



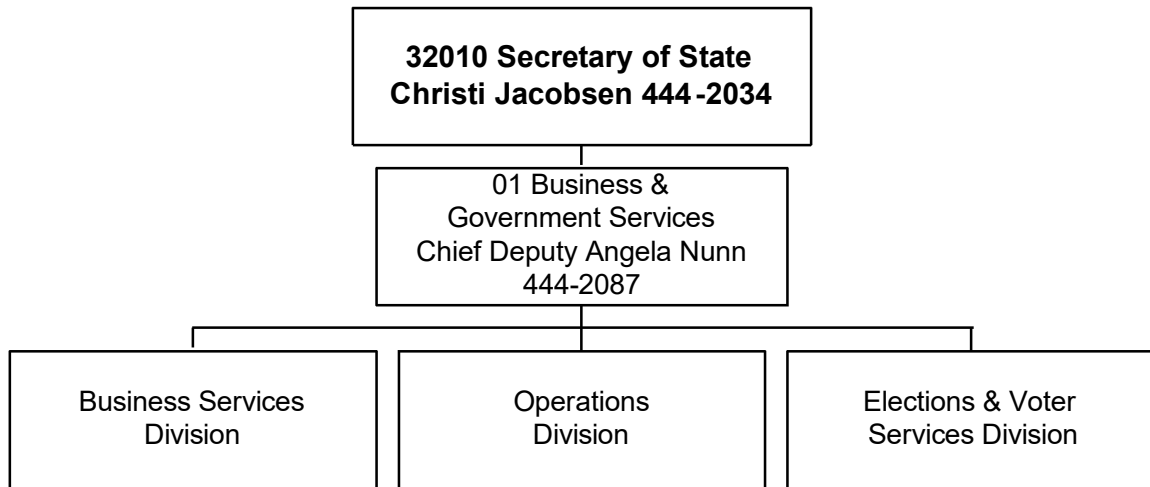
GOVERNOR
GREG GIANFORTE
STATE OF MONTANA

SECTION P: PROPRIETARY FUNDS



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Secretary of State - 32010



Mission Statement - The mission of the Office of the Secretary of State is to protect the integrity of elections, be an asset to businesses, and preserve official history.

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

Secretary of State - 32010

Business & Government Services - 01

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
FTE	43.00	0.00	43.00	0.00	43.00	
Personal Services	3,953,146	472,673	4,425,819	486,226	4,439,372	8,865,191
Operating Expenses	2,504,891	(133,613)	2,371,278	(226,983)	2,277,908	4,649,186
Transfers	0	0	0	0	0	0
Total Costs	\$6,458,037	\$339,060	\$6,797,097	\$259,243	\$6,717,280	\$13,514,377
Proprietary Funds	6,458,037	339,060	6,797,097	259,243	6,717,280	13,514,377
Total Funds	\$6,458,037	\$339,060	\$6,797,097	\$259,243	\$6,717,280	\$13,514,377

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

Program Description:

The duties and functions of the Office of the Secretary of State are outlined as follows:

Divisions

- **Business Services Division**
 - The Business Services Division offers an extensive range of services to Montana businesses, including corporations, limited liability companies, and nonprofits. The division assists businesses with the filing of their registration, articles of organization, assumed business name, and trademarks. Additionally, the division is responsible for filing and maintaining records under the Uniformed Commercial Code (UCC).
- **Elections and Voter Services Division**
 - The Elections and Voter Services Division assists Montana voters, candidates, and election officials. The division interprets election laws and provides guidance to ensure uniformity across Montana elections.
- **Operations Division**
 - The Operations Division provides a variety of services both internally to the office and externally to the public. The division's primary functions include human resources, communications, fiscal management, information technology and security, official records, records management, administrative rules, and notary.

Revenues and Expenses:

The Office of the Secretary of State administers one proprietary fund. Revenue is received from fees charged to businesses and corporations for corporate filings and registration of assumed business names and trademarks; to state agencies for publishing the Administrative Rules of Montana (ARM) and Montana Administrative Register (MAR); to candidates who file for elections; and to Montana citizens who apply to be notaries.

The Office of the Secretary of State is funded entirely by proprietary funds and does not receive any direct appropriation provided in HB2.

In FY 2024 and FY 2025, the Secretary of State waived the annual report filing fees for businesses. There are currently no anticipated changes in services or fees for FY 2026 and FY 2027.

Rate(s) and Rate Explanation:

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

Secretary of State - 32010

Business & Government Services - 01

Projected Fund Balance, Including Cash Fluctuations:

In FY 2024 and FY 2025, the Secretary of State waived the annual report filing fees for businesses.

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 32010	Agency Name: Secretary of State			Program Name: Business & Government Services			
	Fund	Fund Name					
	06053	Sec of St Business Services					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		9,975,415	9,135,606	5,752,240	5,970,779	9,746,942	9,703,744
Fee Revenue B		73,672	67,170	109,260	109,260	109,260	109,260
Fee Revenue C		39,258	158,828	184,817	184,817	184,817	184,817
Other Operating Revenue		15,734	363,947	620,859	380,581	421,563	449,675
Total Operating Revenues		10,104,079	9,725,551	6,667,176	6,645,437	10,462,582	10,447,496
Expenses:							
Personal Services		2,920,781	3,108,278	3,839,391	3,953,146	4,425,819	4,439,372
Other Operating Expenses		5,687,724	6,918,537	1,783,877	2,504,891	2,371,278	2,277,908
Total Operating Expenses		8,608,505	10,026,815	5,623,268	6,458,037	6,797,097	6,717,280
Operating Income (Loss)		1,495,574	(301,264)	1,043,908	187,400	3,665,485	3,730,216
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		1,495,574	(301,264)	1,043,908	187,400	3,665,485	3,730,216
Transfers In		-	2,466,290	302,113	-	-	-
Transfers Out		-	-	(106,840)	-	-	-
Change in Net Position		1,495,574	2,165,026	1,239,181	187,400	3,665,485	3,730,216
Beginning Net Position - July 1		10,617,669	12,117,785	14,160,481	14,658,376	14,845,776	18,511,261
Prior Period Adjustments		4,542	(122,330)	(741,286)	-	-	-
Change in Net Position		1,495,574	2,165,026	1,239,181	187,400	3,665,485	3,730,216
Ending Net Position - June 30		12,117,785	14,160,481	14,658,376	14,845,776	18,511,261	22,241,477
Net Position (Fund Balance) Analysis							

Secretary of State - 32010

Business & Government Services - 01

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$472,673
FY 2027	\$0	\$486,226

SWPL - 1 - Personal Services -

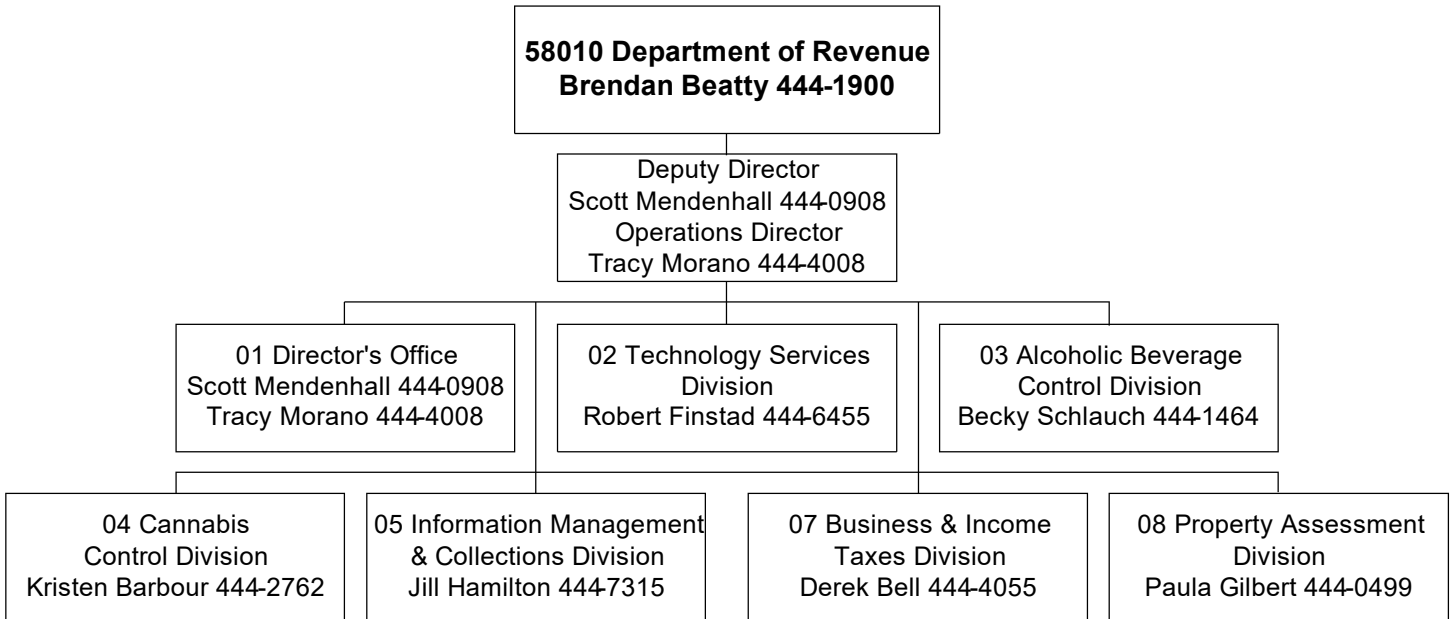
The budget includes an increase of \$472,673 in FY 2026 and an increase of \$486,226 in FY 2027 to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$133,613)
FY 2027	\$0	(\$226,983)

SWPL - 2 - Fixed Costs -

The request includes a reduction of \$133,613 in FY 2026 and a reduction of \$226,983 in FY 2027 to provide funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs included liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

Department of Revenue - 58010



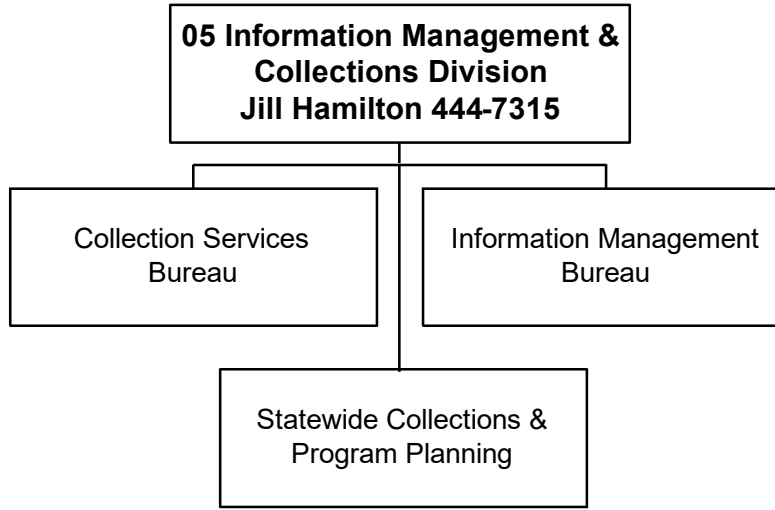
Mission Statement - To be the nation's most citizen-oriented, efficiently administered state tax agency.

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

Agency Proposed Budget	Total Exec. Budget Fiscal 2026	Total Exec. Budget Fiscal 2027	Total Exec. Budget 2027 Biennium
Budget Item			
FTE	3.50	3.50	
Personal Services	273,061	273,062	546,123
Operating Expenses	76,707	77,836	154,543
Total Costs	\$349,768	\$350,898	\$700,666
Proprietary Funds	349,768	350,898	700,666
Total Funds	\$349,768	\$350,898	\$700,666

Department of Revenue - 58010

Information Mgmt & Collections - 05



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
FTE	3.50	0.00	3.50	0.00	3.50	
Personal Services	256,271	16,790	273,061	16,791	273,062	546,123
Operating Expenses	66,397	10,310	76,707	11,439	77,836	154,543
Total Costs	\$322,668	\$27,100	\$349,768	\$28,230	\$350,898	\$700,666
Proprietary Funds	322,668	27,100	349,768	28,230	350,898	700,666
Total Funds	\$322,668	\$27,100	\$349,768	\$28,230	\$350,898	\$700,666

Proprietary Program Description - 06554 Collection Services Program

Program Description

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

Revenues and Expenses

The department is authorized to charge a commission rate for its collection services, excluding the collection of overpaid child support payments made to custodial parents and the collection of delinquent child support payments from noncustodial parents. The commissions collected are used to pay the expenses of the Collection Services Program. Approximately 70 percent of the expenditures are paid in salaries and benefits with the remaining expenditures representing operating expenses of the program.

Administration of this program requires a minimum nine-month working capital balance, due to the timing of program collections through offset of other state monies. The program collects the largest amount of revenues on delinquent accounts during the income tax season and the hunting permitting season. Collection revenues also can vary significantly from year to year.

Department of Revenue - 58010

Information Mgmt & Collections - 05

Rate(s) and Rate Explanation

The department requests an increase in the commission rate from 4.50% for fiscal year 2025 to a proposed rate of 6.00% for fiscal years 2026-2027. Exempted from this rate is collection of overpaid child support payments made to custodial parents or collection of delinquent child support payments from noncustodial parents. Revenues associated with child support payments are charged against a separate general fund appropriation designated by the legislature in prior sessions. Currently, the program is staffed with 3.50 FTE. The projection includes the 4.00% payroll increase on current salaries that went into effect July 1, 2024. Payroll and operating expenses include modest inflationary adjustments each year. Since Medicaid payments are no longer subject to collection, those potential revenues are now excluded. The property and income tax rebates increased revenue collections in fiscal year 2024 and the property tax rebate in 2025 will also have some positive impact.

Anticipated revenues from these rate projections will be \$300,000, \$350,000 and \$360,000 in fiscal years 2025, 2026 and 2027, respectively.

Projected Fund Balance, Including Cash Fluctuations

Net Position – Restricted and Unrestricted: With these proposed rate changes, the department anticipates reducing the Net Position from \$293,951 at the end of fiscal year 2024 to \$280,617 at the end of fiscal year 2027.

Cash Flow Discussion: As stated previously, a nine-month working capital balance is required due to the uncertainty and timing of collections throughout the year. Income tax filing season each year has a significant impact on revenue collections.

The analysis for fiscal years 2025, 2026 and 2027 considered the effect revenue streams that will no longer be available and the general uncertainty of revenue. First, Medicaid collections are no longer authorized. Based on a five-year history, not having Medicaid collections will reduce revenues by 5-10%. Second, there has been a positive impact on revenues from the income and property tax rebates from the last couple of years. In fiscal year 2024, revenues increased significantly due to those factors. There will be some impact from the property tax rebates in fiscal year 2025. Moving forward, those revenue streams will not be available. Finally, revenue streams have varied significantly from year to year due to the unpredictable nature of collections.

The proposed rates consider all these factors and project a working capital that is in alignment with the nine-month requirement.

Department of Revenue - 58010

Information Mgmt & Collections - 05

2027 Biennium Report on Internal Service and Enterprise Funds						
Agency #	Agency Name:		Program Name:			
58010	Department of Revenue		Information Mgmt & Collections			
Fund	Fund Name					
06554	Bad Debt Collection Services					
	Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:						
Fee and Charges						
Fee Revenue A	203,061	328,505	337,170	300,000	350,000	360,000
Total Operating Revenues	203,061	328,505	337,170	300,000	350,000	360,000
Expenses:						
Personal Services	189,070	193,956	239,961	256,271	273,061	273,062
Other Operating Expenses	63,640	63,301	64,685	66,397	76,707	77,836
Total Operating Expenses	252,710	257,257	304,646	322,668	349,768	350,898
Operating Income (Loss)	(49,649)	71,248	32,524	(22,668)	232	9,102
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	(49,649)	71,248	32,524	(22,668)	232	9,102
Change in Net Position	(49,649)	71,248	32,524	(22,668)	232	9,102
Beginning Net Position - July 1	239,828	190,179	261,177	293,951	271,283	271,515
Prior Period Adjustments	-	(250)	250	-	-	-
Change in Net Position	(49,649)	71,248	32,524	(22,668)	232	9,102
Ending Net Position - June 30	190,179	261,177	293,951	271,283	271,515	280,617
Net Position (Fund Balance) Analysis						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$16,790
FY 2027	\$0	\$16,791

SWPL - 1 - Personal Services -

The budget includes funding to annualize various personal services costs including the FY 2025 statewide pay plan, benefit rate adjustments and longevity adjustments related to incumbents in each position at the time of snapshot, and vacancy savings.

Department of Revenue - 58010

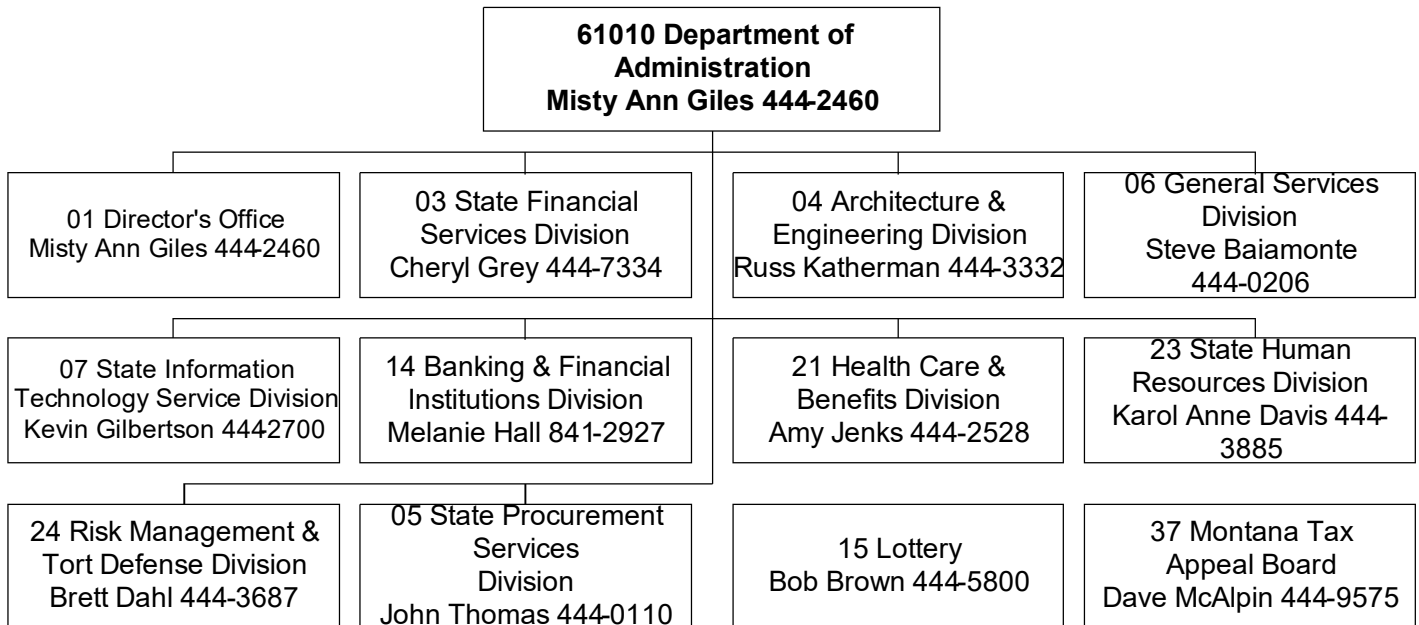
Information Mgmt & Collections - 05

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$10,310
FY 2027	\$0	\$11,439

SWPL - 2 - Fixed Costs -

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

Department of Administration - 61010



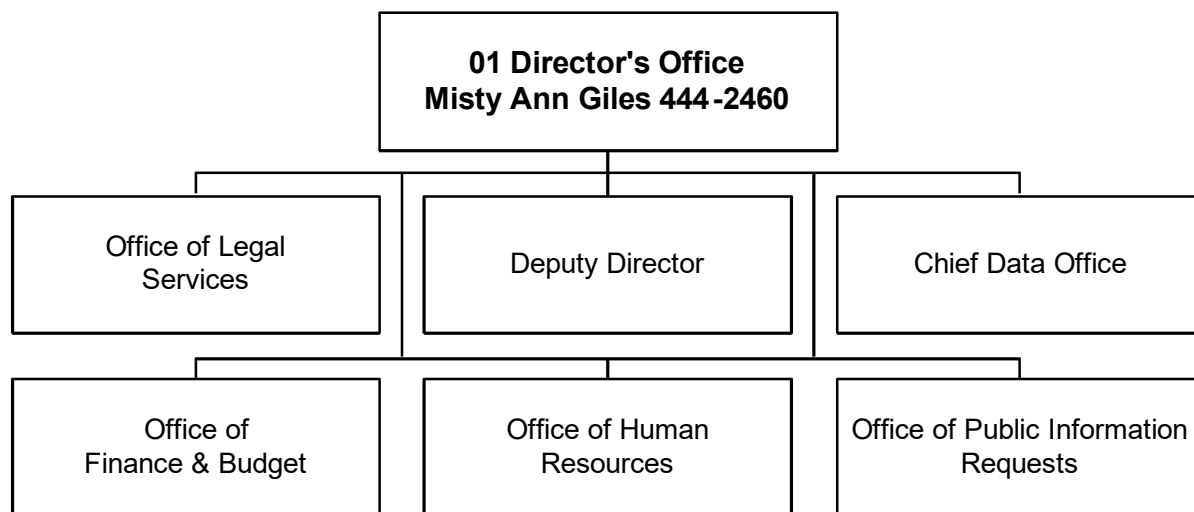
Mission Statement - The Department of Administration's mission is to serve state government by providing effective, efficient, and customer driven solutions to benefit Montanans.

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

Agency Proposed Budget			
Budget Item	Total Exec. Budget Fiscal 2026	Total Exec. Budget Fiscal 2027	Total Exec. Budget 2027 Biennium
FTE	406.81	406.81	
Personal Services	41,464,457	41,585,484	83,049,941
Operating Expenses	120,532,389	120,654,514	241,186,903
Equipment & Intangible Assets	949,236	949,236	1,898,472
Capital Outlay	0	0	0
Grants	520,113	520,113	1,040,226
Benefits & Claims	258,722,273	273,046,615	531,768,888
Transfers	450,092	387,914	838,006
Debt Service	1,954,900	1,954,900	3,909,800
Total Costs	\$424,593,460	\$439,098,776	\$863,692,236
Proprietary Funds	424,593,460	439,098,776	863,692,236
Total Funds	\$424,593,460	\$439,098,776	\$863,692,236

Department of Administration - 61010

Directors Office - 01



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
FTE	27.51	4.00	31.51	4.00	31.51	
Personal Services	3,108,819	323,610	3,432,429	342,017	3,450,836	6,883,265
Operating Expenses	502,596	195,015	697,611	188,352	690,948	1,388,559
Total Costs	\$3,611,415	\$518,625	\$4,130,040	\$530,369	\$4,141,784	\$8,271,824
Proprietary Funds	3,611,415	518,625	4,130,040	530,369	4,141,784	8,271,824
Total Funds	\$3,611,415	\$518,625	\$4,130,040	\$530,369	\$4,141,784	\$8,271,824

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

Program Description

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

The total number of FTE is 21.51 for Management Services.

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

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

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

Department of Administration - 61010

Directors Office - 01

Revenue and Expenses

The Director's Office and the Office of Legal Services' total costs are allocated based on total FTE by division. The Office of Human Resources costs are charged on a per FTE rate based on the number of FTE within a program. The Office of Finance and Budget's costs are allocated to divisions in the department based on estimated FTE support. The allocations may be realigned if there are changes to the customer base.

Fees are billed quarterly to all programs.

Rate(s) and Rate Explanation

The Director's Office proprietary fund requests that the legislature approve an all-inclusive rate (Total Allocation of Costs) of \$3,060,000 in FY 2026 and \$3,070,000 in FY 2027. The FTE component to this calculation is \$1,333 per FTE in FY 26 and \$1,349 per FTE in F Y27.

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

Changes in Level of Fees and Charges

The rate increase from the prior biennium is due to an effort to centralize accounting and finance within DOA by moving 5.00 FTE from the Information Technology Services Division to the Director's Office.

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

Projected Fund Balance, Including Cash Fluctuations

The fund balance (net position) was \$690,211 at the end of FY 2024.

Working Capital and Fees Commensurate with Costs

At the end of FY 2024, working capital was \$930,816, or approximately 155 days, which is over the 60 days allowed, though projected to trend down over the next biennium to meet the 60 days. The department will continue to manage its working capital to ensure that fees charged are commensurate with costs.

06504 Chief Data Office (CDO)

Program Description

The Chief Data Office provides expertise to collaborate with state agencies to enable and lead the digital transformation and data modernization efforts within state government. This office works in close partnership with agency leaders to drive the development and deployment of the enterprise data vision and strategies; oversee data management, data analytics, and data governance; ensure data quality; and recommend best practices in establishing agency performance measures.

There are currently 3.00 FTE allocated to the office. These FTE provide services in the areas of project management, performance management, architecture and design, development, and best practice guidance.

The customers served are all executive branch agencies and constitutional agencies that choose to utilize the office's services.

Revenue and Expenses

The CDO costs are allocated to agencies based on total information technology budget.

Department of Administration - 61010

Directors Office - 01

Fees are billed quarterly to all agencies.

Rate(s) and Rate Explanation

The Chief Data Office proprietary fund requests that the legislature approve an all-inclusive rate (Total Allocation of Costs) of \$500,000 in each of the fiscal years FY 2026 and FY 2027.

Changes in Level of Fees and Charges

There are no requests to increase or decrease the rate in FY 2026 or FY 2027, keeping it flat from the 2025 biennium.

Projected Fund Balance, Including Cash Fluctuations

The fund balance (net position) was \$158,319 at the end of FY 2024.

Working Capital and Fees Commensurate with Costs

At the end of FY 2024, working capital was \$172,492, or approximately 182 days, which is over the 60 days allowed, though projected to trend down over the next biennium. The department will continue to manage its working capital to ensure that fees charged are commensurate with costs.

06020 Office of Public Information Requests (OPIR)

Program Description

For the 2025 biennium, the Office of Public Information requests was funded partially by one-time-only General Fund start-up funding, as well as revenues generated from fees charged to outside parties that submit requests for information. For the 2027 biennium, OPIR is requesting to incorporate a fixed cost rate to agencies, as well as a transaction fee to help recover costs to run the program.

There are currently 3.00 FTE for the office. These FTE provide services in the areas of legal and administrative services and support.

The customers served are executive branch agencies that report to the governor and persons who request their records.

Revenue and Expenses

The major costs are personal services for time spent on coordinating with requesters and agencies and researching and gathering data for information requests.

Rate(s) and Rate Explanation

The Office of Public Information Requests is an enterprise fund which gathers and provides information to the public. Fees are collected from external parties for the delivery of information requested.

Changes in Level of Fees and Charges

In the 2027 biennium, OPIR is looking to recover program costs from agencies, in addition to fees charged to requesters. The office is proposing a flat rate of \$218,400 in FY 2026 and \$260,000 in FY 2027 and a transaction fee of \$57.32 for FY 2026 and \$72.73 for FY 2027.

Projected Fund Balance, Including Cash Fluctuations

The fund balance (net position) was \$9,750 at the end of FY 2024. This program has no need to reserve fund balance. Customers are billed as information requests are submitted.

Department of Administration - 61010

Directors Office - 01

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 61010	Agency Name: Department of Administration			Program Name: Directors Office			
	Fund 06534	Fund Name Management Services					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		1,498,456	1,498,455	1,723,220	1,675,818	2,200,000	2,200,000
Fee Revenue B		634,538	673,282	812,782	820,000	860,000	870,000
Fee Revenue C		1,313	1,523	478	-	-	-
Total Operating Revenues		2,134,307	2,173,260	2,536,480	2,495,818	3,060,000	3,070,000
Expenses:							
Personal Services		1,781,222	1,799,658	1,892,332	2,356,524	2,711,206	2,725,609
Other Operating Expenses		277,402	236,017	274,495	358,596	370,930	365,642
Total Operating Expenses		2,058,624	2,035,675	2,166,827	2,715,120	3,082,136	3,091,251
Operating Income (Loss)		75,683	137,585	369,653	(219,302)	(22,136)	(21,251)
Nonoperating Revenues:							
Other Revenue A		-	-	-	12	12	12
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	12	12	12
Income (Loss) Before Contributions and Transfers		75,683	137,585	369,653	(219,290)	(22,124)	(21,239)
Change in Net Position		75,683	137,585	369,653	(219,290)	(22,124)	(21,239)
Beginning Net Position - July 1		106,362	184,226	321,811	690,211	470,921	448,797
Prior Period Adjustments		2,181	-	(1,253)	-	-	-
Change in Net Position		75,683	137,585	369,653	(219,290)	(22,124)	(21,239)
Ending Net Position - June 30		184,226	321,811	690,211	470,921	448,797	427,558
Net Position (Fund Balance) Analysis							

Department of Administration - 61010

Directors Office - 01

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 61010	Agency Name: Department of Administration			Program Name: Directors Office			
	Fund 06504	Fund Name Chief Data Office					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		-	-	500,000	500,000	500,000	500,000
Total Operating Revenues		-	-	500,000	500,000	500,000	500,000
Expenses:							
Personal Services		-	-	277,627	428,000	391,937	394,397
Other Operating Expenses		-	-	64,054	72,000	216,903	216,245
Total Operating Expenses		-	-	341,681	500,000	608,840	610,642
Operating Income (Loss)		-	-	158,319	-	(108,840)	(110,642)
Nonoperating Revenues:							
Other Revenue A		-	-	-	12	12	12
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	12	12	12
Income (Loss) Before Contributions and Transfers		-	-	158,319	12	(108,828)	(110,630)
Change in Net Position		-	-	158,319	12	(108,828)	(110,630)
Beginning Net Position - July 1		-	-	-	158,319	158,331	49,503
Change in Net Position		-	-	158,319	12	(108,828)	(110,630)
Ending Net Position - June 30		-	-	158,319	158,331	49,503	(61,127)
Net Position (Fund Balance) Analysis							

Department of Administration - 61010

Directors Office - 01

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 61010	Agency Name: Department of Administration			Program Name: Directors Office			
	Fund 06020	Fund Name Office of Public Information R					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		-	-	10,496	20,000	33,800	33,800
Fee Revenue B		-	-	-	-	218,400	260,000
Fee Revenue C		-	-	-	-	90,800	115,200
Total Operating Revenues		-	-	10,496	20,000	343,000	409,000
Expenses:							
Personal Services		-	-	183,521	236,014	329,286	330,830
Other Operating Expenses		-	-	19,570	20,000	109,778	109,061
Total Operating Expenses		-	-	203,091	256,014	439,064	439,891
Operating Income (Loss)		-	-	(192,595)	(236,014)	(96,064)	(30,891)
Nonoperating Revenues:							
Other Revenue A		-	-	26	12	12	12
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	26	12	12	12
Income (Loss) Before Contributions and Transfers		-	-	(192,569)	(236,002)	(96,052)	(30,879)
Transfers In							
Change in Net Position		-	-	9,750	3,998	(96,052)	(30,879)
Beginning Net Position - July 1		-	-	-	9,750	13,748	(82,304)
Change in Net Position		-	-	9,750	3,998	(96,052)	(30,879)
Ending Net Position - June 30		-	-	9,750	13,748	(82,304)	(113,183)
Net Position (Fund Balance) Analysis							

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$19,882)
FY 2027	\$0	(\$7,743)

SWPL - 1 - Personal Services -

The budget includes adjustments in FY 2026 and FY 2027 to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Administration - 61010

Directors Office - 01

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$146,929
FY 2027	\$0	\$140,173

SWPL - 2 - Fixed Costs -

The request includes adjustments in FY 2026 and FY 2027 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$33,086
FY 2027	\$0	\$33,179

PL - 4 - Allocate Department Indirect/Administrative Costs -

This change package includes adjustments in FY 2026 and FY 2027 to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$358,492
FY 2027	\$0	\$364,760

NP - 1701 - Transfer of Financial Positions -

This request involves transferring 5.00 FTE from the State Information Technology Services Division (SITSD) to the Director's Office. In April 2024, the chief financial officer position in SITSD was eliminated as part of a reorganization within the department. The five financial positions residing in SITSD will now report to the department's chief financial officer in the Director's Office. The reorganization was completed to eliminate a duplicative position and to continue to drive efficiencies within the department's accounting and financial functions. Five FTE within SITSD will be inactivated upon the completion of the transfer.

Also requested is the transfer of 1.00 FTE attorney position from the Director's Office to SITSD. Due to the increase in enterprise contracts, policy reviews, and other legal work, SITSD will utilize this attorney full time, which permits the division to more efficiently, and cost effectively, provide enterprise procurement.

Department of Administration - 61010

State Financial Services Div - 03

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments	Exec. Budget	Adjustments	Exec. Budget	Budget Request
	Fiscal 2025	Fiscal 2026	Fiscal 2026	Fiscal 2027	Fiscal 2027	2027 Biennium
FTE	31.33	0.00	31.33	0.00	31.33	
Personal Services	3,201,892	52,875	3,254,767	62,113	3,264,005	6,518,772
Operating Expenses	3,887,013	305,853	4,192,866	228,651	4,115,664	8,308,530
Equipment & Intangible Assets	6,604	0	6,604	0	6,604	13,208
Total Costs	\$7,095,509	\$358,728	\$7,454,237	\$290,764	\$7,386,273	\$14,840,510
Proprietary Funds	7,095,509	358,728	7,454,237	290,764	7,386,273	14,840,510
Total Funds	\$7,095,509	\$358,728	\$7,454,237	\$290,764	\$7,386,273	\$14,840,510

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

Program Description

The Local Government Services Bureau (LGSB) is responsible for administering the provisions of the Montana Single Audit Act, which specifies the financial reporting and audit requirements for all Montana local government entities.

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

Some of the services the program performs are:

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

The 54th Legislature privatized the state audit program which eliminated practicing local government audit staff. As a result, private sector auditors perform all local government audits.

Revenues and Expenses

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

Rate(s) and Rate Explanation

The fund receives revenues from the following:

1. A report filing fee as required by 2-7-514, MCA, and defined in ARM 2.4.402. All local government entities that are required to submit audits pay the filing fee. The filing fees for school districts required by this section must be paid by the Office of Public Instruction.

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State Financial Services Div - 03

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

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

Fund 06511 SABHRS Financial Services Technology Bureau

Program Description

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

The financial and accounting business processes are currently supported by eight 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 21.00 FTE supporting these applications, including upgrades, enhancements, testing, user training, database maintenance, and system architecture.

Revenues and Expenses

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

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

Rate and Rate Explanation

The rate for FSTB is calculated based upon the projected expenditures. The major cost drivers for the FSTB include

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State Financial Services Div - 03

the SITSD application hosting and processing services, personal services, and software licensing and maintenance. The annual agency total is subdivided into the following areas: 90% for journal lines, and 10% for budget journal lines originating from IBARS. Using these factors, agencies are allocated a fixed cost for each fiscal year based upon their 10 year average of actual number of journal lines.

Changes in Level of Fees and Charges

There is a 6.5% increase in rates from the FY 24-25 biennium. The Oracle/SABHRS financials software license fees are based on budget. Due to the increase in HB2 in the 2023 legislative session, software fees of approximately \$900,000 were incurred with an additional on-going software maintenance of approximately \$150,000 annually. Additionally, FSTB is implementing the Travel and Expenses module to streamline travel and procurement card transaction processing.

Projected Fund Balance, Including Cash Fluctuations

There is no requirement to reserve fund balance. The net position is expected to decrease each fiscal year as the software licensing and maintenance metric increases are paid in full. Cash collection patterns are expected to be sufficient to meet the operational needs of FSTB.

Working Capital and Fees Commensurate Analysis

Billing is performed quarterly and is based on the allocations described above.

The ending working capital for FY 2024 was approximately \$1.23 million. FSTB will continue to effectively manage resources while maintaining current service delivery to ensure adequate working capital at the end of FY 2027.

Fund 06564 Warrant Writer Program

Program Description

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

The services the WWU offers include direct deposit, warrant consolidation, stopping of payments, warrant cancellations, emergency warrants, duplicate warrants, warrant certification, warrant reissues, warrant research, supplier file maintenance, stale-dated payment processing, and IRS 1099-MISC and 1042 tax reporting.

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

Revenues and Expenses

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

Rate(s) and Rate Explanation

The rates for WWU are calculated based upon the projected expenditures and projected counts for each of the services listed below. Major rate cost drivers include postage, personal services, and printing charges for warrants and advices.

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

Changes in Level of Fees and Charges

All rates charged to agencies will increase by ~18% in the 2027 biennium. This is due to the increase in postage rates and

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increases in the cost of paper.

Projected Fund Balance, Including Cash Fluctuations

No fund balance is required to be reserved for this program. Rates proposed for the 2027 biennium are intended to stabilize fund balance. Fund balance and projected working capital will continue to be monitored in the event rate adjustments are needed to avoid excess or insufficient working capital.

Agencies are billed monthly based on actual payments issued by type. Agencies usually pay fees within 45 days, which is sufficient to cover anticipated expenditures.

Working Capital and Fees Commensurate Analysis

At fiscal year-end 2024, working capital was approximately \$33,000, which represents about 9 days of working capital reserves. The projections reflect an increase in the working capital reserves over the biennium to be commensurate with projected costs.

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2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 61010	Agency Name: Department of Administration			Program Name: State Financial Services Div			
	Fund 06564	Fund Name Warrant Writing					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		798,071	821,699	1,264,026	1,035,652	1,270,918	1,270,918
Total Operating Revenues		798,071	821,699	1,264,026	1,035,652	1,270,918	1,270,918
Expenses:							
Personal Services		200,821	251,711	296,758	347,647	325,992	326,517
Other Operating Expenses		591,634	724,820	1,015,705	927,298	759,981	782,925
Expense B		-	-	-	6,604	6,604	6,604
Total Operating Expenses		792,455	976,531	1,312,463	1,281,549	1,092,577	1,116,046
Operating Income (Loss)		5,616	(154,832)	(48,437)	(245,897)	178,341	154,872
Nonoperating Revenues:							
Other Revenue A		-	-	24	-	-	-
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	24	-	-	-
Income (Loss) Before Contributions and Transfers		5,616	(154,832)	(48,413)	(245,897)	178,341	154,872
Change in Net Position		5,616	(154,832)	(48,413)	(245,897)	178,341	154,872
Beginning Net Position - July 1		233,818	240,095	85,263	36,947	(208,950)	(30,609)
Prior Period Adjustments		661	-	97	-	-	-
Change in Net Position		5,616	(154,832)	(48,413)	(245,897)	178,341	154,872
Ending Net Position - June 30		240,095	85,263	36,947	(208,950)	(30,609)	124,263
Net Position (Fund Balance) Analysis							

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State Financial Services Div - 03

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 61010	Agency Name: Department of Administration			Program Name: State Financial Services Div			
	Fund 06511	Fund Name SABHRS					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A							
Fee Revenue B							
Total Operating Revenues							
Expenses:							
Personal Services							
Other Operating Expenses							
Total Operating Expenses							
Operating Income (Loss)							
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
Income (Loss) Before Contributions and Transfers							
Change in Net Position							
Beginning Net Position - July 1							
Prior Period Adjustments							
Change in Net Position							
Ending Net Position - June 30							
Net Position (Fund Balance) Analysis							

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State Financial Services Div - 03

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 61010	Agency Name: Department of Administration			Program Name: State Financial Services Div			
	Fund 06042	Fund Name Local Govt Svcs AuditRportng					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A							
Fee Revenue B							
Total Operating Revenues							
Expenses:							
Personal Services							
Other Operating Expenses							
Total Operating Expenses							
Operating Income (Loss)							
Nonoperating Revenues:							
Other Revenue A							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
Income (Loss) Before Contributions and Transfers							
Change in Net Position							
Beginning Net Position - July 1							
Prior Period Adjustments							
Change in Net Position							
Ending Net Position - June 30							
Net Position (Fund Balance) Analysis							
Unrestricted Net Position							

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$52,875
FY 2027	\$0	\$62,113

SWPL - 1 - Personal Services -

The budget includes adjustments in FY 2026 and FY 2027 to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

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State Financial Services Div - 03

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$149,118
FY 2027	\$0	\$47,473

SWPL - 2 - Fixed Costs -

The request includes adjustments in FY 2026 and FY 2027 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$66)
FY 2027	\$0	(\$45)

SWPL - 3 - Inflation Deflation -

This change package includes reductions in FY 2026 and FY 2027 to reflect budgetary changes generated from the application of deflation to state motor pool accounts.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$156,435
FY 2027	\$0	\$180,372

PL - 303 - WWU - Increase in Operating Costs -

This request includes an increase of \$156,435 in FY 2026 and an increase of \$180,372 in FY 2027 to adjust for increases in postage rates and the cost of paper.

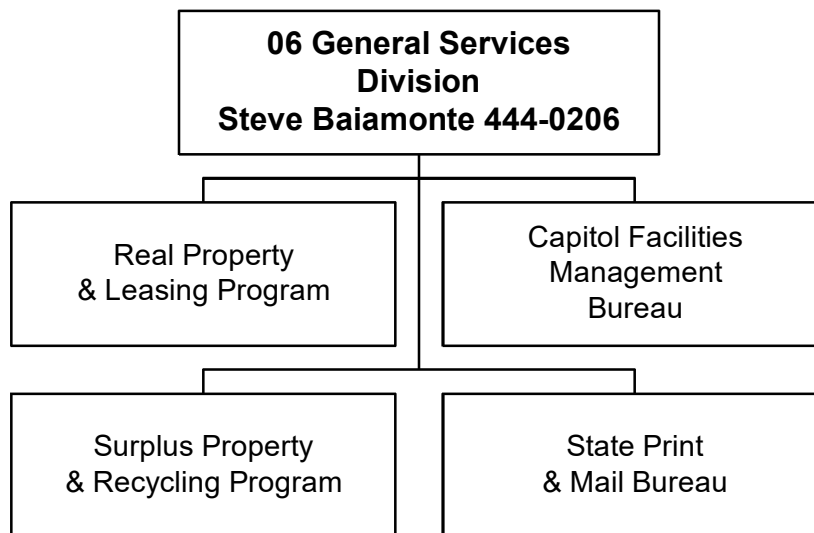
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$366
FY 2027	\$0	\$851

PL - 4 - Allocate Department Indirect/Administrative Costs -

This change package includes adjustments in FY 2026 and FY 2027 to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

Department of Administration - 61010

General Services Division - 06



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
FTE	72.35	0.00	72.35	0.00	72.35	
Personal Services	5,732,472	1,652	5,734,124	12,048	5,744,520	11,478,644
Operating Expenses	18,938,974	1,397,919	20,336,893	1,416,219	20,355,193	40,692,086
Equipment & Intangible Assets	571,771	0	571,771	0	571,771	1,143,542
Capital Outlay	0	0	0	0	0	0
Transfers	159,000	291,092	450,092	228,914	387,914	838,006
Debt Service	610,855	96,473	707,328	96,473	707,328	1,414,656
Total Costs	\$26,013,072	\$1,787,136	\$27,800,208	\$1,753,654	\$27,766,726	\$55,566,934
Proprietary Funds	26,013,072	1,787,136	27,800,208	1,753,654	27,766,726	55,566,934
Total Funds	\$26,013,072	\$1,787,136	\$27,800,208	\$1,753,654	\$27,766,726	\$55,566,934

Proprietary Program Description - Fund 06066 Surplus Property & Recycling Program

Program Description

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

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

The program has authority for 5.96 FTE.

Revenues and Expenses

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

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General Services Division - 06

Rate and Rate Explanation

The Surplus Property & Recycling Program is an enterprise fund which sells property to the public. Therefore, rate approval by the legislature is not necessary. The program operates by charging up to \$750 plus 5% per item sold. The current funding structure is adequate to generate sufficient revenue to cover personal services and operating expenses, assuming the same amount of property is turned in for sale when compared to fiscal year 2024.

Projected Fund Balance, Including Cash Fluctuations

Customers are billed weekly, and accounts are collected within 60 days. There is a large fluctuation of cash into the program after the automobile/equipment auctions. Net proceeds are returned to agencies and to the general fund.

Fund 06528 Capitol Facilities Management Bureau

Program Description

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

Operational authority for the bureau is provided by Title 2, Chapter 17, Part 8, Section 811, MCA. The bureau currently has 32.49 FTE.

Revenue and Expenses

Revenues are based on square footage rental rates charged 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 Facilities Management fee is paid by occupying agencies using expenditure code 62527.

Rates and Rate Explanation

Facility 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 operating expenses, including contracted services, maintenance, and equipment.

Changes in Level of Fees and Charges

A rate increase is requested for the capitol space to address needs of the program for the 2027 biennium. Major expenses for the bureau include personal services, contracted services, utilities, and repair and maintenance costs.

