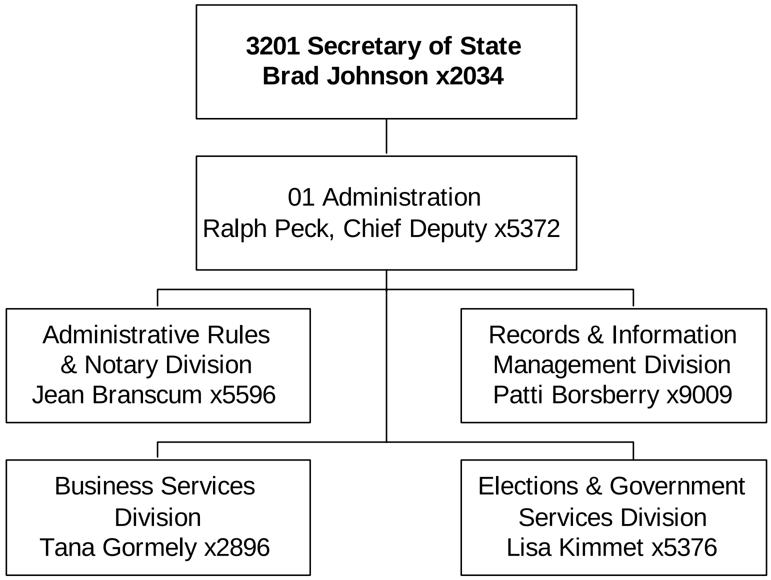
SECRETARY OF STATES OFFICE-3201
BUSINESS & GOVERNMENT SERVICES-01

Please note that this program also contains HB 2 funding.



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

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

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

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

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

The Business Services Division is responsible for registering businesses and maintaining private-sector documents directly related to business. These include such documents as corporate charters, applications for assumed business names, annual reports, and registration of trademarks. The division is also responsible for filing commercial and agricultural liens, including those filed under the Uniform Commercial Code and the Federal Food Security Act. Information on current filings is maintained on a computer database and is available to registered users via the internet.

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

The Administrative Rules and Certification and Notary Services Division is responsible executing the duties of the Secretary of State's Office under the Montana Administrative Procedure Act. Duties related to MAPA include, but are not limited to, the filing, indexing, organizing for publication, and distribution of Administrative Rules adopted by state agencies. These filings are published in the Administrative Rules of Montana (ARM) and the Montana Administrative Register (Register), under statutorily mandated deadlines. The notary staff processes the applications of and administers the appointments of a notary public who is a public official appointed by the Secretary of State to administer oaths and affirmations, witness signatures, and performs other duties as permitted by state law. Notaries are most commonly called upon to attest to the validity of signatures, especially on court papers such as affidavits.

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

The Management Services Division provides all support functions to the agency, including accounting, budgeting, fiscal management, purchasing, information technology, human resources, payroll, benefits, and mail.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	54.25	0.00	0.00	58.25	0.00	0.00	58.25
Personal Services	2,937,403	130,922	0	3,068,325	137,218	0	3,074,621
Operating Expenses	2,097,869	354,271	2,047	2,454,187	333,445	1,775	2,433,089
Equipment & Intangible Assets	130,322	0	0	130,322	0	0	130,322
Grants	4,350	0	0	4,350	0	0	4,350
Benefits & Claims	0	0	0	0	0	0	0
Total Costs	**$5,169,944**	**$485,193**	**$2,047**	**$5,657,184**	**$470,663**	**$1,775**	**$5,642,382**
Federal Special	0	0	0	0	0	0	0
Proprietary	5,169,944	485,193	2,047	5,657,184	470,663	1,775	5,642,382
Total Funds	**$5,169,944**	**$485,193**	**$2,047**	**$5,657,184**	**$470,663**	**$1,775**	**$5,642,382**

Program Description -The Secretary of State conducts its daily operations through a single program, the Business and Government Services Program. The Elections and Government Services Division is responsible for interpreting state election laws and assisting county election administrators in uniformly implementing the law. It also qualifies candidates for the ballot, qualifies initiatives and referendums for the ballot, certifies the language and form of the ballot, publishes the official state voter-information pamphlet, conducts the official canvass of statewide election results and trains county and school election officials. The division also oversees the implementation of the Help America Vote Act, (HAVA). The elections staff is responsible for filing and maintaining all official acts of the executive and legislative branches of state government, including laws and appointments.

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The Administrative Rules and Certification and Notary Services Division is responsible executing the duties of the Secretary of State's Office under the Montana Administrative Procedure Act. Duties related to MAPA include, but are not limited to, the filing, indexing, organizing for publication, and distribution of Administrative Rules adopted by state agencies. These filings are published in the Administrative Rules of Montana (ARM) and the Montana Administrative Register (Register), under statutorily mandated deadlines.

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

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

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

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

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

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

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

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

Revenue increases are due to an increase in business registrations and notaries.

Expenses
In FY 2008, the Secretary of State's Office expended 56 percent of the budget in personal services, 37 percent in operating, and the remaining in equipment. The total proprietary budget in 2008 was $5.4 million.

The proposed budget for this office shows expenses greater than anticipated revenues. This will not cause a deficit situation due to revenues having exceeded expenses during the past few years providing a positive fund balance. The fund balance has resulted from a significant increase in business filings. The office is mandated by statute to set fees commensurate with the cost of the office. The office has allowed the fund balance to increase, rather than reduce fees, to satisfy the funding required to implement a technology project. The Secretary of State is currently selecting a vendor for the project. The development and implementation of this project will take place though the end of the 2009 biennium, and all of the 2011 biennium, thus reducing the fund balance. The office will be reviewing fees to determine changes to keep fees commensurate with costs.

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

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

2011 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Revenue from Fee B	3,866,198	4,733,819	4,952,557	5,180,000	5,185,000	5,185,000
Net Fee Revenue	3,866,198	4,733,819	4,952,557	5,180,000	5,185,000	5,185,000
Investment Earnings	106,654	196,072	152,581	160,000	285,500	310,582
Securities Lending Income	1,859	233	4,915	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	33,402	78,606	50,690	-	-	-
Total Operating Revenue	4,008,113	5,008,730	5,160,743	5,340,000	5,470,500	5,495,582
Operating Expenses:						
Personal Services	2,042,253	2,514,766	3,021,196	2,711,426	3,068,325	3,074,621
Other Operating Expenses	1,183,102	3,187,959	2,395,131	2,016,847	2,588,859	2,567,761
Total Operating Expenses	3,225,355	5,702,725	5,416,327	4,728,273	5,657,184	5,642,382
Operating Income (Loss)	**782,758**	**(693,995)**	**(255,584)**	**611,727**	**(186,684)**	**(146,800)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	(1,648)	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	(1,648)	-	-	-
Income (Loss) Before Operating Transfers	782,758	(693,995)	(257,232)	611,727	(186,684)	(146,800)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	(987)	-	-	-	-
Change in net assets	782,758	(694,982)	(257,232)	611,727	(186,684)	(146,800)
Total Net Assets- July 1 - As Restated	3,103,733	3,886,491	3,808,187	3,529,151	4,140,878	3,954,194
Prior Period Adjustments	-	616,678	(21,804)	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	3,103,733	4,503,169	3,786,383	3,529,151	4,140,878	3,954,194
Net Assets- June 30	**3,886,491**	**3,808,187**	**3,529,151**	**4,140,878**	**3,954,194**	**3,807,394**
60 days of expenses (Total Operating Expenses divided by 6)	537,559	950,454	902,721	998,867	1,471,104	1,090,193

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

	Total Agency Impact	General Fund Total
FY 2010	$50,000	$0
FY 2011	$50,000	$0

PL- 4 - Overtime -

The Secretary of State requests $50,000 to cover overtime costs that are incurred during the annual reports season. Overtime is zero-based and must be requested every biennium.

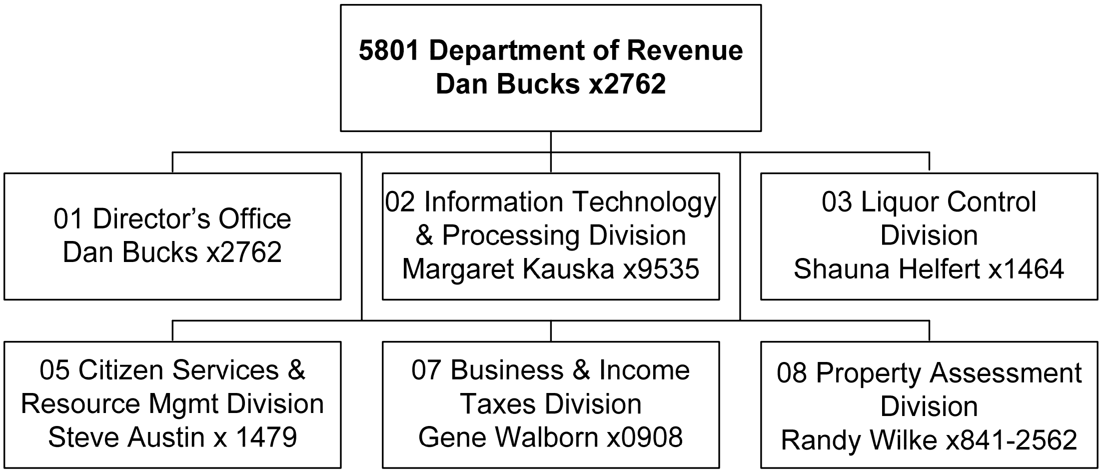
---------------------------------------New Proposals---------------------------------------

	Total Agency Impact	General Fund Total
FY 2010	$2,047	$0
FY 2011	$1,775	$0

NP- 6101 - Fixed Cost Workers Comp Management Program Allocation –
The Workers' Compensation Management program at the Department of Administration was funded by the 2007 Legislature with a one-time-only general fund appropriation. For the 2011 Biennium and beyond, the program will be funded via a fixed cost allocation. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. The budget includes $2,047 in FY 2010 and $1,775 in FY 2011 Proprietary funds for the Secretary of State's allocation of the fixed cost.

DEPARTMENT OF REVENUE-5801

Please note that this agency also contains HB 2 funding.



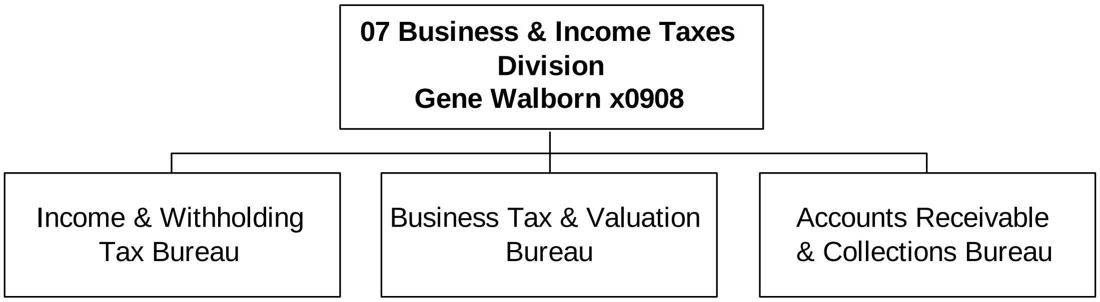
Mission Statement - The Department of Revenue implements Montana's tax laws to achieve equity and integrity, while protecting taxpayer rights and information; values all property as accurately as possible and supervises Montana's property tax system; administers liquor laws to protect public health and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

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

Agency Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	3.50	0.00	0.00	3.50	0.00	0.00	3.50
Personal Services	68,807	75,299	0	144,106	75,566	0	144,373
Operating Expenses	19,794	19,890	111	39,795	19,896	96	39,786
Total Costs	**$88,601**	**$95,189**	**$111**	**$183,901**	**$95,462**	**$96**	**$184,159**
Proprietary	88,601	95,189	111	183,901	95,462	96	184,159
Total Funds	**$88,601**	**$95,189**	**$111**	**$183,901**	**$95,462**	**$96**	**$184,159**

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

Please note that this program also contains HB 2 funding.



Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	3.50	0.00	0.00	3.50	0.00	0.00	3.50
Personal Services	68,807	75,299	0	144,106	75,566	0	144,373
Operating Expenses	19,794	19,890	111	39,795	19,896	96	39,786
Total Costs	**$88,601**	**$95,189**	**$111**	**$183,901**	**$95,462**	**$96**	**$184,159**
Proprietary	88,601	95,189	111	183,901	95,462	96	184,159
Total Funds	**$88,601**	**$95,189**	**$111**	**$183,901**	**$95,462**	**$96**	**$184,159**

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

The 2005 Montana Legislature directed the department to cease collecting the delinquent account collection fee for debt codes 43 (collection of overpaid child support payments made to custodial parents) or 44 (collection of delinquent child support payments from noncustodial parents). Instead, the legislature provided general funding to augment these proprietary funds.

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

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

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

Rate Explanation -The department requests that a maximum commission rate of 5% continue into the 2011 biennium. Exempted from this rate is collection of overpaid child support payments made to custodial parents (debt code 43) or collection of delinquent child support payments from noncustodial parents (debt code 44).

Due to the 2005 legislative changes in the program in regards to debt codes 43 and 44, the fund balance has grown in excess of the necessary 9-month working capital balance. As a result, the department is analyzing the commission rate in conjunction with the capital balance to determine a commission rate that will reduce the capital fund balance to an amount equal to 9 months of working capital. The department will adjust its commission rate according in an effort to maintain this balance.

2009 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FYE06	Actual FYE07	Actual FYE08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Charges for Services (non-DOR)	107,123	140,365	95,730	67,011	57,438	57,438
Charges for Services (DOR)	-	-	-	-	73,947	74,054
Net Fee Revenue	107,123	140,365	95,730	67,011	131,385	131,492
Total Operating Revenue	107,123	140,365	95,730	67,011	131,385	131,492
Operating Expenses:						
Personal Services (60% Proprietary)	113,224	30,613	65,755	86,727	148,429	153,165
Other Operating Expenses	2,123	15,852	25,896	21,268	39,796	39,787
Total Operating Expenses	115,347	46,465	91,651	107,995	188,225	192,952
Operating Income (Loss)	**(8,224)**	**93,900**	**4,079**	**(40,984)**	**(56,840)**	**(61,459)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(8,224)	93,900	4,079	(40,984)	(56,840)	(61,459)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(8,224)	93,900	4,079	(40,984)	(56,840)	(61,459)
Total Net Assets- July 1 - As Restated	156,628	148,404	242,304	246,383	205,399	148,559
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	-	-	-	-
Net Assets- June 30	**148,404**	**242,304**	**246,383**	**205,399**	**148,559**	**87,100**
60 days of expenses (Total Operating Expenses divided by 6)	19,225	7,744	15,275	17,999	31,371	32,159

Requested Rates for Internal Service Funds

Fee/Rate Information

	Actual FYE06	Actual FYE07	Actual FYE08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Fee Group A	10%	10%	5%	5%	5%	5%

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

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

	Total Agency Impact	General Fund Total
FY 2010	$16,305	$0
FY 2011	$16,305	$0

PL- 70008 - Operating Cost Fund Switch -
Request $16,305 of operating expense proprietary authority each year so that the proprietary fund can spend the monies paid from the general fund. These funds were historically paid from the general fund and not deposited to the proprietary account.

--New Proposals--

	Total Agency Impact	General Fund Total
FY 2010	$111	$0
FY 2011	$96	$0

NP- 6101 - Fixed Cost Workers Comp Mgmt Program Allocation –
The Workers' Compensation Management program at the Department of Administration was funded by the 2007 Legislature with a one-time-only general fund appropriation. For the 2011 Biennium and beyond, the program will be funded via a fixed cost allocation. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. The budget includes $111 in FY 2010 and $96 in FY 2011 general fund for the Business and Income Tax Division's allocation of the fixed cost.

DEPARTMENT OF ADMINISTRATION-6101

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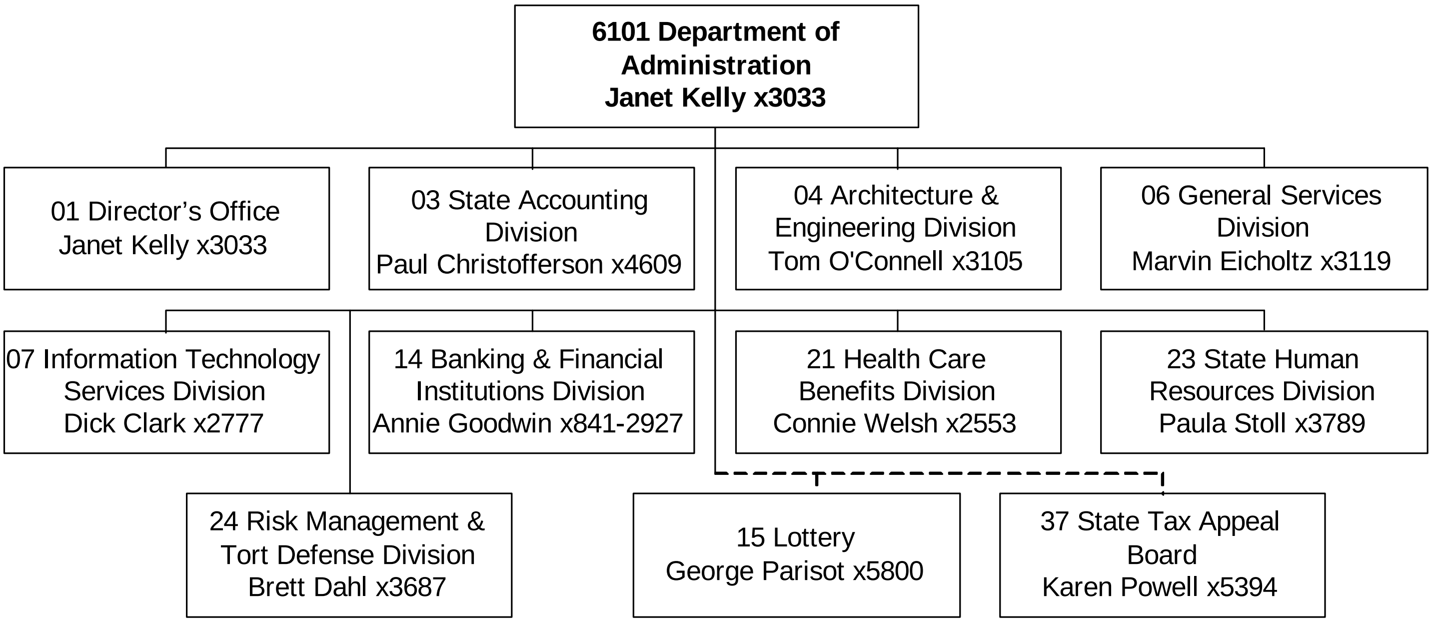

Mission Statement - The Department of Administration's mission is to serve and satisfy our customers.

