



GOVERNOR  
STEVE BULLOCK

STATE OF MONTANA

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## SECTION P: PROPRIETARY FUNDS

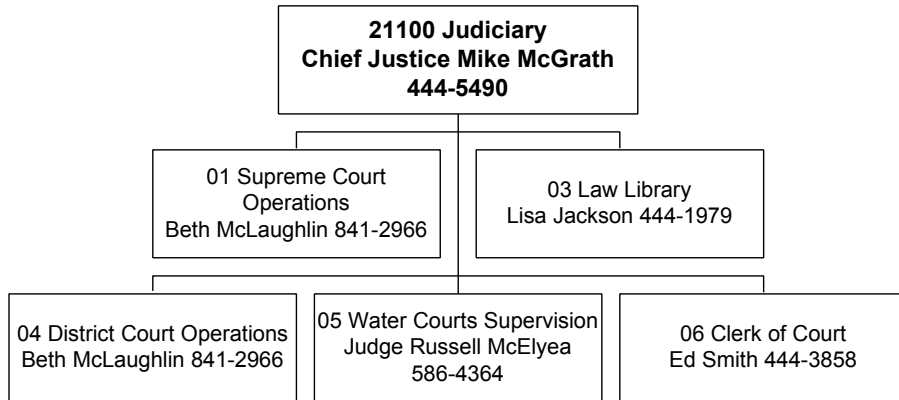
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GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

# Judicial Branch - 21100

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	Total Exec. Budget Fiscal 2016	Total Exec. Budget Fiscal 2017	Total Exec. Budget 2017 Biennium
Operating Expenses	188,120	188,120	376,240
<b>Total Costs</b>	<b>\$188,120</b>	<b>\$188,120</b>	<b>\$376,240</b>
Proprietary Funds	188,120	188,120	376,240
<b>Total Funds</b>	<b>\$188,120</b>	<b>\$188,120</b>	<b>\$376,240</b>

# Judicial Branch - 21100

## Law Library - 03

Please note that this program also contains HB 2 funding.

**03 Law Library**  
**Lisa Jackson 444-1979**

Program Proposed Budget	Base Budget	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2014	Adjustments Fiscal 2016	Exec. Budget Fiscal 2016	Adjustments Fiscal 2017	Exec. Budget Fiscal 2017	Budget Request 2017 Biennium
Operating Expenses	187,755	365	188,120	365	188,120	376,240
<b>Total Costs</b>	<b>\$187,755</b>	<b>\$365</b>	<b>\$188,120</b>	<b>\$365</b>	<b>\$188,120</b>	<b>\$376,240</b>
Proprietary Funds	187,755	365	188,120	365	188,120	376,240
<b>Total Funds</b>	<b>\$187,755</b>	<b>\$365</b>	<b>\$188,120</b>	<b>\$365</b>	<b>\$188,120</b>	<b>\$376,240</b>

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

*Program Description*

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

*Revenues and Expenses*

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

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

*Rate(s) and Rate Explanation*

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

*Projected Fund Balance, Including Cash Fluctuations*

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

*Working Capital Analysis*

Working Capital Analysis does not apply to enterprise funds.

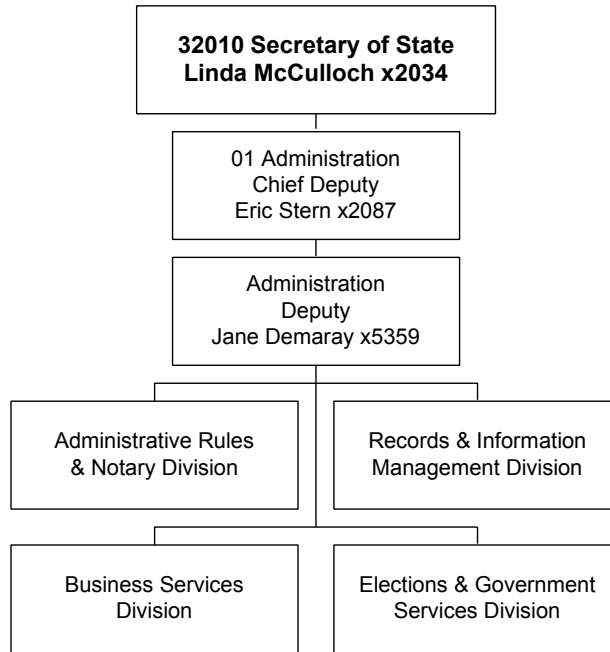
# Judicial Branch - 21100

## Law Library - 03

2017 Biennium Report on Internal Service and Enterprise Funds								
Agency # 21100	Agency Name: Judicial Branch		Program Name: Law Library					
	<b>Fund</b>	<b>Fund Name</b>						
	06019	Law Library Searches/Research						
			Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>								
Fee and Charges								
Fee Revenue A								
			186,877	183,000	189,750	190,000	190,000	190,000
<b>Total Operating Revenues</b>								
			186,877	183,000	189,750	190,000	190,000	190,000
<b>Expenses:</b>								
Other Operating Expenses								
			184,395	189,823	187,755	184,297	188,120	188,120
<b>Total Operating Expenses</b>								
			184,395	189,823	187,755	184,297	188,120	188,120
<b>Operating Income (Loss)</b>								
			2,482	(6,823)	1,995	5,703	1,880	1,880
Nonoperating Revenues:								
Nonoperating Expenses:								
<b>Total Nonoperating Revenues (Expenses)</b>								
			-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>								
			2,482	(6,823)	1,995	5,703	1,880	1,880
<b>Change in Net Position</b>								
			2,482	(6,823)	1,995	5,703	1,880	1,880
<b>Beginning Net Position - July 1</b>								
			10,385	12,867	6,044	8,039	13,742	15,622
Change in Net Position								
			2,482	(6,823)	1,995	5,703	1,880	1,880
<b>Ending Net Position - June 30</b>								
			12,867	6,044	8,039	13,742	15,622	17,502
<b>Net Position (Fund Balance) Analysis</b>								

# Secretary of States Office - 32010

Please note that this agency also contains HB 2 funding.



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

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

# Secretary of States Office - 32010

## Business & Government Services - 01

Program Proposed Budget	Base Budget	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2014	Adjustments Fiscal 2016	Exec. Budget Fiscal 2016	Adjustments Fiscal 2017	Exec. Budget Fiscal 2017	Budget Request 2017 Biennium
FTE	56.25	0.00	56.25	0.00	56.25	
Personal Services	3,373,059	605,728	3,978,787	603,471	3,976,530	7,955,317
Operating Expenses	2,024,928	78,421	2,103,349	43,437	2,068,365	4,171,714
Debt Service	10,533	0	10,533	0	10,533	21,066
<b>Total Costs</b>	<b>\$5,408,520</b>	<b>\$684,149</b>	<b>\$6,092,669</b>	<b>\$646,908</b>	<b>\$6,055,428</b>	<b>\$12,148,097</b>
Proprietary Funds	5,408,520	684,149	6,092,669	646,908	6,055,428	12,148,097
<b>Total Funds</b>	<b>\$5,408,520</b>	<b>\$684,149</b>	<b>\$6,092,669</b>	<b>\$646,908</b>	<b>\$6,055,428</b>	<b>\$12,148,097</b>

### Proprietary Program Description - Fund 06053 Secretary of State Business Services

#### *Program Description*

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

#### *Revenues and Estimates*

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

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

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

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

There are 55.75 FTE funded with proprietary funds

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

Secretary of State charges fees for services.

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

There are no anticipated changes in services or fees.

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

# Secretary of States Office - 32010

## Business & Government Services - 01

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

### Working Capital and Fees Commensurate Analysis

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

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

<b>2017 Biennium Report on Internal Service and Enterprise Funds</b>						
Agency # 32010	Agency Name: Secretary of States Office			Program Name: Business & Government Services		
	<b>Fund</b>	<b>Fund Name</b>				
	06053	Sec. Of St. Business Services				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	5,013,863	4,802,950	5,186,120	4,901,130	4,902,160	4,899,640
Revenue A	7,406	7,557	4,229	4,000	-	-
Revenue B	650	-	-	-	-	-
<b>Total Operating Revenues</b>	<b>5,021,919</b>	<b>4,810,507</b>	<b>5,190,349</b>	<b>4,905,130</b>	<b>4,902,160</b>	<b>4,899,640</b>
<b>Expenses:</b>						
Personal Services	2,960,898	2,970,091	3,342,875	3,900,014	3,978,787	3,976,530
Other Operating Expenses	1,399,988	1,450,918	1,100,099	2,141,676	2,101,447	1,946,727
Expense B	55,200	135,522	34,662	12,435	12,435	132,171
<b>Total Operating Expenses</b>	<b>4,416,086</b>	<b>4,556,531</b>	<b>4,477,636</b>	<b>6,054,125</b>	<b>6,092,669</b>	<b>6,055,428</b>
<b>Operating Income (Loss)</b>	<b>605,833</b>	<b>253,976</b>	<b>712,713</b>	<b>(1,148,995)</b>	<b>(1,190,509)</b>	<b>(1,155,788)</b>
Nonoperating Revenues:						
Other Revenue A	5,147	7,528	(70,234)	-	-	-
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>5,147</b>	<b>7,528</b>	<b>(70,234)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>610,980</b>	<b>261,504</b>	<b>642,479</b>	<b>(1,148,995)</b>	<b>(1,190,509)</b>	<b>(1,155,788)</b>
<b>Change in Net Position</b>	<b>610,980</b>	<b>261,504</b>	<b>642,479</b>	<b>(1,148,995)</b>	<b>(1,190,509)</b>	<b>(1,155,788)</b>
<b>Beginning Net Position - July 1</b>	<b>4,237,808</b>	<b>4,853,188</b>	<b>5,114,692</b>	<b>5,757,171</b>	<b>4,608,176</b>	<b>3,417,667</b>
Prior Period Adjustments	4,400	-	-	-	-	-
Change in Net Position	610,980	261,504	642,479	(1,148,995)	(1,190,509)	(1,155,788)
<b>Ending Net Position - June 30</b>	<b>4,853,188</b>	<b>5,114,692</b>	<b>5,757,171</b>	<b>4,608,176</b>	<b>3,417,667</b>	<b>2,261,879</b>
<b>Net Position (Fund Balance) Analysis</b>						

# Secretary of States Office - 32010

## Business & Government Services - 01

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$605,728
FY 2017	\$0	\$603,471

#### **SWPL - 1 - Personal Services -**

The budget includes \$605,728 in FY 2016 and \$603,471 in FY 2017 to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium. In addition, the request includes the impacts of market adjustments made by the office.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$78,660
FY 2017	\$0	\$43,664

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

This request includes \$78,660 in FY 2016 and \$43,664 in FY 2017 to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs are liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$239)
FY 2017	\$0	(\$227)

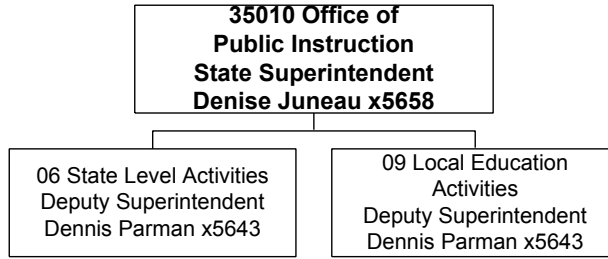
#### **SWPL - 3 - Inflation Deflation -**

This change package includes a reduction of \$239 in FY 2016 and \$227 in FY 2017 to reflect the budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.



# Office of Public Instruction - 35010

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.

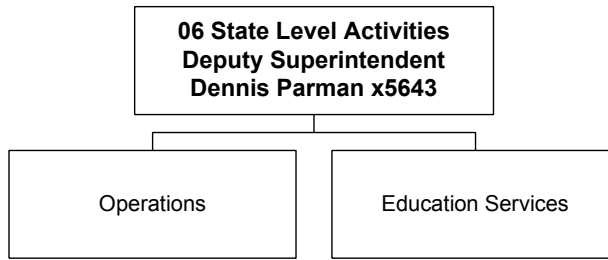
**Statutory Authority** - Title 20, MCA

Agency Proposed Budget	Total Exec. Budget Fiscal 2016	Total Exec. Budget Fiscal 2017	Total Exec. Budget 2017 Biennium
Budget Item			
FTE	26.25	26.25	
Personal Services	1,759,849	1,760,586	3,520,435
Operating Expenses	1,123,916	1,036,437	2,160,353
<b>Total Costs</b>	<b>\$2,883,765</b>	<b>\$2,797,023</b>	<b>\$5,680,788</b>
Proprietary Funds	2,883,765	2,797,023	5,680,788
<b>Total Funds</b>	<b>\$2,883,765</b>	<b>\$2,797,023</b>	<b>\$5,680,788</b>

# Office of Public Instruction - 35010

## State Level Activities - 06

Please note that this program also contains HB 2 funding.



Program Proposed Budget	Base Budget	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2014	Adjustments Fiscal 2016	Exec. Budget Fiscal 2016	Adjustments Fiscal 2017	Exec. Budget Fiscal 2017	Budget Request 2017 Biennium
FTE	24.12	2.13	26.25	2.13	26.25	
Personal Services	1,736,800	23,049	1,759,849	23,786	1,760,586	3,520,435
Operating Expenses	1,047,634	76,282	1,123,916	(11,197)	1,036,437	2,160,353
<b>Total Costs</b>	<b>\$2,784,434</b>	<b>\$99,331</b>	<b>\$2,883,765</b>	<b>\$12,589</b>	<b>\$2,797,023</b>	<b>\$5,680,788</b>
Proprietary Funds	2,784,434	99,331	2,883,765	12,589	2,797,023	5,680,788
<b>Total Funds</b>	<b>\$2,784,434</b>	<b>\$99,331</b>	<b>\$2,883,765</b>	<b>\$12,589</b>	<b>\$2,797,023</b>	<b>\$5,680,788</b>

### Proprietary Program Description -

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

### Fund 06067 Advanced Drivers (D.R.I.V.E) Program in Lewistown

#### Program Description

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

#### Revenues and Expenses

Revenues - Revenues are generated from workshop fees collected from program users. Typically the program serves 450-500 participants a season. The current fee is \$315 for a full-day workshop per person. Program fees should remain within a range of \$315 - \$350 for the biennium. This should cover any unusual maintenance costs that are incurred during a season. It is anticipated that services will remain approximately the same as present for the 2015 Biennium.

Expenses - 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.). The program continues to consider facility options to administer the program. Continued facility maintenance is anticipated to be an on-going cost.

#### Rates and Rate Explanation

# Office of Public Instruction - 35010

## State Level Activities - 06

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.

### *Fund Balance, Including Cash Fluctuations*

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

### *Working Capital Analysis*

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

## **Fund 06512 Indirect Cost Pool**

### *Program Description*

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

### *Revenues and Expenses*

Revenues - Indirect cost pool revenues are a function of the amount of expenditures recorded in the State Level Activities Program. Revenues are generated monthly by applying the approved indirect cost rate to the prior month's direct personal services and operating expenditures in both state and federally funded programs. In fiscal year 2014, OPI federal programs contributed \$1,460,451 towards the cost of "indirects"; general and other state-funded programs contributed \$1,168,562. 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 2014 through 2016 is 15.2 percent.

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

- Termination payouts (vacation/comp time/sick leave) for all staff (except the State Superintendent and her personal staff).
- Services provided to OPI by other state agencies known as fixed costs.
- Payroll, personnel, accounting, budgeting, data management, cash management, financial reporting, purchasing, mail delivery and resource center services to all OPI programs.
- Operating costs associated with 23.95 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.

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

## **Office of Public Instruction - 35010**

### **State Level Activities - 06**

#### *Rate and Rate Explanation*

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, MCA. The approved rate for fiscal year 2016 is 15.2%. The proposed rate for fiscal year 2017 is 16%. The actual rate will be negotiated in December of 2015 and may be higher or lower than the budgeted rate. The new rate will be applicable to fiscal years 2017 – 2019.

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

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

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

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

# Office of Public Instruction - 35010

## State Level Activities - 06

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 35010	Agency Name: Office of Public Instruction			Program Name: State Level Activities		
	<b>Fund</b>	<b>Fund Name</b>				
	06512	Indirect Cost Pool				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY12	FY13	FY14	FY15	FY16	FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	1,829,509	1,263,650	1,460,451	1,500,000	1,500,000	1,500,000
Other Operating Revenue	1,134,019	842,679	1,168,562	1,175,000	1,175,000	1,175,000
<b>Total Operating Revenues</b>	<b>2,963,528</b>	<b>2,106,329</b>	<b>2,629,013</b>	<b>2,675,000</b>	<b>2,675,000</b>	<b>2,675,000</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	1,629,445	1,544,583	1,667,550	1,816,747	1,677,570	1,677,835
Expense B	752,020	887,218	989,866	737,526	1,063,731	976,316
<b>Total Operating Expenses</b>	<b>2,459,033</b>	<b>2,512,816</b>	<b>2,748,136</b>	<b>2,554,273</b>	<b>2,741,301</b>	<b>2,654,151</b>
<b>Operating Income (Loss)</b>	<b>504,495</b>	<b>(406,487)</b>	<b>(119,123)</b>	<b>120,727</b>	<b>(66,301)</b>	<b>20,849</b>
Nonoperating Revenues:						
Other Revenue A	8,179	6,690	6,072	-	-	-
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>8,179</b>	<b>6,690</b>	<b>6,072</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>512,674</b>	<b>(399,797)</b>	<b>(113,051)</b>	<b>120,727</b>	<b>(66,301)</b>	<b>20,849</b>
<b>Change in Net Position</b>	<b>512,674</b>	<b>(399,797)</b>	<b>(113,051)</b>	<b>120,727</b>	<b>(66,301)</b>	<b>20,849</b>
<b>Beginning Net Position - July 1</b>	<b>362,384</b>	<b>875,058</b>	<b>475,261</b>	<b>362,210</b>	<b>482,937</b>	<b>416,636</b>
Change in Net Position	512,674	(399,797)	(113,051)	120,727	(66,301)	20,849
<b>Ending Net Position - June 30</b>	<b>875,058</b>	<b>475,261</b>	<b>362,210</b>	<b>482,937</b>	<b>416,636</b>	<b>437,485</b>
<b>Net Position (Fund Balance) Analysis</b>						

# Office of Public Instruction - 35010

## State Level Activities - 06

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 35010	Agency Name: Office of Public Instruction		Program Name: State Level Activities			
	<b>Fund</b>	<b>Fund Name</b>				
	06067	Advanced Drivers Education				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	123,520	146,581	156,661	160,000	160,000	160,000
Other Operating Revenue	5,988	-	-	-	-	-
Revenue A	7,121	1,358	-	-	-	-
<b>Total Operating Revenues</b>	<b>136,629</b>	<b>147,939</b>	<b>156,661</b>	<b>160,000</b>	<b>160,000</b>	<b>160,000</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	59,397	74,213	70,851	78,921	91,043	90,883
Expense B	53,970	81,864	62,931	64,393	57,509	57,474
<b>Total Operating Expenses</b>	<b>960</b>	<b>1,505</b>	<b>1,585</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating Income (Loss)</b>	<b>22,302</b>	<b>(9,643)</b>	<b>21,294</b>	<b>16,686</b>	<b>11,448</b>	<b>11,643</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>22,302</b>	<b>(9,643)</b>	<b>21,294</b>	<b>16,686</b>	<b>11,448</b>	<b>11,643</b>
<b>Change in Net Position</b>	<b>22,302</b>	<b>(9,643)</b>	<b>21,294</b>	<b>16,686</b>	<b>11,448</b>	<b>11,643</b>
<b>Beginning Net Position - July 1</b>	<b>37,169</b>	<b>59,471</b>	<b>49,828</b>	<b>71,122</b>	<b>87,808</b>	<b>99,256</b>
Change in Net Position	22,302	(9,643)	21,294	16,686	11,448	11,643
<b>Ending Net Position - June 30</b>	<b>59,471</b>	<b>49,828</b>	<b>71,122</b>	<b>87,808</b>	<b>99,256</b>	<b>110,899</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$99,446)
FY 2017	\$0	(\$98,408)

#### SWPL - 1 - Personal Services -

The budget includes funds to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium.

# Office of Public Instruction - 35010

## State Level Activities - 06

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$68,142
FY 2017	\$0	(\$19,325)

**SWPL - 2 - Fixed Costs -**

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$536)
FY 2017	\$0	(\$519)

**SWPL - 3 - Inflation Deflation -**

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

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$2,676
FY 2017	\$0	\$2,647

**PL - 600630 - Indirect Cost Base Adj -**

The OPI requests funding for the 2017 biennium to cover indirect costs changes associated with the statewide present law and 4% FTE reduction adjustments in Program 06-State Level Activities.

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

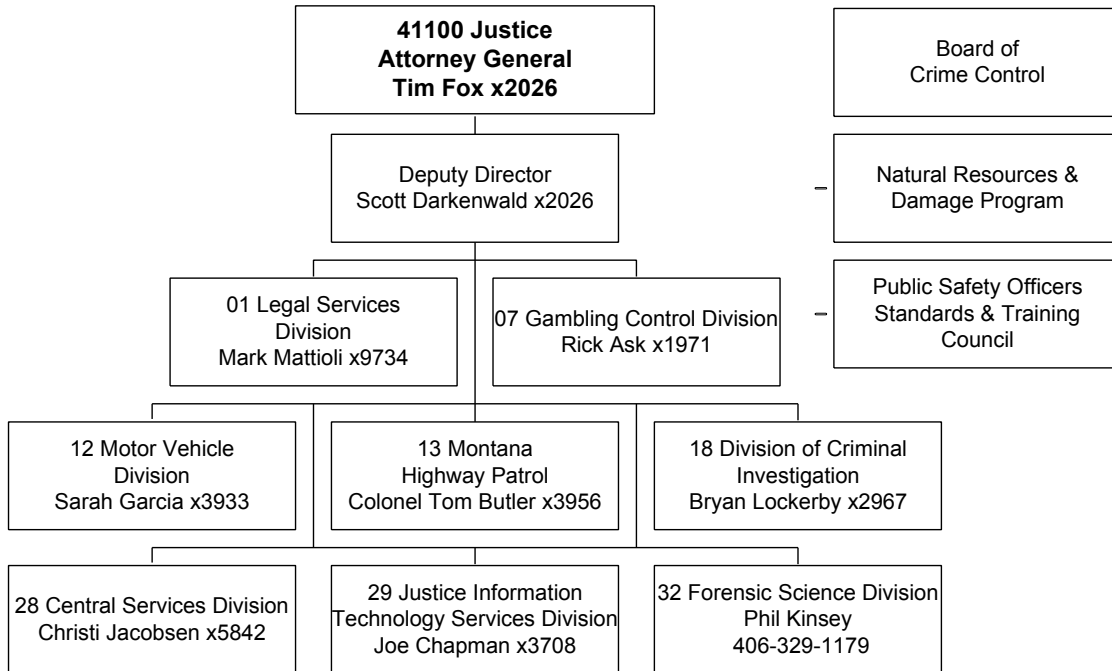
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$128,495
FY 2017	\$0	\$128,194

**NP - 600628 - Indirect Cost Pool FTE -**

OPI requests proprietary funding for FY 2016 of \$128,486 and for FY 2017 \$128,188 for 2.30 FTE positions within the Centralized Services and Information Systems Division. These positions include a 0.30 FTE procurement technician to add to a current 0.70 FTE permanent position; 1.00 FTE programmer for the E-grants web-enabled system for K-12 education to support grant application processes for 24 grant applications; and 1.00 FTE administrative assistant to be the first point of contact receptionist at OPI. These positions are currently modified positions.

# Department of Justice - 41100

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 MCA, 2-15-501, 2-15-2001-2021, and Titles 44 & 61

Agency Proposed Budget	Total Exec. Budget Fiscal 2016	Total Exec. Budget Fiscal 2017	Total Exec. Budget 2017 Biennium
Budget Item			
FTE	17.00	17.00	
Personal Services	1,766,999	1,762,766	3,529,765
Operating Expenses	182,952	182,907	365,859
<b>Total Costs</b>	<b>\$1,949,951</b>	<b>\$1,945,673</b>	<b>\$3,895,624</b>
Proprietary Funds	1,949,951	1,945,673	3,895,624
<b>Total Funds</b>	<b>\$1,949,951</b>	<b>\$1,945,673</b>	<b>\$3,895,624</b>



## Department of Justice - 41100

### Agency Legal Services - 06

Program Proposed Budget Budget Item	Base Budget Fiscal 2014	Budget Adjustments Fiscal 2016	Total Exec. Budget Fiscal 2016	Budget Adjustments Fiscal 2017	Total Exec. Budget Fiscal 2017	Executive Budget Request 2017 Biennium
FTE	17.00	0.00	17.00	0.00	17.00	
Personal Services	966,455	800,544	1,766,999	796,311	1,762,766	3,529,765
Operating Expenses	176,309	6,643	182,952	6,598	182,907	365,859
<b>Total Costs</b>	<b>\$1,142,764</b>	<b>\$807,187</b>	<b>\$1,949,951</b>	<b>\$802,909</b>	<b>\$1,945,673</b>	<b>\$3,895,624</b>
Proprietary Funds	1,142,764	807,187	1,949,951	802,909	1,945,673	3,895,624
<b>Total Funds</b>	<b>\$1,142,764</b>	<b>\$807,187</b>	<b>\$1,949,951</b>	<b>\$802,909</b>	<b>\$1,945,673</b>	<b>\$3,895,624</b>

#### Proprietary Program Description - Fund 06500 Agency Legal Services

##### *Program Description*

The Agency Legal Services Bureau (ALS) provides legal, hearing examiner, and investigative services to state agency clients on a contract basis. ALS attorneys and investigators bill clients for their case related services and incidental costs. The division consists of 17.00 FTE funded from the revenues generated through internal service billing to customers. The customers served are state agencies, boards, and commissions that have entered into contracts with ALS.

##### *Revenues and Expenses*

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

##### *Rate and Rate Explanation*

The proposed rates for the 2017 biennium are as follows:

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

The increases in rates are primarily due to the fund not having sufficient fund balance to meet the 60 day working capital requirement. The rates are determined using the fee revenue collected then applying the increase to the average amounts of billable hours compared to known levels of expenditures.

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

The most current audit report 12-18 found that Agency Legal Services needed to charge a rate commensurate with costs to remain compliant with state law. The proposed rates allow the agency to incrementally work toward the establishment of a fund balance at June 30 to be commensurate with the 60 day working capital requirement. As illustrated in the proprietary rate table, the change in net assets using the proposed rates is positive in FY 2016. The FY 2016 fund balance will allow the agency to work toward establishing a 60 day working capital in the future.

##### *Working Capital Analysis*

The rates have been increased to assist in maintaining the fees commensurate with costs and fulfilling the requirements to reserve a fund balance.

# Department of Justice - 41100

## Agency Legal Services - 06

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 41100	Agency Name: Department of Justice			Program Name: Agency Legal Services		
	<b>Fund</b>	<b>Fund Name</b>				
	06500	Agency Legal Services				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY12	FY13	FY14	FY15	FY16	FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	1,152,264	1,270,772	1,139,365	1,139,365	1,255,621	1,255,621
<b>Total Operating Revenues</b>	<b>1,152,264</b>	<b>1,270,772</b>	<b>1,139,365</b>	<b>1,139,365</b>	<b>1,255,621</b>	<b>1,255,621</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	184,884	167,397	180,581	187,038	180,581	180,581
<b>Total Operating Expenses</b>	<b>1,189,694</b>	<b>1,255,005</b>	<b>1,145,822</b>	<b>1,200,038</b>	<b>1,217,049</b>	<b>1,217,049</b>
<b>Operating Income (Loss)</b>	<b>(37,430)</b>	<b>15,767</b>	<b>(6,457)</b>	<b>(60,673)</b>	<b>38,572</b>	<b>38,572</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(37,430)</b>	<b>15,767</b>	<b>(6,457)</b>	<b>(60,673)</b>	<b>38,572</b>	<b>38,572</b>
<b>Change in Net Position</b>	<b>(37,430)</b>	<b>15,767</b>	<b>(6,457)</b>	<b>(60,673)</b>	<b>38,572</b>	<b>38,572</b>
<b>Beginning Net Position - July 1</b>	-	(37,430)	(21,663)	(28,120)	(88,793)	(50,221)
Change in Net Position	(37,430)	15,767	(6,457)	(60,673)	38,572	38,572
<b>Ending Net Position - June 30</b>	<b>(37,430)</b>	<b>(21,663)</b>	<b>(28,120)</b>	<b>(88,793)</b>	<b>(50,221)</b>	<b>(11,649)</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$800,544
FY 2017	\$0	\$796,311

**SWPL - 1 - Personal Services -**

The budget includes \$800,544 in FY 2016 and \$796,311 in FY 2017 to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium.

## Department of Justice - 41100

### Agency Legal Services - 06

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$6,873
FY 2017	\$0	\$6,797

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

This request includes \$6,873 in FY 2016 and \$6,797 in FY 2017 to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs are liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates for these services are approved in a separate portion of the budget.

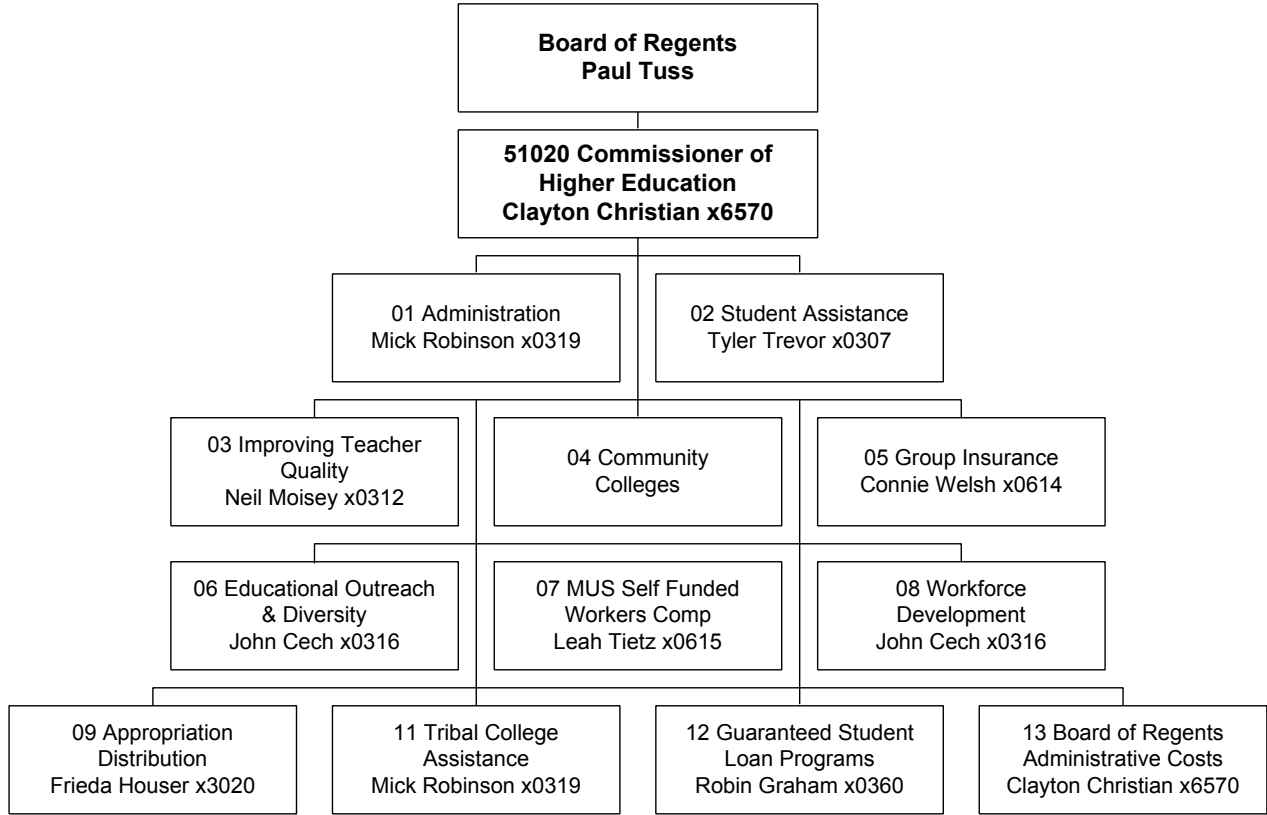
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$230)
FY 2017	\$0	(\$199)

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

This change package includes a reduction of \$230 in FY 2016 and \$199 in FY 2017 to reflect the budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

# Commissioner of Higher Ed - 51020

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	Total Exec. Budget Fiscal 2016	Total Exec. Budget Fiscal 2017	Total Exec. Budget 2017 Biennium
Budget Item			
FTE	7.00	7.00	
Personal Services	589,956	588,701	1,178,657
Operating Expenses	8,765,349	8,770,404	17,535,753
Benefits & Claims	90,369,379	91,163,646	181,533,025
<b>Total Costs</b>	<b>\$99,724,684</b>	<b>\$100,522,751</b>	<b>\$200,247,435</b>
Proprietary Funds	99,724,684	100,522,751	200,247,435
<b>Total Funds</b>	<b>\$99,724,684</b>	<b>\$100,522,751</b>	<b>\$200,247,435</b>

## Commissioner of Higher Ed - 51020

### University System Group Insurance Program - 05

<b>05 Group Insurance Connie Welsh x0614</b>
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Program Proposed Budget	Base Budget Fiscal 2014	Budget Adjustments Fiscal 2016	Total Exec. Budget Fiscal 2016	Budget Adjustments Fiscal 2017	Total Exec. Budget Fiscal 2017	Executive Budget Request 2017 Biennium
FTE	6.00	0.00	6.00	0.00	6.00	
Personal Services	478,190	16,264	494,454	15,260	493,450	987,904
Operating Expenses	7,545,763	24,586	7,570,349	29,639	7,575,402	15,145,751
Benefits & Claims	79,426,708	7,942,671	87,369,379	8,736,938	88,163,646	175,533,025
<b>Total Costs</b>	<b>\$87,450,661</b>	<b>\$7,983,521</b>	<b>\$95,434,182</b>	<b>\$8,781,837</b>	<b>\$96,232,498</b>	<b>\$191,666,680</b>
Proprietary Funds	87,450,661	7,983,521	95,434,182	8,781,837	96,232,498	191,666,680
<b>Total Funds</b>	<b>\$87,450,661</b>	<b>\$7,983,521</b>	<b>\$95,434,182</b>	<b>\$8,781,837</b>	<b>\$96,232,498</b>	<b>\$191,666,680</b>

#### Proprietary Program Description -

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

#### Fund 06008 MUS Group Insurance

##### *Program Description*

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

##### *Revenues and Expenses*

Revenues - Revenue in this program comes from:

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

The agency is projecting relatively level revenues in the 2017 biennium compared to the base year FY 2014. The revenue projections exclude any premium rate increases or state share increase. The projected increase is due primarily to anticipated growth in retirees age 65 and over.

Expenses - Significant costs for the program are for:

- Insurance claims payments
- Claims management
- Program administration (with a total of 6.00 FTE in FY 2015)
- Wellness program expense

## Commissioner of Higher Ed - 51020

### University System Group Insurance Program - 05

The agency projects non-personnel expenses to increase on average 10% per year between FY 2014 and FY 2017. The primary cost drivers impacting claims expense increases are medical provider cost increases and increased utilization due to the increasing average age of insured covered in the plan and changes required by the affordable care act.

#### *Rates and Rate Explanation*

The employer-paid portion of the group insurance premium is statutorily established in Section 2-18-703, MCA and is presently \$887 per month per eligible, participating employee. The employee-paid portion of the group insurance premium is adjusted as needed by the Montana University System to cover the premium requirements of a variety of benefit options and to maintain employee group benefit plans on an actuarially sound basis.

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

The plan is managed on an actuarially sound basis.

#### *Working Capital Analysis*

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

#### **Fund 06009 MUS Flex Spending and Fund 06010 CHE Wellness Account**

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

# Commissioner of Higher Ed - 51020

## University System Group Insurance Program - 05

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 51020	Agency Name: Commissioner of Higher Ed			Program Name: University System Group Insurance Program		
	<b>Fund</b>	<b>Fund Name</b>				
	06010	CHE Wellness Account				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY12	FY13	FY14	FY15	FY16	FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Other Operating Revenue						
	6,131	504	167	5,211	7,877	7,877
<b>Total Operating Revenues</b>	<b>6,131</b>	<b>504</b>	<b>167</b>	<b>5,211</b>	<b>7,877</b>	<b>7,877</b>
<b>Expenses:</b>						
Other Operating Expenses						
	5,211	8,297	7,876	5,211	7,877	7,877
<b>Total Operating Expenses</b>	<b>5,211</b>	<b>8,297</b>	<b>7,876</b>	<b>5,211</b>	<b>7,877</b>	<b>7,877</b>
<b>Operating Income (Loss)</b>	<b>920</b>	<b>(7,793)</b>	<b>(7,709)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>920</b>	<b>(7,793)</b>	<b>(7,709)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>920</b>	<b>(7,793)</b>	<b>(7,709)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Beginning Net Position - July 1</b>	<b>63,079</b>	<b>63,999</b>	<b>56,206</b>	<b>48,497</b>	<b>48,497</b>	<b>48,497</b>
Change in Net Position	920	(7,793)	(7,709)	-	-	-
<b>Ending Net Position - June 30</b>	<b>63,999</b>	<b>56,206</b>	<b>48,497</b>	<b>48,497</b>	<b>48,497</b>	<b>48,497</b>
<b>Net Position (Fund Balance) Analysis</b>						

# Commissioner of Higher Ed - 51020

## University System Group Insurance Program - 05

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 51020	Agency Name: Commissioner of Higher Ed			Program Name: University System Group Insurance Program		
	<b>Fund</b>	<b>Fund Name</b>				
	06009	MUS Flexible Spending Account				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY12	FY13	FY14	FY15	FY16	FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Other Operating Revenue						
	5,915,295	6,118,572	8,466,765	6,743,874	7,789,504	7,863,130
<b>Total Operating Revenues</b>	<b>5,915,295</b>	<b>6,118,572</b>	<b>8,466,765</b>	<b>6,743,874</b>	<b>7,789,504</b>	<b>7,863,130</b>
<b>Expenses:</b>						
Other Operating Expenses						
	4,743,873	5,429,710	7,104,269	6,743,874	7,789,504	7,863,130
<b>Total Operating Expenses</b>	<b>4,743,873</b>	<b>5,429,710</b>	<b>7,104,269</b>	<b>6,743,874</b>	<b>7,789,504</b>	<b>7,863,130</b>
<b>Operating Income (Loss)</b>	<b>1,171,422</b>	<b>688,862</b>	<b>1,362,496</b>	<b>-</b>	<b>-</b>	<b>-</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>1,171,422</b>	<b>688,862</b>	<b>1,362,496</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>1,171,422</b>	<b>688,862</b>	<b>1,362,496</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Beginning Net Position - July 1</b>	442,203	1,613,625	2,302,487	3,664,983	3,664,983	3,664,983
Change in Net Position	1,171,422	688,862	1,362,496	-	-	-
<b>Ending Net Position - June 30</b>	<b>1,613,625</b>	<b>2,302,487</b>	<b>3,664,983</b>	<b>3,664,983</b>	<b>3,664,983</b>	<b>3,664,983</b>
<b>Net Position (Fund Balance) Analysis</b>						



## Commissioner of Higher Ed - 51020

### University System Group Insurance Program - 05

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 51020	Agency Name: Commissioner of Higher Ed			Program Name: University System Group Insurance Program		
<b>Fund Fund Name</b>						
	06008 MUS Group Insurance Program					
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Other Operating Revenue	369,900	111,301	707,482	400,000	400,000	400,000
Revenue A	78,652,519	78,234,442	80,469,631	80,013,725	87,635,517	88,361,460
Revenue B	1,703,093	670,199	722,842	2,333,690	-	-
<b>Total Operating Revenues</b>	<b>80,725,512</b>	<b>79,015,942</b>	<b>81,899,955</b>	<b>82,747,415</b>	<b>88,035,517</b>	<b>88,761,460</b>
<b>Expenses:</b>						
Personal Services	365,464	376,110	511,270	566,221	493,170	493,419
Other Operating Expenses	68,838,629	76,884,778	80,119,590	82,181,194	87,142,347	87,868,041
<b>Total Operating Expenses</b>	<b>69,204,093</b>	<b>77,260,888</b>	<b>80,630,860</b>	<b>82,747,415</b>	<b>87,635,517</b>	<b>88,361,460</b>
<b>Operating Income (Loss)</b>	<b>11,521,419</b>	<b>1,755,054</b>	<b>1,269,095</b>	<b>-</b>	<b>400,000</b>	<b>400,000</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>11,521,419</b>	<b>1,755,054</b>	<b>1,269,095</b>	<b>-</b>	<b>400,000</b>	<b>400,000</b>
<b>Change in Net Position</b>	<b>11,521,419</b>	<b>1,755,054</b>	<b>1,269,095</b>	<b>-</b>	<b>400,000</b>	<b>400,000</b>
<b>Beginning Net Position - July 1</b>	<b>25,746,684</b>	<b>37,268,103</b>	<b>39,023,157</b>	<b>40,292,252</b>	<b>40,292,252</b>	<b>40,692,252</b>
Change in Net Position	11,521,419	1,755,054	1,269,095	-	400,000	400,000
<b>Ending Net Position - June 30</b>	<b>37,268,103</b>	<b>39,023,157</b>	<b>40,292,252</b>	<b>40,292,252</b>	<b>40,692,252</b>	<b>41,092,252</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$16,264
FY 2017	\$0	\$15,260

#### SWPL - 1 - Personal Services -

The budget includes \$16,264 in FY 2016 and \$15,260 in FY 2017 to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium.

## Commissioner of Higher Ed - 51020

### University System Group Insurance Program - 05

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$414)
FY 2017	\$0	(\$361)

**SWPL - 3 - Inflation Deflation -**

This change package includes a reduction of \$414 in FY 2016 and \$361 in FY 2017 to reflect the budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$7,256,411
FY 2017	\$0	\$7,982,052

**PL - 500501 - Increase in Medical Claims -**

This request is estimating a 10% growth rate in medical claims. The increase reflects an increase of \$7,256,411 in FY 2016 and \$7,982,052 in FY2017.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$711,260
FY 2017	\$0	\$784,886

**PL - 500502 - Increase in Flex Spending Accounts -**

The request includes an estimated increase in flex spending accounts of \$711,260 in FY 2016 and \$784,886 in FY 2017.