Projected Fund Balance, Including Cash Fluctuations

The fund balance at FYE 2024 was \$2,468,672. Based on the rental rate increase and raw IBARS data, the fund balance is projected to be \$3,623,058 by FYE 2027.

Working Capital and Fees Commensurate Analysis

The working capital at the end of FY 2024 was 30 days. Facilities Management rates strive to recover sufficient revenue to meet all personal services, operating costs, and equipment replacement expenditures, while maintaining an adequate

Department of Administration - 61010

General Services Division - 06

working capital balance.

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

Fund 06530 State Print & Mail Bureau

Program Description

The State Print & Mail Bureau provides printing and mail services to all agencies within state government. The bureau has several components: 1) internal printing; 2) external (contracted) printing; 3) managed print; 4) mail preparation; 5) central mail operations; 6) inter-agency (deadhead) mail; 7) digitization services and 8) the postal station in the Capitol. All printing or purchasing of printing is requested through Print & Mail Services, which determines the most cost-effective method of project completion. Approximately 49% of printing expenditures are procured through commercial vendors.

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

State Print & Mail has authority for 33.90 FTE.

Revenue and Expenses

The State Print & Mail Bureau receives 97% of its revenue from state agencies and 3% from non-state agencies. Costs for administration and accounting are allocated to all seven of the bureau's service categories based on FTE. Major expenses include the pass through cost of postage and contracted printing services.

Rates and Rate Explanations

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

Changes in Level of Fees and Charges

Each rate includes personal services costs, operating costs, and administrative overhead. Major expenses include personal services, postage, contracted printing and supplies.

The fixed cost for Messenger Services is requesting an increase. This fixed cost accounts for 3% of the overall revenue for Print & Mail Services. The requested increase will cover those costs associated with pickup, delivery, and sorting of all state mail.

Projected Fund Balance, Including Cash Fluctuations

FY 2024 ended with 87 days of working capital and FY 2027 is projected to end with 90 days.

Working Capital and Fees Commensurate Analysis

State Print & Mail rates are set to recover sufficient revenue to meet personal services and operations costs and maintain the current working capital balance. User agencies are billed monthly, and agencies are requested to pay for services by the end of the following month. This allows Print & Mail Services to pay monthly expenses of personal services and maintain current operations. Postage and contracted printing are paid by Print & Mail Services and recovered through weekly and monthly billing.

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General Services Division - 06

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 61010	Agency Name: Department of Administration			Program Name: General Services Division			
	Fund 06066	Fund Name Surplus Property					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		937,457	919,914	916,410	841,000	920,000	920,000
Total Operating Revenues		937,457	919,914	916,410	841,000	920,000	920,000
Expenses:							
Personal Services		437,823	472,225	544,720	547,635	471,659	473,182
Other Operating Expenses		1,228,760	1,371,215	697,692	347,612	388,840	387,125
Expense B		-	-	-	11,150	11,150	11,150
Total Operating Expenses		1,666,583	1,843,440	1,242,412	906,397	871,649	871,457
Operating Income (Loss)		(729,126)	(923,526)	(326,002)	(65,397)	48,351	48,543
Nonoperating Revenues:							
Other Revenue A		1,536	-	42,381	-	-	-
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		1,536	-	42,381	-	-	-
Income (Loss) Before Contributions and Transfers		(727,590)	(923,526)	(283,621)	(65,397)	48,351	48,543
Capital Contributions							
Change in Net Position		872,826	756,439	1,394,783	1,425,000	800,000	800,000
		145,236	(167,087)	1,111,162	1,359,603	848,351	848,543
Beginning Net Position - July 1		1,249,779	1,395,700	1,228,613	2,339,775	3,699,378	4,547,729
Prior Period Adjustments		685	-	-	-	-	-
Change in Net Position		145,236	(167,087)	1,111,162	1,359,603	848,351	848,543
Ending Net Position - June 30		1,395,700	1,228,613	2,339,775	3,699,378	4,547,729	5,396,272
Net Position (Fund Balance) Analysis							
Restricted Net Pos(Enterprise Fund Only)		1,395,700	1,228,613	2,339,775	3,699,978	4,547,729	5,396,272

Department of Administration - 61010

General Services Division - 06

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 61010	Agency Name: Department of Administration			Program Name: General Services Division			
	Fund	Fund Name					
	06528	Rent And Maintenance					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		10,928,281	10,985,136	10,957,358	10,987,145	12,617,367	12,652,564
Fee Revenue B		186,490	262,106	257,499	257,499	257,499	257,499
Fee Revenue C		501,951	329,293	704,211	459,471	459,471	459,471
Fee Revenue D		71,401	32,863	46,417	28,396	28,396	28,396
Fee Revenue E		22,120	27,310	26,050	25,530	25,530	25,530
Other Operating Revenue		49,119	71,286	62,989	59,485	59,485	59,485
Total Operating Revenues		11,759,362	11,707,994	12,054,524	11,817,526	13,447,748	13,482,945
Expenses:							
Personal Services		3,038,186	3,839,170	4,016,570	3,072,671	2,744,329	2,749,881
Other Operating Expenses		7,379,764	7,676,875	8,078,318	8,586,134	9,538,688	9,564,061
Expense B		-	-	-	300,000	300,000	300,000
Loans and Lease Payments		29,128	37,767	177,494	579,939	676,412	676,412
Total Operating Expenses		10,447,078	11,553,812	12,272,382	12,538,744	13,259,429	13,290,354
Operating Income (Loss)		1,312,284	154,182	(217,858)	(721,218)	188,319	192,591
Nonoperating Revenues:							
Other Revenue A		4,422	12,767	51,489	1,500	1,500	1,500
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		4,422	12,767	51,489	1,500	1,500	1,500
Income (Loss) Before Contributions and Transfers		1,316,706	166,949	(166,369)	(719,718)	189,819	194,091
Capital Contributions							
Capital Contributions		-	-	-	200,000	300,000	300,000
Transfers In		-	-	358,801	562,400	562,400	562,400
Transfers Out		(366,795)	(343,256)	(315,855)	(159,000)	(450,092)	(387,914)
Change in Net Position		949,911	(176,307)	(123,423)	(116,318)	602,127	668,577
Beginning Net Position - July 1							
Prior Period Adjustments		1,768,006	2,723,603	2,551,592	2,468,672	2,352,354	2,954,481
Change in Net Position		5,686	4,296	40,503	-	-	-
Ending Net Position - June 30		949,911	(176,307)	(123,423)	(116,318)	602,127	668,577
Net Position (Fund Balance) Analysis							

Department of Administration - 61010

General Services Division - 06

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 61010	Agency Name: Department of Administration			Program Name: General Services Division			
	Fund	Fund Name					
	06530	Print & Mail Services					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A							
Total Operating Revenues							
Expenses:							
Personal Services							
Other Operating Expenses							
Expense B							
Loans and Lease Payments							
Total Operating Expenses							
Operating Income (Loss)							
Nonoperating Revenues:							
Other Revenue A							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
Income (Loss) Before Contributions and Transfers							
Capital Contributions							
Transfers Out							
Change in Net Position							
Beginning Net Position - July 1							
Prior Period Adjustments							
Change in Net Position							
Ending Net Position - June 30							
Net Position (Fund Balance) Analysis							

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$1,652
FY 2027	\$0	\$12,048

SWPL - 1 - Personal Services -

The budget includes an increase of \$1,652 in FY 2026 and an increase of \$12,048 in FY 2027 to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Administration - 61010

General Services Division - 06

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$232,479)
FY 2027	\$0	(\$315,016)

SWPL - 2 - Fixed Costs -

The request includes a reduction of \$232,479 in FY 2026 and a reduction of \$315,016 in FY 2027 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$6)
FY 2027	\$0	(\$4)

SWPL - 3 - Inflation Deflation -

This change package includes a reduction of \$6 in FY 2026 and a reduction of \$4 in FY 2027 to reflect budgetary changes generated from the application of deflation to state motor pool accounts.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$16,856
FY 2027	\$0	\$18,304

PL - 4 - Allocate Department Indirect/Administrative Costs -

This change package includes adjustments in FY 2026 and FY 2027 to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$1,059,296
FY 2027	\$0	\$1,059,296

PL - 601 - Increase in Postage -

The executive requests an increase in proprietary funding for FY 2026 and FY 2027 to adjust for increased postage expense for the State Print & Mail Bureau. Postage is purchased by the bureau with the cost billed to utilizing agencies through monthly billing.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$845,344
FY 2027	\$0	\$882,553

PL - 602 - Contracted Services Increase -

The executive requests an increase in proprietary funding for the Capitol Facilities Management Bureau to reflect increases in contracted services cost. These contracted services include contracts for State Capitol security, janitorial services, software maintenance, and building access control.

Department of Administration - 61010

General Services Division - 06

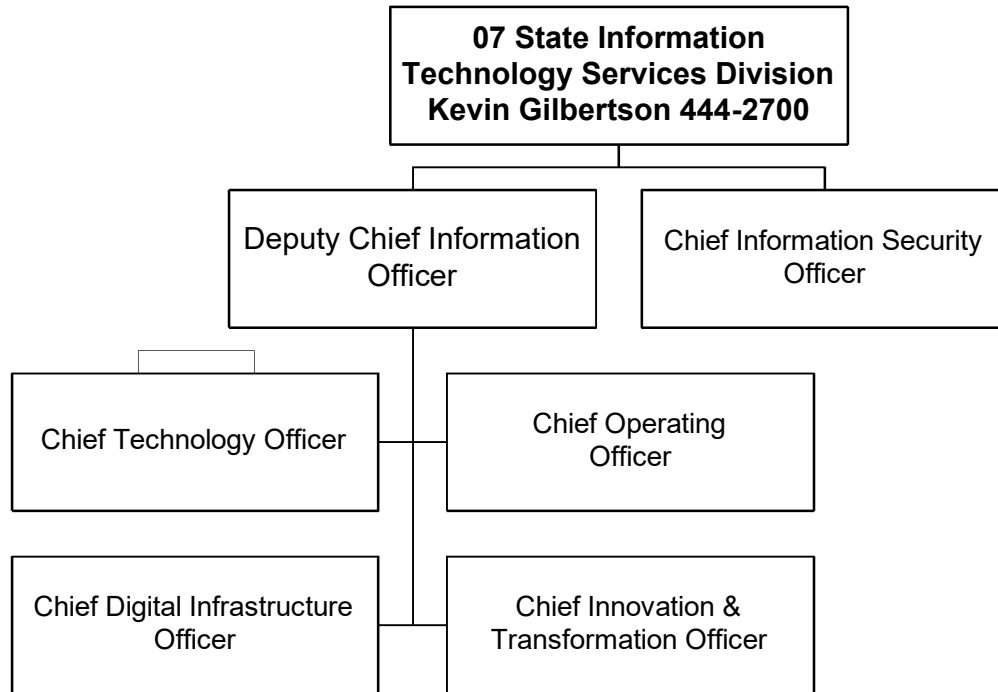
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$96,473
FY 2027	\$0	\$96,473

PL - 604 - Increase to Lease Liability -

Recent changes in accounting guidance require leases that meet certain criteria to be classified as a financing (debt service) transaction. As a result, the executive requests a increase in the lease liability budget to align with the new lease parameters.

Department of Administration - 61010

State Information Technology Services Div - 07



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments	Exec. Budget	Adjustments	Exec. Budget	Budget Request
	Fiscal 2025	Fiscal 2026	Fiscal 2026	Fiscal 2027	Fiscal 2027	2027 Biennium
FTE	213.00	(5.00)	208.00	(5.00)	208.00	
Personal Services	22,351,981	186,157	22,538,138	250,420	22,602,401	45,140,539
Operating Expenses	47,404,595	8,591,194	55,995,789	8,638,010	56,042,605	112,038,394
Equipment & Intangible Assets	370,861	0	370,861	0	370,861	741,722
Debt Service	1,170,000	0	1,170,000	0	1,170,000	2,340,000
Total Costs	\$71,297,437	\$8,777,351	\$80,074,788	\$8,888,430	\$80,185,867	\$160,260,655
Proprietary Funds	71,297,437	8,777,351	80,074,788	8,888,430	80,185,867	160,260,655
Total Funds	\$71,297,437	\$8,777,351	\$80,074,788	\$8,888,430	\$80,185,867	\$160,260,655

Proprietary Program Description - 06004 - eGovernment Services

Program Description

Digital government services include permitting, registration, licensing, inspections, financial reconciliation, reporting, point of sale card swipe devices and mobile payments, monthly billing, and management and collection of customer accounts. The department's State Information Technology Services Division has established an enterprise fund for the management of these fees.

Revenues and Expenses

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

Rate(s) and Rate Explanation

Transaction fees are a set rate per transaction or the cost of application development and maintenance.

Department of Administration - 61010

State Information Technology Services Div - 07

Projected Fund Balance, Including Cash Fluctuations

SITSD is using FY 24 revenues and expenses to analyze the best way to charge fees for this fund to maintain a positive cash balance and the resulting fees charged for services.

Working Capital and Fees Commensurate Analysis

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

06522 – State Information Technology Services Division

Program Description

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

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

- **Information Systems Security** - manages solutions and services to ensure continuity of enterprise operations and security of data through risk assessment and mitigation, planning and monitoring, detailed recovery planning, incident response, and periodic testing. This program also coordinates security policies and procedures.
- **Network and Communications** - manages a comprehensive statewide network that connects over 22,000 devices across more than 600 locations, delivering prioritized voice, video, data, and wireless services. The SITSD team is dedicated to developing and implementing network solutions that effectively address customer needs for bandwidth and connectivity.
- **Enterprise Infrastructure** - specializes in the design, implementation, and management of shared IT hardware and software infrastructure within a highly efficient virtualized environment. The program provides robust platforms for application and database hosting, utilizing enterprise-class computing and storage capabilities and maintaining load balancing hardware and security policy configuration for externally facing agency applications. The program also supports and maintains the infrastructure responsible for DNS, DHCP, and IP addressing for the enterprise.
- **Database Services** - deploys, manages, and maintains the integrity, performance, and security of SQL Server and Oracle databases, ensuring these systems are available, reliable, and optimized to meet the needs of various agencies.
- **Montana Data Centers** - oversees the state's primary data center in Helena and a disaster recovery facility in Miles City. The program is committed to maintaining the reliability, efficiency, security, and availability of computer processing and storage resources for all customers. This version presents the information in a cohesive and professional manner, suitable for business communication.
- **Operations** - manages the service desk, network operations and security center, IT asset management, and customer success managers to assist customers regarding hardware and software applications as well as any other IT questions and/or issues from the enterprise.
- **Enterprise Platforms** - implements and manages large scale enterprise platforms for state use. This program also builds, deploys, and patches endpoints for the Department of Administration and supported agencies.
- **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.
- **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. This program also publishes the State IT Strategic Plan and Biennial Report.
- **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.
- **Financial Management Services** – manages budget, billing, acquisition, and contract management services for SITSD. This program sets rates and manages the revenues and expenses for more than 200 enterprise services provided to state and local government IT customers.
- **IT Contract, Procurement, and Vendor Management Services** - manages the full lifecycle of IT contracts

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State Information Technology Services Div - 07

and procurement activities, ensuring compliance with the Department of Administration, State Procurement Division, and applicable regulations and maximizing value for the state. The program also oversees vendor relationships, performance, and risk while driving cost efficiency and strategic partnerships to support operational and programmatic goals.

- **Change Enablement** - comprehensive support for organizational change through strategic communications, event planning, end-user training, and organizational change management practices, which ensures seamless transitions by preparing, equipping, and supporting people to adopt changes, ultimately driving organizational success and achieving project goals.
- **State IT Enterprise Architecture** - oversees and guides the development, implementation, and management of the state's IT enterprise architecture (EA). The EA provides a strategic blueprint that aligns the business processes, data, applications, and technology infrastructure with strategic objectives.
- **Portfolio Operations** - provides support for long-range planning and funding by collecting and analyzing data, reporting to the Legislative Finance and Interim Budget committees, and ensuring alignment with strategic goals. This function also supports the State CIO by overseeing IT project portfolio operations and management, ensuring projects are prioritized, resourced, and executed to deliver maximum value.

Revenues and Expenses

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

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

Rate(s) and Rate Explanation

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

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

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

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

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

Projected Fund Balance, Including Cash Fluctuations

A portion of the fund balance for this proprietary fund does relate to the investment in equipment. Cash is collected from

Department of Administration - 61010

State Information Technology Services Div - 07

billing agencies consistently throughout the year. The division aims to maintain a positive cash balance to invest in state-of-the-art technology to offer to the enterprise and to cover year end obligations.

Working Capital and Fees Commensurate Analysis

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

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 61010	Agency Name: Department of Administration			Program Name: State Information Technology Services Div			
	Fund	Fund Name					
	06004	Electronic Government Services					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A							
		1,003,737	727,065	713,126	700,000	809,607	809,607
Total Operating Revenues							
		1,003,737	727,065	713,126	700,000	809,607	809,607
Expenses:							
Other Operating Expenses							
		434,054	1,628,047	187,369	650,000	650,000	650,000
Total Operating Expenses							
		434,054	1,628,047	187,369	650,000	650,000	650,000
Operating Income (Loss)							
		569,683	(900,982)	525,757	50,000	159,607	159,607
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers							
		569,683	(900,982)	525,757	50,000	159,607	159,607
Change in Net Position							
		569,683	(900,982)	525,757	50,000	159,607	159,607
Beginning Net Position - July 1							
		(1,811,036)	(1,241,353)	(2,142,335)	(1,616,578)	(1,566,578)	(1,406,971)
Change in Net Position							
		569,683	(900,982)	525,757	50,000	159,607	159,607
Ending Net Position - June 30							
		(1,241,353)	(2,142,335)	(1,616,578)	(1,566,578)	(1,406,971)	(1,247,364)
Net Position (Fund Balance) Analysis							
Restricted Net Pos(Enterprise Fund Only)							
		(1,241,353)	(2,142,335)	(1,616,578)	(1,566,578)	(1,406,971)	(1,247,364)

Department of Administration - 61010

State Information Technology Services Div - 07

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 61010	Agency Name: Department of Administration			Program Name: State Information Technology Services Div			
	Fund 06522	Fund Name ISD Proprietary					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A							
Other Operating Revenue							
Total Operating Revenues							
Expenses:							
Personal Services							
Other Operating Expenses							
Loans and Lease Payments							
Total Operating Expenses							
Operating Income (Loss)							
Nonoperating Revenues:							
Other Revenue A							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
Income (Loss) Before Contributions and Transfers							
Transfers In							
Change in Net Position							
Beginning Net Position - July 1							
Prior Period Adjustments							
Change in Net Position							
Ending Net Position - June 30							
Net Position (Fund Balance) Analysis							

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$666,363
FY 2027	\$0	\$738,297

SWPL - 1 - Personal Services -

The budget includes an increase of \$666,363 in FY 2026 and an increase of \$738,297 in FY 2027 to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Administration - 61010

State Information Technology Services Div - 07

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$119,937)
FY 2027	\$0	(\$113,371)

SWPL - 2 - Fixed Costs -

The request includes a reduction of \$119,937 in FY 2026 and a reduction of \$113,371 in FY 2027 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$1,218)
FY 2027	\$0	(\$823)

SWPL - 3 - Inflation Deflation -

This change package includes a reduction of \$1,218 in FY 2026 and a reduction of \$823 in FY 2027 to reflect budgetary changes generated from the application of inflation to specific expenditure accounts. Affected accounts include those associated with the supplies & materials, communications, repair & maintenance, state motor pool, and other services.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$438,075
FY 2027	\$0	\$441,530

PL - 4 - Allocate Department Indirect/Administrative Costs -

This change package includes \$438,075 in FY 2026 and \$441,530 in FY 2027 to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$9,463,985
FY 2027	\$0	\$9,500,385

PL - 701 - SITSD - Contracted Services Increase -

The State Information Technology Services Division requests an increase of \$9,463,985 in FY 2026 and an increase of \$9,500,385 in FY 2027 for additional operating expenses due to significant increases in information technology contract costs. The division's software contracts have increased between 5-10%.

Department of Administration - 61010

State Information Technology Services Div - 07

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$356,601)
FY 2027	\$0	(\$364,271)

NP - 1701 - Transfer of Financial Positions -

This request involves transferring 5.00 FTE from the State Information Technology Services Division (SITSD) to the Director's Office. In April 2024, the chief financial officer position in SITSD was eliminated as part of a reorganization within the department. The five financial positions residing in SITSD will now report to the department's chief financial officer in the Director's Office. The reorganization was completed to eliminate a duplicative position and to continue to drive efficiencies within the department's accounting and financial functions. Five FTE within SITSD will be inactivated upon the completion of the transfer.

Also requested is the transfer of 1.00 FTE attorney position from the Director's Office to SITSD. Due to the increase in enterprise contracts, policy reviews, and other legal work, SITSD will utilize this attorney full time which permits the division to more efficiently, and cost effectively, provide enterprise procurement.

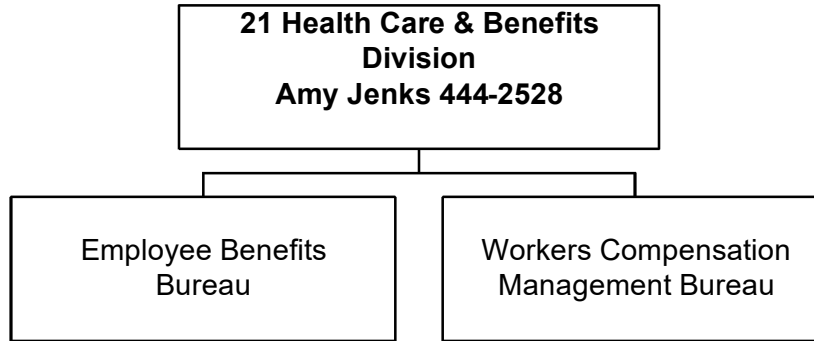
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$138,605)
FY 2027	\$0	(\$138,606)

NP - 703 - Eliminate CFO Position -

The chief financial officer position in the State Information Technology Services Division was eliminated as part of a reorganization within the department. This request is to reduce the 1.00 FTE associated with that position.

Department of Administration - 61010

Health Care & Benefits Div - 21



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
FTE	21.87	0.00	21.87	0.00	21.87	
Personal Services	2,077,746	(48,543)	2,029,203	(44,119)	2,033,627	4,062,830
Operating Expenses	16,188,427	12,100	16,200,527	6,792	16,195,219	32,395,746
Benefits & Claims	214,810,552	28,454,154	243,264,706	42,778,496	257,589,048	500,853,754
Total Costs	\$233,076,725	\$28,417,711	\$261,494,436	\$42,741,169	\$275,817,894	\$537,312,330
Proprietary Funds	233,076,725	28,417,711	261,494,436	42,741,169	275,817,894	537,312,330
Total Funds	\$233,076,725	\$28,417,711	\$261,494,436	\$42,741,169	\$275,817,894	\$537,312,330

Proprietary Program Description - 06559 Group Benefits Claims A/C

Program Description:

The employee benefits program, fund 06559, is charged with administering competitive and comprehensive benefits that provide financial protection for state employees, retirees, members of the Legislature, judges, judicial branch employees, and their families. The program provides for self-funded medical, dental, prescription, and vision benefits. Life and long-term disability insurance policies are purchased from a private sector vendor on a fully insured basis. The program contracts with private sector vendors to provide claims processing services, health screenings, wellness plan administration, etc.

The program is referred to as the State of Montana Benefit Plan (State Plan) with the largest offering being the self-funded medical plan. The medical plan is administered by BlueCross BlueShield of Montana (BCBSMT), the prescription plan is administered by Navitus, the dental plan is administered by Delta Dental, and the vision plan is administered by VSP Vision Care. The life and long-term disability insurance policies are fully insured products offered through BCBSMT.

In an effort to improve health care options and access for state employees and their dependents, and to reduce health care costs, the division developed near-site employee health centers in Helena, Billings, Missoula, Butte, and Anaconda starting in 2012. Near-site employee health centers are used by many employers as a way to reduce health care costs and improve the health and wellness of its employees. The division contracts with Premise Health to staff and operate the health centers.

The program is funded by the state contribution for group benefits and by contributions and fees paid by plan members. The program currently supports 18.70 FTE.

Alternate Sources:

As an alternative to providing a self-funded health plan, the state could purchase an insured plan from the private sector. Historical studies of comparable insurance plans have shown that this alternative would be more expensive. The state has

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

Customers Served:

Approximately 27,300 lives are covered by the benefit plans provided by the division in the following categories: 12,600 regular full-time and part-time executive, legislative, and judicial branch employees; 1,200 retirees; 60 COBRA participants; and 13,440 dependents.

Revenues and Expenses:

The primary cost driver in the fund is the cost of health and prescription drug claims. The medical and pharmacy trends are anticipated to continue increasing at levels of approximately 6% - 9% annually.

Rate and Rate Explanation:

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

Income for the program in FY 2024 was approximately \$210.9 million. The state share portion of this income was approximately \$167.3 million or 79%. The remaining income was from participant paid contributions and investment earnings. Total expenses during FY 2024 were \$211.0 million.

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

Changes in Level of Fees and Charges:

No significant changes in services are contemplated. Fees are expected to increase moderately over the next biennium.

Projected Fund Balance, including Cash Fluctuations:

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

It is projected that about \$18.2 million per month in claims expenses will be paid in FY 2025 and \$19.6 million per month in FY 2026. Contributions are collected either bimonthly, via the bi-weekly paycheck processing, or monthly 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 at the beginning of each month, but the contribution is subsidized indirectly by the state employer contribution to the plan and other revenues. Employees who cover their dependents pay a portion of the cost to insure their family members while a portion is subsidized indirectly by state employer contribution to the plan and other revenue sources such as investment earnings.

FY 2024 expenditures were approximately \$210.7 million for medical, dental, vision, and prescription drug claims. These expenditures are projected to be \$235.6 million in FY 2026 and \$249.9 million in FY 2027. This does not take into account future benefit plan changes which may impact expenditure projections.

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Claims costs make up approximately 90% of program expenditures. Administrative costs comprise about 2% of total program expenditures, including contracts with vendors to process claims and administrative costs directly within the department.

Working Capital and Fees Commensurate Analysis:

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

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

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

06575 Workers' Compensation Management Program

Program Description:

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

The program is funded through a fixed cost rate charged to state agencies. The program currently supports 3.17 FTE.

Alternate Sources:

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

Customers Served:

The State of Montana employs almost 14,000 employees at 33 state agencies and attached-to agencies, all of which have access to these program services.

Revenues and Expenses

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

Personal services expenses account for approximately 86% of the program's expenses over the next biennium. The remaining costs are attributable to operating expenses of the program.

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Rate and Rate Explanation:

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

Change in Level of Fees and Charges:

No significant changes in services are contemplated.

Projected Fund Balance, including Cash Fluctuations:

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

Working Capital and Fees Commensurate Analysis:

The program's expenses primarily consist of personal services and operating costs. The program strives to maintain a 60-day working capital balance, which equates to approximately \$69,000. The maintenance of a 60-day working capital is factored into the fixed cost rate determination.

06027 Flexible Spending

Program Description:

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

Federal rules govern the use of, and the amount, that can be contributed to flexible spending accounts. The current contribution maximums are \$3,200 per year for medical and \$5,000 per year for dependent care. The Internal Revenue Service allows for the ability for participants to roll over up to \$640 from the medical flexible spending account into the next benefit year. Employees forfeit any unspent funds beyond the \$640 rollover for medical and any remaining dependent care balance at the end of the year.

Alternate Sources:

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

Customers Served:

Approximately 4,300 state employees participate in the flexible spending account program.

Rate and Rate Explanation:

The flexible spending account program fee paid to Application Software, Inc., is \$2.15 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 account program. Due to the fees being charged each biweekly payroll cycle, the fee charged to participants is \$2.16 allowing a \$1.08 charge each pay period.

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Changes in Level of Fees and Charges:

No significant changes in services are contemplated.

Projected Fund Balance, including Cash Fluctuations:

The flexible spending account program does not have any reserve fund balance requirements. Program management intends to maintain fund balance at current levels as compared to FY 2024 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 plan 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 120 days after the end of the plan year to request reimbursement for services rendered prior to yearend and have the ability to roll over up to \$640 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 into the account year-to-date.

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Agency # 61010	Agency Name: Department of Administration			Program Name: Health Care & Benefits Div			
	Fund 06027	Fund Name Flexible Spending Funds					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		7,430,602	7,329,796	7,869,631	7,741,250	7,800,000	7,800,000
Fee Revenue B		2,861	72,744	168,495	10,000	100,000	100,000
Total Operating Revenues		7,433,463	7,402,540	8,038,126	7,751,250	7,900,000	7,900,000
Expenses:							
Other Operating Expenses							
Expense B		112,827	106,930	149,003	183,996	183,996	183,996
Total Operating Expenses		7,038,925	7,233,867	7,585,523	7,707,230	7,707,230	7,707,230
		7,151,752	7,340,797	7,734,526	7,891,226	7,891,226	7,891,226
Operating Income (Loss)		281,711	61,743	303,600	(139,976)	8,774	8,774
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		281,711	61,743	303,600	(139,976)	8,774	8,774
Change in Net Position		281,711	61,743	303,600	(139,976)	8,774	8,774
Beginning Net Position - July 1		3,244,384	3,526,095	3,587,838	3,877,585	3,737,609	3,746,383
Prior Period Adjustments		-	-	(13,853)	-	-	-
Change in Net Position		281,711	61,743	303,600	(139,976)	8,774	8,774
Ending Net Position - June 30		3,526,095	3,587,838	3,877,585	3,737,609	3,746,383	3,755,157
Net Position (Fund Balance) Analysis							
Restricted Net Pos(Enterprise Fund Only)		3,526,095	3,587,838	3,877,585	3,737,609	3,746,383	3,755,157

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2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 61010	Agency Name: Department of Administration			Program Name: Health Care & Benefits Div			
	Fund 06559	Fund Name Group Benefits Claims A/C					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		190,995,534	245,413,226	225,923,326	226,063,596	234,890,000	245,420,000
Fee Revenue B		(958,851)	3,403,366	7,296,617	4,970,000	4,120,000	2,750,000
Revenue A		4,658,636	4,376,279	3,172,470	4,607,894	4,725,000	4,725,000
Total Operating Revenues		194,695,319	253,192,871	236,392,413	235,641,490	243,735,000	252,895,000
Expenses:							
Personal Services		1,252,079	1,220,038	1,287,757	1,776,100	1,703,683	1,707,988
Other Operating Expenses		17,557,120	19,115,877	20,755,463	15,951,861	15,959,186	15,954,508
Expense B		210,484,070	190,804,307	213,899,782	217,888,619	235,557,476	249,881,818
Total Operating Expenses		229,293,269	211,140,222	235,943,002	235,616,580	253,220,345	267,544,314
Operating Income (Loss)		(34,597,950)	42,052,649	449,411	24,910	(9,485,345)	(14,649,314)
Nonoperating Revenues:							
Other Revenue B		172,938	64,276	67,049	61,000	61,000	61,000
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		172,938	64,276	67,049	61,000	61,000	61,000
Income (Loss) Before Contributions and Transfers		(34,425,012)	42,116,925	516,460	85,910	(9,424,345)	(14,588,314)
Change in Net Position		(34,425,012)	42,116,925	516,460	85,910	(9,424,345)	(14,588,314)
Beginning Net Position - July 1		161,536,357	128,218,647	169,966,705	170,467,177	170,553,087	161,128,742
Prior Period Adjustments		1,107,302	(368,867)	(15,988)	-	-	-
Change in Net Position		(34,425,012)	42,116,925	516,460	85,910	(9,424,345)	(14,588,314)
Ending Net Position - June 30		128,218,647	169,966,705	170,467,177	170,553,087	161,128,742	146,540,428
Net Position (Fund Balance) Analysis							

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Agency # 61010	Agency Name: Department of Administration			Program Name: Health Care & Benefits Div			
	Fund	Fund Name					
	06575	Workers Comp Mgmt Program					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		141,312	228,424	296,414	349,312	443,485	443,485
Total Operating Revenues		141,312	228,424	296,414	349,312	443,485	443,485
Expenses:							
Personal Services		140,033	201,842	229,226	301,646	325,520	325,639
Other Operating Expenses		40,533	48,433	51,928	52,570	57,345	56,715
Total Operating Expenses		180,566	250,275	281,154	354,216	382,865	382,354
Operating Income (Loss)		(39,254)	(21,851)	15,260	(4,904)	60,620	61,131
Nonoperating Revenues:							
Other Revenue A		-	18	-	-	-	-
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	18	-	-	-	-
Income (Loss) Before Contributions and Transfers		(39,254)	(21,833)	15,260	(4,904)	60,620	61,131
Change in Net Position		(39,254)	(21,833)	15,260	(4,904)	60,620	61,131
Beginning Net Position - July 1		36,444	(2,810)	(24,643)	(9,383)	(14,287)	46,333
Change in Net Position		(39,254)	(21,833)	15,260	(4,904)	60,620	61,131
Ending Net Position - June 30		(2,810)	(24,643)	(9,383)	(14,287)	46,333	107,464
Net Position (Fund Balance) Analysis							

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$48,543)
FY 2027	\$0	(\$44,119)

SWPL - 1 - Personal Services -

The budget includes a reduction of \$48,543 in FY 2026 and a reduction of \$44,119 in FY 2027 to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

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	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$3,354
FY 2027	\$0	(\$2,365)

SWPL - 2 - Fixed Costs -

The request includes an increase of \$3,354 in FY 2026 and a reduction of \$2,365 in FY 2027 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$223)
FY 2027	\$0	(\$151)

SWPL - 3 - Inflation Deflation -

This change package includes a reduction of \$223 in FY 2026 and a reduction of \$151 in FY 2027 to reflect budgetary changes generated from the application of deflation to state motor pool accounts.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$28,454,154
FY 2027	\$0	\$42,778,496

PL - 2101 - HCBF - Increase in Estimated Claims Expense -

This request increases the budget to pay estimated claims expense for the State of Montana Benefit Plan (State Plan) by \$28,454,154 in FY 2026 and by \$42,778,496 in FY 2027.

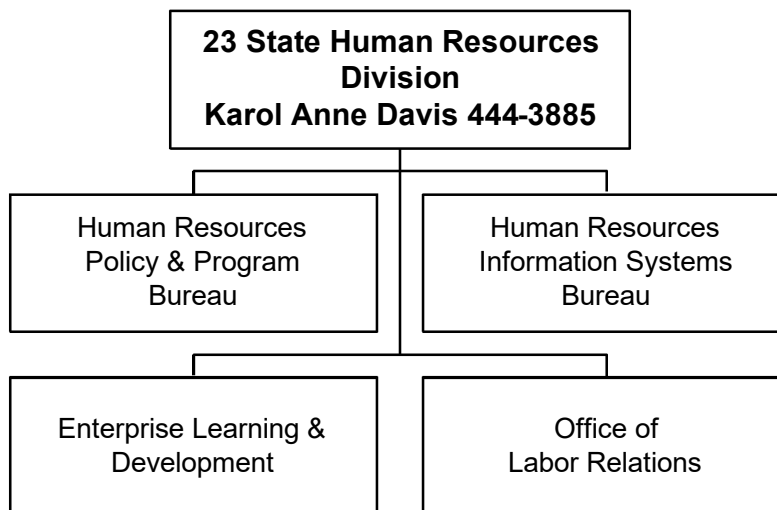
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$8,969
FY 2027	\$0	\$9,308

PL - 4 - Allocate Department Indirect/Administrative Costs -

This change package includes \$8,969 in FY 2026 and \$9,308 in FY 2027 to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

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Program Proposed Budget	Starting Point Fiscal 2025	Budget Adjustments Fiscal 2026	Total Exec. Budget Fiscal 2026	Budget Adjustments Fiscal 2027	Total Exec. Budget Fiscal 2027	Executive Budget Request 2027 Biennium
Budget Item						
FTE	24.75	0.00	24.75	0.00	24.75	
Personal Services	2,609,746	12,575	2,622,321	23,061	2,632,807	5,255,128
Operating Expenses	1,975,553	602,026	2,577,579	752,239	2,727,792	5,305,371
Benefits & Claims	222,480	0	222,480	0	222,480	444,960
Total Costs	\$4,807,779	\$614,601	\$5,422,380	\$775,300	\$5,583,079	\$11,005,459
Proprietary Funds	4,807,779	614,601	5,422,380	775,300	5,583,079	11,005,459
Total Funds	\$4,807,779	\$614,601	\$5,422,380	\$775,300	\$5,583,079	\$11,005,459

Proprietary Program Description - Fund 06563 Human Resources Information System Bureau (HRIS)

Program Description

The HRIS Bureau operates, programs, and maintains the SABHRS-HR payroll, and human resources system to process, distribute, report, and account for payroll, and associated withholding and deductions for almost 14,000 state employees in the executive, legislative, and judicial branches. The SABHRS HR system is also used to process, manage, track, and report human resources (HR) data. The bureau is also responsible for the administration, configuration, and maintenance of the State of Montana Recruitment System (SOMRS), which is used by all state agencies in the recruitment and selection of applicants. In addition, the bureau is responsible for the administration, configuration, and maintenance of the Talent system, which is used by state agencies for performance management and contains the learning management system, Learn.

The bureau establishes and maintains standards, processes, and procedures to be followed by state agencies in preparing and submitting payroll, and related human resources (HR) data into the system. The system operated by the bureau provides information and processing in support of division and statewide functions and programs, classification, pay, labor relations, policy, performance management, workforce metrics, and training.

The program staff consists of 21.75 FTE, which includes 1.00 FTE dedicated to the Employee Assistance Programs. Statutory authority is found in 2-18-401, MCA, and 2-18-403, MCA.

Revenues and Expenses

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

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Rate and Rate Explanation

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

Change in Services or Fees

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

Projected Fund Balance, Including Cash Fluctuations

Based on the rate increase, the ending fund balance is projected to be \$461,014 at FYE 2027. The State Human Resources Division will adjust expenditures during the three-year period (FY 2025 to FY 2027) to stay within the revenue stream and be cash positive at the end of the 2027 biennium.

Working Capital and Fees Commensurate Analysis

Current working capital at the end of FY 2024 was \$927,415.

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

Fund 06525 Enterprise Learning and Development (ELD)

Program Description

The Enterprise Learning and Development Program (ELD) coordinates professional development and leadership training for the enterprise. Previously, agencies entered into their own contracts with vendors and also paid for individual trainings for employees through the Professional Development Center which has been replaced by ELD. The statutory authority for this program comes from 2-18-102, MCA.

The program staff consists of 2.00 FTE.

Revenues and Expenses

The ELD program is accounted for as a proprietary fund. The programs is funded as a fixed cost component based on agency FTE counts. Revenues are collected from agencies on a quarterly basis.

Rate and Rate Explanation

Enterprise Learning & Development fees charged to state agencies are determined by projecting the cost of operating the ELD program through the next biennium. Program rates are set as a fixed cost and allocated to each agency based on agency FTE counts during the prior fiscal year.

Change in Services or Fees

The ELD program is requesting a biennial increase to cover Robert's Rules training and Linked-In Learning (previously part of the 2025B HRIS rate).

Projected Fund Balance, Including Cash Fluctuations

Based on the rate increase, fund balance is projected to be \$267,992 at FYE 2027. The program will adjust expenditures

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during the three-year period (FY2025 to FY 2027) to stay within the revenue stream and be cash positive at the end of the 2027 biennium.

Working Capital and Fees Commensurate Analysis

The working capital at the end of FY 2024 was \$218,813.

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

2027 Biennium Report on Internal Service and Enterprise Funds						
Agency # 61010	Agency Name: Department of Administration		Program Name: State Human Resources Division			
	Fund	Fund Name				
	06525	Enterprise Learning and Develo				
	Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:						
Fee and Charges						
Fee Revenue A	-	-	409,131	406,856	492,684	492,684
Fee Revenue B	-	-	-	-	146,285	146,285
Fee Revenue C	-	-	-	-	63,495	63,495
Revenue A	-	-	373	-	-	-
Total Operating Revenues	-	-	409,504	406,856	702,464	702,464
Expenses:						
Personal Services	-	-	99,777	194,658	180,748	180,748
Other Operating Expenses	-	-	264,148	219,770	488,868	488,457
Total Operating Expenses	-	-	363,925	414,428	669,616	669,205
Operating Income (Loss)	-	-	45,579	(7,572)	32,848	33,259
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	-	-	45,579	(7,572)	32,848	33,259
Change in Net Position	-	-	45,579	(7,572)	32,848	33,259
Beginning Net Position - July 1	163,878	163,878	163,878	209,457	201,885	234,733
Change in Net Position	-	-	45,579	(7,572)	32,848	33,259
Ending Net Position - June 30	163,878	163,878	209,457	201,885	234,733	267,992
Net Position (Fund Balance) Analysis						

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2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 61010	Agency Name: Department of Administration			Program Name: State Human Resources Division			
	Fund 06563	Fund Name HR Info Services					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		3,597,100	3,607,490	3,849,451	3,849,451	4,344,873	4,561,663
Other Operating Revenue		172	-	341	100	100	100
Total Operating Revenues		3,597,272	3,607,490	3,849,792	3,849,551	4,344,973	4,561,763
Expenses:							
Personal Services							
		1,862,936	2,121,143	2,286,412	2,290,295	2,336,441	2,346,581
Other Operating Expenses		1,506,360	1,416,272	1,410,753	1,736,727	2,068,361	2,219,213
Total Operating Expenses		3,369,296	3,537,415	3,697,165	4,027,022	4,404,802	4,565,794
Operating Income (Loss)		227,976	70,075	152,627	(177,471)	(59,829)	(4,031)
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		227,976	70,075	152,627	(177,471)	(59,829)	(4,031)
Change in Net Position		227,976	70,075	152,627	(177,471)	(59,829)	(4,031)
Beginning Net Position - July 1		250,662	479,643	549,718	702,345	524,874	465,045
Prior Period Adjustments		1,005	-	-	-	-	-
Change in Net Position		227,976	70,075	152,627	(177,471)	(59,829)	(4,031)
Ending Net Position - June 30		479,643	549,718	702,345	524,874	465,045	461,014
Net Position (Fund Balance) Analysis							

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$12,575
FY 2027	\$0	\$23,061

SWPL - 1 - Personal Services -

The budget includes adjustments in FY 2026 and FY 2027 to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Administration - 61010

State Human Resources Division - 23

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$125,171
FY 2027	\$0	\$24,997

SWPL - 2 - Fixed Costs -

The request includes adjustments in FY 2026 and FY 2027 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$9)
FY 2027	\$0	(\$6)

SWPL - 3 - Inflation Deflation -

This change package includes reductions in FY 2026 and FY 2027 to reflect budgetary changes generated from the application of deflation to state motor pool accounts.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$232,006
FY 2027	\$0	\$482,006

PL - 2301 - HRIS - Contracted Services Increase -

The State Human Resources Division currently contracts with Oracle for four human resource systems: Service Cloud, Taleo, Fusion, and People Soft. These contracts are renewed annually, except Fusion, which is currently on a two-year contract. The division's current budget allows for up to a 5% annual increase per system. However, the renewal rates for the system have increased, and the division is anticipating the renewal rate to increase by another 3%, which will bring the increase up to 8% annually.

FY 2027 will see an additional estimated contract increase of \$250,000 with the transition to a new enterprise recruiting system as the old recruiting system will no longer be supported. This annual increase is dependent on the new enterprise recruiting software application approval in HB10.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$229,904
FY 2027	\$0	\$229,904

PL - 2302 - ELD - Contracted Services Increase -

The Enterprise Learning and Development Program (ELD) maintains an annual Robert's Rules of Order training subscription that all board and commission members complete annually at the direction of the Lieutenant Governor. The cost of the annual subscription is approximately \$63,495. State Human Resources Division (SHRD) currently has a three-year contract with LinkedIn Learning for 12,500 seats for enterprise training. The current contract ends June 30, 2026. so SHRD will need to renew the contract to retain LinkedIn Learning for enterprise training. The renewal contract would span FY 2027 through FY2029 and is expected to cost \$166,409 annually.