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

Agency Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	365.35	1.00	0.50	366.85	3.00	0.00	372.35
Personal Services	22,512,682	1,533,913	367,778	24,414,373	1,850,655	341,808	24,705,145
Operating Expenses	58,646,347	5,200,367	217,479	64,064,193	5,824,145	212,616	64,683,108
Equipment & Intangible Assets	2,406,364	236,836	0	2,643,200	40,836	0	2,447,200
Benefits & Claims	123,501,759	17,561,219	0	141,062,978	28,321,015	0	151,822,774
Debt Service	43,664	119,166	0	162,830	119,166	0	162,830
Total Costs	**$207,110,816**	**$24,651,501**	**$585,257**	**$232,347,574**	**$36,155,817**	**$554,424**	**$243,821,057**
Proprietary	207,110,816	24,651,501	585,257	232,347,574	36,155,817	554,424	243,821,057
Total Funds	**$207,110,816**	**$24,651,501**	**$585,257**	**$232,347,574**	**$36,155,817**	**$554,424**	**$243,821,057**

DEPARTMENT OF ADMINISTRATION-6101
DIRECTOR'S OFFICE-01

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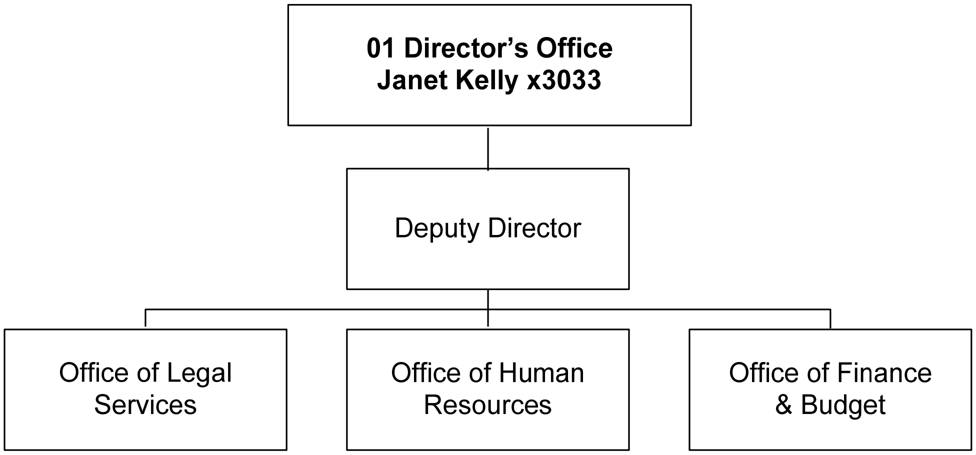

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	12.83	0.00	1.00	13.83	0.00	1.00	13.83
Personal Services	823,793	105,596	83,767	1,013,156	106,274	83,790	1,013,857
Operating Expenses	176,427	15,547	7,750	199,724	14,936	4,917	196,280
Total Costs	**$1,000,220**	**$121,143**	**$91,517**	**$1,212,880**	**$121,210**	**$88,707**	**$1,210,137**
Proprietary	1,000,220	121,143	91,517	1,212,880	121,210	88,707	1,210,137
Total Funds	**$1,000,220**	**$121,143**	**$91,517**	**$1,212,880**	**$121,210**	**$88,707**	**$1,210,137**

Program Description -The Management Services Unit consists of the Director's Office, the Office of Legal Services, the Office of Human Resources, and the Office of Finance and Budget with a total of 12.83 FTE. The Management Services Unit coordinates preparation of the department's biennial budget for submission to the Office of Budget and Program Planning (OBPP) and presentation to the Legislature, processes budget change documents on approved budgets through the OBPP, monitors approved budgets for compliance with state law and legislative intent, provides accounting assistance to divisions within the department, processes payroll and provides new employee orientation for all divisions within the department, including attached-to agencies, assists with recruitment and selection, classifies positions, develops personnel policies and procedures, and advises all divisions within the department on legal matters.

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

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

DEPARTMENT OF ADMINISTRATION-6101
DIRECTOR'S OFFICE-01

Revenues and Expenses - Changes in Services or Fees
The Department of Administration is a complicated agency with a myriad of distinct functions. Management has determined that in order for the Management Services Unit to provide the necessary services to the divisions and attached-to agencies, a fee increase is necessary. In FY 2008 the unit had revenues of approximately $985,000 from fees paid by divisions served. The major cost driver is personal services. These costs will be allocated to the divisions within the department.

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

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

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

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

Customers will use SABHRS account 62827 to record the expenditures for payment of fees and charges. Base year fees were funded as follows: General fund 7%; State special revenue funds 10%; Proprietary funds 77%; other funds 6%.

Rate Explanation - Management Services Unit requests that the Legislature approve a rate of $553 per FTE in FY 2010 and $567 per FTE in FY 2011 for the Office of Human Resources. The remainder of the Management Services Unit requests a rate of $1,002,940 in FY 2010 and $1,006,837 in FY 2011. This rate will enable the program to function and achieve its objectives effectively. The rate covers the internal indirect costs of the Department of Administration and will be recovered from programs internal to the department and its attached-to agencies.

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

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

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

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2011 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06534	Management Services	61010	Administration	Administrative Financial Services

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Management Services	867,274	881,508	984,922	996,441	1,313,912	1,336,010
Net Fee Revenue	867,274	881,508	984,922	996,441	1,313,912	1,336,010
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	19	38	3	-	-	-
Total Operating Revenue	867,293	881,546	984,925	996,441	1,313,912	1,336,010
Operating Expenses:						
Personal Services	663,657	755,283	854,956	941,023	1,055,370	1,056,102
Other Operating Expenses	127,224	111,421	188,990	137,998	199,724	196,280
Total Operating Expenses	790,881	866,704	1,043,946	1,079,021	1,255,094	1,252,382
Operating Income (Loss)	**76,412**	**14,842**	**(59,021)**	**(82,580)**	**58,818**	**83,628**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	76,412	14,842	(59,021)	(82,580)	58,818	83,628
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	76,412	14,842	(59,021)	(82,580)	58,818	83,628
Total Net Assets- July 1 - As Restated	39,400	116,325	131,167	72,415	(10,165)	48,653
Prior Period Adjustments	513	-	269	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	39,913	116,325	131,436	72,415	(10,165)	48,653
Net Assets- June 30	**116,325**	**131,167**	**72,415**	**(10,165)**	**48,653**	**132,281**
60 days of expenses (Total Operating Expenses divided by 6)	131,814	144,451	173,991	179,837	209,182	208,730

Requested Rates for Internal Service Funds
Fee/Rate Information

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Management Services	867,274	881,508	984,922	996,440	1,313,912	1,336,010

Management Services requests that the Legislature approve a rate of $1,002,940 in FY 2010 and $1,016,821 in 2011 to provide revenue for all units except the Office of Human Resources. The Office of Human Resources requests a rate of $553 per FTE in FY 20

DEPARTMENT OF ADMINISTRATION-6101
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--------------------------------Present Law Adjustments--------------------------------

	Total Agency Impact	General Fund Total
FY 2010	$2,080	$0
FY 2011	$2,138	$0

PL- 106 - Allocate department indirect/administrative costs -
This request will fund changes in the department's indirect costs that are paid by centralized services.

--New Proposals--

	Total Agency Impact	General Fund Total
FY 2010	$91,082	$0
FY 2011	$88,330	$0

NP- 101 - Program Manager -
The Director's Office is requesting a Program Manager FTE to assist with department-wide projects. This FTE is being transferred from the Surplus Property Division. Funding will come from indirect costs to all department wide programs.

	Total Agency Impact	General Fund Total
FY 2010	$435	$0
FY 2011	$377	$0

NP- 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation –
The Workers' Compensation Management program at the Department of Administration was funded by the 2009 Legislature with a one-time-only general fund appropriation. For the 2011 biennium and beyond, the program will be funded via a fixed cost allocation. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. The budget includes $435 in FY 2010 and $377 in FY 2011 of proprietary funds for the Director's Office allocation of the fixed cost.

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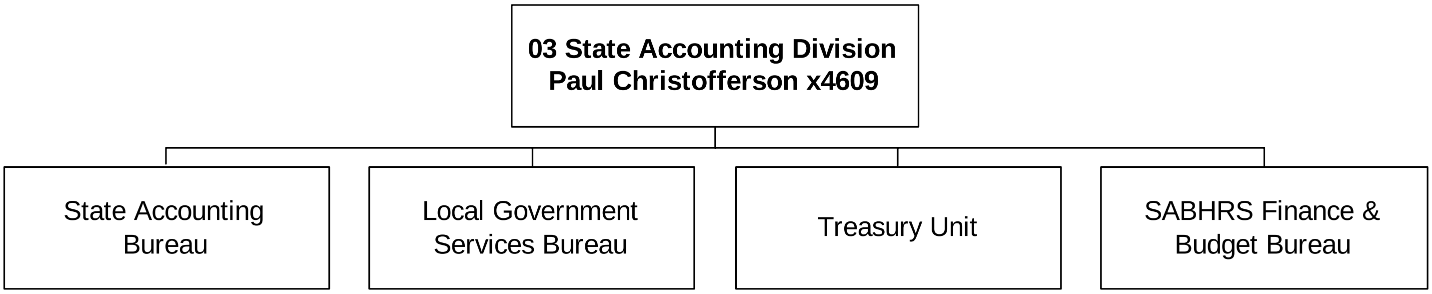
Please note that this program also contains HB 2 funding.



Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	28.33	0.00	0.00	28.33	0.00	0.00	28.33
Personal Services	1,559,087	234,615	0	1,793,702	242,134	0	1,801,221
Operating Expenses	3,366,784	756,683	50,881	4,174,348	465,533	50,763	3,883,080
Equipment & Intangible Assets	0	0	0	0	0	0	0
Benefits & Claims	0	0	0	0	0	0	0
Debt Service	19,002	0	0	19,002	0	0	19,002
Total Costs	**$4,944,873**	**$991,298**	**$50,881**	**$5,987,052**	**$707,667**	**$50,763**	**$5,703,303**
Proprietary	4,944,873	991,298	50,881	5,987,052	707,667	50,763	5,703,303
Total Funds	**$4,944,873**	**$991,298**	**$50,881**	**$5,987,052**	**$707,667**	**$50,763**	**$5,703,303**

Program Description –

Statewide Accounting, Budgeting and Human Resources Program

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

The financial and accounting business processes are supported by five PeopleSoft Applications/Modules and is the repository for all State accounting transactions and operating budgets. (300 Core Users & 1600 management & reporting users) SFAB and the Department of Environmental Quality (DEQ) are working together on the implementation of two additional PeopleSoft modules, Billing and E-Bill Pay. After these are implemented, they will be rolled out to all agencies. The use of the financial modules is mandated for all agencies except the University System.

Budget development business processes are supported by the Montana Budget, Analysis, and Reporting System (MBARS) Modules. MBARS supports the executive planning process (EPP), long range building program, general budget building process, narrative publications and budget implementation. (350 Users) The use of MBARS is required for budgetary development for all agencies except the University.

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

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

Alternate Services:
We are not aware of alternative sources for the management of the state financial and budgetary systems.

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

Major Changes:
A re-organization during fiscal year 2008 moved the SABHRS Human Resource Section to the State Human Resources Division and the database administrator staff to the Information Technology Services Division.

DEPARTMENT OF ADMINISTRATION-6101
STATE ACCOUNTING DIVISION-03

2011 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06511	SABHRS	6101	Administration	State Accounting Division

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Net Fee Revenue	-	6,329,444	4,116,841	3,975,225	4,507,446	4,344,459
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	2,345	1,428	-	-	-
Total Operating Revenue	-	6,331,789	4,118,269	3,975,225	4,507,446	4,344,459
Operating Expenses:						
Personal Services	-	1,711,186	1,042,831	1,274,590	1,343,201	1,348,282
Other Operating Expenses	-	4,513,632	1,062,905	2,694,389	3,236,402	2,975,604
Total Operating Expenses	-	6,224,818	2,105,736	3,968,979	4,579,603	4,323,886
Operating Income (Loss)	**-**	**106,971**	**2,012,533**	**6,246**	**(72,157)**	**20,573**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	-	106,971	2,012,533	6,246	(72,157)	20,573
Contributed Capital	-	-	507,559	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	(1,586,037)	-	-	-
Change in net assets	-	106,971	934,055	6,246	(72,157)	20,573
Total Net Assets- July 1 - As Restated	-	-	378,755	750,859	757,105	684,948
Prior Period Adjustments	-	271,784	(561,951)	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	271,784	(183,196)	750,859	757,105	684,948
Net Assets- June 30	**-**	**378,755**	**750,859**	**757,105**	**684,948**	**705,521**
60 days of expenses (Total Operating Expenses divided by 6)	-	1,037,470	350,956	661,497	763,267	720,648

Requested Rates for Internal Service Funds
Fee/Rate Information

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
SABHRS Services Fee	-	6,329,444	4,116,841	3,975,225	4,507,446	4,344,459
Working Capital		(354,115)	198,935	205,181	133,024	153,597

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

DEPARTMENT OF ADMINISTRATION-6101
STATE ACCOUNTING DIVISION-03

Revenues and Expenses –

SABHRS

Changes in Services or Fees -
The major cost drivers for the SFAB include the mid tier (data processing and storage) services ($3.2 million in the biennium or 36%), personal services ($2.7 million or 31%) and software licensing and maintenance ($1.7 million or 19%). Software maintenance will increase $115 thousand during FY 2010 as the result of the addition of two new modules (Billing and e-Bill/Payment) and additional license costs of $195 thousand, in 2010 only, resulting from the budget going beyond the 3.25 billion budget license cap increment. There will also be an additional $43 thousand in maintenance costs should this budget license cap increment occur.

Working Capital Discussion -
The ending working capital for FY 2008 was $199 thousand or approximately 20 days. We anticipate that working capital from 20 to 60 days will be sufficient for the Bureau. If additional working capital were needed, an additional factor would be included in the rates to provide the needed increase. A working capital factor is not included in the 2010/2011 rates. These rates are designed to be working capital neutral.

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

In fiscal year 2008, SFAB reported capital contributions revenue, from the general fund, for the Billing and E/Billing modules that were originally purchased by the general fund in the amount of $532 thousand. This is reported as construction work in progress and will not be completed until January 2009. Additional capital contributions for the related implementation costs are expected in fiscal year 2009.

Cash Flow Discussion -
We bill for the SFAB either monthly or annually per agency preferences. Turnaround time for payment is around 45 days. This should provide sufficient cash to fund operations in 2010 and 2011. SFAB is funded as a fixed cost component of agency budgets using account 62148, SABHRS Administration Costs. All of the services provided by the bureau are funded under a single fixed cost rate. The approximate funding for SFAB follows:

General fund	$1.3 million or 32.3%
State special revenue	$0.9 million or 22.4%
Federal special revenue	$0.5 million or 13.4%
Proprietary	$0.8 million or 19.3%
All other funds	$0.5 million or 12.6%

Rate Explanation -
The rate for SFAB costs is based on predicted expenditures. The annual agency total is subdivided into the following areas: 88.29% for journal lines, and 11.71% for agency DP's and EPP's. Using these factors agencies are allocated a fixed cost for each fiscal year. As noted above the average turnaround time for the billed costs is 45 days. As a result of these factors, and because excess working capital does not exist, the generation or reduction of working capital is not included in the rate setting process.

The balance sheet for fund 06511 includes $535 thousand in cash which is offset by a $138 thousand cash cutoff liability. Also included is $533 thousand in construction work in progress relating to the Billing and e-Billing/Payment modules purchased by the general fund and contributed to SFAB. This will be converted to an intangible asset once the project is complete. Material liabilities include $129 thousand in non-current compensated absences and $110 thousand in current compensated absences.

Warrant Writer Program

Program Description - The department provides the check writing and automatic-deposit services provided by the Warrant Writer Program to most state agencies. The program produces, prints, and processes warrants and tracks them on SABHRS. The program generates, mails, tracks, and reconciles each warrant. The services the program offers include direct deposit, warrant consolidation, stopping of payments, warrant cancellations, emergency warrants, duplicate warrants, warrant certification, warrant research, vendor file maintenance, and federal 1099-MISC processing. The program funds 6.33 FTE and is authorized through 17-8-305, MCA.

Decentralized alternatives exist for some of the services provided by warrant writer. For example the university system prints payroll and some vendor checks on their campuses. These payments still use all of the services provided by warrant writer except warrant printing. The unemployment insurance system uses the printing function provided by warrant writer but performs the other services normally provided by the program. While alternatives exist for agencies to process checks and electronically transfer funds to vendors, when using the state accounting system, these must be economical and cost effective and meet internal control requirements prior to receiving approval from the department.

During 2008, the warrant printing function, previously provided by ITSD, was moved to the warrant writing program. The advice printing function was moved from ITSD to Print and Mail Services.

Revenues and Expenses

Changes in Services or Fees - Fees are increasing significantly in FY 2010 and FY 2011 primarily as a result of scheduled postage rate increases and increased warrant stock costs and advice printing costs. Total payments processed through warrant writer are anticipated to increase to around 2.5 million with total payments by the state anticipated to increase to around 2.8 million by the end of 2011.

Working Capital Discussion - Billing for warrants is performed monthly and is based on actual warrants issued. Turnaround time for payment is around 45 days. Working capital is factored into the rate after expenditures are calculated. If working capital is too high, revenues (and the rates that generate the revenue) are reduced. At fiscal year end 2008 working capital was $32 thousand for the program. The printing equipment and related stock account for $186 thousand of the assets of the fund. These are not included in working capital since they are not expendable.

Fund Equity and Reserved Fund Balance - No fund balance is required to be reserved for this program. Rates proposed for the 2011 biennium are intended to stabilize fund balance.

Cash Flow Discussion

Historical Trends:

	FY 2006	FY 2007	FY 2008	FY 2009 EST	FY 2010 EST	FY 2011 EST
Mailers	907,524	890,080	874,274	924,994	903,923	899,876
Non-mailers	147,036	130,431	253,015	144,262	109,836	108,739
Emergency Warrants	118	86	104	106	92	102
Payroll	55,152	52,938	49,163	49,200	49,983	49,193
Duplicates	2,059	2,002	1,710	1,719	1,927	2,186
Externals	105,781	106,984	105,313	114,210	106,653	111,679
Direct Deposit Mailer	230,743	254,402	324,186	290,147	330,879	361,777

Direct Deposit Non-Mailer					
515,756	612,195	778,869	628,282	665,262	768,832

Comparing two biennia of warrant activity by agencies developed these trends. The Property tax refunds were removed from the 2008 numbers because they were a one time only activity. When these are included, the mailers and non-mailers for 2008 increase to 998,353 and 390,367 respectively.

A 45 day working capital balance should provide sufficient cash to fund operations in 2010 and 2011. Warrant writer is funded using the rates included in the rate schedule under account 62113, Warrant Writer Services. All of the services provided by the bureau are funded under the rates included in the table. The 2008 funding for warrant writer follows:

General fund	$466 thousand or 38.8%
State special revenue	$222 thousand or 18.5%
Federal special revenue	$218 thousand or 18.2%
Proprietary	$67 thousand or 5.6%
All other funds	$226 thousand or 18.8%

Rate Explanation –

Warrant Writer Unit - The rates requested are by category - mailer, non-mailer, payroll, university system external, emergency, duplicate, non-mailer direct deposit, mailer direct deposit, UI warrant, and UI direct deposit (no advice). Customers are billed based on actual payments processed. This rate structure changed since the last biennium with the re-assumption of the printing duties within warrant writer. The unit funds 6.33 FTE.

To maintain fees commensurate with costs, expenses of the program are calculated with working capital factored in. If a fund has fixed or other non-monetary assets included in the fund balance, the total net assets do not equate to working capital. As noted above the working capital in fund 06564 was $32 thousand at fiscal year end 2008. The $32 represents 11 days of working capital. Beginning cash for fiscal year 2009 was $120 thousand. This cash available in the fund, after the year end clearing accounts are closed, represented 42 days of working cash. If working capital is high, revenues (rates) are reduced to under-recover. The rates for FY 2010 and 2011 should increase working capital and move closer to the 45 days that would be required to match the existing agency payment cycle.

Demand for each warrant category is made by comparing two biennia of actual activity to project usage for the upcoming biennium. Each payment type pays for associated direct costs. For example, mailer warrants factor in warrant stock cost, postage and printing while non-mailer warrants factor in warrant stock cost and printing. Both types of warrants pay for the required reconciliation between SABHRS Accounts Payable Module and our bank account. Duplicate and emergency warrants pay for personnel time to process each individual request. Similar allocations are made to the other payment types for direct costs. All categories share in general operating expenses of the program.