## Commissioner of Higher Ed - 51020

### University System Workers Compensation Program - 07

**07 MUS Self Funded  
Workers Comp  
Leah Tietz x0615**

Program Proposed Budget	Base Budget Fiscal 2014	Budget Adjustments Fiscal 2016	Total Exec. Budget Fiscal 2016	Budget Adjustments Fiscal 2017	Total Exec. Budget Fiscal 2017	Executive Budget Request 2017 Biennium
Budget Item						
FTE	1.00	0.00	1.00	0.00	1.00	
Personal Services	91,379	4,123	95,502	3,872	95,251	190,753
Operating Expenses	1,173,512	21,488	1,195,000	21,490	1,195,002	2,390,002
Benefits & Claims	1,931,362	1,068,638	3,000,000	1,068,638	3,000,000	6,000,000
<b>Total Costs</b>	<b>\$3,196,253</b>	<b>\$1,094,249</b>	<b>\$4,290,502</b>	<b>\$1,094,000</b>	<b>\$4,290,253</b>	<b>\$8,580,755</b>
Proprietary Funds	3,196,253	1,094,249	4,290,502	1,094,000	4,290,253	8,580,755
<b>Total Funds</b>	<b>\$3,196,253</b>	<b>\$1,094,249</b>	<b>\$4,290,502</b>	<b>\$1,094,000</b>	<b>\$4,290,253</b>	<b>\$8,580,755</b>

**Proprietary Program Description -  
Fund 06082 MUS Self Funded Workers' Compensation**

Premium rates for the program are based upon commonly accepted actuarial principles developed by a qualified actuary and reviewed by the MUS Self-Funded Workers' Compensation Insurance Committee and the administrator. Rate determination considers historical data of MUS claims experience and reserving practices as well as state and national trends in workers compensation and legal and economic environments. The rates and fees for the workers compensation program are defined as those premiums charged to the employer units of the Montana University System that are necessary to fund the operations and the claims payment obligations.

# Commissioner of Higher Ed - 51020

## University System Workers Compensation Program - 07

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 51020	Agency Name: Commissioner of Higher Ed			Program Name: University System Workers Compensation Program		
	<b>Fund</b>	<b>Fund Name</b>				
	06082	MUS Self-Funded Workers Comp				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Other Operating Revenue	45,160	43,847	24,416	50,000	50,000	50,000
Revenue A	4,332,893	4,281,017	2,170,213	4,512,685	4,290,509	4,290,260
<b>Total Operating Revenues</b>	<b>4,378,053</b>	<b>4,324,864</b>	<b>2,194,629</b>	<b>4,562,685</b>	<b>4,340,509</b>	<b>4,340,260</b>
<b>Expenses:</b>						
Personal Services	83,498	86,682	91,690	81,019	95,509	95,258
Other Operating Expenses	3,867,465	241,160	3,107,079	4,481,666	4,195,000	4,195,002
<b>Total Operating Expenses</b>	<b>3,950,963</b>	<b>327,842</b>	<b>3,198,769</b>	<b>4,562,685</b>	<b>4,290,509</b>	<b>4,290,260</b>
<b>Operating Income (Loss)</b>	<b>427,090</b>	<b>3,997,022</b>	<b>(1,004,140)</b>	<b>-</b>	<b>50,000</b>	<b>50,000</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>427,090</b>	<b>3,997,022</b>	<b>(1,004,140)</b>	<b>-</b>	<b>50,000</b>	<b>50,000</b>
<b>Change in Net Position</b>	<b>427,090</b>	<b>3,997,022</b>	<b>(1,004,140)</b>	<b>-</b>	<b>50,000</b>	<b>50,000</b>
<b>Beginning Net Position - July 1</b>	<b>6,952,832</b>	<b>7,379,922</b>	<b>11,376,944</b>	<b>10,372,804</b>	<b>10,372,804</b>	<b>10,422,804</b>
Change in Net Position	427,090	3,997,022	(1,004,140)	-	50,000	50,000
<b>Ending Net Position - June 30</b>	<b>7,379,922</b>	<b>11,376,944</b>	<b>10,372,804</b>	<b>10,372,804</b>	<b>10,422,804</b>	<b>10,472,804</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$4,123
FY 2017	\$0	\$3,872

**SWPL - 1 - Personal Services -**

The budget includes \$4,123 in FY 2016 and \$3,872 in FY 2017 to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium.

# Commissioner of Higher Ed - 51020

## University System Workers Compensation Program - 07

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$18)
FY 2017	\$0	(\$16)

### SWPL - 3 - Inflation Deflation -

This change package includes a reduction of \$18 in FY 2016 and \$16 in FY 2017 to reflect the budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

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

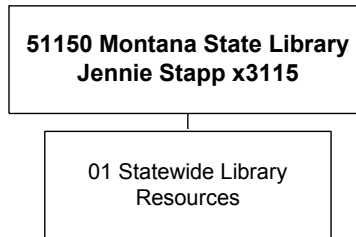
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$1,090,144
FY 2017	\$0	\$1,090,144

### PL - 700701 - MUS Self-Funded WC Program -

This request reflects increases in claims and related operating cost in the work comp program. The request includes \$1,090,144 in FY 2106 and \$1,090,144 in FY2017.

# Montana State Library - 51150

Please note that this agency also contains HB 2 funding.



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

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

## Montana State Library - 51150

### Statewide Library Resources - 01

Program Proposed Budget	Base Budget	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2014	Adjustments Fiscal 2016	Exec. Budget Fiscal 2016	Adjustments Fiscal 2017	Exec. Budget Fiscal 2017	Budget Request 2017 Biennium
FTE	1.62	1.00	2.62	1.00	2.62	
Personal Services	85,178	63,389	148,567	64,560	149,738	298,305
Operating Expenses	192,381	(6)	192,375	10	192,391	384,766
<b>Total Costs</b>	<b>\$277,559</b>	<b>\$63,383</b>	<b>\$340,942</b>	<b>\$64,570</b>	<b>\$342,129</b>	<b>\$683,071</b>
Proprietary Funds	277,559	63,383	340,942	64,570	342,129	683,071
<b>Total Funds</b>	<b>\$277,559</b>	<b>\$63,383</b>	<b>\$340,942</b>	<b>\$64,570</b>	<b>\$342,129</b>	<b>\$683,071</b>

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

##### *Program Description*

The Montana Shared Catalog (MSC) is a cooperative project involving 167+ libraries. Public libraries, school libraries, academic libraries, medical libraries, and other special libraries have pooled resources to purchase a robust library automation system. Members enjoy the benefits of shared expertise and the ability to provide great service to library customers. The Montana State Library became the fiscal agent for the MSC in FY 2008.

##### *Revenue and Expenses*

The Shared Catalog members pay membership dues that are used to pay operating expenses. There are approximately 167 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.

##### *Rates and Rate Explanation*

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

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

By 2016 the fund balance will be aligned with the goal of having a server replacement fund as well as a 60-day working capital fund.

##### *Working Capital Analysis*

Sixty-day working capital fund will be reached by FY 2016.

# Montana State Library - 51150

## Statewide Library Resources - 01

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 51150	Agency Name: Montana State Library			Program Name: Statewide Library Resources		
	<b>Fund</b>	<b>Fund Name</b>				
	06021	MT Shared Catalog				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY12	FY13	FY14	FY15	FY16	FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Other Operating Revenue						
	221,817	235,343	248,663	315,632	340,935	342,120
<b>Total Operating Revenues</b>	<b>221,817</b>	<b>235,343</b>	<b>248,663</b>	<b>315,632</b>	<b>340,935</b>	<b>342,120</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses						
	85,563	84,927	85,863	139,359	148,560	149,729
	167,886	197,683	208,428	202,491	192,375	192,391
<b>Total Operating Expenses</b>	<b>253,449</b>	<b>282,610</b>	<b>294,291</b>	<b>341,850</b>	<b>340,935</b>	<b>342,120</b>
<b>Operating Income (Loss)</b>	<b>(31,632)</b>	<b>(47,267)</b>	<b>(45,628)</b>	<b>(26,218)</b>	<b>-</b>	<b>-</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(31,632)</b>	<b>(47,267)</b>	<b>(45,628)</b>	<b>(26,218)</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>(31,632)</b>	<b>(47,267)</b>	<b>(45,628)</b>	<b>(26,218)</b>	<b>-</b>	<b>-</b>
<b>Beginning Net Position - July 1</b>	188,648	157,016	109,749	64,121	37,903	37,903
Change in Net Position	(31,632)	(47,267)	(45,628)	(26,218)	-	-
<b>Ending Net Position - June 30</b>	<b>157,016</b>	<b>109,749</b>	<b>64,121</b>	<b>37,903</b>	<b>37,903</b>	<b>37,903</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$10,222
FY 2017	\$0	\$10,965

**SWPL - 1 - Personal Services -**

The budget includes funding changes in FY 2016 and FY 2017 to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium.



# Montana State Library - 51150

## Statewide Library Resources - 01

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$6)
FY 2017	\$0	\$10

**SWPL - 3 - Inflation Deflation -**

This change package includes funding changes in FY 2016 and FY 2017 to reflect the budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

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

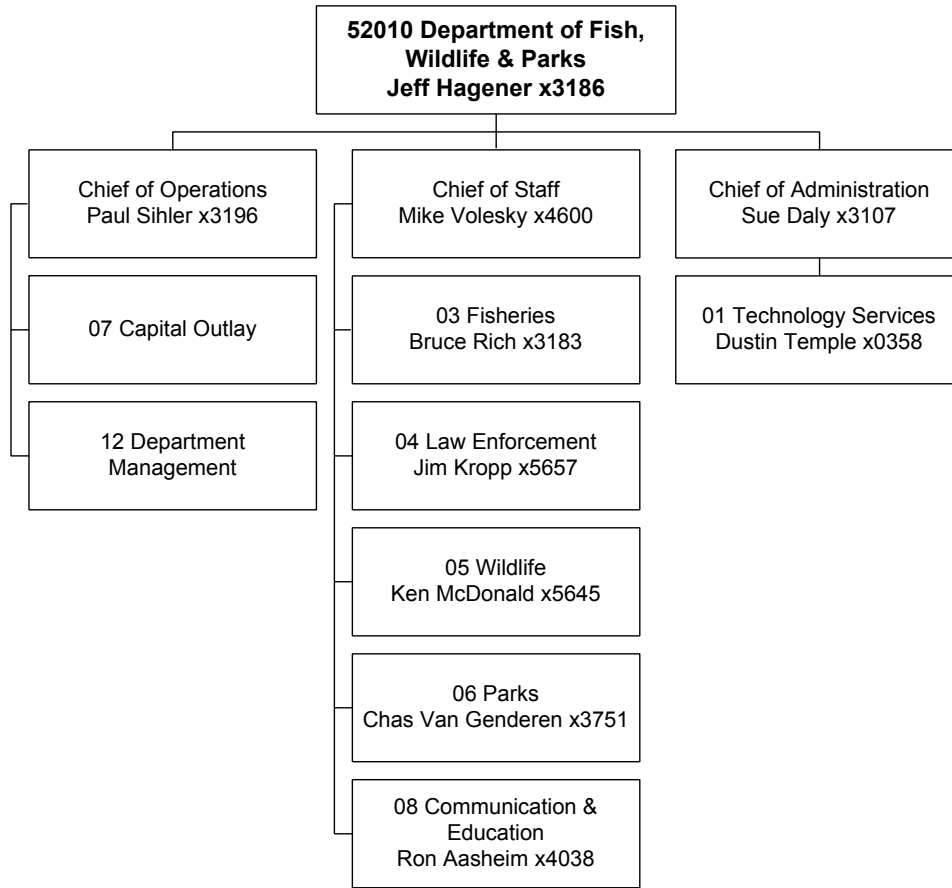
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$53,167
FY 2017	\$0	\$53,595

**PL - 100009 - Montana Shared Catalog - Increase in membership -**

The Montana Shared Catalog (MSC) requests \$106,762 additional proprietary authority in the 2017 biennium for a new position, Library Technical Services and Systems Support Technician, approved in FY 2015 by the MSC to help with increasing membership workload. The position will be responsible for assisting the MSC staff and membership with cataloging services, training, and providing ongoing technical support to member libraries. The additional funding comes from increased MSC memberships.

# Department of Fish, Wildlife & Parks - 52010

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.

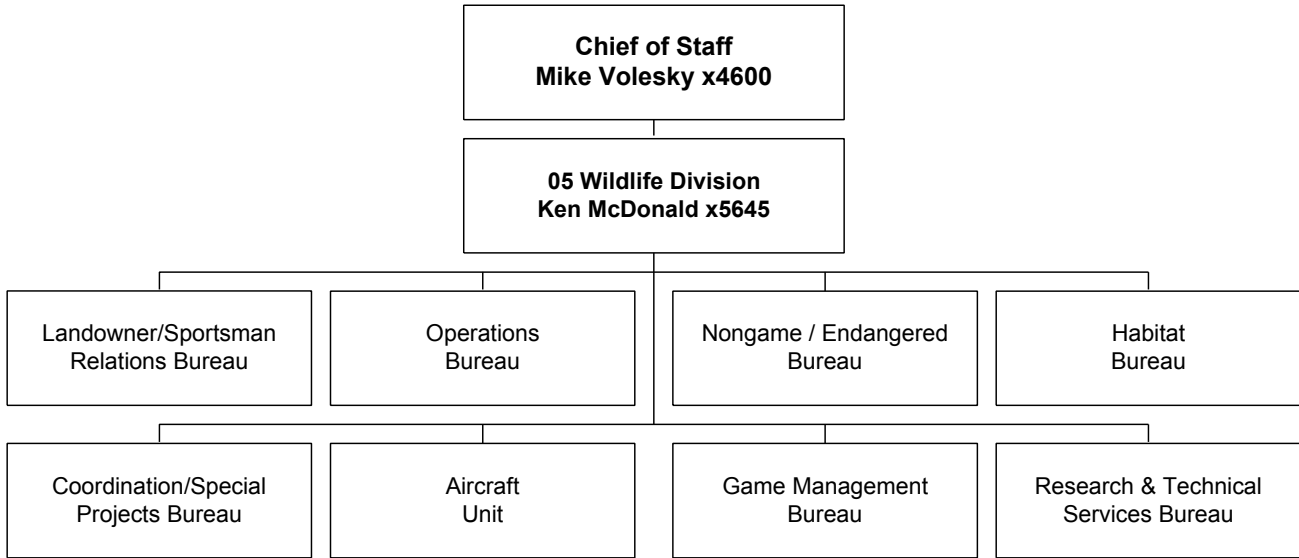
**Statutory Authority** - Title 87 and 23, MCA.

Agency Proposed Budget	Total Exec. Budget Fiscal 2016	Total Exec. Budget Fiscal 2017	Total Exec. Budget 2017 Biennium
FTE	5.81	5.81	
Personal Services	315,453	316,576	632,029
Operating Expenses	2,687,734	2,674,209	5,361,943
Equipment & Intangible Assets	1,084,486	1,084,486	2,168,972
<b>Total Costs</b>	<b>\$4,087,673</b>	<b>\$4,075,271</b>	<b>\$8,162,944</b>
Proprietary Funds	4,087,673	4,075,271	8,162,944
<b>Total Funds</b>	<b>\$4,087,673</b>	<b>\$4,075,271</b>	<b>\$8,162,944</b>

# Department of Fish, Wildlife & Parks - 52010

## Wildlife Division - 05

Please note that this program also contains HB 2 funding.



Program Proposed Budget	Base Budget	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2014	Adjustments	Exec. Budget	Adjustments	Exec. Budget	Budget Request
		Fiscal 2016	Fiscal 2016	Fiscal 2017	Fiscal 2017	2017 Biennium
Operating Expenses	480,836	(8,591)	472,245	(9,874)	470,962	943,207
<b>Total Costs</b>	<b>\$480,836</b>	<b>(\$8,591)</b>	<b>\$472,245</b>	<b>(\$9,874)</b>	<b>\$470,962</b>	<b>\$943,207</b>
Proprietary Funds	480,836	(8,591)	472,245	(9,874)	470,962	943,207
<b>Total Funds</b>	<b>\$480,836</b>	<b>(\$8,591)</b>	<b>\$472,245</b>	<b>(\$9,874)</b>	<b>\$470,962</b>	<b>\$943,207</b>

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

#### *Program Description*

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

#### *Revenues and Expenses*

The objective of the aircraft account is to recover 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 \$197,000. In FY 2014, the department flew just approximately 2,040 hours in department aircrafts.

#### *Rates and Rate Explanation*

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

## Department of Fish, Wildlife & Parks - 52010

### Wildlife Division - 05

	FY2014	FY2015	FY2016	FY2017
<b>Two place-single engine - per hour</b>	\$130.00	\$150.00	\$150.00	\$150.00
<b>Partnavia - per hour</b>	\$425.00	\$500.00	\$500.00	\$500.00
<b>Turbine helicopter - per hour</b>	\$425.00	\$500.00	\$500.00	\$500.00

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

No changes in services or fees are proposed.

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

There is no requirement to reserve fund balance. However, a portion of the program's fund balance has been reserved for the book value of department aircraft. The fund balance in FY 2014 was \$124,023 and the cash balance was 85,547.

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

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

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

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

# Department of Fish, Wildlife & Parks - 52010

## Wildlife Division - 05

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 52010	Agency Name: Department of Fish, Wildlife & Parks		Program Name: Wildlife Division			
	<b>Fund</b>	<b>Fund Name</b>				
	06540	FWP AIRCRAFT				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
	523,966	463,951	464,771	500,000	500,000	500,000
	523,966	463,951	464,771	500,000	500,000	500,000
<b>Expenses:</b>						
Other Operating Expenses						
	411,904	443,390	415,539	450,000	450,000	450,000
	411,904	443,390	415,539	450,000	450,000	450,000
<b>Operating Income (Loss)</b>						
	112,062	20,561	49,232	50,000	50,000	50,000
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>						
	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>						
	112,062	20,561	49,232	50,000	50,000	50,000
<b>Change in Net Position</b>						
	112,062	20,561	49,232	50,000	50,000	50,000
<b>Beginning Net Position - July 1</b>						
	(8,599)	103,463	124,024	173,256	223,256	273,256
Change in Net Position						
	112,062	20,561	49,232	50,000	50,000	50,000
<b>Ending Net Position - June 30</b>						
	103,463	124,024	173,256	223,256	273,256	323,256
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$8,591)
FY 2017	\$0	(\$9,874)

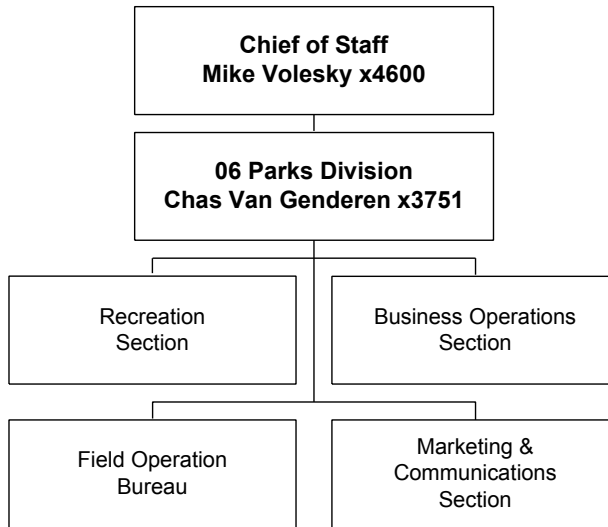
**SWPL - 3 - Inflation Deflation -**

This change package reflects the budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

# Department of Fish, Wildlife & Parks - 52010

## Parks Division - 06

Please note that this program also contains HB 2 funding.



Program Proposed Budget	Base Budget Fiscal 2014	Budget Adjustments Fiscal 2016	Total Exec. Budget Fiscal 2016	Budget Adjustments Fiscal 2017	Total Exec. Budget Fiscal 2017	Executive Budget Request 2017 Biennium
Budget Item						
FTE	0.00	1.25	1.25	1.25	1.25	
Personal Services	8,661	58,705	67,366	58,529	67,190	134,556
Operating Expenses	182,996	(41)	182,955	(33)	182,963	365,918
<b>Total Costs</b>	<b>\$191,657</b>	<b>\$58,664</b>	<b>\$250,321</b>	<b>\$58,496</b>	<b>\$250,153</b>	<b>\$500,474</b>
Proprietary Funds	191,657	58,664	250,321	58,496	250,153	500,474
<b>Total Funds</b>	<b>\$191,657</b>	<b>\$58,664</b>	<b>\$250,321</b>	<b>\$58,496</b>	<b>\$250,153</b>	<b>\$500,474</b>

### Proprietary Program Description - Fund 06068 - Enterprise Account

#### Proprietary Program Description

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

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

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

#### Revenues and Expenses

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

In FY 2014, this fund accounted for \$233,379 of earned revenue, \$184,038 of expenditures, and a fund balance in the

## Department of Fish, Wildlife & Parks - 52010

### Parks Division - 06

amount of \$431,920.

#### *Rates and Rate Explanation*

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

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

There are no changes in fees.

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

The objective is to maintain a fund balance as compared to the FY2014 base year fund balance. The cash balances are highest in the winter after the parks season ends and lowest in the spring when stock is purchased to replenish inventory.

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

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

# Department of Fish, Wildlife & Parks - 52010

## Parks Division - 06

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 52010	Agency Name: Department of Fish, Wildlife & Parks		Program Name: Parks Division			
	<b>Fund</b>	<b>Fund Name</b>				
	06068	MFWP Visitor Services				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	185,769	197,877	238,014	240,000	245,000	250,000
Other Operating Revenue	627	593	361	-	-	-
<b>Total Operating Revenues</b>	<b>186,396</b>	<b>198,470</b>	<b>238,375</b>	<b>240,000</b>	<b>245,000</b>	<b>250,000</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	4,744	14,140	6,237	52,015	55,000	55,000
<b>Total Operating Expenses</b>	<b>148,959</b>	<b>147,092</b>	<b>175,649</b>	<b>198,750</b>	<b>200,000</b>	<b>200,000</b>
<b>Operating Income (Loss)</b>	<b>32,693</b>	<b>37,238</b>	<b>56,489</b>	<b>(10,765)</b>	<b>(10,000)</b>	<b>(5,000)</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>32,693</b>	<b>37,238</b>	<b>56,489</b>	<b>(10,765)</b>	<b>(10,000)</b>	<b>(5,000)</b>
<b>Change in Net Position</b>	<b>32,693</b>	<b>37,238</b>	<b>56,489</b>	<b>(10,765)</b>	<b>(10,000)</b>	<b>(5,000)</b>
<b>Beginning Net Position - July 1</b>	314,223	346,916	384,154	440,643	429,878	419,878
Change in Net Position	32,693	37,238	56,489	(10,765)	(10,000)	(5,000)
<b>Ending Net Position - June 30</b>	<b>346,916</b>	<b>384,154</b>	<b>440,643</b>	<b>429,878</b>	<b>419,878</b>	<b>414,878</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$8,661)
FY 2017	\$0	(\$8,661)

#### SWPL - 1 - Personal Services -

The budget includes funding to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium.



# Department of Fish, Wildlife & Parks - 52010

## Parks Division - 06

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$41)
FY 2017	\$0	(\$33)

### SWPL - 3 - Inflation Deflation -

This change package reflects the budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$67,366
FY 2017	\$0	\$67,190

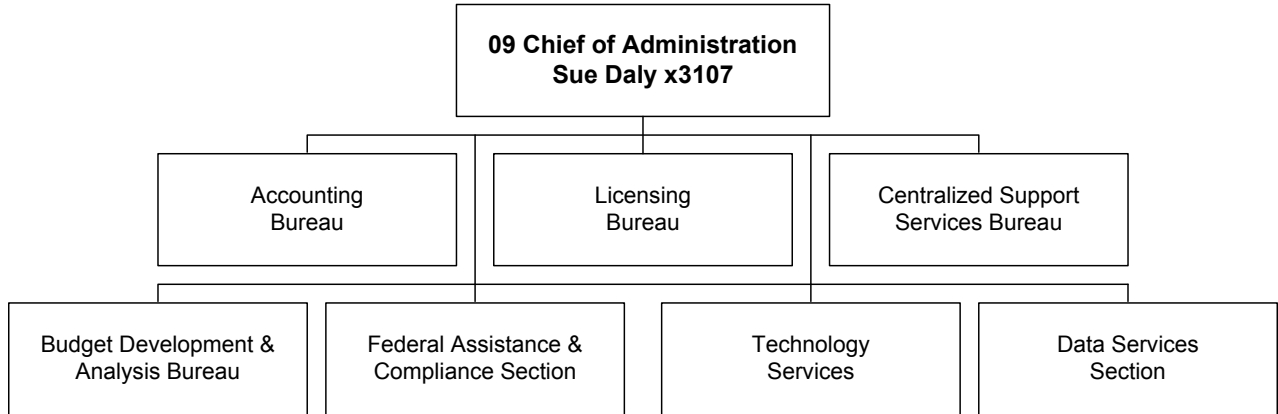
### NP - 600606 - Enterprise Fund FTE -

This request would make FTE funded by the Parks Enterprise account permanent. FTE are funded by revenue from the sales of merchandise at Parks' sites statewide and provide educational and interpretive presentations and administrative support for the account. Current revenue supports the level of FTE requested.

# Department of Fish, Wildlife & Parks - 52010

## Administration - 09

Please note that this program also contains HB 2 funding.



Program Proposed Budget	Base Budget	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2014	Adjustments	Exec. Budget	Adjustments	Exec. Budget	Budget Request
		Fiscal 2016	Fiscal 2016	Fiscal 2017	Fiscal 2017	2017 Biennium
FTE	4.56	0.00	4.56	0.00	4.56	
Personal Services	224,844	23,243	248,087	24,542	249,386	497,473
Operating Expenses	2,103,042	(70,508)	2,032,534	(82,758)	2,020,284	4,052,818
Equipment & Intangible Assets	1,084,486	0	1,084,486	0	1,084,486	2,168,972
<b>Total Costs</b>	<b>\$3,412,372</b>	<b>(\$47,265)</b>	<b>\$3,365,107</b>	<b>(\$58,216)</b>	<b>\$3,354,156</b>	<b>\$6,719,263</b>
Proprietary Funds	3,412,372	(47,265)	3,365,107	(58,216)	3,354,156	6,719,263
<b>Total Funds</b>	<b>\$3,412,372</b>	<b>(\$47,265)</b>	<b>\$3,365,107</b>	<b>(\$58,216)</b>	<b>\$3,354,156</b>	<b>\$6,719,263</b>

### Proprietary Program Description -

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

- Duplicating Center
- Vehicle Fund
- Supply Warehouse

### Fund 06501 Duplicating Center

#### Program Description

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

#### Revenues and Expenses

Revenues are generated from charges on a per page basis for both copying and binding.

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

#### Rates and Rate Explanation

## Department of Fish, Wildlife & Parks - 52010

### Administration - 09

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 2014, the cash balance was (\$1,961).

Item	FY2014	FY2015	FY2016	FY2017
<b>Copies</b>				
<b>1-20</b>	\$0.065	\$0.070	\$0.070	\$0.070
<b>21-100</b>	\$0.050	\$0.055	\$0.055	\$0.055
<b>101-1,000</b>	\$0.045	\$0.050	\$0.050	\$0.050
<b>1,001-5,000</b>	\$0.040	\$0.045	\$0.045	\$0.045
<b>Color- per sheet</b>	\$0.25	\$0.25	\$0.25	\$0.25
<b>Binding</b>				
<b>Collating - per sheet</b>	\$0.010	\$0.010	\$0.010	\$0.010
<b>Hand Stapling - per set</b>	\$0.020	\$0.020	\$0.020	\$0.020
<b>Saddle Stitch - per set</b>	\$0.035	\$0.035	\$0.035	\$0.035
<b>Folding - per sheet</b>	\$0.010	\$0.010	\$0.010	\$0.010
<b>Punching - per sheet</b>	\$0.005	\$0.005	\$0.005	\$0.005
<b>Cutting - per minute</b>	\$0.600	\$0.600	\$0.600	\$0.600

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

No changes in services or fees are proposed.

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

A portion of the program's fund balance has been reserved for the duplicating center's equipment and inventory. At FYE 2014 the fund value was \$6,413.18 and the fund had \$16,756 in inventory.

Field projects are billed monthly for the services provided during the month. The workload is fairly consistent so there is little fluctuation in cash balances except when additional inventory is purchased.

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

The 60-day working capital requirement provides sufficient cash to fund on-going operations of this program. Rates have been historically adjusted based on the need to increase or decrease the cash balance in the account. Prior to requesting new rates, a review of the cash balance is completed. At FYE 2014, the cash balance was \$1,961. 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.

### **Fund 06502 Equipment Fund**

#### *Program Description*

The department's equipment fund provides a fleet of vehicles to department employees. The users are department employees, mostly enforcement wardens, fish and wildlife biologists, and park employees. Every month, users are charged for the miles driven during the previous month. This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund. The report for the enterprise fund is available in the appendix.

#### *Revenues and Expenses*

# Department of Fish, Wildlife & Parks - 52010

## Administration - 09

The objective of the vehicle account is to recover (through rates and annual auction sales) sufficient funds to cover administrative costs to operate the program (personal services and operations), fuel and repair costs of fleet, and replacement of 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 2012, the fund spent over \$1.36 million on fuel and \$418,000 on repairs. In FY2014, the fund spent \$1.41 million on fuel and \$527,000 on repairs. The volatility of gasoline prices continues to be a major challenge in estimating future rates. In FY 2014 the department drove 5.9 million miles.

Each year, department employees drive approximately 6 million miles in department owned vehicles. The department currently has a fleet of over 525 vehicles, which are mainly used by enforcement officers, fish and wildlife biologists and parks employees. The department's request for vehicle replacement is for 30 vehicles in both FY 2016 and FY 2017. This is based on replacing vehicles after a minimum of 120,000 miles. This replacement schedule does not require a present law adjustment.

### *Rates and Rate Explanation*

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

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

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

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

No changes in rates are proposed.

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

At FYE 2014, the vehicle fund had total assets of \$6,713,867 and the book value (original cost less accumulated depreciation) of the fleet was \$5,902,590. A portion of the program's fund balance has been reserved for the book value of department vehicles. The fund's cash balance fluctuates during the year for two reasons. The first is that more miles are driven during in the summer and fall than during the winter and spring. The second reason is that new vehicles are purchased in the spring. Thus, the cash balance is normally highest in December after the hunting season and lowest in the spring after purchasing the new vehicles. Fiscal year end balances tend to be significantly higher than spring balances.

### *Working Capital and Fees Commensurate Analysis*

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

## **Fund 06503 Warehouse Inventory**

### *Program Description*

## Department of Fish, Wildlife & Parks - 52010

### Administration - 09

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

#### *Revenues and Expenses*

Revenues come from the sales of inventory items to department employees. The department anticipates revenues to be constant at around \$105,000 per year for FY 2016 and FY 2017. The expenses associated with the warehouse include personal services, miscellaneous office supplies and expenses for the warehouse worker, and inventory purchased to replenish existing stock.

#### *Rate and Rate Explanation*

The rate requested for the warehouse is an overhead rate that is added to the cost of the inventory items. The overhead rate is expected to generate sufficient revenue to cover the administrative costs of the program. In 2014 the overhead rate was 25% and generated sufficient revenue to allow the department to reduce the \$27,000 loan from another fund to zero and cover the administrative costs of the program. No change in the overhead rate is being requested for FY 2016 and FY2017. The rate is calculated by estimating the support costs required to maintain the warehouse function such as personal services, office supplies, and other miscellaneous office costs. Based on estimated warehouse sales, a fixed overhead percentage is determined that allows the department to recover the warehouse support costs. This rate is also adjusted for any previous over or under collections. Due to the size of this operation, a simple warehouse overhead rate has been considered the most logical.

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

There are no changes in fees proposed.

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

The fund balance in FY2014 was \$144,440. A portion of the program's fund balance has been reserved for the warehouse inventory. At FYE 2014, the warehouse inventory was \$104,004.

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

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

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

# Department of Fish, Wildlife & Parks - 52010

## Administration - 09

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 52010	Agency Name: Department of Fish, Wildlife & Parks			Program Name: Administration		
	<b>Fund</b>	<b>Fund Name</b>				
	06503	F & G Warehouse Inventory				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue C	102,621	83,177	85,132	89,900	89,900	89,900
<b>Total Operating Revenues</b>	<b>102,621</b>	<b>83,177</b>	<b>85,132</b>	<b>89,900</b>	<b>89,900</b>	<b>89,900</b>
<b>Expenses:</b>						
Personal Services	15,715	21,941	22,060	24,218	24,218	24,218
Other Operating Expenses	86,362	72,052	71,974	81,404	81,404	81,404
<b>Total Operating Expenses</b>	<b>102,077</b>	<b>93,993</b>	<b>94,034</b>	<b>105,622</b>	<b>105,622</b>	<b>105,622</b>
<b>Operating Income (Loss)</b>	<b>544</b>	<b>(10,816)</b>	<b>(8,902)</b>	<b>(15,722)</b>	<b>(15,722)</b>	<b>(15,722)</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>544</b>	<b>(10,816)</b>	<b>(8,902)</b>	<b>(15,722)</b>	<b>(15,722)</b>	<b>(15,722)</b>
Transfers In	-	63,000	-	-	-	-
<b>Change in Net Position</b>	<b>544</b>	<b>52,184</b>	<b>(8,902)</b>	<b>(15,722)</b>	<b>(15,722)</b>	<b>(15,722)</b>
<b>Beginning Net Position - July 1</b>	<b>98,406</b>	<b>98,950</b>	<b>151,134</b>	<b>142,232</b>	<b>126,510</b>	<b>110,788</b>
Change in Net Position	544	52,184	(8,902)	(15,722)	(15,722)	(15,722)
<b>Ending Net Position - June 30</b>	<b>98,950</b>	<b>151,134</b>	<b>142,232</b>	<b>126,510</b>	<b>110,788</b>	<b>95,066</b>
<b>Net Position (Fund Balance) Analysis</b>						

# Department of Fish, Wildlife & Parks - 52010

## Administration - 09

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 52010	Agency Name: Department of Fish, Wildlife & Parks		Program Name: Administration			
	<b>Fund</b>	<b>Fund Name</b>				
	06501	Duplicating Center				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY12	FY13	FY14	FY15	FY16	FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A						
	80,880	59,752	58,326	70,000	70,000	70,000
<b>Total Operating Revenues</b>	<b>80,880</b>	<b>59,752</b>	<b>58,326</b>	<b>70,000</b>	<b>70,000</b>	<b>70,000</b>
<b>Expenses:</b>						
Personal Services						
	40,359	41,264	42,970	44,000	44,000	44,000
Other Operating Expenses						
	37,987	26,766	21,370	20,000	20,000	20,000
<b>Total Operating Expenses</b>	<b>78,346</b>	<b>68,030</b>	<b>64,340</b>	<b>64,000</b>	<b>64,000</b>	<b>64,000</b>
<b>Operating Income (Loss)</b>	<b>2,534</b>	<b>(8,278)</b>	<b>(6,014)</b>	<b>6,000</b>	<b>6,000</b>	<b>6,000</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>2,534</b>	<b>(8,278)</b>	<b>(6,014)</b>	<b>6,000</b>	<b>6,000</b>	<b>6,000</b>
<b>Change in Net Position</b>	<b>2,534</b>	<b>(8,278)</b>	<b>(6,014)</b>	<b>6,000</b>	<b>6,000</b>	<b>6,000</b>
<b>Beginning Net Position - July 1</b>	<b>31,094</b>	<b>33,628</b>	<b>25,350</b>	<b>19,336</b>	<b>25,336</b>	<b>31,336</b>
Change in Net Position	2,534	(8,278)	(6,014)	6,000	6,000	6,000
<b>Ending Net Position - June 30</b>	<b>33,628</b>	<b>25,350</b>	<b>19,336</b>	<b>25,336</b>	<b>31,336</b>	<b>37,336</b>
<b>Net Position (Fund Balance) Analysis</b>						

# Department of Fish, Wildlife & Parks - 52010

## Administration - 09

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 52010	Agency Name: Department of Fish, Wildlife & Parks			Program Name: Administration		
	<b>Fund</b>	<b>Fund Name</b>				
	06502	Equipment Enterprise Fund				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
	2,382,711	2,686,086	2,781,145	2,900,000	2,900,000	2,900,000
	2,382,711	2,686,086	2,781,145	2,900,000	2,900,000	2,900,000
<b>Expenses:</b>						
Personal Services						
	111,465	158,904	156,059	156,691	156,691	156,691
Other Operating Expenses						
	2,548,316	3,057,761	2,543,100	2,646,904	2,752,780	2,862,892
	2,659,781	3,216,665	2,699,159	2,803,595	2,909,471	3,019,583
<b>Operating Income (Loss)</b>						
	(277,070)	(530,579)	81,986	96,405	(9,471)	(119,583)
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>						
	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>						
	(277,070)	(530,579)	81,986	96,405	(9,471)	(119,583)
Transfers In						
	283,110	-	257,919	150,000	150,000	150,000
<b>Change in Net Position</b>						
	6,040	(530,579)	339,905	246,405	140,529	30,417
<b>Beginning Net Position - July 1</b>						
	6,694,742	6,700,782	6,170,203	6,510,108	6,756,513	6,897,042
Change in Net Position						
	6,040	(530,579)	339,905	246,405	140,529	30,417
<b>Ending Net Position - June 30</b>						
	6,700,782	6,170,203	6,510,108	6,756,513	6,897,042	6,927,459
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$23,243
FY 2017	\$0	\$24,542

#### SWPL - 1 - Personal Services -

The budget includes funding to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium. In addition, the request includes the impacts of turnover experienced in excess of the applied vacancy savings rate.



# Department of Fish, Wildlife & Parks - 52010

## Administration - 09

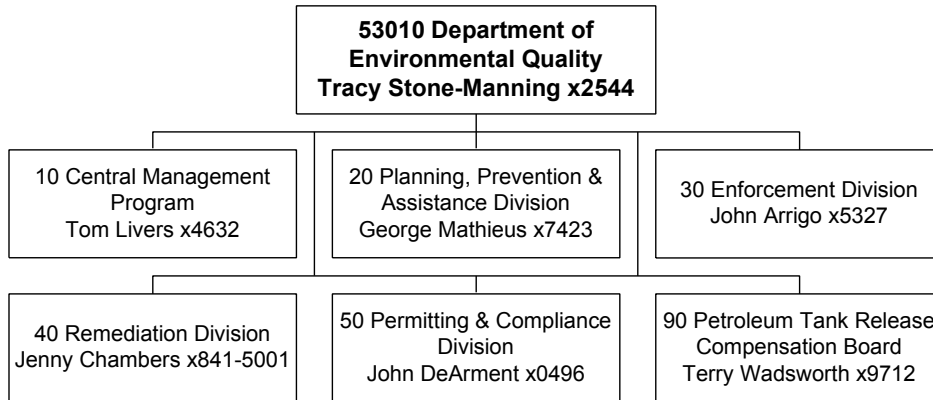
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$70,508)
FY 2017	\$0	(\$82,758)

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

This change package includes \$3,730 in FY 2016 and \$6,400 in FY 2017 to reflect the budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

## Department of Environmental Quality - 53010

Please note that this agency also contains HB 2 funding.



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

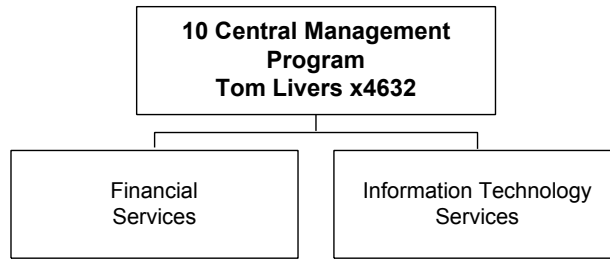
**Statutory Authority** - Titles 2, 7, 37, 50, 69, 75, 76, 80, 82 and 90, MCA; USC 24, 30, 33 and 42; PL No. 92-500, 95-87, 91, 95-224 and 99-519.

Agency Proposed Budget	Total Exec. Budget Fiscal 2016	Total Exec. Budget Fiscal 2017	Total Exec. Budget 2017 Biennium
Budget Item			
FTE	55.50	55.50	
Personal Services	4,990,066	4,810,343	9,800,409
Operating Expenses	3,413,985	3,290,581	6,704,566
Equipment & Intangible Assets	70,564	70,564	141,128
<b>Total Costs</b>	<b>\$8,474,615</b>	<b>\$8,171,488</b>	<b>\$16,646,103</b>
Proprietary Funds	8,474,615	8,171,488	16,646,103
<b>Total Funds</b>	<b>\$8,474,615</b>	<b>\$8,171,488</b>	<b>\$16,646,103</b>

# Department of Environmental Quality - 53010

## Central Management Program - 10

Please note that this program also contains HB 2 funding.



Program Proposed Budget	Base Budget	Budget Adjustments	Total	Budget Adjustments	Total	Executive
Budget Item	Fiscal 2014	Fiscal 2016	Exec. Budget Fiscal 2016	Fiscal 2017	Exec. Budget Fiscal 2017	Budget Request 2017 Biennium
FTE	55.50	0.00	55.50	0.00	55.50	
Personal Services	4,239,447	750,619	4,990,066	570,896	4,810,343	9,800,409
Operating Expenses	2,901,810	512,175	3,413,985	388,771	3,290,581	6,704,566
Equipment & Intangible Assets	70,564	0	70,564	0	70,564	141,128
<b>Total Costs</b>	<b>\$7,211,821</b>	<b>\$1,262,794</b>	<b>\$8,474,615</b>	<b>\$959,667</b>	<b>\$8,171,488</b>	<b>\$16,646,103</b>
Proprietary Funds	7,211,821	1,262,794	8,474,615	959,667	8,171,488	16,646,103
<b>Total Funds</b>	<b>\$7,211,821</b>	<b>\$1,262,794</b>	<b>\$8,474,615</b>	<b>\$959,667</b>	<b>\$8,171,488</b>	<b>\$16,646,103</b>

### Proprietary Program Description - Fund 06509 DEQ Indirects

#### 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 personnel office, and a centralized legal services unit. The centralized legal services unit has 3.00 FTE (two attorneys and one paralegal) that are funded by the internal service fund. This staff provides the administration, management and planning for the legal services unit, and specific duties for department programs, including legislation, rulemaking, enforcement actions and contract review.

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 Financial Services Office provides budgeting, accounting, procurement, internal audit, and contract management support to all programs. The Information Technology Office provides information technology services support to all programs. The office contracts for information technology database development and for hosting of the department's enterprise database. The customers of the Central Management Program are all programs and employees of the department. Use of these services is mandated by agency policies and procedures. There are no alternative funding sources for the Central Management Program as a whole.

#### Revenues and Expenses

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

## Department of Environmental Quality - 53010

### Central Management Program - 10

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

The services provided using this fund do not change significantly in volume from year to year. There has been a growth in the total costs that must be covered by the programs due to inflation, salary increases, etc. However, the base in the programs is increased by similar percentages. The largest impact to the fund was the inclusion of the agency's payment of accrued benefits for employee retirements. There are 40 staff members who have at least 25 years of service or are 65 years of age or more.

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

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

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

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

There are no changes in services or fees requested.