Department of Administration - 61010

State Human Resources Division - 23

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$14,954
FY 2027	\$0	\$15,338

PL - 4 - Allocate Department Indirect/Administrative Costs -

This change package includes adjustments in FY 2026 and FY 2027 to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

Department of Administration - 61010

Risk Mgmt & Tort Defense Div - 24



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
FTE	17.00	0.00	17.00	0.00	17.00	
Personal Services	1,859,571	(6,096)	1,853,475	(2,283)	1,857,288	3,710,763
Operating Expenses	20,343,834	187,290	20,531,124	183,259	20,527,093	41,058,217
Grants	520,113	0	520,113	0	520,113	1,040,226
Benefits & Claims	15,235,087	0	15,235,087	0	15,235,087	30,470,174
Debt Service	77,572	0	77,572	0	77,572	155,144
Total Costs	\$38,036,177	\$181,194	\$38,217,371	\$180,976	\$38,217,153	\$76,434,524
Proprietary Funds	38,036,177	181,194	38,217,371	180,976	38,217,153	76,434,524
Total Funds	\$38,036,177	\$181,194	\$38,217,371	\$180,976	\$38,217,153	\$76,434,524

Proprietary Program Description - Fund 06532 Agency Insurance

Program Description

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

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

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

Revenues and Expenses

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

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

Department of Administration - 61010

Risk Mgmt & Tort Defense Div - 24

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

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

Rate(s) and Rate Explanation

In accordance with 2-9-202, MCA, the Department of Administration is authorized to accumulate a self-insurance reserve fund (fund 06532) to pay for losses, purchase insurance, and fund operations. Proceeds from the self-insurance fund are appropriated for the payment of property/casualty claims and other reasonable expenses in accordance with 2-17-105, MCA, 17-7-502, MCA, and 17-7-123, MCA.

During FY 2022, the Risk Management & Tort Defense Division won a judgement of \$78,637,493 million against the state's former insurance carrier, National Indemnity Company, for recovery of expenses incurred in defense and settlement of Libby Asbestos claims. In addition, during FY 2022 National Indemnity Company agreed to pay the state \$62.5 million in another settlement involving Libby Asbestos claims. The division accounted for the appropriation and allocation of these proceeds (\$141,137,493) during the 2023 and the 2025 biennia.

To reduce reserves in the state self-insurance fund, during the 2025 biennium the division instituted an insurance premium holiday (i.e. zero premium assessments). To further reduce projected reserves during the 2027 biennium to fall within ranges established by the state's actuary, proposed premiums will be reduced 50% from the placeholder rates established in the 2025 biennium as follows: Auto - \$910,157 each year of the biennium; Aviation - \$84,980 each year of the biennium; General Liability- \$6,575,869 each year of the biennium; and Property - \$4,504,500 each year of the biennium.

Premiums for FY 2026 and FY 2027 are apportioned based upon exposure and uniform reductions in loss experience.

Projected Fund Balance, Including Cash Fluctuations

Working Capital and Fees Commensurate Analysis

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

The high-risk nature of services provided by state agencies, unpredictable litigation outcomes, catastrophic losses, and increases in the cost of commercial insurance mean the division's funding estimates are highly variable. The division utilizes actuarial recommendations and reasonable industry standards employed by other municipalities and municipal risk pools in setting rates to develop funding objectives for the 2027 biennium in order to move toward target funding ratios.

Changes in Level of Fees and Charges

For the 2027 biennium, the Risk Management and Tort Defense Division proposes to reduce the level of funding by 50% of the rates established in the 2025 biennium as placeholder rates for development of 2027 biennium rates.

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 Mgmt & Tort Defense Div - 24

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 61010	Agency Name: Department of Administration			Program Name: Risk Mgmt & Tort Defense Div			
	Fund	Fund Name					
	06532	Agency Insurance Int. Svc.					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
	Fee Revenue A	24,143,399	24,040,422	5,974	-	12,075,506	12,075,506
	Other Operating Revenue	50,055	5,503,851	6,674,126	4,680,337	3,744,269	2,995,415
	Total Operating Revenues	24,193,454	29,544,273	6,680,100	4,680,337	15,819,775	15,070,921
Expenses:							
	Personal Services	1,574,767	1,817,693	1,747,294	2,152,439	1,853,475	1,857,288
	Other Operating Expenses	3,176,779	3,041,044	3,086,601	2,486,932	6,177,835	6,173,804
	Expense B	9,960,943	11,468,146	14,960,452	11,992,711	14,873,402	14,873,402
	Expense C	18,260,447	13,647,699	11,805,505	13,590,130	15,235,087	15,235,087
	Loans and Lease Payments	5,986	5,794	3,802	3,802	77,572	77,572
	Total Operating Expenses	32,978,922	29,980,376	31,603,654	30,226,014	38,217,371	38,217,153
	Operating Income (Loss)	(8,785,468)	(436,103)	(24,923,554)	(25,545,677)	(22,397,596)	(23,146,232)
Nonoperating Revenues:							
	Other Revenue A	643,515	248,503	347,022	178,145	178,159	178,159
	Other Revenue B	141,137,493	-	-	-	-	-
Nonoperating Expenses:							
	Total Nonoperating Revenues (Expenses)	141,781,008	248,503	347,022	178,145	178,159	178,159
	Income (Loss) Before Contributions and Transfers	132,995,540	(187,600)	(24,576,532)	(25,367,532)	(22,219,437)	(22,968,073)
Transfers In							
	Transfers Out	54,878	-	507,607	98,950	98,950	98,950
		(20,829,224)	-	-	-	-	-
	Change in Net Position	112,221,194	(187,600)	(24,068,925)	(25,268,582)	(22,120,487)	(22,869,123)
	Beginning Net Position - July 1	5,365,322	117,584,958	117,396,487	93,327,562	68,058,980	45,938,493
	Prior Period Adjustments	(1,558)	(871)	-	-	-	-
	Change in Net Position	112,221,194	(187,600)	(24,068,925)	(25,268,582)	(22,120,487)	(22,869,123)
	Ending Net Position - June 30	117,584,958	117,396,487	93,327,562	68,058,980	45,938,493	23,069,370
Net Position (Fund Balance) Analysis							

Department of Administration - 61010

Risk Mgmt & Tort Defense Div - 24

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$6,096)
FY 2027	\$0	(\$2,283)

SWPL - 1 - Personal Services -

The budget includes a reduction of \$6,096 in FY 2026 and a reduction of \$2,283 in FY 2027 to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$186,798
FY 2027	\$0	\$182,216

SWPL - 2 - Fixed Costs -

The request includes an increase of \$186,798 in FY 2026 and an increase of \$182,216 in FY 2027 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$791)
FY 2027	\$0	(\$534)

SWPL - 3 - Inflation Deflation -

This change package includes a reduction of \$791 in FY 2026 and a reduction of \$534 in FY 2027 to reflect budgetary changes generated from the application of inflation to specific expenditure accounts. Affected accounts include those associated with the supplies & materials, communications, repair & maintenance, state motor pool, and other services.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$1,283
FY 2027	\$0	\$1,577

PL - 4 - Allocate Department Indirect/Administrative Costs -

This change package includes \$1,283 in FY 2026 and \$1,577 in FY 2027 to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

Montana State Fund Old Fund - 61030

61030 Old Fund
President Holly O Dell
x495-5015

Mission Statement - Montana State Fund administers the claims of the Old Fund in compliance with 39-71-2352, MCA.

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

Montana State Fund Old Fund - 61030

Old Fund - 02

Program Proposed Budget						
Budget Item	Starting Point Fiscal 2025	Budget Adjustments Fiscal 2026	Total Exec. Budget Fiscal 2026	Budget Adjustments Fiscal 2027	Total Exec. Budget Fiscal 2027	Executive Budget Request 2027 Biennium
Operating Expenses	112,660	(78,110)	34,550	(80,583)	32,077	66,627
Benefits & Claims	5,639,376	(1,538,734)	4,100,642	(1,743,766)	3,895,610	7,996,252
Total Costs	\$5,752,036	(\$1,616,844)	\$4,135,192	(\$1,824,349)	\$3,927,687	\$8,062,879
Proprietary Funds	5,752,036	(1,616,844)	4,135,192	(1,824,349)	3,927,687	8,062,879
Total Funds	\$5,752,036	(\$1,616,844)	\$4,135,192	(\$1,824,349)	\$3,927,687	\$8,062,879

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 claims administration.

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

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

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$1,616,844)
FY 2027	\$0	(\$1,824,349)

PL - 4 - Operating and Claim Benefit Adjustments to MSF Staff Estimate -

This change package adjusts for anticipated expenditure changes during the 2027 Biennium, primarily in the areas of operating expenses and benefits and claims.

Montana State Fund New Fund - 62030

62030 Montana State Fund President & Ceo Holly O Dell 495-5015

Mission Statement - Montana State Fund partners with employers and their employees to care for those injured on the job and champions a culture of workplace safety for fellow Montanans.

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

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

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

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

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

Montana State Fund New Fund - 62030

Montana State Fund - 01

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
FTE	290.75	0.00	290.75	0.00	290.75	
Personal Services	35,705,555	815,612	36,521,167	1,948,284	37,653,839	74,175,006
Operating Expenses	28,944,015	1,500,740	30,444,755	2,608,595	31,552,610	61,997,365
Equipment & Intangible Assets	300,000	198,261	498,261	225,990	525,990	1,024,251
Benefits & Claims	137,917,748	(19,306,225)	118,611,523	(16,179,036)	121,738,712	240,350,235
Transfers	261,442	(1,874)	259,568	7,211	268,653	528,221
Debt Service	357,000	578,500	935,500	400,000	757,000	1,692,500
Total Costs	\$203,485,760	(\$16,214,986)	\$187,270,774	(\$10,988,956)	\$192,496,804	\$379,767,578
Proprietary Funds	203,485,760	(16,214,986)	187,270,774	(10,988,956)	192,496,804	379,767,578
Total Funds	\$203,485,760	(\$16,214,986)	\$187,270,774	(\$10,988,956)	\$192,496,804	\$379,767,578

Proprietary Program Description -

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

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

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

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

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

The board is statutorily required to establish a business plan (39-71-2315(4), MCA) and an annual budget within parameters defined in law (39-71-2363(2)(a), MCA). State law requires MSF to submit a copy of its annual budget to the governor and the legislature. The board submits an annual financial report to the governor and to the legislature indicating the business done during the previous year and containing a statement of estimated liabilities of MSF as determined by an independent actuary.

Montana State Fund's Board of Directors is the approving authority for MSF's annual budget (39-71-2363, MCA). The board has not approved the expenditure levels in the following budget tables for the 2027 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 budget the Board of Directors will ultimately approve each year for 2026 and 2027.

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 Montana State Fund's staff projection of operations. Estimates

Montana State Fund New Fund - 62030

Montana State Fund - 01

for claim expenditures and funding are periodically updated by staff and are subject to change. Amounts shown as prior period adjustments in the table also include net unrealized gain on investments, changes in nonadmitted assets, and other changes in policyholder equity.

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 62030	Agency Name: Montana State Fund New Fund			Program Name: Montana State Fund			
	Fund	Fund Name					
	06035	New Fund					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		159,679,857	168,470,070	176,149,566	173,263,014	172,509,691	177,568,268
Fee Revenue B		6,788	5,854	270	900	900	900
Fee Revenue C		2,593	-	-	-	-	-
Revenue A		46,460,744	(123,385,188)	86,995,607	57,996,205	58,728,357	60,021,958
Revenue B		1,088,920	1,660,746	1,603,644	1,359,027	1,324,371	1,292,196
Revenue C		55,203,231	121,443,251	(21,545,857)	7,476,365	(2,783,961)	1,898,164
Total Operating Revenues		262,442,133	168,194,733	243,203,230	240,095,511	229,779,358	240,781,486
Expenses:							
Personal Services		31,213,395	32,929,378	34,597,303	36,130,884	36,521,167	37,653,839
Other Operating Expenses		22,679,777	25,857,913	23,487,311	26,317,513	30,444,755	31,552,610
Expense B		106,666,679	113,380,281	134,038,325	116,080,106	118,611,523	121,738,712
Expense C		60,001,990	30,014,316	35,006,166	30,000,000	30,000,000	30,000,000
Loans and Lease Payments		376,919	-	512,290	740,505	935,500	757,000
Total Operating Expenses		220,938,760	202,181,888	227,641,395	209,269,008	216,512,945	221,702,161
Operating Income (Loss)		41,503,373	(33,987,155)	15,561,835	30,826,503	13,266,413	19,079,325
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		41,503,373	(33,987,155)	15,561,835	30,826,503	13,266,413	19,079,325
Capital Contributions		4,194,912	899,980	947,755	304,165	498,261	525,990
Transfers Out		(266,378)	(241,857)	(264,659)	(255,104)	(259,568)	(268,653)
Change in Net Position		45,431,907	(33,329,032)	16,244,931	30,875,564	13,505,106	19,336,662
Beginning Net Position - July 1		600,993,271	646,425,178	613,096,146	629,341,077	660,216,641	673,721,747
Change in Net Position		45,431,907	(33,329,032)	16,244,931	30,875,564	13,505,106	19,336,662
Ending Net Position - June 30		646,425,178	613,096,146	629,341,077	660,216,641	673,721,747	693,058,409
Net Position (Fund Balance) Analysis							

Montana State Fund New Fund - 62030

Montana State Fund - 01

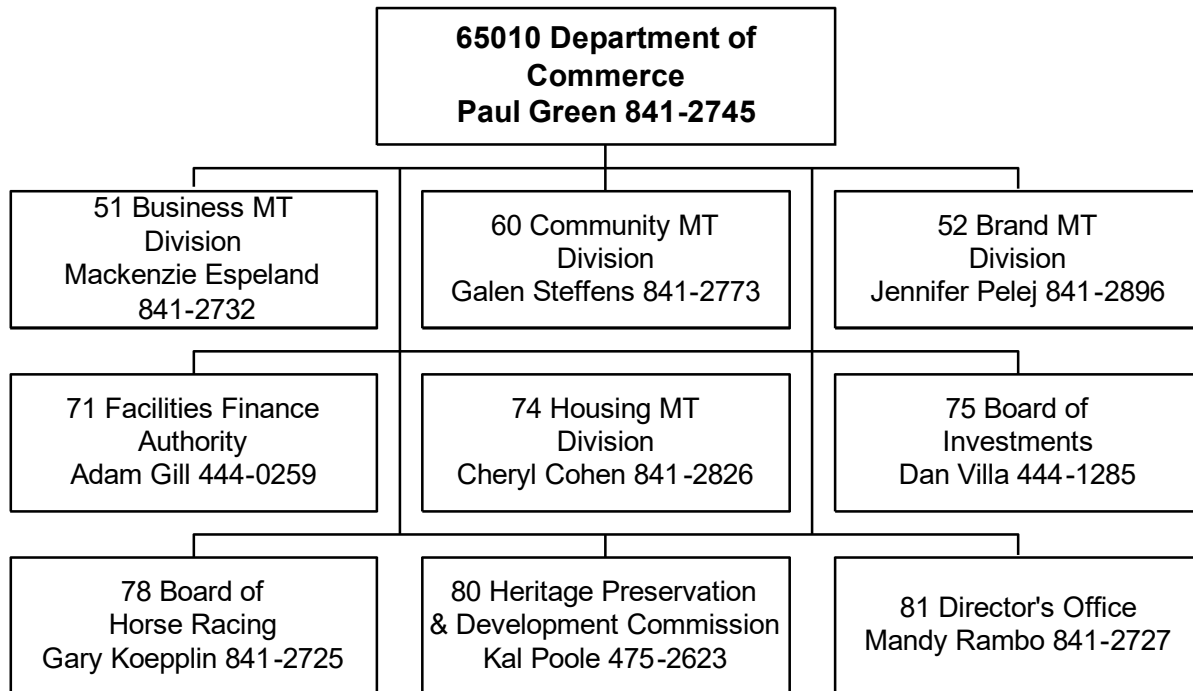
-----Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$16,174,059)
FY 2027	\$0	(\$9,837,796)

PL - 4 - MSF Staff Estimate of Montana State Fund Biennial Funding -

The budget includes funding for 290.75 FTE in each calendar year 2025 and 2026. The funding includes Montana State Fund pay plan adjustments, employee tax and benefit rate adjustments, and vacancy savings. This change package adjusts for anticipated expenditures in the 2027 biennium in the areas of personal services, operating expenses, intangible assets, transfers, and debt service. The primary area of change is driven by anticipated workers' compensation claim payments.

Department of Commerce - 65010



Mission Statement - The Department of Commerce delivers programs and resources through technical assistance; funding, training, and consulting; promotion; research; reporting; and outreach, to provide affordable housing, and to create sustainable business and economic growth to enhance community vitality to benefit the citizens of Montana.

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

Agency Proposed Budget			
Budget Item	Total Exec. Budget Fiscal 2026	Total Exec. Budget Fiscal 2027	Total Exec. Budget 2027 Biennium
FTE	115.33	115.33	
Personal Services	12,959,876	12,989,834	25,949,710
Operating Expenses	10,629,750	10,298,347	20,928,097
Equipment & Intangible Assets	312,000	312,000	624,000
Grants	150,000	150,000	300,000
Benefits & Claims	54,789,200	54,789,200	109,578,400
Transfers	0	0	0
Debt Service	648,141	666,610	1,314,751
Total Costs	\$79,488,967	\$79,205,991	\$158,694,958
Proprietary Funds	79,488,967	79,205,991	158,694,958
Total Funds	\$79,488,967	\$79,205,991	\$158,694,958

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Montana Facility Finance Authority - 71

71 Facilities Finance Authority
Adam Gill 444-0259

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
FTE	3.00	0.00	3.00	0.00	3.00	
Personal Services	495,094	(108,706)	386,388	(107,002)	388,092	774,480
Operating Expenses	276,189	106,889	383,078	55,077	331,266	714,344
Grants	150,000	0	150,000	0	150,000	300,000
Transfers	35,000	(35,000)	0	(35,000)	0	0
Debt Service	29,056	0	29,056	0	29,056	58,112
Total Costs	\$985,339	(\$36,817)	\$948,522	(\$86,925)	\$898,414	\$1,846,936
Proprietary Funds	985,339	(36,817)	948,522	(86,925)	898,414	1,846,936
Total Funds	\$985,339	(\$36,817)	\$948,522	(\$86,925)	\$898,414	\$1,846,936

Proprietary Program Description - 06012 HFA Loan Program – Facility Finance Authority

06015 Facilities Finance Authority – Facility Finance Authority

06017 Commercial Property Assessed Capital Enhancement (C-PACE) Program – Facility Finance Authority

Program Description:

The Facility Finance Authority (authority) was created by the 1983 Legislature to assist health care and related facilities in containing future health care costs by offering debt financing or refinancing at low-cost, tax-exempt interest rates. The legislature extended eligible facilities to include community pre-release centers and for-profit manufacturing facilities.

Cost savings are shared with consumers in the form of lower fees.

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

Effective January 1, 2022, the authority serves as the statewide administrator of the Commercial Property Assessed Capital Enhancement (C-PACE) Program which assists business in gaining access to private capital financing for energy and water efficiency as well as renewable energy projects.

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 continue at the current level throughout the 2027 biennium.

The major cost drivers within the Facilities Finance Authority are personal services, operating expenses, transfers to pay

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Montana Facility Finance Authority - 71

for shared staff, and expenditures related to the periodic replacement of computer equipment.

There is little uncertainty in forecasting future costs of major cost drivers, unless the authority were to become involved in litigation related to the issuance and maintenance of bonds or was required to write-off defaulted loans.

For the purposes of this analysis, it is assumed the authority's ongoing work and customer levels remain constant. Non-typical and one time only expenses, if any, are subtracted from any proposed budgets.

Personal services expenditures fund 3.00 FTE and board member per diem.

Rate(s) and Rate Explanation:

The Facilities Finance Authority is funded by an enterprise fund. The fee structure that is proposed does not materially vary from that proposed in the last session.

Projected Fund Balance, Including Cash Fluctuations:

The Total Fund Equity requirement for the 2027 biennium is derived from the following Authority Program Reserve mandates:

- A. Biennium Working Capital Reserve; \$1,613,612 (two years of FY 2023 operating expense of \$806,806)
- B. Capital Reserve Account (Loan Loss Reserve); \$ 10,233,000 (Maximum of 10% of the outstanding BOI enhancement bond balance as of 7/1/2024)
- C. Facility Direct Loan Program Reserve; \$6,000,000
- D. 10% of the Trust Fund Loan Pool Balance as of 7/1/2024; \$1,115,325

Working Capital and Fees Commensurate Analysis:

The 60-day working capital calculation is not reasonably applicable to the authority, because national bond rating agencies, national bond insurers, and institutional investors expect the authority to reserve two years' operating capital (approximately \$1,613,612) to assure that the authority can financially operate between legislative sessions.

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Montana Facility Finance Authority - 71

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 65010	Agency Name: Department of Commerce			Program Name: Montana Facility Finance Authority			
	Fund	Fund Name					
	06012	FFA Loan Program					
	06015	Facilities Finance Authority					
	06017	C-PACE Commercial Property Ass					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		1,152,629	713,959	669,345	800,000	827,000	835,000
Total Operating Revenues		1,152,629	713,959	669,345	800,000	827,000	835,000
Expenses:							
Personal Services		373,288	455,505	497,122	495,094	386,388	388,092
Other Operating Expenses		225,578	235,961	249,971	276,189	383,078	331,266
Loans and Lease Payments		1,198	499	3,591	29,056	29,056	29,056
Total Operating Expenses		600,064	691,965	750,684	800,339	798,522	748,414
Operating Income (Loss)		552,565	21,994	(81,339)	(339)	28,478	86,586
Nonoperating Revenues:							
Other Revenue A		81,720	310,165	435,985	87,500	285,000	265,000
Nonoperating Expenses:							
Other Expense A		(25,000)	(30,542)	(50,000)	(150,000)	(150,000)	(150,000)
Total Nonoperating Revenues (Expenses)		56,720	279,623	385,985	(62,500)	135,000	115,000
Income (Loss) Before Contributions and Transfers		609,285	301,617	304,646	(62,839)	163,478	201,586
Transfers Out							
		-	-	-	(35,000)	-	-
Change in Net Position		609,285	301,617	304,646	(97,839)	163,478	201,586
Beginning Net Position - July 1		8,940,139	9,543,612	9,845,229	10,149,900	10,052,061	10,215,539
Prior Period Adjustments		(5,812)	-	25	-	-	-
Change in Net Position		609,285	301,617	304,646	(97,839)	163,478	201,586
Ending Net Position - June 30		9,543,612	9,845,229	10,149,900	10,052,061	10,215,539	10,417,125
Net Position (Fund Balance) Analysis							
Unrestricted Net Position		9,543,612	9,845,229	10,149,900	10,052,061	10,215,539	10,417,125

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$111,206)
FY 2027	\$0	(\$109,502)

SWPL - 1 - Personal Services -

The budget includes adjustments to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings. Additional factors contributing to the budget request include adjustments for modified FTE in the C-PACE program.

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	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$55,505
FY 2027	\$0	\$1,826

SWPL - 2 - Fixed Costs -

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$33)
FY 2027	\$0	(\$22)

SWPL - 3 - Inflation Deflation -

This change package includes adjustments to reflect budgetary changes generated from the application of deflation to state motor pool accounts.

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

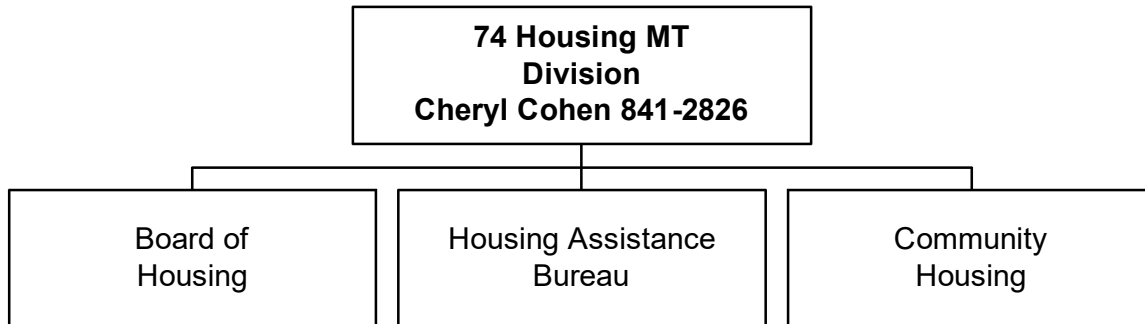
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$18,917
FY 2027	\$0	\$20,773

PL - 7105 - FFA ADMINISTRATIVE COSTS ADJUSTMENTS -

The request includes adjustments for additional board member per diem, and increased costs for travel, as well as indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs. There are reductions for support services previously paid to the Board of Investments that are no longer required.

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Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
FTE	58.33	0.00	58.33	0.00	58.33	
Personal Services	5,111,734	(155,493)	4,956,241	(141,924)	4,969,810	9,926,051
Operating Expenses	6,209,412	604,450	6,813,862	453,773	6,663,185	13,477,047
Equipment & Intangible Assets	312,000	0	312,000	0	312,000	624,000
Benefits & Claims	54,789,200	0	54,789,200	0	54,789,200	109,578,400
Debt Service	452,942	17,844	470,786	30,589	483,531	954,317
Total Costs	\$66,875,288	\$466,801	\$67,342,089	\$342,438	\$67,217,726	\$134,559,815
Proprietary Funds	66,875,288	466,801	67,342,089	342,438	67,217,726	134,559,815
Total Funds	\$66,875,288	\$466,801	\$67,342,089	\$342,438	\$67,217,726	\$134,559,815

Proprietary Program Description - 06030 BOH Financial Programs

06031 Housing Trust Fund

06032 BOH Loan Servicing

06078 Housing Montana Fund

06079 Revolving Loan – TANF (HB 244 in 2023 Legislature amended to remove TANF section from 90-6-133, MCA)

Program Description:

Board of Housing, Montana's statewide Housing Finance Agency (HFA) created under the Montana [Housing Act of 1975](#), is [administratively attached](#) to the Montana Department of Commerce. The board is comprised of seven members appointed by the Governor and confirmed by the state senate. The Board of Housing is funded by enterprise funds with revenues derived from an administrative charge applied to projects and mortgages financed; the board does not receive any general fund and is self-supporting. The board provides policy direction for the following programs:

- *Low-Income Housing Tax Credits (LIHTC)* [Governor EO 2-87](#) | [90-6-109, MCA](#) | 8.111.601 to 8.111.603, ARM
- *Private Activity Bonds (PAB)* [17-5-13, MCA](#) | [90-6-125, MCA](#)
- *Coal Trust Multifamily Homes program (CTMH)* [90-6-137, MCA](#) | 8.111.801 to 8.111.807, ARM
- *Housing Montana Fund (HMF)* [90-6-133, MCA](#) | [90-6-134, MCA](#) | 8.111.501 to 8.111.515, ARM
- *Homeownership Loan & Mortgage Servicing programs* [32-9-101 to 32-9-172, MCA](#) | [90-6-108, MCA](#) | [90-6-125, MCA](#) | 8.111.301 to 8.111.307, ARM
- *Montana Veterans' Home Loan program (VHLP)** [90-6-601 to 90-6-605, MCA](#) | 8.111.701 - 8.111.707, ARM
- *Mortgage Credit Certificate program (MCC)*
- *Reverse Annuity Mortgage program (RAM)* [90-6-501 to 90-6-507, MCA](#) | 8.111.401 to 8.111.409, ARM

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There have been a couple modest program changes since the 2023 Legislature. First, HB 244 removed the TANF program under 90-6-133, MCA, and associated ARMs under 8.111.508 to 8.111.514 were repealed. Additionally, HB 819 modified the interest rate for the Coal Trust Multifamily Homes program to tie it to the average coal trust investment performance. There have been no other significant program, service, or customer base changes since the last session.

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 (IRS) as a condition of using tax-free bonds as a financing source. Mortgage income is also controlled by national financial markets, which set both mortgage rates and bond financing rates.
- Investment income comes from interest earned on investing reserves the board is required to hold and bond and program moneys not yet used to buy mortgages or pay bondholders. Both future mortgage income and investment income for the board depend on the interest rate environment, which is determined by national financial markets.

Other Income:

The board charges the Board of Investments for managing its mortgage loans and for loan cancellations, extensions, or for reviewing certain loan applications. Investment income includes Government Accounting Standards Board (GASB) market value adjustment. GASB 31 requires that long-term investments be valued at fair value 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 bond holders by making interest and principal payments. The board is required to use mortgage and investment income to pay bondholders, buy mortgages, or pay operating costs. Bond debt payments are the board's greatest expense.

The remaining expenses are for loan servicing and operations. More than half of servicing and operations expenses pay for professional services to banks, mortgage companies, and other professionals for issuing bonds, selling mortgages, collecting the monthly mortgage payments, legal services, and paying bondholders. The remaining expenses pay for the board's staff and staff operations, including purchasing and recording mortgage loans, recording repayments and prepayments, investing funds, issuing and redeeming bonds, operating all loan programs, and bookkeeping for over 5,000 mortgages, 263 investment accounts, and 20 bond series.

Rate(s) and Rate Explanation:

The board recovers its costs from charging application and compliance fees for the Low-Income Tax Credit (LIHTC) program (competitive 9% and currently non-competitive 4%) and from charging a spread on the loan programs. The board draws funds for its budget from the amounts available within the indentures. The amount of the approved budget, less any cash on hand, is withdrawn from the indenture and is allocated among the various indentures. Any income the board earns is used to fund special programs that meet the needs of Montana families that are not being met by regular programs. These funds are pledged to the bondholders.

Changes in Level of Fees and Charges:

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

Projected Fund Balance, Including Cash Fluctuations:

As stated in the board's financial statements, Note 1. Summary of Significant Accounting Policies – Net Position “The

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individual bond indentures establish certain funds and accounts as special trust funds to hold the individual indenture funds. Due to the nature of the board's bonds, these funds and accounts are pledged as collateral for the bonds under the individual program indentures. The individual indentures also set certain mortgage and debt service reserve requirements, restricting funds for these purposes." The following are restricted net assets:

- Special trust funds and accounts within the indenture are pledged as collateral for the bonds under the individual program indentures
- Reserve requirements on cash and investments
- Mortgage loans receivable are also pledged as security for holders of the bonds
- Certain indentures require asset-liability coverage ratios be met as well as cash flow certificates be furnished for any significant change anticipated in the financial structure of an indenture
- The trust indentures entered into by the board require all mortgages, and all moneys and investments within the indentures, be legally restricted to uses provided for in the indentures, and the fund balance associated with the indentures, be legally reserved for those uses.
- The board's budgeted monies (those projected to be needed for the fiscal year's operations) are drawn down from the indentures during the fiscal year. These funds are legally pledged to the trust indentures from which they were drawn, and any associated fund balance is reserved for the program from which the budgeted funds were withdrawn.

Working Capital and Fees Commensurate Analysis:

The board recovers its costs by charging application and compliance fees for the LIHTC program and from charging a spread on the loan programs. Any income the board earns is used to fund special programs that meet the needs of Montana families that are not being met by current programs. These funds are pledged to the bondholders.

Loan Program Charges:

The board earns the bulk of its income from the spread between the interest yield on the Homeownership 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. On an issue-by-issue basis, it may be necessary for the board to earn less than full spread in order to offer lower mortgage rates competitive with the private sector. These determinations are based on market conditions and are made in consultation with the board's financial team and financial advisors. The board also charges cancellation, extension, and late fees. A 1% of total mortgage loan amount fee is applied to all multifamily loan programs.

Low Income Housing Tax Credit Charges:

The board receives an annual allocation of federal low income housing tax credits. The board charges an application fee in the amount of 1% of the amount of tax credit requested. Refer to the board's proprietary fee table for other applicable application, reservation, legal, and underwriting fees.

The board is also required to monitor projects that receive tax credits to determine if the projects are in compliance with tax credit regulations. The board charges \$45 per non-market rate unit for compliance fees. An additional \$20 per non-market rate unit is leveraged for Average Income compliance, where applicable.

Other Loan Programs:

- Housing Montana Fund (HMT): The interest that will be charged on Housing Montana Fund loans will range from 2% - 6%, depending on the income targeting of the project. A weighted average rate applies if the project targets multiple income ranges.
- Reverse Annuity Mortgage (RAM): The loans processed through the Housing Trust Fund, for reverse annuity mortgage loans, accrue interest from 4% - 5%.

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- Coal Trust Homes Program (CTHP): Coal Trust Multifamily Homes (CTHP) project loans shall bear interest at an annual rate equal to .0625% plus the Average Coal Trust Investment Performance rate as posted by the Montana Board of Investments and updated the first Thursday of each month, and effective as of preliminary loan application submission.

Payment of Bond Debt:

Principal and interest on the multifamily bond issues is due February 1 and August 1. Principal and interest on the single-family bond issues is due June 1 and December 1.

Investments:

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

Other Mortgage Purchases:

The board purchases Reverse Annuity Mortgages (RAM). RAM loans are not repaid until the borrower passes away or sells their home. These amounts are assets of the board and the interest is accrued monthly. However, the board may not receive the principal and interest repayments for many years. The board also purchases out of the Housing Montana Fund. These loans can be due on sale or amortized. These amounts are assets of the board and the interest is accrued monthly.

06074 Section 8 Project Based

Program Description:

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

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

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

Revenues & Expenses:

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

Major cost drivers for the Project Based Section 8 program are personal services, operating expenses and benefits and claims. Non-typical and one-time only expenses, if any, are subtracted from proposed budgets.

Rate(s) and Rate Explanation:

The Project Based Section 8 contract administration is funded through a performance based contract with the U.S. Department of Housing and Urban Development (HUD), based on a 5-year renewable request for proposal. Retained

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earnings are to be used for operations of this program. Funding for rents is paid by HUD, based on actual contracts negotiated between the department and the individual owners of the projects, set up on a procedure dictated by HUD.

Changes in Level of Fees and Charges:

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

Projected Fund Balance, Including Cash Fluctuations:

Fund equity remaining in the accounts is reserved for use on the Section 8 Housing programs. This was enacted in HUD PIH Notices 2003-23 and 2004-07, and is also found in 24 CFR 982.152(b). Also see the working capital section for details.

Working Capital and Fees Commensurate Analysis:

Revenues are generated in the Project Based Section 8 contract administration under a HUD performance based contract using 17 incentive based performance standards, which are calculated by HUD monthly, quarterly, and annually. Revenues generated are required to be used for contract administration. Rental assistance payments are made based on contracts negotiated by the PBS8 staff and tenant income data. Payments are paid and reimbursed monthly by HUD, based on actual program benefits paid to owners.

06075 HUD Section 8 Tenant Based

06085 HUD Section 8 Mod Rehab

Program Description:

Tenant Based Section 8 (TBS8) provides rent assisted units for very low-income families (including elderly and disabled) to ensure they have decent, safe and sanitary housing using HUD Section 8 Housing Choice Vouchers (which includes the Mainstream Voucher program, HUD-Veteran Affairs Supportive Housing program and Moderate Rehabilitation programs). The program operates on a first come, first served, basis statewide, through a network of field agencies the department contracts with for local administration of 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 monthly adjusted income towards rent and utilities.

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

Revenues & Expenses:

The Tenant Based Section 8 Program is funded by enterprise funds 06075 and 06054, while the Moderate Rehabilitation Program is funded by enterprise funds 06085 and 06037. Revenues are derived from a performance-based Annual Contribution Contract with HUD. There are no direct appropriations provided in HB 2; the Tenant Based Section 8 program is self-supporting.

Major cost drivers for the Tenant Based Section 8 are personal services, operating expenses and benefits and claims. Non-typical and one-time only expenses, if any, are subtracted from proposed budgets.

Rate(s) and Rate Explanation:

Fund revenues are derived from competitively-awarded, performance-based annual contribution contracts with HUD, and the program is self-supporting. The department is the only statewide public housing authority in Montana and specifically budgeted for in HUD's ongoing appropriation for Tenant Based Section 8.

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Changes in Level of Fees and Charges:

Due to a decrease in funding disbursements from the U.S. Department of Housing and Urban Development, the state's Housing Choice Voucher waiting list was officially closed on August 15, 2024 and new vouchers will not be issued until such time as federal funding disbursements allow. As directed by HUD, Commerce is spending down its HUD-Held Reserves to make up the difference and to continue serving current program participants. This closure impacts approximately 3,000 households on the waiting list. Applicants already on the waiting list will retain their place on the list. Moderate Rehabilitation and HUD-VASH programs will continue to operate.

Additionally, the Montana Department of Commerce released a Request for Proposal to secure a vendor to perform a statewide Fair Market Rent Reevaluation. Data from this FMR study will be submitted to HUD for its consideration to modify Montana's Fair Market Rents, which are used to inform eligible Voucher Payment Standards in the TBS8 and other federal housing programs.

Finally, HUD has released various new federal rules and regulations which impact program operations, including a shift to a new inspection protocol, other modernization work with HUD information technology systems, and new operating regulations for the HUD-VASH program.

Projected Fund Balance, Including Cash Fluctuations:

Fund equity remaining in the accounts is reserved for use on the Section 8 Housing programs. This was enacted in HUD PIH Notices 2003-23 and 2004-07, and is also found in 24 CFR 982.152(b). Also, see the working capital discussion.

Working Capital and Fees Commensurate Analysis:

Revenues for the Tenant Based Section 8 program are generated per unit for each rental unit under lease each month. Revenues are used to pay for contract administration of the program. HUD regulations do not allow the PHA to earn new reserve balances after 2003. Old reserve balances are committed to paying program administration costs only and HUD may require their use to pay rental subsidies in the future. Retained earnings are used to supplement interest earnings and older operating reserves in paying for contract administration costs that exceed current revenues. Rental subsidies are paid and reimbursed by HUD. The PHA is not allowed to retain any funds for other than the payment of rents under the program.

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2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 65010	Agency Name: Department of Commerce			Program Name: Housing M T			
	Fund	Fund Name					
	06030	BOH Financial Program Fund					
	06078	Housing Montana Fund					
	06079	Revolving Loan Fund - TANF					
	06032	Mortgage Loan Servicing					
	06031	Housing Trust Fund					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		4,420,134	4,423,687	4,932,435	5,104,928	5,283,601	5,468,527
Total Operating Revenues		4,420,134	4,423,687	4,932,435	5,104,928	5,283,601	5,468,527
Expenses:							
Personal Services		2,464,928	2,932,438	2,944,357	3,185,633	2,992,817	3,002,953
Other Operating Expenses		4,229,893	5,134,764	7,565,675	2,760,009	3,116,707	3,047,735
Loans and Lease Payments		13,411,029	14,134,951	19,673,223	20,846,345	21,889,895	22,982,029
Total Operating Expenses		20,105,850	22,202,153	30,183,255	26,791,987	27,999,419	29,032,717
Operating Income (Loss)		(15,685,716)	(17,778,466)	(25,250,820)	(21,687,059)	(22,715,818)	(23,564,190)
Nonoperating Revenues:							
Other Revenue A		15,578,470	21,552,968	29,099,433	30,117,913	31,172,040	32,263,062
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		15,578,470	21,552,968	29,099,433	30,117,913	31,172,040	32,263,062
Income (Loss) Before Contributions and Transfers		(107,246)	3,774,502	3,848,613	8,430,854	8,456,222	8,698,872
Transfers In							
Transfers In		1,000,017	-	350,000	387,070	400,618	414,639
Transfers Out							
Transfers Out		(1,000,000)	-	(350,000)	(387,070)	(400,618)	(414,639)
Change in Net Position		(107,229)	3,774,502	3,848,613	8,430,854	8,456,222	8,698,872
Beginning Net Position - July 1							
Prior Period Adjustments		1,361,422	(1,597,947)	-	-	-	-
Change in Net Position		(107,229)	3,774,502	3,848,613	8,430,854	8,456,222	8,698,872
Ending Net Position - June 30		163,578,208	165,754,763	169,603,376	178,034,230	186,490,452	195,189,324
Net Position (Fund Balance) Analysis							
Restricted Net Pos(Enterprise Fund Only)		163,578,208	165,754,763	169,603,376	178,034,230	186,490,452	195,189,324

Department of Commerce - 65010

Housing M T - 74

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 65010	Agency Name: Department of Commerce			Program Name: Housing M T			
	Fund 06074	Fund Name SEC 8 Project Based					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		26,551,142	27,738,644	30,011,722	31,512,244	33,087,856	34,742,249
Total Operating Revenues		26,551,142	27,738,644	30,011,722	31,512,244	33,087,856	34,742,249
Expenses:							
Personal Services		762,458	978,823	923,061	960,426	871,307	873,672
Other Operating Expenses		313,924	445,554	410,034	384,499	494,304	453,359
Expense B		-	-	-	156,000	156,000	156,000
Loans and Lease Payments		14,307	25,159	13,073	61,881	65,450	67,999
Total Operating Expenses		1,090,689	1,449,536	1,346,168	1,562,806	1,587,061	1,551,030
Operating Income (Loss)		25,460,453	26,289,108	28,665,554	29,949,438	31,500,795	33,191,219
Nonoperating Revenues:							
Other Revenue A		8,673	132,123	207,653	218,036	228,938	240,385
Nonoperating Expenses:							
Other Expense A		(25,715,394)	(26,262,958)	(28,757,640)	(27,076,686)	(27,076,686)	(27,076,686)
Total Nonoperating Revenues (Expenses)		(25,706,721)	(26,130,835)	(28,549,987)	(26,858,650)	(26,847,748)	(26,836,301)
Income (Loss) Before Contributions and Transfers		(246,268)	158,273	115,567	3,090,788	4,653,047	6,354,918
Change in Net Position		(246,268)	158,273	115,567	3,090,788	4,653,047	6,354,918
Beginning Net Position - July 1		4,492,608	4,259,159	4,417,432	4,532,999	7,623,787	12,276,834
Prior Period Adjustments		12,819	-	-	-	-	-
Change in Net Position		(246,268)	158,273	115,567	3,090,788	4,653,047	6,354,918
Ending Net Position - June 30		4,259,159	4,417,432	4,532,999	7,623,787	12,276,834	18,631,752
Net Position (Fund Balance) Analysis							
Unrestricted Net Position		4,259,159	4,417,432	4,532,999	7,623,787	12,276,834	18,631,752

Department of Commerce - 65010

Housing M T - 74

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 65010	Agency Name: Department of Commerce			Program Name: Housing M T			
	Fund	Fund Name					
	06037	Sect 8 Mod Rehab HAP					
	06075	Section 8 Vouchers					
	06085	Section 8 Mod Rehab					
	06054	Section 8 HAP					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		24,399,671	24,777,146	26,262,515	28,701,447	30,014,359	31,392,916
Total Operating Revenues		24,399,671	24,777,146	26,262,515	28,701,447	30,014,359	31,392,916
Expenses:							
Personal Services		820,616	905,450	877,586	963,175	1,085,824	1,086,860
Other Operating Expenses		2,093,348	2,250,367	2,640,570	2,914,904	3,049,829	3,009,063
Expense B		-	-	-	156,000	156,000	156,000
Loans and Lease Payments		14,307	25,159	13,073	201,600	205,169	207,718
Total Operating Expenses		2,928,271	3,180,976	3,531,229	4,235,679	4,496,822	4,459,641
Operating Income (Loss)		21,471,400	21,596,170	22,731,286	24,465,768	25,517,537	26,933,275
Nonoperating Revenues:							
Other Revenue A		11,302	234,278	354,694	363,942	382,135	401,238
Nonoperating Expenses:							
Other Expense A		(21,138,425)	(21,209,717)	(22,916,797)	(26,517,514)	(26,457,764)	(26,395,026)
Total Nonoperating Revenues (Expenses)		(21,127,123)	(20,975,439)	(22,562,103)	(26,153,572)	(26,075,629)	(25,993,788)
Income (Loss) Before Contributions and Transfers		344,277	620,731	169,183	(1,687,804)	(558,092)	939,487
Change in Net Position		344,277	620,731	169,183	(1,687,804)	(558,092)	939,487
Beginning Net Position - July 1		5,686,885	5,992,176	6,606,139	6,775,322	5,087,518	4,529,426
Prior Period Adjustments		(38,986)	(6,768)	-	-	-	-
Change in Net Position		344,277	620,731	169,183	(1,687,804)	(558,092)	939,487
Ending Net Position - June 30		5,992,176	6,606,139	6,775,322	5,087,518	4,529,426	5,468,913
Net Position (Fund Balance) Analysis							
Unrestricted Net Position		5,992,176	6,606,139	6,775,322	5,087,518	4,529,426	5,468,913

Department of Commerce - 65010

Housing M T - 74

2027 Biennium Report on Internal Service and Enterprise Funds						
Agency # 65010	Agency Name: Department of Commerce		Program Name: Housing M T			
	Fund	Fund Name				
	06028	Emergency Housing Vouchers-Adm				
	06044	Mainstream HCVP-Admin				
	06045	Mainstream HCVP-HAP				
	06029	Emergency Housing Vouchers-HAP				
	Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:						
Fee and Charges						
Fee Revenue A	-	-	1,117,534	1,173,411	1,232,081	1,293,686
Total Operating Revenues	-	-	1,117,534	1,173,411	1,232,081	1,293,686
Expenses:						
Personal Services	-	-	2,645	2,500	6,293	6,325
Other Operating Expenses	-	-	103,829	150,000	153,022	153,028
Total Operating Expenses	-	-	106,474	152,500	159,315	159,353
Operating Income (Loss)	-	-	1,011,060	1,020,911	1,072,766	1,134,333
Nonoperating Revenues:						
Other Revenue A	-	-	26,115	27,422	28,793	30,233
Nonoperating Expenses:						
Other Expense A	-	-	(918,147)	(1,195,000)	(1,254,750)	(1,317,488)
Total Nonoperating Revenues (Expenses)	-	-	(892,032)	(1,167,578)	(1,225,957)	(1,287,255)
Income (Loss) Before Contributions and Transfers	-	-	119,028	(146,667)	(153,191)	(152,922)
Transfers In	-	-	486,885	546,626	573,957	602,655
Change in Net Position	-	-	605,913	399,959	420,766	449,733
Change in Net Position	-	-	605,913	399,959	420,766	449,733
Ending Net Position - June 30	-	-	605,913	1,005,872	1,426,638	1,876,371
Net Position (Fund Balance) Analysis						
Unrestricted Net Position	-	-	605,913	1,005,872	1,426,638	1,876,371

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$155,493)
FY 2027	\$0	(\$141,924)

SWPL - 1 - Personal Services -

The budget includes funding to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings. Additional factors contributing to the budget request include adjustments for modified FTE in the Board of Housing's Multi-family housing program.