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

DEPARTMENT OF ADMINISTRATION-6101
STATE ACCOUNTING DIVISION-03

2011 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Revenue from Warrant Writing Fees	801,502	811,535	1,210,927	985,000	1,100,000	1,150,000
Net Fee Revenue	801,502	811,535	1,210,927	985,000	1,100,000	1,150,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	69	-	12	-	-	-
Total Operating Revenue	801,571	811,535	1,210,939	985,000	1,100,000	1,150,000
Operating Expenses:						
Personal Services	206,680	206,546	215,193	244,753	225,056	226,296
Other Operating Expenses	666,731	663,648	880,202	713,557	868,429	838,252
Total Operating Expenses	873,411	870,194	1,095,395	958,310	1,093,485	1,064,548
Operating Income (Loss)	**(71,840)**	**(58,659)**	**115,544**	**26,690**	**6,515**	**85,452**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(71,840)	(58,659)	115,544	26,690	6,515	85,452
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(71,840)	(58,659)	115,544	26,690	6,515	85,452
Total Net Assets- July 1 - As Restated	144,609	72,599	13,940	129,484	156,174	162,689
Prior Period Adjustments	(170)	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	144,439	72,599	13,940	129,484	156,174	162,689
Net Assets- June 30	**72,599**	**13,940**	**129,484**	**156,174**	**162,689**	**248,141**
60 days of expenses (Total Operating Expenses divided by 6)	145,569	145,032	182,566	159,718	182,248	177,425

Requested Rates for Internal Service Funds
Fee/Rate Information

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Fee Group A						
Mailer	0.58331	0.58089	0.68860	0.69200	0.72121	0.72446
Non-Mailer	0.18159	0.17917	0.25840	0.26180	0.30121	0.29446
Emergency	4.70228	4.70170	4.78180	4.78090	13.64547	13.64872
Duplicates	6.03998	6.03939	5.59350	5.59260	3.26014	3.26339
Externals	0.15575	0.15333				
Externals - Payroll			0.23050	0.23390	0.20503	0.19882
Externals - Universities			0.19660	0.20000	0.12229	0.11531
Direct Deposit						
Direct Deposit - Mailer	0.54578	0.54510	0.64680	0.64450	0.76229	0.77531
Direct Deposit - No Advice Printed	0.15578	0.15510	0.23870	0.22690	0.12229	0.11531
Unemployment Insurance						
Mailer - Print Only			0.14100	0.14100	0.17892	0.17915
Direct Deposit - No Advice Printed			0.43000	0.43000	0.45380	0.42970

	Actual FY06	Actual FY07	Actual FY08	Estimated FY09	Estimated FY10	Estimated FY11
Fiscal Year End Working Capital		(39,120)	87,053	113,743	120,258	205,710

DEPARTMENT OF ADMINISTRATION-6101
STATE ACCOUNTING DIVISION-03

Audit Review Program - The Audit Review program is responsible for administering the provisions of the Montana Single Audit Act, which specifies the audit requirements for all Montana local government entities. The work of the Audit Review program is mandated primarily in 2-7-5, MCA. The Audit Review Program funds 4.00 FTE. The program performs the following services:

- Mails out to, and receives annual financial reports from approximately 900 local governments;
- Enters selected financial data from the reports into a database;
- Obtains and enters into the database information regarding school district revenues;
- Determines which local government entities are subject to audit under the Act and notifies them of the audit requirements;
- Accepts applications from and maintains a roster of independent auditors authorized to conduct local government audits;
- Prepares and keeps current a legal compliance supplement for use by independent auditors in conducting local government audits;
- Receives and approves audit contracts for local government audits;
- Verifies that all local governments required to have audits do so;
- Receives and reviews local government audit reports to determine whether the audits have been conducted in accordance with required standards;
- Notifies state agencies of audit findings related to financial assistance programs that they administer;
- Receives and reviews each local government's response to the audit report findings and determines whether the entity has developed a satisfactory plan to correct deficiencies noted in the audit report;
- Maintains copies of all local government entity audit reports and the local governments responses to audit findings, and makes those reports and responses available upon request to state and federal agencies and the public;
- Provides technical advice on accounting, auditing, and legal compliance matters to local governments and certified public accountants conducting local government audits;
- Investigates or refers to auditors for follow-up action complaints or allegations received from the public, either directly or through the Legislative Auditor's hotline;
- Provides information regarding local government audits, audit findings, entity responses to findings, and legal compliance and accounting requirements to the public; and
- Requests for special audits and arranges for such audits if determined to be necessary.

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

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

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.

The program also receives reimbursement for audited entities for costs to contract for special audits as requested. It is the intent of the department to maintain fees sufficient to pay program operating costs at current level staffing. The Audit Review program does not receive any direct appropriations. Funding is derived entirely from the fees described above.

Change in fees - Based on the most current information available, approximately 450 local government entities will be required to have audits for their FYE 2008, with approximately another 20 school districts having financial reviews. For their FYE 2007, approximately 520 local government entities were required to have audits and approximately 20 school districts had financial reviews.

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STATE ACCOUNTING DIVISION-03

Major Fee - As the result of an anticipated negative working capital balance at the end of FY 2009, under the then current fee structure, a fee increase was approved for the 2009 biennium. In the last Legislative Session HB487 raised the audit threshold from $200,000 to $500,000 for fiscal years ending after October 31, 2007. The fee schedule in effect for FYE 2007 audits and for FYE 2008 are as follows:

FYE 2007 Fee Structure:

Annual Revenues Equal to or Greater Than:	Annual Revenues Less Than:	Fee
$0.00	$200,000.00	$0.00
$200,000.00	$500,000.00	$200.00
$500,000.00	$1,000,000.00	$435.00
$1,000,000.00	$1,500,000.00	$635.00
$1,500,000.00	$2,500,000.00	$760.00
$2,500,000.00	$5,000,000.00	$845.00
$5,000,000.00	$10,000,000.00	$890.00
$10,000,000.00	$50,000,000.00	$965.00
$50,000,000.00		$1,000.00

FYE 2008 Fee Structure

Annual Revenues Equal to or Greater Than:	Annual Revenues Less Than:	Fee
$0.00	$500,000.00	$0.00
$500,000.00	$1,000,000.00	$435.00
$1,000,000.00	$1,500,000.00	$635.00
$1,500,000.00	$2,500,000.00	$760.00
$2,500,000.00	$5,000,000.00	$845.00
$5,000,000.00	$10,000,000.00	$890.00
$10,000,000.00	$50,000,000.00	$965.00
$50,000,000.00		$1,000.00

Minor Fee - There is not change in the minor fee.

Special Audit Fees - With regard to special audits conducted through the Audit Review Program, the related revenue objective is to recover any special audit or review costs from audited local government entities in order to ensure that sufficient resources remain available for future special audits or review costs should such engagements be deemed necessary.

The Audit Review Program does not receive any direct appropriations for special audits, and no revenue amount is projected because of the difficulty in projecting the need for such special audits. No such audits were required during FY 2008 or to date during FY 2009. Funding derived from reimbursable special audit costs received from local government entities undergoing audits or reviews would be deposited to the Audit Review Program enterprise fund to reimburse it for any special audit costs incurred.

Working Capital Discussion - The OBPP guidelines provide that projected working capital reserves may not exceed 60 days average daily expenditures for projected personal services, operating expenses, and miscellaneous operating. The working capital reserve level appears to assume that revenue will be received in some uniform manner throughout the fiscal year. That is not the case for the Audit Review program. The filing fees paid by local governments and the Office of Public Instruction is the major revenue source for the program. The fee, except for school districts and associated cooperatives, is required to be paid at the time that the local government files its annual financial report. Those reports are due within six months after the close of the fiscal year. Since almost all Montana local governments operate on a July 1 to June 30 fiscal year, most reports are due by December 31 and the reports and fees are received by the Department during December. Extensions may be granted, and some reports with the required fees are not paid until several months later. In the case of school districts and associated cooperatives the Office of Public Instruction does not pay the filing fees for those entities until January. Approximately 3 percent of program revenue is received within the first two months (60 days) of the fiscal year, only 6 percent within the first three months, 9 percent within the first four months, 14 percent within the first five months, and 20 percent within the first six months. Approximately 54 percent is received at one time in January from OPI. In excess of 90 percent of roster fees paid by CPAs are received between April 15 and June 30 each year. Therefore, depending on the exact time during the year that certain major expenditures are incurred, the program needs approximately a four to six month working capital reserve at the beginning of each fiscal year in order to avoid cash deficits.

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

<u>Cash Flow Discussion</u>
See previous discussion of the Audit Review program revenue flow under “Working Capital Discussion” above. Most program expenses are incurred fairly uniformly throughout the fiscal year, except for periodic equipment and contracted services expenditures. The timing of contracted services expenditures associated with audit reviews cannot normally be preplanned. Other than normal operating costs, there are no significant reoccurring cash obligations that must be covered by cash on hand. There could, however, be a significant cash payout for unused vacation and sick leave in the event of the termination or retirement of long-term employees. In FY 2009 an employee with approximately 20 years of service terminated employment with a vacation and sick leave payout in excess of $16,000. In addition, it is virtually impossible to predict the number of required special audits or reviews each year. Therefore, the timing of program expenses for contracted audit services and the timing of payments from local governments cannot be predicted.

DEPARTMENT OF ADMINISTRATION-6101
STATE ACCOUNTING DIVISION-03

2011 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06042	Single Audit Review - HB328	61010	Administration	State Accounting Division

	Actual FY06	Actual FY07	Actual FY08	Budget FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Revenue from Audit Review Roster Fees	2,800	4,900	5,800	5,800	5,800	5,800
Revenue from Annual Report Filing Fees	270,875	289,175	353,430	309,200	309,200	309,200
Net Fee Revenue	273,675	294,075	359,230	315,000	315,000	315,000
Premiums	-	-	-	-	-	-
Other Operating Revenues	2	74	224	25	25	25
Total Operating Revenue	273,677	294,149	359,454	315,025	315,025	315,025
Operating Expenses:						
Personal Services	215,338	190,695	191,281	254,635	225,445	226,643
Other Operating Expenses	82,154	79,641	82,627	80,820	86,774	86,477
Total Operating Expenses	297,492	270,336	273,908	335,455	312,219	313,120
Operating Income (Loss)	**(23,815)**	**23,813**	**85,546**	**(20,430)**	**2,806**	**1,905**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	(10,908)	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	(10,908)	-	-	-
Income (Loss) Before Operating Transfers	(23,815)	23,813	74,638	(20,430)	2,806	1,905
Change in net assets	(23,815)	23,813	74,638	(20,430)	2,806	1,905
Total Net Assets- July 1 - As Restated	179,015	155,800	179,613	254,251	233,821	236,627
Prior Period Adjustments	600	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	179,615	155,800	179,613	254,251	-	-
Net Assets- June 30	**155,800**	**179,613**	**254,251**	**233,821**	**236,627**	**238,532**
60 days of expenses (Total Operating Expenses divided by 6)	49,582	45,056	45,651	55,909	52,037	52,187

Requested Rates for Enterprise Funds
Fee/Rate Information

	Actual FYE 06	Actual FY 07	Actual FY 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
	Variable fee, as follows:	Variable fee, as follows:	Variable fee, as follows:	Variable fee, as follows:	Variable fee, as follows:	Variable fee, as follows:
Major Fee: Local Government Report Filing Fee:						
Annual revenues less than $200,000	$0	$0	$0	$0	$0	$0
Annual revenues equal to or greater than $200,000, but less than $500,000	$175	$175	$200	$0	$0	$0
Annual revenues equal to or greater than $500,000, but less than $1,000,000	$375	$375	$435	$435	$435	$435
Annual revenues equal to or greater than $1,000,000, but less than $1,500,000	$525	$525	$635	$635	$635	$635
Annual revenues equal to or greater than $1,500,000, but less than $2,500,000	$600	$600	$760	$760	$760	$760
Annual revenues equal to or greater than $2,500,000, but less than $5,000,000	$675	$675	$845	$845	$845	$845
Annual revenues equal to or greater than $5,000,000, but less than $10,000,000	$725	$725	$890	$890	$890	$890

DEPARTMENT OF ADMINISTRATION-6101
STATE ACCOUNTING DIVISION-03

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

	Total Agency Impact	General Fund Total
FY 2010	$19,971	$0
FY 2011	$21,181	$0

PL- 106 - Allocate department indirect/admin costs -
This request will fund changes in the department's indirect costs that are paid by centralized services.

	Total Agency Impact	General Fund Total
FY 2010	$151,200	$0
FY 2011	$158,760	$0

PL- 302 - SABHRS Maintenance -
This provides increased funding for the maintenance required for the new SABHRS finance modules added during the 2009 biennium. Maintenance for these modules was included in the agency budgets through the end of FY 2009. Since these were incorporated into the SABHRS system, future maintenance will be paid by the division. The rate impact is 3.3% in FY 2010 and 3.6% in FY 2011.

	Total Agency Impact	General Fund Total
FY 2010	$200,000	$0
FY 2011	$0	$0

PL- 303 - SABHRS Training Costs -
This request is for additional training budget for the SABHRS Finance and Budget Bureau personnel to allow them to provide quality system maintenance and support. Long-term enterprise system availability for the State to perform financial and budgeting processes is critical. The rate impact is 4% in FY 2010.

	Total Agency Impact	General Fund Total
FY 2010	$238,000	$0
FY 2011	$243,000	$0

PL- 305 - Inc. License/Maintenance Costs and Contracted Services –
Increases in license, maintenance, and contracted services for SAHBRS. PeopleSoft Metric increase and maintenance increase rates 5.2% in FY2010 and 5.6% in FY2011.

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

	Total Agency Impact	General Fund Total
FY 2010	$50,000	$0
FY 2011	$50,000	$0

NP- 306 - Lease Costs associated with CAFR Software -
The annual lease costs associated with the new Comprehensive Annual Financial Report (CAFR) builder. CAFR Builder Maintenance increase rates 1% in FY2010 and 1% in FY2011.

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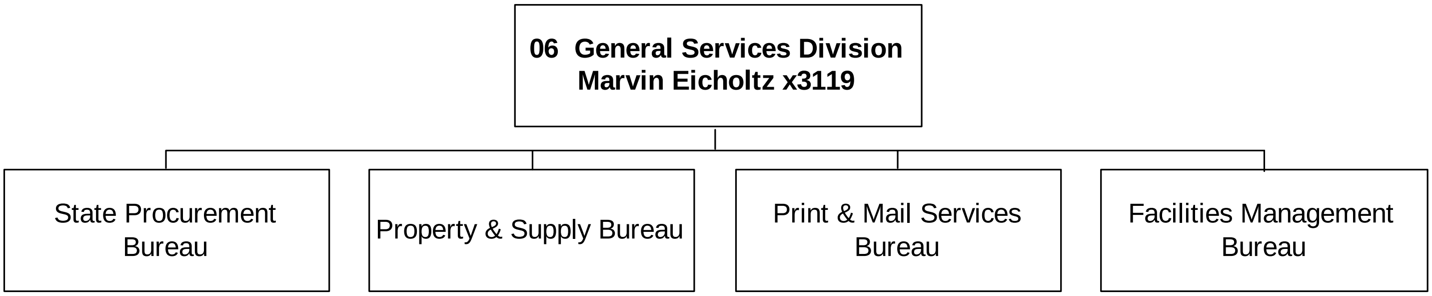
	Total Agency Impact	General Fund Total
FY 2010	$881	$0
FY 2011	$763	$0

NP- 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation –
The Workers' Compensation Management program at the Department of Administration was funded by the 2009 Legislature with a one-time-only general fund appropriation. For the 2011 biennium and beyond, the program will be funded via a fixed cost allocation. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. The budget includes $881 in FY 2010 and $763 in FY 2011 of proprietary funds for the Department of Administration's allocation of the fixed cost.

DEPARTMENT OF ADMINISTRATION-6101
GENERAL SERVICES DIVISION-06

Please note that this program also contains HB 2 funding.



Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	90.85	1.00	(2.00)	89.85	3.00	(2.00)	95.85
Personal Services	3,468,687	739,869	(71,985)	4,136,571	993,683	(72,096)	4,390,274
Operating Expenses	20,437,213	572,335	2,826	21,012,374	1,424,508	2,447	21,864,168
Equipment & Intangible Assets	169,172	236,836	0	406,008	40,836	0	210,008
Debt Service	24,662	119,166	0	143,828	119,166	0	143,828
Total Costs	**$24,099,734**	**$1,668,206**	**($69,159)**	**$25,698,781**	**$2,578,193**	**($69,649)**	**$26,608,278**
Proprietary	24,099,734	1,668,206	(69,159)	25,698,781	2,578,193	(69,649)	26,608,278
Total Funds	**$24,099,734**	**$1,668,206**	**($69,159)**	**$25,698,781**	**$2,578,193**	**($69,649)**	**$26,608,278**

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

- Facilities Management
- Print Services
- Mail Services
- Surplus Property
- Central Stores

Facilities Management Bureau

Program Description - Facilities Management Bureau, fund 06528, is the custodian of all state property and grounds in the state capitol area, which is the geographic area within a 10-mile radius of the state capitol.
Services include providing all utilities on the complex including water, sewer, electricity, natural gas and garbage collection, locksmith services, repair and maintenance, construction, construction management, grounds maintenance, leasing services, recycling, emergency response and management, and security.
The bureau manages several service contracts for the capitol complex including security, pest control, mechanical maintenance, janitorial services, elevator repair and maintenance, and fire sprinkler systems maintenance and access control. Operational authority for the bureau is provided by Title 2, Chapter 17, MCA.

Revenue - Revenues percentages for facilities management are as follows:

- 85% - Square footage rental rate for office and warehouse space billed to agencies occupying space in state owned buildings controlled by the Department of Administration.

- 4% - Grounds Maintenance.
- 3% - Construction, and handyman services. These services are outside the scope of rent and include remodeling, relocating offices, repair and maintenance and construction services.
- 1% - Recycling.
- 7% - Insurance proceeds (one time only).

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

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

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

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

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

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

Expenses - Personal Services – The bureau currently has 30.90 FTE. We are requesting 1.00 FTE leasing assistant starting FY 2010 due to the increased leasing workload. Additionally, in FY 2011 facilities management will assume responsibility for the State Fund and ITSD Enterprise Center buildings requiring an additional 2.00 FTE maintenance workers, bringing the total to 33.90 FTE.

Contracted Services – Along with insurance, this includes all major contracts for janitorial, mechanical, elevator, pest control, access control and security. Service contracts reflect an increase 6.47% in FY 2010 and 8.75% in FY 2011. The increases are due to additional service requirements, equipment, gas, and other petroleum based product cost increases and higher prevailing wage rates. There will be several large janitorial contracts bid in FY 2010, and the prevailing wage rates have increased 6% for janitorial services.

Utilities - Electricity is projected to increase over the FY 2008 base year by 11.24% in FY 2010 and 13.03% in FY 2011. Natural Gas is expected to rise by 6.9%. The table below shows that while demand for electricity and natural gas has remained relatively flat, expenditures from FY 2004 to FY 2008 for electricity increased 29.11% and natural gas by 72.43%.

DEPARTMENT OF ADMINISTRATION-6101
GENERAL SERVICES DIVISION-06

	Electricity		Natural Gas	
Fiscal Year	$	Kwh	$	Dkt
2004	1,019,730	14,759,963	410,978	59,603
2005	1,094,496	14,830,127	581,133	60,405
2006	1,173,732	15,148,776	650,530	57,419
2007	1,311,009	16,074,994	620,662	58,437
2008	1,316,559	14,559,522	708,642	57,309

The City of Helena Department of Public Works is estimating that water and sewer will increase 5% per year based on the CPIU index.
Sanitation services increased 22.9% when the new contract took effect on July 1, 2008. The new contract amount of $121,660 included a 6% prevailing wage rate increase and the remaining increase was due to fuel increases and equipment costs.