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

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

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

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

## Department of Environmental Quality - 53010

### Central Management Program - 10

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 53010	Agency Name: Department of Environmental Quality			Program Name: Central Management Program		
	<b>Fund</b>	<b>Fund Name</b>				
	06509	DEQ Indirects				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	3,997,135	4,116,721	4,622,768	4,699,500	5,750,000	5,750,000
Other Operating Revenue	7,932	5,953	2,639	500	500	500
<b>Total Operating Revenues</b>	<b>4,005,067</b>	<b>4,122,674</b>	<b>4,625,407</b>	<b>4,700,000</b>	<b>5,750,500</b>	<b>5,750,500</b>
<b>Expenses:</b>						
Personal Services	3,909,050	4,071,300	4,253,083	4,383,603	4,989,893	4,810,183
Other Operating Expenses	2,715,216	2,831,161	2,964,897	3,014,756	3,390,289	3,392,571
<b>Total Operating Expenses</b>	<b>6,624,266</b>	<b>6,902,461</b>	<b>7,217,980</b>	<b>7,398,359</b>	<b>8,380,182</b>	<b>8,202,754</b>
<b>Operating Income (Loss)</b>	<b>(2,619,199)</b>	<b>(2,779,787)</b>	<b>(2,592,573)</b>	<b>(2,698,359)</b>	<b>(2,629,682)</b>	<b>(2,452,254)</b>
Nonoperating Revenues:						
Other Revenue B	2,668,860	2,389,519	2,461,335	2,986,018	2,667,800	2,667,800
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>2,668,860</b>	<b>2,389,519</b>	<b>2,461,335</b>	<b>2,986,018</b>	<b>2,667,800</b>	<b>2,667,800</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>49,661</b>	<b>(390,268)</b>	<b>(131,238)</b>	<b>287,659</b>	<b>38,118</b>	<b>215,546</b>
Transfers In	-	-	33,883	-	-	-
Transfers Out	-	(3,724)	-	-	-	-
<b>Change in Net Position</b>	<b>49,661</b>	<b>(393,992)</b>	<b>(97,355)</b>	<b>287,659</b>	<b>38,118</b>	<b>215,546</b>
<b>Beginning Net Position - July 1</b>	<b>852,518</b>	<b>902,179</b>	<b>507,076</b>	<b>409,721</b>	<b>697,380</b>	<b>735,498</b>
Prior Period Adjustments	-	(1,111)	-	-	-	-
Change in Net Position	49,661	(393,992)	(97,355)	287,659	38,118	215,546
<b>Ending Net Position - June 30</b>	<b>902,179</b>	<b>507,076</b>	<b>409,721</b>	<b>697,380</b>	<b>735,498</b>	<b>951,044</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$333,765
FY 2017	\$0	\$329,817

#### SWPL - 1 - Personal Services -

This change package includes various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium.

# Department of Environmental Quality - 53010

## Central Management Program - 10

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$212,325
FY 2017	\$0	\$88,864

### SWPL - 2 - Fixed Costs -

This request includes \$212,325 in FY 2016 and \$88,864 in FY 2017 to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs are liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$150)
FY 2017	\$0	(\$93)

### SWPL - 3 - Inflation Deflation -

This change package reflects the budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$300,000
FY 2017	\$0	\$300,000

### PL - 1001002 - DEQ Proprietary Fund Operations Adjustments -

This budget request is for \$300,000 per year in indirect proprietary funding. The department is requesting additional building lease expense authority for DEQ staff displaced by the lead issues at the Last Chance Gulch state owned property.

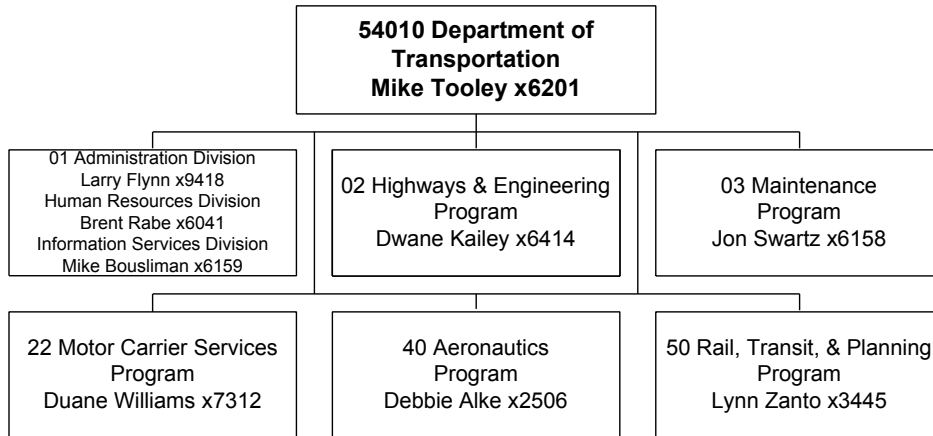
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$416,854
FY 2017	\$0	\$241,079

### PL - 1001003 - DEQ Retirement Costs -

This budget request is for \$416,854 in FY 2016 and \$241,079 in FY 2017 of internal service proprietary fund authority to prepare for an anticipated high level of retirement in the coming biennium. There are 40 staff members who have at least 25 years of service or are 65 years of age or more. Based on this data, the estimated retirement leave payout has been calculated. Leveraging internal service proprietary funding is considered to be the most equitable option to pay these costs.

## Department of Transportation - 54010

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

Agency Proposed Budget	Total Exec. Budget Fiscal 2016	Total Exec. Budget Fiscal 2017	Total Exec. Budget 2017 Biennium
Budget Item			
FTE	131.00	131.00	
Personal Services	9,496,492	9,498,157	18,994,649
Operating Expenses	18,703,241	17,876,638	36,579,879
Equipment & Intangible Assets	12,221,881	10,916,881	23,138,762
Debt Service	19,449	19,449	38,898
<b>Total Costs</b>	<b>\$40,441,063</b>	<b>\$38,311,125</b>	<b>\$78,752,188</b>
Proprietary Funds	40,441,063	38,311,125	78,752,188
<b>Total Funds</b>	<b>\$40,441,063</b>	<b>\$38,311,125</b>	<b>\$78,752,188</b>

## Department of Transportation - 54010

### State Motor Pool - 07

Program Proposed Budget	Base Budget	Budget Adjustments	Total	Budget	Total	Executive
Budget Item	Fiscal 2014	Fiscal 2016	Exec. Budget Fiscal 2016	Adjustments Fiscal 2017	Exec. Budget Fiscal 2017	Budget Request 2017 Biennium
FTE	6.00	0.00	6.00	0.00	6.00	
Personal Services	349,075	45,022	394,097	45,633	394,708	788,805
Operating Expenses	2,528,340	(61,088)	2,467,252	(79,986)	2,448,354	4,915,606
Equipment & Intangible Assets	3,801,753	0	3,801,753	0	3,801,753	7,603,506
Debt Service	19,449	0	19,449	0	19,449	38,898
<b>Total Costs</b>	<b>\$6,698,617</b>	<b>(\$16,066)</b>	<b>\$6,682,551</b>	<b>(\$34,353)</b>	<b>\$6,664,264</b>	<b>\$13,346,815</b>
Proprietary Funds	6,698,617	(16,066)	6,682,551	(34,353)	6,664,264	13,346,815
<b>Total Funds</b>	<b>\$6,698,617</b>	<b>(\$16,066)</b>	<b>\$6,682,551</b>	<b>(\$34,353)</b>	<b>\$6,664,264</b>	<b>\$13,346,815</b>

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

##### *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 and employs 6.00 FTE. 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 (long term lease) to agencies statewide.

Section 2-17-411, MCA, establishes that the Department of Transportation's Motor Pool is responsible for the acquisition, operations, maintenance, repair, and administration of all motor vehicles in the custody of the Motor Pool (this does not apply to motor vehicles used in the service of the Governor, Attorney General or the Montana 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 for 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 current standard rate for the use of personal vehicles, for state business travel, is set at \$0.565 per mile by the Internal Revenue Service. The state employee must qualify to be reimbursed according to the conditions as discussed under Employee Travel in the MOM manual.

The program does not expect any major changes to the customer base. The program has received requests from state agencies to purchase 37 additional vehicles for lease during the 2017 Biennium.

##### *Revenues and Expenses*

Revenue is primarily generated through vehicle rental fees, which provided 98% of the program revenue in FY 2014. 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.

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. 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.



## Department of Transportation - 54010

### State Motor Pool - 07

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

#### *Rates and Rate Explanation*

Please see Section R of the HB 2 for a list of requested rates for the 2017 biennium. There are no expected changes in services. The assigned and usage rates are re-calculated each biennium for legislative approval.

#### *Working Capital Analysis*

The Motor Pool rental rates are set to provide sufficient cash to cover the interest and principle payments on the inter-cap loan, normal operating expenses, and personal services. Revenue is generated through charging rental rates for the use and possession of vehicles, gain on sale of surplus assets, and damage settlements. The cash needed in FY 2014 for 60 days of personal services and operating expenses such as fuel, repair parts, and utilities was approximately \$665,426.

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.

Motor Pool maintains a cash balance in order to meet operational needs and make recurring interest and principle payments on the inter-cap loan from Board of investments.

The program increased its inventory from 278 units in fiscal 1996 to a high of 1,056 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 was 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 decreased the fleet size to 912 vehicles in FY 2012 and the miles traveled to 12,964,321. Agencies have been requesting additional long term leases in the last few years. While this has increased the overall fleet size and miles traveled, the size of the Helena based daily rental fleet has remained constant.

## Department of Transportation - 54010

### State Motor Pool - 07

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 54010	Agency Name: Department of Transportation		Program Name: State Motor Pool			
	<b>Fund</b>	<b>Fund Name</b>				
	06506	Motor Pool - Int Svc				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	4,899,277	4,944,145	3,784,024	4,486,816	4,480,589	4,587,329
Other Operating Revenue	7,195	13,321	-	-	-	-
<b>Total Operating Revenues</b>	<b>4,906,472</b>	<b>4,957,466</b>	<b>3,784,024</b>	<b>4,486,816</b>	<b>4,480,589</b>	<b>4,587,329</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	347,704	352,412	360,624	372,516	394,084	394,696
<b>Total Operating Expenses</b>	<b>4,437,228</b>	<b>3,949,999</b>	<b>3,668,005</b>	<b>4,114,300</b>	<b>4,086,505</b>	<b>4,192,633</b>
<b>Operating Income (Loss)</b>	<b>121,540</b>	<b>655,055</b>	<b>(244,605)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Nonoperating Revenues:						
Other Revenue A	133,546	189,781	71,140	-	-	-
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>133,546</b>	<b>189,781</b>	<b>71,140</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>255,086</b>	<b>844,836</b>	<b>(173,465)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>255,086</b>	<b>844,836</b>	<b>(173,465)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Beginning Net Position - July 1</b>	<b>5,068,066</b>	<b>5,323,152</b>	<b>6,167,988</b>	<b>5,994,523</b>	<b>5,994,523</b>	<b>5,994,523</b>
Change in Net Position	255,086	844,836	(173,465)	-	-	-
<b>Ending Net Position - June 30</b>	<b>5,323,152</b>	<b>6,167,988</b>	<b>5,994,523</b>	<b>5,994,523</b>	<b>5,994,523</b>	<b>5,994,523</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$44,738
FY 2017	\$0	\$45,349

#### SWPL - 1 - Personal Services -

The budget includes \$44,738 in FY 2016 and \$45,349 in FY 2017 to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium.

## Department of Transportation - 54010

### State Motor Pool - 07

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$22,695
FY 2017	\$0	\$18,511

**SWPL - 2 - Fixed Costs -**

This request includes \$22,695 in FY 2016 and \$18,511 in FY 2017 to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs are liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$83,783)
FY 2017	\$0	(\$98,497)

**SWPL - 3 - Inflation Deflation -**

This change package includes a reduction of \$83,783 in FY 2016 and \$98,497 in FY 2017 to reflect the budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$284
FY 2017	\$0	\$284

**PL - 700111 - Overtime/Differetial Pay - Motor Pool 07 -**

This request restores zero-based overtime and differential pay with associated benefits of \$284 per year of proprietary funding.

## Department of Transportation - 54010

### Equipment Program - 08

Program Proposed Budget	Base Budget	Budget Adjustments	Total	Budget	Total	Executive
Budget Item	Fiscal 2014	Fiscal 2016	Exec. Budget Fiscal 2016	Adjustments Fiscal 2017	Exec. Budget Fiscal 2017	Budget Request 2017 Biennium
FTE	123.00	0.00	123.00	0.00	123.00	
Personal Services	8,156,350	759,008	8,915,358	760,029	8,916,379	17,831,737
Operating Expenses	15,854,340	(411,018)	15,443,322	(501,309)	15,353,031	30,796,353
Equipment & Intangible Assets	7,115,128	1,305,000	8,420,128	0	7,115,128	15,535,256
<b>Total Costs</b>	<b>\$31,125,818</b>	<b>\$1,652,990</b>	<b>\$32,778,808</b>	<b>\$258,720</b>	<b>\$31,384,538</b>	<b>\$64,163,346</b>
Proprietary Funds	31,125,818	1,652,990	32,778,808	258,720	31,384,538	64,163,346
<b>Total Funds</b>	<b>\$31,125,818</b>	<b>\$1,652,990</b>	<b>\$32,778,808</b>	<b>\$258,720</b>	<b>\$31,384,538</b>	<b>\$64,163,346</b>

#### Proprietary Program Description - Fund 06508 Highway Equipment – Internal Service Fund

##### *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) including 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 for vehicles and equipment include renting heavy equipment from a rental company and renting or leasing light duty vehicles from a private rental agency contract .

##### *Revenue and Expenses*

Revenue is generated through the vehicle/equipment rental fees, from the gain on sale of surplus assets and from reimbursements from 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 vehicles and equipment. Indirect costs include administrative overhead costs, insurance, interest payments, and utility costs and are supported by the assigned rates allocated to each equipment fleet class or subclass. Direct costs, such as fuel, oil, repairs, and tires, are supported by the usage rates for each equipment fleet class or subclass. The allocations of indirect costs and direct costs use the same methodology for all rates to which they apply.

##### *Rates and Rate Explanation*

Rental fees are billed bi-weekly to each of the MDT user programs.

##### *Working Capital Analysis*

The Equipment rental rates are set to recover sufficient cash to purchase assets, cover normal operating expenses, and personal services. 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, in FY 2014, for 60 days of personal services and operating

## **Department of Transportation - 54010**

### **Equipment Program - 08**

expenses such as fuel, repair parts, and utilities is approximately \$5,077,110. Furthermore, a cash balance is required throughout the year to pay for equipment and light duty vehicle purchases.

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.

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.

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. The fleet size has grown from 4,041 units driving 20.1 million miles in 1997 to 4,654 units driving 21.8 million miles in FY 2015.

## Department of Transportation - 54010

### Equipment Program - 08

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 54010	Agency Name: Department of Transportation			Program Name: Equipment Program		
	<b>Fund</b>	<b>Fund Name</b>				
	06508	Highway Equipment - Int Svc.				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	28,562,706	27,951,396	29,910,629	30,466,760	31,473,341	31,383,238
Other Operating Revenue	401,220	314,214	1,084,766	-	-	-
<b>Total Operating Revenues</b>	<b>28,963,926</b>	<b>28,265,610</b>	<b>30,995,395</b>	<b>30,466,760</b>	<b>31,473,341</b>	<b>31,383,238</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	7,531,765	7,508,180	7,970,743	8,312,782	8,914,891	8,915,080
<b>Total Operating Expenses</b>	<b>20,676,454</b>	<b>21,122,749</b>	<b>22,487,393</b>	<b>22,153,978</b>	<b>22,558,450</b>	<b>22,468,158</b>
<b>Operating Income (Loss)</b>	<b>755,707</b>	<b>(365,319)</b>	<b>537,259</b>	<b>-</b>	<b>-</b>	<b>-</b>
Nonoperating Revenues:						
Other Revenue A						
	162,271	116,316	(108,068)	-	-	-
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>162,271</b>	<b>116,316</b>	<b>(108,068)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>917,978</b>	<b>(249,003)</b>	<b>429,191</b>	<b>-</b>	<b>-</b>	<b>-</b>
Capital Contributions						
<b>Change in Net Position</b>	<b>1,847,963</b>	<b>1,821,373</b>	<b>783,065</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Beginning Net Position - July 1</b>	<b>67,005,124</b>	<b>69,771,065</b>	<b>71,373,884</b>	<b>72,586,140</b>	<b>72,586,140</b>	<b>72,586,140</b>
Prior Period Adjustments	-	30,449	-	-	-	-
Change in Net Position	2,765,941	1,572,370	1,212,256	-	-	-
<b>Ending Net Position - June 30</b>	<b>69,771,065</b>	<b>71,373,884</b>	<b>72,586,140</b>	<b>72,586,140</b>	<b>72,586,140</b>	<b>72,586,140</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$667,728
FY 2017	\$0	\$668,749

**SWPL - 1 - Personal Services -**

The budget includes \$667,728 in FY 2016 and \$668,749 in FY 2017 to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium.

## Department of Transportation - 54010

### Equipment Program - 08

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$57,279
FY 2017	\$0	\$49,356

**SWPL - 2 - Fixed Costs -**

This request includes \$57,279 in FY 2016 and \$49,356 in FY 2017 to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs are liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$468,297)
FY 2017	\$0	(\$550,665)

**SWPL - 3 - Inflation Deflation -**

This change package includes a reduction of \$468,297 in FY 2016 and \$550,665 in FY 2017 to reflect the budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$91,280
FY 2017	\$0	\$91,280

**PL - 800111 - Overtime/Differential Pay - Equipment 08 -**

This request restores zero-based overtime and differential pay with associated benefits of \$91,280 per year of proprietary funds.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$1,305,000
FY 2017	\$0	\$0

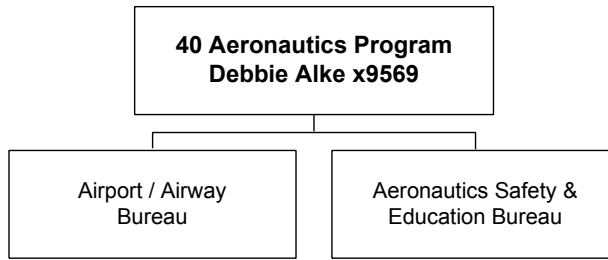
**PL - 800801 - Additional Equipment -**

This request includes \$1,305,000 of proprietary funds for purchase of additional equipment to support winter maintenance and city maintenance activities. This request is tied to the Maintenance Division taking on additional routes and right of way. There is no impact to the rates. Replacement costs cannot be calculated in the rates.

# Department of Transportation - 54010

## Aeronautics Program - 40

Please note that this program also contains HB 2 funding.



Program Proposed Budget	Base Budget Fiscal 2014	Budget Adjustments Fiscal 2016	Total Exec. Budget Fiscal 2016	Budget Adjustments Fiscal 2017	Total Exec. Budget Fiscal 2017	Executive Budget Request 2017 Biennium
FTE	2.00	0.00	2.00	0.00	2.00	
Personal Services	138,236	48,801	187,037	48,834	187,070	374,107
Operating Expenses	271,565	521,102	792,667	(196,312)	75,253	867,920
<b>Total Costs</b>	<b>\$409,801</b>	<b>\$569,903</b>	<b>\$979,704</b>	<b>(\$147,478)</b>	<b>\$262,323</b>	<b>\$1,242,027</b>
Proprietary Funds	409,801	569,903	979,704	(147,478)	262,323	1,242,027
<b>Total Funds</b>	<b>\$409,801</b>	<b>\$569,903</b>	<b>\$979,704</b>	<b>(\$147,478)</b>	<b>\$262,323</b>	<b>\$1,242,027</b>

### Proprietary Program Description - Fund 06007 West Yellowstone Airport

#### Program Description

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

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

#### Revenues and Expenses

Fees for leases and other business services are both market and recovery based. Additional operating expenses planned in the 2017 biennium include a runway maintenance project funded with 90% FAA AIP money and performed in accordance with FAA mandates and advisory circulars.

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



## Department of Transportation - 54010

### Aeronautics Program - 40

#### *Rates and Rate Explanation*

Some landing fees will increase for the 2017 biennium. Car rental and airline rates will increase from \$2.50/\$2.75 a square foot to \$2.75/\$3.00 a square foot and the building lease agreement with Nevada Testing will go from \$5.50 a square foot to \$6.00 a square foot.

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

The enterprise revenue sources when combined with existing working capital balances are projected to recover sufficient cash to fund projected expenditures at the airport. The cash needed for 60-days of personal services and operating expenses average out to approximately \$44,195.

Annual budgeted expenses at the Yellowstone Airport for a three year period (FY2012 – FY2014) average \$265,173/year. The Yellowstone Airport currently supports 2.00 FTE. The FTE are needed to maintain federal airport certification requirements.

The Yellowstone Airport proprietary fund balance is forecast to 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.

#### *Working Capital Analysis*

In past biennia, the West Yellowstone Airport has maintained an adequate cash balance to meet operational needs and provide the required match for federal airport improvement grants. The 2017 biennium brings a new challenge to sustaining both operating needs and providing the required match for anticipated federal funds that will be used to reconstruct the apron and runway for the West Yellowstone Airport. The reconstruction is necessary to meet FAR 139 requirements to maintain the airport's commercial operating certificate in order to host scheduled air carrier service. Safety is of the highest priority at West Yellowstone Airport and maintaining the pavement surfaces is crucial.

The total estimated cost of the project is \$7.2 million and the required match is \$720,000. The West Yellowstone Airport is not anticipating an increase in revenues, thus MDT is working on a funding solution for the necessary match so it can maintain its commercial operating certificate. Decision package (DP) NP4007 addresses the match portion of the project while DP NP4004 is for the HB 2 federal portion of the project. Budget authority needs to be in place while funding solutions are determined; ensuring commercial flights continue into the West Yellowstone region as tourism is a major factor to the area.

# Department of Transportation - 54010

## Aeronautics Program - 40

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 54010	Agency Name: Department of Transportation			Program Name: Aeronautics Program		
	<b>Fund</b>	<b>Fund Name</b>				
	06007	West Yellowstone Airport				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY12	FY13	FY14	FY15	FY16	FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	75,083	75,317	62,533	68,994	68,994	68,994
Other Operating Revenue	142,235	124,166	406,492	147,429	146,892	146,892
<b>Total Operating Revenues</b>	<b>217,318</b>	<b>199,483</b>	<b>469,025</b>	<b>216,423</b>	<b>215,886</b>	<b>215,886</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	135,417	90,751	137,992	150,748	187,038	187,070
<b>Total Operating Expenses</b>	<b>62,006</b>	<b>65,342</b>	<b>241,918</b>	<b>52,118</b>	<b>792,667</b>	<b>75,253</b>
<b>Operating Income (Loss)</b>	<b>19,895</b>	<b>43,390</b>	<b>89,115</b>	<b>13,557</b>	<b>(763,819)</b>	<b>(46,437)</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
Other Expense A	(134,509)	(165,211)	(167,709)	4,800	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(134,509)</b>	<b>(165,211)</b>	<b>(167,709)</b>	<b>4,800</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(114,614)</b>	<b>(121,821)</b>	<b>(78,594)</b>	<b>18,357</b>	<b>(763,819)</b>	<b>(46,437)</b>
<b>Change in Net Position</b>	<b>(114,614)</b>	<b>(121,821)</b>	<b>(78,594)</b>	<b>18,357</b>	<b>(763,819)</b>	<b>(46,437)</b>
<b>Beginning Net Position - July 1</b>	<b>2,877,872</b>	<b>2,763,258</b>	<b>2,641,437</b>	<b>2,562,843</b>	<b>2,581,200</b>	<b>1,817,381</b>
Change in Net Position	(114,614)	(121,821)	(78,594)	18,357	(763,819)	(46,437)
<b>Ending Net Position - June 30</b>	<b>2,763,258</b>	<b>2,641,437</b>	<b>2,562,843</b>	<b>2,581,200</b>	<b>1,817,381</b>	<b>1,770,944</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$48,801
FY 2017	\$0	\$48,834

#### SWPL - 1 - Personal Services -

This change package reflects annualization of various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium. In addition, the request includes the impacts of turnover experienced in excess of the applied vacancy savings rate.

## Department of Transportation - 54010

### Aeronautics Program - 40

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$119
FY 2017	\$0	\$249

**SWPL - 3 - Inflation Deflation -**

This change package reflects the budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$2,456
FY 2017	\$0	(\$196,561)

**PL - 4004008 - Yellowstone Airport Base Adjustments -**

This budget request is for \$2,456 in FY 2016 and a reduction of \$196,561 in FY 2017 of proprietary funding and is an adjustment of the base for the Yellowstone Airport. The additional base is needed for FY2016 as it is being used in conjunction with NP4007 which is the required match needed for NP4004. However for FY2017 the base will not be needed, the base was driven by necessary repairs at the West Yellowstone Airport during the base year that were not a part of normal operations.

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

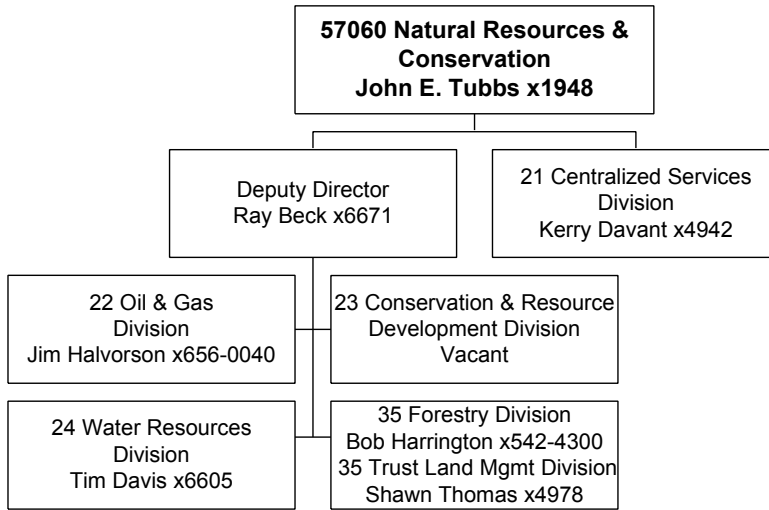
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$518,527
FY 2017	\$0	\$0

**NP - 4004007 - Yellowstone Airport Match -**

This request is for \$518,527 in proprietary funding and is the state match required for NP 4004006, the Yellowstone Airport Taxiway request. The match is required for the reconstruction of the apron area and to reconstruct the only taxiway at Yellowstone Airport. These pavement surfaces must meet FAR 139 requirements to maintain the airport's commercial operating certificate in order to host scheduled air carrier service. These pavement surfaces must be maintained in order to eliminate possible aircraft damage or injury to the flying public. The potential for Foreign Object Debris (FOD) to either be ingested by an aircraft engine or blown into other aircraft is high with the current pavement conditions that exist at the airport.

# Department of Natural Resources & Conservation - 57060

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.

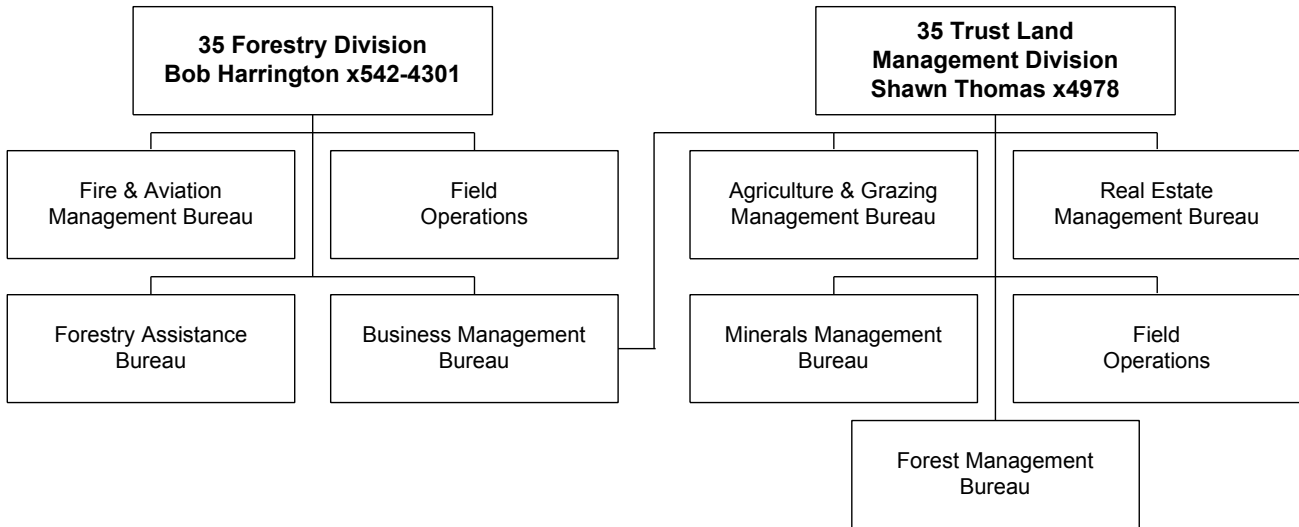
**Statutory Authority** - 2-15-104 and Title 2, chapter 15, part 33, MCA.

Agency Proposed Budget	Total Exec. Budget Fiscal 2016	Total Exec. Budget Fiscal 2017	Total Exec. Budget 2017 Biennium
Budget Item			
FTE	25.15	25.15	
Personal Services	1,826,257	1,824,870	3,651,127
Operating Expenses	889,494	885,914	1,775,408
<b>Total Costs</b>	<b>\$2,715,751</b>	<b>\$2,710,784</b>	<b>\$5,426,535</b>
Proprietary Funds	2,715,751	2,710,784	5,426,535
<b>Total Funds</b>	<b>\$2,715,751</b>	<b>\$2,710,784</b>	<b>\$5,426,535</b>

# Department of Natural Resources & Conservation - 57060

## Forestry and Trust Lands Divisions - 35

Please note that this program also contains HB 2 funding.



Program Proposed Budget	Base Budget Fiscal 2014	Budget Adjustments Fiscal 2016	Total Exec. Budget Fiscal 2016	Budget Adjustments Fiscal 2017	Total Exec. Budget Fiscal 2017	Executive Budget Request 2017 Biennium
FTE	25.15	0.00	25.15	0.00	25.15	
Personal Services	1,586,208	240,049	1,826,257	238,662	1,824,870	3,651,127
Operating Expenses	897,164	(7,670)	889,494	(11,250)	885,914	1,775,408
<b>Total Costs</b>	<b>\$2,483,372</b>	<b>\$232,379</b>	<b>\$2,715,751</b>	<b>\$227,412</b>	<b>\$2,710,784</b>	<b>\$5,426,535</b>
Proprietary Funds	2,483,372	232,379	2,715,751	227,412	2,710,784	5,426,535
<b>Total Funds</b>	<b>\$2,483,372</b>	<b>\$232,379</b>	<b>\$2,715,751</b>	<b>\$227,412</b>	<b>\$2,710,784</b>	<b>\$5,426,535</b>

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

#### Program Description

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

#### Revenues and Expenses

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

## Department of Natural Resources & Conservation - 57060

### Forestry and Trust Lands Divisions - 35

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

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

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

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

#### *Working Capital Analysis*

Working Capital is estimated to exceed the 60 days of cash required for fund operations by \$131,000, \$236,000 and \$335,000 in fiscal years 2015, 2016 & 2017, respectively.

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

##### *Program Description*

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

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

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

##### *Revenues and Expenses*

Flight rates are proposed to increase for DNRC operated aircraft to meet increased costs of fuel and replacement parts. All revenues and expenditures are managed through an internal service fund to account for the operational costs of the program. Current rates are: UH-1H \$1,225/hr, Jet Ranger \$515/hr, and Cessna \$150/hr. Proposed rates are UH-1H \$1,650/hr, Jet Ranger \$515/hr, and Cessna \$175/hr.

# Department of Natural Resources & Conservation - 57060

## Forestry and Trust Lands Divisions - 35

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

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

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

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

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

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

<b>Dept Aircraft</b>	<b>Current 2015 Bien</b>	<b>Proposed 2017 Bien</b>
<b>Bell UH-1H Helicopters</b>	\$1,225.00/hr	\$1,650.00/hr
<b>Jet Ranger Helicopter</b>	\$515.00/hr	\$515.00/hr
<b>Cessna 180 Series Aircraft</b>	\$175.00/hr	\$175.00/hr

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

The agency is requesting a rate increase for the Bell UH-1H Helicopters from \$1,225 to \$1,650 per hour. This is primarily due to costs of fuel and replacement parts.

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

The program experiences extreme fluctuations in cash flow due to the variations in fire seasons. As a result, large fire seasons result in a higher number of hours flown for each aircraft and therefore increased maintenance costs.

### *Working Capital Analysis*

Working Capital is estimated to be short of the 60 days of cash required for fund operations by \$255,000 in FY 2015 and exceed the 60 days of cash required for fund operations by \$451,000 and \$1,086,000 in fiscal years 2016 & 2017, respectively.

# Department of Natural Resources & Conservation - 57060

## Forestry and Trust Lands Divisions - 35

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 57060	Agency Name: Department of Natural Resources & Conservation			Program Name: Forestry and Trust Lands Divisions		
	<b>Fund</b>	<b>Fund Name</b>				
	06003	State Nursery Enterprise Fund				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	722,990	464,530	769,689	750,000	750,000	750,000
Other Operating Revenue	7,643	-	-	-	-	-
<b>Total Operating Revenues</b>	<b>730,633</b>	<b>464,530</b>	<b>769,689</b>	<b>750,000</b>	<b>750,000</b>	<b>750,000</b>
<b>Expenses:</b>						
Personal Services	428,348	402,340	388,296	503,539	556,012	555,548
Other Operating Expenses	139,105	86,643	98,300	128,640	95,764	95,712
Expense B	-	-	-	57,500	-	-
<b>Total Operating Expenses</b>	<b>567,453</b>	<b>488,983</b>	<b>486,596</b>	<b>689,679</b>	<b>651,776</b>	<b>651,260</b>
<b>Operating Income (Loss)</b>	<b>163,180</b>	<b>(24,453)</b>	<b>283,093</b>	<b>60,321</b>	<b>98,224</b>	<b>98,740</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>163,180</b>	<b>(24,453)</b>	<b>283,093</b>	<b>60,321</b>	<b>98,224</b>	<b>98,740</b>
<b>Change in Net Position</b>	<b>163,180</b>	<b>(24,453)</b>	<b>283,093</b>	<b>60,321</b>	<b>98,224</b>	<b>98,740</b>
<b>Beginning Net Position - July 1</b>	<b>(210,675)</b>	<b>(47,495)</b>	<b>(71,948)</b>	<b>211,145</b>	<b>271,466</b>	<b>369,690</b>
Change in Net Position	163,180	(24,453)	283,093	60,321	98,224	98,740
<b>Ending Net Position - June 30</b>	<b>(47,495)</b>	<b>(71,948)</b>	<b>211,145</b>	<b>271,466</b>	<b>369,690</b>	<b>468,430</b>
<b>Net Position (Fund Balance) Analysis</b>						



# Department of Natural Resources & Conservation - 57060

## Forestry and Trust Lands Divisions - 35

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 57060	Agency Name: Department of Natural Resources & Conservation			Program Name: Forestry and Trust Lands Divisions		
<b>Fund Fund Name</b>						
	06538 Air Operations Internal Svc.					
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	970,080	1,011,790	511,560	1,000,000	1,000,000	1,000,000
Fee Revenue B	163,137	76,342	35,728	150,000	150,000	150,000
Fee Revenue C	67,785	100,590	74,760	100,000	100,000	100,000
<b>Total Operating Revenues</b>	<b>1,201,002</b>	<b>1,188,722</b>	<b>622,048</b>	<b>1,250,000</b>	<b>1,250,000</b>	<b>1,250,000</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	1,098,777	1,112,273	1,224,561	1,231,079	1,270,282	1,269,362
<b>Total Operating Expenses</b>	<b>2,195,222</b>	<b>2,656,371</b>	<b>2,042,442</b>	<b>2,502,443</b>	<b>2,064,012</b>	<b>2,059,564</b>
<b>Operating Income (Loss)</b>	<b>(994,220)</b>	<b>(1,467,649)</b>	<b>(1,420,394)</b>	<b>(1,252,443)</b>	<b>(814,012)</b>	<b>(809,564)</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(994,220)</b>	<b>(1,467,649)</b>	<b>(1,420,394)</b>	<b>(1,252,443)</b>	<b>(814,012)</b>	<b>(809,564)</b>
Transfers In	1,336,352	1,331,665	1,323,797	1,317,694	1,446,923	1,444,652
<b>Change in Net Position</b>	<b>342,132</b>	<b>(135,984)</b>	<b>(96,597)</b>	<b>65,251</b>	<b>632,911</b>	<b>635,088</b>
<b>Beginning Net Position - July 1</b>	<b>27,878</b>	<b>370,010</b>	<b>234,130</b>	<b>137,546</b>	<b>202,797</b>	<b>835,708</b>
Prior Period Adjustments	-	104	13	-	-	-
Change in Net Position	342,132	(135,984)	(96,597)	65,251	632,911	635,088
<b>Ending Net Position - June 30</b>	<b>370,010</b>	<b>234,130</b>	<b>137,546</b>	<b>202,797</b>	<b>835,708</b>	<b>1,470,796</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$240,049
FY 2017	\$0	\$238,662

### SWPL - 1 - Personal Services -

This change package reflects the annualization of various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium. In addition, the request includes the impact of implementing an administrative assistant career ladder; a broad-band forester pay adjustment to address statewide recruitment and retention issues; fire suppression activity not reflected in base expenditures, and internal recruitment resulting in a series of temporarily vacant positions.

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

**Forestry and Trust Lands Divisions - 35**

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$4,635
FY 2017	\$0	\$3,100

**SWPL - 2 - Fixed Costs -**

This request includes \$141,808 in FY 2016 and \$293,714 in FY 2017 to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs are liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates for these services are approved in a separate portion of the budget.

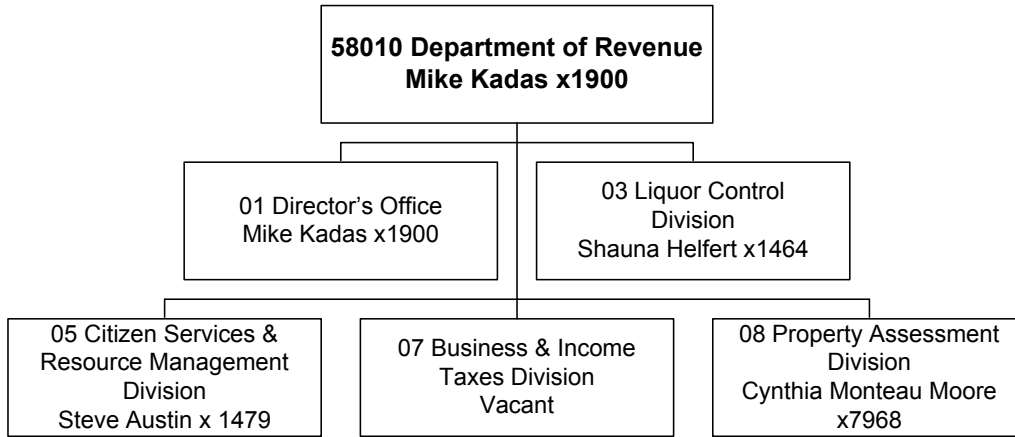
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$12,305)
FY 2017	\$0	(\$14,350)

**SWPL - 3 - Inflation Deflation -**

This budget reflects the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

## Department of Revenue - 58010

Please note that this agency also contains HB 2 funding.



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

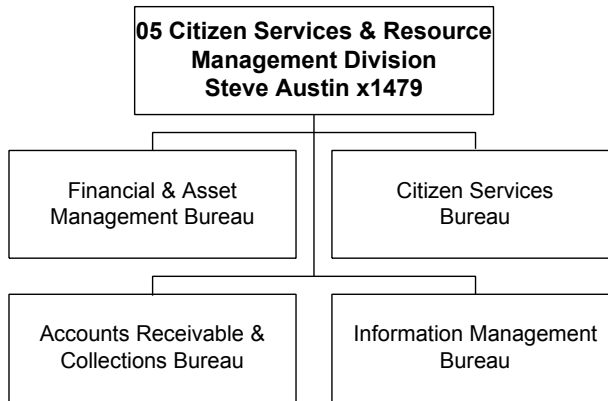
**Statutory Authority** - Titles 2, 15, 16, 39, MCA

Agency Proposed Budget	Total Exec. Budget Fiscal 2016	Total Exec. Budget Fiscal 2017	Total Exec. Budget 2017 Biennium
Budget Item			
FTE	3.50	3.50	
Personal Services	177,905	177,997	355,902
Operating Expenses	22,040	22,040	44,080
<b>Total Costs</b>	<b>\$199,945</b>	<b>\$200,037</b>	<b>\$399,982</b>
Proprietary Funds	199,945	200,037	399,982
<b>Total Funds</b>	<b>\$199,945</b>	<b>\$200,037</b>	<b>\$399,982</b>

## Department of Revenue - 58010

### Citizen Services & Resource Mgmt - 05

Please note that this program also contains HB 2 funding.



Program Proposed Budget	Base Budget	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2014	Adjustments Fiscal 2016	Exec. Budget Fiscal 2016	Adjustments Fiscal 2017	Exec. Budget Fiscal 2017	Budget Request 2017 Biennium
FTE	3.50	0.00	3.50	0.00	3.50	
Personal Services	142,361	35,544	177,905	35,636	177,997	355,902
Operating Expenses	22,040	0	22,040	0	22,040	44,080
<b>Total Costs</b>	<b>\$164,401</b>	<b>\$35,544</b>	<b>\$199,945</b>	<b>\$35,636</b>	<b>\$200,037</b>	<b>\$399,982</b>
Proprietary Funds	164,401	35,544	199,945	35,636	200,037	399,982
<b>Total Funds</b>	<b>\$164,401</b>	<b>\$35,544</b>	<b>\$199,945</b>	<b>\$35,636</b>	<b>\$200,037</b>	<b>\$399,982</b>

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

##### *Program Description*

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

##### *Proprietary Revenues and Expenses*

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

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

##### *Proprietary Rate Explanation*

The department requests that a maximum commission rate of 5% continue into the 2017 biennium. Exempted from this rate is collection of overpaid child support payments made to custodial parents or collection of delinquent child

## **Department of Revenue - 58010**

### **Citizen Services & Resource Mgmt - 05**

support payments from noncustodial parents. Commissions associated with child support payments are charged against a separate general fund appropriation designated by the legislature in a prior legislative session.

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

The commission rate will be lowered to 3.5 percent in October 2014 to lower the fund balance accumulated and reduce the collected revenue to approximately \$140,765 in fiscal year 2015.

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

This rate reduction will reduce fund balance to approximately \$196,266 by the end of FY 2015 assuming all positions in the other agency debts unit remain filled and operating expenses are commensurate with the fiscal year 2015 budget of \$198,489. Cash fluctuations are due to the timing of when commissions are received because the majority of revenues are collected during the income tax season when income tax refunds are offset.

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

Based on the 2015 operating budget, fund balance will be reduced to approximately \$196,266. This will provide the department with approximately nine months' worth of working capital. It is necessary to maintain a nine month working capital balance to pay expenses as they are incurred as the majority of commission revenue is not collected until the income tax filing season each year, some six to nine months after the start of the fiscal year. The department will continue to evaluate the commission rate as actual revenues and expenditures are received and incurred.