Department of Commerce - 65010

Housing M T - 74

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$214,720
FY 2027	\$0	\$61,017

SWPL - 2 - Fixed Costs -

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$907)
FY 2027	\$0	(\$613)

SWPL - 3 - Inflation Deflation -

This change package includes a reduction of funding to reflect budgetary changes generated from the application of deflation to state motor pool accounts.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$408,481
FY 2027	\$0	\$423,958

PL - 7405 - HMT ADMINISTRATIVE COSTS ADJUSTMENTS -

This request includes adjustments for non-state rent increases per the terms of the negotiated lease, and indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs. The decision package increases appropriations for grants in the HOME and HTF programs for the amount of federal funds projected to be available in the 2027 Biennium.

Department of Commerce - 65010

Board of Investments - 75

75 Board of Investments Dan Villa 444-1285

Program Proposed Budget						
Budget Item	Starting Point Fiscal 2025	Budget Adjustments Fiscal 2026	Total Exec. Budget Fiscal 2026	Budget Adjustments Fiscal 2027	Total Exec. Budget Fiscal 2027	Executive Budget Request 2027 Biennium
FTE	33.00	0.00	33.00	0.00	33.00	
Personal Services	5,166,689	129,064	5,295,753	133,776	5,300,465	10,596,218
Operating Expenses	3,461,010	(452,588)	3,008,422	(585,658)	2,875,352	5,883,774
Debt Service	556	0	556	0	556	1,112
Total Costs	\$8,628,255	(\$323,524)	\$8,304,731	(\$451,882)	\$8,176,373	\$16,481,104
Proprietary Funds	8,628,255	(323,524)	8,304,731	(451,882)	8,176,373	16,481,104
Total Funds	\$8,628,255	(\$323,524)	\$8,304,731	(\$451,882)	\$8,176,373	\$16,481,104

Proprietary Program Description - Fund 06014 Industrial Revenue Bond I-95

Fund 06527 Investment Division

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 gave it general responsibility for selection and management of the board's staff and for direct investment and economic development activities, while Section 17-6-201, MCA, requires the board to manage all public funds in accordance with the prudent expert rule and as a fiduciary. The board also invests local government funds at their discretion. The board manages an investment portfolio with a market value, as of June 30, 2024, of approximately \$28.4 billion through 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.

No major changes were made in the unified investment program provided by the Board of Investments from those provided in the last biennium, although the investment portfolio continues to grow in size and complexity.

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.

INTERCAP Program:

The Short-Term Investment Pool holds taxable bonds for the INTERCAP Program, which lends proceeds to eligible governments for eligible projects. Loan terms range from one to 15 years, and short-term loans to finance cash flow deficits or bridge financing are also available.

The INTERCAP and In-State Investment Programs were created in 1984 as part of the "Build Montana" program.

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

Department of Commerce - 65010

Board of Investments - 75

The Board of Investments' responsibilities are mandated primarily in Article VIII, Section 13 of the Montana Constitution, Title 2, Chapter 15, and Title 17, Chapters 5 and 6, MCA, however, the board is also responsible for investment of funds by other state and local governmental entities found throughout Montana Code, legal settlements, and decrees.

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

The board is authorized 33.00 FTE (approximately 29.00 in fund 06527 and approximately 4.00 in fund 06014) in the 2025 biennium. Personal services expenditures include board member per diem.

06014 Industrial Revenue Bond I-95 – Board of Investments

Revenues & Expenses:

Nearly all bond program revenues are generated by the difference between interest rates on bonds sold and the interest rate charged on loans to borrowers. The Board of Investments does not receive any direct appropriations.

The major cost drivers within the Board of Investments are personal services and other expenses.

Forecasting major cost drivers are Department of Administration rates, and Legislative Audit fees. For the purposes of this analysis, the board's workload and customer levels are assumed to grow commensurate with the growth in assets under management. Non-typical and one-time-only expenses, if any, are subtracted from proposed budgets.

Rate(s) and Rate Explanation:

The Board of Investments recovers its costs from the entities that use its services. Typically, this has been done by requesting a maximum level of expenditures, similar to what occurs in HB 2, and setting the fee at that level.

Projected Fund Balance, Including Cash Fluctuations:

At the proposed rates, the board projects a 2027 biennium ending fund balance of approximately

Revenues for fund 06014 are typically received on an annual basis, so a substantial working capital balance is required to provide adequate funding for the bond program between draws.

06527 Investment Division - Board of Investments

Revenues & Expenses:

Investment program revenues are generated from charges to each account invested by the board. The program's revenue objective is to fairly assess the costs of operations while maintaining a reasonable and prudent 60-day working capital reserve. The major cost drivers within the Board of Investments are personal services and operating expenses, including indirect costs charged by the Department of Commerce and the Department of Administration. The Legislature has approved the board being charged by the Department of Administration to pay for 1.00 FTE in the Treasurer's Office in the Department of Administration.

Forecasting major cost drivers are Department of Commerce rates, Department of Administration rates, and Legislative Audit fees. For the purposes of this analysis, the board's workload and customer levels are assumed to grow commensurate with the growth in assets under management. Non-typical and one-time-only expenses, if any, are subtracted from proposed budgets.

Rate(s) and Rate Explanation:

The Board of Investments recovers its costs from the entities using 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.

Department of Commerce - 65010

Board of Investments - 75

Changes in Level of Fees and Charges:

Allocation Methodology: The revenue objective of the Board of Investments is to assess the least amount of revenue to meet the costs of operations for each portfolio managed by the board.

Projected Fund Balance, Including Cash Fluctuations:

At the proposed rate, the board projects a 2027 biennium-ending fund balance of approximately \$643,253.

Working Capital and Fees Commensurate Analysis:

Revenues for fund 06527 are assessed on a monthly basis. Since collections lag by at least one month, the board must maintain a 60-day working capital reserve to meet ongoing operational expenses. At the proposed rates, the board projects a fiscal year-end 2027 ending working capital reserve below the 60-day working capital reserve.

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 65010	Agency Name: Department of Commerce		Program Name: Board of Investments				
	Fund	Fund Name					
	06014	BOI Municipal Finance Programs					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Total Operating Revenues							
		-	-	-	-	-	-
Expenses:							
Personal Services							
		382,250	448,909	474,011	469,317	400,155	401,006
Other Operating Expenses							
		91,374	136,864	145,978	205,583	145,513	138,872
Loans and Lease Payments							
		478,899	1,542,129	3,571,186	5,185,244	5,300,000	5,300,000
Total Operating Expenses							
		952,523	2,127,902	4,191,175	5,860,144	5,845,668	5,839,878
Operating Income (Loss)							
		(952,523)	(2,127,902)	(4,191,175)	(5,860,144)	(5,845,668)	(5,839,878)
Nonoperating Revenues:							
Other Revenue A							
		1,136,430	2,372,923	4,347,027	1,211,901	5,914,586	5,914,586
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
		1,136,430	2,372,923	4,347,027	1,211,901	5,914,586	5,914,586
Income (Loss) Before Contributions and Transfers							
		183,907	245,021	155,852	(4,648,243)	68,918	74,708
Change in Net Position							
		183,907	245,021	155,852	(4,648,243)	68,918	74,708
Beginning Net Position - July 1							
		5,290,932	5,475,157	5,765,478	5,921,330	1,273,087	1,342,005
Prior Period Adjustments							
		318	45,300	-	-	-	-
Change in Net Position							
		183,907	245,021	155,852	(4,648,243)	68,918	74,708
Ending Net Position - June 30							
		5,475,157	5,765,478	5,921,330	1,273,087	1,342,005	1,416,713
Net Position (Fund Balance) Analysis							
Unrestricted Net Position							
		5,475,157	5,765,478	5,921,330	1,273,087	1,342,005	1,416,713

Department of Commerce - 65010

Board of Investments - 75

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 65010	Agency Name: Department of Commerce			Program Name: Board of Investments			
	Fund 06527	Fund Name Investment Division					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		7,471,210	7,695,576	7,826,576	7,826,543	8,079,321	8,079,321
Total Operating Revenues		7,471,210	7,695,576	7,826,576	7,826,543	8,079,321	8,079,321
Expenses:							
Personal Services		4,234,776	4,423,137	4,833,770	4,785,250	4,895,598	4,899,459
Other Operating Expenses		4,113,300	3,849,447	2,786,242	3,178,008	2,863,465	2,737,036
Loans and Lease Payments		-	298,997	(298,997)	-	-	-
Total Operating Expenses		8,348,076	8,571,581	7,321,015	7,963,258	7,759,063	7,636,495
Operating Income (Loss)		(876,866)	(876,005)	505,561	(136,715)	320,258	442,826
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		(876,866)	(876,005)	505,561	(136,715)	320,258	442,826
Transfers In							
Change in Net Position		(876,866)	(876,005)	509,061	(136,715)	320,258	442,826
Beginning Net Position - July 1		1,245,260	368,828	(507,177)	1,884	(134,831)	185,427
Prior Period Adjustments		434	-	-	-	-	-
Change in Net Position		(876,866)	(876,005)	509,061	(136,715)	320,258	442,826
Ending Net Position - June 30		368,828	(507,177)	1,884	(134,831)	185,427	628,253
Net Position (Fund Balance) Analysis							
Unrestricted Net Position		368,828	(507,177)	1,884	(134,831)	185,427	628,253

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$129,064
FY 2027	\$0	\$133,776

SWPL - 1 - Personal Services -

The budget includes adjustments to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Commerce - 65010

Board of Investments - 75

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$210,953
FY 2027	\$0	\$77,849

SWPL - 2 - Fixed Costs -

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$103)
FY 2027	\$0	(\$69)

SWPL - 3 - Inflation Deflation -

This change package includes a reductions in FY 2026 and FY 2027 to reflect budgetary changes generated from the application of deflation to state motor pool accounts.

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

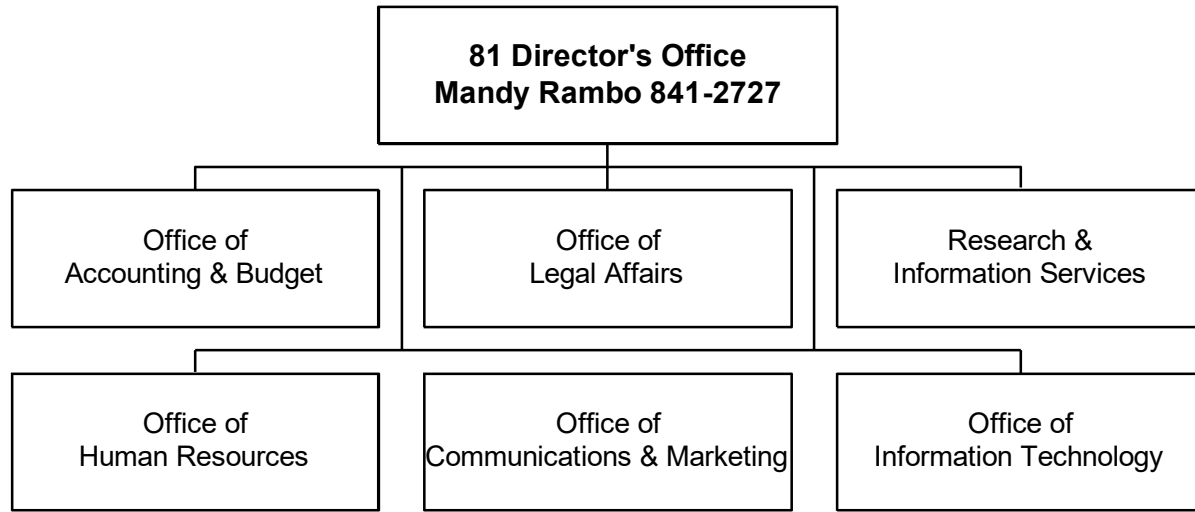
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$663,438)
FY 2027	\$0	(\$663,438)

PL - 7505 - BOI ADMINISTRATIVE COSTS ADJUSTMENTS -

This request is to adjust on-going appropriations for a decrease in the indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs. The net result is a reduction of \$670,938 in FY 2026, and a reduction of \$670,938 in FY 2027 in proprietary authority.

Department of Commerce - 65010

Directors Office - 81



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
FTE	21.00	0.00	21.00	0.00	21.00	
Personal Services	2,546,381	(224,887)	2,321,494	(214,914)	2,331,467	4,652,961
Operating Expenses	300,169	124,219	424,388	128,375	428,544	852,932
Debt Service	139,728	8,015	147,743	13,739	153,467	301,210
Total Costs	\$2,986,278	(\$92,653)	\$2,893,625	(\$72,800)	\$2,913,478	\$5,807,103
Proprietary Funds	2,986,278	(92,653)	2,893,625	(72,800)	2,913,478	5,807,103
Total Funds	\$2,986,278	(\$92,653)	\$2,893,625	(\$72,800)	\$2,913,478	\$5,807,103

Proprietary Program Description - 06542 Commerce Centralized Services - Director's Office

Program Description:

The Director's Office at the Department of Commerce leads the department's mission of economic and community development of the state and provides effective and efficient customer service to the department's programs and professionals. Services are provided by the Offices of Accounting and Budget, Legal Affairs, Human Resources, Information Technology, Communications & Marketing, and Research & Information Services. The Director's Office builds relationships with private business, local governments, administratively attached boards, public, private, non-profit interest groups, the Legislature, Indian tribes, individuals, other governmental agencies, the U.S. Census Bureau, the Governor's Office and other key stakeholders.

In additions the Director's Office provides the critical central services to the agency and administratively attached boards and commissions; as, every division, bureau, and program in the agency uses the services in the Director's Office in some capacity.

The Director's Office is funded through an internal service fund (06542). The Director's Office responsibilities are mandated primarily in Title 2, Chapter 15 and Title 90, Chapter 1, MCA.

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

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

Revenues & Expenses:

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

The Director's Office provides all of the services listed in the program description to all department divisions, bureaus, programs, and employees, with the exception of the Board of Investments, which beginning with the 2027 biennium will undertake most of the services previously provided by the Director's Office themselves.

The customer base for the Director's Office includes:

- Business MT Division
- Brand MT Division
- Community MT Division
- Montana Facility Finance Authority
- Housing MT Division
- Board of Horse Racing
- Montana Heritage Preservation and Development Commission
- Montana Council on Developmental Disabilities

The revenue objective of the Director's Office is to maintain the lowest possible indirect charge to supported divisions, bureaus, and programs, while maintaining a 60-day working capital reserve. The department has historically used this methodology in calculating indirect rates because the federal government requires the same methodology to be used when charging indirect costs to federally funded programs.

The major cost drivers within the Director's Office are personal services, operating expenses, non-state lease payments for office space, as well as various supplies and office equipment. Factors that contribute to uncertainty in forecasting expenses involve potential legislative actions, since the cost of providing centralized support services is directly related to the number and complexity of the agency's divisions, bureaus, and programs, and the number of agency staff served. As agency services and programs increase, or decrease, management needs to remain cognizant of staffing requirements and indirect cost rates and make the necessary adjustments when needed.

For the purposes of this analysis, it is assumed the agency's divisions, bureaus, programs, and staff remain constant, with the exception of the aforementioned Board of Investments. 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 21.00 FTE in the 2027 biennium.

Rate(s) and Rate Explanation:

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

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

The indirect cost rate is determined based on guidelines prescribed by the federal government. Additionally, the Director's Office complies with 17-3-111, MCA, which requires agencies to calculate a rate that would recover indirect costs to the greatest extent possible. In order to comply with this statute, the Director's Office has requested a rate that may vary slightly from the annually calculated federal rate. The rate approved by the legislature is considered a cap; therefore, the

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department cannot impose a rate higher than what has been approved by the legislature. However, the annually calculated federal rate may be lower.

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

Changes in Level of Fees and Charges:

The requested rates are 6.42% higher than those approved for the 2025 biennium. The increase is primarily the result of a lower cost base due to the removal of the Board of Investments. The reduced cost base results in a higher rate being necessary to achieve the same amount of revenue.

Projected Fund Balance, Including Cash Fluctuations:

At the proposed rates, the department projects a 2027 biennium ending fund balance of approximately \$251,145.

Working Capital and Fees Commensurate Analysis:

The Director's Office indirect cost rate is calculated by dividing projected annual expenses, plus a 60-day working capital reserve, by the projected actual personal services expenses of supported divisions, bureaus, and programs. Federally funded programs are allocated indirect costs by an annually calculated indirect cost rate, while state funded programs are allocated indirect costs via a legislatively approved indirect cost rate.

The working capital objective is to recover the costs necessary to fund ongoing operations. A 60-day working capital reserve is needed to meet ongoing operational costs. At the proposed rates, the department projects a fiscal year end 2027 ending working capital reserve of approximately 60 days. All interest earnings on the working capital reserve are distributed to the state general fund.

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2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 65010	Agency Name: Department of Commerce			Program Name: Directors Office			
	Fund	Fund Name					
	06542	Commerce Centralized Services					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		1,981,566	2,172,287	2,146,819	2,316,805	2,467,898	2,474,510
Fee Revenue B		656,314	761,128	617,061	518,131	588,848	590,381
Total Operating Revenues		2,637,880	2,933,415	2,763,880	2,834,936	3,056,746	3,064,891
Expenses:							
Personal Services		1,971,828	2,091,824	2,487,670	2,546,381	2,321,494	2,331,467
Other Operating Expenses		382,169	532,805	862,117	300,169	424,388	428,544
Loans and Lease Payments		32,174	56,491	29,342	139,728	147,743	153,467
Total Operating Expenses		2,386,171	2,681,120	3,379,129	2,986,278	2,893,625	2,913,478
Operating Income (Loss)		251,709	252,295	(615,249)	(151,342)	163,121	151,413
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		251,709	252,295	(615,249)	(151,342)	163,121	151,413
Transfers Out							
Change in Net Position		-	(13,429)	-	-	-	-
Beginning Net Position - July 1		199,240	451,032	688,913	87,952	(63,390)	99,731
Prior Period Adjustments		83	(985)	14,288	-	-	-
Change in Net Position		251,709	238,866	(615,249)	(151,342)	163,121	151,413
Ending Net Position - June 30		451,032	688,913	87,952	(63,390)	99,731	251,144
Net Position (Fund Balance) Analysis							
Unrestricted Net Position		451,032	688,913	87,953	(63,389)	99,732	251,145

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$224,887)
FY 2027	\$0	(\$214,914)

SWPL - 1 - Personal Services -

The budget includes funding to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings. Additional factors contributing to the budget request include adjustments for modified FTE in the Director's Office centralized services program.

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	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$124,224
FY 2027	\$0	\$128,379

SWPL - 2 - Fixed Costs -

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$5)
FY 2027	\$0	(\$4)

SWPL - 3 - Inflation Deflation -

This change package includes funding to reflect budgetary changes generated from the application of deflation to state motor pool accounts.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$8,015
FY 2027	\$0	\$13,739

PL - 8105 - DO ADMINISTRATIVE COSTS ADJUSTMENTS -

The request includes adjustments for increased non-state building rent per the terms of the lease agreement, and indirect costs paid to the Director's Office's Centralized Services for support services provided to supported divisions, bureaus, and programs.

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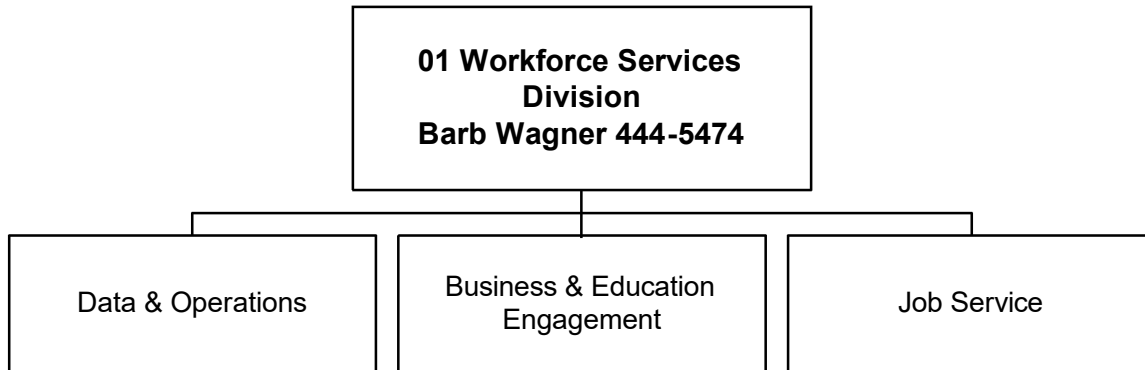
Mission Statement - The mission of the Montana Department of Labor & Industry is to empower Montanans through work and opportunity.

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

Agency Proposed Budget			
Budget Item	Total Exec. Budget Fiscal 2026	Total Exec. Budget Fiscal 2027	Total Exec. Budget 2027 Biennium
FTE	93.75	93.75	
Personal Services	10,049,837	10,074,616	20,124,453
Operating Expenses	9,372,692	9,231,908	18,604,600
Benefits & Claims	138,492,996	145,133,587	283,626,583
Transfers	25,048	25,048	50,096
Debt Service	945,552	945,552	1,891,104
Total Costs	\$158,886,125	\$165,410,711	\$324,296,836
Proprietary Funds	158,886,125	165,410,711	324,296,836
Total Funds	\$158,886,125	\$165,410,711	\$324,296,836

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Workforce Services Division - 01



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
Operating Expenses	8,737	(6,987)	1,750	(6,987)	1,750	3,500
Total Costs	\$8,737	(\$6,987)	\$1,750	(\$6,987)	\$1,750	\$3,500
Proprietary Funds	8,737	(6,987)	1,750	(6,987)	1,750	3,500
Total Funds	\$8,737	(\$6,987)	\$1,750	(\$6,987)	\$1,750	\$3,500

Proprietary Program Description - Fund 06051 - Montana Career Info System

Program Description

The Montana Career Information System (MCIS) provides critical information to job seekers and students on what types of workers are needed in the future Montana economy, the wages of those jobs, and where to obtain training. Skill assessment and career exploration tools help direct future workers into suitable jobs, while the budgeting and wage comparison tools help them understand how their career choices will affect their pocketbook. The MCIS system also includes a database of scholarship opportunities. MCIS has been active in Montana since 1980, with continual improvement to keep the system user-friendly and up-to-date with the latest economic information. This is the only career information delivery system in the country that has specific Montana labor market information included in each file.

MCIS is funded primarily by the Employer Security Account (ESA), and federal Workforce Information Grants (WIG) from the Employment and Training Administration to support the update of data and job projections. In addition to data and system support, the MCIS unit also offers training and outreach directly to schools and through partnerships with nonprofit organizations to support a wide variety of users: job service offices, vocational rehabilitation offices, middle schools, high schools, community colleges, universities, tribal colleges, educational and training agencies, home use, and adult education programs. There are currently optional components of MCIS not funded by ESA or WIG funds, such as IDEAS (an interest inventory) and Peterson Practice Tests that requires the program to collect associated fees from users.

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 as a direct pass-through.

Rates and Rate Explanation

- IDEAS Assessment: \$125 per site license, per year
- Peterson's Academic Practice Tests: \$250 (package #1), \$200 (package #2) per site, per practice test package

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Workforce Services Division - 01

- Peterson's Civil Service Practice Test Package \$200 per site

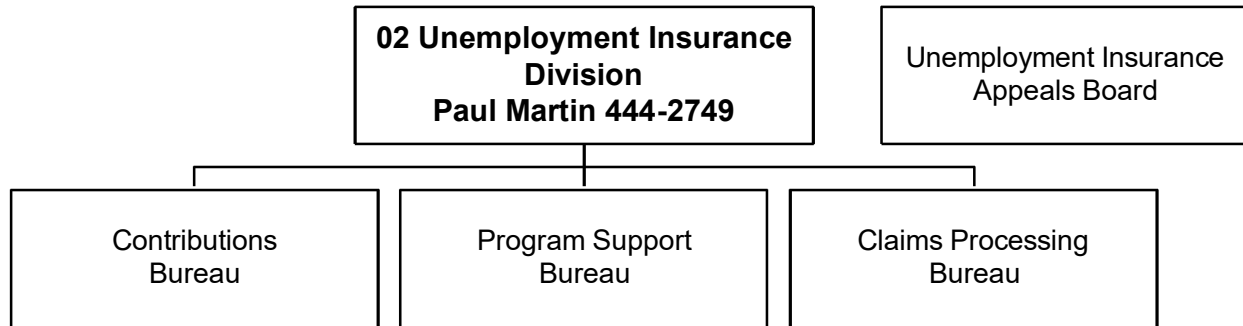
Projected Fund Balance, Including Cash Fluctuations

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.

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 66020	Agency Name: Department of Labor and Industry			Program Name: Workforce Services Division			
	Fund	Fund Name					
	06051	Montana Career Info System					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A							
Total Operating Revenues							
Expenses:							
Expense B							
Total Operating Expenses							
Operating Income (Loss)							
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
Income (Loss) Before Contributions and Transfers							
Change in Net Position							
Beginning Net Position - July 1							
Change in Net Position							
Ending Net Position - June 30							
Net Position (Fund Balance) Analysis							

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Unemployment Insurance Div - 02



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
Benefits & Claims	134,000,000	2,989,668	136,989,668	9,630,259	143,630,259	280,619,927
Total Costs	\$134,000,000	\$2,989,668	\$136,989,668	\$9,630,259	\$143,630,259	\$280,619,927
Proprietary Funds	134,000,000	2,989,668	136,989,668	9,630,259	143,630,259	280,619,927
Total Funds	\$134,000,000	\$2,989,668	\$136,989,668	\$9,630,259	\$143,630,259	\$280,619,927

Proprietary Program Description - Fund 06069 - UI Tax Benefit Fund Program Description

The Department of Labor and Industry (DLI) collects contributions paid by employers, based on their industry or individual experience rate, 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 can elect to have taken out of the benefit check.

Rates and Rate Explanation

The Unemployment Insurance Division administers the state unemployment insurance law. There is no proprietary rate, rather the collection of contributions from employers that are used to pay unemployment insurance benefits to claimants who have involuntarily become unemployed.

Projected Fund Balance, Including Cash Fluctuations

The net position is restricted for use only by the Unemployment Insurance Division for allowable expenditures.

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Unemployment Insurance Div - 02

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 66020	Agency Name: Department of Labor and Industry			Program Name: Unemployment Insurance Div			
	Fund 06069	Fund Name UI Tax Benefit Fund					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		6,725,221	8,808,589	15,195,166	14,569,552	13,231,399	11,040,703
Fee Revenue B		139,250,361	157,753,532	161,878,065	180,217,905	184,022,299	188,818,261
Fee Revenue C		52,153,703	10,308,305	3,487,915	8,238,853	7,840,715	7,246,324
Fee Revenue D		163,327	183,320	125,699	238,466	255,269	268,294
Total Operating Revenues		198,292,612	177,053,746	180,686,845	203,264,776	205,349,682	207,373,582
Expenses:							
Other Operating Expenses		60,731,989	106,630,955	138,871,162	128,614,224	136,989,668	143,630,259
Total Operating Expenses		60,731,989	106,630,955	138,871,162	128,614,224	136,989,668	143,630,259
Operating Income (Loss)		137,560,623	70,422,791	41,815,683	74,650,552	68,360,014	63,743,323
Nonoperating Revenues:							
Nonoperating Expenses:							
Other Expense A		8,382,912	(43,442,612)	11,271,237	-	-	-
Total Nonoperating Revenues (Expenses)		8,382,912	(43,442,612)	11,271,237	-	-	-
Income (Loss) Before Contributions and Transfers		145,943,535	26,980,179	53,086,920	74,650,552	68,360,014	63,743,323
Transfers In							
Change in Net Position		9,091,296	92,598	37,046	-	-	-
		155,034,831	27,072,777	53,123,966	74,650,552	68,360,014	63,743,323
Beginning Net Position - July 1		364,934,410	516,623,371	543,624,850	600,091,665	674,742,217	743,102,231
Prior Period Adjustments		(3,345,870)	(71,298)	3,342,849	-	-	-
Change in Net Position		155,034,831	27,072,777	53,123,966	74,650,552	68,360,014	63,743,323
Ending Net Position - June 30		516,623,371	543,624,850	600,091,665	674,742,217	743,102,231	806,845,554
Net Position (Fund Balance) Analysis							

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

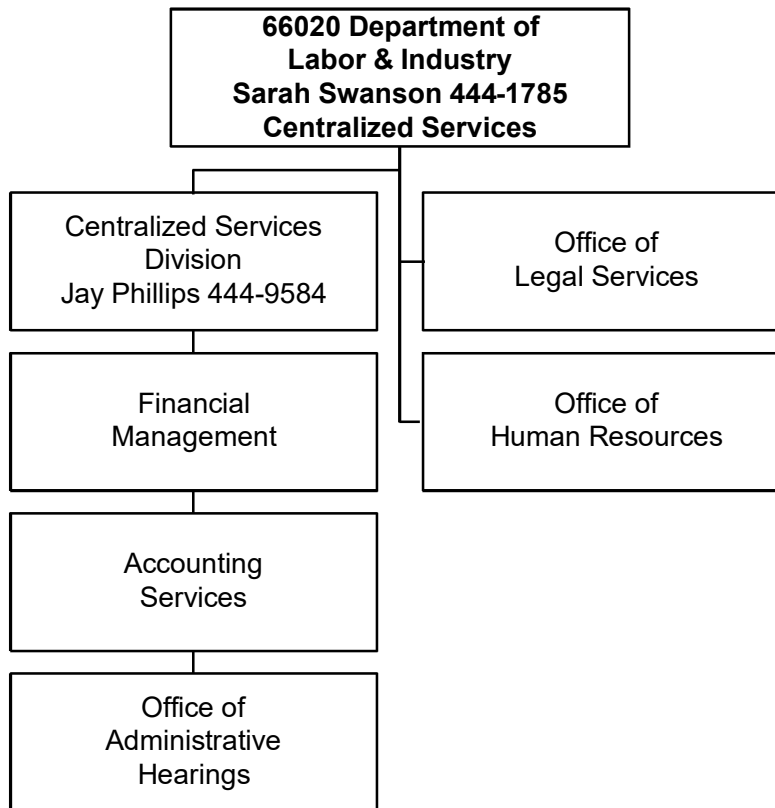
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$2,989,668
FY 2027	\$0	\$9,630,259

PL - 202 - UI Proprietary Adjustment -

This change package adjusts projected revenue and benefit levels for the 2027 Biennium.

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Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
FTE	64.75	0.00	64.75	0.00	64.75	
Personal Services	6,878,508	(22,390)	6,856,118	(2,761)	6,875,747	13,731,865
Operating Expenses	2,581,921	(356,500)	2,225,421	(497,374)	2,084,547	4,309,968
Debt Service	89,675	0	89,675	0	89,675	179,350
Total Costs	\$9,550,104	(\$378,890)	\$9,171,214	(\$500,135)	\$9,049,969	\$18,221,183
Proprietary Funds	9,550,104	(378,890)	9,171,214	(500,135)	9,049,969	18,221,183
Total Funds	\$9,550,104	(\$378,890)	\$9,171,214	(\$500,135)	\$9,049,969	\$18,221,183

Proprietary Program Description - Fund 06546 - Commissioner's Office/CSD

Program Description

Support services provided by the Commissioner's Office and Centralized Services Division (CSD) are funded through an indirect cost rate whereby the department programs are assessed a fee equal to a percentage of their personal services costs. The rate is referred to as the cost allocation plan (CAP).

Revenues and Expenses

Major expenses for this program consist of the personal services costs for the Commissioner's Office and CSD. In total, this rate funds 36.00 FTE. 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 and IT applications that benefit the entire department.

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Revenue for this fund is collected via an indirect cost rate that is charged against division 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.

Divisions pay this fee through SABHRS account code 62889.

Rates and Rate Explanation

The department is requesting a CAP rate of 9.50% for FY 2026 and 9.50% for FY 2027. This request is for the maximum rate that could be charged. The CAP rate charged can differ from the requested rate as estimates can be more accurate with more current data. Historically, the rate charged has been less than the approved rate. The rate charged must be approved each year by a federal cost negotiator.

The requested rate is an indirect cost rate, assessed on personal services expenses. It is calculated by dividing the total anticipated expenses of the program by the total anticipated personal services expenses of the remainder of the department, resulting in a percentage rate. When calculating the rate, the numerator (total anticipated expenses of the program) can be increased or decreased to account for over or under collections in previous years.

After each pay period, the rate is multiplied by the personal services expenses of each funding source, and the resulting fee is collected.

Changes in Level of Fees and Charges

The department is requesting that the rate be approved at 9.50% for FY 2026 and 9.50% for FY 2027. These rates are unchanged from the 2025 Biennium and the department anticipates, other than the proposed increases in the statewide present law adjustment for personal services, fixed costs and inflation/deflation, that an additional cost allocation plan increase for the divisions is not needed based on the agency-wide analysis for personal services expenses.

Projected Fund Balance, Including Cash Fluctuations

The department does not have any obligations to reserve fund balance. Management's objective is to maintain an appropriate fund balance.

Working Capital and Fees Commensurate Analysis

The fund is allowed to maintain up to a 60-day working capital. The program strives to maintain a cash balance that is adequate to allow the fund to maintain a positive cash balance (to support expenses that are incurred before revenue collection occurs) as well as to maintain a reserve in case of unexpected or emergency expenses. The department strives to keep rates consistent for divisions while maintaining a sufficient working capital.

Fund 06552 - Admin Services

Program Description

The Office of Legal Services provides legal assistance to the department's five programs and two administratively attached entities, whereby an hourly rate for attorneys and paralegals is established. Revenues generated fund 28.75 FTE.

Revenues and Expenses

Expenses of the fund are comprised of salaries and overhead costs of agency legal staff. The fee is designed to collect enough cash to cover these expenses, as well as to maintain an appropriate working capital balance.

Rates and Rate Explanation

The rates to be charged is a direct hourly rate, \$132.00 for attorneys and \$97.00 for paralegals for FY 2026 and FY 2027,

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charged to each division based on number of hours of legal service they receive. The rates are unchanged from the 2025 Biennium. They are 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 rates 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

The rate methodology is for two separate rates, \$132.00 for attorneys and \$97.00 for paralegals. Total costs and projected service hours were separated by each function allowing for a separate rate to be calculated, so each division is paying for the level of services provided.

Projected Fund Balance, Including Cash Fluctuations

The program does not have any requirement to reserve fund balance.

Revenue collection for the fund typically happens on a monthly basis. It is necessary for the fund to maintain enough cash to support any payroll expenses that post during that month, as well as any operating or overhead costs that are paid, prior to revenue being collected.

Working Capital and Fees Commensurate Analysis

As mentioned above, the department needs to maintain working capital balances sufficient to process any payroll that posts within a month's time (the amount of time between revenue collections), as well as any operating or overhead costs that are paid during that month. Typically, this requires at least 30 days of working capital. The department monitors revenue, expenses, and cash in the fund on a regular basis to ensure that fees are commensurate with costs. If fees appear to be too high, a refund is issued, or the rate decreased. Likewise, if the fee appears to be too low, expenses are cut, or a fee increase is requested. The department strives to keep rates consistent for divisions while maintaining a sufficient working capital.

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2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 66020	Agency Name: Department of Labor and Industry			Program Name: Commissioners Office & C.s.d.			
	Fund	Fund Name					
	06552	Legal Admin Services					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		2,812,236	2,905,941	3,067,215	4,050,000	4,050,000	4,050,000
Total Operating Revenues		2,812,236	2,905,941	3,067,215	4,050,000	4,050,000	4,050,000
Expenses:							
Personal Services		2,279,936	2,407,119	2,681,658	3,252,668	3,151,117	3,160,877
Expense B		474,670	457,607	518,817	622,681	707,972	707,462
Loans and Lease Payments		-	19,404	38,527	77,581	77,581	77,581
Total Operating Expenses		2,754,606	2,884,130	3,239,002	3,952,930	3,936,670	3,945,920
Operating Income (Loss)		57,630	21,811	(171,787)	97,070	113,330	104,080
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		57,630	21,811	(171,787)	97,070	113,330	104,080
Transfers Out							
Change in Net Position		-	(495)	-	-	-	-
		57,630	21,316	(171,787)	97,070	113,330	104,080
Beginning Net Position - July 1		130,521	185,231	206,547	38,033	135,103	248,433
Prior Period Adjustments		(2,920)	-	3,273	-	-	-
Change in Net Position		57,630	21,316	(171,787)	97,070	113,330	104,080
Ending Net Position - June 30		185,231	206,547	38,033	135,103	248,433	352,513
Net Position (Fund Balance) Analysis							

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Commissioners Office & C.s.d. - 03

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 66020	Agency Name: Department of Labor and Industry			Program Name: Commissioners Office & C.s.d.			
	Fund	Fund Name					
	06546	Commissioner's Office/CSD					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		3,524,356	3,615,674	4,170,573	4,124,440	4,124,440	4,124,440
Fee Revenue B		860,909	910,822	988,320	1,025,560	1,025,560	1,025,560
Total Operating Revenues		4,385,265	4,526,496	5,158,893	5,150,000	5,150,000	5,150,000
Expenses:							
Personal Services		2,729,709	3,134,748	3,096,237	3,625,840	3,705,001	3,714,870
Other Operating Expenses		1,773,396	1,575,217	1,676,984	1,959,240	1,517,449	1,377,085
Loans and Lease Payments		-	549	128	12,094	12,094	12,094
Total Operating Expenses		4,503,105	4,710,514	4,773,349	5,597,174	5,234,544	5,104,049
Operating Income (Loss)		(117,840)	(184,018)	385,544	(447,174)	(84,544)	45,951
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		(117,840)	(184,018)	385,544	(447,174)	(84,544)	45,951
Transfers Out							
Change in Net Position		-	(805)	-	-	-	-
		(117,840)	(184,823)	385,544	(447,174)	(84,544)	45,951
Beginning Net Position - July 1		227,733	115,718	(67,742)	318,062	(129,112)	(213,656)
Prior Period Adjustments		5,825	1,363	260	-	-	-
Change in Net Position		(117,840)	(184,823)	385,544	(447,174)	(84,544)	45,951
Ending Net Position - June 30		115,718	(67,742)	318,062	(129,112)	(213,656)	(167,705)
Net Position (Fund Balance) Analysis							

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$22,390)
FY 2027	\$0	(\$2,761)

SWPL - 1 - Personal Services -

The budget includes adjustments to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Labor and Industry - 66020

Commissioners Office & C.s.d. - 03

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$355,550)
FY 2027	\$0	(\$496,732)

SWPL - 2 - Fixed Costs -

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

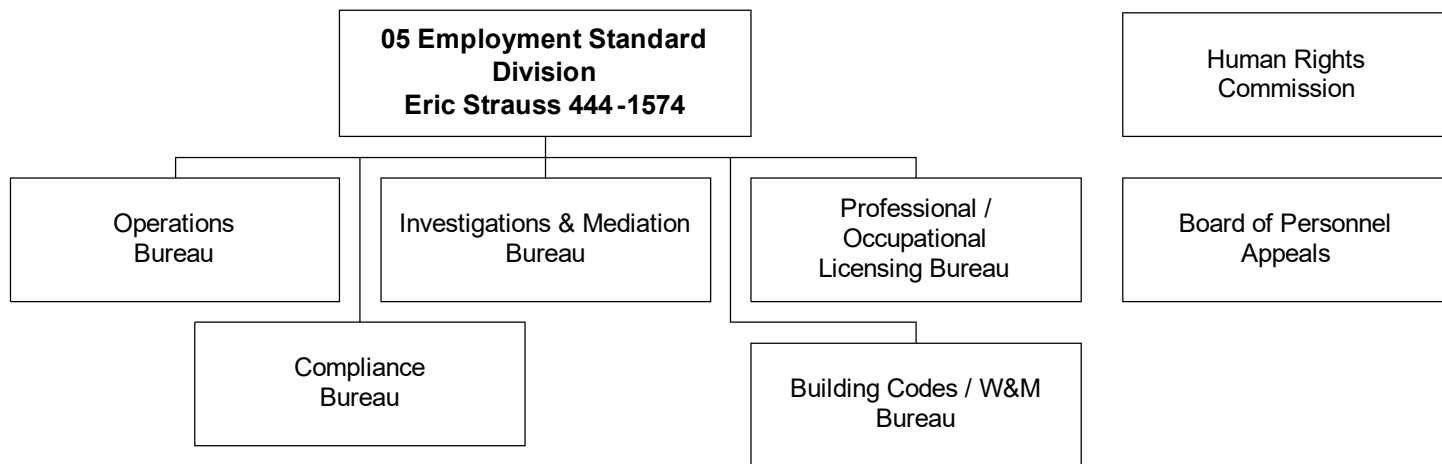
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$950)
FY 2027	\$0	(\$642)

SWPL - 3 - Inflation Deflation -

This change package includes reductions in FY 2026 and FY 2027 authority to reflect budgetary changes generated from the application of deflation to state motor pool accounts.

Department of Labor and Industry - 66020

Employment Standards Division - 05



Program Proposed Budget						
Budget Item	Starting Point Fiscal 2025	Budget Adjustments Fiscal 2026	Total Exec. Budget Fiscal 2026	Budget Adjustments Fiscal 2027	Total Exec. Budget Fiscal 2027	Executive Budget Request 2027 Biennium
Benefits & Claims	1,503,328	0	1,503,328	0	1,503,328	3,006,656
Transfers	25,048	0	25,048	0	25,048	50,096
Total Costs	\$1,528,376	\$0	\$1,528,376	\$0	\$1,528,376	\$3,056,752
Proprietary Funds	1,528,376	0	1,528,376	0	1,528,376	3,056,752
Total Funds	\$1,528,376	\$0	\$1,528,376	\$0	\$1,528,376	\$3,056,752

Proprietary Program Description - Fund 06086- Board of Public Accountant Program Description

The Board of Public Accountants is responsible for approving and processing applications, license renewals and overseeing disciplinary action for public accountants in Montana. The board's work is paid through application and licensing fees.

Revenues and Expenses

The revenues received in the proprietary fund are from application fees, license renewal fees, document processing fees for license verifications, and late fees for late license renewal or findings of continuing education missing or lacking, because of audit findings. The board receives interest payments from investments in Short Term Investment Program (STIP). Expenditures for the board include personal services and operating expenses to run the board, cover administrative services for the Executive Officer, Legal Counsel, Department Counsel, licensing and compliance staff, and shared overhead for the division, along with board member per diem, and any travel costs related to board business, or board meeting expenses.

Projected Fund Balance, Including Cash Fluctuations

Cash in the board's fund is restricted in use to cover board expenses only, per 37-50-210, MCA, and are deposited directly to the board's fund. Per 37-50-209, MCA, the department is charged with ensuring board revenues are invested with the Board of Investments pursuant to the provisions of the Unified Investment Program for state funds. The department and board ensure the board's cash reserves are equal to 15% of the average of the last three years of revenue to operate the board, and this measurement is completed at the end of the board's renewal cycle. Any interest received from the board's investments are deposited to the board's fund.

Department of Labor and Industry - 66020

Employment Standards Division - 05

Fund 06040 - Subsequent Injury Trust Fund

Program Description

The Subsequent Injury Fund (SIF) was established in 1973 to assist disabled persons in becoming employed by offering a financial incentive to the employers who hire them. In the event a SIF certified individual is injured on the job, their employer's workers' compensation carrier is only liable for the first 104 weeks of benefits paid. Any benefits paid after that point are reimbursed by the fund, thus minimizing the workers' compensation expenses for the employer's insurer. Beginning July 1, 1999, the fund is maintained by an annual assessment of all Montana employers.