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

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

The following rates have been requested for the next biennium:

	------Budgeted------				-----Requested-----	
	FYE 06	FYE 07	FYE 08	FY 09	FY 10	FY 11
Office Rent (per sq. ft.)	6.613	6.68	8.179	8.592	8.869	9.002
Storage Rent (per sq. ft.)	3.9014	3.969	4.209	4.547	4.804	5.010
Project Management (In-house)	15%	15%	15%	15%	15%	15%
Project Management (contracted)	5%	5%	5%	5%	5%	5%
Grounds Maintenance (per sq. ft.)	0.3896	0.3896	0.496	0.508	0.541	0.543

DEPARTMENT OF ADMINISTRATION-6101
GENERAL SERVICES DIVISION-06

2011 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Program Name
06528	Rent & Maintenace	6101	General Services Division

	Actual FY06	Actual FY07	Actuals FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Revenue from Office Rental Rate	6,089,209	6,209,064	9,320,829	9,720,379	10,028,463	10,807,865
Revenue from Warehouse Rental Rate	340,502	336,632	351,688	382,121	404,665	422,017
Revenue from Recycling Revenue	14,366	21,276	31,094	15,000	26,500	26,500
Revenue from Handyman Charges	79,754	88,640	75,386	65,000	11,100	11,100
Revenue from Project Work	182,319	232,872	231,049	80,000	27,500	27,500
Revenue from Grounds Maintenance	356,384	358,532	456,925	469,195	496,650	536,510
Net Fee Revenue	7,062,534	7,247,016	10,466,971	10,731,695	10,994,878	11,831,492
Other Operating Revenues	32	81	-	-	-	-
Total Operating Revenue	7,062,566	7,247,097	10,466,971	10,731,695	10,994,878	11,831,492
Operating Expenses:						
Personal Services	1,262,337	1,342,413	1,517,694	1,628,123	1,735,413	1,849,046
Other Operating Expenses	6,524,833	6,742,210	7,056,615	7,141,573	7,343,755	7,944,023
Total Operating Expenses	7,787,170	8,084,623	8,574,309	8,769,696	9,079,168	9,793,069
Operating Income (Loss)	**(724,604)**	**(837,526)**	**1,892,662**	**1,961,999**	**1,915,710**	**2,038,423**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	2,790	4,740	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses) (1)	-	-	738,312	-	-	-
Net Nonoperating Revenues (Expenses)	-	2,790	743,052	-	-	-
Income (Loss) Before Operating Transfers	(724,604)	(834,736)	2,635,714	1,961,999	1,915,710	2,038,423
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	499,579	500,000	-	-	-	-
1424 9th Avenue HVAC Expenditures	-	-	-	(884,266)	-	-
LRBP Transfers Out	-	-	(1,060,968)	(1,854,119)	(1,913,895)	(1,942,596)
Operating Transfers Out (Note 13)	(48,200)	-	-	-	-	-
Change in net assets	(273,225)	(334,736)	1,574,746	(776,386)	1,815	95,827
Total Net Assets- July 1 - As Restated	764,152	490,927	316,295	1,923,435	1,147,049	1,148,864
Prior Period Adjustments	-	160,104	32,394	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	764,152	651,031	348,689	1,923,435	1,147,049	1,148,864
Net Assets- June 30	**490,927**	**316,295**	**1,923,435**	**1,147,049**	**1,148,864**	**1,244,691**
60 days of expenses (Total Operating Expenses divided by 6)	1,297,862	1,347,437	1,429,052	1,461,616	1,513,195	1,632,178

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

Agency Number : 61010 Fund Number: 06528	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Office Rent (per sq. ft.)	6.613	6.681	8.179	8.592	8.869	9.002
Warehouse Rent (per sq. ft.)	3.901	3.969	4.209	4.547	4.804	5.010
Grounds Maintenance (per sq. ft.)	0.3896	0.3896	0.496	0.508	0.541	0.543

DEPARTMENT OF ADMINISTRATION-6101
GENERAL SERVICES DIVISION-06

Print & Mail Services Bureau

Program Description - The Print & Mail Services Bureau provides printing and mail services to all agencies within State Government. The Bureau has seven components: 1) internal printing; 2) external (contracted) printing; 3) photocopy pool; 4) mail preparation; 5) central mail operations; 6) inter-agency (deadhead mail); 7) postal station in the Capitol. All printing or purchasing of printing is requested through Print & Mail Services, which determines the most cost effective method of project completion. Nearly 70 percent of printing expenditures are procured through commercial vendors. Section 18-7-101 MCA requires the Department of Administration to supervise and attend to all public printing within the State and also to contract for any printing used by the State. Section 2-17-301 MCA charges the Department of Administration with the responsibility of administering the State Photocopy Pool. Section 2-17-301 MCA requires the Department of Administration to maintain and supervise any central mailing messenger service. Print & Mail Services is accounted for in fund 06530.

Revenue - Revenue is received in the following percentages:

- Internal Printing 16.05 % of revenue.
  Internal printing provides printing, duplicating, desktop publishing, binding and quick copy services, variable data printing and mainframe printing.

- External (contracted) printing 32.07 % of revenue.
  External printing procures printing through commercial vendors.

- Photocopy Pool 8.71 % of revenue
  The Photocopy Pool provides agencies with photocopiers contracted through the private sector.

- Mail Preparation 4.95 % of revenue.
  Mail Preparation prepares documents for mailing and includes tabbing, labeling, inkjet addressing, inserting and bar coding.

- Central Mail Operations 35.90 % of revenue
  Central Mail Operations include mail pick-up and delivery in agency offices, metering of out-going U.S. Mail and express mail services.

- Inter-agency (Deadhead Mail) 1.96 % of revenue
  Inter-agency mail provides sorting and delivery of incoming mail and pickup and delivery of Deadhead mail.

- Postal Contract Station .36 % of revenue

The Postal Contract Station located at the Capitol provides postal services to the public. Print & Mail Services receives $3,248.00 monthly from the U.S. Postal Service for operation of the Capitol Post Office.

Historical and Projected Demands

1) Internal Printing
Number of impressions (millions)
Fiscal Year

06	07	08	09	10	11
37.38	40.51	35.18	40.5	35	40.5

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

06	07	08	09	10	11
3.43	3.79	3.43	3.79	3.43	3.79

3) Photocopy Pool
Number of copiers
Fiscal Year

06	07	08	09	10	11
283	285	290	296	290	296

4) Mail Preparation
Number of pieces inserted (millions)
Fiscal Year

06	07	08	09	10	11
0.75	0.82	3.35	3.35	3.35	3.35

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

06	07	08	09	10	11
5.87	5.45	5.35	5.75	5.35	5.75

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

06	07	08	09	10	11
.64	.64	.60	.60	.54	.54

7) Postal Contract Station
Contract Payment (dollars)
Fiscal Year

06	07	08	09	10	11
$38,976	$38,976	$38,976	$38,976	$38,976	$38,976

Account Codes

1) Internal Printing
The SABHRS account used by agencies to pay for internal printing is:
62190 – Printing-Print Services

The SABHRS accounts used to record revenues received from payments are:
525083 – Desktop
525085 – Duplicating
525086 – Bindery
525087 – Quick Copy

2) External (contracted) printing
The SABHRS account used by agencies to pay for external printing is:
62191 – Printing Other Provider

The SABHRS account used to record revenue received from payments is:
525088 – Printing Coordination

3) Photocopy Pool
The SABHRS account used by agencies to pay for photocopier usage is:
62193 – Photocopy Services

The SABHRS account used to record revenues received from payment is:
525089 – Photocopy Services

4) Mail Preparation
The SABHRS accounts used by agencies to pay for Mail Preparation are:
62190 – Printing Print Services
62304 – Postage and Mailing

The SABHRS account used to record revenues received from payment is:
525009 – Mail Preparation

5) Central Mail Operations
The SABHRS account used by agencies to pay for Central Mail operations is:
62304 – Postage and Mailing

The SABHRS account used to record revenues received from payments is:
525049 – Outgoing U.S. Mail

6) Inter-agency (Deadhead Mail
The SABHRS account used by agencies to pay for inter-agency mail is:
62307 – Messenger Services

The SABHRS account used to record revenues received from payments is:
525059 – Deadhead Mail

7) Postal Contract Station
The public pays for stamps and other postal services by cash or check. All proceeds are deposited daily to the U.S. Post Office.

The SABHRS account used to record the monthly contract payment from the U.S. Postal Service is:
525048 – Post Office Contract

Expenditures
1) Internal Printing
The major internal printing costs include personal services, direct materials used in production, such as paper and ink, equipment repair and maintenance, and equipment replacement. There are no changes or significant growth expected in the demand pattern. Unscheduled equipment repair or replacement provides the greatest amount of uncertainty in forecasting costs for internal printing.

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

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

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

5) Central Mail Operations
Major expenses of Mail Operations are personal services, postage, fuel, equipment repair and maintenance. Postage expenses for Mail Service Operations have increased over the years due to U.S. Postal Service rate increases. Historically, agency mailings have remained fairly consistent and no major changes in volume are anticipated. A major

area where expenses cannot be predicted is the unscheduled repair or replacement of equipment that fails unexpectedly and USPS mandated upgrades.

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

7) Postal Contract Station
Personal services are the major cost for the Capitol Post Office. Costs have historically remained consistent for the Capitol Post Office. The yearly contract payment of $38,976 has remained constant.

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

Print & Mail Services Bureau has authority for 44.70 FTE for FY 2008-2009.

Working Capital - Print & Mail Services rates are set to recover sufficient revenue to meet personal services and operations costs and allow maintaining no more than a 60-day working capital balance. User agencies are billed monthly and agencies are requested to pay for services by the end of the next month. This allows Print & Mail Services to pay monthly expenses of personal services and maintain current operations. The largest balance sheet accounts that contribute most significantly to Print & Mail Services fund equity balance is the 1704-equipment and 1709- accumulated depreciation accounts which are due to the costs of equipment needed to provide Print & Mail services. Other significant accounts would be 1802- merchandise inventory and 1905 -prepaid expense, which is used to purchase postage. At FYE 2008 the amount of fund equity attributed to working capital was $1,292,241, which equates to a 42 day working capital balance.

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

Rate Request - Statewide Present Law Adjustments increased Print & Mail Services base FY08 costs by $379,063 consisting of $258,300 in personal services and $120,763 in operating costs. The Statewide Present Law Adjustments resulted in an average increase of 12.3 % to Print & Mail Services rates.

Other proposed adjustments to Print & Mail Services FY08 base budget include:
1. High Speed copier lease $35,000
This equipment is needed to replace two duplicators and a plate maker that are fully depreciated, worn out and obsolete. This high speed copier lease will result in an increase in duplicating rates as shown below:

Number of Impressions	Rate increase per impression
1-20	$0.0049
21-100	$0.0021
101-1000	$0.0012
1001-5000	$0.0005
5000 +	$0.0002

2. Replace Mail Sort System $84,166
The current mail sort system purchased in 1994 needs to be replaced. Print & Mail Services will lease/ purchase the new system over a 10 year period. This new mail sort system will result in an increase in winsort and permit mailing rates of $0.009 per mail piece.

3. Equipment Increase
3.1 Quickmaster Press $70,000
The press will be depreciated over a 7 year life resulting in a $10,000 increase in depreciation each year which will result in an increase in duplicating rates as shown below:

Number of Impressions	Rate increase per impression
1-20	$0.0014
21-100	$0.0006
101-1000	$0.0003
1001-5000	$0.0001
5000 +	$0.0001

3.2 Inserter $200,000
The inserter will be depreciated over a 7 year life resulting in a $28,571 increase in depreciation each year which will result in an increase in the inserting rate of $0.009 per piece.

3.3 Computer-to-plate $85,000
The computer-to-plate will be depreciated over a 7 year life resulting in a $12,143 increase in depreciation each year which will result in an increase in press plates as shown below:

Plate Size	Per plate increase
8 ½ x 11	$0.21
11x 17	$0.24

3.4 Pressure Sealer $55,000
Pressure Sealer will be depreciated over a 7 year life resulting in a $7,857 increase in depreciation each year. This will have no impact on rates because the depreciation expense will be billed to Administration-ITSD at actual costs.

4. Legislative Session Costs
4.1 Overtime of $17,325 for FY 2010 and $24,594 for FY 2011 will have no impact on rates.
4.2 Postage increase of $138,400 for the Legislative year FY 2011 will have no impact on rates because postage costs are billed to user agencies at actual costs.

4.3 Maintenance on copiers at Capitol Quick Copy $73,801
4.3 Photocopiers for House and Senate $13,750
4.3 Recycled paper $43,786
These three costs are associated with Legislative Session and are included in the duplicating rate. The increased costs will not affect the duplicating rates due to the increased volume.

Requested rates - The attached Excel spreadsheet lists Print & Mail Services proposed rates for the FY10-11 biennium after adjustments for the above statewide present law adjustments and other requested proposals.

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Fund	Fund Name	Agency #	Agency Name	Program Name
06530	Print & Mail Services	6101	Department of Administration	General Services

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Internal Printing	1,292,943	1,521,425	1,715,880	1,829,177	1,981,310	2,156,310
External Printing	3,426,227	3,790,319	3,427,515	3,427,515	3,422,836	3,422,836
Photocopy Pool	806,312	878,409	930,642	930,642	900,642	900,642
Mail Preparation	483,620	522,338	528,138	528,138	555,526	555,526
Mail Operations	3,284,393	3,296,052	3,836,751	3,836,751	3,997,960	4,136,360
Inter-agency (Deadhead Mail)	167,859	171,635	210,112	208,801	281,917	281,917
Postal Contract Station	38,976	38,976	38,976	38,976	38,976	38,976
Net Fee Revenue	9,500,330	10,219,154	10,688,014	10,800,000	11,179,167	11,492,567
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	31	7	6	-	-	-
Total Operating Revenue	9,500,361	10,219,161	10,688,020	10,800,000	11,179,167	11,492,567
Operating Expenses:						
Personal Services	1,157,516	1,267,381	1,409,840	1,709,491	1,657,036	1,793,193
Other Operating Expenses	8,364,348	8,907,464	9,411,289	9,071,662	9,566,220	9,700,519
Total Operating Expenses	9,521,864	10,174,845	10,821,129	10,781,153	11,223,256	11,493,712
Operating Income (Loss)	**(21,503)**	**44,316**	**(133,109)**	**18,847**	**(44,089)**	**(1,145)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(115,582)	(23,239)	(11,792)	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(115,582)	(23,239)	(11,792)	-	-	-
Income (Loss) Before Operating Transfers	(137,085)	21,077	(144,901)	18,847	(44,089)	(1,145)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(137,085)	21,077	(144,901)	18,847	(44,089)	(1,145)
Total Net Assets- July 1 - As Restated	2,090,674	1,953,589	1,974,666	1,829,567	1,848,414	1,804,325
Prior Period Adjustments	-	-	(198)	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	2,090,674	1,953,589	1,974,468	1,829,567	1,848,414	1,804,325
Net Assets- June 30	**1,953,589**	**1,974,666**	**1,829,567**	**1,848,414**	**1,804,325**	**1,803,180**
60 days of expenses (Total Operating Expenses divided by 6)	1,586,977	1,695,808	1,803,522	1,796,859	1,870,543	1,915,619

Requested Rates for Internal Service Funds

Print and Mail Services requests that the Legislature approve the requested rates for FY 2010 and FY 2011 as shown.

Central Stores Program

Program Description - The Central Stores program contracts with a large warehouse distribution center to provide on-line ordering for office supplies. The program also develops standard specifications, procures, warehouses and delivers commonly used office supplies, paper products, and janitorial supplies to all state agencies and participating local governments. The program has authority for 10.75 FTE. 18-4-221, MCA, requires the Department of Administration to procure or supervise the procurement of all supplies and services needed by the state.

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

Revenues and Expenses - The major cost for Central stores is goods purchased for resale. There are no planned changes in services or fees.

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

Fund Equity and Reserved Fund Balance -This program has no need to reserve fund balance. The objective is to maintain a stable fund balance compared to the FY 2008 base year.

Cash Flow Discussion - Agencies are billed daily and accounts are collected within 60 days.
State agencies and local government customers are charged based on the supplies they order. State agency customers pay for program services with expenditure accounts that appropriately fit the products they order, including these for commonly used items: 66211 coarse paper, 66219 forms, 62226 fine paper, 62256 janitorial supplies, and 62296 computer paper.

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

FY06	FY07	FY08	FY09	FY10	FY11
$4,688,517	$4,936,999	$4,994,516	$4,994,516	$4,994,516	$4,994,516

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

Rate Explanation - Central Stores requests a maximum markup of 25%. This is the same rate that was approved last biennium. Central Stores recovers costs by charging a percentage markup on the cost of supplies distributed to agencies. The actual markup charged is based on monitoring working capital to ensure the program is maintaining fees commensurate with costs. Charging a percentage markup allows for adequate cost recovery for direct, indirect and administrative expenses.
The balance sheet accounts that contribute most significantly to fund equity balance are cash (1104), receivables (1203 and 1823) and inventory (1802).
Customers place orders and are billed for the items that they order.

Expenses - The major expenses for Central Stores are goods purchased for resale and personal services. Future expenses depend on demand for services. The largest expense, goods purchased for resale, depends on demand from user agencies. Factors that contribute to uncertainty in forecasting these expenses are agency needs for our service and vendor price increases.
The program has authority for 10.75 FTE.

There are no significant present law adjustments or new proposals for this fund.

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

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Central Stores Supplies	4,688,518	4,936,999	4,994,516	5,000,000	5,000,000	5,000,000
Net Fee Revenue	4,688,518	4,936,999	4,994,516	5,000,000	5,000,000	5,000,000
Total Operating Revenue	4,688,560	4,936,999	4,994,522	5,000,000	5,000,000	5,000,000
Operating Expenses:						
Personal Services	341,274	379,024	394,391	508,696	513,551	516,097
Other Operating Expenses	4,288,927	4,524,677	4,631,758	4,117,345	4,551,544	4,533,244
Total Operating Expenses	4,630,201	4,903,701	5,026,149	4,626,041	5,065,095	5,049,341
Operating Income (Loss)	**58,359**	**33,298**	**(31,627)**	**373,959**	**(65,095)**	**(49,341)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(5,494)	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(5,494)	-	-	-	-	-
Income (Loss) Before Operating Transfers	52,865	33,298	(31,627)	373,959	(65,095)	(49,341)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	52,865	33,298	(31,627)	373,959	(65,095)	(49,341)
Total Net Assets- July 1 - As Restated	718,221	771,034	804,332	772,869	1,146,828	1,081,733
Prior Period Adjustments	(52)	-	164	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	718,169	771,034	804,496	772,869	1,146,828	1,081,733
Net Assets- June 30	**771,034**	**804,332**	**772,869**	**1,146,828**	**1,081,733**	**1,032,392**
60 days of expenses						
(Total Operating Expenses divided by 6)	771,700	817,284	837,692	771,007	844,183	841,557

Requested Rates for Internal Service Funds

Fee/Rate Information

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Fee Group A	-	-	-	-	-	-
Central Stores Supplies	20%	20%	20%	25%	25%	25%

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

Surplus Property Program

Program Description - The Property & Supply Bureau operates the surplus property program to administer the sale of surplus property no longer needed by agencies. This property is distributed to state agencies or other eligible organizations. The program sells property through on-line auction, fixed price warehouse sales, public auction and garage sales The surplus property program services include extending the life of state property by providing a mechanism to transfer surplus property between agencies, providing accountability in the disposal of surplus state property, providing agencies with a surplus equipment pick up service, and providing a screening service to locate federal surplus property for state and local agencies. The program has authority for 6.4 FTE. 18-4-221, MCA, requires the Department to sell, trade, or otherwise dispose of surplus supplies belonging to the state.

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

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

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

Rate Explanation - The Surplus Property program is an enterprise fund and does not require a rate approval by the legislature. The program operates by charging up to $500 per item sold. The current funding structure is not adequate to generate sufficient revenue to cover personal services and operating expenses.

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Fund	Fund Name	Agency #	Agency Name	Program Name
06066	Surplus Property	6101	Department of	General Services

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
State Surplus Property Handling Fee	-	-	-	297,000	297,000	297,000
Federal Surplus Property Handling Fee	-	-	-	12,000	12,000	12,000
Misc. Revenue	-	-	-	-	200,000	200,000
Net Fee Revenue	297,890	330,272	309,227	309,000	509,000	509,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	5	-	-	-	-	-
Total Operating Revenue	297,895	330,272	309,227	309,000	509,000	509,000
Operating Expenses:						
Personal Services	183,737	215,896	230,381	230,571	230,571	231,938
Other Operating Expenses	141,615	150,914	125,996	126,000	174,199	122,876
Inventory Adjustment*	235,430	272,088	297,411	235,431	326,000	326,000
Total Operating Expenses	560,782	638,898	653,788	592,002	730,770	680,814
Operating Income (Loss)	**(262,887)**	**(308,626)**	**(344,561)**	**(283,002)**	**(221,770)**	**(171,814)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	(10,522)	(4,865)	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	(10,522)	(4,865)	-	-	-
Income (Loss) Before Operating Transfers	(262,887)	(319,148)	(349,426)	(283,002)	(221,770)	(171,814)
Contributed Capital*	377,773	170,548	326,178	235,431	326,000	326,000
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	114,886	(148,600)	(23,248)	(47,571)	104,230	154,186
Total Net Assets- July 1 - As Restated	19,562	130,993	(17,607)	(40,855)	(88,426)	15,804
Prior Period Adjustments	(3,455)	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	16,107	130,993	(17,607)	(40,855)	(88,426)	15,804
Net Assets- June 30	**130,993**	**(17,607)**	**(40,855)**	**(88,426)**	**15,804**	**169,990**
60 days of expenses						
(Total Operating Expenses divided by 6)	93,464	106,483	108,965	98,667	121,795	113,469

The State Surplus handling fees are: If property is sold for less than $500, the program retains the proceeds. The program retains $500 plus unusual expenses for property sold for more than $500. The Federal Surplus Property program fees are an allocat

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

	Total Agency Impact	General Fund Total
FY 2010	$30,776	$0
FY 2011	$34,264	$0

PL- 106 - Allocate department indirect/admin costs -
This request will fund changes in the department's indirect costs that are paid by centralized services.