## Department of Revenue - 58010

### Citizen Services & Resource Mgmt - 05

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 58010	Agency Name: Department of Revenue			Program Name: Citizen Services & Resource Mgmt		
	<b>Fund</b>	<b>Fund Name</b>				
	06554	CSC Collection Services				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY12	FY13	FY14	FY15	FY16	FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	141,526	125,053	128,642	90,050	123,156	123,156
Fee Revenue B	61,230	88,150	72,450	50,715	82,104	82,104
<b>Total Operating Revenues</b>	<b>202,756</b>	<b>213,203</b>	<b>201,092</b>	<b>140,765</b>	<b>205,260</b>	<b>205,260</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	151,077	138,278	142,826	172,424	177,905	177,997
<b>Total Operating Expenses</b>	<b>26,984</b>	<b>30,850</b>	<b>22,041</b>	<b>26,065</b>	<b>22,041</b>	<b>22,041</b>
<b>Operating Income (Loss)</b>	<b>24,695</b>	<b>44,075</b>	<b>36,225</b>	<b>(57,724)</b>	<b>5,314</b>	<b>5,222</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>24,695</b>	<b>44,075</b>	<b>36,225</b>	<b>(57,724)</b>	<b>5,314</b>	<b>5,222</b>
<b>Change in Net Position</b>	<b>24,695</b>	<b>44,075</b>	<b>36,225</b>	<b>(57,724)</b>	<b>5,314</b>	<b>5,222</b>
<b>Beginning Net Position - July 1</b>	148,995	173,690	217,765	253,990	196,266	201,580
Change in Net Position	24,695	44,075	36,225	(57,724)	5,314	5,222
<b>Ending Net Position - June 30</b>	<b>173,690</b>	<b>217,765</b>	<b>253,990</b>	<b>196,266</b>	<b>201,580</b>	<b>206,802</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

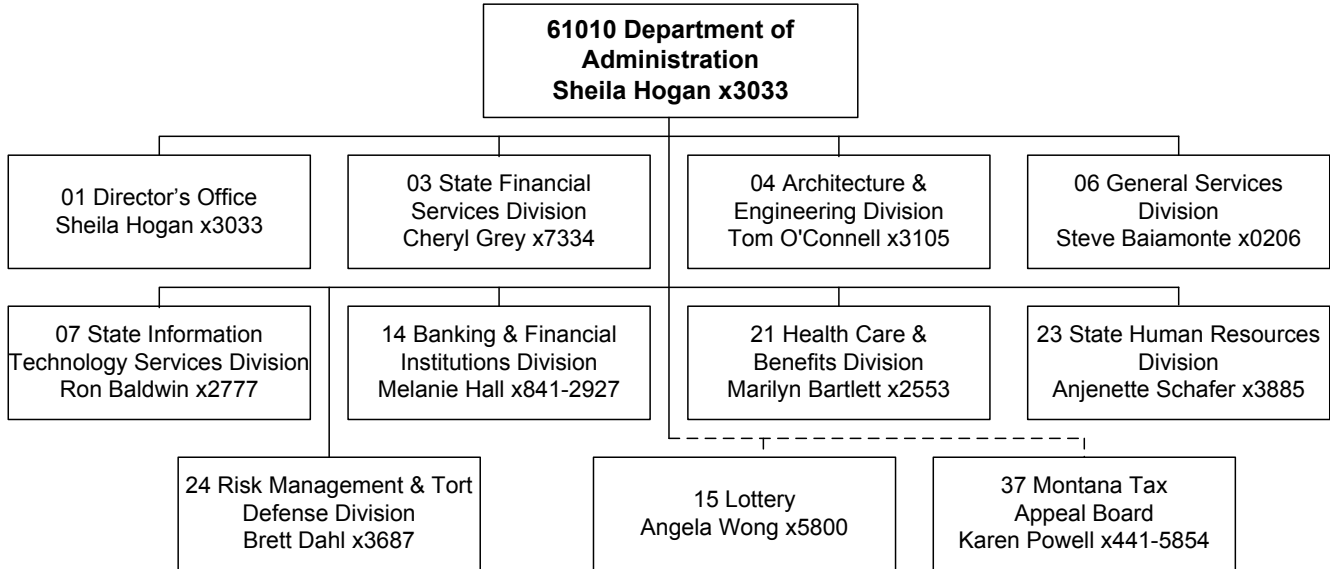
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$35,544
FY 2017	\$0	\$35,636

#### SWPL - 1 - Personal Services -

The budget includes funding to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium.

# Department of Administration - 61010

Please note that this agency also contains HB 2 funding.



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

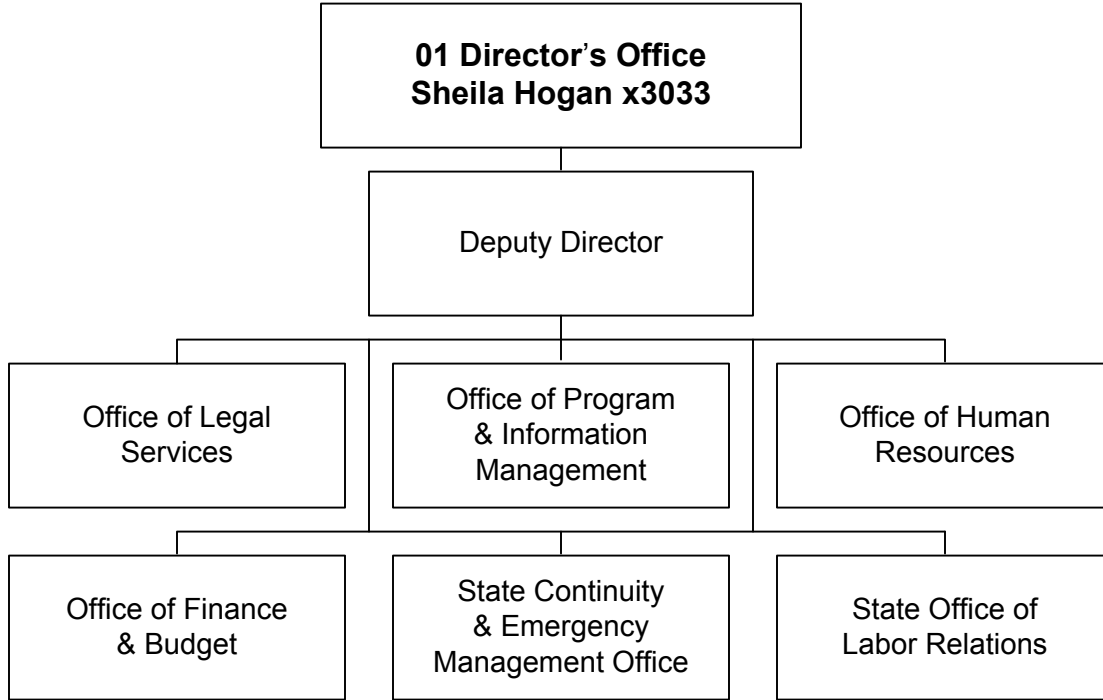
**Statutory Authority** - Title 2, Chapters 7, 15, 17 and 18; Title 15, Chapter 2; Title 17; Title 18; Title 23, Chapter 7; and Title 47, Chapter 1 MCA.

Agency Proposed Budget	Total Exec. Budget Fiscal 2016	Total Exec. Budget Fiscal 2017	Total Exec. Budget 2017 Biennium
Budget Item			
FTE	380.21	380.21	
Personal Services	31,677,455	31,705,358	63,382,813
Operating Expenses	75,427,798	78,031,209	153,459,007
Equipment & Intangible Assets	1,166,193	1,166,193	2,332,386
Grants	520,113	520,113	1,040,226
Benefits & Claims	208,217,461	226,641,392	434,858,853
Transfers	240,000	160,000	400,000
Debt Service	234,495	234,495	468,990
<b>Total Costs</b>	<b>\$317,483,515</b>	<b>\$338,458,760</b>	<b>\$655,942,275</b>
General Fund	77,896	75,686	153,582
Proprietary Funds	317,405,619	338,383,074	655,788,693
<b>Total Funds</b>	<b>\$317,483,515</b>	<b>\$338,458,760</b>	<b>\$655,942,275</b>

# Department of Administration - 61010

## Director's Office - 01

Please note that this program also contains HB 2 funding.



Program Proposed Budget	Base Budget Fiscal 2014	Budget Adjustments Fiscal 2016	Total Exec. Budget Fiscal 2016	Budget Adjustments Fiscal 2017	Total Exec. Budget Fiscal 2017	Executive Budget Request 2017 Biennium
FTE	22.51	6.50	29.01	6.50	29.01	
Personal Services	1,694,205	839,114	2,533,319	838,531	2,532,736	5,066,055
Operating Expenses	394,623	59,729	454,352	57,057	451,680	906,032
<b>Total Costs</b>	<b>\$2,088,828</b>	<b>\$898,843</b>	<b>\$2,987,671</b>	<b>\$895,588</b>	<b>\$2,984,416</b>	<b>\$5,972,087</b>
Proprietary Funds	2,088,828	898,843	2,987,671	895,588	2,984,416	5,972,087
<b>Total Funds</b>	<b>\$2,088,828</b>	<b>\$898,843</b>	<b>\$2,987,671</b>	<b>\$895,588</b>	<b>\$2,984,416</b>	<b>\$5,972,087</b>

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

#### Program Description

The Director's Office initially had 17.51 FTE funded by the revenues generated from the internal fees charged to the Department of Administration's divisions and its attached-to agencies. At the beginning of FY 2015, a reorganization occurred which transferred 6.50 positions into the Office of Finance and Budget. This brings more operational efficiencies, consistency, and stronger internal controls to these processes.

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



## Department of Administration - 61010

### Director's Office - 01

#### *Revenue and Expenses*

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

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

The Director's Office proprietary fund requests that the legislature approve a "Total Allocation of Costs" of \$2,104,764 in FY 2016 and \$2,044,763 in FY 2017. Excluding the effect of the reorganization, the rate is approximately a 7% increase over the base year in FY 2016, and a 3% increase over the base year in FY 2017. Present law adjustments, a significant retirement, and projected small amount of working capital are driving the increase.

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

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 operational costs and to maintain a sufficient working capital balance.

The rate is higher due to the reorganization of the 6.50 positions that have been moved into the Office of Finance and Budget.

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

The fund balance (net position) was \$9,768 at the end of FY 2014.

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

Working Capital at the end of FY 2014 was 29 days. This is low, as the Director's Office program strives to maintain about 45 days.

## Department of Administration - 61010

### Director's Office - 01

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: Director's Office		
	<b>Fund</b>	<b>Fund Name</b>				
	06534	Management Services				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY12	FY13	FY14	FY15	FY16	FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	1,228,668	1,229,668	1,625,016	1,624,847	2,104,764	2,044,763
Fee Revenue B	12	36,797	547	12	-	-
<b>Total Operating Revenues</b>	<b>1,228,680</b>	<b>1,266,465</b>	<b>1,625,563</b>	<b>1,624,859</b>	<b>2,104,764</b>	<b>2,044,763</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	1,178,224	1,379,714	1,302,589	1,709,894	1,820,463	1,818,599
<b>Total Operating Expenses</b>	<b>144,993</b>	<b>169,013</b>	<b>188,606</b>	<b>237,152</b>	<b>257,518</b>	<b>256,432</b>
<b>Total Operating Expenses</b>	<b>1,323,217</b>	<b>1,548,727</b>	<b>1,491,195</b>	<b>1,947,046</b>	<b>2,077,981</b>	<b>2,075,031</b>
<b>Operating Income (Loss)</b>	<b>(94,537)</b>	<b>(282,262)</b>	<b>134,368</b>	<b>(322,187)</b>	<b>26,783</b>	<b>(30,268)</b>
Nonoperating Revenues:						
Other Revenue A	-	-	-	365,000	-	-
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>365,000</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(94,537)</b>	<b>(282,262)</b>	<b>134,368</b>	<b>42,813</b>	<b>26,783</b>	<b>(30,268)</b>
Transfers In						
Transfers Out	49,667	49,578	-	-	-	-
<b>Change in Net Position</b>	<b>-</b>	<b>-</b>	<b>(19,522)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>(44,870)</b>	<b>(232,684)</b>	<b>114,846</b>	<b>42,813</b>	<b>26,783</b>	<b>(30,268)</b>
<b>Beginning Net Position - July 1</b>	<b>172,476</b>	<b>127,606</b>	<b>(105,078)</b>	<b>9,768</b>	<b>52,581</b>	<b>79,364</b>
Change in Net Position	(44,870)	(232,684)	114,846	42,813	26,783	(30,268)
<b>Ending Net Position - June 30</b>	<b>127,606</b>	<b>(105,078)</b>	<b>9,768</b>	<b>52,581</b>	<b>79,364</b>	<b>49,096</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$404,921
FY 2017	\$0	\$404,401

#### SWPL - 1 - Personal Services -

The budget includes additional funding in FY 2016 and FY 2017 to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium.

# Department of Administration - 61010

## Director's Office - 01

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$43,829
FY 2017	\$0	\$41,705

**SWPL - 2 - Fixed Costs -**

This request includes funding in FY 2016 and FY 2017 required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs are liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$50
FY 2017	\$0	\$100

**SWPL - 3 - Inflation Deflation -**

This change package includes funding in FY 2016 and FY 2017 to reflect the budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$15,850
FY 2017	\$0	\$15,252

**PL - 100106 - Allocate Department Indirect/admin costs -**

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$434,193
FY 2017	\$0	\$434,130

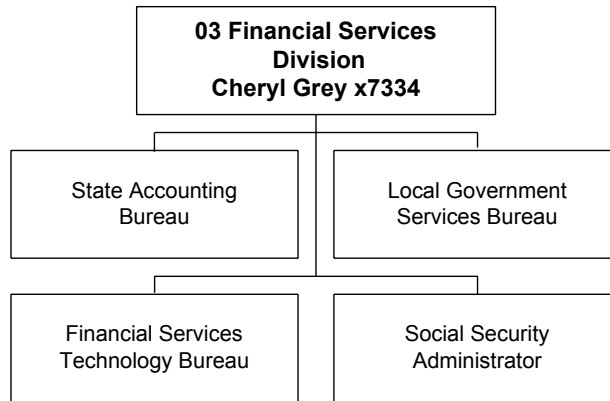
**PL - 100112 - OFB Reorganization - Program 01 -**

The current budgeting and accounting work done within the State Human Resources Division and General Services Division were transferred into the Office of Finance & Budget within the Director's Office at the beginning of FY 2015. This brings more operational efficiencies, consistency, and stronger internal controls to these processes.

# Department of Administration - 61010

## State Financial Services Division - 03

Please note that this program also contains HB 2 funding.



Program Proposed Budget	Base Budget Fiscal 2014	Budget Adjustments Fiscal 2016	Total Exec. Budget Fiscal 2016	Budget Adjustments Fiscal 2017	Total Exec. Budget Fiscal 2017	Executive Budget Request 2017 Biennium
FTE	29.33	1.00	30.33	1.00	30.33	
Personal Services	2,244,165	337,800	2,581,965	339,526	2,583,691	5,165,656
Operating Expenses	2,579,572	(134,802)	2,444,770	(206,234)	2,373,338	4,818,108
Equipment & Intangible Assets	6,604	0	6,604	0	6,604	13,208
<b>Total Costs</b>	<b>\$4,830,341</b>	<b>\$202,998</b>	<b>\$5,033,339</b>	<b>\$133,292</b>	<b>\$4,963,633</b>	<b>\$9,996,972</b>
Proprietary Funds	4,830,341	202,998	5,033,339	133,292	4,963,633	9,996,972
<b>Total Funds</b>	<b>\$4,830,341</b>	<b>\$202,998</b>	<b>\$5,033,339</b>	<b>\$133,292</b>	<b>\$4,963,633</b>	<b>\$9,996,972</b>

### Proprietary Program Description - Fund 06511 SABHRS Financial Services Technology Bureau

#### Program Description

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

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

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

FSTB has a total of 20.00 FTE supporting these applications, including upgrades, enhancements, testing, user training, database maintenance, and system architecture.

#### Revenues and Expenses

## Department of Administration - 61010

### State Financial Services Division - 03

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

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

#### *Changes in Services or Fees*

Financials software maintenance will increase by 3% each fiscal year. Software licensing costs increased with the incorporation of the eProcurement application into the state ERP system. Personal services increased with the transfer of three positions to FSTB responsible for database maintenance, system architecture, software installation, security, and upgrades for all three information systems.

#### *Rate and Rate Explanation*

The rate for FSTB is calculated based upon the projected expenditures. The major cost drivers for the FSTB include the SITSD application hosting and processing services, personal services, and software licensing and maintenance. The annual agency total is subdivided into the following areas: 87% for journal lines, and 13% for budget journal lines originating from IBARS. Using these factors, agencies are allocated a fixed cost for each fiscal year based upon their actual number of journal lines in the most recent completed fiscal year.

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

The only major change is the transfer of three database analysts from SITSD to FSTB. FSTB now provides its own hosting services for the SABHRS Financial and IBARS applications, as well as providing hosting services to the HR Information Systems Bureau for the SABHRS HR application. FSTB is responsible for database maintenance, system architecture, software installation, and upgrades for all three information systems.

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

No fund balance is required to be reserved for this program. FSTB bills either monthly or annually, per agency preferences, and turnaround time for payment is around 45 days. This should provide sufficient cash to fund operations in FY 2016 and FY 2017.

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

The ending working capital for FY 2014 was \$577,578 or approximately 62 days. The agency 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 2017 biennium rates.

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

#### *Program Description*

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

The services the WWU offer include direct deposit, warrant consolidation, stopping of payments, warrant cancellations, emergency warrants, duplicate warrants, warrant certification, warrant research, vendor file maintenance, and federal 1099-MISC processing. The program funds 4.33 FTE and is authorized through 17-8-305, MCA.

#### *Revenues and Expenses*

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### State Financial Services Division - 03

The Warrant Writer Unit is funded using the rates included in the rate schedule for Warrant Writer Services. All of the services provided by the unit are funded under the rates included in the table.

#### *Rate and Rate Explanation*

The rates for WWU are calculated based on upon the projected expenditures. Major rate cost drivers include postage (45%), personal services (30%), and printing charges for warrants and advices (13%). Rates for non-mailer, direct deposit mailer, and direct deposit non-mailer types will increase slightly. Rate decreases will be seen in the following payment types: mailers, payroll – printed warrants, external – university system, unemployment insurance – warrant printing only, and unemployment insurance – direct deposits.

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

Demand for each payment type is projected by comparing two biennia of actual activity. Each payment type pays for the associated direct and 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 the state bank account. Duplicate and emergency warrants pay for additional personnel time to process each individual request. Similar allocations are made to the other payment types. All categories share in general operating expenses of the program.

Payments made using the Payment Plus method will be charged the EFT rate for FY 2020 and FY 2021. This payment method will begin in FY 2020, as no history is available on which to base a rate at this time.

#### *Changes in Services or Fees*

The major change in the rates of emergency and duplicate payment types was the result of a reclassification of costs based on the services provided. This cost reallocation will not have a large impact on agencies, as the total revenue generated by these two services is minimal.

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

No fund balance is required to be reserved for this program. Rates proposed for the 2017 biennium are intended to stabilize fund balance.

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

Billing for payments is performed monthly and is based on actual payments issued by type. 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, or a refund is provided to the agencies. At fiscal year-end 2014, working capital was approximate \$67,000 for the program. This represents 37 days of working capital reserves. A 15 to 60 day working capital balance should provide sufficient cash to fund operations in 2016 and 2017.

### **Fund 06042 Local Government Audit and Reporting Program**

#### *Program Description*

The Local Government Audit and Reporting Program is responsible for administering the provisions of the Montana Single Audit Act, which specifies the 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.

The program performs the following services:

- Collects and makes available to the public annual financial reports from approximately 900 local governments;

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### State Financial Services Division - 03

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

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

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

#### *Revenues and Expenses*

Revenues are derived from fees charged to the local governments, as described below. Major cost drivers for the program include personal services and operating costs associated with administering this program.

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

The Audit Review Program receives revenues from the following:

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

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### State Financial Services Division - 03

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 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 above.

*Projected Fund Balance, including Cash Fluctuations*

The audit review program has no specific requirement to reserve fund balance.

<b>2017 Biennium Report on Internal Service and Enterprise Funds</b>						
Agency # 61010	Agency Name: Department of Administration			Program Name: State Financial Services Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06511	SABHRS SERVICES BUREAU				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	2,961,333	3,118,731	3,821,496	3,346,369	4,281,676	4,092,380
Other Operating Revenue	-	40	252	-	-	-
<b>Total Operating Revenues</b>	<b>2,961,333</b>	<b>3,118,771</b>	<b>3,821,748</b>	<b>3,346,369</b>	<b>4,281,676</b>	<b>4,092,380</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	990,910	1,429,427	1,523,404	1,432,611	1,922,408	1,922,877
<b>Total Operating Expenses</b>	<b>2,111,696</b>	<b>1,763,286</b>	<b>1,829,209</b>	<b>2,540,803</b>	<b>1,869,492</b>	<b>1,799,548</b>
<b>Operating Income (Loss)</b>	<b>(141,273)</b>	<b>(73,942)</b>	<b>469,135</b>	<b>(627,045)</b>	<b>489,776</b>	<b>369,955</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(141,273)</b>	<b>(73,942)</b>	<b>469,135</b>	<b>(627,045)</b>	<b>489,776</b>	<b>369,955</b>
<b>Change in Net Position</b>	<b>(141,273)</b>	<b>(73,942)</b>	<b>469,135</b>	<b>(627,045)</b>	<b>489,776</b>	<b>369,955</b>
<b>Beginning Net Position - July 1</b>	<b>1,723,103</b>	<b>1,581,830</b>	<b>1,507,888</b>	<b>1,977,023</b>	<b>1,349,978</b>	<b>1,839,754</b>
Change in Net Position	(141,273)	(73,942)	469,135	(627,045)	489,776	369,955
<b>Ending Net Position - June 30</b>	<b>1,581,830</b>	<b>1,507,888</b>	<b>1,977,023</b>	<b>1,349,978</b>	<b>1,839,754</b>	<b>2,209,709</b>
<b>Net Position (Fund Balance) Analysis</b>						



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## State Financial Services Division - 03

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: State Financial Services Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06564	Warrant Writing				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY12	FY13	FY14	FY15	FY16	FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	680,596	732,370	645,007	732,228	891,775	849,837
<b>Total Operating Revenues</b>	<b>680,596</b>	<b>732,370</b>	<b>645,007</b>	<b>732,228</b>	<b>891,775</b>	<b>849,837</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	537,503	534,419	445,156	559,636	489,715	489,120
<b>Total Operating Expenses</b>	<b>740,736</b>	<b>701,218</b>	<b>639,470</b>	<b>790,593</b>	<b>703,173</b>	<b>703,109</b>
<b>Operating Income (Loss)</b>	<b>(60,140)</b>	<b>31,152</b>	<b>5,537</b>	<b>(58,365)</b>	<b>188,602</b>	<b>146,728</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
Other Expense A	(1,728)	(43)	-	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(1,728)</b>	<b>(43)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(61,868)</b>	<b>31,109</b>	<b>5,537</b>	<b>(58,365)</b>	<b>188,602</b>	<b>146,728</b>
<b>Change in Net Position</b>	<b>(61,868)</b>	<b>31,109</b>	<b>5,537</b>	<b>(58,365)</b>	<b>188,602</b>	<b>146,728</b>
<b>Beginning Net Position - July 1</b>	<b>97,360</b>	<b>35,492</b>	<b>66,601</b>	<b>72,138</b>	<b>13,773</b>	<b>202,375</b>
Change in Net Position	(61,868)	31,109	5,537	(58,365)	188,602	146,728
<b>Ending Net Position - June 30</b>	<b>35,492</b>	<b>66,601</b>	<b>72,138</b>	<b>13,773</b>	<b>202,375</b>	<b>349,103</b>
<b>Net Position (Fund Balance) Analysis</b>						

## Department of Administration - 61010

### State Financial Services Division - 03

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration		Program Name: State Financial Services Division			
	<b>Fund</b>	<b>Fund Name</b>				
	06042	Single Audit Review - HB328				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	5,200	5,300	6,970	6,500	-	-
Fee Revenue B	364,340	365,075	356,082	370,600	425,000	425,000
Other Operating Revenue	15,374	32,501	40,996	22,500	35,000	35,000
<b>Total Operating Revenues</b>	<b>384,914</b>	<b>402,876</b>	<b>404,048</b>	<b>399,600</b>	<b>460,000</b>	<b>460,000</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	295,709	303,092	333,656	345,540	446,099	446,825
Expense B	86,782	106,175	89,208	90,100	92,167	91,274
	-	-	-	294,154	-	-
<b>Total Operating Expenses</b>	<b>382,491</b>	<b>409,267</b>	<b>422,864</b>	<b>729,794</b>	<b>538,266</b>	<b>538,099</b>
<b>Operating Income (Loss)</b>	<b>2,423</b>	<b>(6,391)</b>	<b>(18,816)</b>	<b>(330,194)</b>	<b>(78,266)</b>	<b>(78,099)</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>2,423</b>	<b>(6,391)</b>	<b>(18,816)</b>	<b>(330,194)</b>	<b>(78,266)</b>	<b>(78,099)</b>
<b>Change in Net Position</b>	<b>2,423</b>	<b>(6,391)</b>	<b>(18,816)</b>	<b>(330,194)</b>	<b>(78,266)</b>	<b>(78,099)</b>
<b>Beginning Net Position - July 1</b>	359,308	361,731	355,340	336,524	6,330	(71,936)
Change in Net Position	2,423	(6,391)	(18,816)	(330,194)	(78,266)	(78,099)
<b>Ending Net Position - June 30</b>	361,731	355,340	336,524	6,330	(71,936)	(150,035)
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$260,080
FY 2017	\$0	\$261,778

#### SWPL - 1 - Personal Services -

The budget includes funding in FY 2016 and FY 2017 to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium.

## Department of Administration - 61010

### State Financial Services Division - 03

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$143,668)
FY 2017	\$0	(\$212,086)

**SWPL - 2 - Fixed Costs -**

This request includes funding in FY 2016 and FY 2017 required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs are liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$94
FY 2017	\$0	\$129

**SWPL - 3 - Inflation Deflation -**

This change package includes funding in FY 2016 and FY 2017 to reflect the budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$8,772
FY 2017	\$0	\$5,723

**PL - 300106 - Allocate Department Indirect/Admin Costs -**

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$77,720
FY 2017	\$0	\$77,748

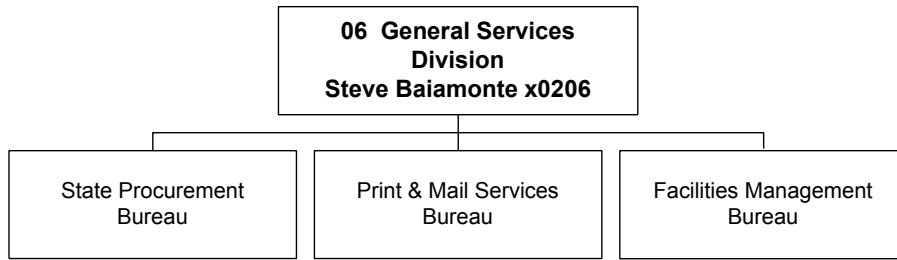
**PL - 300301 - Statewide 4% FTE Position Funding Switch -**

This request is to move the eliminated position in PL-300444 to a proprietary funded position in the Local Government Services Division.

# Department of Administration - 61010

## General Services Program - 06

Please note that this program also contains HB 2 funding.



Program Proposed Budget	Base Budget	Budget Adjustments	Total Exec. Budget	Budget Adjustments	Total Exec. Budget	Executive Budget Request
Budget Item	Fiscal 2014	Fiscal 2016	Fiscal 2016	Fiscal 2017	Fiscal 2017	2017 Biennium
FTE	76.84	(5.50)	71.34	(5.50)	71.34	
Personal Services	3,748,318	445,089	4,193,407	444,021	4,192,339	8,385,746
Operating Expenses	15,805,923	1,049,894	16,855,817	1,142,787	16,948,710	33,804,527
Equipment & Intangible Assets	413,165	0	413,165	0	413,165	826,330
Transfers	243,800	(3,800)	240,000	(83,800)	160,000	400,000
Debt Service	184,941	49,554	234,495	49,554	234,495	468,990
<b>Total Costs</b>	<b>\$20,396,147</b>	<b>\$1,540,737</b>	<b>\$21,936,884</b>	<b>\$1,552,562</b>	<b>\$21,948,709</b>	<b>\$43,885,593</b>
Proprietary Funds	20,396,147	1,540,737	21,936,884	1,552,562	21,948,709	43,885,593
<b>Total Funds</b>	<b>\$20,396,147</b>	<b>\$1,540,737</b>	<b>\$21,936,884</b>	<b>\$1,552,562</b>	<b>\$21,948,709</b>	<b>\$43,885,593</b>

### Proprietary Program Description - Fund 06528 Facilities Management Bureau

#### Program Description

Facilities Management Bureau is the custodian of all state property and grounds in the state capitol area, which is the geographic area within a 10-mile radius of the state capitol. Services include providing all utilities on the complex including water, sewer, electricity, natural gas, 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, 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 and Expenses

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

The bureau currently has 33.00 FTE, consisting of 25.00 FTE in facilities management and 8.00 FTE in grounds maintenance.

#### Rate and Rate Explanation

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

#### Changes in Level of Fees and Charges

## Department of Administration - 61010

### General Services Program - 06

Rates increased in FY 2016 and FY 2017 to address needs of the program.

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

The fund balance at FYE 2014 was (\$213,760), which is a negative fund balance. Based on the rental rate increase, fund balance is projected to be \$733,651 by the end of FY 2017.

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

The working capital at the end of FY 2014 was only 3 days. Based on the rental rate increase, working capital is projected to be 6 days at the end of FY 2017. Facilities Management rates strive to recover sufficient revenue to meet all personal services, operating costs, and equipment replacement expenditures, while maintaining an adequate working capital balance. User agencies are billed monthly, and agencies are requested to pay for services by the end of the next month. A 60 day working capital would allow the bureau to pay monthly personal services expenses and maintain current operations.

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

#### *Program Description*

The Print & Mail Services Bureau provides printing and mail services to all agencies within state government. The bureau has seven components: 1) internal printing; 2) external (contracted) printing; 3) photocopy pool; 4) mail preparation; 5) central mail operations; 6) inter-agency (deadhead mail); and 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 64.4% of printing expenditures are procured through commercial vendors.

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

#### *Revenue and Expenses*

The Print & Mail Services Bureau receives 99.996% revenue from state agencies and .004% from non-state agencies. Costs for administration and accounting are allocated to all seven of Print & Mail Services Bureau service categories based on FTE. Major revenues and expenses are discussed below:

1. Internal Printing (15.35% of revenue) - Internal printing provides printing, duplicating, desktop publishing, binding and quick copy services, variable data printing, warrant writer, and mainframe 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 volume is projected to increase in odd fiscal years by 5 million, due to the Legislative Session. Unscheduled equipment repair or replacement provides the greatest amount of uncertainty in forecasting costs for internal printing.
2. External Printing (Contracted - 27.78% of revenue) - External printing procures printing through commercial vendors. 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 the complexity and quality of agency print projects.
3. Photocopy Pool (5.06% of revenue) - The photocopy pool provides agencies with photocopiers contracted through the private sector. Major expenses for the pool are pass-through photocopy costs, such as payments made to contracted vendors, and personal services.
4. Mail Preparation (7.48% of revenue) - Mail preparation prepares documents for mailing and includes tabbing, labeling, inkjet addressing, inserting, and bar coding. In mail preparation, the major costs include personal services, equipment repair and maintenance, and equipment replacement. Multiple page variable data printing and inserting affords the agencies with a process that reduces postage costs and personalizes documents.

## Department of Administration - 61010

### General Services Program - 06

Unscheduled equipment repair or replacement, and increased agency demand for inserting, provide the greatest amount of uncertainty in forecasting cost for mail preparation.

5. Central Mail Operations (41.01% of revenue) - Central Mail Operations includes pick-up and metering of out-going U.S. Mail and express small package services. Major expenses of mail operations are personal services, postage, fuel, and 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.
6. Inter-agency (Deadhead Mail - 2.95 % of revenue) - Inter-agency mail provides sorting and delivery of incoming mail and pickup and delivery of deadhead mail. Major expenses of inter-agency mail are personal services, vehicle maintenance, and fuel. Unscheduled repairs on vehicles cannot be accurately forecast.
7. Postal Contract Station (.37 % of revenue) - The Postal Contract Station, located at the Capitol, provides postal services to the public. Print & Mail Services receives \$3,248 monthly from the U.S. Postal Service for operation of the Capitol Post Office. 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.

Print & Mail Services Bureau has authority for 33.68 FTE for FY 2016-2017.

#### *Rates and Rate Explanations*

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

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

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

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

Print & Mail Services purchases postage from the U.S. Post Office, and the cost of postage is passed through to the agency. Agencies are billed monthly; therefore it is necessary for the Print & Mail Services Bureau to maintain a sufficient cash balance to purchase large amounts of postage.

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

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.

### **Fund 06066 Surplus Property Program**

#### *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 either to state agencies or other eligible organizations.

Section 18-4-221, MCA, requires the department to sell, trade, or otherwise dispose of surplus supplies belonging to the state. The program sells property through on-line auction, fixed price warehouse sales, public auction, and garage sales. 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

## Department of Administration - 61010

### General Services Program - 06

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 4.00 FTE.

#### *Revenues and Expenses*

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

#### *Rate and Rate Explanation*

The Surplus Property 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 5% per item sold. The current funding structure is adequate to generate sufficient revenue to cover personal services and operating expenses, assuming the same amount of property is turned in for sale compared to fiscal year 2014.

#### *Changes in Services or Fees*

The Property & Supply Bureau will now be facilitating the recycling program for the state.

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

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

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

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

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### General Services Program - 06

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration		Program Name: General Services Program			
	<b>Fund</b>	<b>Fund Name</b>				
	06066	Surplus Property				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY12	FY13	FY14	FY15	FY16	FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	365,079	394,227	346,842	376,083	350,000	350,000
Fee Revenue B	11,004	18,396	11,663	13,893	14,101	14,313
<b>Total Operating Revenues</b>	<b>376,083</b>	<b>412,623</b>	<b>358,505</b>	<b>389,976</b>	<b>364,101</b>	<b>364,313</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	245,875	244,311	240,684	324,606	385,249	384,367
<b>Total Operating Expenses</b>	<b>360,541</b>	<b>581,262</b>	<b>756,615</b>	<b>142,250</b>	<b>177,394</b>	<b>176,453</b>
<b>Operating Income (Loss)</b>	<b>(230,333)</b>	<b>(412,950)</b>	<b>(638,794)</b>	<b>(76,880)</b>	<b>(198,542)</b>	<b>(196,507)</b>
Nonoperating Revenues:						
Other Revenue A	-	(8,529)	7,030	-	-	-
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>(8,529)</b>	<b>7,030</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(230,333)</b>	<b>(421,479)</b>	<b>(631,764)</b>	<b>(76,880)</b>	<b>(198,542)</b>	<b>(196,507)</b>
Capital Contributions						
<b>Change in Net Position</b>	<b>390,777</b>	<b>444,620</b>	<b>607,182</b>	<b>500,000</b>	<b>600,000</b>	<b>600,000</b>
<b>Beginning Net Position - July 1</b>	<b>160,444</b>	<b>23,141</b>	<b>(24,582)</b>	<b>423,120</b>	<b>401,458</b>	<b>403,493</b>
Prior Period Adjustments	333,566	494,010	503,369	477,032	900,152	1,301,610
Change in Net Position	-	(13,782)	(1,755)	-	-	-
<b>Ending Net Position - June 30</b>	<b>160,444</b>	<b>23,141</b>	<b>(24,582)</b>	<b>423,120</b>	<b>401,458</b>	<b>403,493</b>
	494,010	503,369	477,032	900,152	1,301,610	1,705,103
<b>Net Position (Fund Balance) Analysis</b>						



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## General Services Program - 06

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration		Program Name: General Services Program			
	<b>Fund</b>	<b>Fund Name</b>				
	06528	Rent And Maintenance				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY12	FY13	FY14	FY15	FY16	FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	6,757,577	8,111,230	7,900,987	7,862,673	9,095,135	9,115,372
Fee Revenue B	335,820	406,661	388,608	385,775	538,691	540,085
Fee Revenue C	16,793	12,923	9,674	21,200	-	-
Fee Revenue D	67,659	94,349	116,149	80,000	40,000	40,000
Fee Revenue E	114,298	129,834	55,701	210,000	50,000	50,000
Fee Revenue F	397,546	475,066	459,758	500,000	570,655	570,655
Other Operating Revenue	20,159	1,532	6,633	1,000	1,500	1,500
<b>Total Operating Revenues</b>	<b>7,709,852</b>	<b>9,231,595</b>	<b>8,937,510</b>	<b>9,060,648</b>	<b>10,295,981</b>	<b>10,317,612</b>
<b>Expenses:</b>						
Personal Services	1,894,403	1,899,836	1,830,052	2,081,179	2,222,336	2,222,489
Other Operating Expenses	9,088,826	7,481,511	7,046,658	6,780,748	7,833,624	7,935,102
<b>Total Operating Expenses</b>	<b>10,983,229</b>	<b>9,381,347</b>	<b>8,876,710</b>	<b>8,861,927</b>	<b>10,055,960</b>	<b>10,157,591</b>
<b>Operating Income (Loss)</b>	<b>(3,273,377)</b>	<b>(149,752)</b>	<b>60,800</b>	<b>198,721</b>	<b>240,021</b>	<b>160,021</b>
Nonoperating Revenues:						
Other Revenue A	269	8,823	7,799	-	-	-
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>269</b>	<b>8,823</b>	<b>7,799</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(3,273,108)</b>	<b>(140,929)</b>	<b>68,599</b>	<b>198,721</b>	<b>240,021</b>	<b>160,021</b>
Transfers In						
Transfers In	(115,266)	(251,712)	-	-	-	-
Transfers Out						
Transfers Out	(289,000)	(246,000)	(328,068)	(240,000)	(240,000)	(160,000)
<b>Change in Net Position</b>	<b>(3,677,374)</b>	<b>(638,641)</b>	<b>(259,469)</b>	<b>(41,279)</b>	<b>21</b>	<b>21</b>
<b>Beginning Net Position - July 1</b>	<b>4,365,019</b>	<b>687,645</b>	<b>45,708</b>	<b>(213,761)</b>	<b>733,609</b>	<b>733,630</b>
Prior Period Adjustments	-	(3,296)	-	988,649	-	-
Change in Net Position	(3,677,374)	(638,641)	(259,469)	(41,279)	21	21
<b>Ending Net Position - June 30</b>	<b>687,645</b>	<b>45,708</b>	<b>(213,761)</b>	<b>733,609</b>	<b>733,630</b>	<b>733,651</b>
<b>Net Position (Fund Balance) Analysis</b>						

# Department of Administration - 61010

## General Services Program - 06

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: General Services Program		
	<b>Fund</b>	<b>Fund Name</b>				
	06530	Print & Mail Services				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY12	FY13	FY14	FY15	FY16	FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	1,687,721	1,890,307	1,637,751	1,989,043	1,859,257	1,859,257
Fee Revenue B	2,739,014	2,944,827	2,965,562	2,739,014	2,981,350	2,981,350
Fee Revenue C	506,503	533,086	540,474	541,003	540,474	540,474
Fee Revenue D	676,433	643,323	798,888	732,958	798,888	798,888
Fee Revenue E	4,305,899	4,215,024	4,377,743	4,727,801	4,518,743	4,518,743
Fee Revenue F	297,657	297,657	314,750	314,750	355,570	355,570
Other Operating Revenue	39,041	38,976	39,001	38,976	38,976	38,976
<b>Total Operating Revenues</b>	<b>10,252,268</b>	<b>10,563,200</b>	<b>10,674,169</b>	<b>11,083,545</b>	<b>11,093,258</b>	<b>11,093,258</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	1,307,139	1,325,200	1,540,498	1,441,525	1,585,821	1,585,483
<b>Total Operating Expenses</b>	<b>8,794,732</b>	<b>9,134,730</b>	<b>9,132,154</b>	<b>9,536,899</b>	<b>9,492,459</b>	<b>9,484,815</b>
<b>Operating Income (Loss)</b>	<b>150,397</b>	<b>103,270</b>	<b>1,517</b>	<b>105,121</b>	<b>14,978</b>	<b>22,960</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
Other Expense A	(28,650)	(2,478)	-	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(28,650)</b>	<b>(2,478)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>121,747</b>	<b>100,792</b>	<b>1,517</b>	<b>105,121</b>	<b>14,978</b>	<b>22,960</b>
Capital Contributions						
<b>Change in Net Position</b>	<b>32,695</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Beginning Net Position - July 1</b>	<b>1,943,668</b>	<b>2,180,632</b>	<b>2,281,424</b>	<b>2,362,348</b>	<b>2,467,469</b>	<b>2,482,447</b>
Prior Period Adjustments	82,522	-	79,407	-	-	-
Change in Net Position	154,442	100,792	1,517	105,121	14,978	22,960
<b>Ending Net Position - June 30</b>	<b>2,180,632</b>	<b>2,281,424</b>	<b>2,362,348</b>	<b>2,467,469</b>	<b>2,482,447</b>	<b>2,505,407</b>
<b>Net Position (Fund Balance) Analysis</b>						

## Department of Administration - 61010

### General Services Program - 06

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: General Services Program		
	<b>Fund</b>	<b>Fund Name</b>				
	06531	Central Stores				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY12	FY13	FY14	FY15	FY16	FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	4,751,609	4,681,333	28,798	50,000	-	-
Other Operating Revenue	25	-	69,482	70,025	-	-
<b>Total Operating Revenues</b>	<b>4,751,634</b>	<b>4,681,333</b>	<b>98,280</b>	<b>120,025</b>	<b>-</b>	<b>-</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	354,633	284,148	62,143	59,334	-	-
<b>Total Operating Expenses</b>	<b>4,287,375</b>	<b>4,371,473</b>	<b>17,929</b>	<b>517,982</b>	<b>-</b>	<b>-</b>
<b>Operating Income (Loss)</b>	<b>109,626</b>	<b>25,712</b>	<b>18,208</b>	<b>(457,291)</b>	<b>-</b>	<b>-</b>
Nonoperating Revenues:						
Other Revenue A	-	(6,925)	-	-	-	-
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>(6,925)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>109,626</b>	<b>18,787</b>	<b>18,208</b>	<b>(457,291)</b>	<b>-</b>	<b>-</b>
Transfers Out						
<b>Change in Net Position</b>	<b>-</b>	<b>(563,600)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Beginning Net Position - July 1</b>	<b>109,626</b>	<b>(544,813)</b>	<b>18,208</b>	<b>(457,291)</b>	<b>-</b>	<b>-</b>
Prior Period Adjustments	-	(4,118)	(16,066)	-	-	-
Change in Net Position	950,044	1,059,670	510,739	512,881	55,590	55,590
<b>Ending Net Position - June 30</b>	<b>1,059,670</b>	<b>510,739</b>	<b>512,881</b>	<b>55,590</b>	<b>55,590</b>	<b>55,590</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$800,253
FY 2017	\$0	\$798,953

#### SWPL - 1 - Personal Services -

The budget includes funding in FY 2016 and FY 2017 to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium.