Revenues and Expenses

The expenses of the program consist of the administration costs and benefits for certified workers. The program is funded through an annual assessment on Plan 1 (Self-Insured) workers' compensation employers, a surcharge on premium paid for Plan 2 (Private sector), and Plan 3 (Montana State Fund) employers. The assessment is based on a percentage of the compensation and medical benefits paid in Montana by each insurer the preceding calendar year (39-71-915, MCA) and amounts actually paid out from SIF.

Rates and Rate Explanation

The SIF rate is set by the Employment Standards Division based on the total amount of paid losses reimbursed by the fund in the preceding year. Because the rate is based upon the previous years' experience, future rates beyond one year are unknown. This program is funded with an enterprise type proprietary fund.

Projected Fund Balance, Including Cash Fluctuations

The SIF cash balance fluctuates throughout each fiscal year. The revenue to the fund comes during five time periods throughout the year. Expenses are paid out when reimbursement requests are submitted to the department, as long as there are sufficient monies in the fund to cover those expenses. There is no requirement for the fund to have a reserve fund balance. If the fund does not have enough monies to cover the submitted claims, those claims are placed on hold until the fund has a positive fund balance.

Each fiscal year, the department estimates outstanding claims payables and makes an accounting entry at the end of the fiscal year. This makes the net position appear negative.

Department of Labor and Industry - 66020

Employment Standards Division - 05

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 66020	Agency Name: Department of Labor and Industry			Program Name: Employment Standards Division			
	Fund	Fund Name					
	06086	Public Accountants					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		363,118	416,095	104,900	70,000	389,500	389,500
Fee Revenue B		30,210	200	3,600	3,000	3,000	3,000
Fee Revenue C		7,705	8,125	7,420	7,500	7,500	7,500
Fee Revenue D		120	140	-	-	-	-
Other Operating Revenue		1,189	38,315	59,360	60,000	65,000	65,000
Total Operating Revenues		402,342	462,875	175,280	140,500	465,000	465,000
Expenses:							
Personal Services		68,816	60,846	162,115	165,002	92,284	92,284
Other Operating Expenses		100,477	79,251	111,476	200,525	203,311	203,305
Expense B		496	719	4,883	10,897	10,897	10,897
Expense C		21	613	1,020	800	800	800
Total Operating Expenses		169,810	141,429	279,494	377,224	307,292	307,286
Operating Income (Loss)		232,532	321,446	(104,214)	(236,724)	157,708	157,714
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		232,532	321,446	(104,214)	(236,724)	157,708	157,714
Change in Net Position		232,532	321,446	(104,214)	(236,724)	157,708	157,714
Beginning Net Position - July 1		614,908	847,661	1,168,438	1,060,954	824,230	981,938
Prior Period Adjustments		221	(669)	(3,270)	-	-	-
Change in Net Position		232,532	321,446	(104,214)	(236,724)	157,708	157,714
Ending Net Position - June 30		847,661	1,168,438	1,060,954	824,230	981,938	1,139,652
Net Position (Fund Balance) Analysis							

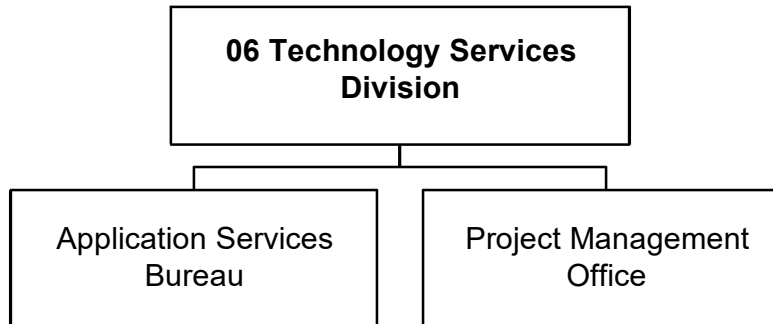
Department of Labor and Industry - 66020

Employment Standards Division - 05

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 66020	Agency Name:			Program Name:			
	Department of Labor and Industry			Employment Standards Division			
	Fund	Fund Name					
	06040	Subsequent Injuiry-Trust Fund					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A							
		1,834,402	1,661,952	1,826,448	1,543,376	1,543,376	1,543,376
Other Operating Revenue							
		882	41,053	67,979	25,000	25,000	25,000
Total Operating Revenues							
		1,835,284	1,703,005	1,894,427	1,568,376	1,568,376	1,568,376
Expenses:							
Expense B							
		931,063	2,434,807	680,858	1,528,376	1,528,376	1,528,376
Total Operating Expenses							
		931,063	2,434,807	680,858	1,528,376	1,528,376	1,528,376
Operating Income (Loss)							
		904,221	(731,802)	1,213,569	40,000	40,000	40,000
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers							
		904,221	(731,802)	1,213,569	40,000	40,000	40,000
Transfers Out							
		(30,022)	(27,733)	(29,368)	(25,048)	(25,048)	(25,048)
Change in Net Position							
		874,199	(759,535)	1,184,201	14,952	14,952	14,952
Beginning Net Position - July 1							
		(1,313,325)	(439,126)	(1,198,661)	(14,460)	492	15,444
Change in Net Position							
		874,199	(759,535)	1,184,201	14,952	14,952	14,952
Ending Net Position - June 30							
		(439,126)	(1,198,661)	(14,460)	492	15,444	30,396
Net Position (Fund Balance) Analysis							

Department of Labor and Industry - 66020

Technology Services Division - 06



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
FTE	29.00	0.00	29.00	0.00	29.00	
Personal Services	3,154,711	39,008	3,193,719	44,158	3,198,869	6,392,588
Operating Expenses	7,148,104	(2,583)	7,145,521	(2,493)	7,145,611	14,291,132
Debt Service	855,877	0	855,877	0	855,877	1,711,754
Total Costs	\$11,158,692	\$36,425	\$11,195,117	\$41,665	\$11,200,357	\$22,395,474
Proprietary Funds	11,158,692	36,425	11,195,117	41,665	11,200,357	22,395,474
Total Funds	\$11,158,692	\$36,425	\$11,195,117	\$41,665	\$11,200,357	\$22,395,474

Proprietary Program Description - 06568 – Technical and Application Services

Program Description

Supportive services provided by the Technology Services Division (TSD) are funded through indirect cost rates. The rate for application services is assessed based on a direct hourly charge to the benefiting division.

Revenues and Expenses

The major expense for this fund consists of the personal services and operating costs for 29.00 FTE in TSD. Revenue for this fund is collected via an indirect cost rate. This rate is collected from all other divisions in the department. The services provided in exchange for this fee include application services such as computer programming and database management.

For the Application Services rate, a time distribution system was designed for application staff to directly charge regular hours to the benefiting subsystem or division. The Application Services Rate of \$120.00 per hour is 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 rates charged must be approved each fiscal year by the United States Department of Labor federal cost negotiator. The actual rate charged can differ from the requested rate as estimates can be more accurate as more recent data becomes available.

Divisions pay this fee through SABHRS account code 62827W.

Rate(s) and Rate Explanation

The requested Application Services Rate of \$120.00 per hour is 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.

Department of Labor and Industry - 66020

Technology Services Division - 06

Changes in Level of Fees and Charges

Services will be charged through the Enterprise Services rate in FY 2026 and FY 2027.

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 department strives to keep rates consistent for divisions while maintaining a sufficient working capital.

06578 – Technical Services Direct

Program Description

This fund has two rates that are direct pass thru costs to the department divisions. The rate for Enterprise Services provided by State Information Technology Services Division (SITSD) is allocated on total cost by division FTE. The other direct rate is for actual cost of contracted and SITSD services that are directly attributable to a specific division.

Revenues and Expenses

The Enterprise Services rate covers all SITSD charges that directly benefit the department as a whole. Those total costs are distributed based on department FTE. The direct rate includes actual expenditures that can be identified as directly benefiting a specific program such as contracts and SITSD services.

Rate(s) and Rate Explanation

The Enterprise Services Rate is calculated on specific SITSD services that benefit the department as a whole. The total budgeted SITSD rate for a portion of Asset Broker, Enterprise Services, Equipment Hosting, Operational Support, Server, Cybersecurity, ServiceNow, and Storage hosting services are allocated back to divisions based on FTE percentages.

The Direct Services Rate is calculated on all other SITSD services and department contracted services and allocated back to the benefiting division based on actual expenditures.

Changes in Level of Fees and Charges

The department is not requesting any increases for the direct pass thru rate of actuals plus 0%.

Projected Fund Balance, Including Cash Fluctuations

The department does not have any obligations to reserve fund balance.

Working Capital and Fees Commensurate Analysis

The fund is a direct pass thru and does not maintain a working capital.

Department of Labor and Industry - 66020

Technology Services Division - 06

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 66020	Agency Name: Department of Labor and Industry			Program Name: Technology Services Division			
	Fund	Fund Name					
	06568	Technical Services					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		3,926,576	3,396,343	3,053,938	3,325,488	3,980,720	3,922,610
Fee Revenue B		698,714	397,772	25,520	175,026	315,000	315,000
Total Operating Revenues		4,625,290	3,794,115	3,079,458	3,500,514	4,295,720	4,237,610
Expenses:							
Personal Services		3,207,658	2,514,106	2,539,617	3,154,711	3,193,719	3,198,869
Other Operating Expenses		1,309,681	1,810,384	453,259	585,321	582,738	582,828
Expense C		-	740	-	-	-	-
Loans and Lease Payments		7,805	5,019	710	101,894	101,894	101,894
Total Operating Expenses		4,525,144	4,330,249	2,993,586	3,841,926	3,878,351	3,883,591
Operating Income (Loss)		100,146	(536,134)	85,872	(341,412)	417,369	354,019
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		100,146	(536,134)	85,872	(341,412)	417,369	354,019
Change in Net Position		100,146	(536,134)	85,872	(341,412)	417,369	354,019
Beginning Net Position - July 1		544,212	643,370	107,071	194,125	(147,287)	270,082
Prior Period Adjustments		(988)	(165)	1,182	-	-	-
Change in Net Position		100,146	(536,134)	85,872	(341,412)	417,369	354,019
Ending Net Position - June 30		643,370	107,071	194,125	(147,287)	270,082	624,101
Net Position (Fund Balance) Analysis							

Department of Labor and Industry - 66020

Technology Services Division - 06

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 66020	Agency Name: Department of Labor and Industry			Program Name: Technology Services Division			
	Fund	Fund Name					
	06578	Technical Services Direct					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		5,651,385	5,601,103	7,899,227	6,267,002	6,267,002	6,267,002
Fee Revenue B		1,258,752	888,273	1,323,172	1,049,764	1,049,764	1,049,764
Total Operating Revenues		6,910,137	6,489,376	9,222,399	7,316,766	7,316,766	7,316,766
Expenses:							
Other Operating Expenses		6,910,137	6,489,376	9,210,152	7,316,766	7,316,766	7,316,766
Total Operating Expenses		6,910,137	6,489,376	9,210,152	7,316,766	7,316,766	7,316,766
Operating Income (Loss)		-	-	12,247	-	-	-
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		-	-	12,247	-	-	-
Change in Net Position		-	-	12,247	-	-	-
Beginning Net Position - July 1		-	-	-	12,247	12,247	12,247
Change in Net Position		-	-	12,247	-	-	-
Ending Net Position - June 30		-	-	12,247	12,247	12,247	12,247
Net Position (Fund Balance) Analysis							

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$39,008
FY 2027	\$0	\$44,158

SWPL - 1 - Personal Services -

The budget includes funding to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Labor and Industry - 66020

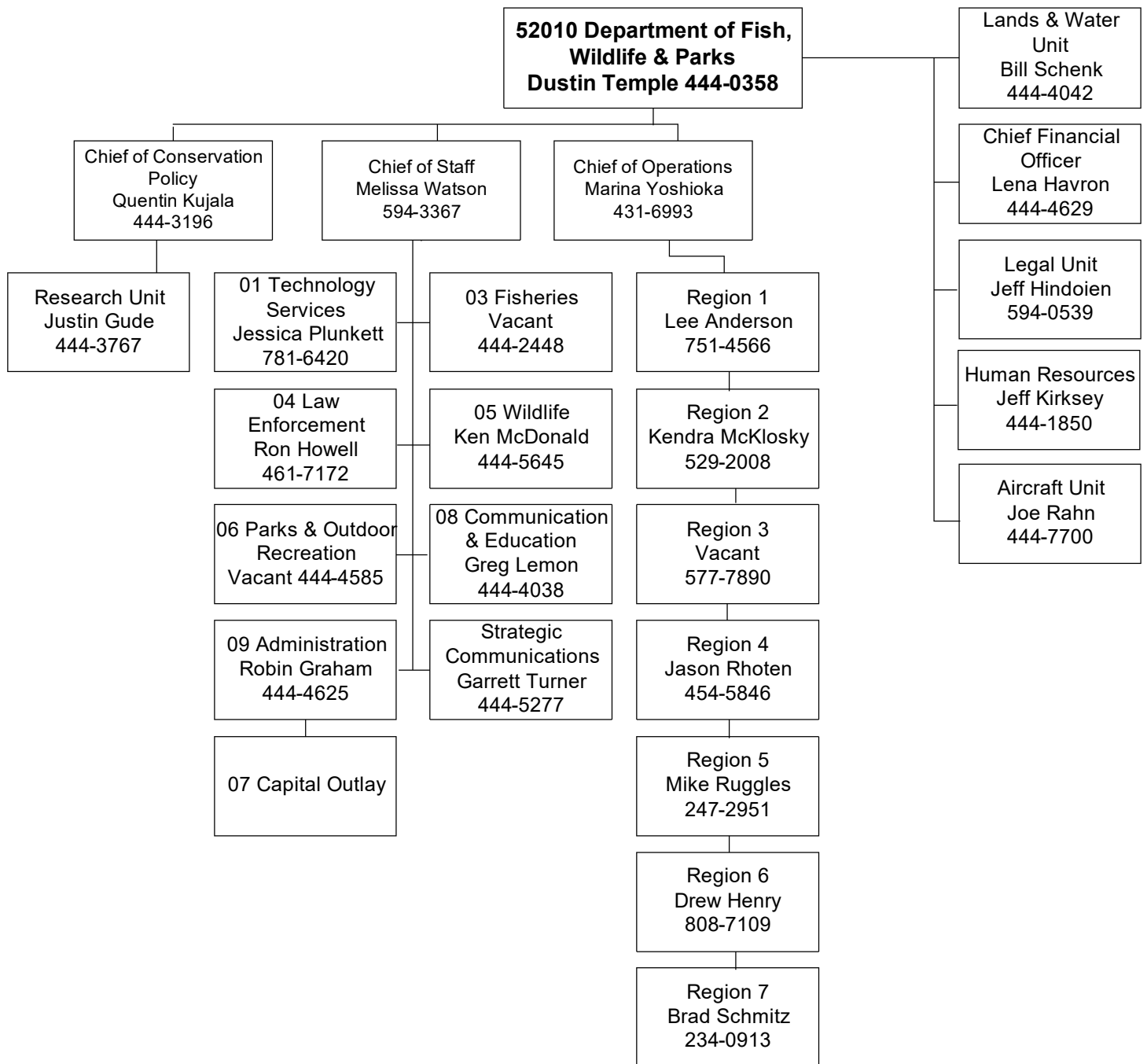
Technology Services Division - 06

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$2,583)
FY 2027	\$0	(\$2,493)

SWPL - 2 - Fixed Costs -

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

Department of Fish, Wildlife, and Parks - 52010



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

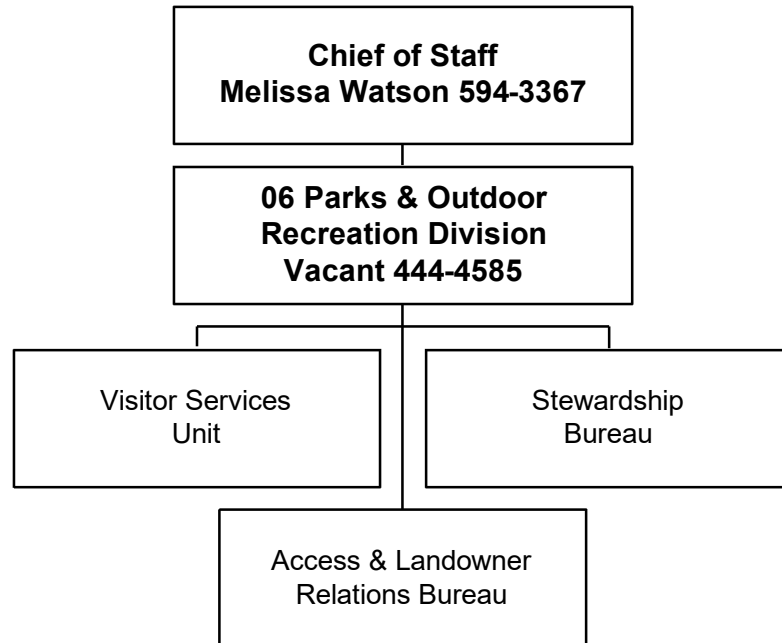
Statutory Authority - Title 87 and 23, MCA.

Department of Fish, Wildlife, and Parks - 52010

Agency Proposed Budget			
Budget Item	Total Exec. Budget Fiscal 2026	Total Exec. Budget Fiscal 2027	Total Exec. Budget 2027 Biennium
FTE	98.66	98.66	
Personal Services	7,018,270	7,037,253	14,055,523
Operating Expenses	4,481,602	4,481,602	8,963,204
Equipment & Intangible Assets	1,177,766	1,177,766	2,355,532
Benefits & Claims	5,000	5,000	10,000
Debt Service	428,000	428,000	856,000
Total Costs	\$13,110,638	\$13,129,621	\$26,240,259
Proprietary Funds	13,110,638	13,129,621	26,240,259
Total Funds	\$13,110,638	\$13,129,621	\$26,240,259

Department of Fish, Wildlife, and Parks - 52010

Parks & Outdoor Rec Div - 06



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
FTE	5.18	0.00	5.18	0.00	5.18	
Personal Services	360,283	(1,906)	358,377	(1,048)	359,235	717,612
Operating Expenses	199,872	0	199,872	0	199,872	399,744
Total Costs	\$560,155	(\$1,906)	\$558,249	(\$1,048)	\$559,107	\$1,117,356
Proprietary Funds	560,155	(1,906)	558,249	(1,048)	559,107	1,117,356
Total Funds	\$560,155	(\$1,906)	\$558,249	(\$1,048)	\$559,107	\$1,117,356

Proprietary Program Description - Fund 06068 - MFWP Visitor Services

Proprietary Program Description

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

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

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

Revenues and Expenses

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,

Department of Fish, Wildlife, and Parks - 52010

Parks & Outdoor Rec Div - 06

and the purchase of inventory to replenish stock.

Rates and Rate Explanation

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

Projected Fund Balance, Including Cash Fluctuations

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

Working Capital and Fees Commensurate Analysis

2027 Biennium Internal Service Fund Working Capital and Fees Commensurate Analysis

Fund	Fund Name	Agency #	Agency Name	Program Name						

Budgeted WC = Actual WC FY 2023 + or - Estimated FY 2024 and FY 2025, and Proposed FY 2026 and FY 2027, Change in Net Position

Department of Fish, Wildlife, and Parks - 52010

Parks & Outdoor Rec Div - 06

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 52010	Agency Name: Department of Fish, Wildlife, and Parks			Program Name: Parks & Outdoor Rec Div			
	Fund	Fund Name					
	06068	MFWP Visitor Services					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A							
		401,948	403,830	446,950	487,000	485,000	483,000
Total Operating Revenues							
		401,948	403,830	446,950	487,000	485,000	483,000
Expenses:							
Personal Services							
		151,967	158,849	174,316	189,316	189,316	189,316
Other Operating Expenses							
		266,520	297,238	304,159	310,000	310,000	310,000
Total Operating Expenses							
		418,487	456,087	478,475	499,316	499,316	499,316
Operating Income (Loss)							
		(16,539)	(52,257)	(31,525)	(12,316)	(14,316)	(16,316)
Nonoperating Revenues:							
Other Revenue A							
		506	9,208	11,217	13,000	15,000	17,000
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
		506	9,208	11,217	13,000	15,000	17,000
Income (Loss) Before Contributions and Transfers							
		(16,033)	(43,049)	(20,308)	684	684	684
Change in Net Position							
		(16,033)	(43,049)	(20,308)	684	684	684
Beginning Net Position - July 1							
		508,684	492,651	449,602	429,294	429,978	430,662
Change in Net Position							
		(16,033)	(43,049)	(20,308)	684	684	684
Ending Net Position - June 30							
		492,651	449,602	429,294	429,978	430,662	431,346
Net Position (Fund Balance) Analysis							

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

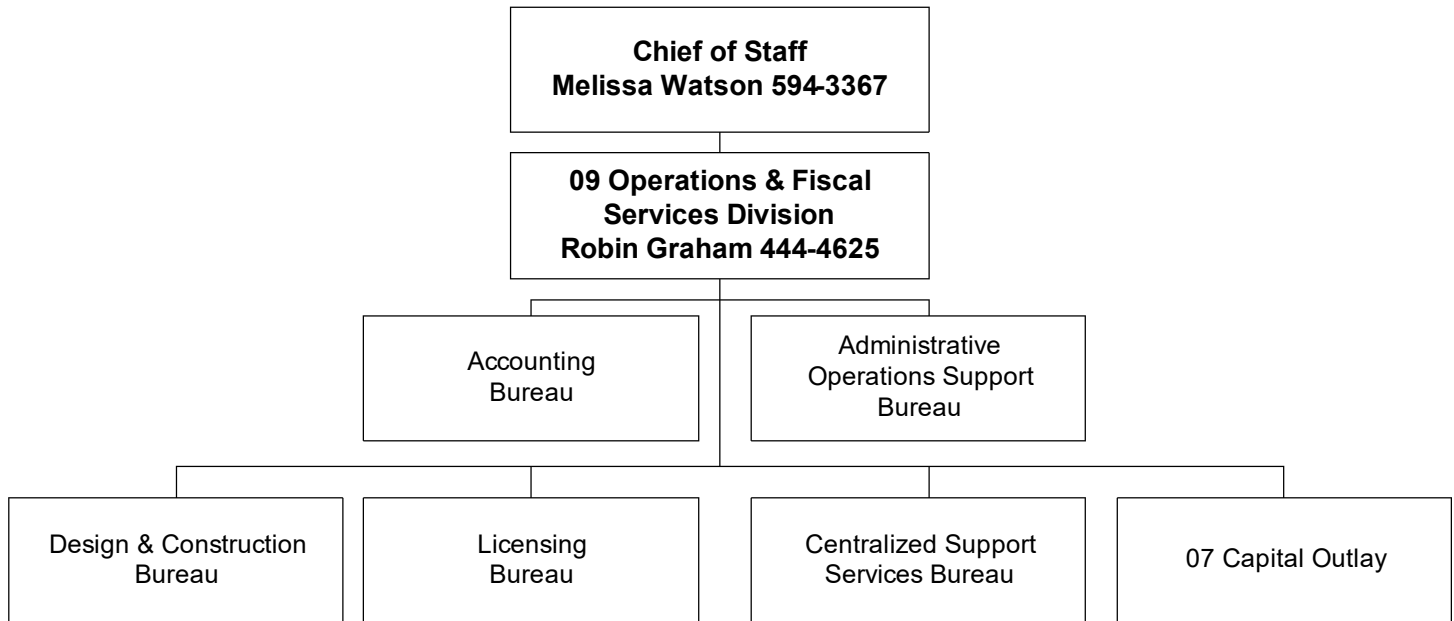
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$1,906)
FY 2027	\$0	(\$1,048)

SWPL - 1 - Personal Services -

The budget includes adjustments to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Fish, Wildlife, and Parks - 52010

Administration - 09



Program Proposed Budget						
Budget Item	Starting Point Fiscal 2025	Budget Adjustments Fiscal 2026	Total Exec. Budget Fiscal 2026	Budget Adjustments Fiscal 2027	Total Exec. Budget Fiscal 2027	Executive Budget Request 2027 Biennium
FTE	76.90	16.58	93.48	16.58	93.48	
Personal Services	5,147,568	1,512,325	6,659,893	1,530,450	6,678,018	13,337,911
Operating Expenses	4,281,730	0	4,281,730	0	4,281,730	8,563,460
Equipment & Intangible Assets	1,177,766	0	1,177,766	0	1,177,766	2,355,532
Benefits & Claims	5,000	0	5,000	0	5,000	10,000
Debt Service	428,000	0	428,000	0	428,000	856,000
Total Costs	\$11,040,064	\$1,512,325	\$12,552,389	\$1,530,450	\$12,570,514	\$25,122,903
Proprietary Funds	11,040,064	1,512,325	12,552,389	1,530,450	12,570,514	25,122,903
Total Funds	\$11,040,064	\$1,512,325	\$12,552,389	\$1,530,450	\$12,570,514	\$25,122,903

Proprietary Program Description -

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

- Vehicle Fleet Fund
- Aircraft Fund
- Maintenance Fund

Fund 06502 Equipment Fleet

Program Description

The department's equipment fund provides a fleet of vehicles to department employees.

Department of Fish, Wildlife, and Parks - 52010

Administration - 09

Revenues and Expenses

Users are charged a usage rate for the number of miles driven and an assigned rate for the number of days a vehicle is used. The assigned rates are calculated to recover the costs of administration to operate the program (personal services and fixed operational costs) and replacement of fleet vehicles. The usage rates are calculated to recover the costs of fuel, supplies, repairs, and maintenance of the fleet. This fund supports a total of 4.56 FTE.

In order to serve the specialized vehicle needs for the department, the fleet program has experienced an increase in workload to maintain vehicles and install necessary specialized modifications (for game warden trucks). In the previous biennium, the department added an additional modified FTE fleet technician to meet this increased workload. The department requests to make the position permanent.

In FY 2024, department employees drove a total of 7.6 million miles in department-owned vehicles. The number of miles driven is expected to remain consistent over the next biennium. The department currently has a fleet of 638 vehicles. The department's request for vehicle replacement is for 56 vehicles in FY 2026 and 60 in FY 2027. This is based on replacing vehicles after a minimum of 180,000 miles. For the additional cost to the programs, the department submitted a decision package request, PL911. The department will also be managing this fund to ensure that the fiscal year end (FYE) balance will not exceed the 60-day working capital requirement.

Rates and Rate Explanation

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

Information is gathered using the vehicle fleet software program to provide mileage and cost information related to each vehicle class. This cost information as well as SABHRS financial information was used to base costs and to calculate the FY 2026 and FY 2027 rates. The volatility of fuel prices continues to be a major challenge in estimating future rates and a tier structure has been developed to adjust rates based on unexpected increases in fuel costs per gallon. The assigned rate in the following chart is a per day rate.

Department of Fish, Wildlife, and Parks - 52010

Administration - 09

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information						
	Actual FY 22	Actual FY 23	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Fee Description:						
Assigned Rate:						
210 Sedan	\$5.03	\$5.03	\$14.13	\$14.14	\$17.30	\$17.30
310 Van	\$2.05	\$2.06	\$8.16	\$8.18	\$23.30	\$23.40
410 Utility	\$11.54	\$11.55	\$6.38	\$6.38	\$19.00	\$19.80
610 1/2 Ton Pickup	\$8.34	\$8.35	\$19.05	\$19.06	\$17.80	\$18.40
710 3/4 Ton Pickup	\$11.81	\$11.82	\$13.29	\$13.30	\$17.90	\$18.40
1 Ton			\$40.86	\$40.87	\$17.90	\$18.40
Usage Rate:						
Tier 1:	\$2.12/Gal	\$2.12/Gal	\$4.50/Gal	\$4.50/Gal	\$4.50/Gal	\$4.50/Gal
210 Sedan	\$0.14	\$0.14	\$0.21	\$0.21	\$0.25	\$0.25
310 Van	\$0.22	\$0.22	\$0.26	\$0.27	\$0.31	\$0.32
410 Utility	\$0.22	\$0.22	\$0.29	\$0.29	\$0.40	\$0.40
610 1/2 Ton Pickup	\$0.25	\$0.25	\$0.37	\$0.38	\$0.50	\$0.51
710 3/4 Ton Pickup	\$0.30	\$0.30	\$0.47	\$0.48	\$0.58	\$0.59
1 Ton			\$0.45	\$0.45	\$0.58	\$0.59
Tier 2:	\$2.62/Gal	\$2.62/Gal	\$5.00/Gal	\$5.00/Gal	\$5.00/Gal	\$5.00/Gal
210 Sedan	\$0.16	\$0.16	\$0.22	\$0.23	\$0.25	\$0.26
310 Van	\$0.24	\$0.24	\$0.28	\$0.29	\$0.32	\$0.33
410 Utility	\$0.25	\$0.25	\$0.31	\$0.31	\$0.41	\$0.41
610 1/2 Ton Pickup	\$0.28	\$0.28	\$0.40	\$0.41	\$0.52	\$0.53
710 3/4 Ton Pickup	\$0.34	\$0.34	\$0.51	\$0.52	\$0.60	\$0.61
1 Ton			\$0.48	\$0.49	\$0.60	\$0.61
Tier 3:	\$3.12/Gal	\$3.12/Gal	\$5.50/Gal	\$5.50/Gal	\$5.50/Gal	\$5.50/Gal
210 Sedan	\$0.17	\$0.17	\$0.23	\$0.24	\$0.27	\$0.27
310 Van	\$0.27	\$0.27	\$0.30	\$0.31	\$0.34	\$0.35
410 Utility	\$0.27	\$0.27	\$0.33	\$0.34	\$0.43	\$0.44
610 1/2 Ton Pickup	\$0.31	\$0.32	\$0.43	\$0.44	\$0.55	\$0.56
710 3/4 Ton Pickup	\$0.38	\$0.38	\$0.55	\$0.56	\$0.64	\$0.65
1 Ton			\$0.51	\$0.52	\$0.64	\$0.65

Changes in Level of Fees and Charges

Department of Fish, Wildlife, and Parks - 52010

Administration - 09

The assigned rate for vehicles in this fund has increased in order to recoup the cost of annual replacement vehicle purchases. The usage rate for vehicles in this fund has increased in order to recoup the increased cost of fuel. A decision package, PL911 was submitted to request the necessary funds to cover the increased cost to the programs.

Projected Fund Balance, Including Cash Fluctuations

At FYE 2024, the vehicle fleet fund had a cash balance of \$912,362 and the book value (original cost less accumulated depreciation) of the fleet was \$11,024,516. The fund's cash balance fluctuates during the year for two reasons. The first is that more miles are driven in the summer and fall than during the winter and spring. The second reason is that new vehicles are purchased in the spring. Thus, the cash balance is normally highest just before purchasing the replacement vehicles and lowest in the spring after purchasing the vehicles. The department was unable to purchase all requested replacement vehicles in FY 2022 and FY 2023 due to a supply shortage. The department reserved this cash balance until the purchase orders were fulfilled in FY 2024. All purchase orders have now been fulfilled and the department aims to resume regular cash balances in future years.

Working Capital and Fees Commensurate Analysis

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

Fund 06540 - Aircraft Fund

Program Description

The department's aircraft fund provides specialized flying services using fixed-wing and helicopter aircraft to department employees to survey fish and wildlife, plant fish, monitor radio telemetry locations, etc. The users are department employees.

Revenues and Expenses

The Aircraft Fund charges a rate per hour by aircraft type for hours flown. The largest costs of the aircraft fleet are replacement aircraft, fuel, and repairs.

In FY 2024, the department flew approximately 2,154 hours in department aircraft. In FY 2024, the aircraft fleet generated \$1,336,802 in revenue. The department expects flight hours to remain steady for FY 2026 and FY 2027.

The aircraft unit has experienced an increase in the amount of time aircraft are grounded awaiting services such as repairs and routine maintenance when seeking these services in the private sector. The department requests to add 1.00 FTE aircraft mechanic to the aircraft unit in order to reduce the amount of time an aircraft is grounded for repairs or maintenance in order to better serve department employees.

Rates and Rate Explanation

The hourly rates requested are calculated to recoup the projected operating costs of the Aircraft Fund. The cost drivers for each rate includes fuel, repairs, supplies, rent, insurance, and other general operational costs as well as previously authorized loan payments for the purchase of replacement aircraft.

Department of Fish, Wildlife, and Parks - 52010

Administration - 09

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information

Actual FY 22	Actual FY 23	Estimated FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
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Fee Description:

Two place single-engine plane, per hour	\$357.00	\$357.00	\$301.00	\$368.00	\$454.00	\$558.00
Four place single-engine plane, per hour	\$357.00	\$357.00	\$301.00	\$308.00	\$454.00	\$558.00
Turbine helicopter, per hour	\$803.00	\$804.00	\$926.00	\$942.00	\$1,095.00	\$1,102.00

Changes in Level of Fees and Charges

The anticipated increase in the hourly rates to the aircraft unit for FY 2026 and FY 2027 are due to routine aircraft inspections and repairs as well as the loan payments from the previous biennia for aircraft replacements. A decision package, PL912 was submitted to request the necessary funds to cover the increased cost to the programs.

Projected Fund Balance, Including Cash Fluctuations

The book value (original cost less accumulated depreciation) of department aircraft was \$2,722,120 at FYE 2024. The cash balance has fluctuated in the in the last four years as the department was preparing to make large purchases when replacing aircraft—the purchasing process for which is quite unique and time-sensitive—while also working to maintain an appropriate working capital balance and establishing loans for these large aircraft purchases to minimize sudden increased costs to the department's base programs.

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.

Department of Fish, Wildlife, and Parks - 52010

Administration - 09

2027 Biennium Internal Service Fund Working Capital and Fees Commensurate Analysis								
Fund	Fund Name	Agency #	Agency Name	Program Name				
06540	DFWP Aircraft	52010	FWP	Administration				
			Actual FY 22	Actual FY 23	Estimated FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Cash Available for Fund Operations (Working Capital)								
Current Assets			374,193	775,157	662,743	663,950	664,757	665,198
Less Current Liabilities			(1,327,023)	(1,109,665)	(2,457,661)	(1,847,694)	(1,265,773)	(683,852)
Working Capital (WC)			(952,829)	(334,508)	(1,794,918)	(1,183,744)	(601,016)	(18,654)
Cash Required for Fund Operations								
60 Days Operations Expense			164,867	177,149	230,692	219,723	181,169	199,707
Difference			(1,117,697)	(511,657)	(2,025,611)	(1,403,467)	(782,186)	(218,361)
Budgeted WC = Actual WC FY 2023 + or - Estimated FY 2024 and FY 2025, and Proposed FY 2026 and FY 2027, Change in Net Position								

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.

Fund 06513 – FWP Maintenance Fund

Program Description

The maintenance fund provides internal maintenance services to department-owned and/or maintained lands. This fund supports a total of 72.34 FTE and associated maintenance operations costs such as tools, supplies, and equipment.

The maintenance unit has experienced an increase in workload to address maintenance backlogs and implement more consistent routine and preventative maintenance activities on all department-owned and/or maintained lands. In the previous biennium the department added 7.58 modified FTE maintenance staff to meet this increased workload. The department requests to make these positions permanent as well as add 7.00 FTE in addition for a total increase of 14.58 FTE.

Revenues and Expenses

Revenue is generated from the hourly rate charged for hours worked performing maintenance at a department-maintained property. The expenses to this fund include personal services and operations costs such as tools, supplies, and equipment.

Rates and Rate Explanation

Department of Fish, Wildlife, and Parks - 52010

Administration - 09

The hourly rate for maintenance services provided is billed to the corresponding program.

Requested Rates for Internal Service or Enterprise Funds

Fee/Rate Information

Actual FY 22	Actual FY 23	Actual FY 24	Actual FY 25	Proposed FY 26	Proposed FY 27
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Fee Description:

Hourly Rate	\$78.50	\$78.50	\$76.50	\$76.50
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Changes in Level of Fees and Charges

This fund was approved by the legislature beginning in the 2025 Biennium. The department's rate for the 2025 Biennium included costs to establish a working capital balance for the fund. Now that the working capital balance is established, the department aims to maintain a sufficient fund balance in future years. This biennium the agency is proposing a reduction in the hourly rate to reflect this change.

Working Capital and Fees Commensurate Analysis

The department aims to maintain a 60-day working capital fund balance over the biennium and does not anticipate any large cash fluctuations from year to year.

2027 Biennium Internal Service Fund Working Capital and Fees Commensurate Analysis								
Fund	Fund Name	Agency #	Agency Name	Program Name				
06513	FWP Maintenance Fund	52010	Fish, Wildlife & Parks	Administration				
			Actual FY 22	Actual FY 23	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Cash Available for Fund Operations (Working Capital)								
	Current Assets				1,538,626			
	Less Current Liabilities				(291,674)			
	Working Capital (WC)		-	-	1,246,952	1,277,051	1,329,732	1,353,383
Cash Required for Fund Operations								
	60 Days Operations Expense		-	-	1,273,670	1,273,670	1,408,166	1,413,004
	Difference		-	-	(26,717)	3,382	(78,433)	(59,621)
Budgeted WC = Actual WC FY 2023 + or - Estimated FY 2024 and FY 2025, and Proposed FY 2026 and FY 2027, Change in Net Position								

Projected Fund Balance, Including Cash Fluctuations

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.

Department of Fish, Wildlife, and Parks - 52010

Administration - 09

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 52010	Agency Name: Department of Fish, Wildlife, and Parks			Program Name: Administration			
	Fund	Fund Name					
	06540	DFWP Aircraft					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A							
		1,039,514	1,285,701	1,336,802	1,319,544	1,669,744	1,780,606
Total Operating Revenues							
		1,039,514	1,285,701	1,336,802	1,319,544	1,669,744	1,780,606
Expenses:							
Personal Services							
		-	-	-	-	90,639	90,639
Other Operating Expenses							
		989,204	1,062,892	1,384,153	1,318,338	996,377	1,107,605
Total Operating Expenses							
		989,204	1,062,892	1,384,153	1,318,338	1,087,016	1,198,244
Operating Income (Loss)							
		50,310	222,809	(47,351)	1,206	582,728	582,362
Nonoperating Revenues:							
Nonoperating Expenses:							
Other Expense A							
		20,573	28,126	118,293	609,967	581,921	581,921
Total Nonoperating Revenues (Expenses)							
		20,573	28,126	118,293	609,967	581,921	581,921
Income (Loss) Before Contributions and Transfers							
		70,883	250,935	70,942	611,173	1,164,649	1,164,283
Change in Net Position							
		70,883	250,935	70,942	611,173	1,164,649	1,164,283
Beginning Net Position - July 1							
		868,426	939,309	1,190,244	1,261,186	1,872,359	3,037,008
Change in Net Position							
		70,883	250,935	70,942	611,173	1,164,649	1,164,283
Ending Net Position - June 30							
		939,309	1,190,244	1,261,186	1,872,359	3,037,008	4,201,291
Net Position (Fund Balance) Analysis							
Unrestricted Net Position							
		898,163	1,092,846	927,202	318,441	319,248	319,690

Department of Fish, Wildlife, and Parks - 52010

Administration - 09

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 52010	Agency Name: Department of Fish, Wildlife, and Parks			Program Name: Administration			
	Fund	Fund Name					
	06502	FWP Fleet Fund					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A							
Total Operating Revenues							
Expenses:							
Personal Services							
Other Operating Expenses							
Expense B							
Loans and Lease Payments							
Total Operating Expenses							
Operating Income (Loss)							
Nonoperating Revenues:							
Other Revenue A							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
Income (Loss) Before Contributions and Transfers							
Change in Net Position							
Beginning Net Position - July 1							
Change in Net Position							
Ending Net Position - June 30							
Net Position (Fund Balance) Analysis							
Unrestricted Net Position							

Department of Fish, Wildlife, and Parks - 52010

Administration - 09

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 52010	Agency Name: Department of Fish, Wildlife, and Parks			Program Name: Administration			
	Fund	Fund Name					
	06513	FWP Maintenance Fund					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A							
		-	-	8,247,117	7,672,117	8,501,675	8,501,675
Total Operating Revenues							
		-	-	8,247,117	7,672,117	8,501,675	8,501,675
Expenses:							
Personal Services							
		-	-	6,170,176	6,170,176	6,569,071	6,569,071
Other Operating Expenses							
		-	-	1,471,841	1,471,841	1,879,923	1,908,953
Total Operating Expenses							
		-	-	7,642,017	7,642,017	8,448,994	8,478,024
Operating Income (Loss)							
		-	-	605,100	30,100	52,681	23,651
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers							
		-	-	605,100	30,100	52,681	23,651
Change in Net Position							
		-	-	605,100	30,100	52,681	23,651
Beginning Net Position - July 1							
		-	-	-	605,100	635,200	687,881
Change in Net Position							
		-	-	605,100	30,100	52,681	23,651
Ending Net Position - June 30							
		-	-	605,100	635,200	687,881	711,532
Net Position (Fund Balance) Analysis							
Unrestricted Net Position							
		-	-	605,099	635,199	687,880	711,530

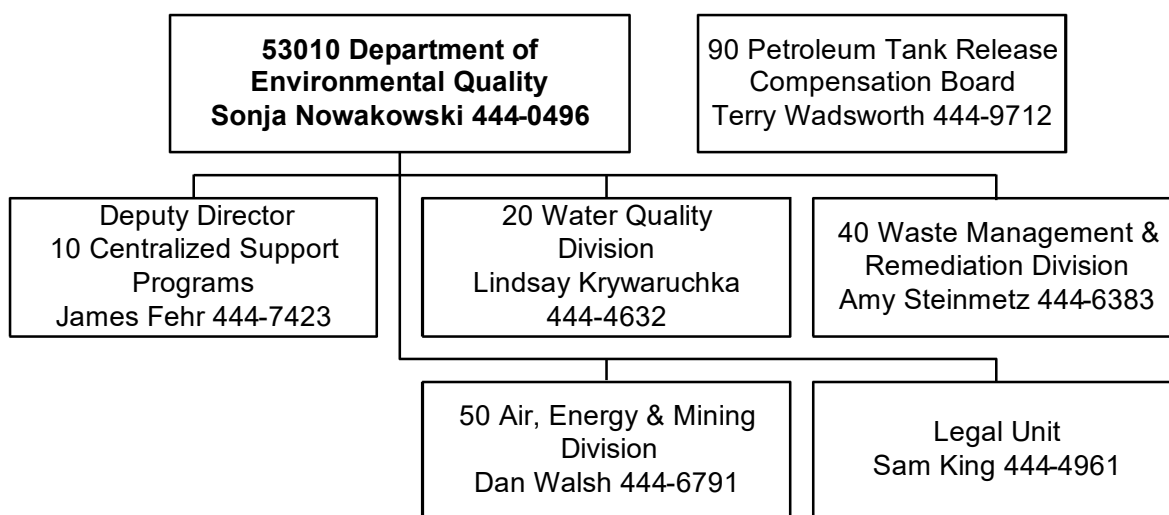
-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$551,466
FY 2027	\$0	\$566,665

SWPL - 1 - Personal Services -

The budget includes adjustments to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Environmental Quality - 53010



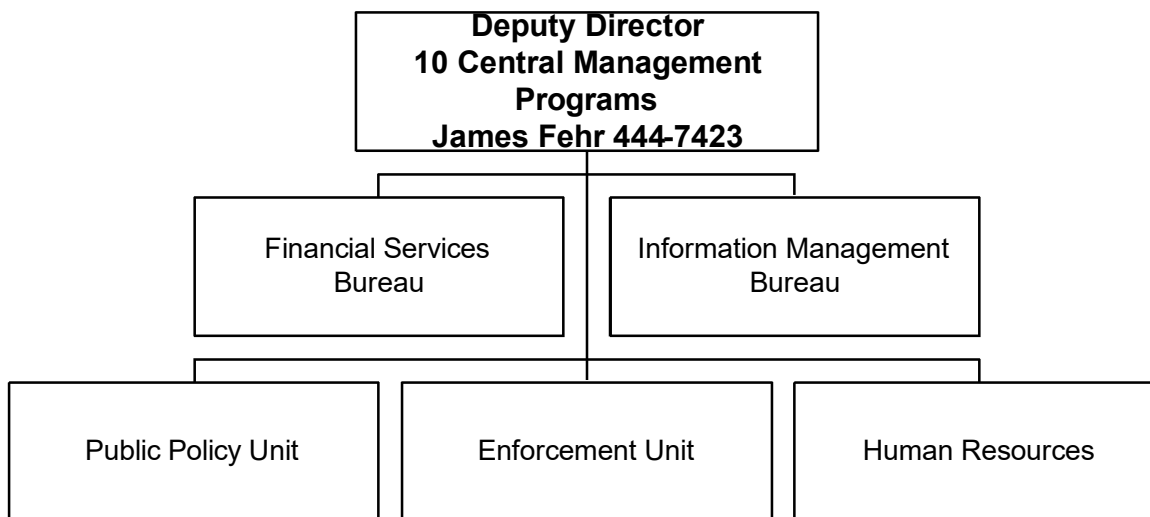
Mission Statement - To protect, sustain, and improve a clean and healthful environment to benefit present and future generations.