	Total Agency Impact	General Fund Total
FY 2010	$214,683	$0
FY 2011	$232,219	$0

PL- 603 - FMB Contracted Services -
Several janitorial contracts, along with the building electronic door access controls and fire alarm systems contracts, will be rebid during FY 2010 with an effective date of July 1, 2010. These contracts are set for a period of two years with no inflationary clauses. Prevailing wages, petroleum based products used by the contractors, as well as the cost of gasoline, insurance and other expenses tied to the cost of doing business have steadily increased. Over the term of the contract this is about a 9% per year increase for janitorial services and 4% for Northern Fire & Communication. Mechanical Technology Inc. (MTI) increased 7.8% for the current fiscal year. Due to many of the reasons cited above, costs are expected to rise another 7.8% when the contract is renewed in FY 2010 and FY 2011. With the security, pest control and elevator contracts, most of the increases are in fuel costs and are expected to rise by 5%. The sanitation contract will be rebid and is expected to rise by 10% in FY 2010 and FY 2011 from increases in the prevailing wages and increases in the cost of gasoline. The impact of Contracted Services on the office rental rate is an increase in FY 2010 of $0.215 and FY 2011 of $0.232 per square foot.

	Total Agency Impact	General Fund Total
FY 2010	$8,822	$0
FY 2011	$10,416	$0

PL- 604 - FMB Utility (Water and Sewer) Expenditures -
The City of Helena, Department of Public Works is forecasting that water is projected to increase 4.1% in FY 2010 and 5% in FY2011 based on the CPIU index. In addition, sewer rates are projected to increase by 5% in FY 2010 and 5% again in FY2011. The utility expenditures decision package for water and sewage increases the rate charged by Facilities Management in FY 2010 by $0.009 and FY 2011 of $0.01 per square foot.

	Total Agency Impact	General Fund Total
FY 2010	$17,325	$0
FY 2011	$294,331	$0

PL- 605 - Print/Mail Legislative Session costs and overtime -
Print and Mail Services requests additional personal services budget for overtime for both FY2010 and FY2011. This total is $41,919.

$269,737 in operations budget requested for FY 2011 is to cover the costs of operating the Legislative print shop and for increased mailings during the session year. The $269,737 operating budget consists of $138,400 for postage to cover a projected 400,000 mail piece increase during the session year. It also includes a photocopier maintenance budget of $73,801, and direct material costs of $43,786 to cover the costs of printing an estimated 6.56 million impressions for the Legislative Session. $13,750 is requested to cover the costs of photocopiers for the House and Senate. All cost estimates are based on FY2007 Legislative print shop actual costs and impressions. This request will have no impact on rates.

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	Total Agency Impact	General Fund Total
FY 2010	$59,584	$0
FY 2011	$57,425	$0

PL- 606 - FMB Leasing Assistant -
This position is to work with the State Leasing Officer in the daily management of 1.6 million square feet of leases, 1.2 million square feet of state office space and over 360 contracts.

	Total Agency Impact	General Fund Total
FY 2010	$170,836	$0
FY 2011	$40,836	$0

PL- 607 – Print/Mail Equipment Replacement -
Equipment replacement costs are estimated at above the FY2008 base budget of $99,164. The following listed equipment will replace worn out, fully depreciated equipment.

FY 2010 equipment replacement needed:	
Quickmaster press	$ 70,000
Inserter	200,000
Total FY 2010 equipment:	270,000
Less FY 2008 base:	99,164
Additional FY 2010 equipment request:	$170,836

FY 2011 equipment replacement needed:	
Computer-to-plate Platemaker	85,000
Pressure Sealer	55,000
Total F Y 2011 equipment:	140,000
Less FY 2008 base:	99,164
Additional FY 2011 equipment request:	$40,836

	Total Agency Impact	General Fund Total
FY 2010	$35,000	$0
FY 2011	$35,000	$0

PL- 608 – Print/Mail High Speed Copier Lease -
This request is for a five year operating lease of a high speed copier. The copier lease would allow Print Services to replace two obsolete duplicators. The lease of a high speed copier is estimated to cost $35,000 per year. Duplicating equipment is not replaceable due to modern technology. Publications and Graphics is no longer able to purchase the type plate making equipment or supplies needed to continue this process. It will be cost effective to replace with a copier because you no longer need to have plates, ink, or chemicals to make a reproduction and this would allow electronic files to print directly to the copier. The end product is the same, but the process to produce the end product will meet current technology standards and increase the efficiency of the operation.

This $35,000 request per year for copier lease will result in an increase in duplicating rates as follows:

Number of Impressions:	Rate Increase per Impression:
1 – 20	$0.0049
21 – 100	$0.0021
101 – 1,000	$0.0012
1,001 – 5,000	$0.0005
5,000 +	$0.0002

	Total Agency Impact	General Fund Total
FY 2010	$51,000	$0
FY 2011	$0	$0

PL- 609 - PSB replacement of equipment -
This request is for replacement equipment used in the Surplus Property Program. The equipment to be replaced is one forklift, one flatbed trailer and one heavy duty truck for picking up surplus. The requested amounts are:

Forklift: $5,000
Trailer: $6,000
Truck: $40,000

The existing equipment is nearing the end of its useful life and replacement equipment is necessary to continue picking up, transporting and delivery functions.

	Total Agency Impact	General Fund Total
FY 2010	$8,374	$0
FY 2011	$8,625	$0

PL- 612 - FMB wage increase for seasonal workers -grounds -
General Services Division has 1.10 FTE in a seasonal aggregate position (Position #61196631). In the private sector, pay for seasonal snow removal is $12 to $15 per hour. General Services is currently paying $8 per hour. This in turn, makes it much more difficult to recruit and retain seasonal employees. This decision package to increase the hourly wage for seasonal workers will increase the grounds maintenance charge by $0.009 per square foot in both FY 2010 and FY 2011.

	Total Agency Impact	General Fund Total
FY 2010	$84,166	$0
FY 2011	$84,166	$0

PL- 613 – Print/Mail replace mail sort system -
Mail Services acts as a partner with the USPS by completing the sort and bar code process for mail distribution. Mail Services completes this process for the Helena Post Office, which allows State mail to proceed from our center without further processing at the Helena Post Office. The incentive for this process is a discount on the postage for automated mail. The current mail sort system is 16 years old and obsolete. Replacement cost is estimated at $450,000 and would be purchased on an installment purchase plan over seven years at a projected interest rate of 8%. Monthly payments would be $7,014, or an annual cost of $84,166. Interest over the life of the loan is estimated to be $139,159. If depreciated over 10 years monthly depreciation would be $3,750. The additional costs would require a rate increase to cover these increases.

	Total Agency Impact	General Fund Total
FY 2010	$15,000	$0
FY 2011	$0	$0

PL- 614 - Central Stores Vehicle Replacement -
This request is for a replacement passenger car. The car is used to take daily deposits to the State Treasurer's office and for other essential trips to other agency offices. This decision package has no impact on rates.

	Total Agency Impact	General Fund Total
FY 2010	$0	$0
FY 2011	$226,003	$0

PL- 615 - Assume Maintenance Responsibility-State Fund Bldg -
The Facilities Management Bureau of the General Services Division will be assuming responsibilities for the facility management of the building located at 5 South Last Chance Gulch upon departure of the State Fund in September 2010. Facilities Management will then take over all of the utility costs estimated at $80,250 for the remainder of FY 2011 which

include electricity, natural gas, sewer and water. In addition, current annual service contracts (Elevator Maintenance, Janitorial, Mechanical, and Sanitation services) will run another $45,700. One time expenditures that will occur upon taking over the maintenance of the building will be installing new carpet and painting for another $50,000. 1.00 FTE isf funded in FY 2011.

	Total Agency Impact	General Fund Total
FY 2010	$0	$0
FY 2011	$449,083	$0

PL- 616 - Maintenance of New ITSD Enterprises Center -
The Facilities Management Bureau (FMB) of the General Services Division (GSD) will be assuming responsibilities for the facility management of the new ITSD Enterprises Center building in the fall of 2010. FMB will then take over all of the utility costs estimated at $260,000 for the remainder of FY 2011 which include electricity, natural gas, sewer and water. In addition, current annual service contracts (Elevator Maintenance, Janitorial, Mechanical, and Sanitation services) will run another $139,000. 1.00 FTE is funded in FY 2011.

--New Proposals--

	Total Agency Impact	General Fund Total
FY 2010	($71,985)	$0
FY 2011	($72,096)	$0

NP- 618 - Transfer FTE to Director's Office -
This request transfers 1.00 FTE from the Surplus Property program to the Director's Office and 1.00 FTE to the Health Care & Benefits Division. There is no affect on the rates for the Surplus Property program because the FTE have not been filled for an extended period and their salaries were not built into the rates.

	Total Agency Impact	General Fund Total
FY 2010	$2,826	$0
FY 2011	$2,447	$0

NP- 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation –
The Workers' Compensation Management program at the Department of Administration was funded by the 2009 Legislature with a one-time-only general fund appropriation. For the 2011 biennium and beyond, the program will be funded via a fixed cost allocation. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. The budget includes $2,826 in FY 2010 and $2,447 in FY 2011 of proprietary funds for the General Services Division's allocation of the fixed cost.

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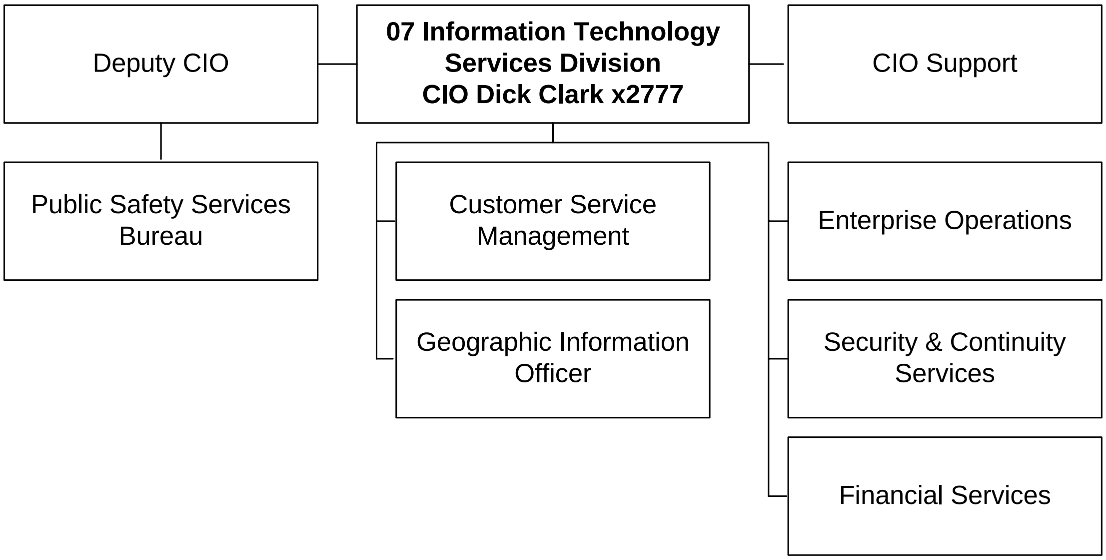
Please note that this program also contains HB 2 funding.



Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	174.50	0.00	0.00	174.50	0.00	0.00	174.50
Personal Services	13,136,052	118,563	0	13,254,615	160,556	0	13,296,608
Operating Expenses	21,185,000	3,068,490	5,288	24,258,778	3,656,591	4,576	24,846,167
Equipment & Intangible Assets	2,237,192	0	0	2,237,192	0	0	2,237,192
Total Costs	**$36,558,244**	**$3,187,053**	**$5,288**	**$39,750,585**	**$3,817,147**	**$4,576**	**$40,379,967**
Proprietary	36,558,244	3,187,053	5,288	39,750,585	3,817,147	4,576	40,379,967
Total Funds	**$36,558,244**	**$3,187,053**	**$5,288**	**$39,750,585**	**$3,817,147**	**$4,576**	**$40,379,967**

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

Hosting services
- Servers
- Storage
- Web sites
- Applications
- Enterprise email
- Basic Mapping Service Center

Systems development services
- Application development
- Web application development
- GIS application development

Communications and connectivity services

- Local and long-distance voice services
- Design and development of telephone equipment and voice applications
- Internet access
- Data network services
- Video conferencing services

Operations support

- Imaging scanning and content management
- Application printing
- Systems operations and tape management
- Local area network (LAN) administration
- PC and desktop office software support
- Enterprise-wide Service Center support

Enterprise Services

- Continuity of Operations Planning (COOP)
- Enterprise security
- Enterprise Architecture
- IT project management
- IT strategic planning and agency IT plan approval
- Montana Information Technology Act (MITA) oversight of IT activities
- support for IT councils and advisory groups
- State Chief information Officer and Geographic Information Officer activities
- Enterprise-wide IT procurement and contract management
- IT policy, standards, and procedures
- IT training coordination
- mt.gov and MINE portal development and hosting
- State telephone operators

Public Safety Services

- E-9-1-1 program
- Interoperability Montana (IM) public safety radio program

Enterprise Service Systems Centers project

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

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

ITSD's rates are based on the Full-Cost Maturity Model (FMM), an activity based budgeting model. Over the past year ITSD has defined over 260 services, allocated costs and staff time to each service, and estimated units of service provided to each agency. Rates are based on a detailed allocation of expenditures and staff time to each service. ITSD will implement a staff time tracking system to refine the accuracy of staff time allocation. For a wide variety of services agencies will have the choice of using the service or altering the units consumed. ITSD management will have to closely monitor rates and the underlying costs to ensure a service remains competitive.

ITSD will fund 174.50 FTE in proprietary funding in FY 2010 and FY 2011 from the revenues generated in all areas.

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

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Proprietary Revenue and Expenses

(1) Change in Services or Fees. Explain and compare the cost drivers, the expected volume, or any other relevant points if there are any changes. If none, state that there are no changes in services or fees.

The basic set of ITSD services will remain the same with very few exceptions, although ITSD has now built a Services Catalog which describes each of the roughly 260 services that are offered. The few exceptions are new services that will generate very modest revenues. ITSD is not dropping any services. During the new biennium the ESSC facilities will be completed and the major equipment will be migrated out of the Mitchell building, but there are no new services tied to the facilities move.

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

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

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

(2) Working Capital discussion. Using the calculation that will be in the Excel spreadsheet (the formula = 60 days of personal services, operations, and miscellaneous operating less non-cash expenses), explain the amount of cash needed to maintain an ongoing operation. If there is a need to vary from this formula, document and explain the variance. In the case of internal service funds, explain how/if working capital is considered in the determination of the rates.

ITSD is requesting a 30-day working capital to maintain ongoing operational costs. This amount of working capital is required for monthly payments to vendors in a timely manner. This also allows ITSD to meet the growing service needs of agencies through out the biennium.

(3) Fund Equity and Reserved Fund Balance. Describe, for all years, any requirements that the program has to reserve fund balance. The difference between the Total Fund Equity and the Reserve is to be entered on the Excel spreadsheet line "Unreserved Fund Balance." Explain management objectives to increase/decrease/maintain fund balances as compared to the FY2006 base year fund balance.

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

(4) Cash Flow Discussion. Explain the fluctuation of cash into the program, if any, and any significant reoccurring cash obligations that must be covered by cash on hand or loans.

ITSD invoices state agencies and other entities for hosting, systems development, operations and telecommunications services monthly. Receipt of revenues is typically collected within 30-60 days; however, ITSD does occasionally have delayed payments from agencies. ITSD's major expenses are from annual payments for software and maintenance, the majority of which occur during the beginning of the fiscal year, bi-monthly payroll, and monthly communications and hardware maintenance.

The specific services provided in exchange for customer payments and the SABHRS accounts used by the customers to record the expenditures for payment of the fees and charges (6xxxx).

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ITSD provides the following services for a specific charge:

623B0 ITSD voice services - Equipment, connectivity, applications and directories related to voice technology.

621B1 ITSD storage hosting - Migration, testing and operation of an agency supported application data on ITSD storage equipment at an ITSD facility.

621B2 ITSD server hosting - Migration, testing and operation of an agency supported application on ITSD servers at an ITSD facility.

621B3 ITSD web hosting - Migration, testing and operation of a web application on ITSD equipment at an ITSD facility.

621B4 ITSD application hosting - Migration, testing, operation and support of an application on ITSD equipment at an ITSD facility.

621B5 ITSD email - All services related to the delivery, storage, management and archiving of Enterprise email.

621B6 ITSD imaging - Scanning, imaging, storage and management of all types of documents and electronic artifacts.

621B7 ITSD Content Management - Electronic document storage, retrieval, and archive.

621B8 ITSD operations support - Production operations support such as backups, tape archiving and systems monitoring.

621B9 ITSD web services - Web application components, maintenance and support.

621C1 ITSD installation - The installation of commercially available hardware and software.

621C2 ITSD application development - Requirements definition, design, development testing, installation and training for non-web and non-GIS applications and systems.

621C3 ITSD web development - Requirements definition, design, development testing, installation and training for web applications and systems.

621C4 ITSD GIS application development - Requirements definition, design, development testing, installation and training for GIS applications and systems.

621C5 ITSD Enterprise Services - Enterprise deliverables funded through an Active Directory chargeback

621C6 ITSD Professional Services - Professional IT expertise, advice and counsel where the deliverables are not hardware, software or systems.

622B2 ITSD Asset Broker - ITSD acquires a hardware or software asset and passes ownership and all costs on to the agency.

623B1 ITSD video services - Scheduling, coordination, set up, bridging, problem resolution and monitoring of video conferences.

623B2 ITSD network services - Connectivity and transport services.

623B4 ITSD Long Distance Services

62185 P&G printing - Hardcopy output and printing of any type.

The historical and projected trends associated with volume of services provided, with justifications provided for projected changes.

- In the past, state agencies were required to count network-attached devices and report that to ITSD. This was a fairly manual process so it was difficult to do, not always accurate, and raised questions about how equitable it was (e.g. should printers or other devices be charged the same as desktops?). Beginning in FY08, billing will be done by user rather than device, except for certain non-State users (see the detailed fee descriptions below). Each user accessing resources on SummitNet is required to have an enterprise directory logon id account, and accounts cannot be shared by multiple people (see policy ENT-SEC-063). Billing will be an automated process generated from user accounts in Active Directory. Certain user accounts will be exempted from billing such as administrative accounts (secondary account with higher privileges used by system administrators), resource accounts (shared resources such as central mailboxes, conference rooms, etc), and service accounts (for processes or applications such as backups).
- Mainframe processing utilization is based on base year volume. This is based on past trends and agency input.
- Telephone equipment utilization is based on base year volume.
- Long Distance utilization is expected to remain at the 2009 biennial numbers.

The base year funding, by fund type, for customer payments made to the program.

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

<u>Rate Explanation</u>

ITSD rates are based on a wide variety of measures, each measure proportional to the usage.
Rates that generate major portions of ITSD revenue are listed below:

1. Hosting services:
   - Storage hosting rates are based on space usage.
   - Server hosting
     a. Mainframe rate based on actual usage.
     b. Mid-tier servers rates based on a formula that accounts for the size of server, space used, and ITSD staff time required.
   - Application hosting rates are based on individual Service Level Agreements (SLA).

2. Connectivity services:
   - Data network rates are based on the number of users with Active Directory accounts on the network
   - Video services are based on conference hours.
   - Voice services:
     a. Telephone desktop equipment rates are based on type of equipment.
     b. Local calls are based on a flat rate.
     c. Long distance and toll free services are based on minutes.

3. Enterprise Service rate is based on the number of users with Active Directory accounts on the network.

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

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

A description of the program's objectives for maintaining fees commensurate with costs, including any requirements the program has to reserve a fund balance.

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

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

Explanation and justification of the amount of working capital needed to maintain ongoing operations, including the influence of revenue and expense cycles, if applicable. If working capital is considered in the determination of rates, justification must be provided.

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

Describe the balance sheet accounts that contribute most significantly to any fund equity balance, including the amount of fund equity attributed to working capital. For example, the service of the program may be that it rents equipment. Therefore, a large percentage of the assets that contribute to the fund equity are equipment that is rented to customers for a fee.

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

Explain and justify the methodology used to allocate each unit of service to customers, such as per occurrence, percentage of base year personal services, fixed rate.

ITSD's FMM model employs a separate unit for each service. The unit is the increment in which the customer/agency buys the service or product.

- hours
- quantity of storage (gigabytes)
- number of user email mailboxes
- long distance minutes
- etc.

ITSD offers over 260 services so there are a wide variety of units. The allocation of units of service is by customer/agency demand.

There are a few services such as Enterprise Services and network ports where the unit allocation is not agency selectable. Enterprise Services costs are associated with state-wide services and benefits, not agency specific services, and therefore are distributed to agencies on an agency FTE basis. Since ITSD currently has no method of counting devices attached to the network, the network service charges are also allocated to FTEs. In both cases the Active Directory count of email users is the actual surrogate for FTEs.