## Department of Administration - 61010

### General Services Program - 06

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$338,853
FY 2017	\$0	\$315,023

**SWPL - 2 - Fixed Costs -**

This request includes funding in FY 2016 and FY 2017 required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs are liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates for these services are approved in a separate portion of the budget. The primary component of this change package provides funding for the rent of the common space in the Capitol Building, Historical Society, and Old Governor's Mansion.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$29,381
FY 2017	\$0	\$47,917

**SWPL - 3 - Inflation Deflation -**

This change package includes funding in FY 2016 and FY 2017 to reflect the budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$291,685
FY 2017	\$0	\$282,552

**PL - 600106 - Allocate Department Indirect/Admin Costs -**

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$285,020)
FY 2017	\$0	(\$284,964)

**PL - 600112 - OFB Reorganization - Program 06 -**

The current budgeting and accounting work done within the State Human Resources Division and General Services Division were transferred into the Office of Finance & Budget within the Director's Office. This brings more operational efficiencies, consistency, and stronger internal controls to these processes. This occurred at the beginning of FY 2015, after the personal services snapshot was taken.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$51,261
FY 2017	\$0	\$54,085

**PL - 600603 - Increase in Utilities -**

This change package includes funding for estimated increases in sewer and water rates, as well as estimated increases in the garbage and trash removal service contract. The program is requesting \$51,261 in FY 2016 and \$54,085 in FY 2017 to cover these costs.

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## General Services Program - 06

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$296,160
FY 2017	\$0	\$320,677

### PL - 600605 - Increase in Contracts -

This change package includes funding for estimated increases in contracts for security, mechanical maintenance, access control, pest control, fire protection, and garbage removal services, as well as funding for new snow removal and recycling contracts.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$141,000
FY 2017	\$0	\$141,000

### PL - 600607 - U.S. Postal Service rate increase adjustment -

The U.S. Postal Service increased rates by 6% in 2014. As a result of this increase, the amount necessary to budget for postage will need to increase by \$141,000 in FY 2016 and FY 2017, assuming similar mail volume. This is a pass through expense, and rates will not be affected.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$122,836)
FY 2017	\$0	(\$122,681)

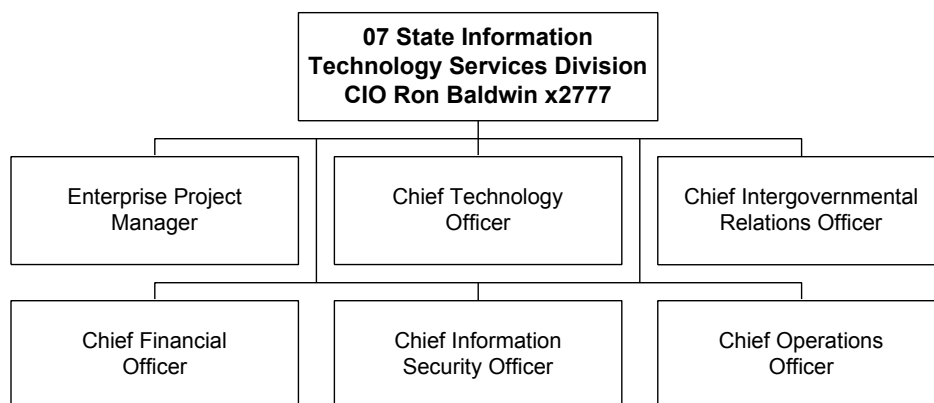
### NP - 600601 - Funding Switch for Central Stores Program -

With the closing of the Central Stores Warehouse, the Central Stores Program no longer operates as an internal service fund. This decision package accounts for the change of the program fund to a state special revenue fund.

## Department of Administration - 61010

### State Information Technology Services Division - 07

Please note that this program also contains HB 2 funding.



Program Proposed Budget	Base Budget Fiscal 2014	Budget Adjustments Fiscal 2016	Total Exec. Budget Fiscal 2016	Budget Adjustments Fiscal 2017	Total Exec. Budget Fiscal 2017	Executive Budget Request 2017 Biennium
FTE	184.50	0.41	184.91	0.41	184.91	
Personal Services	14,534,060	2,198,987	16,733,047	2,223,540	16,757,600	33,490,647
Operating Expenses	23,306,333	1,505,870	24,812,203	3,670,401	26,976,734	51,788,937
Equipment & Intangible Assets	746,424	0	746,424	0	746,424	1,492,848
<b>Total Costs</b>	<b>\$38,586,817</b>	<b>\$3,704,857</b>	<b>\$42,291,674</b>	<b>\$5,893,941</b>	<b>\$44,480,758</b>	<b>\$86,772,432</b>
Proprietary Funds	38,586,817	3,704,857	42,291,674	5,893,941	44,480,758	86,772,432
<b>Total Funds</b>	<b>\$38,586,817</b>	<b>\$3,704,857</b>	<b>\$42,291,674</b>	<b>\$5,893,941</b>	<b>\$44,480,758</b>	<b>\$86,772,432</b>

#### Proprietary Program Description - 06522 – State Information Technology Services Division

##### *Program Description*

The State Information Technology Services Division (SITSD) is a proprietary program that provides central computing, data network, and telecommunications services to more than 100 government customers throughout the state. SITSD manages the statewide data network, SummitNet, and provides additional IT services to state agencies, the legislature, Montana university system, and various city and county municipalities.

Specifically, under the direction of the State Chief Information Officer, the division supports and manages the following key IT programs and services:

- Information Systems Security - manages solutions and services to ensure continuity of enterprise operations and security of data through risk assessment and mitigation, planning and monitoring, detailed recovery planning, incident response, and periodic testing. Coordinates security policies and procedures.
- Network Technology Services - manages the statewide network, SummitNet, which connects 22,000 devices at over 600 locations and provides prioritized voice, video, data, and wireless services. Develops and implements short and long-term solutions to address network growth and expansion, and supports customer needs regarding increased bandwidth and connectivity.
- Enterprise Technology Services - develops and manages hardware and software services across the enterprise in a cost-effective manner. Collaborates with customers to identify their business needs, supports innovation, encourages shared services, and implements effective enterprise solutions.
- Enterprise Support Services - manages the service desk to assist customers regarding hardware and software applications, including email and telecommunications. Manages desktop lifecycle for customers, including software and hardware ordering, deployment, updates, remote control, and disposal.

## Department of Administration - 61010

### State Information Technology Services Division - 07

- Montana Data Centers - manages state data centers in Helena and Miles City. Maximizes and promotes their reliability, efficiency, security, and availability regarding file storage for all customers.
- Application Technology Services - supports the state's mt.gov websites and assists customers with designing and deploying customized applications and online services, including eGovernment applications.
- Public Safety Communications Services - supports the Statewide Interoperability Governing Board and 9-1-1 Advisory Council in the areas of governance, policy, and planning. Manages federal and state funding sources to support maintenance of public safety communications systems and equipment. Manages statewide licenses for mutual aid frequencies.
- Strategic Planning Services - ensures IT operations are conducted in an organized, deliberative, and cost-effective manner through planning, periodic performance reports, and oversight of agency IT procurements and plans. Publishes the State IT Strategic Plan and Biennial Report.
- Business and Financial Services - manages budget development, billing, acquisition, and procurement services for IT customers. Implements strategies to meet customer needs and delivers and maintains high quality services.
- State IT Project Management Services - provides expertise, assistance, tools, methodologies, and training to customers to ensure IT projects are conducted in an organized, deliberative, and cost-effective manner.

#### *Revenues and Expenses*

SITSD invoices state agencies and other customers 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, bi-monthly payroll, and monthly communications and hardware maintenance. There are no non-typical and one-time expenses included in the data range.

One variation in expense patterns – software expenses – is higher in the initial purchase year and then only includes fixed maintenance costs for subsequent years. There will also be some variation with equipment depreciation, resulting when the cycle of depreciation expires and the purchase of new equipment does not coincide.

There are 184.50 FTE funded in the current base year.

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

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

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

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

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

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

## **Department of Administration - 61010**

### **State Information Technology Services Division - 07**

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

Management does not predict any major changes in the fund balance from the 2015 biennium level. A portion of the fund balance for this proprietary fund does relate to the investment in equipment. Cash is collected from billing agencies fairly consistently monthly throughout the year. Cash reserve is maintained to meet large end-of-year obligations.

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

SITSD has had the authority in the past 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 working capital is to adequately recover costs to maintain current operations and plan for any unanticipated program changes or equipment purchases.

SITSD is requesting a 60-day working capital for the 2017 biennium 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.



## Department of Administration - 61010

### State Information Technology Services Division - 07

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: State Information Technology Services Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06522	ISD Proprietary				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY12	FY13	FY14	FY15	FY16	FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	36,988,678	37,204,910	38,332,137	39,600,000	42,294,100	44,508,458
Other Operating Revenue	34,468	10,778	51,905	35,000	50,000	50,000
<b>Total Operating Revenues</b>	<b>37,023,146</b>	<b>37,215,688</b>	<b>38,384,042</b>	<b>39,635,000</b>	<b>42,344,100</b>	<b>44,558,458</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	14,708,049	14,318,880	14,658,251	15,502,081	16,733,047	16,757,600
<b>Total Operating Expenses</b>	<b>27,433,836</b>	<b>24,880,710</b>	<b>25,706,816</b>	<b>23,240,212</b>	<b>25,558,627</b>	<b>27,723,158</b>
<b>Operating Income (Loss)</b>	<b>(5,118,739)</b>	<b>(1,983,902)</b>	<b>(1,981,025)</b>	<b>892,707</b>	<b>52,426</b>	<b>77,700</b>
Nonoperating Revenues:						
Other Revenue A	696,638	-	-	-	-	-
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>696,638</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(4,422,101)</b>	<b>(1,983,902)</b>	<b>(1,981,025)</b>	<b>892,707</b>	<b>52,426</b>	<b>77,700</b>
Capital Contributions						
Transfers In	872,349	-	33,132	-	-	-
Transfers Out	-	-	19,522	-	-	-
<b>Change in Net Position</b>	<b>(3,549,752)</b>	<b>(1,983,902)</b>	<b>(2,396,237)</b>	<b>892,707</b>	<b>52,426</b>	<b>77,700</b>
<b>Beginning Net Position - July 1</b>	<b>10,258,556</b>	<b>6,708,774</b>	<b>4,720,622</b>	<b>2,324,385</b>	<b>3,217,092</b>	<b>3,269,518</b>
Prior Period Adjustments	(30)	(4,250)	-	-	-	-
Change in Net Position	(3,549,752)	(1,983,902)	(2,396,237)	892,707	52,426	77,700
<b>Ending Net Position - June 30</b>	<b>6,708,774</b>	<b>4,720,622</b>	<b>2,324,385</b>	<b>3,217,092</b>	<b>3,269,518</b>	<b>3,347,218</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$2,151,873
FY 2017	\$0	\$2,176,564

#### SWPL - 1 - Personal Services -

The budget includes funding in FY 2016 and FY 2017 to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium.

**Department of Administration - 61010**

**State Information Technology Services Division - 07**

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$130,978
FY 2017	\$0	\$77,247

**SWPL - 2 - Fixed Costs -**

This request includes funding in FY 2016 and FY 2017 required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs are liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$450
FY 2017	\$0	\$2,150

**SWPL - 3 - Inflation Deflation -**

This change package includes funding in FY 2016 and FY 2017 to reflect the budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$26,620
FY 2017	\$0	\$77

**PL - 700106 - Allocate Department Indirect/admin Costs -**

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$1,347,822
FY 2017	\$0	\$3,590,927

**PL - 700701 - SITSD Present Law Increases -**

SITSD is requesting present law adjustments to fund operating expenditures. These adjustments include increases in annual renewals for software and hardware maintenance contracts and increased monthly communications expenses.

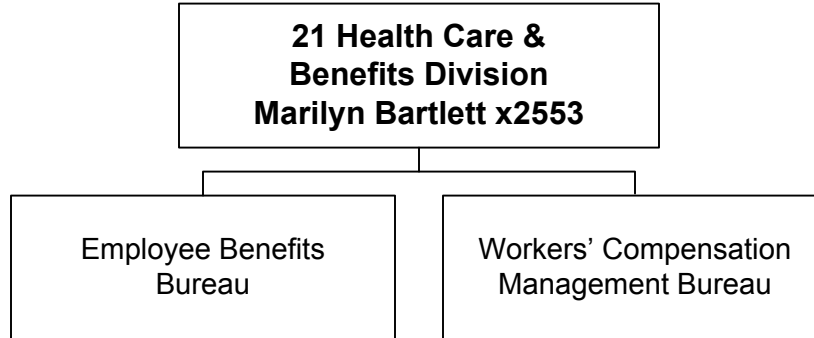
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$47,114
FY 2017	\$0	\$46,976

**PL - 700702 - Statewide 4% FTE Reduction - Fund Switch -**

This request is to move the HB 2 position in PL-700444 to a proprietary funded position in the State Information Technology Services Division.

# Department of Administration - 61010

## Health Care & Benefits Division - 21



Program Proposed Budget	Base Budget	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2014	Adjustments Fiscal 2016	Exec. Budget Fiscal 2016	Adjustments Fiscal 2017	Exec. Budget Fiscal 2017	Budget Request 2017 Biennium
FTE	22.87	0.00	22.87	0.00	22.87	
Personal Services	1,626,248	260,578	1,886,826	262,205	1,888,453	3,775,279
Operating Expenses	13,604,348	8,057,264	21,661,612	8,559,577	22,163,925	43,825,537
Benefits & Claims	171,346,004	30,636,370	201,982,374	49,060,301	220,406,305	422,388,679
<b>Total Costs</b>	<b>\$186,576,600</b>	<b>\$38,954,212</b>	<b>\$225,530,812</b>	<b>\$57,882,083</b>	<b>\$244,458,683</b>	<b>\$469,989,495</b>
Proprietary Funds	186,576,600	38,954,212	225,530,812	57,882,083	244,458,683	469,989,495
<b>Total Funds</b>	<b>\$186,576,600</b>	<b>\$38,954,212</b>	<b>\$225,530,812</b>	<b>\$57,882,083</b>	<b>\$244,458,683</b>	<b>\$469,989,495</b>

### Proprietary Program Description - Fund 06559 - Group Benefits/Claims

#### Program Description

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, dental, and vision plan. Life and long-term disability are purchased from private sector vendors on a fully-insured basis. The program contracts with private companies to provide claims processing services, health screenings, and wellness plan administration.

The core service provided by the program is a medical benefit, including prescription drug and vision exam coverage, dental, and basic life insurance. The plan is administered by a private provider through their provider network.

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

The program is funded by the state contribution for group benefits and by contributions and fees paid by plan members. The program currently supports 19.87 FTE.

#### Revenues and Expenses

Income for the program in FY 2014 was approximately \$164.2 million. The state share portion of this income was

## Department of Administration - 61010

### Health Care & Benefits Division - 21

approximately \$119.4 million or 73%. The remaining income came from participant paid contributions, retiree drug subsidies, and investment earnings.

Total expenses during FY 2014 were \$186.5 million. Claims costs make up approximately 93% of program expenditures. Administrative costs comprise about 7 % of total program expenditures, including contracts with vendors to process claims and administrative costs directly within the department. In comparison, insurance companies generally have administrative costs that range from 14% to as high as 28%, and pay 72% to 86% of their premiums out in claims.

The major cost driver in the fund is the cost of health and prescription drug claims. The cost of providing medical care continues to rise at a rate significantly higher than general inflation, with medical claim costs projected to increase at a rate of approximately 8%-11% annually. Pharmacy claims are projected to increase 10% annually. Based on FY 2014 expenditures of approximately \$158.6 million for medical, dental, and prescription drug claims, these expenditures are projected to be \$171.4 million in FY 2015 and \$187.2 million in FY 2016. This does not take into account future benefit plan changes, which may impact expenditure projections.

#### *Rate and Rate Explanation*

The rate funded in agency budgets in HB 2 is the state contribution, i.e. the employer share of contribution 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. In the past, 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). Currently, there is no state contribution left over for employees to apply to dependent coverage.

Standard insurance industry analytical techniques are used to project plan costs, establish sufficient actuarial reserves, and set contribution amounts for the various plan options. In managing the plan, the department has the opportunity to increase income by increasing participant contributions, 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.

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

Projected income for the next biennium needs to match projected expenditures and other actuarially required liabilities as described below. No significant changes in services are contemplated.

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

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

It is projected that about \$14.3 million per month in claims expenses will be paid in FY 2015 and \$15.6 million per month in FY 2016. Contributions are collected either bimonthly with paycheck processing or at the beginning of the month, depending on whether the contribution is for active employees, retirees, legislators, or COBRA members. Retirees are required to pay the full amount of the contribution, but the contribution is subsidized indirectly by the state share and other

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### Health Care & Benefits Division - 21

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.

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

The State Employee Benefit Plan maintains an actuarially recommended reserve to allow it to cover health claims against the self-insured plan. By statute (2-18-812, MCA), the plan must maintain reserves sufficient to 'liquidate the unrevealed claim liability and other liabilities of the state employee group benefits plans.' This is called the reserve for Incurred but not Reported Claims or IBNR, and permits the program to cover its pending liability for claims that have been incurred but not paid or submitted for payment. Other portions of the reserves 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 reserve 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, 2013, the State Employee Benefit Plan had reserves equivalent to 372% of the authorized control level.

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 06575 - Workers' Compensation Management Program**

##### *Program Description*

The Health Care & Benefits Division manages the Workers' Compensation Management Program. The program 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 3.00 FTE.

##### *Revenues and Expenses*

The program costs primarily consist of personal services, processed bi-weekly, and monthly operating costs such as rent, telephone, and other overhead charges. Personal services expenses account for almost 87% of the program's expenses over the next biennium.

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### Health Care & Benefits Division - 21

#### *Rate and Rate Explanation*

The Workers' Compensation Management Program fees are composed of a fixed cost rate allocated to each state agency based on the average number of payroll warrants issued each pay period. This allocation method 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 requirement.

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

Fees are increasing over the next biennium to rebuild the working capital. No significant changes in services are contemplated.

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

The Workers' Compensation Management Program does not have any reserve fund balance requirements. Program fund balance is currently low, due to an increase in operating costs. The statutory raise was also not factored in the rates for the 2015 biennium. Program management intends to build the fund balance back up to normal operating levels.

The Workers' Compensation Management Program bills the state agencies on a quarterly basis.

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

The program's expenses primarily consist of personal services and operating costs. The program strives to maintain a 60-day working capital, which equates to approximately \$50,000. The maintenance of a 60-day working capital is factored into the fixed cost rate determination.

### **Fund 06027 - Flexible Spending**

#### *Program Description*

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

Federal rules govern the use of, and the amount that can be contributed to, flexible spending accounts. The current contribution maximums are \$2,500 per year for medical and \$5,000 per year for dependent care. In the fall of 2013, the Internal Revenue Service announced the ability for participants to roll over up to \$500 from the medical flexible spending account into the next benefit year. The plan has implemented this beginning with plan year 2014. Employees forfeit any unspent funds beyond the \$500 rollover for medical and any remaining dependent care balance at the end of the year.

#### *Rate and Rate Explanation*

The Flexible Spending Account Program fee paid to the contractor is \$2.25 per participant per month. This fee is charged per participant whether the participant has a medical account, a dependent care account, or both. This fee is, in turn, charged to each participant who enrolls in the flexible spending program. Due to the fees being charged each two week payroll cycle, the fee charged to participants is \$2.26 allowing a \$1.13 charge each pay period. Participants also have the option to obtain a debit card for use in paying for qualifying expenses. There is a \$1.00 per member per month charge if this option is elected. This fee is also charged to the participant.

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

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

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### **Health Care & Benefits Division - 21**

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

The Flexible Spending Account Program does not have any reserve fund balance requirements. Program management intends to maintain fund balance at current levels, as compared to FY 2014 base year fund balance.

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

At times, the Flexible Spending Account Program has accumulated additional funds due to forfeited funds. When able, the program uses the additional funds to waive the fees charged to participants.

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

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

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## Health Care & Benefits Division - 21

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: Health Care & Benefits Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06575	Workers Comp Management Program				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	195,159	362,299	296,300	297,317	365,550	365,550
Other Operating Revenue	48	-	-	-	-	-
<b>Total Operating Revenues</b>	<b>195,207</b>	<b>362,299</b>	<b>296,300</b>	<b>297,317</b>	<b>365,550</b>	<b>365,550</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	262,118	266,532	280,555	255,758	298,673	299,963
<b>Total Operating Expenses</b>	<b>31,517</b>	<b>34,338</b>	<b>37,653</b>	<b>36,851</b>	<b>34,977</b>	<b>34,305</b>
<b>Operating Income (Loss)</b>	<b>(98,428)</b>	<b>61,429</b>	<b>(21,908)</b>	<b>4,708</b>	<b>31,900</b>	<b>31,282</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(98,428)</b>	<b>61,429</b>	<b>(21,908)</b>	<b>4,708</b>	<b>31,900</b>	<b>31,282</b>
<b>Change in Net Position</b>	<b>(98,428)</b>	<b>61,429</b>	<b>(21,908)</b>	<b>4,708</b>	<b>31,900</b>	<b>31,282</b>
<b>Beginning Net Position - July 1</b>	81,670	(16,758)	44,671	22,763	27,471	59,371
Change in Net Position	(98,428)	61,429	(21,908)	4,708	31,900	31,282
<b>Ending Net Position - June 30</b>	<b>(16,758)</b>	<b>44,671</b>	<b>22,763</b>	<b>27,471</b>	<b>59,371</b>	<b>90,653</b>
<b>Net Position (Fund Balance) Analysis</b>						



# Department of Administration - 61010

## Health Care & Benefits Division - 21

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: Health Care & Benefits Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06559	Group Benefits Claims A/C				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	499,565	1,693	-	-	-	-
Fee Revenue B	1,147,061	506,391	982,704	1,100,000	1,000,000	1,000,000
Fee Revenue C	152,006,589	154,909,201	159,646,229	175,000,000	210,000,000	230,000,000
Other Operating Revenue	2,497,367	2,458,960	3,526,769	2,747,000	2,797,000	2,897,000
<b>Total Operating Revenues</b>	<b>156,150,582</b>	<b>157,876,245</b>	<b>164,155,702</b>	<b>178,847,000</b>	<b>213,797,000</b>	<b>233,897,000</b>
<b>Expenses:</b>						
Personal Services	1,365,905	1,357,306	1,348,915	1,427,513	1,588,153	1,588,490
Other Operating Expenses	139,009,696	138,101,447	171,674,176	182,043,466	192,786,619	210,291,067
Expense B	6,961,150	10,657,827	13,407,850	15,727,780	21,384,355	21,871,870
<b>Total Operating Expenses</b>	<b>147,336,751</b>	<b>150,116,580</b>	<b>186,430,941</b>	<b>199,198,759</b>	<b>215,759,127</b>	<b>233,751,427</b>
<b>Operating Income (Loss)</b>	<b>8,813,831</b>	<b>7,759,665</b>	<b>(22,275,239)</b>	<b>(20,351,759)</b>	<b>(1,962,127)</b>	<b>145,573</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>8,813,831</b>	<b>7,759,665</b>	<b>(22,275,239)</b>	<b>(20,351,759)</b>	<b>(1,962,127)</b>	<b>145,573</b>
<b>Change in Net Position</b>	<b>8,813,831</b>	<b>7,759,665</b>	<b>(22,275,239)</b>	<b>(20,351,759)</b>	<b>(1,962,127)</b>	<b>145,573</b>
<b>Beginning Net Position - July 1</b>	<b>60,083,102</b>	<b>67,965,156</b>	<b>75,696,520</b>	<b>53,309,130</b>	<b>32,957,371</b>	<b>30,995,244</b>
Prior Period Adjustments	(931,777)	(28,301)	(112,151)	-	-	-
Change in Net Position	8,813,831	7,759,665	(22,275,239)	(20,351,759)	(1,962,127)	145,573
<b>Ending Net Position - June 30</b>	<b>67,965,156</b>	<b>75,696,520</b>	<b>53,309,130</b>	<b>32,957,371</b>	<b>30,995,244</b>	<b>31,140,817</b>
<b>Net Position (Fund Balance) Analysis</b>						

# Department of Administration - 61010

## Health Care & Benefits Division - 21

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration		Program Name: Health Care & Benefits Division			
	<b>Fund</b>	<b>Fund Name</b>				
	06027	Flexible Spending Funds				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	67,133	-	-	138,000	219,400	234,870
Fee Revenue B	1,782	1,491	852	3,000	1,000	1,000
Fee Revenue C	7,243,951	7,140,796	7,369,328	7,250,000	9,194,833	10,114,316
<b>Total Operating Revenues</b>	<b>7,312,866</b>	<b>7,142,287</b>	<b>7,370,180</b>	<b>7,391,000</b>	<b>9,415,233</b>	<b>10,350,186</b>
<b>Expenses:</b>						
Other Operating Expenses						
Expense B	138,514	137,299	161,395	138,515	242,280	257,750
<b>Total Operating Expenses</b>	<b>7,141,092</b>	<b>6,711,132</b>	<b>7,174,668</b>	<b>7,123,185</b>	<b>9,195,755</b>	<b>10,115,238</b>
<b>Operating Income (Loss)</b>	<b>33,260</b>	<b>293,856</b>	<b>34,117</b>	<b>129,300</b>	<b>(22,802)</b>	<b>(22,802)</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>33,260</b>	<b>293,856</b>	<b>34,117</b>	<b>129,300</b>	<b>(22,802)</b>	<b>(22,802)</b>
Transfers Out	(552)	(302)	(924)	(1,000)	(1,000)	(1,000)
<b>Change in Net Position</b>	<b>32,708</b>	<b>293,554</b>	<b>33,193</b>	<b>128,300</b>	<b>(23,802)</b>	<b>(23,802)</b>
<b>Beginning Net Position - July 1</b>	<b>1,323,828</b>	<b>1,356,536</b>	<b>1,650,090</b>	<b>1,683,283</b>	<b>1,811,583</b>	<b>1,787,781</b>
Change in Net Position	32,708	293,554	33,193	128,300	(23,802)	(23,802)
<b>Ending Net Position - June 30</b>	<b>1,356,536</b>	<b>1,650,090</b>	<b>1,683,283</b>	<b>1,811,583</b>	<b>1,787,781</b>	<b>1,763,979</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$260,578
FY 2017	\$0	\$262,205

**SWPL - 1 - Personal Services -**

The budget includes \$260,578 in FY 2016 and \$262,205 in FY 2017 to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium.

## Department of Administration - 61010

### Health Care & Benefits Division - 21

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$135,880)
FY 2017	\$0	(\$140,299)

**SWPL - 2 - Fixed Costs -**

This request includes a reduction of \$135,880 in FY 2016 and \$140,299 in FY 2017 to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs are liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$412)
FY 2017	\$0	(\$277)

**SWPL - 3 - Inflation Deflation -**

This change package includes a reduction of \$412 in FY 2016 and \$277 in FY 2017 to reflect the budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$22,099)
FY 2017	\$0	(\$24,225)

**PL - 2100106 - Allocate Department Indirect/admin Costs -**

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$1,658,321
FY 2017	\$0	\$1,658,574

**PL - 2102101 - Health Plan Administration -**

The State of Montana Employee Benefits Plan is required to pay two new fees as required by the Affordable Care Act. These are the Patient-Centered Outcomes Research Trust Fund and the Transitional Reinsurance Fee. In addition, the plan is experiencing increased costs related to general administration operations such as rent, printing and mailing, and indirect administrative costs. As result, additional budget authority of \$1,658,321 and \$1,658,574 is requested for FY 2016 and FY 2017, respectively.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$2,152,533
FY 2017	\$0	\$3,087,486

**PL - 2102102 - Flexible Spending -**

The Flexible Spending Program in the Health Care & Benefits Division (HCBBD) allows members of the employee benefits plan to contribute funds on a pre-tax basis to be used for qualifying health and child care costs. The number of employees electing to participate and the contribution amounts have been increasing. HCBBD anticipates this trend will continue over the 2017 biennium, requiring an additional \$5,240,019 of appropriation authority.

## Department of Administration - 61010

### Health Care & Benefits Division - 21

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$35,041,171
FY 2017	\$0	\$53,038,619

#### **PL - 2102103 - Health Plan Claims -**

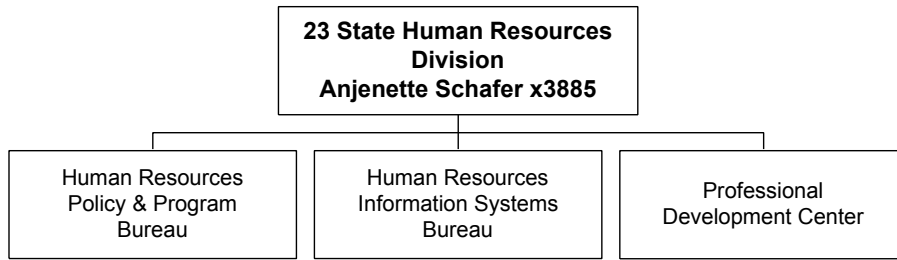
The State of Montana Employee Benefits Plan projects an average annual trend of 8% -11% in medical claims and 10% - 12% percent in prescription drug costs. The state is actively involved in providing managed care services to help contain its claims costs and has been successful in keeping the claims trend rate well below the increase being experienced by a majority of other plans in the United States. Knowing the state will continue to see increased costs in health coverage, additional budget authority of \$28,564,722 and \$46,069,170 is requested for FY 2016 and FY 2017, respectively.

Claims administration and operating costs are also predicted to increase each year. The increases are due to a combination of increased third party administrator fees and the opening of additional employee health centers. The benefit program will require an additional \$6,476,449 and \$6,969,449 in FY16 and FY17, respectively, to administer the state's benefit programs. The funding for the Plan comes 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 contributions out-of-pocket.

# Department of Administration - 61010

## State Human Resources Division - 23

Please note that this program also contains HB 2 funding.



Program Proposed Budget	Base Budget Fiscal 2014	Budget Adjustments Fiscal 2016	Total Exec. Budget Fiscal 2016	Budget Adjustments Fiscal 2017	Total Exec. Budget Fiscal 2017	Executive Budget Request 2017 Biennium
FTE	26.29	(1.54)	24.75	(1.54)	24.75	
Personal Services	1,976,402	219,677	2,196,079	219,425	2,195,827	4,391,906
Operating Expenses	1,555,110	151,496	1,706,606	82,619	1,637,729	3,344,335
<b>Total Costs</b>	<b>\$3,531,512</b>	<b>\$371,173</b>	<b>\$3,902,685</b>	<b>\$302,044</b>	<b>\$3,833,556</b>	<b>\$7,736,241</b>
General Fund	0	77,896	77,896	75,686	75,686	153,582
Proprietary Funds	3,531,512	293,277	3,824,789	226,358	3,757,870	7,582,659
<b>Total Funds</b>	<b>\$3,531,512</b>	<b>\$371,173</b>	<b>\$3,902,685</b>	<b>\$302,044</b>	<b>\$3,833,556</b>	<b>\$7,736,241</b>

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

#### Program Description

The Professional Development Center (PDC) program provides training and related services throughout locations in the state of Montana. The PDC offers training directed towards improving state practices, meeting state and federal regulations, and providing professional services such as facilitation, mediation, or curriculum design. The program is an internal service fund, and has 3.00 FTE. The statutory authority for this program comes from 2-18-102, MCA.

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

#### Revenues and Expenses

In the 2017 biennium, two sources of revenue will cover the personal services and operating expenses for the PDC:

1. Open-enrollment fees, which are a per-person tuition charged for attendance. Tuition rates are based on two factors: projected attendance and competitive pricing. Tuition rates for the 2017 biennium are based on the proportion of fixed and personal services costs to the overall anticipated program cost. The amount per person varies by length of the course and number of people attending from a single agency.
2. Contract fees, which are a flat fee charged for providing a service. The amount per service varies by length of the service and number of services arranged in a single contract.

#### Changes in Level of Fees and Charges

The center is proposing to reduce the discount percentage provided to agencies for multiple attendees at the same course offering from 40% for two or more attendees to 20% for two or more attendees. This reduction in the discount rate would increase revenues for PDC by approximately \$70,000 over the 2017 biennium.

#### Projected Fund Balance, Including Cash Fluctuations

## Department of Administration - 61010

### State Human Resources Division - 23

The PDC has no requirement to reserve any of its fund balance. The average turnaround period for revenue receipts is about 45 days from the time the service took place. Historically, during the first two quarters of a fiscal year, demand for PDC services is lower, and cash receipts tend to be at their lowest levels. Cash outflows remain stable during this time period, as 87% of expenses are constant and independent of its revenue stream.

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

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

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

#### *Program Description*

The HRIS Bureau operates the SABHRS-HR payroll, benefits, and human resources system to process, distribute, report, and account for payroll, benefits, and associated withholding and deductions for over 13,500 state employees in the executive, legislative, and judicial branches. The bureau 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 23.29 FTE. Statutory authority is 2-18-401, MCA, and 2-18-403, MCA.

#### *Revenues and Expenses*

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

1. Central payroll processing fees are assessed to each agency, based on the average number of paychecks processed during the prior two fiscal years; and
2. Costs associated with processing the benefit eligibility elections for the 35,000 plan members are collected from the Health Care and Benefits Division.

#### *Rate and Rate Explanation*

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

#### *Change in Services or Fees*

The HRIS bureau is requesting an additional \$30,950 annual increase to cover the projected license and maintenance fee increases for the SABHRS-HR software (a 3% increase each year). HRIS is acquiring and implementing the Taleo Recruitment and Onboarding System to be used for all enterprise hiring activities. This system will replace the existing legacy system that is no longer compliant with federal and state standards.

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

The HRIS fund had a fund balance of \$1,338,628 at FYE 2014. By the end of 2017, it is expected that the program will have a fund balance of \$991,413. The program does not have a requirement to reserve any of its fund equity.

## Department of Administration - 61010

### State Human Resources Division - 23

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.

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

The HRIS rates established for the 2017 biennium provide for the maintenance of a 60-day working capital amount of \$576,130 by the end of FY 2017. 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.

<b>2017 Biennium Report on Internal Service and Enterprise Funds</b>						
Agency # 61010	Agency Name: Department of Administration		Program Name: State Human Resources Division			
	<b>Fund</b>	<b>Fund Name</b>				
	06525	Intergovernmental Training				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	293,959	318,012	407,877	423,032	405,000	405,000
Other Operating Revenue	-	40	244	-	-	-
<b>Total Operating Revenues</b>	<b>293,959</b>	<b>318,052</b>	<b>408,121</b>	<b>423,032</b>	<b>405,000</b>	<b>405,000</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	246,036	175,330	190,456	240,319	242,252	241,630
<b>Total Operating Expenses</b>	<b>123,302</b>	<b>124,222</b>	<b>132,909</b>	<b>144,445</b>	<b>135,395</b>	<b>135,018</b>
<b>Operating Income (Loss)</b>	<b>(75,379)</b>	<b>18,500</b>	<b>84,756</b>	<b>38,268</b>	<b>27,353</b>	<b>28,352</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(75,379)</b>	<b>18,500</b>	<b>84,756</b>	<b>38,268</b>	<b>27,353</b>	<b>28,352</b>
Transfers In						
<b>Change in Net Position</b>	<b>24,002</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Beginning Net Position - July 1</b>	<b>(51,377)</b>	<b>18,500</b>	<b>84,756</b>	<b>38,268</b>	<b>27,353</b>	<b>28,352</b>
Change in Net Position	23,564	(27,813)	(9,313)	75,443	113,711	141,064
<b>Ending Net Position - June 30</b>	<b>(27,813)</b>	<b>(9,313)</b>	<b>75,443</b>	<b>113,711</b>	<b>141,064</b>	<b>169,416</b>
<b>Net Position (Fund Balance) Analysis</b>						

## Department of Administration - 61010

### State Human Resources Division - 23

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration		Program Name: State Human Resources Division			
	<b>Fund</b>	<b>Fund Name</b>				
	06563	Payroll Fund				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY12	FY13	FY14	FY15	FY16	FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	2,835,394	3,309,456	3,299,769	3,320,064	3,313,523	3,327,153
Other Operating Revenue	772	772	861	1,000	500	500
<b>Total Operating Revenues</b>	<b>2,836,166</b>	<b>3,310,228</b>	<b>3,300,630</b>	<b>3,321,064</b>	<b>3,314,023</b>	<b>3,327,653</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	1,520,347	1,567,523	1,805,636	1,686,308	1,953,827	1,954,197
<b>Total Operating Expenses</b>	<b>1,623,486</b>	<b>1,358,218</b>	<b>1,295,782</b>	<b>1,641,701</b>	<b>1,571,211</b>	<b>1,502,711</b>
<b>Operating Income (Loss)</b>	<b>(307,667)</b>	<b>384,487</b>	<b>199,212</b>	<b>(6,945)</b>	<b>(211,015)</b>	<b>(129,255)</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(307,667)</b>	<b>384,487</b>	<b>199,212</b>	<b>(6,945)</b>	<b>(211,015)</b>	<b>(129,255)</b>
Transfers Out	(49,667)	(49,578)	-	-	-	-
<b>Change in Net Position</b>	<b>(357,334)</b>	<b>334,909</b>	<b>199,212</b>	<b>(6,945)</b>	<b>(211,015)</b>	<b>(129,255)</b>
<b>Beginning Net Position - July 1</b>	<b>1,161,841</b>	<b>804,507</b>	<b>1,139,416</b>	<b>1,338,628</b>	<b>1,331,683</b>	<b>1,120,668</b>
Change in Net Position	(357,334)	334,909	199,212	(6,945)	(211,015)	(129,255)
<b>Ending Net Position - June 30</b>	<b>804,507</b>	<b>1,139,416</b>	<b>1,338,628</b>	<b>1,331,683</b>	<b>1,120,668</b>	<b>991,413</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$350,769
FY 2017	\$0	\$350,392

#### SWPL - 1 - Personal Services -

The budget includes funding in FY 2016 and FY 2017 to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium.



## Department of Administration - 61010

### State Human Resources Division - 23

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$152,529)
FY 2017	\$0	(\$219,704)

**SWPL - 2 - Fixed Costs -**

This request includes funding in FY 2016 and FY 2017 required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs are liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$516
FY 2017	\$0	\$793

**SWPL - 3 - Inflation Deflation -**

This change package includes funding in FY 2016 and FY 2017 to reflect the budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$77,896	\$78,259
FY 2017	\$75,686	\$75,830

**PL - 2300106 - Allocate Department Indirect/admin costs -**

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$131,092)
FY 2017	\$0	(\$130,967)

**PL - 2300112 - OFB Reorganization - Program 23 -**

The current budgeting and accounting work done within the State Human Resources Division and General Services Division were transferred into the Office of Finance & Budget within the Director's Office. This brings more operational efficiencies, consistency, and stronger internal controls to these processes. This occurred at the beginning of FY 2015, which was after the personal services snapshot was taken.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$15,250
FY 2017	\$0	\$15,700

**PL - 2302301 - Oracle license and maintenance fees per contract -**

A 3% increase in license fees and maintenance costs was negotiated with Oracle for each fiscal year. License and maintenance fees are needed for continued support and updates to the department's payroll, benefit administration, time and labor, and human resources products supporting SABHRS-HR, which was acquired from Oracle/PeopleSoft in 1997.

**Department of Administration - 61010**

**State Human Resources Division - 23**

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

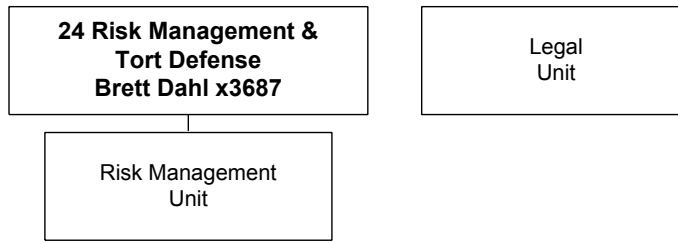
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$210,000
FY 2017	\$0	\$210,000

**NP - 2302302 - Annual subscription fee for Taleo System -**

During FY 2014 and FY 2015, the State Human Resources Division acquired and implemented the Taleo Recruitment and Onboarding System to be used for all enterprise hiring activities. This system replaced an existing legacy system that no longer served the needs of the enterprise and was not compliant with federal and state standards. This system will integrate with the SABHRS-HR database, improve efficiencies, and standardize hiring business processes.

## Department of Administration - 61010

### Risk Management & Tort Defense - 24



Program Proposed Budget	Base Budget Fiscal 2014	Budget Adjustments Fiscal 2016	Total Exec. Budget Fiscal 2016	Budget Adjustments Fiscal 2017	Total Exec. Budget Fiscal 2017	Executive Budget Request 2017 Biennium
FTE	17.00	0.00	17.00	0.00	17.00	
Personal Services	1,447,559	105,253	1,552,812	107,153	1,554,712	3,107,524
Operating Expenses	6,916,017	576,421	7,492,438	563,076	7,479,093	14,971,531
Grants	520,113	0	520,113	0	520,113	1,040,226
Benefits & Claims	6,235,087	0	6,235,087	0	6,235,087	12,470,174
<b>Total Costs</b>	<b>\$15,118,776</b>	<b>\$681,674</b>	<b>\$15,800,450</b>	<b>\$670,229</b>	<b>\$15,789,005</b>	<b>\$31,589,455</b>
Proprietary Funds	15,118,776	681,674	15,800,450	670,229	15,789,005	31,589,455
<b>Total Funds</b>	<b>\$15,118,776</b>	<b>\$681,674</b>	<b>\$15,800,450</b>	<b>\$670,229</b>	<b>\$15,789,005</b>	<b>\$31,589,455</b>

#### Proprietary Program Description - Fund 06532 Agency Insurance

##### *Program Description*

The Risk Management & Tort Defense Division administers a comprehensive plan of property/casualty insurance protection on behalf of state government. The division purchases commercial insurance, where cost-effective, to cover catastrophic losses above high deductibles. State risks that are currently insured through commercial insurance carriers include aircraft, airports, boilers & machinery, bonds (various), crime, cyber/information security, fine art, property, professional liability, and miscellaneous. The state self-insures most commercial insurance risks under \$2,000,000 per occurrence as well as auto, general liability, inland marine (i.e. property in-transit), mobile/specialized equipment, and foster care risks. The division also provides consultative services that include training, inspections, program reviews, contract administration, claims administration, and legal defense to prevent or minimize the adverse effects of physical or financial loss. The division investigates, evaluates, and resolves tort claims (i.e. personal injury or property damage to third parties) and coordinates the adjudication and settlement of other claims involving property damage. This division operates under the authority of 2-9-101 through 2-9-305, MCA.

The program supports 17.00 FTE.

##### *Revenues and Expenses*

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

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

## Department of Administration - 61010

### Risk Management & Tort Defense - 24

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

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

In accordance with 2-9-201, MCA, the Department of Administration is authorized to accumulate a self-insurance fund to pay for losses, purchase insurance, and to fund operations. Insurance premium payments are made by state agencies into a self-insurance fund from legislative appropriations. Proceeds from the self-insurance fund are statutorily appropriated for the payment of property/casualty claims, in accordance with 2-9-305, MCA.

