05**

Please note that this program also contains HB 2 funding.

<p><b>05 Group Insurance</b> Connie Welsh x0614</p>
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**Proprietary Rates**

Program Proposed Budget	Base Budget	PL Base	New	Total	PL Base	New	Total
Budget Item	Fiscal 2010	Adjustment	Proposals	Exec. Budget	Adjustment	Proposals	Exec. Budget
	Fiscal 2010	Fiscal 2012	Fiscal 2012	Fiscal 2012	Fiscal 2013	Fiscal 2013	Fiscal 2013
FTE	4.65	0.00	0.00	4.65	0.00	0.00	4.65
Personal Services	387,404	(26,092)	0	361,312	(10,769)	0	376,635
Operating Expenses	5,777,889	5,000,445	0	10,778,334	10,000,666	0	15,778,555
Benefits & Claims	73,595,963	14,843,420	0	88,439,383	34,959,591	0	108,555,554
<b>Total Costs</b>	<b>\$79,761,256</b>	<b>\$19,817,773</b>	<b>\$0</b>	<b>\$99,579,029</b>	<b>\$44,949,488</b>	<b>\$0</b>	<b>\$124,710,744</b>
Proprietary	79,761,256	19,817,773	0	99,579,029	44,949,488	0	124,710,744
<b>Total Funds</b>	<b>\$79,761,256</b>	<b>\$19,817,773</b>	<b>\$0</b>	<b>\$99,579,029</b>	<b>\$44,949,488</b>	<b>\$0</b>	<b>\$124,710,744</b>

**Proprietary Program Description** -The Board of Regents provides faculty and staff with group benefits through the MUS Group Insurance Program. The commissioner is authorized by Board of Regents policy to administer the program as a self-insured, group insurance plan. All university system employees, retirees, and eligible dependents are offered medical, dental, vision, and group life insurance, as well as long-term disability benefits.



# COMMISSIONER OF HIGHER EDUCATION-5102 MUS GROUP INSURANCE PROGRAM-05

**2013 Biennium Report on Internal Service and Enterprise Funds**

Fund 6008	Fund Name MUS Group Insurance Program	Agency # 51020	Agency Name Commissioner of Higher Education	Program Name MUS Group Insurance
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	Actual FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>						
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	1,397,399	629,996	122,469	125,000	1,400,000	1,500,000
Securities Lending Income	-	-	-	-	-	-
Premiums	62,651,624	61,858,684	64,696,506	71,813,122	95,000,000	100,000,000
Other Operating Revenues	2,333,690	1,317,598	1,726,826	1,778,631	2,333,690	2,333,690
<b>Total Operating Revenue</b>	<b>66,382,714</b>	<b>63,806,278</b>	<b>66,545,801</b>	<b>73,716,753</b>	<b>98,733,690</b>	<b>103,833,690</b>
<b>Operating Expenses:</b>						
Personal Services	337,025	311,869	388,607	362,413	361,312	376,635
Other Operating Expenses	58,734,559	65,342,617	72,496,474	66,562,680	87,838,688	109,200,000
<b>Total Operating Expenses</b>	<b>59,071,584</b>	<b>65,654,486</b>	<b>72,885,081</b>	<b>66,925,093</b>	<b>88,200,000</b>	<b>109,576,635</b>
Operating Income (Loss)	<b>7,311,129</b>	<b>(1,848,208)</b>	<b>(6,339,280)</b>	<b>6,791,660</b>	<b>10,533,690</b>	<b>(5,742,945)</b>
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
<b>Net Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Income (Loss) Before Operating Transfers	7,311,129	(1,848,208)	(6,339,280)	6,791,660	10,533,690	(5,742,945)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
<b>Change in net assets</b>	<b>7,311,129</b>	<b>(1,848,208)</b>	<b>(6,339,280)</b>	<b>6,791,660</b>	<b>10,533,690</b>	<b>(5,742,945)</b>
Total Net Assets- July 1- As Restated	23,911,122	30,972,251	29,124,043	22,784,763	29,576,423	40,110,113
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1- As Restated	23,911,122	30,972,251	29,124,043	22,784,763	29,576,423	40,110,113
Net Assets- June 30	<b>31,222,251</b>	<b>29,124,043</b>	<b>22,784,763</b>	<b>29,576,423</b>	<b>40,110,113</b>	<b>34,367,168</b>
60 days of expenses (Total Operating Expenses divided by 6)	9,845,264	10,942,414	12,147,514	11,154,182	14,700,000	18,262,773