Explain and justify any instance where the methodology used to develop the requested fee or rate is different than the methodology used to develop the fee or rate actually billed to the customers.

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

Explain how the requested rates were determined.

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

For programs with more than one rate providing revenues to a single internal service fund, explain the allocation methodology for distributing indirect cost to separate rates.

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INFORMATION TECHNOLOGY SERVICES DIVISION-07

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

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

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

<u>Expenses</u>

The major cost drivers of each separate rate, including the assumptions used to anticipate future expenses related to the cost drivers; and any factors contributing to uncertainty in forecasting these expenses.

- One major cost driver in all of ITSD's services is fixed personal services expense that is projected on assigned FTE.

- There are a number of major cost drivers associated with the network services rates including communications costs and software costs. These are projected on current utilization as well as contracted agreements.

- Hosting services have a number of major cost drivers which include software expenses based on contracted amounts, supplies based on base year expenditures and depreciation and debt service interest expense based on current schedules and on projected purchases.

- Telephone equipment charges and long distance charges major cost drivers include communication and maintenance expenses which are based on base year and contracted amounts and supplies which is also projected from base year.

Non-typical and one-time expenses included in the data range.

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

Variations in expense patterns.

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

The number of FTE funded during the base year within the program.

There are 174.50 FTE funded in the current base year.

DEPARTMENT OF ADMINISTRATION-6101
INFORMATION TECHNOLOGY SERVICES DIVISION-07

2011 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06522	ISD Proprietary	6101	Department of Administration	Information Technology Services Division

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue	37,108,194	32,130,519	34,785,386	33,500,000	39,929,886	40,610,336
Net Fee Revenue	37,108,194	32,130,519	34,785,386	33,500,000	39,929,886	40,610,336
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	573	(60)	41	-	-	-
Other Operating Revenues	118,617	102,814	109,033	-	-	-
Total Operating Revenue	37,227,384	32,233,273	34,894,460	33,500,000	39,929,886	40,610,336
Operating Expenses:						
Personal Services	11,164,013	10,958,002	13,557,541	11,884,008	16,448,850	16,448,850
Other Operating Expenses	24,835,795	19,680,979	25,579,269	21,613,091	23,481,036	24,161,486
Total Operating Expenses	35,999,808	30,638,981	39,136,810	33,497,099	39,929,886	40,610,336
Operating Income (Loss)	**1,227,576**	**1,594,292**	**(4,242,350)**	**2,901**	**-**	**-**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(14,248)	-	(150)	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(14,248)	-	(150)	-	-	-
Income (Loss) Before Operating Transfers	1,213,328	1,594,292	(4,242,500)	2,901	-	-
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	20,000	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	1,233,328	1,594,292	(4,242,500)	2,901	-	-
Total Net Assets- July 1 - As Restated	6,215,000	8,046,851	9,381,619	5,139,119	5,142,020	5,142,020
Prior Period Adjustments	598,523	(259,524)	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	6,813,523	7,787,327	9,381,619	5,139,119	5,142,020	5,142,020
Net Assets- June 30	**8,046,851**	**9,381,619**	**5,139,119**	**5,142,020**	**5,142,020**	**5,142,020**
60 days of expenses (Total Operating Expenses divided by 6)	5,999,968	5,106,497	6,522,802	5,582,850	6,654,981	6,768,389
45 days of expenses (Total Operating Expenses divided by 8)	4,499,976	3,829,873	4,892,101	4,187,137	4,991,236	5,076,292

Requested Rates for Internal Service Funds
Fee/Rate Information

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Information Technology Services	-	-	-	-	-	-
Desktop Services	30-Day	30-Day	30-Day	30-Day	30-Day	30-Day
SABHRS Services	Working	Working	Working	Working	Working	Working
Long Distance	Capital	Capital	Capital	Capital	Capital	Capital
Telephone Equipment	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve
Computer Processing						
Other Charges For Services	-	-	-	-	-	-

DEPARTMENT OF ADMINISTRATION-6101
INFORMATION TECHNOLOGY SERVICES DIVISION-07

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

	Total Agency Impact	General Fund Total
FY 2010	$156,757	$0
FY 2011	$164,662	$0

PL- 106 - Allocate department indirect/admin costs -
Fund department indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

	Total Agency Impact	General Fund Total
FY 2010	$1,500,000	$0
FY 2011	$1,500,000	$0

PL- 6103 - Network Expansion On-going Transport Costs -
This request is for on-going funding to provide converged (Voice, Video and Data) network connectivity and State services to state agencies and Montana communities added under the Network Expansion Project funded in HB 4 passed by the 60th Legislative Special Session in May 2007. The Information Technology Services Division (ITSD) has identified $1,500,000 in additional funding in FY2010 and $1,500,000 in FY2011 to provide on-going converged IT connectivity services to 108 converged sites migrated to the new Bresnan Services Contract under the Network Expansion Project. Transport connectivity to these locations is being completed in FY2008 & FY2009. However, it is the recurring monthly communication costs that require additional funding. This DP increases ITSD's overall rates by approximately 4.37%.

	Total Agency Impact	General Fund Total
FY 2010	$365,000	$0
FY 2011	$832,720	$0

PL- 6104 - ESSC Operating Costs -
With the completion of the Helena and Miles City data centers there will be new operating and maintenance costs. Included in this request is approximately $365,000 in FY 2010 and $832,720 in FY 20111 are maintenance charges paid to DOA General Services for the Helena site and maintenance and utility costs for the Miles City site. This decision package increases ITSD's overall rates by approximately 2.43%.

	Total Agency Impact	General Fund Total
FY 2010	$1,875,380	$0
FY 2011	$1,875,380	$0

PL- 6105 - Microsoft EA -
The State of Montana Microsoft Enterprise License Agreement is a volume licensing program that simplifies license management, provides maintenance benefits and includes rights to any MS supported version (for example 2003 or 2007) of and upgrades to the latest versions of Microsoft Professional Plus software products (Outlook, Word, Excel, PowerPoint, Access, Publisher, InfoPath and Communicator) for the term of the contract. It also provides licenses to upgrade all desktops with a current MS operating system license and covered under the agreement to the Windows Vista operating system. The cost is an additional $1,875,380 for three years, after which we will pay only the maintenance costs for a period of the contract renewable over seven years. This decision package increases ITSD's overall rates by approximately 5.47%.

	Total Agency Impact	General Fund Total
FY 2010	($921,453)	$0
FY 2011	($921,453)	$0

PL- 6107 - Attachment Settlement -
This request is to remove $921,453 out of ITSD's FY2008 base budget for each year FY2010 and FY2011 for the Attachmate software settlement. This decision package decreases ITSD's overall rates by approximately 2.69%.

DEPARTMENT OF ADMINISTRATION-6101
INFORMATION TECHNOLOGY SERVICES DIVISION-07

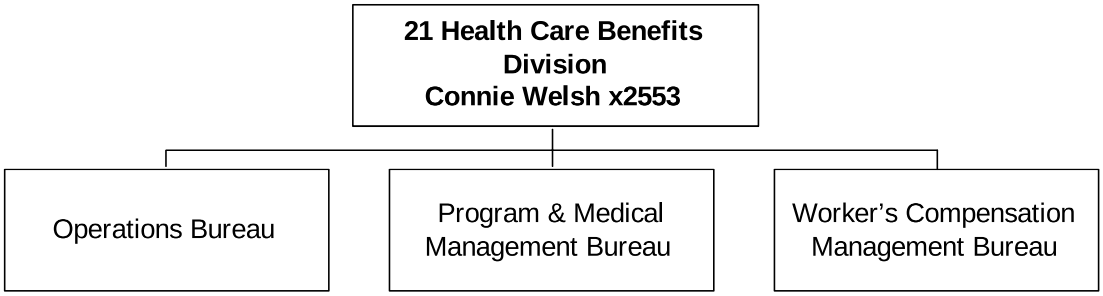
--New Proposals--

	Total Agency Impact	General Fund Total
FY 2010	$5,288	$0
FY 2011	$4,576	$0

NP- 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation –
The Workers' Compensation Management program at the Department of Administration was funded by the 2009 Legislature with a one-time-only general fund appropriation. For the 2011 biennium and beyond, the program will be funded via a fixed cost allocation. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. The budget includes $5,288 in FY 2010 and $4,576 in FY 2011 proprietary funds for the ITSDs allocation of the fixed cost.

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

Please note that this program also contains HB 2 funding.



Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	13.87	0.00	2.00	15.87	0.00	2.00	15.87
Personal Services	773,912	157,959	392,677	1,324,548	158,704	396,287	1,328,903
Operating Expenses	6,835,833	208,137	149,334	7,193,304	219,850	148,702	7,204,385
Benefits & Claims	114,543,695	17,561,219	0	132,104,914	28,321,015	0	142,864,710
Total Costs	**$122,153,440**	**$17,927,315**	**$542,011**	**$140,622,766**	**$28,699,569**	**$544,989**	**$151,397,998**
Proprietary	122,153,440	17,927,315	542,011	140,622,766	28,699,569	544,989	151,397,998
Total Funds	**$122,153,440**	**$17,927,315**	**$542,011**	**$140,622,766**	**$28,699,569**	**$544,989**	**$151,397,998**

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

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

The program is funded by the state contribution for group benefits and by premiums and fees paid by plan members. The program currently supports 14.25 FTE.

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

<u>Customers Served:</u> In excess of 32,000 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; 3,300 retirees; 60 COBRA participants; and 16,500 dependents.

Proprietary Revenues and Expenses - No significant changes in service are contemplated. Fees must be increased as discussed below. The primary cost driver in the fund is the cost of health and prescription drug claims. Medical claim costs are projected to be increasing at a rate of approximately 8-11 percent annually. Drug claims are projected to be increasing 10-17 percent annually during the 2011 biennium.

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

The division, based on actuarial determination, uses a risk-based capital approach to set reserve levels. The risk-based capital (RBC) model is a methodology promulgated by the National Association of Insurance Commissioners (NAIC) and is used by 47 states. The RBC formula establishes a minimum capital level for the state plan based on its specific features and compares it to the plan’s actual capital level. This ratio provides a measure to compare to recommended levels of capitalization for insurance risk. In Montana, the Legislature adopted this model for determining the level of assets that are needed in domestic health insurance corporations in 1995. It is codified in Title 33, MCA as the regulatory standard applied to health care insurers in Montana.

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

The State Employee Benefit Plan actuary recommended that the Plan set a reserve level target equivalent to 300% of the authorized control level with the 200% target as a minimum. This level is reasonable given that other insurance companies in the same marketplace have much higher reserves levels, anywhere from 700% to 1,000% of the authorized control level. These insurers may also generate more capital through debt, while the State Employee Group Benefit plan cannot. (Note: During 2007 insurance carriers within Montana maintained reserves that ranged from total adjusted capital amounts of 528% to 616%. Surrounding states’ BCBS plans had levels that range from 786% (Idaho) to 1131% (Wyoming). During 2007, the State Employee Group Benefit plan had reserves equivalent to 269% of the authorized control level. Subsequently, that percentage has been decreasing.

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

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

Cash Flow – It is projected that about $9.3 million per month in claims expenses will be paid in FY 2009 and $10.0 million per month in FY 2010. Premiums are collected either bimonthly with paycheck processing or at the beginning of the month depending on whether the premium is for active employees, retirees, legislators, or COBRA employees. Retirees are required to pay the full amount of the premium but the premium is subsidized indirectly by the state share and other revenues. Employees who cover their dependents pay a portion of the cost to insure their family members while a portion is subsidized indirectly by state share and other revenue sources such as investment earnings.

The cost of providing medical care continues to rise at a rate significantly higher than general inflation. Based on FY 2008 expenditures of approximately $103.4 million for medical, dental, and prescription drug claims, these expenditures are projected to be $111.0 million in FY 2009 and $120.5 million in FY 2010. This does not take into account future benefit plan changes which may impact expenditure projections.

Claims costs make up approximately 93 percent of program expenditures. Administrative costs comprise about 7 percent of total program expenditures including contracting with vendors to process claims and administrative costs directly within the department. In comparison, insurance companies generally have administrative costs that range from 14 percent to as high as 28 percent and pay 72 to 86 percent of their premiums out in claims. Currently the largest health care insurer in Montana uses 25 percent administrative expense.

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

Rate Explanation – The rate provided in HB 2 is the state contribution, i.e. the employer share of premium toward health care and benefits coverage. As a component of employee compensation, the state contribution amount is a subject of collective bargaining and is negotiated as a part of the overall pay package for state employees.

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

Income for the program in FY 2008 was approximately $118.6 million. The state share portion of this income was $80.2 million or 67 percent. The remaining income was from participant paid premiums and investment earnings. Total expenses during FY 2008 were $109.4 million.

Projected income for the next biennium needs to match projected expenditures and other actuarially required liabilities as described below.

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

The following schedule shows historical rates for the state contribution, for employee insurance coverage, as well as historical medical and pharmacy cost trends. Rates for FY 2010 and FY 2011 have not been determined at this time.

Fiscal Year	Mo. Employer Contribution	Percent Incr. Over Prev. Yr	Medical Cost Trend	Pharmacy Cost Trend
1996	$220	-4.3%	N/A	N/A
1997	$225	2.3%	N/A	N/A
1998	$245	8.9%	9.0%	20.8%
1999	$270	10.2%	8.9%	33.2%
2000	$285	5.5%	8.7%	9.2%
2001	$295	3.5%	2.1%	17.9%
2002	$325	10.2%	13.4%	15.9%
2003	$366	12.6%	4.4%	11.6%
2004	$410	12.0%	-3.3%	-2.8%
2005	$460	12.2%	9.9%	13.3%
2006	$506	6.3%	6.1%	9.5%
2007	$557	10.1%	4.1%	15.0%

2008	$590	10.1%	14.0%**	4.1***
2009	$626	10.0%	10.0%**	14.0**

*The FY 2009 rate becomes effective January 1, 2009.
** Projected trend rates.
******* The Pharmacy trend shown includes adjustments for prior year contractual recovery of performance guarantees and rebates. After removing the financial adjustments, actual cost and utilization trend is anticipated to be approximately 12%.

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

2011 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Revenue from Fee F	60,856	128,731	68,129	-	-	-
Net Fee Revenue	60,856	128,731	68,129	-	-	-
Investment Earnings	1,239,821	2,001,801	1,835,950	1,123,000	1,500,000	1,500,000
Securities Lending Income	47,007	10,996	131,476	-	-	-
Premiums	98,521,478	106,576,474	113,849,387	122,459,131	142,787,260	159,493,369
Other Operating Revenues	677,168	1,056,374	2,783,606	688,000	1,960,000	1,960,000
Total Operating Revenue	100,546,330	109,774,376	118,668,548	124,270,131	146,247,260	162,953,369
Operating Expenses:						
Personal Services	502,381	634,375	795,179	808,961	1,076,961	1,077,753
Other Operating Expenses	94,142,651	101,904,009	111,492,958	123,739,781	131,933,609	142,341,306
Total Operating Expenses	94,645,032	102,538,384	112,288,137	124,548,742	133,010,570	143,419,059
Operating Income (Loss)	**5,901,298**	**7,235,992**	**6,380,411**	**(278,611)**	**13,236,690**	**19,534,310**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(830)	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(830)	-	-	-	-	-
Income (Loss) Before Operating Transfers	5,900,468	7,235,992	6,380,411	(278,611)	13,236,690	19,534,310
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	145,150	-	-	-	-
Operating Transfers Out (Note 13)	(614,199)	(409,657)	-	-	-	-
Change in net assets	5,286,269	6,971,485	6,380,411	(278,611)	13,236,690	19,534,310
Total Net Assets- July 1 - As Restated	21,240,549	26,526,291	33,502,497	39,882,908	39,604,297	52,840,987
Prior Period Adjustments	(527)	4,721	-	-	-	-
Cumulative effect of account change	-		-	-	-	-
Total Net Assets - July 1 - As Restated	21,240,022	26,531,012	33,502,497	39,882,908	39,604,297	52,840,987
Net Assets- June 30	**26,526,291**	**33,502,497**	**39,882,908**	**39,604,297**	**52,840,987**	**72,375,297**
60 working days of expenses (Total Operating Expenses divided by 6)	15,774,172	17,089,731	18,714,690	20,758,124	22,168,428	23,903,177

Requested Rates for Internal Service Funds

Fee/Rate Information for Legislative Action

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Fee Group A						
State share per employee per month	$483	$532	$574	$608	n/a	n/a

Rates are established to maintain adequate actuarial reserves. Actual state share rates are set for each calendar year as opposed to a fiscal year. This table shows the average monthly state share rate for each fiscal year. Rates for FY 2010 and 2011 h

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

2011 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06027	Flexible Spending Funds	61010	Department of Administration	Health Care and Benefits Division

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Revenue from Administrative Fees	103,327	119,819	135,832	-	-	-
Net Fee Revenue	103,327	119,819	135,832	-	-	-
Investment Earnings	12,370	20,049	22,028	12,370	25,000	25,000
Securities Lending Income	216	24	710	-	-	-
Premiums	5,290,838	6,074,658	7,112,796	5,973,151	7,650,000	8,000,000
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	5,406,751	6,214,550	7,271,366	5,985,521	7,675,000	8,025,000
Operating Expenses:						
Personal Services	-	-	-	-	-	-
Other Operating Expenses	5,252,369	6,003,490	6,879,408	5,871,463	7,222,796	7,583,935
Total Operating Expenses	5,252,369	6,003,490	6,879,408	5,871,463	7,222,796	7,583,935
Operating Income (Loss)	**154,382**	**211,060**	**391,958**	**114,058**	**452,204**	**441,065**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	154,382	211,060	391,958	114,058	452,204	441,065
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	154,382	211,060	391,958	114,058	452,204	441,065
Total Net Assets- July 1 - As Restated	307,292	461,674	672,734	1,064,692	1,178,750	1,630,954
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	307,292	461,674	672,734	1,064,692	1,178,750	1,630,954
Net Assets- June 30	**461,674**	**672,734**	**1,064,692**	**1,178,750**	**1,630,954**	**2,072,019**
45 days of expenses (Total Operating Expenses divided by 8)	656,546	750,436	859,926	733,933	902,850	947,992

Requested Rates for Enterprise Funds
Fee/Rate Information

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Fee Group A						
Administrative Fee (per member per month)	$2.16	$2.16	$2.25	$2.25	$2.25	$2.25

Administrative fees charged and collected from plan participants are determined through the competitive bid process as part of the selection of a plan administrator.

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

2011 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06575	Worker's Comp Mgmnt	61010	Department of Administration	Health Care and Benefits Division

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Revenue from Administrative Fees	-	-	-	-	454,493	395,171
`	-	-	-	-	-	-
Net Fee Revenue	-	-	-	-	454,493	395,171
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	-	-	-	-	454,493	395,171
Operating Expenses:						
Personal Services	-	-	-	-	247,587	251,150
Other Operating Expenses	-	-	-	-	141,978	144,021
Total Operating Expenses	-	-	-	-	389,565	395,171
Operating Income (Loss)	**-**	**-**	**-**	**-**	**64,928**	**-**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	-	-	-	-	64,928	-
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	-	-	-	-	64,928	-
Total Net Assets- July 1 - As Restated	-	-	-	-	-	64,928
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	-	-	-	64,928
Net Assets- June 30	**-**	**-**	**-**	**-**	**64,928**	**64,928**
60 days of expenses (Total Operating Expenses divided by 6)	-	-	-	-	64,928	65,862

Requested Rates for Enterprise Funds
Fee/Rate Information

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Fee Group A						
Administrative Fee (per payroll warrant per pay period)					$1.29	$1.12

Program rates have been established to maintain a 60-day working capital. The rates are to be paid by state agencies and are based on a projected number of payroll warrants to be issued.

Note: Prior to fiscal year 2010, the program expenditures were included in the General Fund.

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

	Total Agency Impact	General Fund Total
FY 2010	$64,985	$0
FY 2011	$65,595	$0

PL- 106 - Allocate department indirect/admin costs -
This request will fund changes in the department's indirect costs that are paid by centralized services.