For purposes of premium development, all insurance premiums are combined into the following decision packages; auto, aviation, general liability, and property. The development of property/casualty insurance premium for each decision package involves a five-step process:

1. Evaluate historical exposure, losses, and premiums;
2. Project unallocated expenses through FY 2017;
3. Project allocated expenses through FY 2017;
4. Determine an appropriate level of premium to achieve funding objectives; and
5. Apportion premiums to state agencies based upon historical loss experience and exposure.

For the 2017 biennium, the Risk Management & Tort Defense Division proposes rate increases to state agencies of \$3.1 million, or 21%, each year of the biennium. Premium increases are necessary to cover projected increases in the costs of commercial excess insurance for worldwide catastrophes, increases in loss expenses, higher commercial insurance deductibles, and 'catch up' from a rate freeze put in place in three of the four previous biennia.

Proposed premiums for the 2017 biennium are as follows: Auto - FY 2016 and FY 2017, \$1,498,200 each year of the biennium; Aviation - FY 2016 and FY 2017, \$169,961 each year of the biennium; General Liability - FY 2016 and FY 2017, \$9,720,000 each year of the biennium; and Property - FY 2016 and FY 2017, \$6,300,000 each year of the biennium.

Premiums for FY 2016 and FY 2017 are apportioned based upon exposure and uniform reductions in loss experience as follows:

- Total auto premium collections of \$1,498,200 each year of the biennium is comprised of two separate insurance coverages: auto comp/collision (FY 2016 \$615,008 and FY 2017-\$641,670), and auto liability premium (FY 2016 \$883,192 and FY 2017 \$856,530). Auto comp/collision premiums for FY 2016 and FY 2017 are based upon total values of reported vehicles. Auto liability premiums are based upon agency losses and the number of vehicles reported.
- Aviation premium of \$169,961 in FY 2016 and FY 2017 is allocated to those agencies that have aircraft, based upon charges from commercial insurance carriers for each aircraft, as well as year, make, model, and value of the aircraft. Airport premium is apportioned to those agencies that have airports, based upon the number of airports.
- Total general liability premium of \$9,720,000 each year of the biennium is comprised of commercial coverage and self-insured coverage as follows: commercial coverage (FY 2016-\$393,513 and FY 2017-\$447,334) and self-insured coverage (FY 2016-\$9,326,487 and FY 2017-\$9,272,666). Commercial coverage charges are negotiated with commercial insurance carriers.
- Property insurance premium of \$6,300,000 is allocated to each agency based on its percentage of reported exposures (e.g. building replacement cost values, boilers & machinery, etc.).

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

## Department of Administration - 61010

### Risk Management & Tort Defense - 24

In September 2011, Judge Sherlock approved a \$43.0 million settlement with victims in Libby who had been impacted by asbestos. \$26.8 million of the settlement was paid from the State Property/Casualty Insurance Fund. The effect the settlement payment of \$26.8 million for Montana asbestos victims had on the fund was that it:

- Eliminated reserves for all insurance risks for FY 2012, not only general liability, but also automobile, aviation, and property;
- Reduced assets in the account to a cash balance of \$3.5 million at the end of FY 2012; and
- Created an unfunded liability of \$16.6 million at FYE 2012.

During the 2015 biennium, the legislature adopted a two-step process to reduce unfunded liabilities and establish reserves for the various risks:

- Increased rates for general liability by 20% compared to those charged in the 2013 biennium; and
- Included \$13.4 million in general fund in HB 3 as it came out of House Appropriations Committee. Note: The legislature removed \$13.4 million of the \$26.8 million requested in the Executive Budget from HB 3 during the 2015 biennium. The division's funding proposal for the 2017 biennium assumes a supplemental appropriation in HB 3 of \$13.4 million, as originally requested from last biennium. Without this supplemental appropriation, the property/casualty insurance fund may incur unfunded liabilities, in violation of 17-7-123, MCA, which requires that fees are commensurate with costs.

The effect of the process is that reserves for automobile, aviation, and property insurance risks will be reestablished to the level prior to the Libby settlement payment.

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

In accordance with 17-7-501, MCA, the Risk Management & Tort Defense Division operates an internal service fund known as the state property/casualty insurance fund. Proceeds from the property/casualty insurance fund are used to pay claims, purchase insurance, and fund operations.

The high-risk nature of services provided by state agencies, unpredictable litigation outcomes, catastrophic losses, and increases in the cost of commercial insurance mean the division's funding estimates are highly variable. The division utilizes actuarial recommendations and reasonable industry standards employed by other municipalities and municipal risk pools in setting rates to develop funding objectives for the 2017 biennium in order to move towards target funding ratios.

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

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

# Department of Administration - 61010

## Risk Management & Tort Defense - 24

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration			Program Name: Risk Management & Tort Defense		
	<b>Fund</b>	<b>Fund Name</b>				
	06532	Agency Insurance Int. Svc.				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	11,736,438	11,783,758	13,886,428	13,926,531	17,688,161	17,688,161
Revenue A	27,923	13,526	23,869	7,000	7,000	7,000
Revenue B	2,449	36	27	-	-	-
Revenue C	60	226	14	-	-	-
<b>Total Operating Revenues</b>	<b>11,766,870</b>	<b>11,797,546</b>	<b>13,910,338</b>	<b>13,933,531</b>	<b>17,695,161</b>	<b>17,695,161</b>
<b>Expenses:</b>						
Personal Services	904,539	960,614	1,018,728	1,324,232	1,552,812	1,554,712
Other Operating Expenses	43,951,107	10,054,095	14,593,984	13,148,968	14,247,638	14,234,293
<b>Total Operating Expenses</b>	<b>44,855,646</b>	<b>11,014,709</b>	<b>15,612,712</b>	<b>14,473,200</b>	<b>15,800,450</b>	<b>15,789,005</b>
<b>Operating Income (Loss)</b>	<b>(33,088,776)</b>	<b>782,837</b>	<b>(1,702,374)</b>	<b>(539,669)</b>	<b>1,894,711</b>	<b>1,906,156</b>
Nonoperating Revenues:						
Other Revenue A	120,542	61,952	61,321	182,000	182,000	182,000
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>120,542</b>	<b>61,952</b>	<b>61,321</b>	<b>182,000</b>	<b>182,000</b>	<b>182,000</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(32,968,234)</b>	<b>844,789</b>	<b>(1,641,053)</b>	<b>(357,669)</b>	<b>2,076,711</b>	<b>2,088,156</b>
Transfers In						
Transfers In	3,493,765	13,563,564	1,201,511	450,000	1,400,000	1,400,000
Transfers Out						
Transfers Out	(133,740)	(48,146)	(1,325)	-	-	-
<b>Change in Net Position</b>	<b>(29,608,209)</b>	<b>14,360,207</b>	<b>(440,867)</b>	<b>92,331</b>	<b>3,476,711</b>	<b>3,488,156</b>
<b>Beginning Net Position - July 1</b>	<b>13,177,490</b>	<b>(16,430,719)</b>	<b>(2,070,512)</b>	<b>(2,511,379)</b>	<b>(2,419,048)</b>	<b>1,057,663</b>
Change in Net Position	(29,608,209)	14,360,207	(440,867)	92,331	3,476,711	3,488,156
<b>Ending Net Position - June 30</b>	<b>(16,430,719)</b>	<b>(2,070,512)</b>	<b>(2,511,379)</b>	<b>(2,419,048)</b>	<b>1,057,663</b>	<b>4,545,819</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$105,253
FY 2017	\$0	\$107,153

**SWPL - 1 - Personal Services -**

The budget includes \$105,253 in FY 2016 and \$107,153 in FY 2017 to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium.

## Department of Administration - 61010

### Risk Management & Tort Defense - 24

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$99,015)
FY 2017	\$0	(\$106,484)

**SWPL - 2 - Fixed Costs -**

This request includes a reduction of \$99,015 in FY 2016 and \$106,484 in FY 2017 to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs are liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$915)
FY 2017	\$0	(\$678)

**SWPL - 3 - Inflation Deflation -**

This change package includes a reduction of \$915 in FY 2016 and \$678 in FY 2017 to reflect the budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$16,484
FY 2017	\$0	\$10,371

**PL - 2400106 - Allocate Department Indirect/admin costs -**

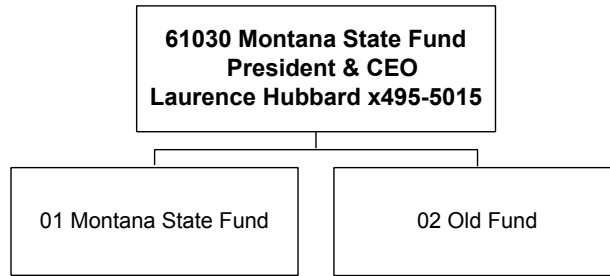
This request funds the division's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$659,867
FY 2017	\$0	\$659,867

**PL - 2402402 - Increase Commercial Property Premium -**

The state's commercial excess insurance premiums are projected to increase, due to unfavorable market conditions caused by recent worldwide catastrophes. In addition, state government and the university system have experienced historically significant events such as the Bannack flash flood and the Bozeman hail losses. Finally, premiums are also expected to increase due to recent appraisals of properties.

# Montana State Fund - 61030



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

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

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

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

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

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

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

The board has the authority to declare dividends if there is an excess of assets over liabilities. However, dividends may not be paid until adequate actuarially determined reserves are set aside, 39-71-2316(1)(h), MCA.

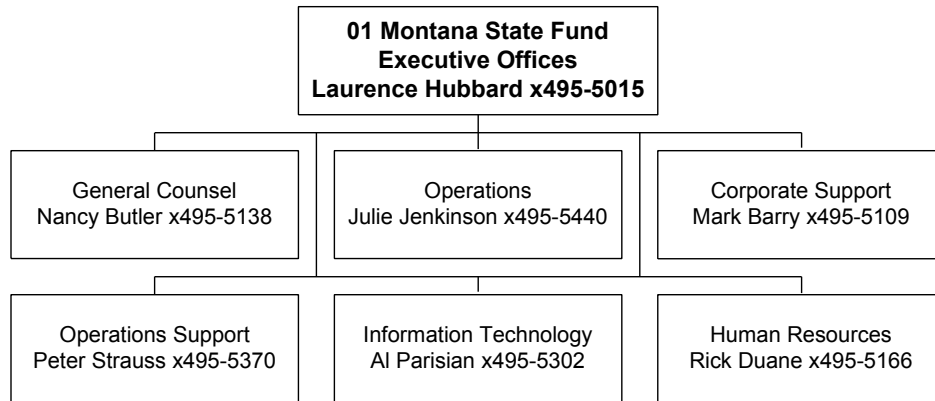


## Montana State Fund - 61030

Agency Proposed Budget	Total Exec. Budget Fiscal 2016	Total Exec. Budget Fiscal 2017	Total Exec. Budget 2017 Biennium
Budget Item			
FTE	304.00	304.00	
Personal Services	27,096,280	27,812,087	54,908,367
Operating Expenses	21,708,892	22,179,549	43,888,441
Equipment & Intangible Assets	1,007,869	1,977,869	2,985,738
Benefits & Claims	120,492,278	121,788,380	242,280,658
<b>Total Costs</b>	<b>\$170,305,319</b>	<b>\$173,757,885</b>	<b>\$344,063,204</b>
Proprietary Funds	170,305,319	173,757,885	344,063,204
<b>Total Funds</b>	<b>\$170,305,319</b>	<b>\$173,757,885</b>	<b>\$344,063,204</b>

# Montana State Fund - 61030

## Montana State Fund - 01



Program Proposed Budget	Base Budget Fiscal 2014	Budget Adjustments Fiscal 2016	Total Exec. Budget Fiscal 2016	Budget Adjustments Fiscal 2017	Total Exec. Budget Fiscal 2017	Executive Budget Request 2017 Biennium
FTE	304.00	0.00	304.00	0.00	304.00	
Personal Services	23,301,941	3,794,339	27,096,280	4,510,146	27,812,087	54,908,367
Operating Expenses	20,432,148	1,136,744	21,568,892	1,617,401	22,049,549	43,618,441
Equipment & Intangible Assets	659,479	348,390	1,007,869	1,318,390	1,977,869	2,985,738
Benefits & Claims	108,360,884	5,124,036	113,484,920	6,640,192	115,001,076	228,485,996
<b>Total Costs</b>	<b>\$152,754,452</b>	<b>\$10,403,509</b>	<b>\$163,157,961</b>	<b>\$14,086,129</b>	<b>\$166,840,581</b>	<b>\$329,998,542</b>
Proprietary Funds	152,754,452	10,403,509	163,157,961	14,086,129	166,840,581	329,998,542
<b>Total Funds</b>	<b>\$152,754,452</b>	<b>\$10,403,509</b>	<b>\$163,157,961</b>	<b>\$14,086,129</b>	<b>\$166,840,581</b>	<b>\$329,998,542</b>

### Proprietary Program Description -

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

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

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

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

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

## Montana State Fund - 61030

### Montana State Fund - 01

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

Montana State Fund's Board of Directors is the approving authority for the annual budget (39-71-2363, MCA). The board has not approved the expenditure levels in the following budget table for the 2017 biennium. Changes in business conditions and the competitive market in which Montana State Fund operates, as well as changing trends in medical and indemnity benefits, will result in changes to the budgets the Board of Directors will ultimately approve each year for FY 2016 and FY 2017.

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

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

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$2,824,505
FY 2017	\$0	\$2,756,864

#### **SWPL - 1 - Personal Services -**

The budget includes \$2,824,505 in FY 2016 and \$2,756,864 in FY 2017 to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$1,465
FY 2017	\$0	\$3,530

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

This change package includes \$1,465 in FY 2016 and \$3,530 in FY 2017 to reflect the budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

# Montana State Fund - 61030

## Montana State Fund - 01

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$7,577,539
FY 2017	\$0	\$11,325,735

**PL - 100001 - Adjust IBARS to MSF Staff Estimate of State Fund -**

Montana State Fund's budget is annually approved by Montana State Fund's Board of Directors as provided in law. The budget data provided for the biennium reflects staff estimates of the FY 2016 and FY 2017 annual budgets using the Montana State Fund's FY 2015 Annual Business Plan and board approved FY 2015 budget as the basis of these estimates. The FY 2016 and FY 2017 budgets reflect expenditures of continued operations under current law, payment of benefits to injured employees, estimated impacts of FY 2015 Annual Business Plan initiatives, and initiatives expected in FY 2016 and FY 2017.

# Montana State Fund - 61030

## Old Fund - 02

**02 Old Fund**  
**Laurence Hubbard x495-5015**  
**Mark Barry x495-5109**

Program Proposed Budget	Base Budget Fiscal 2014	Budget Adjustments Fiscal 2016	Total Exec. Budget Fiscal 2016	Budget Adjustments Fiscal 2017	Total Exec. Budget Fiscal 2017	Executive Budget Request 2017 Biennium
Operating Expenses	152,243	(12,243)	140,000	(22,243)	130,000	270,000
Benefits & Claims	7,390,579	(383,221)	7,007,358	(603,275)	6,787,304	13,794,662
<b>Total Costs</b>	<b>\$7,542,822</b>	<b>(\$395,464)</b>	<b>\$7,147,358</b>	<b>(\$625,518)</b>	<b>\$6,917,304</b>	<b>\$14,064,662</b>
Proprietary Funds	7,542,822	(395,464)	7,147,358	(625,518)	6,917,304	14,064,662
<b>Total Funds</b>	<b>\$7,542,822</b>	<b>(\$395,464)</b>	<b>\$7,147,358</b>	<b>(\$625,518)</b>	<b>\$6,917,304</b>	<b>\$14,064,662</b>

**Proprietary Program Description -**

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

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

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

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

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

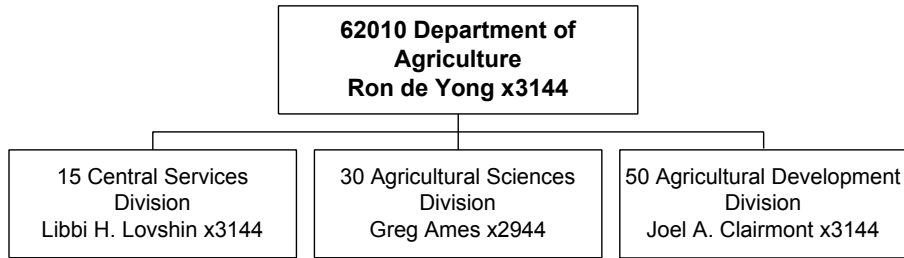
	<b>General Fund Total</b>	<b>Total Funds</b>
FY 2016	\$0	(\$395,464)
FY 2017	\$0	(\$625,518)

**PL - 200002 - Adjust IBARS to MSF Staff Estimate of Old Fund -**

The Old Fund funding estimate is annually reviewed by the Montana State Fund Board of Directors. The data provided in the budget for the biennium reflects MSF staff estimates of the budgeted funding requirements of the Old Fund. The Old Fund has no assets and is funded through transfers from the general fund. The decision package is being used to adjust IBARS to reflect MSF staff estimates of FY 2016 and FY 2017 funding requirements.

## Department of Agriculture - 62010

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.

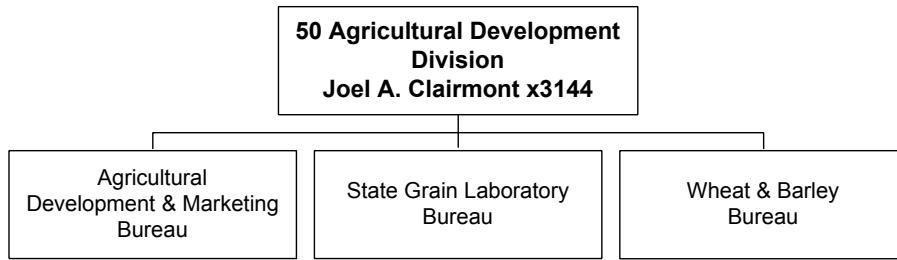
**Statutory Authority** - Article XII, Section 1, Montana Constitution; Title 80, Chapters 1-20, MCA

Agency Proposed Budget	Total Exec. Budget Fiscal 2016	Total Exec. Budget Fiscal 2017	Total Exec. Budget 2017 Biennium
Budget Item			
Operating Expenses	58,200	58,200	116,400
<b>Total Costs</b>	<b>\$58,200</b>	<b>\$58,200</b>	<b>\$116,400</b>
Proprietary Funds	58,200	58,200	116,400
<b>Total Funds</b>	<b>\$58,200</b>	<b>\$58,200</b>	<b>\$116,400</b>

## Department of Agriculture - 62010

### Agricultural Development Division - 50

Please note that this program also contains HB 2 funding.



Program Proposed Budget	Base Budget Fiscal 2014	Budget Adjustments Fiscal 2016	Total Exec. Budget Fiscal 2016	Budget Adjustments Fiscal 2017	Total Exec. Budget Fiscal 2017	Executive Budget Request 2017 Biennium
Budget Item						
Operating Expenses	0	58,200	58,200	58,200	58,200	116,400
<b>Total Costs</b>	<b>\$0</b>	<b>\$58,200</b>	<b>\$58,200</b>	<b>\$58,200</b>	<b>\$58,200</b>	<b>\$116,400</b>
Proprietary Funds	0	58,200	58,200	58,200	58,200	116,400
<b>Total Funds</b>	<b>\$0</b>	<b>\$58,200</b>	<b>\$58,200</b>	<b>\$58,200</b>	<b>\$58,200</b>	<b>\$116,400</b>

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

##### *Program Description*

The Montana Beginning Farmer/Rancher Loan Program is a tax-exempt bond program designed to assist beginning farmers/ranchers to acquire agricultural property at lower interest rates. The program enables lenders, individuals, partnerships, corporations, and other entities to receive federally tax-exempt interest with respect to a loan or contract sale made to a qualifying beginning farmer/rancher. The financial institution, after arranging the loan or sales contract, 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.

##### *Revenues and Expenses*

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

##### *Rates and Rate Explanation*

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

# Department of Agriculture - 62010

## Agricultural Development Division - 50

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 62010	Agency Name: Department of Agriculture		Program Name: Agricultural Development Division			
	<b>Fund</b>	<b>Fund Name</b>				
	06016	Beginning Farm Loans				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A						
	-	-	-	60,000	60,000	60,000
Other Operating Revenue						
	2	5	3	2	2	2
<b>Total Operating Revenues</b>						
	2	5	3	60,002	60,002	60,002
<b>Expenses:</b>						
Personal Services						
	-	-	-	58,200	58,200	58,200
<b>Total Operating Expenses</b>						
	-	-	-	58,200	58,200	58,200
<b>Operating Income (Loss)</b>						
	2	5	3	1,802	1,802	1,802
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>						
	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>						
	2	5	3	1,802	1,802	1,802
<b>Change in Net Position</b>						
	2	5	3	1,802	1,802	1,802
<b>Beginning Net Position - July 1</b>						
	2,415	2,417	2,422	2,425	4,227	6,029
Change in Net Position						
	2	5	3	1,802	1,802	1,802
<b>Ending Net Position - June 30</b>						
	2,417	2,422	2,425	4,227	6,029	7,831
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$58,200
FY 2017	\$0	\$58,200

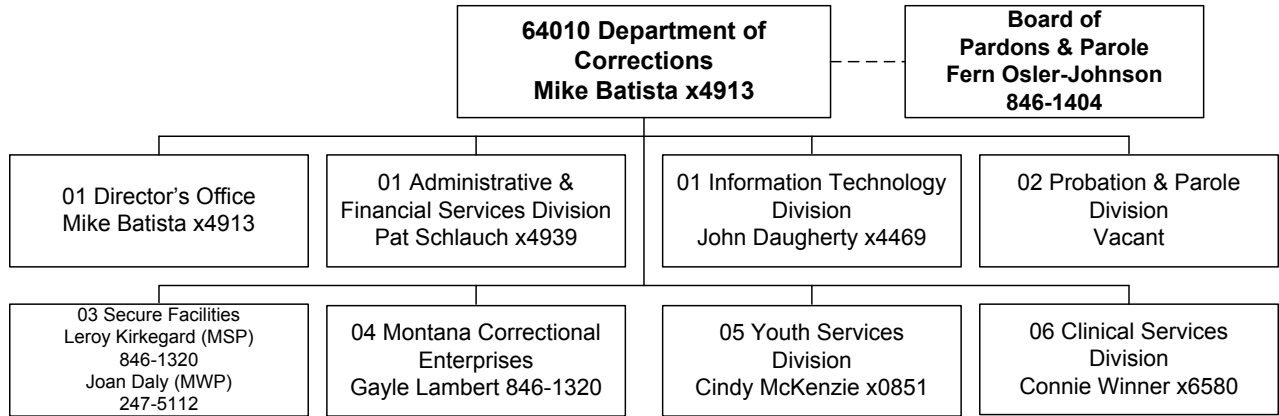
**PL - 5005007 - Beginning Farm/Ranch Loan -**

This request is for \$58,200 in statutory spending authority for each year of the biennium. The statutory spending authority is authorized for beginning farm and ranch loans under 80-12-311, MCA.



## Department of Corrections - 64010

Please note that this agency also contains HB 2 funding.



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

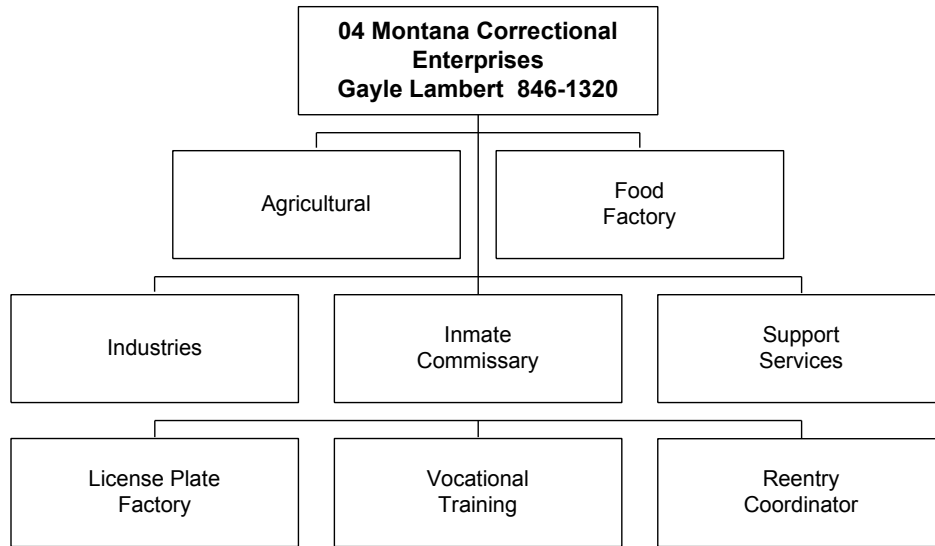
**Statutory Authority** - Provided for in 2-15-2301, 53-1-201 and 53-1-202, MCA.

Agency Proposed Budget	Total Exec. Budget Fiscal 2016	Total Exec. Budget Fiscal 2017	Total Exec. Budget 2017 Biennium
Budget Item			
FTE	70.01	70.01	
Personal Services	4,304,395	4,303,056	8,607,451
Operating Expenses	8,937,287	8,938,024	17,875,311
Equipment & Intangible Assets	416,545	416,545	833,090
Capital Outlay	40,946	40,946	81,892
<b>Total Costs</b>	<b>\$13,699,173</b>	<b>\$13,698,571</b>	<b>\$27,397,744</b>
Proprietary Funds	13,699,173	13,698,571	27,397,744
<b>Total Funds</b>	<b>\$13,699,173</b>	<b>\$13,698,571</b>	<b>\$27,397,744</b>

## Department of Corrections - 64010

### Mont Correctional Enterprises - 04

Please note that this program also contains HB 2 funding.



Program Proposed Budget	Base Budget Fiscal 2014	Budget Adjustments Fiscal 2016	Total Exec. Budget Fiscal 2016	Budget Adjustments Fiscal 2017	Total Exec. Budget Fiscal 2017	Executive Budget Request 2017 Biennium
FTE	70.01	0.00	70.01	0.00	70.01	
Personal Services	3,909,857	394,538	4,304,395	393,199	4,303,056	8,607,451
Operating Expenses	8,946,451	(9,164)	8,937,287	(8,427)	8,938,024	17,875,311
Equipment & Intangible Assets	416,545	0	416,545	0	416,545	833,090
Capital Outlay	40,946	0	40,946	0	40,946	81,892
<b>Total Costs</b>	<b>\$13,313,799</b>	<b>\$385,374</b>	<b>\$13,699,173</b>	<b>\$384,772</b>	<b>\$13,698,571</b>	<b>\$27,397,744</b>
Proprietary Funds	13,313,799	385,374	13,699,173	384,772	13,698,571	27,397,744
<b>Total Funds</b>	<b>\$13,313,799</b>	<b>\$385,374</b>	<b>\$13,699,173</b>	<b>\$384,772</b>	<b>\$13,698,571</b>	<b>\$27,397,744</b>

#### Proprietary Program Description - Fund 06033 - Agricultural

##### Program Description

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

##### Revenues and Expenses

The Agriculture program derives revenues from the sale of products such as cattle, milk, and other dairy products and providing inmate labor services in areas of wild land firefighting, fencing, tree thinning and clerk and janitorial work for governmental agencies and nonprofit organizations. Expenses include all feed that is not grown on the ranch, feed supplements, personal services, and other operating costs associated with the various sub-programs. The program does not anticipate drastic changes in revenues or operating expenditures over the biennium, although there will be cash outlays for equipment and buildings.

##### Rate(s) and Rate Explanations

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

## Department of Corrections - 64010

### Mont Correctional Enterprises - 04

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

The Agriculture program requires a high cash balance to maintain operations. Historically, it has been the practice to maintain a minimum of \$1 million. There is a yearly cattle sale that produces the majority of revenue for the entire operation along with monthly raw milk and processed milk and milk product sales. The yearly cattle sale also assists in maintaining the entire program throughout the remainder of the year. The cash balance fluctuates depending on the time of the year. In fiscal year 2016, a building project will be completed and equipment purchased that will utilize a large portion of the existing cash balance, without taking the balance below the historical minimum. This building project is for replacement of a maintenance building that was destroyed in a fire in 2013. There were also several pieces of farm machinery in the building when it was destroyed. Although an insurance claim will be utilized to pay for a portion of the cost of the building and equipment, insurance coverage is not adequate to cover all costs

#### *Working Capital Analysis*

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

#### **Fund 06034 - Industries**

##### *Program Description*

The Industries program trains inmates in specific work skills and life skills in operations which include manufacturing of furniture, upholstery, print work and signs, sewing and embroidery, institutional laundry, screen printing, inventory management, shipping, AutoCAD design, Web design, marketing, and hygiene kit assembly. In addition Industries includes a dog training program located at the Montana Women's Prison, called Prison Paws and teaches inmates how to provide basic training and social skills to dogs that have been donated to the program or rescued from the local animal shelters.

Two industries are certified by the U.S. Justice Department's Prison Industry Enhancement Certification Program. Inmates in these programs are paid prevailing wage for their work, and 80 percent of their gross wage is deducted for state and federal income tax, crime victim compensation, family support, and room and board. In addition, each inmate working in a certified program has 10 percent of his or her net wages deposited into a mandatory savings account available upon release.

##### *Revenues and Expenses*

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

The Laundry is expanding to include machines for washing inmate's personal clothing at the Montana State Prison facility. This expansion includes an addition to the existing building and lease of over a million dollars in industrial equipment. There will be two loan payments attributed to the expansion, one payable to the Department of Environmental Quality and the other to the MCE License Plate Factory. Revenues will increase due to the additional poundage of laundry from Montana State Prison. There will be a correlating cost increase associated with the additional equipment and expanded building.

##### *Rate(s) and Rate Explanations*

## Department of Corrections - 64010

### Mont Correctional Enterprises - 04

Revenues for all Industries programs, with the exception of the Laundry, are based on market values and fluctuate with the markets. Although the Industries program is an enterprise fund, it has requested rate approvals for the laundry rate per pound, as these will directly affect the general fund customers served. The Laundry is not an internal service fund as it is a small operation in the overall industries program. The department is requesting requesting rate increases of \$.07 and \$.08 per pound for FY 2016 and FY 2017 respectively. The following rates are requested for the 2017 biennium.

**Requested Rates for Internal Services Funds**

	<b>Actual FY 2014</b>	<b>Budgeted FY 2015</b>	<b>Budgeted FY 2016</b>	<b>Budgeted FY 2017</b>
Fee Description				
Cost Per Pound Laundry Services	0.51	0.52	0.59	0.60
Delivery Charge Per Pound				
Montana Developmental Center	0.05	0.05	0.05	0.05
Riverside YCF	0.05	0.05	0.05	0.05
MLEA	0.15	0.15	0.15	0.15
MCDC	0.04	0.04	0.04	0.04
START Program	0.01	0.01	0.01	0.01
Montana State Hospital	-0.01	-0.01	0.00	0.00
University of Montana	0.20	0.20	0.20	0.20

The requested rate increases will require additional appropriation for state agency customers.

*Projected Fund Balance, Including Cash Fluctuations*

The Industries program requires adequate cash flow to cover operational costs and cost of goods sold. Revenues are dependent on customer orders and expenses for raw materials are dependent on revenues. Due to the increase laundry production, an additional FTE will be hired for supervision and security, as the laundry is located in the high security compound of Montana State Prison. The additional projected costs are included in the propriety fund tables. In addition, there will be capital outlay for the building addition that is also noted on the proprietary fund tables.

*Working Capital Analysis*

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

**Fund 06545 – Vocational Education (Industries Training)**

*Program Description*

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

*Revenues and Expenses*

The Vocational Education program derives revenues from the repair and maintenance work performed on customer vehicles and equipment and the sale of products and services in the welding, machining and metals programs. Expenses include the cost of parts for repairs, personal services and other operating costs associated with the various programs.

## Department of Corrections - 64010

### Mont Correctional Enterprises - 04

We do not anticipate drastic changes in revenues or operating expenditures over the biennium. The Vocational Education program is not required to be self-supporting (per 53-30-133, MCA), and all MCE proprietary programs provide support if there are inadequate revenues to cover expenditures.

#### *Rate(s) and Rate Explanations*

Motor Vehicle Maintenance rates are based on the cost of parts and a supply charge to cover consumable supplies required for auto repairs. We are requesting an increase in the supply charge from five (5) to eight (8) percent to cover the increasing cost of these consumable supplies. This rate increase will not require additional appropriation to customers. In addition, customers are charged labor for time involved in vehicle repairs. The labor charge is based on cost of civilian and inmate labor and program overhead. MCE is not requesting a labor rate increase from the 2017 biennium.

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

#### **Requested Rates for Internal Services Funds**

	<b>Actual FY 2014</b>	<b>Budgeted FY 2015</b>	<b>Budgeted FY 2016</b>	<b>Budgeted FY 2017</b>
Fee Description				
Labor Charge /Hr	27.45	28.45	28.45	28.45
Parts are Sold at Cost				
Supply Fee as % of Actual Parts Cost	5%	5%	8%	8%

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

The Motor Vehicle Maintenance internal service fund does not fluctuate from year due to the low net income of the program.

#### *Working Capital Analysis*

The Motor Vehicle Maintenance program seldom carries in excess of a sixty (60) day working capital balance. This is not anticipated to change in the 2017 biennium

#### **Fund 06572 – License Plate Factory Internal Service Fund**

##### *Program Description*

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

##### *Revenues and Expenses*

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

#### *Rate(s) and Rate Explanations*

## Department of Corrections - 64010

### Mont Correctional Enterprises - 04

The License Plate Factory rates are based on the cost of raw materials as well as operational and capital expenditures. There were several requirements in the Senate Bill from the 2009 session (SB 508) that are currently being completed that will require large expenditures. These expenditures are included in the rate calculation. MCE is not requesting a rate increase for the 2017 biennium.

#### Requested Rates for Internal Services Funds

	Actual FY 2014	Budgeted FY 2015	Budgeted FY 2016	Budgeted FY 2017
Fee Description				
Cost Per Set of Plates	6.20	6.20	6.20	6.20

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

The License Plate Factory has maintained a high cash balance to pay for the cost of the distribution and inventory warehouse and other items that were required in the passage of SB508. The building is in the design phase and it will be completed in FY2016. In addition a new digital license plate printer is going out for RFP in FY2016. These expenditures will decrease the cash balance in this fund.

#### *Working Capital Analysis*

The License Plate Factory has a working capital balance over the allowable sixty (60) days due to the cost of the capital outlay that will be paid in the near future. There was not sufficient cash to cover these expenditures until the end of fiscal year 2014. MCE maintains a two year cash flow analysis to justify the cash balance maintained in this account.

#### **Fund 06573 – Food Factory Internal Service Fund**

##### *Program Description*

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

##### *Revenues and Expenses*

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

##### *Rate(s) and Rate Explanations*

The Food Factory rates are based on the cost of raw product, supplies, and other operating expenditures. MCE is not requesting a rate increase for fiscal year 2016. MCE is requesting a rate increase due to projected food cost and operational costs for fiscal year 2017. Projections for food costs include a 4% increase and 3% increase for supplies and operating expenses. Customers who purchase bulk food are charged the actual cost of the food product with a 5% markup to allow for raw product loss. This charge is based on their actual food costs as a percentage of all food purchased. In addition they are charged overhead costs. Customers who purchase tray meals are charged for the food and overhead as a tray meal cost. Detention facilities are charged for trayed meals plus disposable trays, dairy products, and accessory package as part of their tray costs. Delivery to all customers is based on the number of miles to the customer and actual time involved in the delivery.

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### Mont Correctional Enterprises - 04

#### Requested Rates for Internal Services Funds

	Actual FY 2014	Budgeted FY 2015	Budgeted FY 2016	Budgeted FY 2017
<b>Tray Meal Price</b>				
Base Tray - hot/cold	2.14	2.32	2.32	2.35
Base Tray - hot	1.08	1.18	1.18	1.22
Detention Center Trays	2.72	2.92	2.92	2.95
Accessory Package	0.16	0.16	0.16	0.16
<b>Delivery Charge Per Meal</b>				
Per Mile	0.50	0.50	0.50	0.50
Per Hour	35.00	35.00	35.00	35.00
Bulk food is sold at cost, with a spoilage percentage added and an overhead charge to cover operating costs. Overhead charges are 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	5%	5%	5%	5%
<b>Overhead Charges</b>				
Montana State Prison	76%	76%	76%	76%
Montana State Hospital	11%	11%	11%	11%
Treasure State Correctional Traiing	13%	13%	13%	13%

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

The Food Factory internal service fund has been low in the past years due to low net income and losses in the program. If any profit is realized, it is maintained within the Food Factory fund to be used for future equipment replacement. An itemized replacement schedule has been established.

#### *Working Capital Analysis*

The Food Factory is attempting to increase the fund balance to a 60 day working capital figure. It is anticipated that the fund may arrive at this figure in 2017.

# Department of Corrections - 64010

## Mont Correctional Enterprises - 04

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 64010	Agency Name: Department of Corrections			Program Name: Mont Correctional Enterprises		
	<b>Fund</b>	<b>Fund Name</b>				
	06572	MCE License Plate Production				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY12	FY13	FY14	FY15	FY16	FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	847,418	1,485,978	1,927,342	1,752,129	1,950,000	1,950,000
<b>Total Operating Revenues</b>	<b>847,418</b>	<b>1,485,978</b>	<b>1,927,342</b>	<b>1,752,129</b>	<b>1,950,000</b>	<b>1,950,000</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	973,047	997,724	1,335,942	1,510,000	1,825,000	2,235,000
<b>Total Operating Expenses</b>	<b>1,126,951</b>	<b>1,157,907</b>	<b>1,511,024</b>	<b>1,718,836</b>	<b>2,040,101</b>	<b>2,456,554</b>
<b>Operating Income (Loss)</b>	<b>(279,533)</b>	<b>328,071</b>	<b>416,318</b>	<b>33,293</b>	<b>(90,101)</b>	<b>(506,554)</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(279,533)</b>	<b>328,071</b>	<b>416,318</b>	<b>33,293</b>	<b>(90,101)</b>	<b>(506,554)</b>
Transfers Out	(1,222,061)	-	-	-	-	-
<b>Change in Net Position</b>	<b>(1,501,594)</b>	<b>328,071</b>	<b>416,318</b>	<b>33,293</b>	<b>(90,101)</b>	<b>(506,554)</b>
<b>Beginning Net Position - July 1</b>	<b>3,315,414</b>	<b>1,813,820</b>	<b>2,141,891</b>	<b>2,558,209</b>	<b>2,591,502</b>	<b>2,501,401</b>
Change in Net Position	(1,501,594)	328,071	416,318	33,293	(90,101)	(506,554)
<b>Ending Net Position - June 30</b>	<b>1,813,820</b>	<b>2,141,891</b>	<b>2,558,209</b>	<b>2,591,502</b>	<b>2,501,401</b>	<b>1,994,847</b>
<b>Net Position (Fund Balance) Analysis</b>						



# Department of Corrections - 64010

## Mont Correctional Enterprises - 04

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 64010	Agency Name: Department of Corrections			Program Name: Mont Correctional Enterprises		
	<b>Fund</b>	<b>Fund Name</b>				
	06573	MSP - Cook Chill				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	3,918,933	3,979,361	4,429,009	4,632,211	4,700,000	5,166,901
<b>Total Operating Revenues</b>	<b>3,918,933</b>	<b>3,979,361</b>	<b>4,429,009</b>	<b>4,632,211</b>	<b>4,700,000</b>	<b>5,166,901</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	973,675	952,023	1,023,955	1,135,153	1,169,207	1,204,283
<b>Total Operating Expenses</b>	<b>3,077,361</b>	<b>3,273,454</b>	<b>3,226,740</b>	<b>3,323,543</b>	<b>3,489,720</b>	<b>3,664,206</b>
<b>Operating Income (Loss)</b>	<b>(132,103)</b>	<b>(246,116)</b>	<b>178,314</b>	<b>173,515</b>	<b>41,073</b>	<b>298,412</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(132,103)</b>	<b>(246,116)</b>	<b>178,314</b>	<b>173,515</b>	<b>41,073</b>	<b>298,412</b>
Transfers Out						
<b>Change in Net Position</b>	<b>(170,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Beginning Net Position - July 1</b>	<b>(302,103)</b>	<b>(246,116)</b>	<b>178,314</b>	<b>173,515</b>	<b>41,073</b>	<b>298,412</b>
<b>Ending Net Position - June 30</b>	<b>2,607,096</b>	<b>2,304,993</b>	<b>2,058,877</b>	<b>2,237,191</b>	<b>2,410,706</b>	<b>2,451,779</b>
<b>Net Position (Fund Balance) Analysis</b>						

# Department of Corrections - 64010

## Mont Correctional Enterprises - 04

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 64010	Agency Name: Department of Corrections			Program Name: Mont Correctional Enterprises		
	<b>Fund</b>	<b>Fund Name</b>				
	06034	MSP Institutional Industries				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY12	FY13	FY14	FY15	FY16	FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	2,528,434	2,515,381	2,665,450	2,750,000	3,016,460	3,132,460
<b>Total Operating Revenues</b>	<b>2,528,434</b>	<b>2,515,381</b>	<b>2,665,450</b>	<b>2,750,000</b>	<b>3,016,460</b>	<b>3,132,460</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	936,909	978,376	1,013,636	1,144,318	1,178,648	1,214,007
<b>Total Operating Expenses</b>	<b>1,327,272</b>	<b>1,309,503</b>	<b>1,483,241</b>	<b>1,680,865</b>	<b>1,806,929</b>	<b>1,897,276</b>
<b>Operating Income (Loss)</b>	<b>264,253</b>	<b>227,502</b>	<b>168,573</b>	<b>(75,183)</b>	<b>30,883</b>	<b>21,177</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>264,253</b>	<b>227,502</b>	<b>168,573</b>	<b>(75,183)</b>	<b>30,883</b>	<b>21,177</b>
Capital Contributions						
<b>Change in Net Position</b>	<b>264,253</b>	<b>227,502</b>	<b>170,708</b>	<b>(75,183)</b>	<b>30,883</b>	<b>21,177</b>
<b>Beginning Net Position - July 1</b>	<b>1,815,738</b>	<b>2,079,991</b>	<b>2,307,493</b>	<b>2,478,201</b>	<b>2,403,018</b>	<b>2,433,901</b>
Change in Net Position	264,253	227,502	170,708	(75,183)	30,883	21,177
<b>Ending Net Position - June 30</b>	<b>2,079,991</b>	<b>2,307,493</b>	<b>2,478,201</b>	<b>2,403,018</b>	<b>2,433,901</b>	<b>2,455,078</b>
<b>Net Position (Fund Balance) Analysis</b>						

# Department of Corrections - 64010

## Mont Correctional Enterprises - 04

<b>2017 Biennium Report on Internal Service and Enterprise Funds</b>						
Agency # 64010	Agency Name: Department of Corrections			Program Name: Mont Correctional Enterprises		
	<b>Fund</b>	<b>Fund Name</b>				
	06545	Prison Indust. Training Prog				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	585,665	606,566	543,328	593,328	600,000	600,000
<b>Total Operating Revenues</b>	<b>585,665</b>	<b>606,566</b>	<b>543,328</b>	<b>593,328</b>	<b>600,000</b>	<b>600,000</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	382,333	403,557	389,952	395,000	397,000	397,000
<b>Total Operating Expenses</b>	<b>527,756</b>	<b>564,097</b>	<b>576,961</b>	<b>589,459</b>	<b>597,293</b>	<b>597,294</b>
<b>Operating Income (Loss)</b>	<b>57,909</b>	<b>42,469</b>	<b>(33,633)</b>	<b>3,869</b>	<b>2,707</b>	<b>2,706</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>57,909</b>	<b>42,469</b>	<b>(33,633)</b>	<b>3,869</b>	<b>2,707</b>	<b>2,706</b>
<b>Change in Net Position</b>	<b>57,909</b>	<b>42,469</b>	<b>(33,633)</b>	<b>3,869</b>	<b>2,707</b>	<b>2,706</b>
<b>Beginning Net Position - July 1</b>	49,265	107,174	149,643	116,010	119,879	122,586
Change in Net Position	57,909	42,469	(33,633)	3,869	2,707	2,706
<b>Ending Net Position - June 30</b>	<b>107,174</b>	<b>149,643</b>	<b>116,010</b>	<b>119,879</b>	<b>122,586</b>	<b>125,292</b>
<b>Net Position (Fund Balance) Analysis</b>						

# Department of Corrections - 64010

## Mont Correctional Enterprises - 04

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 64010	Agency Name: Department of Corrections			Program Name: Mont Correctional Enterprises		
	<b>Fund</b>	<b>Fund Name</b>				
	06033	Prison Ranch				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY12	FY13	FY14	FY15	FY16	FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	4,751,321	4,426,329	4,951,689	5,100,000	5,150,000	5,250,000
Revenue A	-	3,500	3,177	-	-	-
<b>Total Operating Revenues</b>	<b>4,751,321</b>	<b>4,429,829</b>	<b>4,954,866</b>	<b>5,100,000</b>	<b>5,150,000</b>	<b>5,250,000</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	1,393,101	1,417,047	1,542,480	1,619,604	1,668,192	1,718,237
Expense B	-	-	-	-	550,000	-
<b>Total Operating Expenses</b>	<b>3,927,046</b>	<b>4,614,216</b>	<b>4,850,416</b>	<b>5,019,604</b>	<b>5,668,192</b>	<b>5,218,237</b>
<b>Operating Income (Loss)</b>	<b>824,275</b>	<b>(184,387)</b>	<b>104,450</b>	<b>80,396</b>	<b>(518,192)</b>	<b>31,763</b>
Nonoperating Revenues:						
Other Revenue A	139,268	(23,608)	679,679	-	-	-
Nonoperating Expenses:						
Other Expense A	(62,099)	55,054	222,414	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>77,169</b>	<b>31,446</b>	<b>902,093</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>901,444</b>	<b>(152,941)</b>	<b>1,006,543</b>	<b>80,396</b>	<b>(518,192)</b>	<b>31,763</b>
Transfers In						
Transfers Out	61,000	-	-	-	-	-
<b>Change in Net Position</b>	<b>(61,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(550,000)</b>	<b>-</b>
<b>Beginning Net Position - July 1</b>	<b>9,572,265</b>	<b>10,473,709</b>	<b>10,320,768</b>	<b>11,327,311</b>	<b>11,407,707</b>	<b>10,339,515</b>
Change in Net Position	901,444	(152,941)	1,006,543	80,396	(1,068,192)	31,763
<b>Ending Net Position - June 30</b>	<b>10,473,709</b>	<b>10,320,768</b>	<b>11,327,311</b>	<b>11,407,707</b>	<b>10,339,515</b>	<b>10,371,278</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$394,538
FY 2017	\$0	\$393,199

**SWPL - 1 - Personal Services -**

The budget includes funding to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium.