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

Agency Proposed Budget			
Budget Item	Total Exec. Budget Fiscal 2026	Total Exec. Budget Fiscal 2027	Total Exec. Budget 2027 Biennium
FTE	54.50	54.50	
Personal Services	5,346,091	5,357,276	10,703,367
Operating Expenses	4,312,679	4,239,582	8,552,261
Equipment & Intangible Assets	119,739	119,739	239,478
Transfers	5,000	5,000	10,000
Debt Service	183,700	183,700	367,400
Total Costs	\$9,967,209	\$9,905,297	\$19,872,506
Proprietary Funds	9,967,209	9,905,297	19,872,506
Total Funds	\$9,967,209	\$9,905,297	\$19,872,506

Department of Environmental Quality - 53010

Central Management Program - 10



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
FTE	55.50	(1.00)	54.50	(1.00)	54.50	
Personal Services	5,394,874	(48,783)	5,346,091	(37,598)	5,357,276	10,703,367
Operating Expenses	4,003,552	309,127	4,312,679	236,030	4,239,582	8,552,261
Equipment & Intangible Assets	119,739	0	119,739	0	119,739	239,478
Transfers	5,000	0	5,000	0	5,000	10,000
Debt Service	183,700	0	183,700	0	183,700	367,400
Total Costs	\$9,706,865	\$260,344	\$9,967,209	\$198,432	\$9,905,297	\$19,872,506
Proprietary Funds	9,706,865	260,344	9,967,209	198,432	9,905,297	19,872,506
Total Funds	\$9,706,865	\$260,344	\$9,967,209	\$198,432	\$9,905,297	\$19,872,506

Proprietary Program Description -

Fund 06509 DEQ Indirects

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

Revenues and Expenses

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

Rate(s) and Rate Explanation

The rate being requested is a fixed rate that will not exceed 28% of the personal 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.

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

Changes in Level of Fees and Charges

The percentage has remained the same. However, the percentage split has changed from 24% personal services base,

Department of Environmental Quality - 53010

Central Management Program - 10

4% operating services base to 28% personal services base.

Working Capital and Fees Commensurate Analysis:

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 53010	Agency Name: Department of Environmental Quality			Program Name: Central Management Program			
	Fund	Fund Name					
	06509	DEQ Indirects					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		5,259,538	5,371,713	5,144,077	5,896,400	5,896,400	5,896,400
Fee Revenue B		2,615,685	2,676,172	3,491,653	2,989,355	2,989,355	2,989,355
Other Operating Revenue		-	-	-	2,500	2,500	2,500
Total Operating Revenues		7,875,223	8,047,885	8,635,730	8,888,255	8,888,255	8,888,255
Expenses:							
Personal Services		4,155,233	4,253,533	4,384,765	4,003,552	4,143,566	4,065,359
Other Operating Expenses		3,919,127	3,209,895	3,057,755	4,003,552	4,143,566	4,065,359
Expense B		-	57,057	52,475	183,700	183,700	183,700
Expense C		492,219	(20,245)	51,757	683,700	683,700	683,700
Total Operating Expenses		8,566,579	7,500,240	7,546,752	8,874,504	9,154,532	8,998,118
Operating Income (Loss)		(691,356)	547,645	1,088,978	13,751	(266,277)	(109,863)
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		(691,356)	547,645	1,088,978	13,751	(266,277)	(109,863)
Transfers Out		-	21,443	-	5,000	5,000	5,000
Change in Net Position		(691,356)	569,088	1,088,978	18,751	(261,277)	(104,863)
Beginning Net Position - July 1		(21,574)	(712,930)	(143,842)	945,136	963,887	702,610
Change in Net Position		(691,356)	569,088	1,088,978	18,751	(261,277)	(104,863)
Ending Net Position - June 30		(712,930)	(143,842)	945,136	963,887	702,610	597,747
Net Position (Fund Balance) Analysis							

Department of Environmental Quality - 53010

Central Management Program - 10

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$57,262
FY 2027	\$0	\$68,448

SWPL - 1 - Personal Services -

The budget includes funding to annualize various personal service costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings. An additional factor contributing to the budget request includes overtime.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$309,509
FY 2027	\$0	\$236,288

SWPL - 2 - Fixed Costs -

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$382)
FY 2027	\$0	(\$258)

SWPL - 3 - Inflation Deflation -

This change package includes reductions to reflect budgetary changes generated from the application of deflation to state motor pool accounts.

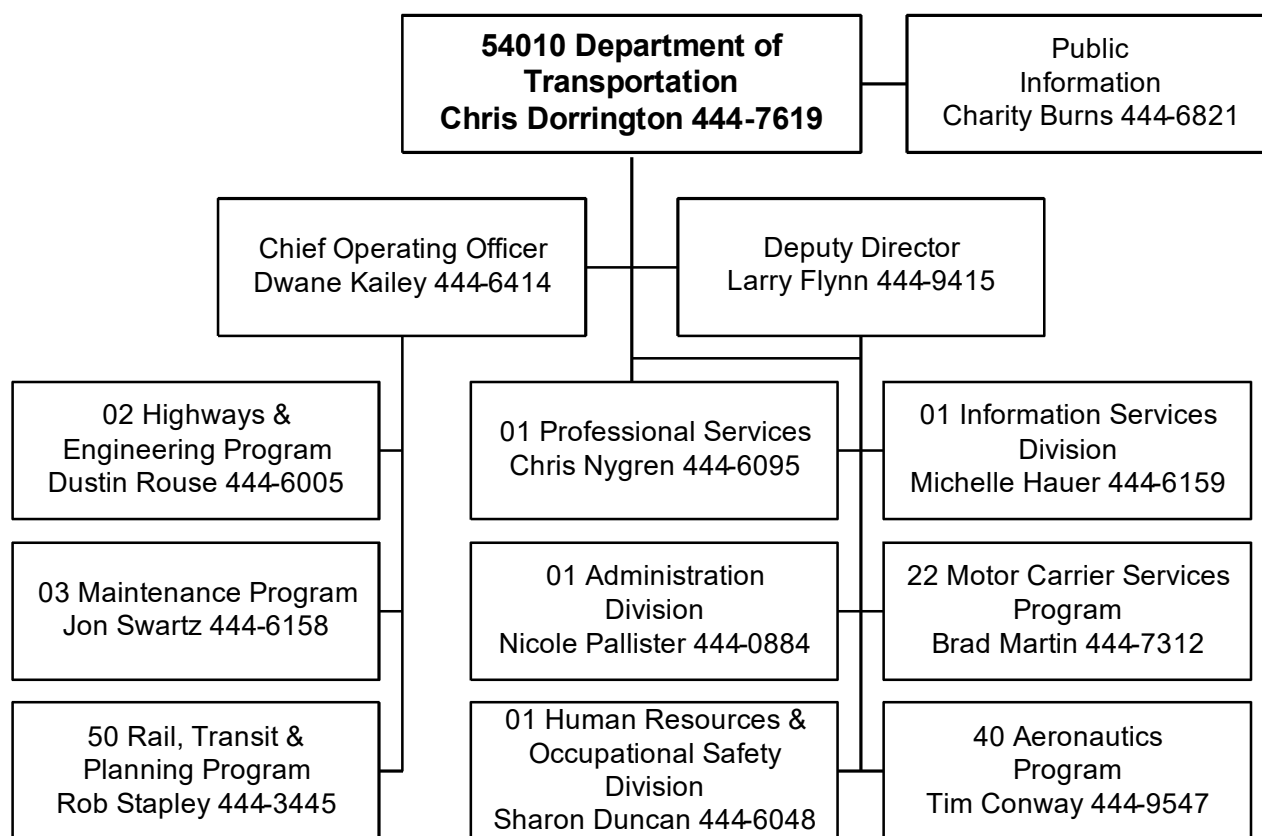
-----New Proposals-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$106,045)
FY 2027	\$0	(\$106,046)

NP - 10100 - ITSD Security Consolidation -

This new proposal reduces 1.00 FTE from Central Management Program (CMP) as part of security consolidation efforts across the Executive Branch. Page R-5 of HB 2 from the 68th Legislature directed the State Information Technology Services Division work with the Office of Budget and Program Planning to identify and reduce 8.00 FTE across state agencies as part of the information technology security consolidation project. One FTE from CMP was identified and is being removed with this change package. The package requests a reduction of \$212,091 in total funds for the biennium, from DEQ Indirect proprietary fund.

Department of Transportation - 54010



Mission Statement - MDT's mission is to plan, build, operate, and maintain a safe and resilient transportation system to move Montana forward.

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

Agency Proposed Budget			
Budget Item	Total Exec. Budget Fiscal 2026	Total Exec. Budget Fiscal 2027	Total Exec. Budget 2027 Biennium
FTE	135.50	135.50	
Personal Services	12,316,082	12,342,184	24,658,266
Operating Expenses	24,562,874	24,537,767	49,100,641
Equipment & Intangible Assets	23,916,881	23,916,881	47,833,762
Debt Service	119,449	119,449	238,898
Total Costs	\$60,915,286	\$60,916,281	\$121,831,567
Proprietary Funds	60,915,286	60,916,281	121,831,567
Total Funds	\$60,915,286	\$60,916,281	\$121,831,567

Department of Transportation - 54010

State Motor Pool - 07

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
FTE	7.00	0.00	7.00	0.00	7.00	
Personal Services	623,178	(3,744)	619,434	(2,557)	620,621	1,240,055
Operating Expenses	2,473,298	718,479	3,191,777	712,658	3,185,956	6,377,733
Equipment & Intangible Assets	3,801,753	0	3,801,753	0	3,801,753	7,603,506
Debt Service	119,449	0	119,449	0	119,449	238,898
Total Costs	\$7,017,678	\$714,735	\$7,732,413	\$710,101	\$7,727,779	\$15,460,192
Proprietary Funds	7,017,678	714,735	7,732,413	710,101	7,727,779	15,460,192
Total Funds	\$7,017,678	\$714,735	\$7,732,413	\$710,101	\$7,727,779	\$15,460,192

Proprietary Program Description - Motor Pool Program - 06506

Program Description

The State Motor Pool operates and maintains a fleet of vehicles available to all state offices and employees who conduct official state business. The State Motor Pool has two basic components: 1) the daily rental fleet and 2) the out-stationed lease fleet. The daily rental program operates out of the Helena headquarters facility and provides vehicles for short-term use. The leasing program provides vehicles for extended assignment 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 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 state employees are: 1) other state-owned vehicles not part of the State Motor Pool fleet; 2) personal vehicles, with authorization provided by the agency director; or 3) vehicles from a private rental agency contract. The rate for the use of personal vehicles for state business travel are set by the Internal Revenue Service for the current year if the State employee qualifies according to the conditions as discussed in the Employee Travel policy of the MOM manual.

Revenues and Expenses

The program increased its inventory from 832 units in FY 2004 to a high of 1,056 in fiscal 2009. During that time, annual mileage increased from 11.7million 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 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 967 vehicles in FY 2014 and the miles traveled to 12,636,210. Fleet size increased from FY 2015 to FY 2017 based on miles traveled and requests from agencies through biennium surveys, but then dropped again in FY 2018 because the department was not approved to purchase vehicles and the fleet size was reduced due to vehicles being sent to surplus after the end of their useful life. In FY 2020 the fleet size increased again mainly due to DPHHS being approved to lease 24 additional vehicles for their Child and Family Services Program. In FY 2023 and 2024 the Motor Pool reduced the daily rental fleet to 131 vehicles to respond to actual demand for vehicles. The current fleet size is 1,081 vehicles, and vehicles were ordered in FY 2024 to fulfill additional lease requests from state agencies. The motor pool program funds 7.00 FTE

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

FYE 2006 884 Units 13,646,466 miles

FYE 2007 943 Units 14,104,595 miles

FYE 2008 1,032 Units 14,972,276 miles

Department of Transportation - 54010

State Motor Pool - 07

FYE 2009	1,056 Units	14,380,872 miles
FYE 2010	1,020 Units	13,758,259 miles
FYE 2011	912 Units	12,693,749 miles
FYE 2012	912 Units	12,964,321 miles
FYE 2013	936 Units	12,817,967 miles
FYE 2014	967 Units	12,636,210 miles
FYE 2015	972 Units	13,322,336 miles
FY 2016	1,024 Units	12,604,714 miles
FY 2017	1,034 Units	13,241,781 miles
FY 2018	1,007 Units	12,058,545 miles
FY 2019	1,014 Units	12,211,649 miles
FY 2020	1,037 Units	10,182,129 miles
FY 2021	1,018 Units	10,943,453 miles
FY 2022	1,031 Units	12,318,210 miles
FY 2023	1,028 Units	11,010,099 miles
FY 2024	1,081 Units	11,092,572 miles
FY 2025	1,081 units	11,081,219 Miles projected
FY 2026	1,084 units	11,253,209 miles projected
FY 2027	1,084 units	11,374,170 miles projected

Rates and Rate Explanation

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

The Motor Pool costs are calculated to be commensurate with costs by using the Equipment Vehicle Management System (EVMS) to provide cost information related to direct and indirect costs for each vehicle class. This cost information, along with SABHRS financial information, was used to project final costs for FY 2025 and to provide the base cost to project for FY 2026 and FY 2027 rates. The cost information is adjusted for projected fleet size. The Motor Pool financial team reviews the rates on a monthly basis to ensure the rates have been calculated accurately.

The cash needed in FY 2024 for 60 days of personal services and operating expenses, such as fuel, repair parts, and utilities are approximately \$904K. Furthermore, a cash balance is required throughout the year to make the INTERCAP loan interest and principal payments.

Department of Transportation - 54010

State Motor Pool - 07

<i>Approved Motor Pool Rates</i>				
Final Rate Worksheet – FY 2026				
		3.47/gal	3.97/gal	4.47/gal
Class	Assigned Rate	Usage Rate	Usage Rate	Usage Rate
02	1.361	0.181	0.202	0.223
04	1.283	0.279	0.311	0.343
05	1.292	0.137	0.152	0.166
06	1.004	0.184	0.204	0.225
07	0.528	0.291	0.322	0.354
11	1.911	0.257	0.289	0.321
12	1.161	0.238	0.264	0.290

<i>Approved Motor Pool Rates</i>				
Final Rate Worksheet – FY 2027				
		3.47/gal	3.97/gal	4.47/gal
Class	Assigned Rate	Usage Rate	Usage Rate	Usage Rate
02	1.432	0.181	0.202	0.223
04	1.607	0.281	0.312	0.344
05	1.390	0.132	0.146	0.160
06	1.025	0.186	0.206	0.226
07	0.531	0.317	0.349	0.380
11	1.884	0.257	0.289	0.321
12	1.236	0.239	0.265	0.292

Changes in Level of Fees and Charges

No changes in Services or fees are expected.

Projected Fund Balance, Including Cash Fluctuations

Department of Transportation - 54010

State Motor Pool - 07

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06506	Motor Pool	54010	Transportation	State Motor Pool

	Actual FY 22	Actual FY 23	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Change in Net Position	11,734	222,303	205,930	1,035,892	(54,671)	(30,602)
Beginning Net Position - July 1	6,344,525	6,356,358	6,578,661	6,784,591	7,820,484	7,765,812
Prior Period Adjustments						
Change in Net Position	11,734	222,303	205,930	1,035,892	(54,671)	(30,602)
Ending Net Position - June 30	6,356,358	6,578,661	6,784,591	7,820,484	7,765,812	7,735,210

No significant changes

Working Capital and Fees Commensurate Analysis

Department of Transportation - 54010

State Motor Pool - 07

2027 Biennium Internal Service Fund Working Capital and Fees Commensurate Analysis

Fund	Fund Name	Agency #	Agency Name	Program Name
06506	Motor Pool	54010	Transportation	State Motor Pool

	Actual FY 22	Actual FY 23	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Cash Available for Fund Operations (Working Capital)						
Current Assets	2,823,970	1,828,564	756,782			
Less Current Liabilities	(1,474,940)	(1,516,404)	(1,937,677)			
Working Capital (WC)	1,349,030	312,160	(1,180,894)	(145,002)	(199,673)	(230,275)
Cash Required for Fund Operations						
60 Days Operations Expense	862,597	862,047	904,539	900,230	1,101,869	1,134,430
Difference	486,433	(549,887)	(2,085,433)	(1,045,231)	(1,301,541)	(1,364,705)

Budgeted WC = Actual WC FY 2023 + or - Estimated FY 2024 and FY 2025, and Proposed FY 2026 and FY 2027, Change in Net Position

Department of Transportation - 54010

State Motor Pool - 07

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 54010	Agency Name: Department of Transportation			Program Name: State Motor Pool			
	Fund 06506	Fund Name Motor Pool - Int Svc					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		4,938,476	5,562,317	5,867,600	6,556,719	6,675,989	6,895,424
Total Operating Revenues		4,938,476	5,562,317	5,867,600	6,556,719	6,675,989	6,895,424
Expenses:							
Personal Services		524,864	584,533	618,326	571,833	619,434	620,621
Other Operating Expenses		4,650,716	4,587,751	4,808,907	2,329,545	3,191,777	3,185,956
Expense B		-	-	-	2,500,000	2,800,000	3,000,000
Total Operating Expenses		5,175,580	5,172,284	5,427,233	5,401,378	6,611,211	6,806,577
Operating Income (Loss)		(237,104)	390,033	440,367	1,155,341	64,778	88,847
Nonoperating Revenues:							
Other Revenue A		338,166	21,505	189,287	-	-	-
Nonoperating Expenses:							
Other Expense A		(89,328)	(189,235)	(423,724)	(119,449)	(119,449)	(119,449)
Total Nonoperating Revenues (Expenses)		248,838	(167,730)	(234,437)	(119,449)	(119,449)	(119,449)
Income (Loss) Before Contributions and Transfers		11,734	222,303	205,930	1,035,892	(54,671)	(30,602)
Change in Net Position		11,734	222,303	205,930	1,035,892	(54,671)	(30,602)
Beginning Net Position - July 1		6,344,625	6,356,359	6,578,662	6,784,592	7,820,484	7,765,813
Change in Net Position		11,734	222,303	205,930	1,035,892	(54,671)	(30,602)
Ending Net Position - June 30		6,356,359	6,578,662	6,784,592	7,820,484	7,765,813	7,735,211
Net Position (Fund Balance) Analysis							

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$3,744)
FY 2027	\$0	(\$2,557)

SWPL - 1 - Personal Services -

The budget includes a reduction of \$3,744 in FY 2026 and \$2,557 in FY 2027 to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings. Additional factors contributing to the budget request include overtime, differential and per diem.

Department of Transportation - 54010

State Motor Pool - 07

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$81,521)
FY 2027	\$0	(\$87,342)

SWPL - 2 - Fixed Costs -

The request includes a reduction of \$81,521 in FY 2026 and \$87,342 in FY 2027 for the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$800,000
FY 2027	\$0	\$800,000

PL - 705 - Operations Budget Increase -

This program is experiencing increases in fuel prices and cost of repair parts and services to the motor pool fleet. This increase will ensure adequate resources are available to keep the state fleet in good working order. The program is funded by rental rates charged to state agency users.

Department of Transportation - 54010

Equipment Program - 08

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
FTE	123.00	3.00	126.00	3.00	126.00	
Personal Services	11,270,287	170,693	11,440,980	195,403	11,465,690	22,906,670
Operating Expenses	17,941,929	3,162,666	21,104,595	3,143,097	21,085,026	42,189,621
Equipment & Intangible Assets	12,115,128	8,000,000	20,115,128	8,000,000	20,115,128	40,230,256
Total Costs	\$41,327,344	\$11,333,359	\$52,660,703	\$11,338,500	\$52,665,844	\$105,326,547
Proprietary Funds	41,327,344	11,333,359	52,660,703	11,338,500	52,665,844	105,326,547
Total Funds	\$41,327,344	\$11,333,359	\$52,660,703	\$11,338,500	\$52,665,844	\$105,326,547

Proprietary Program Description - Equipment Program – 06508

Program Description

The Equipment Program is responsible for the acquisition, disposal, repair, and maintenance of a fleet of approximately 4,700 individual units. The fleet is comprised of light duty vehicles, single and tandem axle dump trucks, specialized snow removal units, roadway maintenance units, and other specialized equipment. Exclusively the various programs within the Montana Department of Transportation (MDT), such as Construction, Motor Carrier Services, Maintenance, and Rail, Transit and Planning use the fleet. All units are assigned to the various user programs and are charged rental on a bi-weekly basis. 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.

The Equipment Program is funded under the rules and guidelines of HB 576. No specific statutory authority is established for the program as the program is strictly internal to the Department of Transportation and is not used by any outside entity.

Revenues and Expenses

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 program's obligations. There are no changes in services and fees. Rental rates are calculated each year.

Major cost drivers are fuel, vehicle repairs, depreciation, utilities, and personal services. Analysis of future fuel prices come from the US Energy Information Administration and actual fuel prices can differ from estimates. Repair costs and utilities are estimated at the previous year's level and are adjusted for inflation. Personal services are calculated using current year budgeted amounts. Depreciation is calculated using the previous year level plus depreciation from new vehicles projected to be purchased.

The Equipment Program funds 123 FTE. The Equipment Program is responsible for expenses associated with the acquisition, repair, maintenance, and routine operating costs for the fleet. Rental fees are billed bi-weekly to each of the department user programs. Program rental expenditures are recorded to object of expenditures 62537 (E/B Class 00-29 assign time), 62538 (E/B Class 00-29 Usage), 62539 (E/B Class 30 –99 Assign Time), and 62540 (E/B Class 30 – 99 Usage). All Equipment Program rental revenues are recorded in account 525020 – Service Reimbursements.

The program has monitored the size of the equipment fleet to identify any excess or low usage units and ensures 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 from FY 2003 through FY 2024 is depicted as follows:

FYE 2005 4563 Units 22,317,297 miles

FYE 2006 4555 Units 21,797,235 miles

Department of Transportation - 54010

Equipment Program - 08

<i>FYE 2007 4546 Units</i>	<i>21,511,744 miles</i>
<i>FYE 2008 4608 Units</i>	<i>21,682,290 miles</i>
<i>FYE 2009 4786 Units</i>	<i>21,533,226 miles</i>
<i>FYE 2010 4646 Units</i>	<i>20,672,278 miles</i>
<i>FYE 2011 4641 Units</i>	<i>23,523,967 miles</i>
<i>FYE 2012 4645 Units</i>	<i>21,712,315 miles</i>
<i>FYE 2013 4652 Units</i>	<i>21,482,714 miles</i>
<i>FYE 2014 4647 Units</i>	<i>22,339,997 miles</i>
<i>FYE 2015 4,672 Units</i>	<i>21,206,827 miles</i>
<i>FYE 2016 4,707 Units</i>	<i>20,871,385 miles</i>
<i>FYE 2017 4,707 Units</i>	<i>21,214,161 miles</i>
<i>FYE 2018 4,656 Units</i>	<i>21,347,449 miles</i>
<i>FYE 2019 4,697 Units</i>	<i>20,445,501 miles</i>
<i>FYE 2020 4,698 Units</i>	<i>20,884,341 miles</i>
<i>FYE 2021 4,698 Units</i>	<i>20,791,121 miles</i>
<i>FYE 2022 4,710 Units</i>	<i>19,585,205 miles</i>
<i>FYE 2023 4,710 Units</i>	<i>20,304,077 miles</i>
<i>FYE 2024 4,751 Units</i>	<i>19,767,614 miles</i>
<i>FYE 2025 4,751 Units</i>	<i>19,901,885 miles projected*</i>

Rates and Rate Explanations

The Equipment Program rental rates are based on a dual rate structure. The users pay a usage rate and an assigned rate. The usage rate is a mileage rate that is applied according to the actual miles/hours used by a vehicle or piece of equipment. The usage rate is designed to recover "direct costs" that include labor, parts, fuel, lubricants, and tires. The assigned rate is a per hour rate designed to recover "fixed costs", such as insurance, depreciation, and administrative overhead costs. Rental rates are adjusted yearly. The rates are based on the actual operational costs for each vehicle sub-class during the base rental period. These costs are adjusted to reflect changes in operations or operating costs from the base. The effects are internal to the Department of Transportation and the program is held accountable to ensure the rates recover only needed operational monies. Rates are adjusted in August of each calendar year, so the Equipment Bureau can have final financial numbers from the previous fiscal year to build more accurate rates. The Equipment Program rates are calculated to be commensurate with costs each year using data from the Equipment Vehicle Management System (EVMS) to identify indirect and direct costs for each class. The EVMS data is reconciled to SABHRS financial data and inflation factors are applied using Inflation.com information. The Equipment program financial team reviews the rates monthly to determine if they are commensurate with costs. There are no requirements to reserve a fund balance. There are 118 different rate classes that can be provided upon request.

Changes in Level of Fees and Charges

There are no changes in services or fees projected at this time.

Department of Transportation - 54010

Equipment Program - 08

Projected Fund Balance, Including Cash Fluctuations

Fund	Fund Name	Agency #	Agency Name	Program Name
06508	Highway Equipment	54010	Transportation	Equipment

	Actual FY 22	Actual FY 23	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Beginning Net Position - July 1	78,750,077	79,167,069	81,445,124	91,532,399	90,544,608	90,544,608
Prior Period Adjustments						
Change in Net Position	416,992	2,278,055	10,007,275	(987,791)	-	-
Ending Net Position - June 30	79,167,069	81,445,124	91,532,399	90,544,608	90,544,608	90,544,608

The Equipment Program does not have a requirement to reserve a 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. Equipment received a cash infusion of \$2 million during 2025 biennium.

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 lower usage, which generates less revenue. If the department experiences a heavy winter season, there is higher usage which generates increased revenue.

Working Capital and Fees Commensurate Analysis

Department of Transportation - 54010

Equipment Program - 08

2027 Biennium Internal Service Fund Working Capital and Fees Commensurate Analysis

Fund	Fund Name	Agency #	Agency Name	Program Name
06508	Highway Equipment	54010	Transportation	Equipment

	Actual FY 22	Actual FY 23	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
for Fund Operations (Working Capital)						
Assets	9,105,203	8,301,785	13,947,071			
Liabilities	(1,555,274)	(1,844,600)	(1,656,472)			
Working Capital (WC)	7,549,929	6,457,185	12,290,599	11,302,808	11,302,808	11,302,808
for Fund Operations						
Operations Expense	5,688,849	6,469,008	6,057,496	6,887,891	8,776,784	8,777,641
	1,861,080	(11,823)	6,233,103	4,414,917	2,526,024	2,525,167

Budgeted WC = Actual WC FY 2023 + or - Estimated FY 2024 and FY 2025, and Proposed FY 2026 and FY 2027, Change in Net Position

The Equipment rental rates are set to recover sufficient cash to purchase assets and 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 2024 for 60 days of personal services and operating expenses such as fuel, repair parts, and utilities was approximately \$6,057,496. Furthermore, a cash balance is required throughout the year to pay for equipment and light duty vehicle purchases.

Department of Transportation - 54010

Equipment Program - 08

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 54010	Agency Name: Department of Transportation			Program Name: Equipment Program			
	Fund	Fund Name					
	06508	Highway Equipment - Int Svc.					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		32,075,096	38,830,064	44,206,682	40,339,553	52,660,703	52,665,844
Total Operating Revenues		32,075,096	38,830,064	44,206,682	40,339,553	52,660,703	52,665,844
Expenses:							
Personal Services		8,804,818	10,111,236	10,483,695	11,270,287	11,440,980	11,465,690
Other Operating Expenses		25,328,277	28,702,812	25,861,279	30,057,057	41,219,723	41,200,154
Total Operating Expenses		34,133,095	38,814,048	36,344,974	41,327,344	52,660,703	52,665,844
Operating Income (Loss)		(2,057,999)	16,016	7,861,708	(987,791)	-	-
Nonoperating Revenues:							
Other Revenue A		2,474,991	2,262,039	2,225,567	-	-	-
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		2,474,991	2,262,039	2,225,567	-	-	-
Income (Loss) Before Contributions and Transfers		416,992	2,278,055	10,087,275	(987,791)	-	-
Change in Net Position		416,992	2,278,055	10,087,275	(987,791)	-	-
Beginning Net Position - July 1		78,750,077	79,167,069	81,445,124	91,532,399	90,544,608	90,544,608
Change in Net Position		416,992	2,278,055	10,087,275	(987,791)	-	-
Ending Net Position - June 30		79,167,069	81,445,124	91,532,399	90,544,608	90,544,608	90,544,608
Net Position (Fund Balance) Analysis							

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$106,468)
FY 2027	\$0	(\$81,758)

SWPL - 1 - Personal Services -

The budget includes a reduction of \$106,468 in FY 2026 and \$81,758 in FY 2027 to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings. Additional factors contributing to the budget request include overtime, differential and per diem.

Department of Transportation - 54010

Equipment Program - 08

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$177,324)
FY 2027	\$0	(\$185,517)

SWPL - 2 - Fixed Costs -

The request includes a reduction of \$177,324 in FY 2026 and \$185,517 in FY 2027 for the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$75)
FY 2027	\$0	(\$51)

SWPL - 3 - Inflation Deflation -

This change package includes a reduction of \$75 in FY 2026 and \$51 in FY 2027 to reflect budgetary changes generated from the application of deflation to state motor pool accounts.

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$8,000,000
FY 2027	\$0	\$8,000,000

PL - 805 - Equipment Replacement Purchases -

With a rapidly aging fleet and increases in the replacement cost of equipment additional budget is required to support replacing equipment and vehicles.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$3,327,165
FY 2027	\$0	\$3,327,165

PL - 808 - Equipment Repair Increase -

Additional budget is necessary to support increased costs for repairs on aging vehicles and equipment.

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

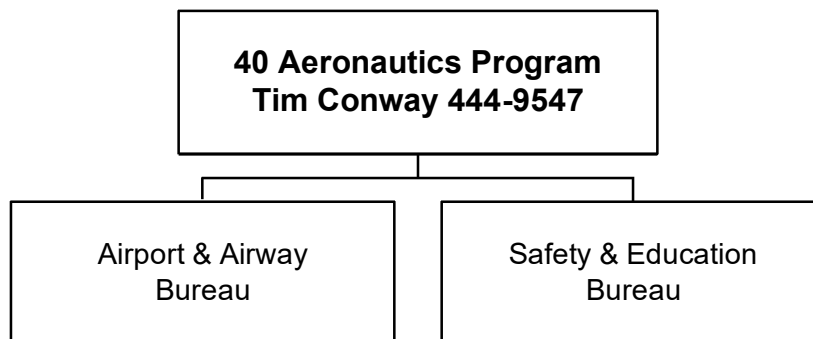
	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$290,061
FY 2027	\$0	\$278,661

NP - 809 - Traveling Mechanics -

This request is for an increase in the equipment proprietary fund appropriation for FY 2026 and FY 2027. The department is converting three modified positions to ensure that repairs and maintenance to MDT aging fleet in a timely manner for all seasons within Montana. With the additional staffing MDT will be able to provide support repairs and maintenance to older vehicles and equipment in certain areas.

Department of Transportation - 54010

Aeronautics Program - 40



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
FTE	2.50	0.00	2.50	0.00	2.50	
Personal Services	256,300	(632)	255,668	(427)	255,873	511,541
Operating Expenses	268,318	(1,816)	266,502	(1,533)	266,785	533,287
Equipment & Intangible Assets	0	0	0	0	0	0
Total Costs	\$524,618	(\$2,448)	\$522,170	(\$1,960)	\$522,658	\$1,044,828
Proprietary Funds	524,618	(2,448)	522,170	(1,960)	522,658	1,044,828
Total Funds	\$524,618	(\$2,448)	\$522,170	(\$1,960)	\$522,658	\$1,044,828

Proprietary Program Description - Yellowstone Airport - 06007

Program Description

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

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

Revenues and Expenses

Fees for leases and other business services are both market and recovery based. Additional operating expenses are planned in the 2025 biennium to keep the airport in compliance with FAA mandates and advisory circulars.

The Yellowstone Airport is an enterprise proprietary fund. There is one full-time airport manager. The airport also has two

Department of Transportation - 54010

Aeronautics Program - 40

seasonal employees, an airport operations specialist and an airport facilities specialist.

Rates and Rate Explanation

There are planned fee increases for the 2025 biennium. Rate increases include the following: Landing Fees for air carriers will go from \$2.00 to \$2.25 per pound; building leases for car rental/airline will increase from \$3.00/sq. ft. to \$3.50/sq. ft.; Non-Aero rentals: City decreased with a new lease agreement for a reduced lease area from 41.19 AC to approx. 20 AC for 2023-2025. It is \$25,000/year with a 3%/year accelerator, down from \$41,209 per year in 2022; Nevada Testing will increase in 2024 from \$27,100 to \$29,100 and then to \$30,050 in 2025; and the Chamber Snow Shoot will increase in 2024 and 2025 to \$2,750 + \$235 per day, up from \$2,500 + \$220 per day.

Projected Fund Balance, Including Cash Fluctuations

The Yellowstone Airport proprietary fund balance has increased for several years, most recently due to a decrease in expenses because the CARES (COVID-19) grant aided certain expenditures. Yellowstone Airport operating revenues for FY 2024 were \$567,726 and total operating expenses were \$1,122,847, resulting in an operating loss of \$555,121. Proprietary fund cash decreased in FY 2024 due to construction of the Yellowstone Airport terminal; the Architecture and Engineering Division with the Department of Administration spent \$539,326.72 from the airport proprietary fund.

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.

Department of Transportation - 54010

Aeronautics Program - 40

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 54010	Agency Name: Department of Transportation			Program Name: Aeronautics Program			
	Fund 06007	Fund Name Yellowstone Airport					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A							
Other Operating Revenue							
Total Operating Revenues							
Expenses:							
Personal Services							
Other Operating Expenses							
Expense B							
Expense C							
Total Operating Expenses							
Operating Income (Loss)							
Nonoperating Revenues:							
Other Revenue A							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
Income (Loss) Before Contributions and Transfers							
Capital Contributions							
Change in Net Position							
Beginning Net Position - July 1							
Change in Net Position							
Ending Net Position - June 30							
Net Position (Fund Balance) Analysis							

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$632)
FY 2027	\$0	(\$427)

SWPL - 1 - Personal Services -

The budget includes adjustments to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings. Another factor contributing to the budget request includes per diem.

Department of Transportation - 54010

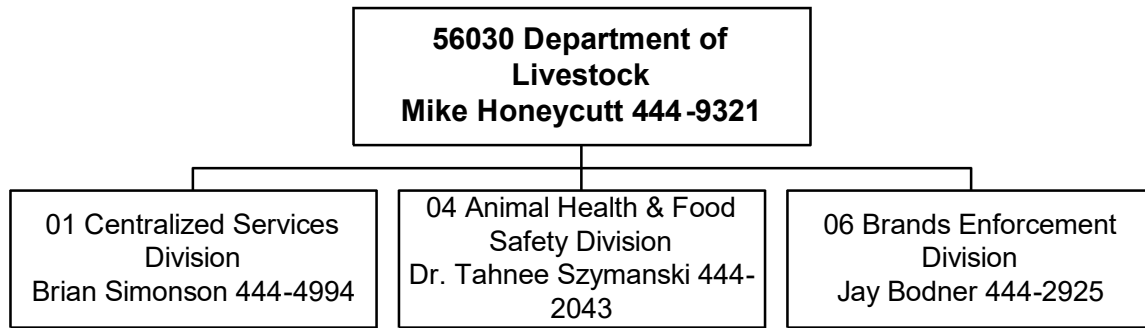
Aeronautics Program - 40

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$1,816)
FY 2027	\$0	(\$1,533)

SWPL - 2 - Fixed Costs -

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

Department of Livestock - 56030



Mission Statement - The mission of the Department of Livestock is to control and eradicate animal diseases, prevent the transmission of animal diseases to humans, and to protect the livestock industry from theft and predatory animals.

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

Agency Proposed Budget	Total Exec. Budget Fiscal 2026	Total Exec. Budget Fiscal 2027	Total Exec. Budget 2027 Biennium
Budget Item			
FTE	4.75	4.75	
Personal Services	369,695	370,122	739,817
Operating Expenses	1,208,552	1,207,942	2,416,494
Equipment & Intangible Assets	126,742	126,742	253,484
Total Costs	\$1,704,989	\$1,704,806	\$3,409,795
Proprietary Funds	1,704,989	1,704,806	3,409,795
Total Funds	\$1,704,989	\$1,704,806	\$3,409,795

Department of Livestock - 56030

Animal Health Division - 04

**04 Animal Health & Food
Safety Division
Dr. Tahnee Szymanski 444-2043**

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
FTE	4.75	0.00	4.75	0.00	4.75	
Personal Services	365,429	4,266	369,695	4,693	370,122	739,817
Operating Expenses	992,529	216,023	1,208,552	215,413	1,207,942	2,416,494
Equipment & Intangible Assets	126,742	0	126,742	0	126,742	253,484
Total Costs	\$1,484,700	\$220,289	\$1,704,989	\$220,106	\$1,704,806	\$3,409,795
Proprietary Funds	1,484,700	220,289	1,704,989	220,106	1,704,806	3,409,795
Total Funds	\$1,484,700	\$220,289	\$1,704,989	\$220,106	\$1,704,806	\$3,409,795

Proprietary Program Description - Fund Number and Fund Description

06026 – MT Veterinary Diagnostic Lab

Program Description

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

Revenues and Expenses

Lab testing fees and charges for services collected from veterinarians and other users/customers of the lab make up the total proprietary fund revenue for the MVDL program. Proprietary funds from lab operations support about forty percent of all lab operations including 4.75 employees (\$370,000) and \$1,200,000 in related testing expenses. The balance of revenue and expenses are budgeted in general and state special revenue funds. The lab in FY 2024 generated \$1,528,468 in proprietary revenue. Outside of inflationary adjustments, there are no major expected changes in services or fees from lab operations.

Rate(s) and Rate Explanation

Lab fee rates are predominately set by the industry across the nation. The current MVDL fee schedule can be found at: <https://liv.mt.gov/Diagnostic-Lab/Guidance-Documents-and-Test-Fees>

Proposed revenue rates for fiscal years 2026 and 2027 are:

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information						
	Actual	Actual	Actual	Estimated	Proposed	Proposed
	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27

Department of Livestock - 56030

Animal Health Division - 04

Fee Description:						
Laboratory Fees	\$1,528,396	\$1,551,505	\$1,525,353	\$1,480,700	\$1,696,555	\$1,696,403

Projected Fund Balance, Including Cash Fluctuations

The ending unrestricted fund balance projected for fiscal years 2026 and 2027 are both estimated at \$420,562. It is management's objective to increase the MVDL's cash balance to deal with financial risks from issues such as the annual variability of tests performed and the repair and replacement of major lab equipment, applications, and capital improvements.

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 56030	Agency Name: Department of Livestock			Program Name: Animal Health Division			
	Fund 06026	Fund Name MT Veterinary Diagnostic Lab					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		1,528,396	1,551,505	1,525,353	1,700,000	1,700,000	1,700,000
Fee Revenue B		2,139	4,216	3,115	4,000	4,000	4,000
Total Operating Revenues		1,530,535	1,555,721	1,528,468	1,704,000	1,704,000	1,704,000
Expenses:							
Personal Services		(237,560)	(338,075)	(351,837)	(365,429)	(369,696)	(370,122)
Other Operating Expenses		(1,232,831)	(1,198,483)	(990,819)	(992,529)	(1,203,961)	(1,203,539)
Expense B		-	-	-	(126,742)	(126,742)	(126,742)
Total Operating Expenses		(1,470,391)	(1,536,558)	(1,342,656)	(1,484,700)	(1,700,399)	(1,700,403)
Operating Income (Loss)		3,000,926	3,092,279	2,871,124	3,188,700	3,404,399	3,404,403
Nonoperating Revenues:							
Nonoperating Expenses:							
Other Expense A		(21,380)	-	-	-	-	-
Total Nonoperating Revenues (Expenses)		(21,380)	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		2,979,546	3,092,279	2,871,124	3,188,700	3,404,399	3,404,403
Change in Net Position		2,979,546	3,092,279	2,871,124	3,188,700	3,404,399	3,404,403
Beginning Net Position - July 1		324,362	3,303,908	6,396,187	9,288,691	12,477,391	15,881,790
Prior Period Adjustments		-	-	21,380	-	-	-
Change in Net Position		2,979,546	3,092,279	2,871,124	3,188,700	3,404,399	3,404,403
Ending Net Position - June 30		3,303,908	6,396,187	9,288,691	12,477,391	15,881,790	19,286,193
Net Position (Fund Balance) Analysis							
Restricted Net Pos(Enterprise Fund Only)		363,127	382,291	589,482	808,782	812,384	815,981

Department of Livestock - 56030

Animal Health Division - 04

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$4,266
FY 2027	\$0	\$4,693

SWPL - 1 - Personal Services -

The budget includes funding to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$6,023
FY 2027	\$0	\$5,413

SWPL - 2 - Fixed Costs -

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

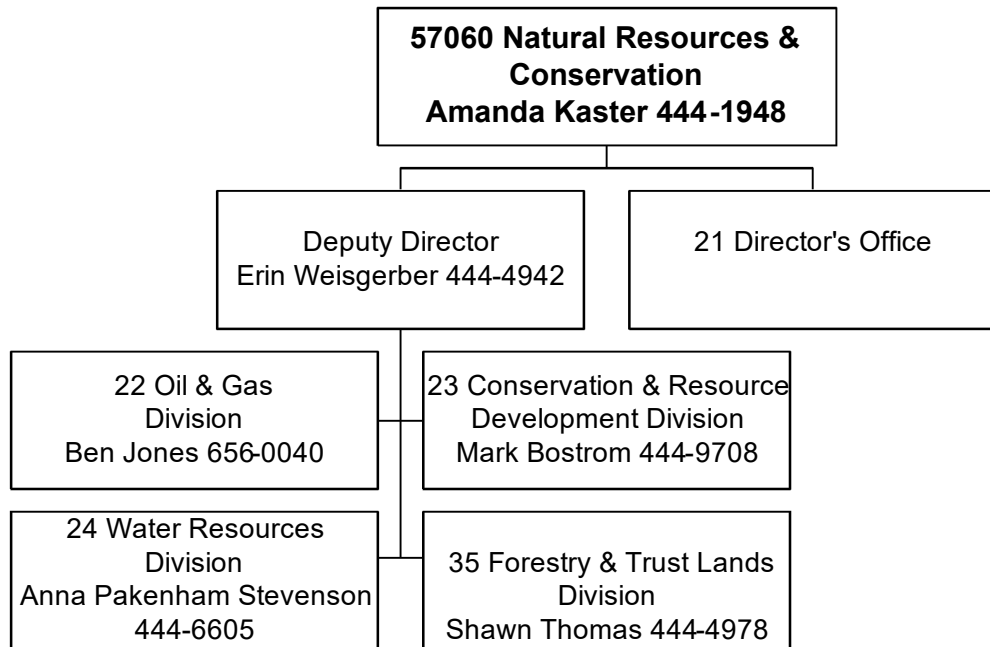
-----New Proposals-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$210,000
FY 2027	\$0	\$210,000

NP - 47 - Laboratory Operations Augment -

This budget request is for \$210,000 in FY 2026 and FY 2027 of proprietary funds for additional testing supplies expenses. The additional budgetary request is necessary to cover increased costs (\$112,000) associated with the chronic wasting disease testing program and the conversion of the Brucella screening tests (\$98,000) from the RAP to FP test method.

Department of Natural Resources and Conservation - 57060



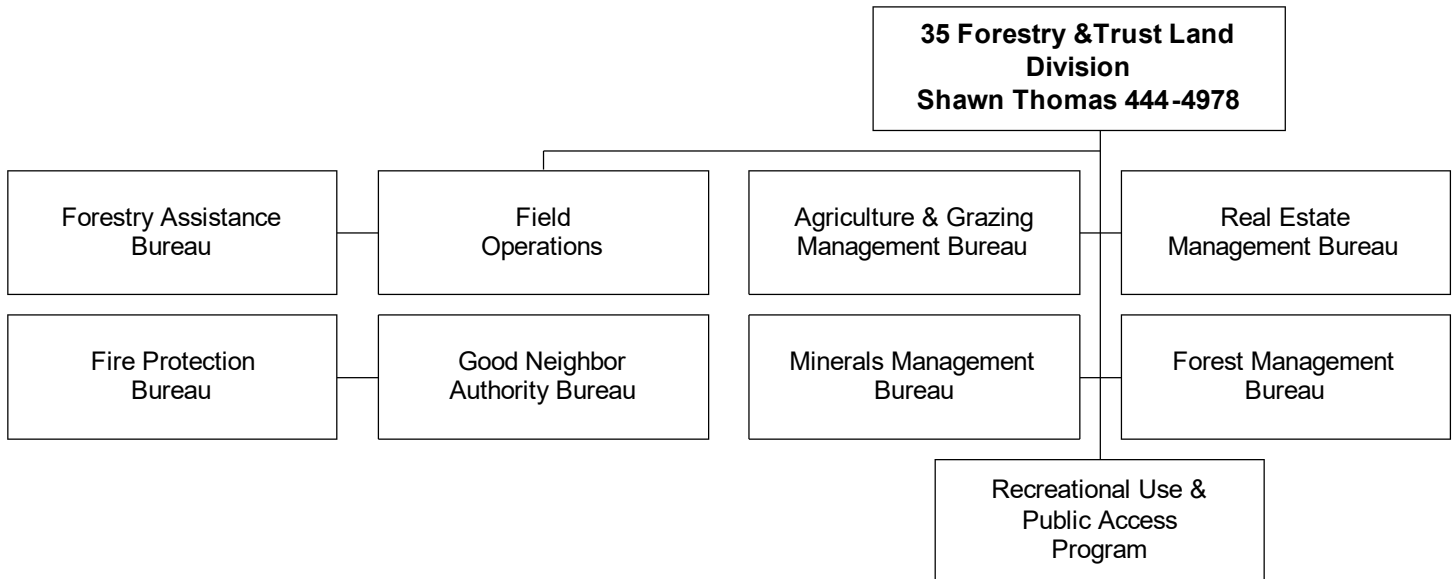
Mission Statement - Serving Montanas first through Natural Resources Management.