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

	Total Agency Impact	General Fund Total
FY 2010	$18,216,871	$0
FY 2011	$28,635,387	$0

PL- 2102 - HCBD Insurance Claims/Admin Cost Trends -
The Health Care and Benefits Division (HCBD) projects an average annual trend of 8-11 percent in medical claims and 10-17 percent in prescription drug costs. The state is actively involved in providing managed care services to help contain its claims costs and has been successful in keeping the claims trend rate well below the increase being experienced by a majority of other plans in the United States. Knowing that the state will continue to see increased costs in health coverage, additional budget authority of $17,225,599 and $27,631,479 is requested for FY2010 and FY2011, respectively. Claims administration and operating costs are also predicted to increase at a 5% annual rate. The benefit program will require an additional $991,272 and $1,003,908 in FY2010 and FY2011, respectively, to administer the state's benefit programs.

	Total Agency Impact	General Fund Total
FY 2010	$343,944	$0
FY 2011	$705,083	$0

PL- 2107 - Annual 5% increase in Flexible Spending -
The Flexible Spending Program in the Health Care & Benefits Division (HCBD) is anticipating an annual 5% increase for the 2011 biennium. This gives HCBD the spending authority to operate the program. Participants contribute excess state contribution and personal funds to the program to be used for qualifying health and child care costs on a pre-tax basis. In addition, program participants pay a program administration fee to cover the costs of administering the program. Therefore, there is no rate impact.

--New Proposals--

	Total Agency Impact	General Fund Total
FY 2010	$389,565	$0
FY 2011	$395,171	$0

NP- 2101 - Workers' Compensation Program 3.00 FTE -
The Health Care & Benefits Division (HCBD) is tasked with the implementation, management and oversight of the State of Montana's' Workers' Compensation Management Program. This program was a new initiative from the 2009 biennium Governor's Budget. The goal of the program is to reduce workers' compensation costs and injuries in state government. The Workers' Compensation Management program at the Department of Administration was funded by the 2009 Legislature with a one-time-only general fund appropriation.

For the 2011 Biennium and beyond, the program will be funded via a fixed cost allocation. The allocation is based upon the average number of payroll warrants issued per pay period. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. Therefore, the allocation cannot be included as part of the standard present law fixed cost process. For the 2011 Biennium only, each agency will need to add a NP Decision Package numbered "NP 6101 – Fixed Cost Workers Comp Management Program Allocation" to request funding for this fixed cost allocation. Budget should be recorded in account 62114A.

HCBD requests propriety fund authority to provide a centralized management program for oversight of workers' compensation containment efforts. HCBD is requesting 3.00 permanent FTE to provide the services of a pay band 7 Bureau Chief; pay band 6 Early-Return-to-Work specialist; and a pay band 6 Safety Specialist. The total authority being requested is $389,565 plus $64,927 to provide for 60 days of working capital for FY 2010 and $395,171 for FY 2011.

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

	Total Agency Impact	General Fund Total
FY 2010	$68,112	$0
FY 2011	$68,133	$0

NP- 2103 - SABHRS Support Provided by HCBD - 1.00 FTE -

The Health Care and Benefits Division (HCBD) carries out the responsibilities of the department related to its statutory charge to "establish a program under which the state may provide state employees with adequate group hospitalization, health, medical, disability, life, and other related group benefits in an efficient manner and at an affordable cost" (2-18-808,MCA). The successful administration of benefits depends on effective and efficient use of Statewide Accounting, Budgeting, and Human Resource System (SABHRS) functionality to accomplish the timely and accurate administration of benefits eligibility for plan members as defined in the State of Montana Employee Benefits Summary Plan Description and at the direction of the HCBD. HCBD is requesting 1.00 additional permanent FTE to provide the services of a pay band 6 computer systems analyst. The total authority being requested is $68,112 for FY2010 and $68,133 for FY2011.

	Total Agency Impact	General Fund Total
FY 2010	$83,778	$0
FY 2011	$81,204	$0

NP- 2108 - Attorney - FTE -

The Department of Administration is requesting 1.0 FTE for an attorney in the Health care & Benefits Division. Previously the division shared a portion of two attorneys within the department and provided funding for 0.5 FTE. Increases in work load within the department and added responsibilities for the division require additional resources to provide necessary legal support. The funding for the position will be through the Group Benefits Plan fund. It will not impact the overall fund or need for state share contribution.

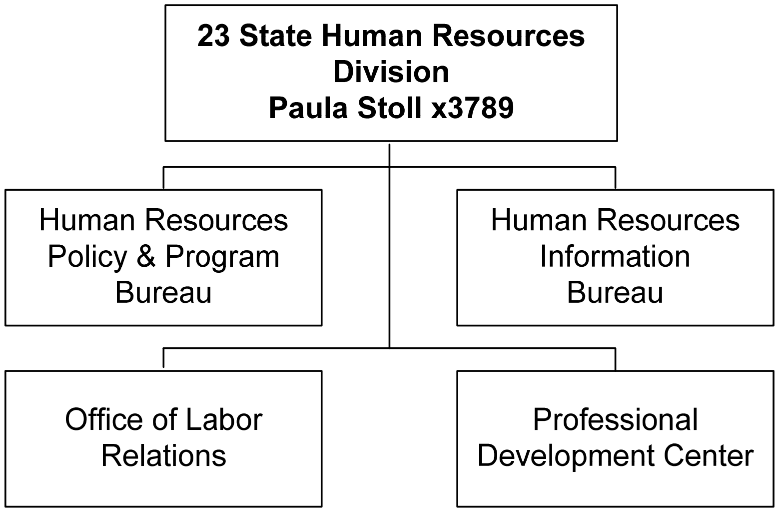
	Total Agency Impact	General Fund Total
FY 2010	$556	$0
FY 2011	$481	$0

NP- 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation –

The Workers' Compensation Management program at the Department of Administration was funded by the 2009 Legislature with a one-time-only general fund appropriation. For the 2011 Biennium and beyond, the program will be funded via a fixed cost allocation. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. The budget includes $556 in FY 2010 and $481 in FY 2011 proprietary funds for the HCBDs allocation of the fixed cost.

DEPARTMENT OF ADMINISTRATION-6101
STATE HUMAN RESOURCES DIVISION-23

Please note that this program also contains HB 2 funding.



Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	28.97	0.00	(0.50)	28.47	0.00	(1.00)	27.97
Personal Services	1,819,757	34,226	(36,681)	1,817,302	40,928	(66,173)	1,794,512
Operating Expenses	1,783,612	49,687	902	1,834,201	(4,212)	780	1,780,180
Total Costs	**$3,603,369**	**$83,913**	**($35,779)**	**$3,651,503**	**$36,716**	**($65,393)**	**$3,574,692**
Proprietary	3,603,369	83,913	(35,779)	3,651,503	36,716	(65,393)	3,574,692
Total Funds	**$3,603,369**	**$83,913**	**($35,779)**	**$3,651,503**	**$36,716**	**($65,393)**	**$3,574,692**

Program Description -The State Human Resources Division manages two proprietary programs: PDC (training) and HRIS (payroll and benefits eligibility processing).

Program Description Training Program - The Professional Development Center (PDC) provides training and other services, such as facilitation, mediation, and curriculum design, to state agencies on a fee reimbursement basis. PDC is funded as an internal service fund with revenues generated through fees charged for services. The program has a staff of three professional trainers. Statutory authority comes from 2-18-102, MCA.

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

FY 2004	2,933
FY 2005	2,981
FY 2006	3,739
FY 2007	4,039
FY 2008	3,806

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

Revenues and Expenses
The Professional Development Center (PDC) operates on a budget of about $274,000 a year comprised of personal services (67%), variable costs (22%), fixed costs (11%).

The table below depicts historic and projected levels of open-enrollment and contract services and shows how participation levels vary from year to year. Service levels provided in FY 2008 were roughly equal to the levels provided in FY 2007. PDC staff have expanded the scope of services provided. This has had a positive impact on participation levels as well as revenue flows. It is anticipated this trend will continue through FY 2009 and into the next biennium.

Fiscal Year	Open Enrollment Participants	Open Enrollment Hours	Contract Service Participants	Contract Service Hours
FY 2007	1923	1504	2116	424
FY 2008	1890	1424	1916	486
FY 2009 - proj	1750	1580	2200	500
FY 2010 - proj	1900	1600	2200	500
FY 2011 - proj	1950	1600	2200	500

Working Capital - The average time between PDC providing a service and collecting revenue is 45 days. The PDC has no requirement to reserve any of its fund balance and management desires to maintain a fund balance sufficient to provide a minimum 45-day working capital. In order to cover on-going expenses over a 45-day period, PDC should maintain a working capital reserve of $34,000. As of the end of FY 2008, PDC had working capital of approximately $29,000 which computes to a 38-day working capital. The rates being requested for the 2011 biennium are intended to permit PDC to reach a 45-day minimum working capital reserve over the next biennium by including the reserve shortage amount in its constant and fixed costs for the rate calculation.

Cash Flow - During fiscal year 2008, the average turnaround period for revenue receipts was about 45 days from the time revenue was earned. Historically, during the first two quarters of a fiscal year, demand for PDC services is lower and cash receipts tend to be at their lowest levels. Cash outflows remain stable during this time period as 87% of expenses are constant and occur independent of its revenue stream. This is the time of year when PDC runs short of cash. Toward the end of the year agencies process their training invoices more readily and send more people to training. Eventually, as PDC's financial condition stabilizes, it would be conducive to PDC's operations to build and maintain a 60-day working capital reserve.

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

PDC also contracts with individual agencies to provide training for its staff. The agency schedules, promotes, and provides the facility for training. PDC provides the instruction and class materials. On a contract, PDC charges a flat fee, depending on the length of the training and the number of events the agency has contracted. If an agency contracts for more than one training event, PDC discounts the fee, based on the number of events. Discounts range from 8 to 20%. These discounts follow a written, consistent fee schedule.

For facilitation, mediation, consulting, and curriculum development PDC charges on an hourly rate basis. On average, these services account for 8% of total revenue each year.

Two minor revenue categories are publication sales and room rentals. Revenue from publications and meeting rooms is usually less than 1% of total annual revenue.

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

Open Enrollment Management Classes	2325
Other Scheduled Classes-Open Enrollment	2326
Contract Training	2327
Consulting and Other Services	2328
Room Rentals	2329
Sale of Merchandise	2331
Conferences	2332
Disability Employment Awareness	2333
Governmental Accounting Classes	2334
Cultural Diversity Training	2338

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

Rate Explanation - The method of establishing the proprietary rate was changed for the 2009 biennium. Prior to the 2009 biennium, the PDC established rates by separating fixed and overhead costs from the variable costs directly associated with producing a specific service, such as a workshop. The total projected fixed costs were divided by an estimate of total billable hours to allocate fixed costs to billable staff hours.

Currently, PDC's rates are based on two factors: (1) projected attendance and (2) competitive pricing. Both can be empirically determined. In an effort to increase revenue, the program can either raise fees or attract more participants. Training rates for the 2011 biennium are based on the proportion of fixed and personal services costs to the overall anticipated program cost, in an effort to ensure that demand driven revenues are sufficient to cover total program expenses. Keeping fees competitive steers effort toward attracting more participants.

Attendance:
An analysis of the past seven complete fiscal years shows that, on average, 1,551 people attended open-enrollment courses each year, and 1,614 attended contract courses. Table 1 shows attendance by year and by course type.

Table 1.

OPEN ENROLLMENT	2002	2003	2004	2005	2006	2007	2008 (est)	TOTAL	AVG.
Full-day courses:									
participants	884	572	902	763	941	1,117	1,124	6,303	900
hours	627	503	594	501	622	630	604	4,081	583
% total participants	62%	53%	60%	52%	57%	58%	63%		58%
% total hours	50%	41%	44%	39%	43%	42%	43%		43%
Half-day courses:									
participants	415	390	439	550	558	684	514	3,550	507
hours	158	190	151	146	227	268	225	1,365	195
% total participants	29%	36%	29%	37%	34%	36%	29%		33%
% total hours	13%	16%	11%	12%	16%	18%	16%		14%
Series (4 or more days):									
participants	139	117	168	158	155	120	146	1,003	143
hours	463	522	620	624	586	610	562	3,987	570

% total participants	10%	11%	11%	11%	9%	6%	8%		9%
% total hours	37%	43%	45%	49%	41%	40%	40%		42%
Total participants	1,432	1,079	1,509	1,471	1,654	1,921	1,784	10,856	1,551
CONTRACT COURSES:									
participants	1,385	1,031	1,411	1,489	2,110	2,116	1,754	11,296	1,614
hours	455	436	461	400	343	424	474	3,007	430
contract revenue	63,865	33,620	48,709	46,983	43,065	51,952	54,939	343,122	49,017
revenue per participant	46	33	35	32	20	25	31		30

We can apply the historical averages to projected attendance in FY 2010, and multiply by the proposed fees to project revenue. Projected expenses for FY 2010 are $305,990. Historically, open-enrollment courses have generated 78% of annual revenue, contract courses 22%. In FY 2010, open-enrollment courses would need to generate at least $238,672 and contract courses $67,978. The application of past trends to projected participation appears in Table 2.

Table 2.

FY10 Open Enrollment	Type of course	Participants	Fee	Revenue
Total projected 1,900	Full-day courses (58% of participants)	1,102	118	$130,036
	Half-day courses (33% of participants)	627	90	56,430
	Series (9% of participants)	171	451	77,121
Total open-enrollment revenue				$263,587
FY10 Contract Courses				
Projected attendance 2,200	2,200 participants generating $31 each	2,200	31	$68,200
Total projected revenue				$331,787

Finally, projecting attendance is an imperfect science. Historical data over the past seven fiscal years show that PDC staff has hit a wide range in matching projections, from 78% to 141%. The overall average for the period is 93%. Table 2 shows total revenue of $331,787, and 93% of that amount is $308,562, which is within 1% of the projected expenses of $305,990.

Table 3 repeats the analysis for FY 2011.

Table 3.

FY11 Open Enrollment	Type of course	Participants	Fee	Revenue
Total projected 1,950	Full-day courses (58% of participants)	1,131	120	$135,720
	Half-day courses (33% of participants)	644	92	59,248
	Series (9% of participants)	176	457	80,432
Total open-enrollment revenue				$275,400
FY11 Contract Courses				
Projected attendance 2,200	2,200 participants generating $32 each	2,200	32	$70,400
Total projected revenue				$345,800

Table 3 shows total revenue of $345,800, and 93% of that amount is $321,594, which is within .01% of the projected expenses of $321,290.

Rate Structure - The Professional Development Center proposes the following fee structure for the 2011 Biennium. These rates stem from the foregoing analysis and remain below the mean for comparable training services in Montana. The rates for FY2010 are the same as those approved by the Legislature for FY2009 in the current biennium. The proposed rates for FY2011 represent, on average, an increase of 1.4% over FY2010 rates.

Type of service	FY 2010	FY 2011
Open enrollment courses		
Two-day course, per participant	185	187
One-day course, per participant	118	120
Half-day course, per participant	90	93
Eight-day management series	560	565
Six-day management series	430	435
Four-day administrative assistant series	325	330
Contract courses		
Full day of training, flat fee	820	825
Half day of training, flat fee	560	565

Program Description - The HRIS Bureau operates the SABHRS payroll, benefits and HR system to process, distribute, report and account for payroll, benefits and associated withholding and deductions for over 13,500 state employees in the Executive, Legislative and Judicial branches. The bureau establishes and maintains standards, processes and procedures to be followed by state agencies in preparing and submitting payroll, benefits and related HR data into the system. The system operated by the bureau provides information and processing in support of division and statewide functions and programs including employee benefits (group insurance, FSA, deferred compensation, and pension) classification, pay, labor relations, policy and training. The program staff is 29 FTE. Statutory authority is 2-18-401, MCA and 2-18-403 MCA.

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

Customers Served: Over 13,500 active employees are paid biweekly in addition to the processing of benefit eligibility elections for 35,000 active, retired, and terminated employees and covered dependents in 35 state agencies of the Executive, Legislative, and Judicial branches.

Major Changes: A reorganization affecting the State Human Resources Division (SHRD) and SABHRS Services Bureau occurred in January 2008. Expenses and revenues associated with the reorganization were adjusted retrospective back to July 1, 2007, the beginning of FY 2008. Fourteen SABHRS HCM staff were integrated with the Payroll and Benefit Operation Bureau in SHRD and renamed the Human Resources Information Services Bureau.

Revenues and Expenses - The major cost drivers for the HRIS Bureau are:

- Personal Services 54%
- ITSD & Oracle License Fees 39%
- Legal, Audit, & Communication 4%
- Administrative Costs Fees 3%

Working Capital Discussion - The HRIS rates established for the 2011 biennium provide for the maintenance of a 60-day working capital amount of $471,750 by the end of FY 2011. The working capital is needed to fund payroll and benefit eligibility processing prior to the quarterly receipt of fees from each agency and to cover the additional expenses associated with exceeding the FTE threshold as outlined in the existing license agreement with Oracle/PeopleSoft.

Fund Equity and Reserved Fund Balance - The payroll fund had a fund balance of $213,500 as of FYE08. By the end of 2011 it is expected that the program will have a fund balance of $385,750. The program does not have a requirement to reserve any of its fund equity.

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

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

Agencies record payments of payroll processing fees in expenditure account 62114 (payroll service fees). The following schedule shows the average number of employee payroll checks and advices processed and paid for the past three years, and projections through the 2011 biennium.

Fiscal Year	Avg. # of Employees Processed and Paid
FY 2006	13,157
FY 2007	14,124
FY 2008	13,561
FY2009 (est.)	13,601
FY2010 (est.)	13,561
FY2011 (est.)	13,599

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

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The fee charged to the Health Care and Benefits Division is determined by projecting the costs of processing eligibility elections of the 35,000 plan members through the next biennium in conjunction with the Memorandum of Understanding outlining the type and frequency of services delivered.

2011 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06563	Payroll Fund	61010	Administration	State Human Resource Division

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Revenue from HRIS Fees	453,103	453,103	1,036,598	1,002,608	3,891,938	3,457,596
Revenue from HRIS SABHRS	-	-	2,253,563	2,221,525	374,000	374,000
Revenue from Transfers from Benefits	-	-	-	-	-	-
Revenue from Miscellaneous Service Fees	-	-	-	-	-	-
Net Fee Revenue	453,103	453,103	3,290,161	3,224,133	4,265,938	3,831,596
Investment Earnings	21	-	-	-	-	-
Other Operating Revenues	-	5	273	-	-	-
Total Operating Revenue	453,124	453,108	3,290,434	3,224,133	4,265,938	3,831,596
Operating Expenses:						
Personal Services	636,846	744,336	1,668,038	1,680,666	1,670,357	1,675,433
Other Operating Expenses	161,946	203,091	3,511,251	1,714,135	1,701,589	1,647,078
Total Operating Expenses	798,792	947,427	5,179,289	3,394,801	3,371,946	3,322,511
Operating Income (Loss)	**(345,668)**	**(494,319)**	**(1,888,855)**	**(170,668)**	**893,992**	**509,085**
Nonoperating Revenues (Expenses):						
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(345,668)	(494,319)	(1,888,855)	(170,668)	893,992	509,085
Contributed Capital	-	-	1,586,037	-	-	-
Operating Transfers In (Note 13)	381,623	407,371	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	35,955	(86,948)	(302,818)	(170,668)	893,992	509,085
Total Net Assets- July 1 - As Restated	130,038	165,993	78,426	337,979	167,311	1,061,303
Prior Period Adjustments	-	(619)	562,371	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	130,038	165,374	640,797	337,979	167,311	1,061,303
Net Assets- June 30	**165,993**	**78,426**	**337,979**	**167,311**	**1,061,303**	**1,570,388**
60 working days of expenses (Total Operating Expenses divided by 6)	133,132	157,905	863,215	565,800	499,658	491,419

Requested Rates for Internal Service Funds

Fee/Rate Information for Legislative Action

	Actual FY 06	Actual FY 07	Actual FY 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Fee Group A						
Payroll fees (per employee processed per pay period)	$1.34	$1.34	$1.56	$1.47	$9.37	$8.04

HRIS rates have been established to maintain a 60-day working capital. Base for Working Capital is total operating expenses less $374,000, which is a set HRIS SABHRS fee for the Health Care and Benefits Division. The department anticipates that the Peopl

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2011 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Revenue from Training Fees	259,170	263,076	321,139	299,000	281,801	259,440
Net Fee Revenue	259,170	263,076	321,139	299,000	281,801	259,440
Other Operating Revenues	141	127	322	-	-	-
Total Operating Revenue	259,311	263,203	321,461	299,000	281,801	259,440
Operating Expenses:						
Personal Services	169,593	172,118	187,416	184,121	146,945	119,079
Other Operating Expenses	105,783	93,687	143,664	116,915	133,149	133,507
Total Operating Expenses	275,376	265,805	331,080	301,036	280,094	252,586
Operating Income (Loss)	**(16,065)**	**(2,602)**	**(9,619)**	**(2,036)**	**1,707**	**6,854**
Nonoperating Revenues (Expenses):						
Income (Loss) Before Operating Transfers	(16,065)	(2,602)	(9,619)	(2,036)	1,707	6,854
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(16,065)	(2,602)	(9,619)	(2,036)	1,707	6,854
Total Net Assets- July 1 - As Restated	18,599	2,534	(68)	(9,687)	(11,723)	(10,016)
Total Net Assets - July 1 - As Restated	18,599	2,534	(68)	(9,687)	(11,723)	(10,016)
Net Assets- June 30	**2,534**	**(68)**	**(9,687)**	**(11,723)**	**(10,016)**	**(3,162)**
60 days of expenses (Total Operating Expenses divided by 6)	45,896	44,301	55,180	50,173	46,682	42,098

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

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Fee Group A						
Training Services per hour	$127.86	$127.97				
Open Enrollment Courses						
Two-Day Course (per participant)			$182.00	$185.00	$185.00	$187.00
One-Day Course (per participant)			$115.00	$118.00	$118.00	$120.00
Half-Day Course (per participant)			$87.00	$90.00	$90.00	$93.00
Eight-Day Management Series (per participant)			$550.00	$560.00	$560.00	$565.00
Six-Day Management Series (per participant)			$425.00	$430.00	$430.00	$435.00
Four-Day Administrative Assistant Series (per participant)			$320.00	$325.00	$325.00	$330.00
Contract Courses						
Full Day Training (flat fee)			$800.00	$820.00	$820.00	$825.00
Half Day Training (flat fee)			$550.00	$560.00	$560.00	$565.00

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

	Total Agency Impact	General Fund Total
FY 2010	$4,464	$0
FY 2011	$5,463	$0

PL- 106 - Allocate department indirect/admin costs -
This request will fund changes in the department’s indirect costs that are paid by centralized services.