**COMMISSIONER OF HIGHER EDUCATION-5102  
MUS GROUP INSURANCE PROGRAM-05**

**2013 Biennium Report on Internal Service and Enterprise Funds**

Fund	Fund Name	Agency #	Agency Name	Program Name						
6009	MUS Flexible Spending	51020	Commissioner of Higher	MUS Group Insurance						
					Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
					FY08	FY09	FY10	FY11	FY12	FY13
<b>Operating Revenues:</b>										
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					-	-	-	-	-	-
Securities Lending Income					-	-	-	-	-	-
Premiums					4,093,442	5,432,089	6,581,278	8,555,661	11,379,029	15,134,109
Other Operating Revenues					-	-	-	-	-	-
Total Operating Revenue					4,093,442	5,432,089	6,581,278	8,555,661	11,379,029	15,134,109
<b>Operating Expenses:</b>										
Personal Services					-	-	-	-	-	-
Other Operating Expenses					4,048,362	5,297,026	6,408,226	8,384,548	11,151,449	14,831,427
Total Operating Expenses					4,048,362	5,297,026	6,408,226	8,384,548	11,151,449	14,831,427
Operating Income (Loss)					45,080	135,063	173,052	171,113	227,581	302,682
<b>Nonoperating Revenues (Expenses):</b>										
Gain (Loss) Sale of Fixed Assets					-	-	-	-	-	-
Federal Indirect Cost Recoveries					-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)					-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)					-	-	-	-	-	-
Income (Loss) Before Operating Transfers					45,080	135,063	173,052	171,113	227,581	302,682
Contributed Capital					-	-	-	-	-	-
Operating Transfers In (Note 13)					-	-	-	-	-	-
Operating Transfers Out (Note 13)					-	-	-	-	-	-
Change in net assets					45,080	135,063	173,052	171,113	227,581	302,682
Total Net Assets- July 1 - As Restated					-	-	-	-	-	-
Prior Period Adjustments					-	-	-	-	-	-
Cumulative effect of account change					-	-	-	-	-	-
Total Net Assets - July 1 - As Restated					-	-	-	-	-	-
Net Assets- June 30					45,080	135,063	173,052	171,113	227,581	302,682
60 days of expenses										
(Total Operating Expenses divided by 6)					674,727	882,838	1,068,038	1,397,425	1,858,575	2,471,904

**COMMISSIONER OF HIGHER EDUCATION-5102  
MUS GROUP INSURANCE PROGRAM-05**

**2013 Biennium Report on Internal Service and Enterprise Funds**

Fund	Fund Name	Agency #	Agency Name	Program Name						
6010	CHE Wellness Account	51020	Commissioner of Higher	MUS Group Insurance						
					Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
					FY08	FY09	FY10	FY11	FY12	FY13
<b>Operating Revenues:</b>										
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				-	-	-	-	-	-
	Securities Lending Income				-	-	-	-	-	-
	Premiums				15,322	15,747	59,939	15,000	15,000	15,000
	Other Operating Revenues				-	-	-	-	-	-
	Total Operating Revenue				15,322	15,747	59,939	15,000	15,000	15,000
<b>Operating Expenses:</b>										
	Personal Services				-	-	-	-	-	-
	Other Operating Expenses				13,894	13,472	10,353	10,353	10,353	10,353
	Total Operating Expenses				13,894	13,472	10,353	10,353	10,353	10,353
	Operating Income (Loss)				1,428	2,275	49,586	4,647	4,647	4,647
<b>Nonoperating Revenues (Expenses):</b>										
	Gain (Loss) Sale of Fixed Assets				-	-	-	-	-	-
	Federal Indirect Cost Recoveries				-	-	-	-	-	-
	Other Nonoperating Revenues (Expenses)				-	-	-	-	-	-
	Net Nonoperating Revenues (Expenses)				-	-	-	-	-	-
	Income (Loss) Before Operating Transfers				1,428	2,275	49,586	4,647	4,647	4,647
	Contributed Capital				-	-	-	-	-	-
	Operating Transfers In (Note 13)				-	-	-	-	-	-
	Operating Transfers Out (Note 13)				-	-	-	-	-	-
	Change in net assets				1,428	2,275	49,586	4,647	4,647	4,647
	Total Net Assets- July 1 - As Restated				-	4,643	6,918	4,643	4,643	4,643
	Prior Period Adjustments				(20)	-	-	-	-	-
	Cumulative effect of account change				-	-	-	-	-	-
	Total Net Assets - July 1 - As Restated				(20)	4,643	6,918	4,643	4,643	4,643
	Net Assets- June 30				1,408	6,918	56,504	9,290	9,290	9,290
60 days of expenses										
	(Total Operating Expenses divided by 6)				2,316	2,245	1,726	1,726	1,726	1,726

**COMMISSIONER OF HIGHER EDUCATION-5102  
MUS GROUP INSURANCE PROGRAM-05**

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

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$14,958,120	\$0
FY 2013	\$36,329,711	\$0

**PL- 501 - MUS Group Benefits Program -**

This decision package increases authority \$14,958,120 in FY 2012 and \$36,329,711 in FY 2012 to process group insurance payments and pay the salary increase in the replacement of the Director of Benefits.