## Department of Corrections - 64010

### Mont Correctional Enterprises - 04

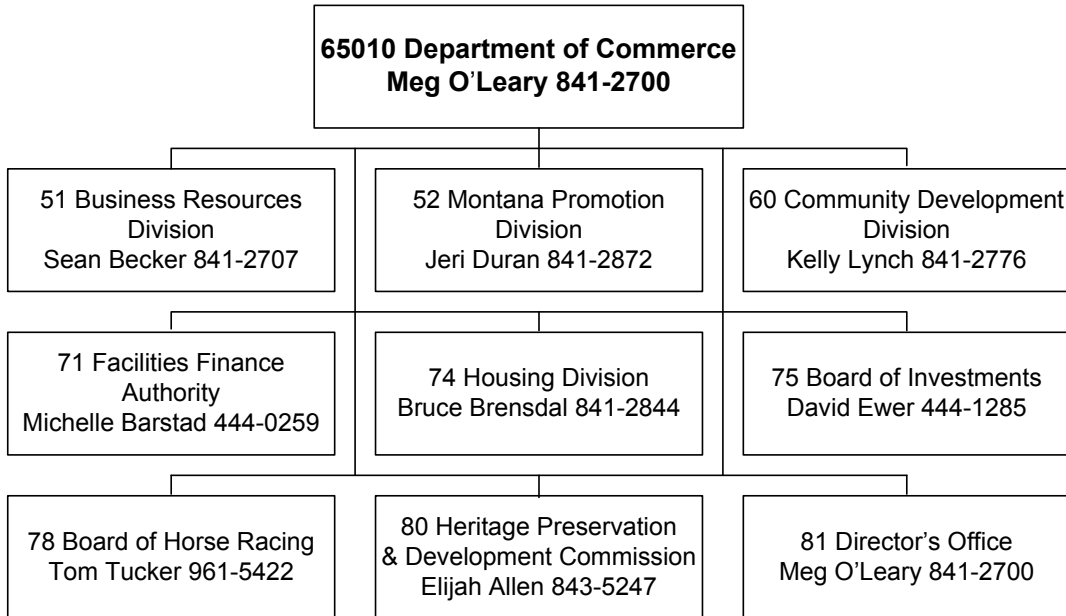
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$9,164)
FY 2017	\$0	(\$8,427)

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

This change package includes budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

## Department of Commerce - 65010

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.

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

Agency Proposed Budget	Total Exec. Budget Fiscal 2016	Total Exec. Budget Fiscal 2017	Total Exec. Budget 2017 Biennium
Budget Item			
FTE	105.33	105.33	
Personal Services	9,062,543	9,059,074	18,121,617
Operating Expenses	6,954,711	6,833,771	13,788,482
Equipment & Intangible Assets	5,345	5,345	10,690
Grants	60,000	60,000	120,000
Benefits & Claims	38,622,758	39,395,188	78,017,946
Transfers	19,775	19,775	39,550
<b>Total Costs</b>	<b>\$54,725,132</b>	<b>\$55,373,153</b>	<b>\$110,098,285</b>
Proprietary Funds	54,725,132	55,373,153	110,098,285
<b>Total Funds</b>	<b>\$54,725,132</b>	<b>\$55,373,153</b>	<b>\$110,098,285</b>

# Department of Commerce - 65010

## Facility Finance Authority - 71

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

Program Proposed Budget	Base Budget	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2014	Adjustments Fiscal 2016	Exec. Budget Fiscal 2016	Adjustments Fiscal 2017	Exec. Budget Fiscal 2017	Budget Request 2017 Biennium
FTE	3.00	0.00	3.00	0.00	3.00	
Personal Services	173,357	93,137	266,494	92,593	265,950	532,444
Operating Expenses	138,804	22,067	160,871	10,911	149,715	310,586
Grants	57,000	3,000	60,000	3,000	60,000	120,000
Transfers	18,833	942	19,775	942	19,775	39,550
<b>Total Costs</b>	<b>\$387,994</b>	<b>\$119,146</b>	<b>\$507,140</b>	<b>\$107,446</b>	<b>\$495,440</b>	<b>\$1,002,580</b>
Proprietary Funds	387,994	119,146	507,140	107,446	495,440	1,002,580
<b>Total Funds</b>	<b>\$387,994</b>	<b>\$119,146</b>	<b>\$507,140</b>	<b>\$107,446</b>	<b>\$495,440</b>	<b>\$1,002,580</b>

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

#### Program Description

The Facility Finance Authority was created by the 1983 Legislature to assist health care and related facilities in containing future health care costs by offering debt financing or refinancing at low-cost, tax-exempt interest rates 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 61st Legislative Session, effective July 1, 2009.

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

#### Revenues & Expenses

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

The authority application and annual administrative fee assessments are contingent upon its business volume. Customer volume is assumed to be at the current level throughout the 2017 biennium.

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

For the purposes of this analysis, it is assumed the authority's ongoing work and customer levels remain constant. Non-typical and one time only expenses, if any, are subtracted from any proposed budgets. Personal services expenditures fund 3.00 FTE and board member per diem.

#### Rate(s) and Rate Explanation

## **Department of Commerce - 65010**

### **Facility Finance Authority - 71**

The Facilities Finance Authority is funded by an enterprise fund, and authority customers are outside of state government.

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

The fee structure that is proposed does not materially vary from that proposed in the last session.

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

The total fund equity requirement for the 2017 biennium (\$14,719,971) is derived from the following authority program reserve mandates:

- Biennium Working Capital Reserve; \$1,155,124
- Capital Reserve Account (Loan Loss Reserve); \$11,615,345
- Facility Direct Loan Program Reserve; \$1,949,502

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

The 60 day working capital calculation is not reasonably applicable to the authority, because national bond rating agencies, national bond insurers, and institutional investors expect the authority to reserve two years of operating capital (approximately \$1,155,124) to assure that the authority can financially operate between legislative sessions.



# Department of Commerce - 65010

## Facility Finance Authority - 71

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 65010	Agency Name: Department of Commerce			Program Name: Facility Finance Authority		
	<b>Fund</b>	<b>Fund Name</b>				
	06015	Facilities Finance Authority				
	06012	HFA Loan Program				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	713,097	532,429	498,053	490,000	515,000	510,000
Fee Revenue B	53,025	55,904	45,718	49,000	42,000	45,000
Other Operating Revenue	782	-	-	-	-	-
<b>Total Operating Revenues</b>	<b>766,904</b>	<b>588,333</b>	<b>543,771</b>	<b>539,000</b>	<b>557,000</b>	<b>555,000</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	186,424	185,738	178,086	240,050	266,502	265,959
<b>Total Operating Expenses</b>	<b>193,438</b>	<b>222,872</b>	<b>197,039</b>	<b>319,512</b>	<b>220,871</b>	<b>209,715</b>
<b>Operating Income (Loss)</b>	<b>379,862</b>	<b>408,610</b>	<b>375,125</b>	<b>559,562</b>	<b>487,373</b>	<b>475,674</b>
<b>Operating Income (Loss)</b>						
	387,042	179,723	168,646	(20,562)	69,627	79,326
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>387,042</b>	<b>179,723</b>	<b>168,646</b>	<b>(20,562)</b>	<b>69,627</b>	<b>79,326</b>
Transfers Out						
<b>Change in Net Position</b>	<b>(17,419)</b>	<b>(12,916)</b>	<b>(18,833)</b>	<b>(18,000)</b>	<b>(19,775)</b>	<b>(19,775)</b>
<b>Beginning Net Position - July 1</b>	<b>369,623</b>	<b>166,807</b>	<b>149,813</b>	<b>(38,562)</b>	<b>49,852</b>	<b>59,551</b>
Prior Period Adjustments	-	(11,833)	-	-	-	-
Change in Net Position	4,172,254	4,541,877	4,696,851	4,846,664	4,808,102	4,857,954
<b>Ending Net Position - June 30</b>	<b>4,541,877</b>	<b>4,696,851</b>	<b>4,846,664</b>	<b>4,808,102</b>	<b>4,857,954</b>	<b>4,917,505</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$90,247
FY 2017	\$0	\$89,703

**SWPL - 1 - Personal Services -**

The budget includes \$90,247 in FY 2016 and \$89,703 in FY 2017 to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium.

## Department of Commerce - 65010

### Facility Finance Authority - 71

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$3,515
FY 2017	\$0	(\$8,071)

**SWPL - 2 - Fixed Costs -**

This request includes an increase of \$3,515 in FY 2016 and a reduction of \$8,071 in FY 2017 to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs are liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$2)
FY 2017	\$0	\$3

**SWPL - 3 - Inflation Deflation -**

This change package includes a reduction of \$2 in FY 2016 and an increase of \$3 in FY 2017 to reflect the budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$25,386
FY 2017	\$0	\$25,811

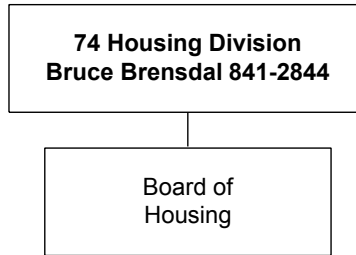
**PL - 7107101 - FFA Administrative Costs Adjustments -**

The budget includes \$25,386 in FY 2016 and \$25,811 in FY 2017 for administrative costs, including overtime, per diem, rent, and other expenses.

# Department of Commerce - 65010

## Housing Division - 74

Please note that this program also contains HB 2 funding.



Program Proposed Budget	Base Budget Fiscal 2014	Budget Adjustments Fiscal 2016	Total Exec. Budget Fiscal 2016	Budget Adjustments Fiscal 2017	Total Exec. Budget Fiscal 2017	Executive Budget Request 2017 Biennium
FTE	46.50	4.83	51.33	4.83	51.33	
Personal Services	2,858,295	547,398	3,405,693	550,272	3,408,567	6,814,260
Operating Expenses	3,690,617	197,852	3,888,469	126,460	3,817,077	7,705,546
Equipment & Intangible Assets	5,345	0	5,345	0	5,345	10,690
Benefits & Claims	36,000,262	2,622,496	38,622,758	3,394,926	39,395,188	78,017,946
<b>Total Costs</b>	<b>\$42,554,519</b>	<b>\$3,367,746</b>	<b>\$45,922,265</b>	<b>\$4,071,658</b>	<b>\$46,626,177</b>	<b>\$92,548,442</b>
Proprietary Funds	42,554,519	3,367,746	45,922,265	4,071,658	46,626,177	92,548,442
<b>Total Funds</b>	<b>\$42,554,519</b>	<b>\$3,367,746</b>	<b>\$45,922,265</b>	<b>\$4,071,658</b>	<b>\$46,626,177</b>	<b>\$92,548,442</b>

- Proprietary Program Description -**
- Fund 06030 BOH Financial Programs**
- Fund 06031 Housing Trust Fund**
- Fund 06032 BOH Loan Servicing**
- Fund 06078 Affordable Housing Revolving**
- Fund 06079 Revolving Loan – TANF**

### Program Description

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

The board currently operates with a staff of 30.00 FTE.

### Revenues & Expenses

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

## Department of Commerce - 65010

### Housing Division - 74

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Department of Commerce - 65010

### Housing Division - 74

#### Loan Program Charges:

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

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

#### Low Income Housing Tax Credit Charges:

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

#### Other Loan Programs:

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

#### Payment of Bond Debt:

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

#### Investments:

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

#### Other Mortgage Purchases:

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

### **Fund 06074 Section 8 Project Based**

#### *Program Description*

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

## Department of Commerce - 65010

### Housing Division - 74

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 2781 Authorization of Section 8 Housing.

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

#### *Revenues & Expenses*

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

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

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

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

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

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

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

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

#### **Fund 06075 HUD Section 8 Housing program**

#### **Fund 06085 HUD Section 8 Mod Rehab**

#### *Program Description*

Tenant Based Section 8 (TBS8) provides rent assisted units for very low income families (including elderly and disabled) to ensure they have decent, safe, and sanitary housing, using the HUD Section 8 Housing Choice Vouchers and Moderate Rehabilitation programs. The program operates on a first come, first 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 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 2781 Authorization of Section 8 Housing.

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

## Department of Commerce - 65010

### Housing Division - 74

#### *Revenues & Expenses*

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

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

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

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

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

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

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

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

# Department of Commerce - 65010

## Housing Division - 74

<b>2017 Biennium Report on Internal Service and Enterprise Funds</b>							
Agency # 65010	Agency Name: Department of Commerce			Program Name: Housing Division			
	<b>Fund</b>	<b>Fund Name</b>					
	06030	BOH Financial Program Fund					
	06078	Affordable House Revolving Ln					
	06079	Revolving Loan Fund - TANF					
	06032	Mortgage Loan Servicing					
	06031	Housing Trust Fund					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>							
Fee and Charges							
	Fee Revenue A	634,429	1,612,613	2,364,574	2,589,573	2,789,573	2,789,573
	Fee Revenue B	37,853,720	25,417,690	25,651,257	28,039,596	30,177,211	32,107,851
	Fee Revenue C	503,310	50,000	255	255	255	255
	Fee Revenue D	201,756	186,964	126,846	126,846	126,846	126,846
	Fee Revenue E	18,520	12,186	777,713	27,713	27,713	27,713
	Other Operating Revenue	72,000	49,500	-	-	-	-
	<b>Total Operating Revenues</b>	<b>39,283,735</b>	<b>27,328,953</b>	<b>28,920,645</b>	<b>30,783,983</b>	<b>33,121,598</b>	<b>35,052,238</b>
<b>Expenses:</b>							
	Personal Services	1,124,704	1,429,706	1,674,445	1,858,093	1,998,687	2,000,982
	Other Operating Expenses	2,422,667	1,849,776	2,513,358	1,903,195	1,893,206	1,845,986
	Expense B	32,057,885	26,970,923	24,233,410	26,959,725	29,064,259	31,255,386
	<b>Total Operating Expenses</b>	<b>35,605,256</b>	<b>30,250,405</b>	<b>28,421,213</b>	<b>30,721,013</b>	<b>32,956,152</b>	<b>35,102,354</b>
	<b>Operating Income (Loss)</b>	<b>3,678,479</b>	<b>(2,921,452)</b>	<b>499,432</b>	<b>62,970</b>	<b>165,446</b>	<b>(50,116)</b>
Nonoperating Revenues:							
Nonoperating Expenses:							
	<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
	<b>Income (Loss) Before Contributions and Transfers</b>	<b>3,678,479</b>	<b>(2,921,452)</b>	<b>499,432</b>	<b>62,970</b>	<b>165,446</b>	<b>(50,116)</b>
	<b>Change in Net Position</b>	<b>3,678,479</b>	<b>(2,921,452)</b>	<b>499,432</b>	<b>62,970</b>	<b>165,446</b>	<b>(50,116)</b>
	<b>Beginning Net Position - July 1</b>	156,771,382	160,449,861	157,530,107	152,073,761	152,136,731	152,302,177
	Prior Period Adjustments	-	1,698	(5,955,778)	-	-	-
	Change in Net Position	3,678,479	(2,921,452)	499,432	62,970	165,446	(50,116)
	<b>Ending Net Position - June 30</b>	<b>160,449,861</b>	<b>157,530,107</b>	<b>152,073,761</b>	<b>152,136,731</b>	<b>152,302,177</b>	<b>152,252,061</b>
<b>Net Position (Fund Balance) Analysis</b>							



# Department of Commerce - 65010

## Housing Division - 74

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 65010	Agency Name: Department of Commerce			Program Name: Housing Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06074	SEC 8 Project Based				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	22,167	20,222	11,940	4,020	12,747	13,127
Fee Revenue B	1,029	35	6	-	-	-
Other Operating Revenue	19,783,329	19,531,695	19,563,866	20,150,782	20,755,305	21,377,964
<b>Total Operating Revenues</b>	<b>19,806,525</b>	<b>19,551,952</b>	<b>19,575,812</b>	<b>20,154,802</b>	<b>20,768,052</b>	<b>21,391,091</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	524,127	581,357	568,732	488,053	676,705	676,211
<b>Total Operating Expenses</b>	<b>19,127,896</b>	<b>18,982,720</b>	<b>18,867,307</b>	<b>20,874,971</b>	<b>19,280,524</b>	<b>19,648,765</b>
<b>Operating Income (Loss)</b>	<b>154,502</b>	<b>(12,125)</b>	<b>139,773</b>	<b>(1,208,222)</b>	<b>810,823</b>	<b>1,066,115</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
Other Expense A	-	-	(300,000)	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>(300,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>154,502</b>	<b>(12,125)</b>	<b>(160,227)</b>	<b>(1,208,222)</b>	<b>810,823</b>	<b>1,066,115</b>
<b>Change in Net Position</b>	<b>154,502</b>	<b>(12,125)</b>	<b>(160,227)</b>	<b>(1,208,222)</b>	<b>810,823</b>	<b>1,066,115</b>
<b>Beginning Net Position - July 1</b>	<b>3,692,302</b>	<b>3,846,804</b>	<b>3,834,679</b>	<b>3,674,452</b>	<b>2,466,230</b>	<b>3,277,053</b>
Change in Net Position	154,502	(12,125)	(160,227)	(1,208,222)	810,823	1,066,115
<b>Ending Net Position - June 30</b>	<b>3,846,804</b>	<b>3,834,679</b>	<b>3,674,452</b>	<b>2,466,230</b>	<b>3,277,053</b>	<b>4,343,168</b>
<b>Net Position (Fund Balance) Analysis</b>						

# Department of Commerce - 65010

## Housing Division - 74

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 65010	Agency Name: Department of Commerce			Program Name: Housing Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06085	Section 8 Mod Rehab				
	06075	HUD Section 8 Housing Program				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	15,005	13,734	7,400	6,588	7,850	8,085
Fee Revenue B	1,316	36	-	-	-	-
Other Operating Revenue	20,368,189	20,894,139	20,655,195	21,732,723	22,368,082	23,029,282
<b>Total Operating Revenues</b>	<b>20,384,510</b>	<b>20,907,909</b>	<b>20,662,595</b>	<b>21,739,311</b>	<b>22,375,932</b>	<b>23,037,367</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	593,635	630,849	644,637	844,844	730,162	731,233
<b>Total Operating Expenses</b>	<b>20,653,510</b>	<b>20,614,748</b>	<b>19,189,823</b>	<b>22,453,247</b>	<b>21,342,842</b>	<b>21,722,859</b>
<b>Operating Income (Loss)</b>	<b>(862,635)</b>	<b>(337,688)</b>	<b>828,135</b>	<b>(1,558,780)</b>	<b>302,928</b>	<b>583,275</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(862,635)</b>	<b>(337,688)</b>	<b>828,135</b>	<b>(1,558,780)</b>	<b>302,928</b>	<b>583,275</b>
<b>Change in Net Position</b>	<b>(862,635)</b>	<b>(337,688)</b>	<b>828,135</b>	<b>(1,558,780)</b>	<b>302,928</b>	<b>583,275</b>
<b>Beginning Net Position - July 1</b>	6,314,192	5,451,557	5,115,801	5,943,936	4,385,156	4,688,084
Prior Period Adjustments	-	1,932	-	-	-	-
Change in Net Position	(862,635)	(337,688)	828,135	(1,558,780)	302,928	583,275
<b>Ending Net Position - June 30</b>	<b>5,451,557</b>	<b>5,115,801</b>	<b>5,943,936</b>	<b>4,385,156</b>	<b>4,688,084</b>	<b>5,271,359</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$180,414
FY 2017	\$0	\$183,979

**SWPL - 1 - Personal Services -**

The budget includes funding in FY 2016 and FY 2017 to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium.

## Department of Commerce - 65010

### Housing Division - 74

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$78,212
FY 2017	\$0	(\$1,004)

**SWPL - 2 - Fixed Costs -**

This request includes funding in FY 2016 and FY 2017 required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs are liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$2,026)
FY 2017	\$0	(\$1,692)

**SWPL - 3 - Inflation Deflation -**

This change package includes funding in FY 2016 and FY 2017 to reflect the budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$160,456
FY 2017	\$0	\$168,047

**PL - 7407404 - HD Administrative Costs Adjustments -**

The budget includes \$160,456 in FY 2016 and \$168,047 in FY 2017 for personal services, operating, and other administrative costs associated with staff reorganization within the Board of Housing's loan servicing program.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$2,622,496
FY 2017	\$0	\$3,394,926

**PL - 7407405 - HD Section 8 Housing Assistance Adjustments -**

The budget includes \$2,622,496 in FY 2016 and \$3,394,926 in FY 2017 for projected increases in the Department of Housing and Urban Development's fair market rents.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$328,194
FY 2017	\$0	\$327,402

**NP - 7407403 - HD Loan Servicing & Staff Reorganization -**

The budget includes \$328,194 for FY 2016 and \$327,402 for FY 2017 for personal services, operating, and other administrative costs associated with staff reorganization within the Board of Housing's loan servicing program.

# Department of Commerce - 65010

## Board of Investments - 75

**75 Board of Investments**  
**David Ewer 444-1285**

Program Proposed Budget	Base Budget	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2014	Adjustments Fiscal 2016	Exec. Budget Fiscal 2016	Adjustments Fiscal 2017	Exec. Budget Fiscal 2017	Budget Request 2017 Biennium
FTE	32.00	0.00	32.00	0.00	32.00	
Personal Services	3,125,531	561,253	3,686,784	555,691	3,681,222	7,368,006
Operating Expenses	2,348,414	247,016	2,595,430	216,412	2,564,826	5,160,256
Equipment & Intangible Assets	5,346	(5,346)	0	(5,346)	0	0
<b>Total Costs</b>	<b>\$5,479,291</b>	<b>\$802,923</b>	<b>\$6,282,214</b>	<b>\$766,757</b>	<b>\$6,246,048</b>	<b>\$12,528,262</b>
Proprietary Funds	5,479,291	802,923	6,282,214	766,757	6,246,048	12,528,262
<b>Total Funds</b>	<b>\$5,479,291</b>	<b>\$802,923</b>	<b>\$6,282,214</b>	<b>\$766,757</b>	<b>\$6,246,048</b>	<b>\$12,528,262</b>

**Proprietary Program Description -  
Fund 06014 Industrial Revenue Bond I-95  
Fund 06527 Investment Division**

*Program Description*

Unified Investment Program

The Board of Investments manages the Unified Investment Program mandated by Article VIII, Section 13 of the Montana Constitution. Section 2-15-1808, MCA, created the Board of Investments, and Section 17-6-201, MCA, gave the board sole authority to invest state funds. The board also invests local government funds at their discretion. The board currently manages an investment portfolio with a market value of approximately \$15.9 billion. The board manages the portfolio under the "prudent expert principle."

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

In-State Investments

Section 17-6-305, MCA, authorizes the board to invest 25 percent of the Permanent Coal Tax Trust Fund to assist Montana's economic development. This "In-State Investment Program" makes business loans from the Trust Fund in participation with financial institutions. The board lends trust fund monies to local governments to fund infrastructure that will serve job-creating businesses located in the government's jurisdiction, and lends low-interest monies to value-added type businesses creating jobs. The board also provides low interest loans for first-time home buying Montana veterans.

The board purchases Montana residential mortgages with pension funds as part of the In-State Investment Program.

INTERCAP Program

The board sells tax-exempt bonds and lends the proceeds to eligible governments for 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's 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.

## Department of Commerce - 65010

### Board of Investments - 75

Board customers include state agencies, the university system, local governments, financial institutions, and local economic development organizations. There has been no significant change in the services provided by the Board of Investments from those provided in the last biennium, although the investment portfolio continues to grow in size and complexity.

The Board of Investments is funded by two proprietary funds, which are described below.

#### **Fund 06014 Industrial Revenue Bond I-95**

##### *Revenues & Expenses*

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

The board does not receive any direct appropriations. The major cost drivers within the board are personal services, operating expenses, and expenditures related to the periodic replacement of computer equipment. Additionally, over \$2 million was disbursed in FY 2014, via a statutory appropriation, for debt service requirements related to the state's bonding activity.

There is little uncertainty in forecasting major cost drivers, and for the purposes of this analysis, it is assumed the board'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. There are 4.00 FTE in the bond program. Personal services expenditures include board member per diem.

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

The board recovers its costs from the entities that use its services. Typically, this has been done by requesting a maximum level of expenditures, similar to what occurs in HB 2, and setting the fee at that level. This process has worked very well since the passage of HB 576 in 1995, and this methodology is continued in the 2017 biennium because it provides an easy comparison with historical financial activity.

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

At the proposed rates, the board projects a 2017 biennium ending fund balance of approximately \$5,128,858.

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

Revenues are typically received on an annual basis, so a substantial working capital balance is required to provide adequate funding for the bond program between draws.

#### **Fund 06527 Investment Division**

##### *Revenues & Expenses*

Nearly all investment program revenues are generated from charges to each account that the board invests. The revenue objective of the investment program is to fairly assess the costs of operations while maintaining a reasonable and prudent 60 day working capital reserve.

The Board of Investments does not receive any direct appropriations.

The major cost drivers within the board are personal services, operating expenses, and expenditures related to the periodic replacement of computer equipment. There is little uncertainty in forecasting major cost drivers, and for the purposes of this analysis, it is assumed the board's workload and customer levels will remain constant, although investment portfolios

## Department of Commerce - 65010

### Board of Investments - 75

will continue to grow in size. Non-typical and one time only expenses, if any, are subtracted from proposed budgets. There are 28.00 FTE funded in the investment division. Personal services expenditures include board member per diem.

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

The board recovers its costs from the entities that use its services. Typically, this has been done by requesting a maximum level of expenditures, similar to what occurs in HB 2, and setting the fee at that level. This process has worked very well since the passage of HB 576 in 1995, and this methodology is continued in the 2017 biennium because it provides an easy comparison with historical financial activity.

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

Allocation Methodology: The revenue objective of the board is to assess the costs of operations to each portfolio the board invests, while attempting to maintain a reasonable and prudent 60 day working capital reserve.

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

At the proposed rates, the board projects a 2017 biennium ending fund balance of approximately \$659,869.

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

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

At the proposed rates, the board projects a fiscal year end 2017 ending working capital reserve of approximately 60 days. All interest earnings on the working capital reserve are distributed to the state general fund.

# Department of Commerce - 65010

## Board of Investments - 75

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 65010	Agency Name: Department of Commerce			Program Name: Board of Investments		
	<b>Fund</b>	<b>Fund Name</b>				
	06014	Industrial Revenue Bond I-95				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	67,797	49,854	47,143	205,230	150,310	199,675
Fee Revenue B	187	7	1	-	200	200
Other Operating Revenue	1,345,856	942,108	762,538	1,716,019	1,356,765	1,666,655
<b>Total Operating Revenues</b>	<b>1,413,840</b>	<b>991,969</b>	<b>809,682</b>	<b>1,921,249</b>	<b>1,507,275</b>	<b>1,866,530</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	275,326	172,145	371,864	344,884	364,846	364,081
Expense B	125,841	133,668	149,095	180,249	176,654	167,514
<b>Total Operating Expenses</b>	<b>740,441</b>	<b>613,118</b>	<b>2,032,896</b>	<b>1,594,800</b>	<b>1,090,415</b>	<b>1,438,445</b>
<b>Operating Income (Loss)</b>	<b>272,232</b>	<b>73,038</b>	<b>(1,744,173)</b>	<b>(198,684)</b>	<b>(124,640)</b>	<b>(103,510)</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>272,232</b>	<b>73,038</b>	<b>(1,744,173)</b>	<b>(198,684)</b>	<b>(124,640)</b>	<b>(103,510)</b>
Transfers In						
<b>Change in Net Position</b>	<b>17,419</b>	<b>12,916</b>	<b>18,833</b>	<b>18,000</b>	<b>19,775</b>	<b>19,775</b>
<b>Beginning Net Position - July 1</b>	<b>289,651</b>	<b>85,954</b>	<b>(1,725,340)</b>	<b>(180,684)</b>	<b>(104,865)</b>	<b>(83,735)</b>
<b>Change in Net Position</b>	<b>6,847,880</b>	<b>7,137,531</b>	<b>7,223,485</b>	<b>5,498,145</b>	<b>5,317,461</b>	<b>5,212,596</b>
<b>Ending Net Position - June 30</b>	<b>7,137,531</b>	<b>7,223,485</b>	<b>5,498,145</b>	<b>5,317,461</b>	<b>5,212,596</b>	<b>5,128,861</b>
<b>Net Position (Fund Balance) Analysis</b>						

## Department of Commerce - 65010

### Board of Investments - 75

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 65010	Agency Name: Department of Commerce			Program Name: Board of Investments		
	<b>Fund</b>	<b>Fund Name</b>				
	06527	Investment Division				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY12	FY13	FY14	FY15	FY16	FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	4,619,784	4,066,500	5,164,248	5,234,796	6,031,846	6,031,846
Other Operating Revenue	-	244	12	-	-	-
<b>Total Operating Revenues</b>	<b>4,619,784</b>	<b>4,066,744</b>	<b>5,164,260</b>	<b>5,234,796</b>	<b>6,031,846</b>	<b>6,031,846</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	2,498,975	2,801,288	2,871,926	3,012,886	3,481,498	3,476,565
<b>Total Operating Expenses</b>	<b>1,927,905</b>	<b>1,974,553</b>	<b>2,225,196</b>	<b>2,123,697</b>	<b>2,418,776</b>	<b>2,397,312</b>
<b>Operating Income (Loss)</b>	<b>192,904</b>	<b>(709,097)</b>	<b>67,138</b>	<b>98,213</b>	<b>131,572</b>	<b>157,969</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>192,904</b>	<b>(709,097)</b>	<b>67,138</b>	<b>98,213</b>	<b>131,572</b>	<b>157,969</b>
<b>Change in Net Position</b>	<b>192,904</b>	<b>(709,097)</b>	<b>67,138</b>	<b>98,213</b>	<b>131,572</b>	<b>157,969</b>
<b>Beginning Net Position - July 1</b>	<b>721,158</b>	<b>914,062</b>	<b>204,977</b>	<b>272,115</b>	<b>370,328</b>	<b>501,900</b>
Prior Period Adjustments	-	12	-	-	-	-
Change in Net Position	192,904	(709,097)	67,138	98,213	131,572	157,969
<b>Ending Net Position - June 30</b>	<b>914,062</b>	<b>204,977</b>	<b>272,115</b>	<b>370,328</b>	<b>501,900</b>	<b>659,869</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$556,096
FY 2017	\$0	\$550,534

**SWPL - 1 - Personal Services -**

The budget includes funding in FY 2016 and FY 2017 to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium.



# Department of Commerce - 65010

## Board of Investments - 75

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$63,649
FY 2017	\$0	(\$21,816)

### SWPL - 2 - Fixed Costs -

This request includes funding in FY 2016 and FY 2017 required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs are liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$162)
FY 2017	\$0	(\$111)

### SWPL - 3 - Inflation Deflation -

This change package includes funding in FY 2016 and FY 2017 to reflect the budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$183,340
FY 2017	\$0	\$238,150

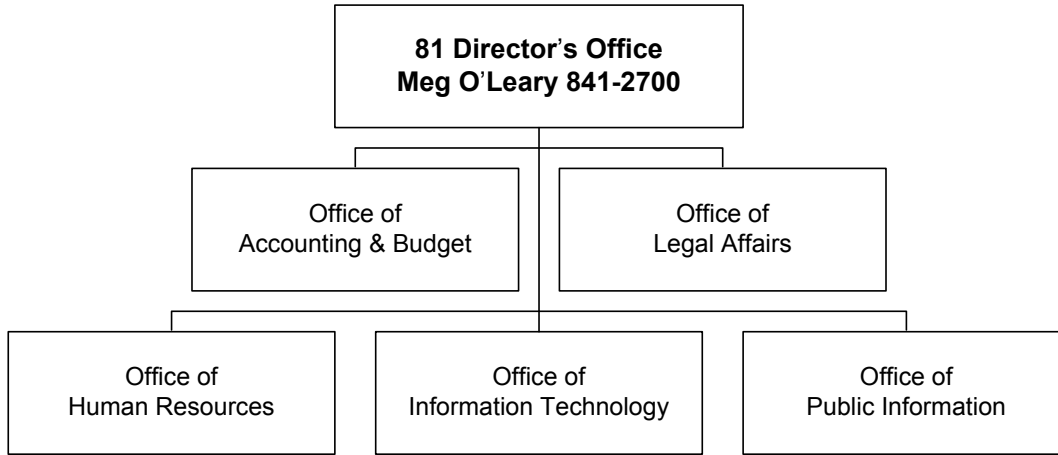
### PL - 7507501 - BOI Administrative Costs Adjustments -

The budget includes \$183,340 for FY 2016 and \$238,150 for FY 2017 for consulting and professional services, including legal services, computer hardware, administrative costs, and other expenses.

# Department of Commerce - 65010

## Director's Office - 81

Please note that this program also contains HB 2 funding.



Program Proposed Budget	Base Budget	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2014	Adjustments Fiscal 2016	Exec. Budget Fiscal 2016	Adjustments Fiscal 2017	Exec. Budget Fiscal 2017	Budget Request 2017 Biennium
FTE	19.00	0.00	19.00	0.00	19.00	
Personal Services	1,505,188	198,384	1,703,572	198,147	1,703,335	3,406,907
Operating Expenses	288,181	21,760	309,941	13,972	302,153	612,094
<b>Total Costs</b>	<b>\$1,793,369</b>	<b>\$220,144</b>	<b>\$2,013,513</b>	<b>\$212,119</b>	<b>\$2,005,488</b>	<b>\$4,019,001</b>
Proprietary Funds	1,793,369	220,144	2,013,513	212,119	2,005,488	4,019,001
<b>Total Funds</b>	<b>\$1,793,369</b>	<b>\$220,144</b>	<b>\$2,013,513</b>	<b>\$212,119</b>	<b>\$2,005,488</b>	<b>\$4,019,001</b>

### Proprietary Program Description - Fund 06542 Commerce Centralized Services

#### Program Description

The Director's Office provides overall leadership, communication, and management support to the Department of Commerce staff, programs, bureaus, divisions, and administratively attached boards. The office provides executive, administrative, legal, and policy direction along with offering problem-solving guidance. The office keeps abreast of department related issues and acts in a public relations and informational capacity to ensure the public is informed of the important services provided by the department. The office works closely with economic and community development organizations, businesses, communities, governmental entities, elected officials, and the public to diversify and expand the state's economic base. The office 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 office also provides effective and efficient internal support to department 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 office is funded through an internal service fund. The office's responsibilities are mandated primarily in Title 2, Chapter 15 and Title 90, Chapter 1, MCA.

#### Revenues & Expenses

## Department of Commerce - 65010

### Director's Office - 81

The office is funded by revenues from charges allocated to all divisions, bureaus, and programs supported by the agency's indirect cost plan. Indirect costs are allocated to supported programs, based upon federally calculated, and legislatively approved, indirect cost rates applied to actual personal services expenditures.

The revenue objective of the 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 office has historically used this methodology in calculating indirect rates, because the federal government requires the same methodology to be used when charging indirect costs to federally funded programs.

The major cost drivers within the office are personal services, operating expenses, and expenditures related to the periodic replacement of the office's computer equipment.

Factors that contribute to uncertainty in forecasting expenses involve potential legislative actions, since the cost of providing centralized support services is directly related to the number and complexity of the agency's divisions, bureaus, and programs, as well as the number of agency staff served. As agency services and programs increase or decrease, management needs to remain cognizant of staffing requirements and indirect cost rates and make the necessary adjustments when needed.

For the purposes of this analysis, it is assumed the agency's divisions, bureaus, programs, and staff remain constant. Non-typical and one-time-only expenses are subtracted out of the future cost projections before calculating the indirect rate. The proposed indirect cost rate will fund 19.00 FTE in the 2017 biennium.

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

The office calculates a federal indirect cost rate on an annual basis. This rate is a fixed rate for federally funded programs, which is then applied against actual federally funded personal services expenditures within the agency. The federally calculated rate requires that a carry-forward amount be built into the rate. This carry-forward amount represents the amount the office under-recovered, or over-recovered, in a given fiscal year. This computation compares what was originally calculated to what actually occurred. The difference is then carried forward into the following year's rate.

The indirect cost rate is determined based on guidelines prescribed by the federal government. Additionally, the 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 office cannot impose a rate higher than what has been approved by the legislature. However, the annually calculated federal rate may be slightly lower.

Authority: Federally calculated indirect cost plan for federally funded programs, and legislatively approved rate for state funded programs. The FY 2016 and FY 2017 federally approved rate is an estimated rate.

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

The requested rates are .55% lower than those approved for the 2015 biennium.

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

At the proposed rates, the office projects a 2017 biennium ending fund balance of approximately \$247,597.

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

The office's indirect cost rate is calculated by dividing projected annual expenses, plus a nominal 60 day working capital reserve, by the projected actual personal services expenses of supported divisions, bureaus, and programs. Federally funded programs are allocated indirect costs by an annually calculated indirect cost rate, while state funded programs are allocated indirect costs via a legislatively approved indirect cost rate.

# Department of Commerce - 65010

## Director's Office - 81

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 65010	Agency Name: Department of Commerce			Program Name: Director's Office		
	<b>Fund</b>	<b>Fund Name</b>				
	06542	Commerce Centralized Services				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	1,205,764	1,346,972	1,616,871	1,501,677	1,730,966	1,730,863
Other Operating Revenue	25,000	25,657	259	-	-	-
<b>Total Operating Revenues</b>	<b>1,230,764</b>	<b>1,372,629</b>	<b>1,617,130</b>	<b>1,501,677</b>	<b>1,730,966</b>	<b>1,730,863</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	1,332,811	1,469,185	1,526,464	1,651,191	1,754,646	1,755,930
<b>Total Operating Expenses</b>	<b>229,030</b>	<b>283,817</b>	<b>270,618</b>	<b>236,894</b>	<b>309,941</b>	<b>302,153</b>
<b>Operating Income (Loss)</b>	<b>(331,077)</b>	<b>(380,373)</b>	<b>(179,952)</b>	<b>(386,408)</b>	<b>(333,621)</b>	<b>(327,220)</b>
Nonoperating Revenues:						
Other Revenue A	302,365	317,130	334,973	302,365	302,365	302,365
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>302,365</b>	<b>317,130</b>	<b>334,973</b>	<b>302,365</b>	<b>302,365</b>	<b>302,365</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(28,712)</b>	<b>(63,243)</b>	<b>155,021</b>	<b>(84,043)</b>	<b>(31,256)</b>	<b>(24,855)</b>
<b>Change in Net Position</b>	<b>(28,712)</b>	<b>(63,243)</b>	<b>155,021</b>	<b>(84,043)</b>	<b>(31,256)</b>	<b>(24,855)</b>
<b>Beginning Net Position - July 1</b>	<b>324,685</b>	<b>295,973</b>	<b>232,730</b>	<b>387,751</b>	<b>303,708</b>	<b>272,452</b>
Change in Net Position	(28,712)	(63,243)	155,021	(84,043)	(31,256)	(24,855)
<b>Ending Net Position - June 30</b>	<b>295,973</b>	<b>232,730</b>	<b>387,751</b>	<b>303,708</b>	<b>272,452</b>	<b>247,597</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$198,268
FY 2017	\$0	\$198,031

**SWPL - 1 - Personal Services -**

The budget includes funding in FY 2016 and FY 2017 to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium.