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

Agency Proposed Budget			
Budget Item	Total Exec. Budget Fiscal 2026	Total Exec. Budget Fiscal 2027	Total Exec. Budget 2027 Biennium
FTE	25.15	25.15	
Personal Services	2,395,700	2,400,522	4,796,222
Operating Expenses	1,727,179	1,729,979	3,457,158
Equipment & Intangible Assets	57,500	57,500	115,000
Total Costs	\$4,180,379	\$4,188,001	\$8,368,380
Proprietary Funds	4,180,379	4,188,001	8,368,380
Total Funds	\$4,180,379	\$4,188,001	\$8,368,380

Department of Natural Resources and Conservation - 57060

Forestry & Trust Lands - 35



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
FTE	25.15	0.00	25.15	0.00	25.15	
Personal Services	2,280,797	114,903	2,395,700	119,725	2,400,522	4,796,222
Operating Expenses	1,654,822	72,357	1,727,179	75,157	1,729,979	3,457,158
Equipment & Intangible Assets	57,500	0	57,500	0	57,500	115,000
Total Costs	\$3,993,119	\$187,260	\$4,180,379	\$194,882	\$4,188,001	\$8,368,380
Proprietary Funds	3,993,119	187,260	4,180,379	194,882	4,188,001	8,368,380
Total Funds	\$3,993,119	\$187,260	\$4,180,379	\$194,882	\$4,188,001	\$8,368,380

Proprietary Program Description - Fund 06003 - State Nursery Enterprise Fund

Program Description

The Montana State Conservation Seedling Nursery produces and distributes seedlings for conservation plantings, including applications such as fire and logging reforestation, farmstead windbreaks, shelterbelts, wildlife habitat, stream stabilization and restoration, and other conservation uses. The program's mission is to produce the highest quality, locally-adapted, source-identified seedlings available for conservation practices in Montana and to ensure affordable seedlings are available to Montana landowners. The nursery grows an average of 900,000 seedlings annually on 87 acres of state land and in 17,760 square feet of greenhouse space. Sixty-seven plant species are currently in production. The Nursery program is funded solely from the Nursery proprietary account and contains 10.92 FTE. Statutory authority for the program is in 17-2-102, 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 and Conservation - 57060

Forestry & Trust Lands - 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.

Projected Fund Balance, Including Cash Fluctuations

The projected fund balance for the program is anticipated to decrease gradually over the next three fiscal years according to the required analysis, which incorporates an expectation of expending the full proprietary appropriation each year. However, the program generally tailors its expenditures in accordance with revenues received and available cash in the fund so as to avoid a negative fund balance.

Fund 06538 - Air Operations Internal Svc

Program Description

The Air Operations program in the DNRC Forestry & Trust Lands Division operates and maintains a fleet of ten aircraft, consisting of seven helicopters and three single-engine fixed-wing aircraft. The aircraft are primarily used for fire detection, support, and suppression of wildfires, as well as reclamation work in the Department of Environmental Quality. The program is funded in part by revenue generated by the aircraft hourly flight rates and in part by the general fund and fire protection assessment revenues. Statutory authority for the program is found in 77-5-103, MCA, and 17-2-102, MCA.

The Air Operations program provides fire suppression capability year-round across the state of Montana to protect lives, property, and natural resources. Historically, additional aviation resources needed for large fire support are ordered through the national interagency system on a call when needed basis, and related costs are charged to the fire suppression fund. Contracted 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-operated aircraft. In fire season 2024, the program supplemented state suppression aircraft capabilities by contracting for an exclusive use Type 1 tanked helicopter and used state agreements to bring in an Air Attack and a large air tanker, charged to preparedness funding in the fire suppression fund.

Revenues and Expenses

Revenues and expenditures are managed through an internal service fund to account for the operational costs of the program. The primary source of revenue is the legislative appropriation for the transfer of general fund and fire protection assessment funds to the proprietary account to cover the fixed costs, which include hangar rent, insurance, and personnel costs (14.23 FTE). These fixed costs must be paid regardless of the number of hours flown. 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. Increased flight rates are proposed below to meet increased costs of fuel and parts needed to maintain the flight worthiness of the

Department of Natural Resources and Conservation - 57060

Forestry & Trust Lands - 35

aircraft.

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. Some factors that contribute to the uncertainty in forecasting future expenses include unforeseen events such as FAA and manufacturer repair and maintenance directives, aircraft mechanical issues resulting in unplanned maintenance, cost fluctuations in fuel and parts, and the length and severity of the fire season. Annual and routine maintenance requirements of aircraft are used to estimate 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 assessment fixed costs transfer.

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). Sabhrs account code 62525 is used by state customers to record expenses for flight time charges.

Rate(s) and Rate Explanation

The flight 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.

	Actual – per hour	Proposed	Proposed
Fee Description:	FY 2025	FY 2026	FY 2027
Bell UH-1H Helicopter	\$1,860	\$1,916	\$1,916
Bell Jet Ranger	\$525	\$541	\$541
Cessna 180 Series	\$210	\$216	\$216

Changes in Level of Fees and Charges

Proposed increases in aircraft flight time rates are shown in the table above. Increases are based on anticipated 3% inflation in the cost of aircraft parts and fuel prices. Fuel prices have increased considerably in recent years and continue to experience volatility.

Projected Fund Balance, Including Cash Fluctuations

The projected fund balance for the program is anticipated to decrease gradually over the next three fiscal years. Revenue estimates are typically conservative, as the length and severity of fire season is difficult to predict. Program operating expenditures would be expected to be lower than projected levels if revenue is received as estimated, indicating fewer hours of flight time billed and aircraft maintenance needs not requiring expenditure of the full appropriation in the proprietary fund.

Working Capital and Fees Commensurate Analysis

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Forestry & Trust Lands - 35

Working Capital is estimated to be less than the 60 days of cash required to fund operations by approximately \$259,695 in FY 2025, \$368,142 in FY 2026, and \$445,244 in FY 2027.

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 57060	Agency Name: Department of Natural Resources and Conservation			Program Name: Forestry & Trust Lands			
	Fund 06538	Fund Name Air Operations Internal Svc.					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A							
		1,151,890	909,056	802,347	1,000,000	1,100,000	1,100,000
Total Operating Revenues							
		1,151,890	909,056	802,347	1,000,000	1,100,000	1,100,000
Expenses:							
Personal Services							
		1,564,966	1,678,767	1,640,785	1,514,593	1,615,349	1,619,588
Other Operating Expenses							
		1,086,979	933,293	976,355	1,461,912	1,519,450	1,534,374
Total Operating Expenses							
		2,651,945	2,612,060	2,617,140	2,976,505	3,134,799	3,153,962
Operating Income (Loss)							
		(1,500,055)	(1,703,004)	(1,814,793)	(1,976,505)	(2,034,799)	(2,053,962)
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers							
		(1,500,055)	(1,703,004)	(1,814,793)	(1,976,505)	(2,034,799)	(2,053,962)
Capital Contributions							
		1,638,877	1,664,652	1,664,652	1,664,652	1,987,735	1,975,473
Change in Net Position							
		138,822	(38,352)	(150,141)	(311,853)	(47,064)	(78,489)
Beginning Net Position - July 1							
		585,190	724,012	685,660	535,519	223,666	176,602
Change in Net Position							
		138,822	(38,352)	(150,141)	(311,853)	(47,064)	(78,489)
Ending Net Position - June 30							
		724,012	685,660	535,519	223,666	176,602	98,113
Net Position (Fund Balance) Analysis							

Department of Natural Resources and Conservation - 57060

Forestry & Trust Lands - 35

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 57060	Agency Name: Department of Natural Resources and Conservation			Program Name: Forestry & Trust Lands			
	Fund 06003	Fund Name State Nursery Enterprise Fund					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A							
Total Operating Revenues							
Expenses:							
Personal Services							
Other Operating Expenses							
Expense B							
Total Operating Expenses							
Operating Income (Loss)							
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
Income (Loss) Before Contributions and Transfers							
Change in Net Position							
Beginning Net Position - July 1							
Change in Net Position							
Ending Net Position - June 30							
Net Position (Fund Balance) Analysis							

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$114,903
FY 2027	\$0	\$119,725

SWPL - 1 - Personal Services -

The budget includes funding to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Natural Resources and Conservation - 57060

Forestry & Trust Lands - 35

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$72,380
FY 2027	\$0	\$75,173

SWPL - 2 - Fixed Costs -

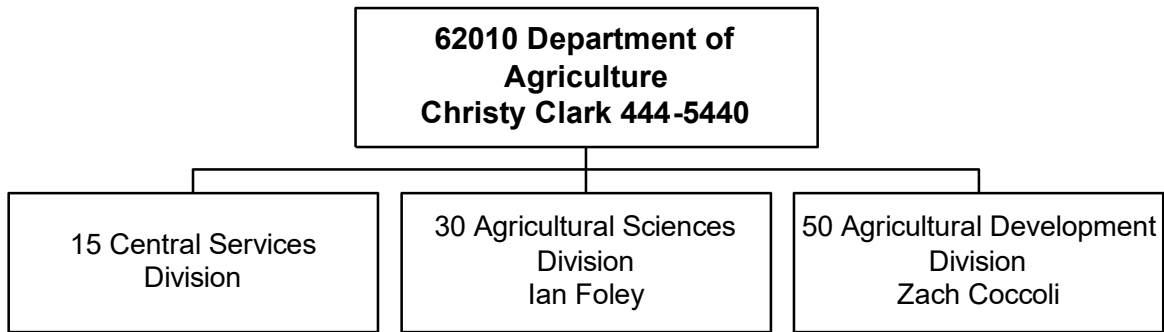
The request includes a reductions to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing,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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$23)
FY 2027	\$0	(\$16)

SWPL - 3 - Inflation Deflation -

This change package includes a reduction in funding to reflect budgetary changes generated from the application of deflation to state motor pool accounts.

Department of Agriculture - 62010



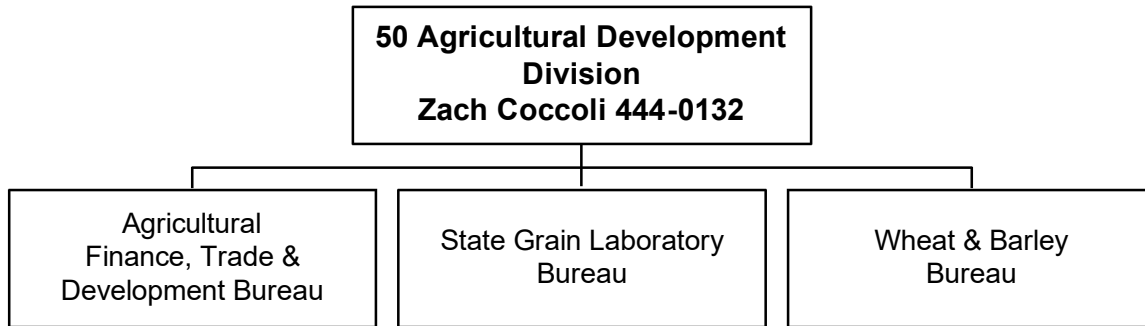
Mission Statement - The mission of the Montana Department of Agriculture is to serve Montana Agriculture and grow prosperity under the Big Sky.

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

Agency Proposed Budget			
Budget Item	Total Exec. Budget Fiscal 2026	Total Exec. Budget Fiscal 2027	Total Exec. Budget 2027 Biennium
Operating Expenses	62,309	62,309	124,618
Total Costs	\$62,309	\$62,309	\$124,618
General Fund	4,109	4,109	8,218
Proprietary Funds	58,200	58,200	116,400
Total Funds	\$62,309	\$62,309	\$124,618

Department of Agriculture - 62010

Agricultural Development Div - 50



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
Operating Expenses	62,309	0	62,309	0	62,309	124,618
Total Costs	\$62,309	\$0	\$62,309	\$0	\$62,309	\$124,618
General Fund	4,109	0	4,109	0	4,109	8,218
Proprietary Funds	58,200	0	58,200	0	58,200	116,400
Total Funds	\$62,309	\$0	\$62,309	\$0	\$62,309	\$124,618

Proprietary Program Description - 06052 Hail Insurance

Program Description

The Hail Insurance Program has been in operation since 1917. The function of the program is to provide low cost hail insurance coverage for crops grown in Montana, and assist producers with recovery of their input costs should they experience hail damage. The program insures approximately 400,000 acres of crops with coverage nearing \$25 million each year. The program is statutorily appropriated under Title 80, Chapter 2, Part 2, MCA.

Revenues and Expenses

Revenues for the program are derived from premium assessments paid by producers for crop acreage insured. The program funds 1.25 permanent FTE and 4.00 seasonal FTE to support program operations.

Rate and Rate Explanation

Hail insurance premiums charges are set by the Board of Hail Insurance by to county in accordance with 80-2-208, MCA, and cannot exceed \$75 per acre for non-irrigated land and \$114 per acre for irrigated land.

Projected Fund Balance, Including Cash Fluctuations

The restricted fund balance is required to have enough reserves to cover hail loss claims, including those in catastrophic years. The program's fund balance reserves are expected to increase due to the American Rescue Plan Act monies granted to the program for this purpose. Cash fluctuation in this program can be significant as it is based on the premiums collected and the loss claims paid out each year, which are based on crops planted and hail storm locations and severity.

Department of Agriculture - 62010

Agricultural Development Div - 50

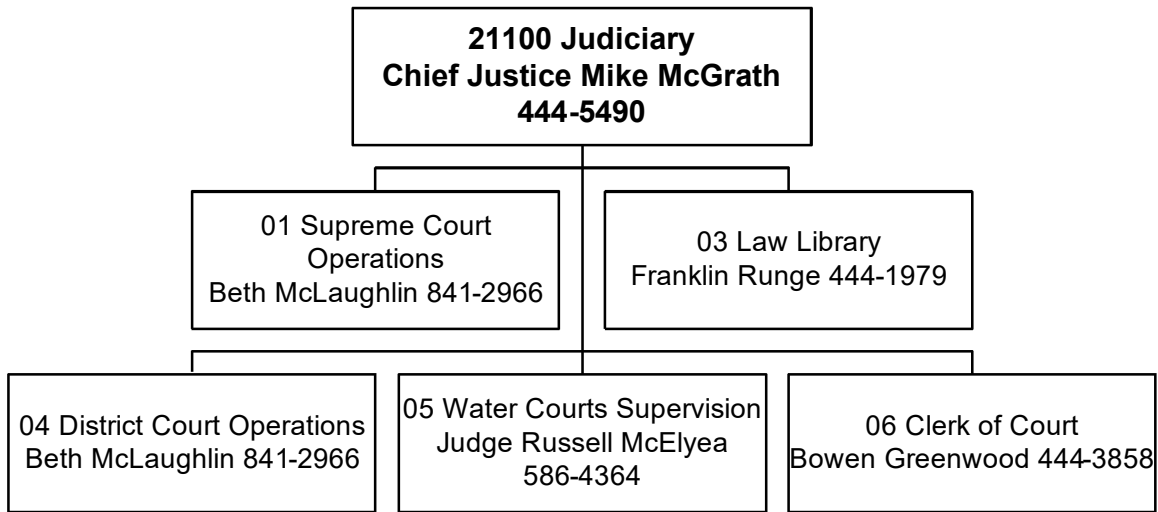
2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 62010	Agency Name: Department of Agriculture			Program Name: Agricultural Development Div			
	Fund 06052	Fund Name Hail Insurance					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		756,997	1,093,992	1,349,943	1,135,000	1,110,000	1,110,000
Revenue A		2,851	48,510	185,799	55,000	55,000	55,000
Revenue B		7,436	33	710	10,100	2,250	2,250
Total Operating Revenues		767,284	1,142,535	1,536,452	1,200,100	1,167,250	1,167,250
Expenses:							
Personal Services		223,829	312,898	267,137	245,000	257,250	270,113
Other Operating Expenses		48,300	60,853	120,984	75,000	75,000	75,000
Expense B		610,130	1,089,063	567,736	610,000	715,000	715,000
Total Operating Expenses		882,259	1,462,814	955,857	930,000	1,047,250	1,060,113
Operating Income (Loss)		(114,975)	(320,279)	580,595	270,100	120,000	107,137
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		(114,975)	(320,279)	580,595	270,100	120,000	107,137
Transfers In							
Transfers Out		-	1,730,915	567,736	5,704,138	-	-
Change in Net Position		(114,975)	1,411,080	1,148,331	5,974,238	120,000	107,137
Beginning Net Position - July 1		2,103,470	1,990,377	3,401,457	4,549,788	10,524,026	10,644,026
Prior Period Adjustments		1,882	-	-	-	-	-
Change in Net Position		(114,975)	1,411,080	1,148,331	5,974,238	120,000	107,137
Ending Net Position - June 30		1,990,377	3,401,457	4,549,788	10,524,026	10,644,026	10,751,163
Net Position (Fund Balance) Analysis							
Restricted Net Pos(Enterprise Fund Only)		1,990,377	3,400,569	4,548,900	10,523,138	10,643,138	10,750,276

Department of Agriculture - 62010

Agricultural Development Div - 50

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 62010	Agency Name: Department of Agriculture			Program Name: Agricultural Development Div			
	Fund 06056	Fund Name Hail Insurance Investments					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Other Operating Revenue		-	167,011	225,778	110,000	-	-
Total Operating Revenues		-	167,011	225,778	110,000	-	-
Expenses:							
Total Operating Expenses		-	-	-	-	-	-
Operating Income (Loss)		-	167,011	225,778	110,000	-	-
Nonoperating Revenues:							
Other Revenue A		-	1,730,915	567,736	5,201,349	-	-
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	1,730,915	567,736	5,201,349	-	-
Income (Loss) Before Contributions and Transfers		-	1,897,926	793,514	5,311,349	-	-
Transfers Out							
		-	1,730,915	567,736	5,704,138	-	-
Change in Net Position		-	3,628,841	1,361,250	11,015,487	-	-
Beginning Net Position - July 1							
		-	-	3,628,841	4,990,091	16,005,578	16,005,578
Change in Net Position		-	3,628,841	1,361,250	11,015,487	-	-
Ending Net Position - June 30		-	3,628,841	4,990,091	16,005,578	16,005,578	16,005,578
Net Position (Fund Balance) Analysis							
Restricted Net Pos(Enterprise Fund Only)		-	167,011	392,789	-	-	-

Judicial Branch - 21100



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

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

Agency Proposed Budget	Total Exec. Budget Fiscal 2026	Total Exec. Budget Fiscal 2027	Total Exec. Budget 2027 Biennium
Budget Item			
Operating Expenses	8,881	8,881	17,762
Debt Service	276,380	276,380	552,760
Total Costs	\$285,261	\$285,261	\$570,522
Proprietary Funds	285,261	285,261	570,522
Total Funds	\$285,261	\$285,261	\$570,522

Judicial Branch - 21100

Law Library - 03

**03 Law Library
Franklin Runge 444-1979**

Program Proposed Budget						
Budget Item	Starting Point Fiscal 2025	Budget Adjustments Fiscal 2026	Total Exec. Budget Fiscal 2026	Budget Adjustments Fiscal 2027	Total Exec. Budget Fiscal 2027	Executive Budget Request 2027 Biennium
Operating Expenses	9,044	(163)	8,881	(163)	8,881	17,762
Debt Service	276,380	0	276,380	0	276,380	552,760
Total Costs	\$285,424	(\$163)	\$285,261	(\$163)	\$285,261	\$570,522
Proprietary Funds	285,424	(163)	285,261	(163)	285,261	570,522
Total Funds	\$285,424	(\$163)	\$285,261	(\$163)	\$285,261	\$570,522

Proprietary Program Description -

Fund Number and Fund Description 06019 – Law Library Lexis Enterprise Account

Program Description

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

Revenues and Expenses

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

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

Rate(s) and Rate Explanation

The Law Library staff performs on-line searches/research for public and private entities. The law library is billed by the on-line provider for the air time and the Law Library, in turn, bills the entity requesting the search/research, collects the money and pays the provider. Due to the increase in costs of the searches, a rate increase will need to be considered. 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

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 21100	Agency Name: Judicial Branch			Program Name: Law Library			
	Fund	Fund Name					
	06019	Lexis Proprietary Account					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A							
		263,572	267,348	271,696	285,000	293,550	302,357
Total Operating Revenues							
		263,572	267,348	271,696	285,000	293,550	302,357
Expenses:							
Other Operating Expenses							
		261,865	269,283	276,719	283,816	292,181	300,947
Total Operating Expenses							
		261,865	269,283	276,719	283,816	292,181	300,947
Operating Income (Loss)							
		1,707	(1,935)	(5,023)	1,184	1,369	1,410
Nonoperating Revenues:							
Nonoperating Expenses:							
Other Expense A							
		1,067	1,131	1,268	1,258	1,080	1,080
Total Nonoperating Revenues (Expenses)							
		1,067	1,131	1,268	1,258	1,080	1,080
Income (Loss) Before Contributions and Transfers							
		2,774	(804)	(3,755)	2,442	2,449	2,490
Change in Net Position							
		2,774	(804)	(3,755)	2,442	2,449	2,490
Beginning Net Position - July 1							
		38,306	41,080	40,276	36,521	38,963	41,412
Change in Net Position							
		2,774	(804)	(3,755)	2,442	2,449	2,490
Ending Net Position - June 30							
		41,080	40,276	36,521	38,963	41,412	43,902
Net Position (Fund Balance) Analysis							
Unrestricted Net Position							
		38,946	35,880	29,588	29,514	29,803	30,133

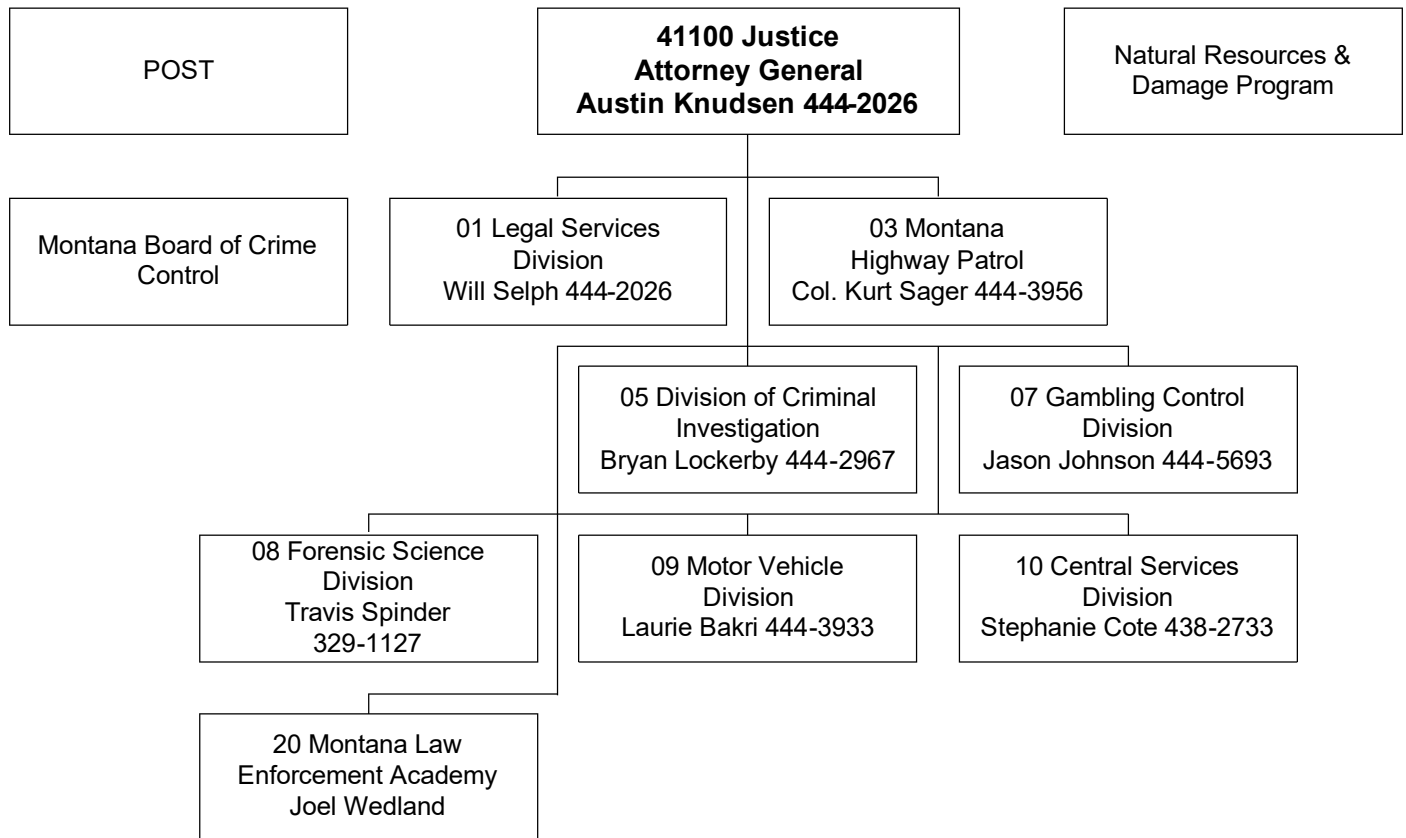
-----Statewide Present Law Adjustments-----

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$163)
FY 2027	\$0	(\$163)

SWPL - 2 - Fixed Costs -

The request includes a decrease of \$163 in FY 2026 and a decrease of \$163 in FY 2027 to reduce the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing and others. The rates charged for these services are approved in a separate portion of the budget.

Department of Justice - 41100



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

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

Agency Proposed Budget			
Budget Item	Total Exec. Budget Fiscal 2026	Total Exec. Budget Fiscal 2027	Total Exec. Budget 2027 Biennium
FTE	14.00	14.00	
Personal Services	1,606,276	1,611,296	3,217,572
Operating Expenses	169,582	169,582	339,164
Debt Service	2,080	2,080	4,160
Total Costs	\$1,777,938	\$1,782,958	\$3,560,896
General Fund	(24,695)	(24,695)	(49,390)
Proprietary Funds	1,802,633	1,807,653	3,610,286
Total Funds	\$1,777,938	\$1,782,958	\$3,560,896

Department of Justice - 41100

Agency Legal Services - 06

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments	Exec. Budget	Adjustments	Exec. Budget	Budget Request
	Fiscal 2025	Fiscal 2026	Fiscal 2026	Fiscal 2027	Fiscal 2027	2027 Biennium
FTE	14.00	0.00	14.00	0.00	14.00	
Personal Services	1,705,487	(99,211)	1,606,276	(94,191)	1,611,296	3,217,572
Operating Expenses	194,277	(24,695)	169,582	(24,695)	169,582	339,164
Debt Service	2,080	0	2,080	0	2,080	4,160
Total Costs	\$1,901,844	(\$123,906)	\$1,777,938	(\$118,886)	\$1,782,958	\$3,560,896
General Fund	0	(24,695)	(24,695)	(24,695)	(24,695)	(49,390)
Proprietary Funds	1,901,844	(99,211)	1,802,633	(94,191)	1,807,653	3,610,286
Total Funds	\$1,901,844	(\$123,906)	\$1,777,938	(\$118,886)	\$1,782,958	\$3,560,896

Proprietary Program Description -

Program Description

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

Revenues and Expenses

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

Rate and Rate Explanation

The rates for the 2025 biennium are as follows:

- Attorney, \$121.00 per hour
- Investigator, \$71.00 per hour

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

Projected Fund Balance, Including Cash Fluctuations

The proposed rates allow the agency to continue to work toward the 60 day working capital requirement. The proprietary rate table illustrates that net assets and cash balance using the proposed rates will remain positive thru FY 2025. Upon review of the current service fees, the rate was found insufficient to sustain operations and cash requirements to ensure compliance of 17-8-101, MCA. The proposed rate methodology is based on current operating expenses, projected increases to operating expenses, and expected revenue receivable.

Department of Justice - 41100

Agency Legal Services - 06

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 41100	Agency Name: Department of Justice		Program Name: Agency Legal Services				
	Fund 06500	Fund Name Agency Legal Services					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A							
Total Operating Revenues							
Expenses:							
Personal Services							
Other Operating Expenses							
Loans and Lease Payments							
Total Operating Expenses							
Operating Income (Loss)							
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
Income (Loss) Before Contributions and Transfers							
Change in Net Position							
Beginning Net Position - July 1							
Change in Net Position							
Ending Net Position - June 30							
Net Position (Fund Balance) Analysis							

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$99,211)
FY 2027	\$0	(\$94,191)

SWPL - 1 - Personal Services -

The budget includes a reduction of \$99,211 in FY 2026 and a reduction of \$94,191 in FY 2027 to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Justice - 41100

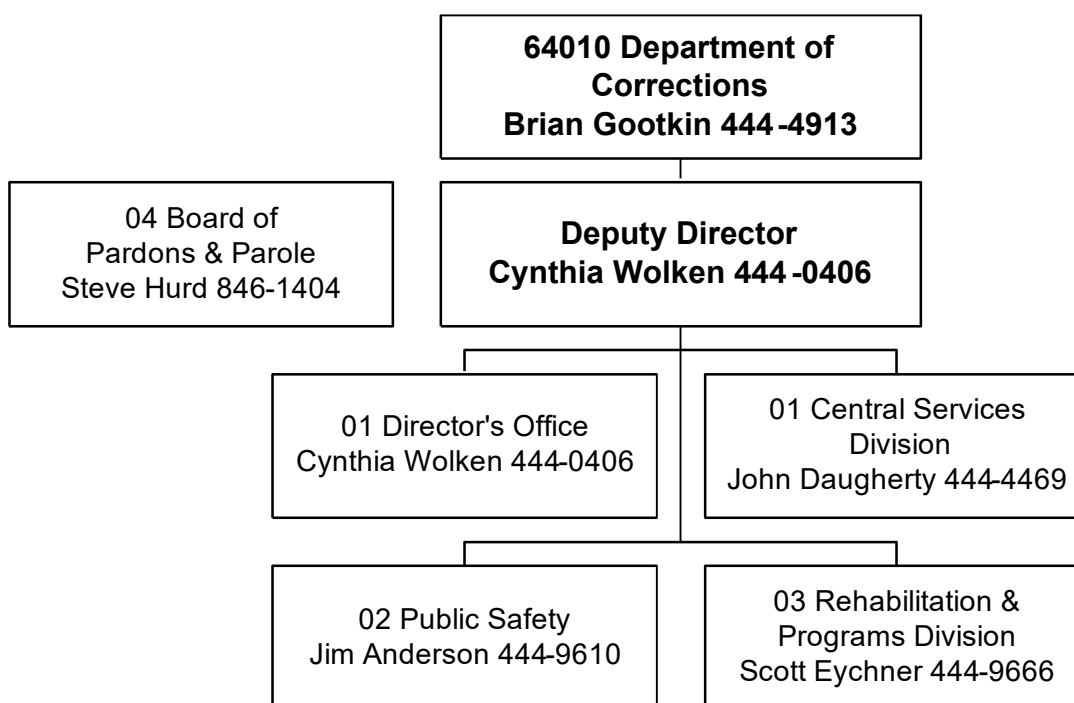
Agency Legal Services - 06

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	(\$24,695)	(\$24,695)
FY 2027	(\$24,695)	(\$24,695)

SWPL - 2 - Fixed Costs -

The request includes a reduction of \$24,695 in FY Y 2026 and FY 2027 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state governemtn for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing and others. The rates charges for these services are approved in a separate portion of the budget. This request reflects the consolidation of all fixed costs from all programs to the Central Services Division.

Department of Corrections - 64010



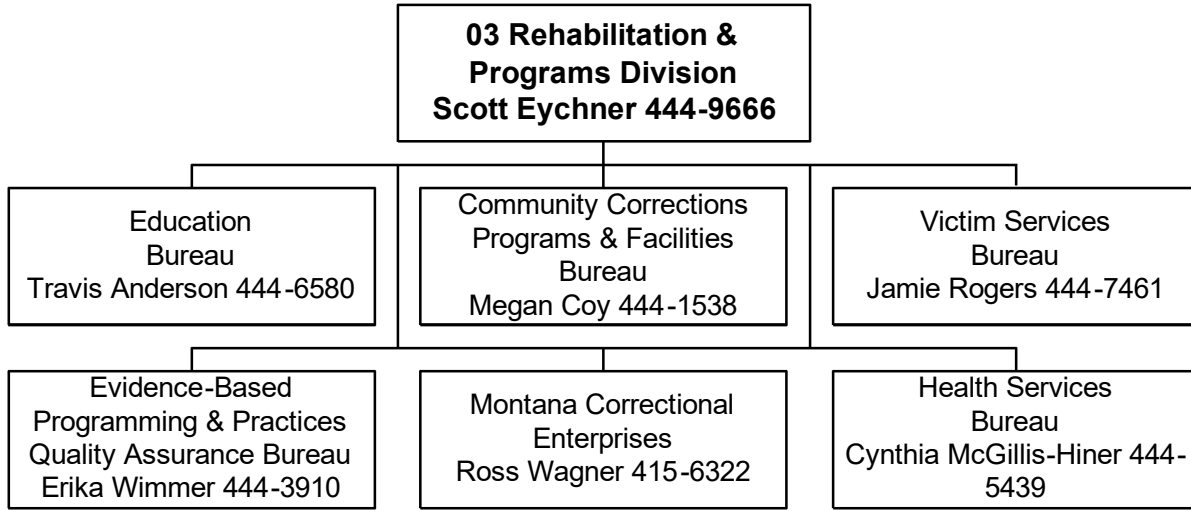
Mission Statement - Creating a safer Montana through accountability, rehabilitation, and empowerment.

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

Agency Proposed Budget			
Budget Item	Total Exec. Budget Fiscal 2026	Total Exec. Budget Fiscal 2027	Total Exec. Budget 2027 Biennium
FTE	70.01	70.01	
Personal Services	5,559,235	5,568,680	11,127,915
Operating Expenses	12,337,192	12,337,192	24,674,384
Equipment & Intangible Assets	548,389	548,389	1,096,778
Capital Outlay	35,464	35,464	70,928
Debt Service	207,678	207,678	415,356
Total Costs	\$18,687,958	\$18,697,403	\$37,385,361
Proprietary Funds	18,687,958	18,697,403	37,385,361
Total Funds	\$18,687,958	\$18,697,403	\$37,385,361

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Rehabilitation and Programs - 03



Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
FTE	70.01	0.00	70.01	0.00	70.01	
Personal Services	5,752,910	(193,675)	5,559,235	(184,230)	5,568,680	11,127,915
Operating Expenses	11,637,192	700,000	12,337,192	700,000	12,337,192	24,674,384
Equipment & Intangible Assets	548,389	0	548,389	0	548,389	1,096,778
Capital Outlay	35,464	0	35,464	0	35,464	70,928
Debt Service	207,678	0	207,678	0	207,678	415,356
Total Costs	\$18,181,633	\$506,325	\$18,687,958	\$515,770	\$18,697,403	\$37,385,361
Proprietary Funds	18,181,633	506,325	18,687,958	515,770	18,697,403	37,385,361
Total Funds	\$18,181,633	\$506,325	\$18,687,958	\$515,770	\$18,697,403	\$37,385,361

Proprietary Program Description -

Montana Correctional Enterprises (MCE) operates the following proprietary programs:

Fund 06011 – License Plate Factory

Program Description

The License Plate Factory trains inmates in specific work skills and life skills in license plate production, graphics design, inventory control and shipping, while providing all license plates to vehicle owners throughout Montana. Plates are sold through County Treasurers and novelty and sample plates are sold to the non-profit organizations that sponsor the organizational plate design.

Revenues and Expenses

The License Plate Factory derives revenues from the sale of license plates to vehicle owners, who pay a \$10.00 fee for each set to their County Treasurer. \$2.00 of this rate remains in the county general fund and \$8.00 is deposited into a state special revenue account with Department of Justice (DOJ). DOJ then pays MCE a rate to cover production fees and delivery. MCE also works in collaboration with State Print and Mail (P&M) and DOJ for the supply, printing and distribution of vehicle registration tabs and decals. Pricing for tabs and decals is mutually agreed upon through a Memorandum of Understanding (MOU) between P&M, MCE, and DOJ. Revenues are dependent on customer orders and inventory needs by each County Treasurer. Expenses include the cost of raw materials and other operating costs and capital expenditures.

In addition, the License Plate Factory receives revenues from organizational plate customers for application processing,

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Rehabilitation and Programs - 03

graphics design associated with new and updated plate designs and manufacturing and sample plates produced for their organizations.

Rate(s) and Rate Explanations

The License Plate Factory is an enterprise fund.

Projected Fund Balance, Including Cash Fluctuations

The License Plate program requires adequate cash flow to cover operational costs and provide training as part of the Montana Correctional Enterprise training program to assist in reducing recidivism for Montana inmates. Revenues are dependent on customer orders and expenses for raw materials are dependent on revenues.

2027 Biennium Internal Service Fund Working Capital and Fees Commensurate Analysis								
Fund	Fund Name	Agency #	Agency Name	Program Name				
06011	License Plate Production	64010	Department of Corrections	03 REHABILITATION AND PROGRAMS				
			Actual FY 22	Actual FY 23	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Cash Available for Fund Operations (Working Capital)								
Current Assets			3,901,105	4,889,174	5,265,010			
Less Current Liabilities			(218,201)	(230,810)	(286,251)			
Working Capital (WC)			3,682,906	4,658,364	4,918,764	5,018,584	4,981,304	4,903,750
Cash Required for Fund Operations								
90 Days Operations Expense			504,933	333,051	465,774	483,333	509,683	505,892
Difference			3,177,915	4,245,273	4,462,910	4,535,351	4,451,741	4,394,156
Budgeted WC = Actual WC FY 2023 + or - Estimated FY 2024 and FY 2025, and Proposed FY 2026 and FY 2027. Change in Net Position								

Fund 06033 - Agricultural Program

Program Description

The Agriculture Program trains inmates in specific work skills and life skills in programs that include range and dairy cattle, dairy milking parlor and processing plant, crops, land management, lumber processing, wild land firefighting, pheasant rearing, and various community work programs.

Revenues and Expenses

The Agriculture Program derives revenues from the sale of products and services. Expenses include feed and supplements, supplies and materials, personal services, and other operating costs associated with the various sub-programs. Beginning in FY 2022, MCE began a partnership with the Department of Fish Wildlife and Parks (FWP) to raise pheasants for the FWP wildlife management areas. FWP covers all costs of the program.

Rate(s) and Rate Explanations

Revenues are based on market values and fluctuate with the markets.

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Projected Fund Balance, Including Cash Fluctuations

The Agriculture Program requires a high cash balance to maintain operations. Historically, it has been the practice to maintain a minimum of \$1 million, due to the possibility of extenuating circumstances such as volatile cattle and raw milk markets, unforeseeable illness in the range or dairy herds and shortages of commodities due to droughts, floods, or other natural disasters. The yearly cattle sale produces the majority of revenue for the agriculture program. The yearly cattle sale also assists in maintaining the entire MCE training program throughout the fiscal year. The Agriculture cash balance fluctuates during the year, due to the receipt of the majority of the revenue in the fall.

The Agriculture program requires adequate cash flow to cover the above operational costs and to provide other training as part of the Montana Correctional Enterprise training programs to assist in reducing recidivism for Montana inmates.

2027 Biennium Internal Service Fund Working Capital and Fees Commensurate Analysis								
Fund	Fund Name	Agency #	Agency Name	Program Name				
06033	Prison Ranch	64010	Department of Corrections	Montana Correctional Enterprises				
			Actual FY 22	Actual FY 23	Actual FY 24	Estimated FY 25	Proposed FY 25	Proposed FY 27
Cash Available for Fund Operations (Working Capital)								
Current Assets			1,680,374	2,131,980	2,231,890			
Less: Current Liabilities			(235,514)	(222,997)	(551,131)			
Working Capital (WC)			1,444,860	1,908,982	1,680,759	2,555,889	2,585,289	2,571,577
Cash Required for Fund Operations								
80 Days Operations Expense			550,031	538,159	516,040	820,833	781,733	782,282
Difference			894,829	1,372,823	1,064,729	1,934,836	1,783,536	1,789,295
Budgeted WC = Actual WC FY 2023 + or - Estimated FY 2024 and FY 2025, and Proposed FY 2026 and FY 2027, Change in Net Position								

Fund 06034 - Industries Program

Program Description

The Industries Program trains inmates in specific work skills and life skills in programs that include manufacturing of furniture, upholstery, print work and signs, sewing and embroidery, institutional laundry, screen printing, inventory management, shipping, AutoCAD design, Web design, marketing, hygiene kit assembly, and public-private partnerships. In addition, Industries includes a dog training, grooming and boarding program.

Two industry programs are public-private partnerships and are certified by the U.S. Justice Department's Prison Industry Enhancement Certification Program. Inmates in these programs are paid prevailing wage for their work, and 80 percent of their gross wage is deducted for state and federal income tax, crime victim compensation, family support, and room and board. In addition, each inmate working in a certified program has 20 percent of his or her net wages deposited into a mandatory reentry savings account, which is available to the inmate upon release from incarceration.

Revenues and Expenses

The Industries Program derives revenues from the sale of products and services. Prices for manufactured products are set utilizing current market values and consider cost of materials, personal services, supplies, and other operating overhead and capital outlay.

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Rate(s) and Rate Explanations

Revenues for all Industries programs are based on customer orders, inventory levels, available customer budgets and customer satisfaction. Although the Industries program is an enterprise fund, it has historically requested a rate approval for the Laundry, as the rate directly affects several customers who are general funded.

Requested Rates for Internal Service or Enterprise Funds										
Fee/Rate Information										
	Actual FY 22		Actual FY 23		Actual FY 24		Actual FY 25		Proposed FY 26	
Fee Description										
Cost Per Pound Laundry Services	\$	0.88	\$	0.88	\$	0.88	\$	0.88	\$	0.73
<u>Delivered Costs per Pound</u>										
Riverside Youth Correctional/Riverside Special Needs Unit	\$	0.05	\$	0.05	\$	0.05	\$	0.05	\$	0.05
Montana Law Enforcement Academy	\$	0.15	\$	0.15	\$	0.15	\$	0.15	\$	0.15
Montana Chemical Dependency Court	\$	0.04	\$	0.04	\$	0.04	\$	0.04	\$	0.04
Southwest Montana Veterans' Home	\$	-	\$	-	\$	-	\$	-	\$	0.04
START Program	\$	0.01	\$	0.01	\$	0.01	\$	0.01	\$	0.01
Montana State Hospital	\$	-	\$	-	\$	-	\$	-	\$	-
University of Montana	\$	87.50	\$	87.50	\$	87.50	\$	87.50	\$	87.50
Calculated at \$7.50 per shared round trip										
The Laundry is a small part of the Industries Enterprise Fund operation. It is not an actual internal service fund. MCE requests rate approval for this operation to allow the general fund customers to request the required appropriation to cover any additional rate increase.										

Projected Fund Balance, Including Cash Fluctuations

The Industries program requires adequate cash flow to cover operational costs and to provide training as part of the Montana Correctional Enterprise training programs to assist in reducing recidivism for Montana inmates. Revenues are dependent on customer orders and expenses for raw materials are dependent on revenues.