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2012	\$4,895,800	\$0
FY 2013	\$8,650,880	\$0

**PL- 502 - MUS Flexible Spending Account -**

This proposal increases authority for administration of the flexible spending accounts offered through the MUS group insurance program by \$4,895,800 in FY 2012 and \$8,650,880 in FY 2013.

# COMMISSIONER OF HIGHER EDUCATION-5102 MUS WORKERS COMPENSATION PROGRAM-07

Please note that this program also contains HB 2 funding.

**07 MUS Self Funded  
Workers Comp**  
Leah Tietz x0615

## Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013
FTE	1.00	0.00	0.00	1.00	0.00	0.00	1.00
Personal Services	82,659	(1,434)	0	81,225	(1,640)	0	81,019
Operating Expenses	620,555	(137)	0	620,418	(135)	0	620,420
Benefits & Claims	3,190,903	0	0	3,190,903	0	0	3,190,903
<b>Total Costs</b>	<b>\$3,894,117</b>	<b>(\$1,571)</b>	<b>\$0</b>	<b>\$3,892,546</b>	<b>(\$1,775)</b>	<b>\$0</b>	<b>\$3,892,342</b>
Proprietary	3,894,117	(1,571)	0	3,892,546	(1,775)	0	3,892,342
<b>Total Funds</b>	<b>\$3,894,117</b>	<b>(\$1,571)</b>	<b>\$0</b>	<b>\$3,892,546</b>	<b>(\$1,775)</b>	<b>\$0</b>	<b>\$3,892,342</b>

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

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

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

# COMMISSIONER OF HIGHER EDUCATION-5102 MUS WORKERS COMPENSATION PROGRAM-07

## 2013 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 FY08	Actual FY09	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>						
Fee revenue						
Subsequent Injury Fund Assessment	-	-	-	-	-	-
Net Fee Revenue	-	-	-	-	-	-
Investment Earnings	343,431	188,613	46,773	46,773	50,000	50,000
Securities Lending Income	-	-	-	-	-	-
Premiums	4,659,752	5,003,315	4,979,335	4,979,335	4,979,335	4,979,335
Other Operating Revenues	62	1,126	29	-	-	-
Total Operating Revenue	<b>5,003,245</b>	<b>5,193,054</b>	<b>5,026,137</b>	<b>5,026,108</b>	<b>5,029,335</b>	<b>5,029,335</b>
<b>Operating Expenses:</b>						
Personal Services	80,406	83,870	83,699	82,089	81,225	81,019
Other Operating Expenses	2,991,046	3,650,557	3,812,332	3,684,494	3,811,321	3,811,323
Total Operating Expenses	<b>3,071,452</b>	<b>3,734,427</b>	<b>3,896,031</b>	<b>3,766,583</b>	<b>3,892,546</b>	<b>3,892,342</b>
Operating Income (Loss)	<b>1,931,793</b>	<b>1,458,627</b>	<b>1,130,106</b>	<b>1,259,525</b>	<b>1,136,789</b>	<b>1,136,993</b>
<b>Nonoperating Revenues (Expenses):</b>						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	<b>1,931,793</b>	<b>1,458,627</b>	<b>1,130,106</b>	<b>1,259,525</b>	<b>1,136,789</b>	<b>1,136,993</b>
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	<b>1,931,793</b>	<b>1,458,627</b>	<b>1,130,106</b>	<b>1,259,525</b>	<b>1,136,789</b>	<b>1,136,993</b>
Total Net Assets- July 1- As Restated	2,553,620	4,448,961	5,907,588	7,037,694	8,297,219	9,434,008
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1- As Restated	2,553,620	4,448,961	5,907,588	7,037,694	8,297,219	9,434,008
Net Assets- June 30	<b>4,485,413</b>	<b>5,907,588</b>	<b>7,037,694</b>	<b>8,297,219</b>	<b>9,434,008</b>	<b>10,571,001</b>
60 days of expenses						
(Total Operating Expenses divided by 6)	511,909	622,405	649,339	627,764	648,758	648,724