# Department of Commerce - 65010

## Director's Office - 81

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$8,045
FY 2017	\$0	\$8,045

### SWPL - 2 - Fixed Costs -

This request includes funding in FY 2016 and FY 2017 required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs are liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$157)
FY 2017	\$0	(\$109)

### SWPL - 3 - Inflation Deflation -

This change package includes funding in FY 2016 and FY 2017 to reflect the budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

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

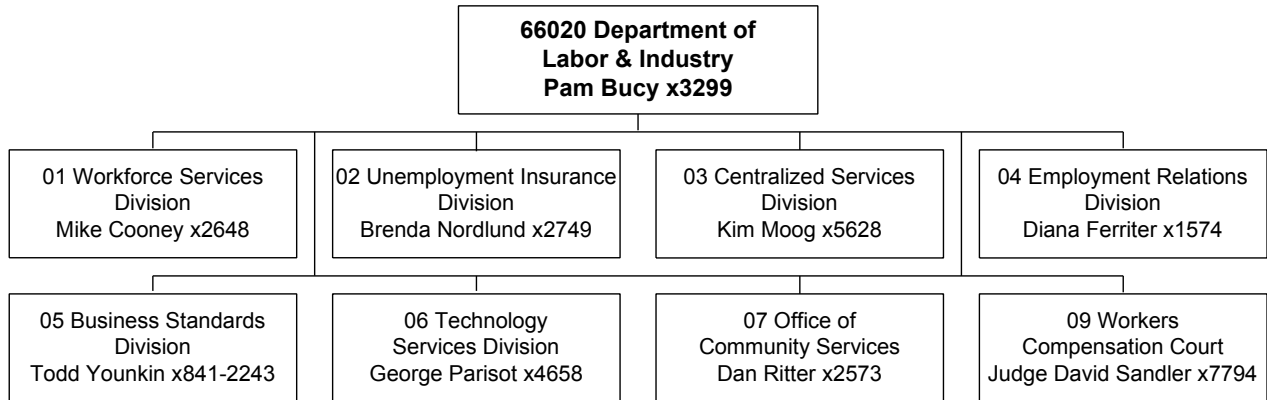
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$13,988
FY 2017	\$0	\$6,152

### PL - 8108102 - DO Administrative Costs Adjustments -

The budget includes \$13,988 in FY 2016 and \$6,152 in FY 2017 for administrative costs, including travel, rent, and other expenses.

# Department of Labor & Industry - 66020

Please note that this agency also contains HB 2 funding.



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

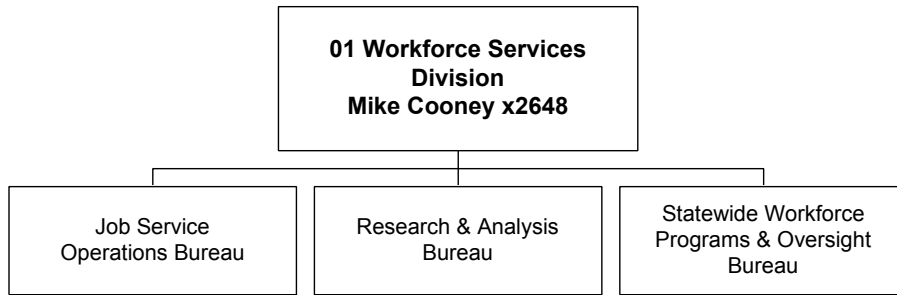
**Statutory Authority** - Primarily Titles 18, 30, 37, 39, 49, 50, and 90, MCA, and the federal Corporation for National Service.

Agency Proposed Budget	Total Exec. Budget Fiscal 2016	Total Exec. Budget Fiscal 2017	Total Exec. Budget 2017 Biennium
Budget Item			
FTE	108.75	108.75	
Personal Services	9,194,433	9,200,136	18,394,569
Operating Expenses	8,202,183	8,073,771	16,275,954
Benefits & Claims	134,899,329	134,899,329	269,798,658
Transfers	37,843	37,843	75,686
Debt Service	12,135	12,135	24,270
<b>Total Costs</b>	<b>\$152,345,923</b>	<b>\$152,223,214</b>	<b>\$304,569,137</b>
Proprietary Funds	152,345,923	152,223,214	304,569,137
<b>Total Funds</b>	<b>\$152,345,923</b>	<b>\$152,223,214</b>	<b>\$304,569,137</b>

# Department of Labor & Industry - 66020

## Workforce Services Division - 01

Please note that this program also contains HB 2 funding.



Program Proposed Budget	Base Budget Fiscal 2014	Budget Adjustments Fiscal 2016	Total Exec. Budget Fiscal 2016	Budget Adjustments Fiscal 2017	Total Exec. Budget Fiscal 2017	Executive Budget Request 2017 Biennium
Operating Expenses	8,161	0	8,161	0	8,161	16,322
<b>Total Costs</b>	<b>\$8,161</b>	<b>\$0</b>	<b>\$8,161</b>	<b>\$0</b>	<b>\$8,161</b>	<b>\$16,322</b>
Proprietary Funds	8,161	0	8,161	0	8,161	16,322
<b>Total Funds</b>	<b>\$8,161</b>	<b>\$0</b>	<b>\$8,161</b>	<b>\$0</b>	<b>\$8,161</b>	<b>\$16,322</b>

### Proprietary Program Description - Fund 06051 - Montana Career Info System

#### Program Description

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

#### Revenues and Expenses

The expenses of the proprietary program are limited to the operational expenses of the optional features. These are typically site specific licensing fees. Revenue is generated through fees for purchase of a one year optional component license. The department collects the fees from the sites purchasing the license/assessment, and then pays those fees to the service provider on a 1:1 ratio.

#### Rates and Rate Explanation

- IDEAS Assessment: \$100 per site license, per year
- Dependable Strengths: \$200 per site license, per year
- Peterson's Academic Practice Tests: \$225 per site, per practice test package
- Peterson's Civil Service Practice Test Package \$175 per site

#### Changes in Level of Fees and Charges

Through the 2013-1014 school year, the Department of Labor and Industry paid for IDEAS assessment licensing for sites who wished to use it but starting with the 2014 school year, the department will no longer be paying that fee. Although the

## Department of Labor & Industry - 66020

### Workforce Services Division - 01

cost for the IDEAS assessment has not changed, the funding mechanism has. Therefore, this account will see increased activity from the IDEAS assessment charges being collected into and paid out of this account. The department estimates 50 schools will purchase the IDEAS assessment, therefore, revenues/expenditures have been increased by this amount. All other charges/fees will stay the same.

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

Other than a small balance existing due to the timing of collection/paying of fees into and out of the account, this account is not projected to run a fund balance.

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

There is no requirement for working capital. Revenues collected will equal payments out of the account on a 1:1 ratio.

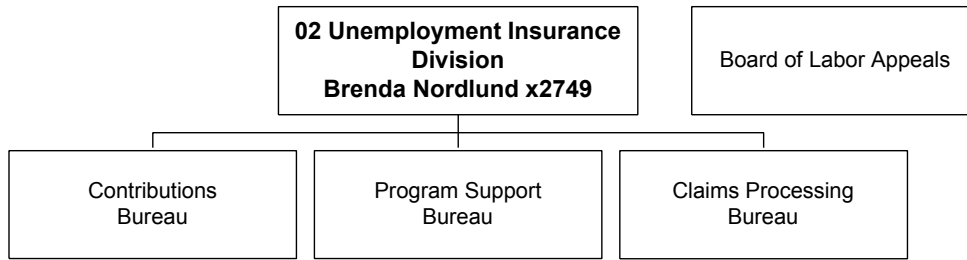
<b>2017 Biennium Report on Internal Service and Enterprise Funds</b>						
Agency # 66020	Agency Name: Department of Labor & Industry		Program Name: Workforce Services Division			
	<b>Fund</b>	<b>Fund Name</b>				
	06051	Montana Career Info System				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	675	4,550	437	10,000	10,000	10,000
<b>Total Operating Revenues</b>	<b>675</b>	<b>4,550</b>	<b>437</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>
<b>Expenses:</b>						
Other Operating Expenses	15,800	3,240	8,162	12,593	8,162	8,162
<b>Total Operating Expenses</b>	<b>15,800</b>	<b>3,240</b>	<b>8,162</b>	<b>12,593</b>	<b>8,162</b>	<b>8,162</b>
<b>Operating Income (Loss)</b>	<b>(15,125)</b>	<b>1,310</b>	<b>(7,725)</b>	<b>(2,593)</b>	<b>1,838</b>	<b>1,838</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(15,125)</b>	<b>1,310</b>	<b>(7,725)</b>	<b>(2,593)</b>	<b>1,838</b>	<b>1,838</b>
<b>Change in Net Position</b>	<b>(15,125)</b>	<b>1,310</b>	<b>(7,725)</b>	<b>(2,593)</b>	<b>1,838</b>	<b>1,838</b>
<b>Beginning Net Position - July 1</b>	24,132	9,007	10,317	2,592	(1)	1,837
Change in Net Position	(15,125)	1,310	(7,725)	(2,593)	1,838	1,838
<b>Ending Net Position - June 30</b>	<b>9,007</b>	<b>10,317</b>	<b>2,592</b>	<b>(1)</b>	<b>1,837</b>	<b>3,675</b>
<b>Net Position (Fund Balance) Analysis</b>						



# Department of Labor & Industry - 66020

## Unemployment Insurance Division - 02

Please note that this program also contains HB 2 funding.



Program Proposed Budget	Base Budget Fiscal 2014	Budget Adjustments Fiscal 2016	Total Exec. Budget Fiscal 2016	Budget Adjustments Fiscal 2017	Total Exec. Budget Fiscal 2017	Executive Budget Request 2017 Biennium
Benefits & Claims	134,208,796	0	134,208,796	0	134,208,796	268,417,592
<b>Total Costs</b>	<b>\$134,208,796</b>	<b>\$0</b>	<b>\$134,208,796</b>	<b>\$0</b>	<b>\$134,208,796</b>	<b>\$268,417,592</b>
Proprietary Funds	134,208,796	0	134,208,796	0	134,208,796	268,417,592
<b>Total Funds</b>	<b>\$134,208,796</b>	<b>\$0</b>	<b>\$134,208,796</b>	<b>\$0</b>	<b>\$134,208,796</b>	<b>\$268,417,592</b>

### Proprietary Program Description - Fund 06069 - UI Tax Benefit Fund

#### Program Description

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

#### Revenues and Expenses

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

#### Rates and Rate Explanation

The Unemployment Insurance Division administers the state unemployment insurance law. There is no proprietary rate but a collection of contributions from employers that are used to pay the unemployment insurance benefits to claimants who have involuntarily become unemployed.

#### Changes in Level of Fees and Charges

Section 39-51-1217, MCA, sets the rate at which the employers contributions are charged for the purpose of paying Unemployment Insurance Benefits.

#### Projected Fund Balance, Including Cash Fluctuations

The net position is restricted for use only by the Unemployment Insurance Division for allowable operating expenses.

#### Working Capital and Fees Commensurate Analysis

## Department of Labor & Industry - 66020

### Unemployment Insurance Division - 02

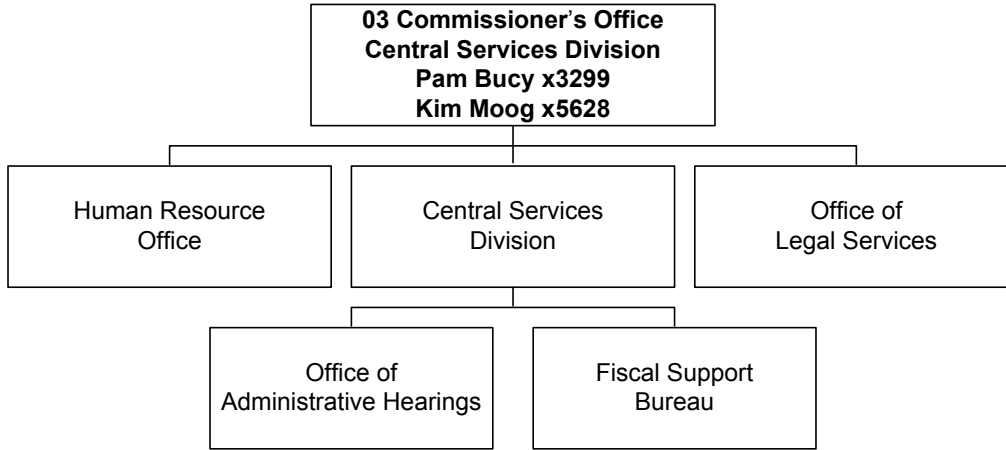
The proprietary fund includes Unemployment Insurance Trust Fund so the fund will never be in compliance with the 60 day working capital and will always exceed the requirement.

<b>2017 Biennium Report on Internal Service and Enterprise Funds</b>						
Agency # 66020	Agency Name: Department of Labor & Industry			Program Name: Unemployment Insurance Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06069	UI Tax Benefit Fund				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Revenue A	3,594,398	4,197,229	4,985,071	6,370,000	7,180,000	7,445,000
Revenue B	159,224,666	160,367,957	157,284,437	137,711,000	116,425,000	109,208,000
Revenue C	92,485,617	56,772,451	24,674,343	15,053,000	15,300,000	15,800,000
<b>Total Operating Revenues</b>	<b>255,304,681</b>	<b>221,337,637</b>	<b>186,943,851</b>	<b>159,134,000</b>	<b>138,905,000</b>	<b>132,453,000</b>
<b>Expenses:</b>						
Other Operating Expenses						
	217,829,746	179,826,038	136,174,297	136,155,914	134,208,796	134,208,796
<b>Total Operating Expenses</b>	<b>217,829,746</b>	<b>179,826,038</b>	<b>136,174,297</b>	<b>136,155,914</b>	<b>134,208,796</b>	<b>134,208,796</b>
<b>Operating Income (Loss)</b>	<b>37,474,935</b>	<b>41,511,599</b>	<b>50,769,554</b>	<b>22,978,086</b>	<b>4,696,204</b>	<b>(1,755,796)</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	<b>37,474,935</b>	<b>41,511,599</b>	<b>50,769,554</b>	<b>22,978,086</b>	<b>4,696,204</b>	<b>(1,755,796)</b>
<b>Change in Net Position</b>	<b>37,474,935</b>	<b>41,511,599</b>	<b>50,769,554</b>	<b>22,978,086</b>	<b>4,696,204</b>	<b>(1,755,796)</b>
<b>Beginning Net Position - July 1</b>	100,700,222	138,175,157	179,686,756	230,456,310	253,434,396	258,130,600
Change in Net Position	37,474,935	41,511,599	50,769,554	22,978,086	4,696,204	(1,755,796)
<b>Ending Net Position - June 30</b>	<b>138,175,157</b>	<b>179,686,756</b>	<b>230,456,310</b>	<b>253,434,396</b>	<b>258,130,600</b>	<b>256,374,804</b>
<b>Net Position (Fund Balance) Analysis</b>						

# Department of Labor & Industry - 66020

## Commissioner's Office & Centralized Services Division - 03

Please note that this program also contains HB 2 funding.



Program Proposed Budget	Base Budget Fiscal 2014	Budget Adjustments Fiscal 2016	Total Exec. Budget Fiscal 2016	Budget Adjustments Fiscal 2017	Total Exec. Budget Fiscal 2017	Executive Budget Request 2017 Biennium
FTE	53.75	0.00	53.75	0.00	53.75	
Personal Services	4,034,618	535,138	4,569,756	537,663	4,572,281	9,142,037
Operating Expenses	1,747,633	428,421	2,176,054	258,432	2,006,065	4,182,119
Debt Service	5,587	0	5,587	0	5,587	11,174
<b>Total Costs</b>	<b>\$5,787,838</b>	<b>\$963,559</b>	<b>\$6,751,397</b>	<b>\$796,095</b>	<b>\$6,583,933</b>	<b>\$13,335,330</b>
Proprietary Funds	5,787,838	963,559	6,751,397	796,095	6,583,933	13,335,330
<b>Total Funds</b>	<b>\$5,787,838</b>	<b>\$963,559</b>	<b>\$6,751,397</b>	<b>\$796,095</b>	<b>\$6,583,933</b>	<b>\$13,335,330</b>

### Proprietary Program Description - Fund 06546 - Commissioner's Office/CSD

#### Program Description

Supportive services provided by the Commissioner's Office and Centralized Services Division are funded through an indirect cost rate whereby the department programs are assessed a percentage of their personal services costs.

#### Revenues and Expenses

Major expenses for this program consist of the personal services costs for the Commissioner's Office Staff, Centralized Services Division Administrator, Fiscal Support Bureau, and Office of Human Resources. Other expenses of this program include department-wide fixed costs such as the SWCAP, Legislative Audit fees, and HRIS service fees; charges for Legal services that benefit the entire department; and charges for IT applications that benefit the entire department. This rate funded 33.50 FTE in the base year.

Expenses for the proposed rate were estimated based on actual base year expenses, projecting any possible increases or decreases. This fund is collected via an indirect cost rate that is charged against personal services expenses. The services provided in exchange for this fee include: human resources, accounting, budgeting, payroll processing, mail processing, and other department-wide management and administration.

## Department of Labor & Industry - 66020

### Commissioner's Office & Centralized Services Division - 03

In 2009 through 2012, the department received ARRA funding, which resulted in increased personal services. This in turn resulted in higher than anticipated revenue collections for this fund. In addition, this fund also experienced higher than usual vacancies in 2011 and 2012, resulting in lower than usual expenses for the fund. The combination of those two things resulted in a cash balance that was in excess of the allowed 60 day working capital. In an attempt to lower this excess cash balance, the department implemented decreased rates in 2010 through 2012. In 2013, the department requested and received permission from its Federal Cost Negotiator to issue a refund of a large portion of cash from this fund, in order to bring the cash to a more reasonable number. At the close of FY 2014, working capital for this fund had returned to an appropriate balance. And the rate is now increasing back to levels that are closer to what they were pre-ARRA (the 2008 rate charged was 8.88% and the 2009 rate was 8.75%).

#### *Rates and Rate Explanation*

The rate requested, 8.07%, is an indirect cost rate, assessed on personal services expenses. It is calculated by dividing the total anticipated expenses of the program by the total anticipated personal services expenses of remainder of the department, resulting in a percentage rate. When calculating the rate, the numerator (total anticipated expenses of the program) can be increased or decreased to account for over or under collections in previous years.

After each pay period, the rate is multiplied by the personal services expenses of each funding source, and the resulting fee is collected. The fee is referred to as the cost allocation plan (CAP) rate.

The rate charged must be approved each fiscal year by the department's Federal Cost Negotiator. The actual rate charged can differ from the requested rate due to the fact that estimates can be more accurate with more current data. Historically, the rate actually charged has been less than the legislatively approved rate.

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

As stated above, the proposed rate represents a slight increase from the rate charged in the base year, as the fund has returned to an appropriate working capital balance, and no longer needs to artificially lower the rate in order to utilize an excess working capital balance.

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

The department does not have any obligations to reserve fund balance. Management's objective is to maintain the existing fund balance.

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

The fund is allowed to maintain up to a 60 day working capital. The program strives to maintain a cash balance that is adequate to allow the fund to maintain a positive cash balance (to support expenses that are incurred before revenue collection occurs) as well as to maintain a reserve in case of unexpected or emergency expenses.

### **Fund 06552 - Admin Services**

#### *Program Description*

The Office of Legal Services provides legal assistance to the department's six programs and two administratively attached entities, whereby an hourly rate for attorney fees is established. Revenues generated fund 20.75 FTE.

#### *Revenues and Expenses*

Customer payments in the base year were \$2,385,155. These payments were made in exchange for Legal services from this office.

Expenses of the fund are comprised of salaries and overhead costs of agency Legal staff. The fee is designed to collect enough cash to cover these expenses, as well as to maintain an appropriate working capital balance.

## Department of Labor & Industry - 66020

### Commissioner's Office & Centralized Services Division - 03

#### *Rates and Rate Explanation*

The rate to be charged is a direct hourly rate, charged to each division based on number of hours of legal service they receive. It is calculated by dividing the total anticipated costs of the Office of Legal Services by the anticipated number of direct hours to be charged by the program. The rate proposed may vary from the actual rate charged if more accurate information regarding cost estimates or anticipated number of direct hours becomes available.

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

There are no significant changes to the methodology for calculating the rate for the Office of Legal Services. This rate is an increase over the previous biennium's rate, as a result of two factors. First, attorney salaries were increased in 2014 in an effort to bring their pay closer to the market rate for their profession. Second, the program needs to build working capital to a more acceptable level. As the rate was new in the 2015 biennium, current working capital balances are well below the allowed 60 day amount. This anticipated increase has been built into the rate.

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

Net Position: The program does not have any requirement to reserve fund balance. The program is allowed to maintain up to 60 days of working capital, and was well below that at the completion of base year 2014. The department would like to increase working capital, in order to ensure there is sufficient cash on hand within the fund at all times. Doing so will result in an increase in net position.

Cash Flow: Revenue collection for the fund typically happens on a monthly basis. It is necessary for the fund to maintain enough cash to support any payroll expenses that post during that month, as well as any operating or overhead costs that are paid.

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

As mentioned above, the department needs to maintain working capital balances sufficient to process any payroll that posts within a month's time (the amount of time between revenue collections), as well as any operating or overhead costs that are paid during that month. Typically this requires at least 30 days of working capital. The department monitors revenue, expenses, and cash in the fund on a regular basis to ensure that fees are commensurate with costs. If fees appear to be too high, a refund is issued or the rate decreased. Likewise, if the fee appears to be too low, expenses are cut, or a fee increase is requested.

## Department of Labor & Industry - 66020

### Commissioner's Office & Centralized Services Division - 03

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 66020	Agency Name: Department of Labor & Industry			Program Name: Commissioner's Office & Centralized Services Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06546	Commissioners Office/CSD				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY12	FY13	FY14	FY15	FY16	FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	2,243,530	1,396,190	2,154,039	2,094,607	2,542,057	2,542,057
Other Operating Revenue	2,168	758	13,447	680	-	-
<b>Total Operating Revenues</b>	<b>2,245,698</b>	<b>1,396,948</b>	<b>2,167,486</b>	<b>2,095,287</b>	<b>2,542,057</b>	<b>2,542,057</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	1,826,372	2,064,569	2,135,509	2,037,667	2,491,156	2,491,156
<b>Total Operating Expenses</b>	<b>1,240,399</b>	<b>1,379,804</b>	<b>1,467,997</b>	<b>1,405,942</b>	<b>1,595,246</b>	<b>1,595,246</b>
<b>Operating Income (Loss)</b>	<b>(821,073)</b>	<b>(2,047,425)</b>	<b>(1,436,020)</b>	<b>(1,348,322)</b>	<b>(1,544,345)</b>	<b>(1,544,345)</b>
Nonoperating Revenues:						
Other Revenue A	1,372,370	943,700	1,309,029	1,516,785	1,544,345	1,544,345
Nonoperating Expenses:						
Other Expense A	-	(108,370)	(109,101)	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>1,372,370</b>	<b>835,330</b>	<b>1,199,928</b>	<b>1,516,785</b>	<b>1,544,345</b>	<b>1,544,345</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>551,297</b>	<b>(1,212,095)</b>	<b>(236,092)</b>	<b>168,463</b>	<b>-</b>	<b>-</b>
Transfers Out						
<b>Change in Net Position</b>	<b>-</b>	<b>(3,092)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Beginning Net Position - July 1</b>	<b>376,332</b>	<b>927,642</b>	<b>(283,744)</b>	<b>(519,836)</b>	<b>(351,373)</b>	<b>(351,373)</b>
Prior Period Adjustments	13	3,801	-	-	-	-
Change in Net Position	551,297	(1,215,187)	(236,092)	168,463	-	-
<b>Ending Net Position - June 30</b>	<b>927,642</b>	<b>(283,744)</b>	<b>(519,836)</b>	<b>(351,373)</b>	<b>(351,373)</b>	<b>(351,373)</b>
<b>Net Position (Fund Balance) Analysis</b>						

## Department of Labor & Industry - 66020

### Commissioner's Office & Centralized Services Division - 03

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 66020	Agency Name: Department of Labor & Industry			Program Name: Commissioner's Office & Centralized Services Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06552	Admin Services				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY12	FY13	FY14	FY15	FY16	FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	1,265,397	855,686	2,421,572	2,421,572	2,575,000	2,575,000
<b>Total Operating Revenues</b>	<b>1,265,397</b>	<b>855,686</b>	<b>2,421,572</b>	<b>2,421,572</b>	<b>2,575,000</b>	<b>2,575,000</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	1,034,073	1,089,045	1,995,473	1,728,418	2,012,846	2,073,231
<b>Total Operating Expenses</b>	<b>1,247,659</b>	<b>1,270,395</b>	<b>2,391,737</b>	<b>2,085,398</b>	<b>2,433,094</b>	<b>2,493,479</b>
<b>Operating Income (Loss)</b>	<b>17,738</b>	<b>(414,709)</b>	<b>29,835</b>	<b>336,174</b>	<b>141,906</b>	<b>81,521</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
Other Expense A	(36,874)	(40,810)	(76,567)	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(36,874)</b>	<b>(40,810)</b>	<b>(76,567)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(19,136)</b>	<b>(455,519)</b>	<b>(46,732)</b>	<b>336,174</b>	<b>141,906</b>	<b>81,521</b>
<b>Change in Net Position</b>	<b>(19,136)</b>	<b>(455,519)</b>	<b>(46,732)</b>	<b>336,174</b>	<b>141,906</b>	<b>81,521</b>
<b>Beginning Net Position - July 1</b>	<b>225,958</b>	<b>180,164</b>	<b>(275,355)</b>	<b>(322,087)</b>	<b>14,087</b>	<b>155,993</b>
Prior Period Adjustments	(26,658)	-	-	-	-	-
Change in Net Position	(19,136)	(455,519)	(46,732)	336,174	141,906	81,521
<b>Ending Net Position - June 30</b>	<b>180,164</b>	<b>(275,355)</b>	<b>(322,087)</b>	<b>14,087</b>	<b>155,993</b>	<b>237,514</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$535,138
FY 2017	\$0	\$537,663

#### SWPL - 1 - Personal Services -

The budget includes funding to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium.

**Department of Labor & Industry - 66020**

**Commissioner's Office & Centralized Services Division - 03**

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$318,769
FY 2017	\$0	\$133,570

**SWPL - 2 - Fixed Costs -**

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$810)
FY 2017	\$0	(\$703)

**SWPL - 3 - Inflation Deflation -**

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

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$110,462
FY 2017	\$0	\$125,565

**NP - 303001 - TSD Funding Switch -**

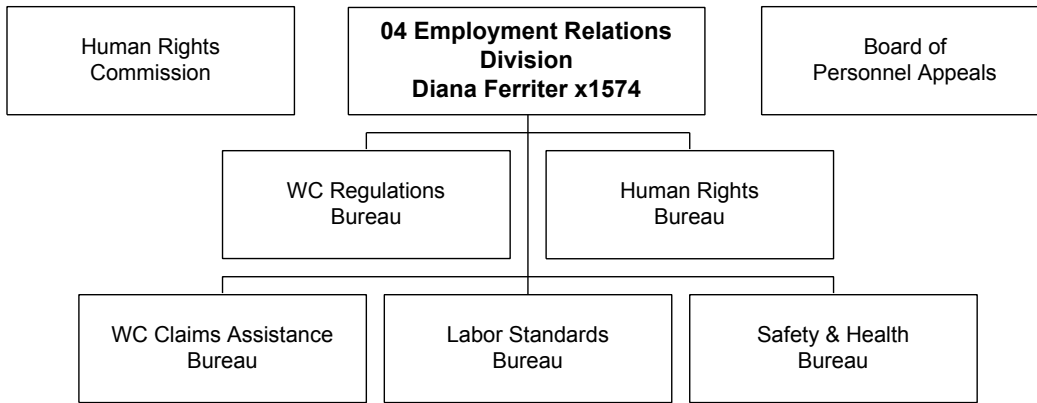
The Centralized Services Division requests funding for operating expenses related the reorganization of the Technology Services Division. These costs are the estimated amount the Centralized Services Division will be assessed through Technology Services Division rates. This decision package is related to NP-606001 in the Technology Services Division. Total of all NP's nets to \$0.



# Department of Labor & Industry - 66020

## Employment Relations Division - 04

Please note that this program also contains HB 2 funding.



Program Proposed Budget	Base Budget Fiscal 2014	Budget Adjustments Fiscal 2016	Total Exec. Budget Fiscal 2016	Budget Adjustments Fiscal 2017	Total Exec. Budget Fiscal 2017	Executive Budget Request 2017 Biennium
Benefits & Claims	690,533	0	690,533	0	690,533	1,381,066
Transfers	37,843	0	37,843	0	37,843	75,686
<b>Total Costs</b>	<b>\$728,376</b>	<b>\$0</b>	<b>\$728,376</b>	<b>\$0</b>	<b>\$728,376</b>	<b>\$1,456,752</b>
Proprietary Funds	728,376	0	728,376	0	728,376	1,456,752
<b>Total Funds</b>	<b>\$728,376</b>	<b>\$0</b>	<b>\$728,376</b>	<b>\$0</b>	<b>\$728,376</b>	<b>\$1,456,752</b>

### Proprietary Program Description - Fund 06040 - Subsequent Injury Trust Fund

#### 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 Montana State Fund.

#### Revenues and Expenses

The expenses of the program consist of the administration costs and benefits for qualified workers. The program is funded through an annual assessment on Plan 1 (Self-Insured) workers compensation employers and a surcharge on premium for Plan 2 (Private sector) and Plan 3 (Montana State Fund) employers. The assessment is based on a percentage of the compensation and medical benefits paid in Montana by each insurer the preceding calendar year (39-71-915, MCA).

#### Rates and Rate Explanation

The Subsequent Injury Fund rate is set by the Employment Relations Division based on the total amount of paid losses reimbursed by the fund in the preceding calendar year. Because the rate is based upon the previous calendar year's experience, future rates beyond one year are unknown. This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund.

#### Projected Fund Balance, Including Cash Fluctuations

## Department of Labor & Industry - 66020

### Employment Relations Division - 04

The Subsequent Injury Fund cash balance fluctuates throughout each fiscal year. The revenue to the fund comes during five time periods throughout the year. Expenses are paid out when claims are submitted to the department, as long as there are sufficient monies in the fund to cover those expenses. There is no requirement for the fund to have a reserve fund balance. If the fund does not have enough monies to cover the submitted claims, those claims are placed on hold until the fund has a positive fund balance.

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

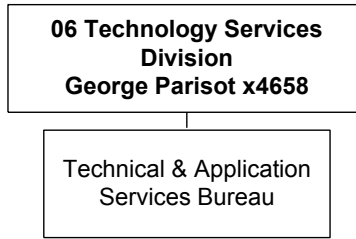
Based on the nature of the Subsequent Injury Fund, no working capital is required. Assets and liabilities fluctuate depending on the amount of claims submitted for reimbursement and the amount of assessment and surcharge monies collected throughout the fiscal year. Due to the unknown fluctuations of both, assets and liabilities cannot be predicted.

<b>2017 Biennium Report on Internal Service and Enterprise Funds</b>						
Agency # 66020	Agency Name: Department of Labor & Industry			Program Name: Employment Relations Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06040	Subsequent Injury-Trust Fund				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	277,730	294,292	1,018,105	1,500,000	1,500,000	1,500,000
Revenue A	2,459	1,404	53	1,000	1,000	1,000
Revenue B	283	5	-	-	-	-
Revenue C	100	-	302	600	600	600
<b>Total Operating Revenues</b>	<b>280,572</b>	<b>295,701</b>	<b>1,018,460</b>	<b>1,501,600</b>	<b>1,501,600</b>	<b>1,501,600</b>
<b>Expenses:</b>						
Other Operating Expenses						
Expense B	815,952	1,293,037	689,262	1,000,000	1,250,000	1,250,000
<b>Total Operating Expenses</b>	<b>815,952</b>	<b>1,293,039</b>	<b>689,262</b>	<b>1,000,000</b>	<b>1,250,000</b>	<b>1,250,000</b>
<b>Operating Income (Loss)</b>	<b>(535,380)</b>	<b>(997,338)</b>	<b>329,198</b>	<b>501,600</b>	<b>251,600</b>	<b>251,600</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(535,380)</b>	<b>(997,338)</b>	<b>329,198</b>	<b>501,600</b>	<b>251,600</b>	<b>251,600</b>
Transfers Out						
<b>Change in Net Position</b>	<b>(560,428)</b>	<b>(1,031,528)</b>	<b>291,355</b>	<b>469,100</b>	<b>217,634</b>	<b>217,237</b>
<b>Beginning Net Position - July 1</b>	<b>(1,892,210)</b>	<b>(2,452,638)</b>	<b>(3,484,166)</b>	<b>(3,192,811)</b>	<b>(2,723,711)</b>	<b>(2,506,077)</b>
Change in Net Position	(560,428)	(1,031,528)	291,355	469,100	217,634	217,237
<b>Ending Net Position - June 30</b>	<b>(2,452,638)</b>	<b>(3,484,166)</b>	<b>(3,192,811)</b>	<b>(2,723,711)</b>	<b>(2,506,077)</b>	<b>(2,288,840)</b>
<b>Net Position (Fund Balance) Analysis</b>						

# Department of Labor & Industry - 66020

## Technology Services Division - 06

Please note that this program also contains HB 2 funding.



Program Proposed Budget	Base Budget Fiscal 2014	Budget Adjustments Fiscal 2016	Total Exec. Budget Fiscal 2016	Budget Adjustments Fiscal 2017	Total Exec. Budget Fiscal 2017	Executive Budget Request 2017 Biennium
FTE	22.00	33.00	55.00	33.00	55.00	
Personal Services	1,566,437	3,058,240	4,624,677	3,061,418	4,627,855	9,252,532
Operating Expenses	585,829	5,432,139	6,017,968	5,473,716	6,059,545	12,077,513
Debt Service	5,537	1,011	6,548	1,011	6,548	13,096
<b>Total Costs</b>	<b>\$2,157,803</b>	<b>\$8,491,390</b>	<b>\$10,649,193</b>	<b>\$8,536,145</b>	<b>\$10,693,948</b>	<b>\$21,343,141</b>
Proprietary Funds	2,157,803	8,491,390	10,649,193	8,536,145	10,693,948	21,343,141
<b>Total Funds</b>	<b>\$2,157,803</b>	<b>\$8,491,390</b>	<b>\$10,649,193</b>	<b>\$8,536,145</b>	<b>\$10,693,948</b>	<b>\$21,343,141</b>

### Proprietary Program Description - Fund 06568 - Technical Services

#### *Program Description*

Supportive services provided by the Technology Services Division are funded through indirect cost rates. In order to spread costs equitably, rates have been pooled by function. The rate for technical services is assessed based on division FTE. The new rates result from a department reorganization that occurred in FY 2014. The rate for application services is assessed based on a direct hourly charge to benefiting division. The rate for enterprise services provided by SITSD is allocated on total cost by division FTE. The final rate is for actual cost of contracted and SITSD services that are directly attributable to a specific division.

#### *Revenues and Expenses*

Major expenses for this program consist of the personal services costs for the Technology Services Division. Other major expenses of this program include ITSD costs and contracted services. This rate funded 22 FTE in the base year and the combined rates will fund 55.00 FTE in FY 2016 and FY 2017 due to department reorganization.

Expenses for the proposed rates were estimated based on actual base year expenses, projecting any possible increases or decreases. Assumptions were made as to which divisions would utilize application services in FY 2016 and FY 2017. Time distributions for a calendar quarter were analyzed and staff were interviewed to determine how many direct hours to estimate by program. Centralized Services Division staff will monitor hours against the plan to anticipate and correct any large changes to the plan.

Revenue for this fund is collected via four separate indirect cost rates. This rate is collected from all other divisions in the department. The services provided in exchange for this fee include: technical services, network services, help desk, project management, and application services including computer programming and database management. In the base year customer payments made to the fund totalled \$2,070,989.

The technical services rate began in FY 2010 when the department reorganized its network support services to a central bureau. The rate began as a direct hourly charge and has since changed to a per FTE charge. In FY 2014, the department reorganized its application support services to be combined with technical services and 33.00 FTE were moved from

## Department of Labor & Industry - 66020

### Technology Services Division - 06

department divisions to a newly formed Technology Services Division. The prime objective in developing rates for the application and SITSD portion of the division focused on the charging divisions that directly benefit from the service or expense. For the Application Services rate, a time distribution system was designed for programming staff to directly charge regular hours to the benefiting subsystem or division. Both personal services and operating costs for those staff were estimated and the direct hours were annualized to come up with an \$80 per direct hour rate. The Enterprise Services rate is all SITSD charges that directly benefit the department as a whole. Those total costs will then be distributed based on department FTE. The final rate includes actual expenditures that can be identified as directly benefiting a specific program.

#### *Rates and Rate Explanation*

The Technical Services Rate is an indirect cost rate of \$256, assessed monthly per department FTE. It is calculated by dividing the total anticipated expenses of the program by the total FTE per month, resulting in a per FTE cost. When calculating the rate, the numerator (total anticipated expenses of the program) can be increased or decreased to account for over or under collections in previous years. Once a month the rate is multiplied by FTE by bureau and the resulting fee is collected.

The Application Services Rate of \$84 is an indirect rate, assessed monthly on direct regular hours charged by application services staff. It is calculated by dividing the total anticipated expenses of the program by the total anticipated annual hours resulting in a per hour cost.

The Enterprise Services Rate is calculated on specific SITSD services that benefit the department as a whole. The total budgeted SITSD rate for a portion of Asset Broker, Enterprise Services, Equipment Hosting, Operational Support, Server, and Storage hosting services are allocated back to divisions based on FTE percentages.

The Direct Services Rate is calculated on all other SITSD services and department contracted services and allocated back to the benefiting division based on actual expenditures. This is the only rate not federally negotiated as it is a pass through of actual expenses.

The rates charged must be approved each fiscal year by the USDOL Federal Cost Negotiator. The actual rate charged can differ from the requested rate due to the fact that estimates can be more accurate as more recent data becomes available. Historically, the rate actually charged has been less than the legislatively approved rate.

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

The proposed Technical Services rate represents an increase to the rate charged in the base year, as the reorganization resulted in additional IT staff in the technical portion of the Technology Services Division. The department subsequently has fewer resources on the application side and will realize a cost savings for those services. Overall IT expenditure for the department remains at present law level with no large changes over base.

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

The department does not have any obligations to reserve fund balance. Management's objective is to maintain the existing fund balance.

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

The fund is allowed to maintain up to a 60 day working capital. The program strives to maintain a cash balance that is adequate to allow the fund to maintain a positive cash balance (to support expenses that are incurred before revenue collection occurs) as well as to maintain a reserve in case of unexpected or emergency expenses. The current proposed plan allows for collection of a 12 day working capital in each year of the biennium.

## Department of Labor & Industry - 66020

### Technology Services Division - 06

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 66020	Agency Name: Department of Labor & Industry			Program Name: Technology Services Division		
	<b>Fund</b>	<b>Fund Name</b>				
	06568	Technical Services				
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY12	FY13	FY14	FY15	FY16	FY17
<b>Operating Revenues:</b>						
Fee and Charges						
Fee Revenue A	2,120,247	1,743,663	2,070,990	2,070,990	11,251,813	11,293,960
<b>Total Operating Revenues</b>	<b>2,120,247</b>	<b>1,743,663</b>	<b>2,070,990</b>	<b>2,070,990</b>	<b>11,251,813</b>	<b>11,293,960</b>
<b>Expenses:</b>						
Personal Services						
Other Operating Expenses	380,594	456,980	586,140	579,604	6,429,264	6,468,094
<b>Total Operating Expenses</b>	<b>1,887,583</b>	<b>1,917,026</b>	<b>2,146,163</b>	<b>2,047,203</b>	<b>11,053,813</b>	<b>11,095,960</b>
<b>Operating Income (Loss)</b>	<b>232,664</b>	<b>(173,363)</b>	<b>(75,173)</b>	<b>23,787</b>	<b>198,000</b>	<b>198,000</b>
Nonoperating Revenues:						
Nonoperating Expenses:						
Other Expense A	(58,560)	(66,298)	(71,067)	(77,815)	(84,069)	(90,322)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(58,560)</b>	<b>(66,298)</b>	<b>(71,067)</b>	<b>(77,815)</b>	<b>(84,069)</b>	<b>(90,322)</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>174,104</b>	<b>(239,661)</b>	<b>(146,240)</b>	<b>(54,028)</b>	<b>113,931</b>	<b>107,678</b>
<b>Change in Net Position</b>	<b>174,104</b>	<b>(239,661)</b>	<b>(146,240)</b>	<b>(54,028)</b>	<b>113,931</b>	<b>107,678</b>
<b>Beginning Net Position - July 1</b>	<b>8,748</b>	<b>182,852</b>	<b>(56,809)</b>	<b>(203,049)</b>	<b>(257,077)</b>	<b>(143,146)</b>
Change in Net Position	174,104	(239,661)	(146,240)	(54,028)	113,931	107,678
<b>Ending Net Position - June 30</b>	<b>182,852</b>	<b>(56,809)</b>	<b>(203,049)</b>	<b>(257,077)</b>	<b>(143,146)</b>	<b>(35,468)</b>
<b>Net Position (Fund Balance) Analysis</b>						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$255,443
FY 2017	\$0	\$258,151

**SWPL - 1 - Personal Services -**

The budget includes funding to annualize various personal services costs including HB 13 pay plan adjustments and increases to state share costs for health insurance passed by the 2013 Legislature, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and restoring vacancy savings reductions assessed in the 2015 biennium. In addition, the request includes the impacts of restoration of non-base funding sources for personal services in HB 10 for implementation of the STAARS system and turnover experienced in excess of the applied vacancy savings rate.

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	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$18,909
FY 2017	\$0	\$16,120

**SWPL - 2 - Fixed Costs -**

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$351)
FY 2017	\$0	(\$306)

**SWPL - 3 - Inflation Deflation -**

This change package includes a reduction to reflect the budgetary changes generated from the application of inflation and deflation to certain specific expenditure accounts. Affected accounts include food, library books, electricity, gasoline, and others.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$8,186,735
FY 2017	\$0	\$8,226,177

**NP - 606001 - TSD Funding Switch -**

The department requests the Technology Services Division to be moved from a HB 2 appropriated budget to a rate approved proprietary budget. The move will provide a more effective method of accounting for the services to be delivered in a more efficient manner. This change package moves the funds between the two budgeting methods.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	(\$75,812)
FY 2017	\$0	(\$70,463)

**NP - 606002 - TSD Funding Switch - Technical Services -**

The Technology Services section of the Technology Services Division requests a reduction of (\$75,812) in FY 2016 and (\$70,463) in FY 2017 for operating expenses related the reorganization of the Technology Services Division.. These expenses will be assessed through Technology Services Division rates. This decision package is related to NP-606001 of Technology Services Division. Total of all NP's nets to \$0.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2016	\$0	\$106,466
FY 2017	\$0	\$106,466

**NP - 606003 - TSD Funding Switch -**

The Technology Services Division requests \$106,466 in FY 2016 and \$106,466 in FY 2017 for operating expenses related the reorganization of the Technology Services Division. These costs are the amount the Technology Services Section needs to pay for increase in rent and indirect costs. This decision package is related to NP-606001 of Technology Services Division. Total of all NP's nets to \$0.