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2027 Biennium Internal Service Fund Working Capital and Fees Commensurate Analysis						
Fund	Fund Name	Agency #	Agency Name	Program Name		
06034	ISP Institutional Industries	64010	Department of Corrections	Montana Correctional Enterprises		
			Actual FY 22	Actual FY 23	Actual FY 24	Estimated FY 25
						Proposed FY 26
						Proposed FY 27
Cash Available for Fund Operations (Working Capital)						
Current Assets			1,839,184	2,913,040	1,446,010	
Less Current Liabilities			(832,276)	(1,046,235)	(1,297,351)	
Working Capital (WC)			1,006,908	1,866,805	1,148,659	2,024,273
Cash Required for Fund Operations						
90 Days Operations Expense			686,382	713,238	778,881	987,778
Difference			320,526	1,153,567	369,778	1,036,495
Suggested WC = Actual WC FY 2023 + or - Estimated FY 2024 and FY 2025, and Proposed FY 2026 and FY 2027, Change in Net Position						

Fund 06545 – Vocational Education Program (Industries Training) Internal Service Fund

Program Description

Motor Vehicle Maintenance within the Vocational Training program trains inmates in specific work skills and life skills in operations that include engine, auto body, and tire repair; alignment; welding; machining; plasma cut metals; agriculture and heavy equipment repair; and retrograde of community fire fighting equipment.

Revenues and Expenses

Motor Vehicle Maintenance derives revenues from the sale of products and services. Expenses include the cost of parts for repairs, personal services, and other operating costs associated with the various sub-programs. The program is not anticipating significant changes in revenues or operating expenditures over the biennium. The Motor Vehicle Maintenance (Industries Training) is not required to be self-supporting (per 53-30-133, MCA), and all MCE proprietary programs provide support if there are inadequate revenues to cover expenditures.

Rate(s) and Rate Explanations

Motor Vehicle Maintenance rates are based on the cost of parts, a supply fee (10% of actual part cost) and an hourly labor rate for vehicle repairs and restoration. The labor rate is based on cost of civilian and inmate labor and program overhead. The supply fee covers incidental supplies such as grease, rags, nuts, and bolts.

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Requested Rates for Internal Service or Enterprise Funds						
Fee/Rate Information						
Fee Description	Actual FY 22	Actual FY 23	Actual FY 24	Actual FY 25	Proposed FY 26	Proposed FY 27
Labor Charge/hour	\$ 28.45	\$ 28.45	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00
Supply Fee as percentage of actual cost of parts	8%	8%	10%	10%	10%	10%
Parts	Sold at Cost	Sold at Cost	Sold at Cost	Sold at Cost	Sold at Cost	Sold at Cost

Changes in Level of Fees and Charges

There are no changes in services or fees.

Projected Fund Balance, Including Cash Fluctuations

The Motor Vehicle Maintenance internal service fund balance does not have large fluctuations due to the low net income of the program.

Working Capital Analysis

Historically, the Motor Vehicle Maintenance program internal service fund seldom has an excess of sixty (60) days of working capital. Any excess working capital that is accumulated will likely be utilized to replace outdated equipment or make necessary building repairs. However, the department will continue to monitor to ensure that rates remain appropriate.

2027 Biennium Internal Service Fund Working Capital and Fees Commensurate Analysis								
Fund	Fund Name	Agency #	Agency Name	Program Name				
06545	Prison Indust Training Prog	64010	Department of Corrections	Montana Correctional Enterprises				
			Actual FY 22	Actual FY 23	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Cash Available for Fund Operations (Working Capital)								
Current Assets			157,771	238,753	430,323			
Less Current Liabilities			(77,792)	(54,967)	(115,393)			
Working Capital / WC			79,979	183,786	322,887	246,566	241,635	312,416
Cash Required for Fund Operations								
30 Days Operations Expense			150,008	157,648	202,283	131,066	134,987	139,336
Difference			(80,029)	26,138	125,604	415,501	606,646	773,380
Budgeted WC = Actual WC FY 2023 + or - Estimated FY 2024 and FY 2025, and Proposed FY 2026 and FY 2027, Change in Net Position								

Fund 06573 – Food Factory Internal Service Fund

Program Description

The Food Factory program trains inmates in specific work skills and life skills in meal and baked goods preparation,

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Rehabilitation and Programs - 03

shipping, billing, and quality control operations while providing meals to numerous state, county, and non-profit facilities in western Montana.

Revenues and Expenses

The Food Factory derives revenues from the sale of bulk food and tray meals to customers. Expenses include raw product inventory, personal services, other operating costs, and capital expenditures for the program. The Food Factory equipment is aging, requiring replacements as cash flow allows.

Rate(s) and Rate Explanations

The Food Factory rates are based on the cost of raw product, debt service and other operating expenditures. Customers who purchase bulk food are charged the actual cost of the food product with 5% markup to allow for raw product loss. In addition, bulk food customers are charged overhead. Overhead charged to each customer is based on their purchases as a percentage of the overall purchases. Customers who purchase tray meals are charged for the food and overhead as a tray meal cost. Detention facilities are charged for tray meals plus disposable trays, dairy products, and accessory packages they receive. Delivery to all customers is based on the number of miles to the customer and actual time involved in the delivery. Disposable trays are charged at actual cost, but due to the volatility of paper goods pricing, this cost will be reviewed on an annual basis.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information						
	Actual FY 22	Actual FY 23	Actual FY 24	Actual FY 25	Proposed FY 26	Proposed FY 27
Fee Description:						
Tray Meal Prices to all customers						
Base Tray-not cold	\$ 2.45	\$ 2.45	\$ 2.55	\$ 2.65	\$ 2.75	\$ 2.85
Base Tray-hot	\$ 1.32	\$ 1.32	\$ 1.44	\$ 1.70	\$ 1.80	\$ 1.90
Base Tray-hot (Detention Ctr Trays)	\$ 3.05	\$ 3.05	\$ 3.38	\$ 3.73	\$ 3.83	\$ 3.93
Accessory Package	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20
Disposable tray	at cost	at cost	at cost	at cost	at cost	at cost
Delivery Charge Per Trayed Meal						
Delivery charge per mile	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50
Delivery charge per hour	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00
Bulk food is sold at cost, with a spoilage percentage added on and an overhead charge to cover operating expenses. Overhead charge is based on historical costs and volume of sales to the customer, as a percentage of overall food costs. Delivery is based on actual delivery costs.						
Spoilage percentage to all bulk customers	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Overhead Charges:						
Montana State Prison	90.00%	90.00%	94.00%	85.00%	85.00%	85.00%
Montana State Hospital	10.00%	10.00%	8.00%	7.00%	7.00%	7.00%
CCDS Inc. WATCH Program	0.00%	0.00%	0.30%	8.00%	8.00%	8.00%

Changes in Level of Fees and Charges

There are no changes in services or fees.

Projected Fund Balance, Including Cash Fluctuations

The Food Factory internal service fund cash balance will fluctuate as the 2019 legislatively approved expansion project moves forward. Food Factory received a loan for this project that will be paid back over a period of fifteen years. An adequate cash balance is maintained to purchase needed replacement equipment and complete required repairs.

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Working Capital Analysis

The Food Factory will continually monitor cash and working capital to ensure that it maintains no more than sixty (60) days of working capital during the 2027 Biennium.

2027 Biennium Internal Service Fund Working Capital and Fees Commensurate Analysis								
Fund 06573	Fund Name MSP Cook Chik	Agency # 64010	Agency Name Department of Corrections	Program Name Montana Correctional Enterprises				
			Actual FY 22	Actual FY 23	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Cash Available for Fund Operations (Working Capital)								
Current Assets			735,513	383,848	954,966			
Less: Current Liabilities			(330,236)	(504,333)	(362,197)			
Working Capital (WC)			398,292	(115,155)	575,697	585,867	751,566	815,023
Cash Required for Fund Operations								
60 Days Operations Expense			308,145	1,137,511	1,069,623	1,057,500	1,344,570	1,045,204
Difference			(510,882)	(1,252,797)	(193,023)	(431,613)	(292,514)	(229,181)
Budgeted WC = Actual WC FY 2023 + or - Estimated FY 2024 and FY 2025 and Proposed FY 2026 and FY 2027 / Change in Net Position								

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Agency #
64010

Agency Name:
Department of Corrections

Program Name:
Rehabilitation and Programs

Fund	Fund Name
06034	MSP Institutional Industries

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2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 64010	Agency Name: Department of Corrections			Program Name: Rehabilitation and Programs			
	Fund	Fund Name					
	06573	MSP - Cook Chill					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		5,737,468	6,262,011	7,402,502	6,335,290	6,335,290	6,335,290
Total Operating Revenues		5,737,468	6,262,011	7,402,502	6,335,290	6,335,290	6,335,290
Expenses:							
Personal Services		1,012,265	874,823	900,936	1,000,000	1,440,633	1,442,635
Other Operating Expenses		4,442,604	5,950,846	5,510,783	5,525,000	4,828,588	4,828,588
Total Operating Expenses		5,454,869	6,825,669	6,411,719	6,525,000	6,269,221	6,271,223
Operating Income (Loss)		282,599	(563,658)	990,783	(189,710)	66,069	64,067
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		282,599	(563,658)	990,783	(189,710)	66,069	64,067
Change in Net Position		282,599	(563,658)	990,783	(189,710)	66,069	64,067
Beginning Net Position - July 1		3,507,051	3,789,650	3,225,992	4,216,775	4,027,065	4,093,134
Change in Net Position		282,599	(563,658)	990,783	(189,710)	66,069	64,067
Ending Net Position - June 30		3,789,650	3,225,992	4,216,775	4,027,065	4,093,134	4,157,201
Net Position (Fund Balance) Analysis							

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2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 64010	Agency Name: Department of Corrections			Program Name: Rehabilitation and Programs			
	Fund 06033	Fund Name Prison Ranch					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A							
Total Operating Revenues							
Expenses:							
Personal Services							
Other Operating Expenses							
Total Operating Expenses							
Operating Income (Loss)							
Nonoperating Revenues:							
Other Revenue A							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
Income (Loss) Before Contributions and Transfers							
Transfers In							
Change in Net Position							
Beginning Net Position - July 1							
Change in Net Position							
Ending Net Position - June 30							
Net Position (Fund Balance) Analysis							

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Rehabilitation and Programs - 03

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 64010	Agency Name: Department of Corrections			Program Name: Rehabilitation and Programs			
	Fund	Fund Name					
	06545	Prison Indust. Training Prog					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		1,001,097	1,118,933	1,356,263	1,002,000	1,002,000	1,002,000
Fee Revenue B		7,602	2,394	1,544	3,000	3,000	3,000
Total Operating Revenues		1,008,699	1,121,327	1,357,807	1,005,000	1,005,000	1,005,000
Expenses:							
Personal Services		245,747	256,429	307,031	250,281	257,789	265,523
Other Operating Expenses		714,303	689,459	906,705	536,050	552,132	568,695
Total Operating Expenses		960,050	945,888	1,213,736	786,331	809,921	834,218
Operating Income (Loss)		48,649	175,439	144,071	218,669	195,079	170,782
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		48,649	175,439	144,071	218,669	195,079	170,782
Change in Net Position		48,649	175,439	144,071	218,669	195,079	170,782
Beginning Net Position - July 1		(96,961)	(48,312)	127,127	271,198	489,867	684,946
Change in Net Position		48,649	175,439	144,071	218,669	195,079	170,782
Ending Net Position - June 30		(48,312)	127,127	271,198	489,867	684,946	855,728
Net Position (Fund Balance) Analysis							

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Rehabilitation and Programs - 03

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 64010	Agency Name: Department of Corrections			Program Name: Rehabilitation and Programs			
	Fund	Fund Name					
	06011	License Plate Production					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		3,137,006	3,027,167	3,014,966	3,000,000	3,000,000	3,000,000
Total Operating Revenues		3,137,006	3,027,167	3,014,966	3,000,000	3,000,000	3,000,000
Expenses:							
Personal Services		413,271	512,025	518,590	550,000	648,463	648,637
Other Operating Expenses		2,616,684	1,846,518	2,216,055	2,350,000	2,408,917	2,408,917
Total Operating Expenses		3,029,955	2,358,543	2,734,645	2,900,000	3,057,380	3,057,554
Operating Income (Loss)		107,051	668,624	280,321	100,000	(57,380)	(57,554)
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		107,051	668,624	280,321	100,000	(57,380)	(57,554)
Change in Net Position		107,051	668,624	280,321	100,000	(57,380)	(57,554)
Beginning Net Position - July 1		168,055	275,106	943,730	1,224,051	1,324,051	1,266,671
Change in Net Position		107,051	668,624	280,321	100,000	(57,380)	(57,554)
Ending Net Position - June 30		275,106	943,730	1,224,051	1,324,051	1,266,671	1,209,117
Net Position (Fund Balance) Analysis							

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$193,675)
FY 2027	\$0	(\$184,230)

SWPL - 1 - Personal Services -

The budget includes adjustments in FY 2026 and FY 2027 to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Department of Corrections - 64010

Rehabilitation and Programs - 03

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$500,000)
FY 2027	\$0	(\$500,000)

PL - 391 - Reduce Ranch Operating Appropriation -

The department requests a reduction of proprietary fund appropriation of \$500,000 in FY 2026 and \$500,000 in FY 2027 for the Ranch at MCE. This request would align appropriation balances with actual expenses.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$900,000
FY 2027	\$0	\$900,000

PL - 392 - Increase Operating Authority for Food Factory -

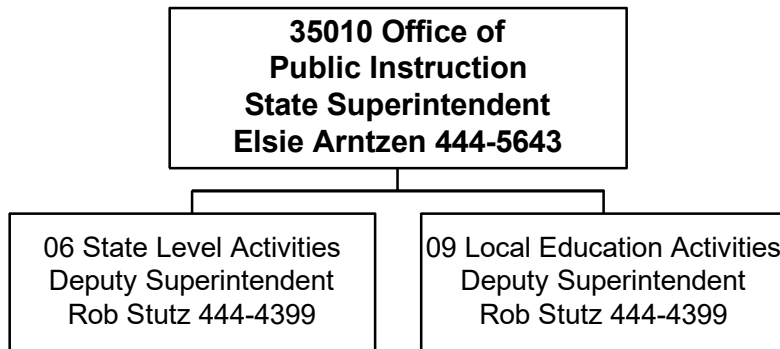
This change package would increase the proprietary fund operating appropriation by \$900,000 in FY 2026 and \$900,000 in FY 2027 for the Food Factory to more closely align with actual expenses of the program.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$300,000
FY 2027	\$0	\$300,000

PL - 393 - Increase Operating Authority for License Plate Factory -

This change package would increase the proprietary fund operating appropriation by \$300,000 in FY 2026 and \$300,000 in FY 2027 for the License Plate Factory to more closely align with actual expenses of the program.

Office of Public Instruction - 35010



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

Statutory Authority - Title 20, MCA.

Agency Proposed Budget			
Budget Item	Total Exec. Budget Fiscal 2026	Total Exec. Budget Fiscal 2027	Total Exec. Budget 2027 Biennium
FTE	27.53	27.53	
Personal Services	2,346,105	2,350,321	4,696,426
Operating Expenses	1,432,872	1,323,802	2,756,674
Equipment & Intangible Assets	11,635	11,635	23,270
Total Costs	\$3,790,612	\$3,685,758	\$7,476,370
Proprietary Funds	3,790,612	3,685,758	7,476,370
Total Funds	\$3,790,612	\$3,685,758	\$7,476,370

Office of Public Instruction - 35010

State Level Activities - Program 06 - 06

**06 State Level Activities
Deputy Superintendent
Rob Stutz 444-4399**

Program Proposed Budget						
Budget Item	Starting Point Fiscal 2025	Budget Adjustments Fiscal 2026	Total Exec. Budget Fiscal 2026	Budget Adjustments Fiscal 2027	Total Exec. Budget Fiscal 2027	Executive Budget Request 2027 Biennium
FTE	27.53	0.00	27.53	0.00	27.53	
Personal Services	2,456,449	(110,344)	2,346,105	(106,128)	2,350,321	4,696,426
Operating Expenses	1,338,061	94,811	1,432,872	(14,259)	1,323,802	2,756,674
Equipment & Intangible Assets	11,635	0	11,635	0	11,635	23,270
Total Costs	\$3,806,145	(\$15,533)	\$3,790,612	(\$120,387)	\$3,685,758	\$7,476,370
Proprietary Funds	3,806,145	(15,533)	3,790,612	(120,387)	3,685,758	7,476,370
Total Funds	\$3,806,145	(\$15,533)	\$3,790,612	(\$120,387)	\$3,685,758	\$7,476,370

Proprietary Program Description -

The State Level Activities program provides two 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 (Montana DRIVE & Montana DRIVE CDL) Program in Lewistown

Program Description

The Advanced Driver Education program (also known as Montana DRIVE) is a seasonal hands-on behind-the wheel crash avoidance program operated by the Health Enhancement and Safety Division of the Office of Public Instruction at 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.

Montana DRIVE CDL is a federally recognized and approved program designed to provide comprehensive training for becoming new school bus drivers in Montana. Located in Lewistown, MT, Montana DRIVE CDL ensures that attendees acquire the necessary knowledge, skills, and certification to safely transport students for various school-related activities. Montana DRIVE CDL is a 10-day training, including First Aid/CPR in compliance with Montana School Bus Standards as well as providing Montana Motor Vehicle Division CDL testing on site.

Revenues and Expenses

Revenues for the Montana DRIVE program are generated from workshop fees collected from program users. Typically, the program serves 450-550 participants a season including teens, Tribal teens and adults. The current fee is \$375 per person for a full-day workshop. Program fees should remain within a range of \$375 - \$400 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 2027 Biennium.

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

Office of Public Instruction - 35010

State Level Activities - Program 06 - 06

Revenues for the Montana DRIVE CDL program are generated from workshop fees collected from program users. Being new, the program served nine participants in the 2023 season and six participants in the 2024 season. Montana DRIVE CDL School Bus Driver training takes place prior to and following the Advanced Driver Training classes. The cost to participate is \$2500 per person. Program fees should remain within a range of \$2500-3000 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 2027 Biennium.

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

Rates and Rate Explanation

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

Workshop rates for Montana DRIVE CDL are fixed rates evaluated against workshop personnel expenses, operating expenses, and depreciated vehicle costs on a seasonal basis to ensure workshop operating expenses are covered. Inflationary influences are anticipated as best as possible to ensure that inflation does not leave the program in a deficit situation. All attempts are made to keep workshop fees as low as possible. Typical CDL training programs cost \$4000-4500 in Montana. The Montana DRIVE CDL program capacity is approximately 12-18 participants, dependent upon scheduling and training site availability.

Fund Balance, Including Cash Fluctuations

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

Working Capital Analysis

The Montana DRIVE program is a summer seasonal program that operates 45 - 55 days during June, July, and August utilizing 13 - 18 vehicles. The program typically employs four professional instructors for each workshop (10 - 11 hours per day each) totaling 1.00 FTE. Most revenue is received in April - June through pre-paid workshop registrations. Most expenses are realized June through August, with continuing administrative expenses during the remainder of the year. The program requires 30% - 45% of its annual budget to be carried over into the next fiscal year to cover working expenses paid out July - March.

The Montana DRIVE CDL program is currently a summer seasonal program that operates 20-30 days during May, June, July, and August utilizing 3-5 vehicles. The program typically employs two professional instructors for each workshop (10 - 11 hours per day each) totaling approximately 0.32 FTE. Most revenue is received in April - June through pre-paid workshop registrations. Most expenses are realized June through August, with continuing administrative expenses during the remainder of the year. The program requires 30% - 45% of its annual budget to be carried over into the next fiscal year to cover working expenses paid out July - March.

Fund 06512 Indirect Cost Pool

Program Description

OPI's internal service fund is used to pool internal and statewide central service type costs that are charged back to all the

Office of Public Instruction - 35010

State Level Activities - Program 06 - 06

agency's state and federally funded programs using a pre-approved indirect cost rate.

Revenues and Expenses

Indirect cost pool revenues are a function of the amount of expenditures recorded in the State Level Activities Program. Revenues are generated monthly by applying the applicable approved indirect cost rate to the prior month's allowable direct personal services and operating expenditures in both state and federally funded programs. In FY 2024, OPI federal programs contributed \$1,638,537 toward the cost of "indirects"; general fund and other state-funded programs contributed \$1,405,287. State and federal program payments to the indirect cost pool are recorded using SABHRS account 62827. OPI negotiates an annual "predetermined" rate with the U.S. Department of Education. In FY 2020, OPI negotiated a rate of 16.7% and that rate has been in effect through FY 2024. The rate is calculated in accordance with federal regulations and section 17-1-106, MCA.

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

- Termination payouts (vacation/comp time/sick leave) for all staff (except the state superintendent and personal staff).
- Services provided to OPI by other state agencies known as fixed costs.
- Payroll, personnel, accounting, budgeting, data management, cash management, financial reporting, purchasing, mail delivery, and agency wide IT support services to all OPI programs.
- Operating costs associated with 26.53 FTE are paid from the pool, including the cost of rent for space occupied, office supplies, postage, equipment, training, travel, photocopy charges, etc.
- General-use items such as paper, FAX lines, and shared equipment, including maintenance contracts on equipment.

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

Rate and Rate Explanation

OPI negotiates an annual "predetermined" rate with the U.S. Department of Education (DOE). The rates are calculated in accordance with federal regulations and section 17-1-106, MCA. The rate submitted to DOE for FY 2025 is 18.37%. A new negotiation will take place in December 2024 and will be applicable for FY 2026. It is anticipated this rate will remain around 18.37%, which is the submitted rate for FY 2025 and slightly higher than the current legislatively approved rate of 17%.

OPI is requesting an increase of 2% to the Legislatively approved restricted and unrestricted rates from 17% to 19%, based on the federal indirect cost rate determination process as directed by the U.S. Department of Education.

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 cashflow during the first 30 - 60 days of the fiscal year.

Office of Public Instruction - 35010

State Level Activities - Program 06 - 06

2027 Biennium Report on Internal Service and Enterprise Funds						
Agency #	Agency Name:			Program Name:		
35010	Office of Public Instruction			State Level Activities - Program 06		
Fund	Fund Name					
06067	Advanced Drivers Education					
	Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:						
Fee and Charges						
Fee Revenue A	142,694	151,015	171,204	170,000	170,000	170,000
Fee Revenue B	-	-	27,500	30,000	30,000	30,000
Total Operating Revenues	142,694	151,015	198,704	200,000	200,000	200,000
Expenses:						
Personal Services	84,841	90,290	93,548	113,552	74,624	74,626
Other Operating Expenses	69,429	71,635	67,529	41,516	41,620	41,648
Expense B	-	-	-	11,635	11,635	11,635
Loans and Lease Payments	17	-	-	-	-	-
Total Operating Expenses	154,287	161,925	161,077	166,703	127,879	127,909
Operating Income (Loss)	(11,593)	(10,910)	37,627	33,297	72,121	72,091
Nonoperating Revenues:						
Other Revenue A	-	7	-	-	-	-
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	7	-	-	-	-
Income (Loss) Before Contributions and Transfers	(11,593)	(10,903)	37,627	33,297	72,121	72,091
Change in Net Position	(11,593)	(10,903)	37,627	33,297	72,121	72,091
Beginning Net Position - July 1	109,343	97,750	86,847	124,474	157,771	229,892
Change in Net Position	(11,593)	(10,903)	37,627	33,297	72,121	72,091
Ending Net Position - June 30	97,750	86,847	124,474	157,771	229,892	301,983
Net Position (Fund Balance) Analysis						

Office of Public Instruction - 35010

State Level Activities - Program 06 - 06

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 35010	Agency Name: Office of Public Instruction			Program Name: State Level Activities - Program 06			
	Fund 06512	Fund Name Indirect Cost Pool					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		1,229,780	1,258,964	1,405,287	1,692,726	1,720,994	1,720,994
Fee Revenue B		1,656,986	1,629,354	1,638,537	1,946,717	1,910,035	1,881,778
Total Operating Revenues		2,886,766	2,888,318	3,043,824	3,639,443	3,631,029	3,602,772
Expenses:							
Personal Services		1,669,984	2,121,244	2,349,206	2,342,897	2,271,481	2,275,695
Other Operating Expenses		870,428	822,768	811,367	1,290,167	1,296,545	1,282,154
Loans and Lease Payments		1,386	-	-	-	-	-
Total Operating Expenses		2,541,798	2,944,012	3,160,573	3,633,064	3,568,026	3,557,849
Operating Income (Loss)		344,968	(55,694)	(116,749)	6,379	63,003	44,923
Nonoperating Revenues:							
Other Revenue A		4,180	4,645	-	-	-	-
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		4,180	4,645	-	-	-	-
Income (Loss) Before Contributions and Transfers		349,148	(51,049)	(116,749)	6,379	63,003	44,923
Change in Net Position		349,148	(51,049)	(116,749)	6,379	63,003	44,923
Beginning Net Position - July 1		(127,395)	221,753	170,704	53,955	60,334	123,337
Change in Net Position		349,148	(51,049)	(116,749)	6,379	63,003	44,923
Ending Net Position - June 30		221,753	170,704	53,955	60,334	123,337	168,260
Net Position (Fund Balance) Analysis							

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$110,344)
FY 2027	\$0	(\$106,128)

SWPL - 1 - Personal Services -

This change package request is for adjustments to annualize various personal services costs including the statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Office of Public Instruction - 35010

State Level Activities - Program 06 - 06

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$95,240
FY 2027	\$0	(\$13,969)

SWPL - 2 - Fixed Costs -

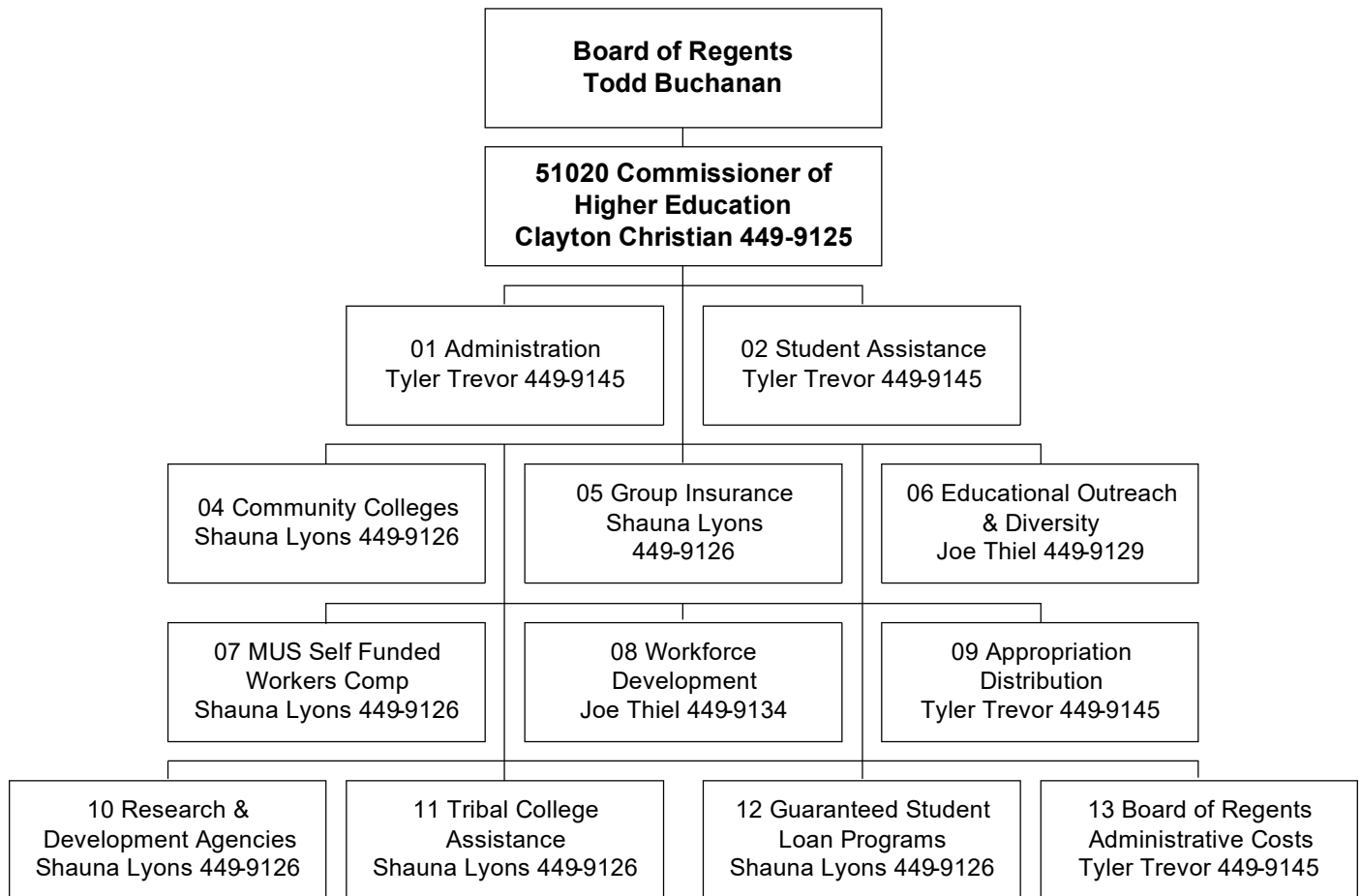
This change package request is for adjustments to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, warrant writer, payroll processing, SITSD,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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$429)
FY 2027	\$0	(\$290)

SWPL - 3 - Inflation Deflation -

This change package request is to reflect budgetary changes generated from the application of deflation to state motor pool accounts.

Commissioner of Higher Education - 51020



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

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

Agency Proposed Budget			
Budget Item	Total Exec. Budget Fiscal 2026	Total Exec. Budget Fiscal 2027	Total Exec. Budget 2027 Biennium
FTE	11.00	11.00	
Personal Services	1,149,221	1,151,230	2,300,451
Operating Expenses	24,432,144	24,432,202	48,864,346
Benefits & Claims	143,094,427	143,094,427	286,188,854
Debt Service	44,719	44,719	89,438
Total Costs	\$168,720,511	\$168,722,578	\$337,443,089
Proprietary Funds	168,720,511	168,722,578	337,443,089
Total Funds	\$168,720,511	\$168,722,578	\$337,443,089

Commissioner of Higher Education - 51020

Mus Group Insurance Program - 05

**05 Group Insurance
Shauna Lyons
449-9126**

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
FTE	10.00	0.00	10.00	0.00	10.00	
Personal Services	1,031,989	(5,281)	1,026,708	(3,272)	1,028,717	2,055,425
Operating Expenses	22,809,481	(164)	22,809,317	(111)	22,809,370	45,618,687
Benefits & Claims	146,872,471	(6,778,044)	140,094,427	(6,778,044)	140,094,427	280,188,854
Debt Service	39,135	0	39,135	0	39,135	78,270
Total Costs	\$170,753,076	(\$6,783,489)	\$163,969,587	(\$6,781,427)	\$163,971,649	\$327,941,236
Proprietary Funds	170,753,076	(6,783,489)	163,969,587	(6,781,427)	163,971,649	327,941,236
Total Funds	\$170,753,076	(\$6,783,489)	\$163,969,587	(\$6,781,427)	\$163,971,649	\$327,941,236

Proprietary Program Description -

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

MUS Group Insurance - 06008

Program Description

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

Revenues and Expenses

Revenue in this program comes from:

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

The agency is projecting steady revenues in the 2027 biennium. The revenue projections exclude any premium rate increases or state share increase. The projected increase is primarily due to anticipated growth in retirees age 65 and over and filling vacant positions.

Significant costs for the program are for:

- Insurance claims payments
- Claims management
- Program administration

The agency projects non-personnel expenses to increase on average 4% to 6% per year between FY 2026 and FY 2027. 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.

Commissioner of Higher Education - 51020

Mus Group Insurance Program - 05

Rates and Rate Explanation

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

Fund Balance, Including Cash Fluctuations

The plan is managed on an actuarially sound basis.

Working Capital Analysis

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

MUS Flex Spending Account - 06009

Program Description

The Flexible Spending Account is an optional selection for each employee to participate in. The funds are managed by a 3rd party and are distributed to employees as claims are made.

Revenues and Expenses

Revenue in this program comes from:

- Employee payments to flexible spending accounts

The agency is projecting level revenues in the 2027 biennium.

Rates and Rate Explanation

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

Commissioner of Higher Education - 51020

Mus Group Insurance Program - 05

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 51020	Agency Name: Commissioner of Higher Education			Program Name: Mus Group Insurance Program			
	Fund 06008	Fund Name MUS Group Insurance Program					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A							
		102,059,462	102,499,895	105,045,206	110,000,000	110,000,000	110,000,000
Fee Revenue B							
		7,122,825	26,178,226	10,834,542	13,000,000	15,000,000	17,000,000
Fee Revenue C							
		(93,413)	3,066,669	5,231,251	5,250,000	5,350,000	5,450,000
Fee Revenue D							
		16	-	-	-	-	-
Total Operating Revenues							
		109,088,890	131,744,790	121,110,999	128,250,000	130,350,000	132,450,000
Expenses:							
Personal Services							
		701,971	902,173	959,116	1,031,989	1,026,708	1,028,717
Other Operating Expenses							
		16,398,327	7,432,959	7,166,991	22,086,914	22,086,751	22,086,804
Expense B							
		103,567,909	110,133,318	116,644,507	134,198,049	127,420,005	127,420,005
Expense C							
		5,991	6,493	4,989	39,135	39,135	39,135
Total Operating Expenses							
		120,674,198	118,474,943	124,775,603	157,356,087	150,572,599	150,574,661
Operating Income (Loss)							
		(11,585,308)	13,269,847	(3,664,604)	(29,106,087)	(20,222,599)	(18,124,661)
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers							
		(11,585,308)	13,269,847	(3,664,604)	(29,106,087)	(20,222,599)	(18,124,661)
Change in Net Position							
		(11,585,308)	13,269,847	(3,664,604)	(29,106,087)	(20,222,599)	(18,124,661)
Beginning Net Position - July 1							
		98,159,292	86,573,984	99,843,831	96,179,227	67,073,140	46,850,541
Change in Net Position							
		(11,585,308)	13,269,847	(3,664,604)	(29,106,087)	(20,222,599)	(18,124,661)
Ending Net Position - June 30							
		86,573,984	99,843,831	96,179,227	67,073,140	46,850,541	28,725,880
Net Position (Fund Balance) Analysis							

Commissioner of Higher Education - 51020

Mus Group Insurance Program - 05

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 51020	Agency Name: Commissioner of Higher Education			Program Name: Mus Group Insurance Program			
	Fund	Fund Name					
	06009	MUS Flexible Spending Account					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		3,615,869	3,645,911	4,199,699	13,396,988	13,396,988	13,396,988
Total Operating Revenues		3,615,869	3,645,911	4,199,699	13,396,988	13,396,988	13,396,988
Expenses:							
Other Operating Expenses		72,498	78,701	74,467	722,566	722,566	722,566
Expense B		3,560,997	3,602,998	3,493,183	12,674,422	12,674,422	12,674,422
Total Operating Expenses		3,633,495	3,681,699	3,567,650	13,396,988	13,396,988	13,396,988
Operating Income (Loss)		(17,626)	(35,788)	632,049	-	-	-
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		(17,626)	(35,788)	632,049	-	-	-
Change in Net Position		(17,626)	(35,788)	632,049	-	-	-
Beginning Net Position - July 1		1,050,555	1,032,929	997,141	1,629,190	1,629,190	1,629,190
Change in Net Position		(17,626)	(35,788)	632,049	-	-	-
Ending Net Position - June 30		1,032,929	997,141	1,629,190	1,629,190	1,629,190	1,629,190
Net Position (Fund Balance) Analysis							

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$5,281)
FY 2027	\$0	(\$3,272)

SWPL - 1 - Personal Services -

The budget includes a reduction of \$5,281 in FY 2026 and \$3,272 in FY 2027 to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$164)
FY 2027	\$0	(\$111)

SWPL - 3 - Inflation Deflation -

This change package includes a reduction of \$164 in FY 2026 and \$111 in FY 2027 to reflect budgetary changes generated from the application of deflation to state motor pool accounts.

Commissioner of Higher Education - 51020

Mus Group Insurance Program - 05

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$6,778,044)
FY 2027	\$0	(\$6,778,044)

PL - 501 - MUS Group Insurance Authority Adjustment -

This request adjusts proprietary authority to align actuarial trends to claims and program expenses.

Commissioner of Higher Education - 51020

Mus Workers Comp Program - 07

**07 MUS Self Funded
Workers Comp
Shauna Lyons 449-9126**

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
FTE	1.00	0.00	1.00	0.00	1.00	
Personal Services	123,160	(647)	122,513	(647)	122,513	245,026
Operating Expenses	1,622,843	(16)	1,622,827	(11)	1,622,832	3,245,659
Benefits & Claims	3,000,000	0	3,000,000	0	3,000,000	6,000,000
Debt Service	5,584	0	5,584	0	5,584	11,168
Total Costs	\$4,751,587	(\$663)	\$4,750,924	(\$658)	\$4,750,929	\$9,501,853
Proprietary Funds	4,751,587	(663)	4,750,924	(658)	4,750,929	9,501,853
Total Funds	\$4,751,587	(\$663)	\$4,750,924	(\$658)	\$4,750,929	\$9,501,853

Proprietary Program Description -

The MUS Workers Comp Program is funded with one enterprise proprietary fund: MUS Self-Funded Workers' Compensation.

MUS Self-Funded Workers' Compensation - 06082

Program Description

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

Revenues and Expenses

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

Rate Explanation

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

Commissioner of Higher Education - 51020

Mus Workers Comp Program - 07

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 51020	Agency Name: Commissioner of Higher Education			Program Name: Mus Workers Comp Program			
	Fund	Fund Name					
	06082	MUS Self-Funded Workers Comp					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		1,618,100	-	3,103,178	3,150,000	3,250,000	3,315,000
Fee Revenue B		(81,326)	418,480	549,155	500,000	495,000	490,000
Fee Revenue C		-	8,618	-	9,000	9,100	9,100
Total Operating Revenues		1,536,774	427,098	3,652,333	3,659,000	3,754,100	3,814,100
Expenses:							
Personal Services		104,718	115,178	119,079	123,160	122,513	122,513
Other Operating Expenses		1,233,644	1,095,893	1,021,651	1,622,843	1,622,827	1,622,832
Expense B		97,648	1,383,605	1,661,355	3,000,000	3,000,000	3,000,000
Expense C		855	927	712	5,584	5,584	5,584
Total Operating Expenses		1,436,865	2,595,603	2,802,797	4,751,587	4,750,924	4,750,929
Operating Income (Loss)		99,909	(2,168,505)	849,536	(1,092,587)	(996,824)	(936,829)
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		99,909	(2,168,505)	849,536	(1,092,587)	(996,824)	(936,829)
Change in Net Position		99,909	(2,168,505)	849,536	(1,092,587)	(996,824)	(936,829)
Beginning Net Position - July 1		12,920,284	13,020,193	10,851,688	11,701,224	10,608,637	9,611,813
Change in Net Position		99,909	(2,168,505)	849,536	(1,092,587)	(996,824)	(936,829)
Ending Net Position - June 30		13,020,193	10,851,688	11,701,224	10,608,637	9,611,813	8,674,984
Net Position (Fund Balance) Analysis							

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$647)
FY 2027	\$0	(\$647)

SWPL - 1 - Personal Services -

The budget includes a reduction of \$647 each year to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

Commissioner of Higher Education - 51020

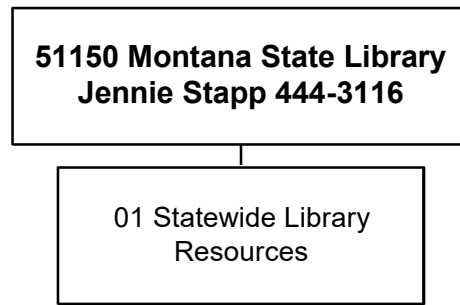
Mus Workers Comp Program - 07

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	(\$16)
FY 2027	\$0	(\$11)

SWPL - 3 - Inflation Deflation -

This change package includes a reduction of \$16 in FY 2026 and \$11 in FY 2027 to reflect budgetary changes generated from the application of deflation to state motor pool accounts.

Montana State Library - 51150



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

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

Montana State Library - 51150

Statewide Library Resources - 01

Program Proposed Budget	Starting Point	Budget	Total	Budget	Total	Executive
Budget Item	Fiscal 2025	Adjustments Fiscal 2026	Exec. Budget Fiscal 2026	Adjustments Fiscal 2027	Exec. Budget Fiscal 2027	Budget Request 2027 Biennium
FTE	4.62	0.00	4.62	0.00	4.62	
Personal Services	349,278	51,967	401,245	53,233	402,511	803,756
Operating Expenses	99,815	0	99,815	0	99,815	199,630
Debt Service	179,751	0	179,751	0	179,751	359,502
Total Costs	\$628,844	\$51,967	\$680,811	\$53,233	\$682,077	\$1,362,888
Proprietary Funds	628,844	51,967	680,811	53,233	682,077	1,362,888
Total Funds	\$628,844	\$51,967	\$680,811	\$53,233	\$682,077	\$1,362,888

Proprietary Program Description - Fund 06021 Montana Shared Catalog

Program Description

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

Revenue and Expenses

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

Rates and Rate Explanation

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

Projected Fund Balance, Including Cash Fluctuations

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

Working Capital Analysis

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

Fund 06025 Montana Spatial Reference Network

Program Description

Montana State Library - 51150

Statewide Library Resources - 01

Montana State Reference Network (MTSRN) is the state-owned real time positioning network, operated with the cooperation of partners that include tribal nations, the Montana Department of Transportation, Montana State Library, counties, educational institutions and private entities who maintain, operate, or otherwise contribute to the operation of this statewide array global navigation satellite systems (GNSS) reference stations. This growing statewide GNSS network consists of permanently located global positioning system (GPS) receivers that generate real-time, high-accuracy GPS positioning.

Revenue and Expenses

MTSRN subscribers pay subscription fees that are used to pay operating expenses. Expenditure includes payment of required fees for software licensing, user interface; agency support staff and overhead; and equipment replacement.

Rates and Rate Explanation

Montana State Library analyzes rates charged to subscribers on a biannual basis. Rates are reflective of projected program costs and number of program subscribers.

Projected Fund Balance, Including Cash Fluctuations

The fund balance is aligned with the goal of a 180-day working capital fund.

Working Capital Analysis

Montana State Library intends to build a 180-day working capital fund balance as the program is fully implemented.

Montana State Library - 51150

Statewide Library Resources - 01

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 51150	Agency Name: Montana State Library			Program Name: Statewide Library Resources			
	Fund	Fund Name					
	06021	MT Shared Catalog					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Revenue A		447,628	454,223	495,380	500,000	500,000	500,000
Total Operating Revenues		447,628	454,223	495,380	500,000	500,000	500,000
Expenses:							
Personal Services		302,448	268,491	255,116	227,778	225,972	227,238
Other Operating Expenses		204,318	186,019	106,774	71,315	71,315	71,315
Expense B		-	-	110,979	179,751	179,751	179,751
Total Operating Expenses		506,766	454,510	472,869	478,844	477,038	478,304
Operating Income (Loss)		(59,138)	(287)	22,511	21,156	22,962	21,696
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		(59,138)	(287)	22,511	21,156	22,962	21,696
Change in Net Position		(59,138)	(287)	22,511	21,156	22,962	21,696
Beginning Net Position - July 1		33,972	(25,166)	(25,453)	(2,942)	18,214	41,176
Change in Net Position		(59,138)	(287)	22,511	21,156	22,962	21,696
Ending Net Position - June 30		(25,166)	(25,453)	(2,942)	18,214	41,176	62,872
Net Position (Fund Balance) Analysis							

Statewide Library Resources - 01

2027 Biennium Report on Internal Service and Enterprise Funds						
Agency #	Agency Name:		Program Name:			
51150	Montana State Library		Statewide Library Resources			
Fund	Fund Name					
06025	MT State Reference Network-RTN					
	Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:						
Fee and Charges						
Fee Revenue A	-	-	62,087	150,000	225,000	375,000
Total Operating Revenues	-	-	62,087	150,000	225,000	375,000
Expenses:						
Personal Services	-	-	-	121,500	175,273	175,273
Other Operating Expenses	-	-	-	28,500	28,500	28,500
Total Operating Expenses	-	-	-	150,000	203,773	203,773
Operating Income (Loss)	-	-	62,087	-	21,227	171,227
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	-	-	62,087	-	21,227	171,227
Change in Net Position	-	-	62,087	-	21,227	171,227
Beginning Net Position - July 1	-	-	-	62,087	62,087	83,314
Change in Net Position	-	-	62,087	-	21,227	171,227
Ending Net Position - June 30	-	-	62,087	62,087	83,314	254,541
Net Position (Fund Balance) Analysis						

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

	<u>General Fund Total</u>	<u>Total Funds</u>
FY 2026	\$0	\$51,967
FY 2027	\$0	\$53,233

SWPL - 1 - Personal Services -

The budget includes \$196,647 in FY 2026 and \$213,794 in FY 2027 to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.