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STATE HUMAN RESOURCES DIVISION-23

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

	Total Agency Impact	General Fund Total
FY 2010	($36,681)	$0
FY 2011	($66,173)	$0

NP- 2301 - Training Development Spec. FTE Funding Switch -

The State Human Resources Division (SHRD) is asking for a funding switch to the general fund of 0.50 FTE in FY 2010 and FY 2011 with an additional funding switch of 0.50 FTE in FY 2011. The cost to the general fund would be $102,854 for the 2011 biennium to make the funding switch for the existing Training Manager position in the Professional Development Center. This position has been supported by proprietary funding since the 1989 biennium.

Funding this position would greatly enhance the State Human Resources Division's efforts in workforce planning. Under current proprietary funding, the Training Manager must allocate the majority of working hours to the classroom in order to generate the revenue to cover personal services. Under general funding, the manager could allocate time to developing and implementing major workforce planning initiatives. The internal service fund rate for the Professional Development Center for the 2011 biennium would not be impacted under this new proposal.

	Total Agency Impact	General Fund Total
FY 2010	$902	$0
FY 2011	$780	$0

NP- 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation -

The Workers' Compensation Management program at the Department of Administration was funded by the 2009 Legislature with a one-time-only general fund appropriation. For the 2011 biennium and beyond, the program will be funded via a fixed cost allocation. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. The budget includes $902 in FY 2010 and $780 in FY 2011 of proprietary funds for the HRSDs allocation of the fixed cost.

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RISK MANAGEMENT & TORT DEFENSE-24

Please note that this program also contains HB 2 funding.

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Brett Dahl x3687

Chief Legal Counsel

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	16.00	0.00	0.00	16.00	0.00	0.00	16.00
Personal Services	931,394	143,085	0	1,074,479	148,376	0	1,079,770
Operating Expenses	4,861,478	61,768	498	4,923,744	46,939	431	4,908,848
Benefits & Claims	8,958,064	0	0	8,958,064	0	0	8,958,064
Total Costs	**$14,750,936**	**$204,853**	**$498**	**$14,956,287**	**$195,315**	**$431**	**$14,946,682**
Proprietary	14,750,936	204,853	498	14,956,287	195,315	431	14,946,682
Total Funds	**$14,750,936**	**$204,853**	**$498**	**$14,956,287**	**$195,315**	**$431**	**$14,946,682**

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

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

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

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

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

State agencies operate prisons, supervise parolees, maintain highways, regulate industries, treat patients at state institutions, supervise foster children, and engage in many other activities that create significant potential for property and liability exposure. Many insurance carriers in today's market are unwilling to accept the kinds of risks that state government presents when other, more profitable alternatives are available.

In February of 2008, the Risk Management & Tort Defense Division contracted with Tillinghast Inc., an actuarial consulting firm, to project the State of Montana's estimated unpaid loss and loss adjustment expenses (i.e. payments for settlements, judgments, verdicts, attorney's fees, adjuster's fees, and associated costs).

Actuarial evaluations provide an estimate of the funding that would be necessary if all of the state's claims and lawsuits for prior fiscal years came due at the same time. For example, actuarial projections of unpaid losses as of 6/30/2008 are estimated at $16,498,123. If the state had to pay all of these losses at once then it would need $16,498,123 on 6/30/2008. Actuarially projected future loss costs for FY10 and FY11 developed to ultimate projected loss for those fiscal years are respectively $5,969,731 and $6,128,587.

Revenues and Expenses - AUTO - State agencies own or lease approximately 9,800 vehicles. Vehicles are used for diverse and high risk activities such as highway maintenance, law enforcement, construction, and off-road travel. These activities present significant liability exposure for the state. Department of Administration initiatives to prevent and mitigate claims through insurance premium discounts, loss prevention, implementation of policies and procedures, and effective claims management have been very successful.

Approximately 9,100 state and university employees have attended defensive driving training since FY00. The number of claims, total incurred losses, and average cost per claim have declined since FY03. Claims, loss expenses, and actuarial estimates of claims payable are trending downward and provide an indication that premiums for this line of insurance should be reduced. Proposed premiums are $1,135,000 for each year of the 2011 biennium.

AVIATION - State agencies own and operate 26 aircraft (including helicopters) that are used for various functions such as law enforcement, game management, fire fighting, transportation of state employees, and aerial topography. The state also owns and operates 15 state airports that connect Montana citizens and visitors. The number of flights into West Yellowstone, for example, totals over 3,000 per year. Historically, the state has had very few aviation losses. The number of claims, total incurred losses, and average cost per claim have been stable since FY03.

Proposed premiums for the 2011 biennium are slightly higher due to an increase in the cost of catastrophic commercial insurance. An actuarial study is not conducted for aviation insurance due to the small number of claims and variability in costs. Proposed premiums are $212,451 for each year of the 2011 biennium and represent a increase of $44,644 each year of the biennium from FY08.

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

The number and variety of potential risks have increased. For example, inmates incarcerated in prisons operated or supervised by the Department of Corrections in 1996 was 1,612 as compared to 2,418 currently. During the same period of time, the number of offenders on probation or parole supervision increased from 5,114 to 13,124. On July 1, 2000 the Department of Transportation assumed responsibility for an additional 7,500 miles of secondary highways formerly maintained by cities and counties. Despite an increase in risk, total incurred losses and average cost per claim have declined since FY02.

Claims, loss expenses, and actuarial estimates of claims payable have declined. Proposed premiums are $6,750,000 for FY10 and FY11 and represent a reduction of $374,501 each year of the biennium.

PROPERTY - State agencies and universities own or lease 4,257 properties with an estimated current replacement cost value in excess of $4 billion. In addition, the state maintains and operates 583 boilers and is responsible for fine art that has an estimated market value in excess of $265,000,000.

The Risk Management & Tort Defense Division self-funds losses that fall below commercial catastrophic insurance deductibles of $250,000 per occurrence. State agencies have experienced numerous, catastrophic losses stemming from arson, earthquake, fire, flood, hail, and wind. State property exposure is significant.

Total incurred losses and average cost per claim have increased significantly since FY02. Proposed premiums are $4,200,000 each year of the biennium and represent a reduction of $240,761 each year of the biennium.

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

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

Premium Development - For purposes of premium development, all insurance premiums are combined into the following decision packages for HB2; auto, aviation, general liability, and property. The development of property/casualty insurance premium for each decision package involves a five-step process: Step 1 - Evaluate historical exposure, losses, and premiums; Step 2 - Project unallocated expenses through FY11; Step 3 - Project allocated expenses through FY11; Step 4 - Determine an appropriate level of premium to achieve funding objectives; Step 5 - Apportion premiums to state agencies and universities based upon historical loss experience and exposure.

2011 BIENNIUM PROPOSED PREMIUMS - Proposed premiums for the 2011 biennium are as follows: Auto - FY10 and FY11, $1,135,000 each year of the biennium; Aviation – FY10 and FY11,$212,451 each year of the biennium; General Liability- FY10 and FY11, $6,750,000 each year of the biennium; and Property - FY10 and FY11, $4,200,000 each year of the biennium.

Premiums for FY10 and FY11 are apportioned based upon exposure and uniform reductions in loss experience as follows:

Auto: Total auto premium collections of $1,135,000 each year of the biennium is comprised of two separate insurance coverages: auto comp/collision FY10-$417,252 and FY11-$445,432 and auto liability premium FY10-$717,748 and FY11-$689,568. Auto comp/collision premiums for FY10 and FY11 are based upon total values of reported vehicles. Auto liability premiums are based upon agency losses and the number of vehicles reported. Auto insurance premiums decline each year of the biennium. Premium reductions will be applied uniformly across agencies.

Aviation: Aviation premium of $212,451 in FY10 and FY11 is allocated to those agencies that have aircraft based upon charges from commercial insurance carriers for each aircraft, depending on the year, make, model, and value of the aircraft. Airport premium is apportioned to those agencies that have airports based upon the number **of airports.**

General Liability: Total general liability premium of $6,750,000 each year of the biennium is comprised of commercial coverage and self-insured coverage as follows: commercial coverage FY10-$72,951 and FY11 $72,951 and self-insured coverage FY10-$6,677,049 and FY11-$6,677,049. Commercial coverage charges are negotiated with commercial insurance carriers. Self-insured coverage collections are $6,677,049 in FY10 and FY11 (a 5% reduction from FY08). Reductions in premium each year of the biennium will be applied uniformly across agencies.

Property: Property insurance premium of $4,200,00 is allocated to each agency based its percentage of reported exposures (e.g. building replacement cost values, boilers & machinery, etc.).

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

2011 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06532	Agency Insurance Int Srv	61010	Department of Administration	Risk Management & Tort Defense

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Revenue from Fee F	-	-	-	-	-	-
Net Fee Revenue	-	-	-	-	-	-
Investment Earnings	775,979	1,266,853	1,113,873	1,200,000	1,200,000	1,200,000
Securities Lending Income	13,528	1,507	35,882	-	-	-
Premiums	13,932,064	13,973,693	12,349,788	12,900,022	12,297,451	12,297,451
Other Operating Revenues	192	153	193	-	-	-
Total Operating Revenue	14,721,763	15,242,206	13,499,736	14,100,022	13,497,451	13,497,451
Operating Expenses:						
Personal Services	771,833	860,801	885,617	1,040,091	1,074,479	1,079,770
Other Operating Expenses and Benefits and Claims	2,941,330	7,862,388	15,382,879	12,630,617	13,881,808	13,866,912
Total Operating Expenses	3,713,163	8,723,189	16,268,496	13,670,708	14,956,287	14,946,682
Operating Income (Loss)	**11,008,600**	**6,519,017**	**(2,768,760)**	**429,314**	**(1,458,836)**	**(1,449,231)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	37,518	375,586	96,897	-	-	-
Net Nonoperating Revenues (Expenses)	37,518	375,586	96,897	-	-	-
Income (Loss) Before Operating Transfers	11,046,118	6,894,603	(2,671,863)	429,314	(1,458,836)	(1,449,231)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	296,251	103,808	1,681,152	383,885	383,885	383,885
Operating Transfers Out (Note 13)	-	-	(941,583)	(126,576)	-	-
Change in net assets	11,342,369	6,998,411	(1,932,294)	686,623	(1,074,951)	(1,065,346)
Total Net Assets- July 1 - As Restated	(9,819,839)	1,522,530	8,520,941	6,588,932	7,275,555	6,200,604
Prior Period Adjustments	-	-	285	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	(9,819,839)	1,522,530	8,521,226	-	-	-
Net Assets- June 30	**1,522,530**	**8,520,941**	**6,588,932**	**7,275,555**	**6,200,604**	**5,135,258**
60 days of expenses (Total Operating Expenses divided by 6)	618,861	1,453,865	2,711,416	2,278,451	2,492,715	2,491,114

Requested Rates for Internal Service Funds
Fee/Rate Information

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Premium						
Auto/Comp/Collision	1,604,213	1,613,363	1,097,185	1,146,000	1,135,000	1,135,000
Aviation	174,014	174,003	167,807	185,931	212,451	212,451
General Liability	7,203,992	7,242,383	7,064,383	7,124,500	6,750,000	6,750,000
Property/Miscellaneous	4,949,845	4,943,944	4,020,413	4,443,591	4,200,000	4,200,000
Total	13,932,064	13,973,693	12,349,788	12,900,022	12,297,451	12,297,451

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

	Total Agency Impact	General Fund Total
FY 2010	$29,385	$0
FY 2011	$30,811	$0

PL- 106 - Allocate department indirect/admin costs -
This request will fund changes in the department’s indirect costs that are paid by centralized services.

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

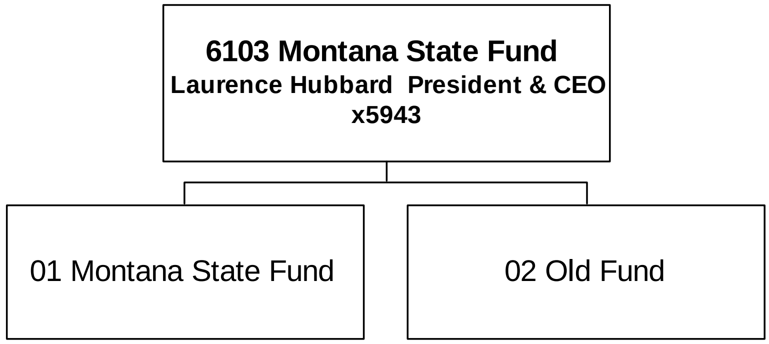
--New Proposals--

	Total Agency Impact	General Fund Total
FY 2010	$498	$0
FY 2011	$431	$0

NP- 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation -

The Workers' Compensation Management program at the Department of Administration was funded by the 2009 Legislature with a one-time-only general fund appropriation. For the 2011 biennium and beyond, the program will be funded via a fixed cost allocation. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. The budget includes $498 in FY 2010 and $431 in FY 2011 of proprietary funds.

STATE COMPENSATION INS FUND - 6103



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

Vision Statement:
'Montana State Fund is committed to the health and economic prosperity of Montana through superior service, leadership and caring individuals working in an environment of teamwork, creativity and trust.'

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

Montana State Fund oversees two programs:

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

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

Management and control of Montana State Fund is vested solely in a seven-member board of directors (board) appointed by the Governor. The board is vested with full power, authority, and jurisdiction over Montana State Fund. The board may perform all acts necessary or convenient in the exercise of any power, authority, or jurisdiction over the state fund, either in the administration of the state fund or in connection with the insurance business to be carried on under the provisions of this part, as fully and completely as the governing body of a private mutual insurance carrier, in order to fulfill the objectives and intent of this part, 39-71-2315, MCA

Two members of the Economic Affairs Interim Committee are legislative liaisons to the Montana State Fund Board of Directors as provided in 2-15-1019(8), MCA. The liaisons attend Montana State Fund board meetings and receive board meeting agendas and information relating to agenda items.

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

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

STATE COMPENSATION INS FUND - 6103

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

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

Agency Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	298.00	0.00	0.00	298.00	0.00	0.00	298.00
Personal Services	21,992,116	896,244	0	22,888,360	1,787,398	0	23,779,514
Operating Expenses	26,316,040	2,641,969	0	28,958,009	2,238,074	0	28,554,114
Equipment & Intangible Assets	2,764,066	592,714	0	3,356,780	(936,529)	0	1,827,537
Benefits & Claims	139,576,447	15,702,558	0	155,279,005	24,157,756	0	163,734,203
Total Costs	**$190,648,669**	**$19,833,485**	**$0**	**$210,482,154**	**$27,246,699**	**$0**	**$217,895,368**
Proprietary	190,648,669	19,840,705	0	210,489,374	27,254,801	0	217,903,470
Total Funds	**$190,648,669**	**$19,840,705**	**$0**	**$210,489,374**	**$27,254,801**	**$0**	**$217,903,470**

STATE COMPENSATION INS FUND – 6103
NEW FUND - 01

01 Montana State Fund
Executive Offices
Laurence Hubbard x5943

General Counsel
Nancy Butler x7725

Operations
Richard Root x0031

Corporate Support
Mark Barry x6494

Operations Support
Peter Strauss x7003

Information Technology
Al Parisian x6569

Human Resources
Tony Johnson x6511

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	298.00	0.00	0.00	298.00	0.00	0.00	298.00
Personal Services	21,992,116	896,244	0	22,888,360	1,787,398	0	23,779,514
Operating Expenses	26,119,777	2,617,141	0	28,736,918	2,208,973	0	28,328,750
Equipment & Intangible Assets	2,764,066	592,714	0	3,356,780	(936,529)	0	1,827,537
Benefits & Claims	128,288,792	16,358,224	0	144,647,016	25,039,465	0	153,328,257
Total Costs	**$179,164,751**	**$20,464,323**	**$0**	**$199,629,074**	**$28,099,307**	**$0**	**$207,264,058**
Proprietary	179,164,751	20,471,543	0	199,636,294	28,107,409	0	207,272,160
Total Funds	**$179,164,751**	**$20,471,543**	**$0**	**$199,636,294**	**$28,107,409**	**$0**	**$207,272,160**

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

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

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

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

STATE COMPENSATION INS FUND – 6103
NEW FUND - 01

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

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

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

Montana State Fund's Board of Directors is the approving authority for Montana State Fund's annual budget (39-71-2363, MCA). The board has not approved the expenditure levels in the following budget table for the 2009 Biennium. Changes in business conditions and the competitive market in which Montana State Fund operates, as well as changing trends in medical and indemnity benefits, will result in changes to the budgets the Board of Directors will ultimately approve in the 2011 Biennium.

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

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

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

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

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

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

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

STATE COMPENSATION INS FUND – 6103
NEW FUND - 01

	Total Agency Impact	General Fund Total
FY 2010	$21,528,240	$0
FY 2011	$29,243,960	$0

PL- 1 - Adjust MBARS to MSF staff estimate for State Fund -
Montana State Fund and the Old Fund's budgets are annually approved by Montana State Fund's Board of Directors as provided in law. The budget data provided for the biennium reflects staff estimates of the FY10 and FY11 annual budgets using the Montana State Fund's FY09 Strategic Business Plan and board approved FY09 budget as the basis of these estimates. The FY 2010 and FY 2011 budgets reflect expenditures of continued operations under current law, payment of benefits to injured employees, estimated impacts FY09 strategic initiatives, and initiatives expected in FY 2010 and FY 2011.

STATE COMPENSATION INS FUND – 6103
OLD FUND - 02

02 Old Fund
Laurence Hubbard x5943
Mark Barry x6454

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	0	0	0	0	0	0	0
Operating Expenses	196,263	24,828	0	221,091	29,101	0	225,364
Benefits & Claims	11,287,655	(655,666)	0	10,631,989	(881,709)	0	10,405,946
Total Costs	**$11,483,918**	**($630,838)**	**$0**	**$10,853,080**	**($852,608)**	**$0**	**$10,631,310**
Proprietary	11,483,918	(630,838)	0	10,853,080	(852,608)	0	10,631,310
Total Funds	**$11,483,918**	**($630,838)**	**$0**	**$10,853,080**	**($852,608)**	**$0**	**$10,631,310**

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

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

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

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

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

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

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

Revenues and Expenses -
Old Fund revenues are from investment income only. The Old Fund has no premium income, nor does it have income from the terminated Old Fund Liability Tax.

STATE COMPENSATION INS FUND – 6103
OLD FUND - 02

Rate Explanation -There is no rate setting associated with the Old Fund.

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

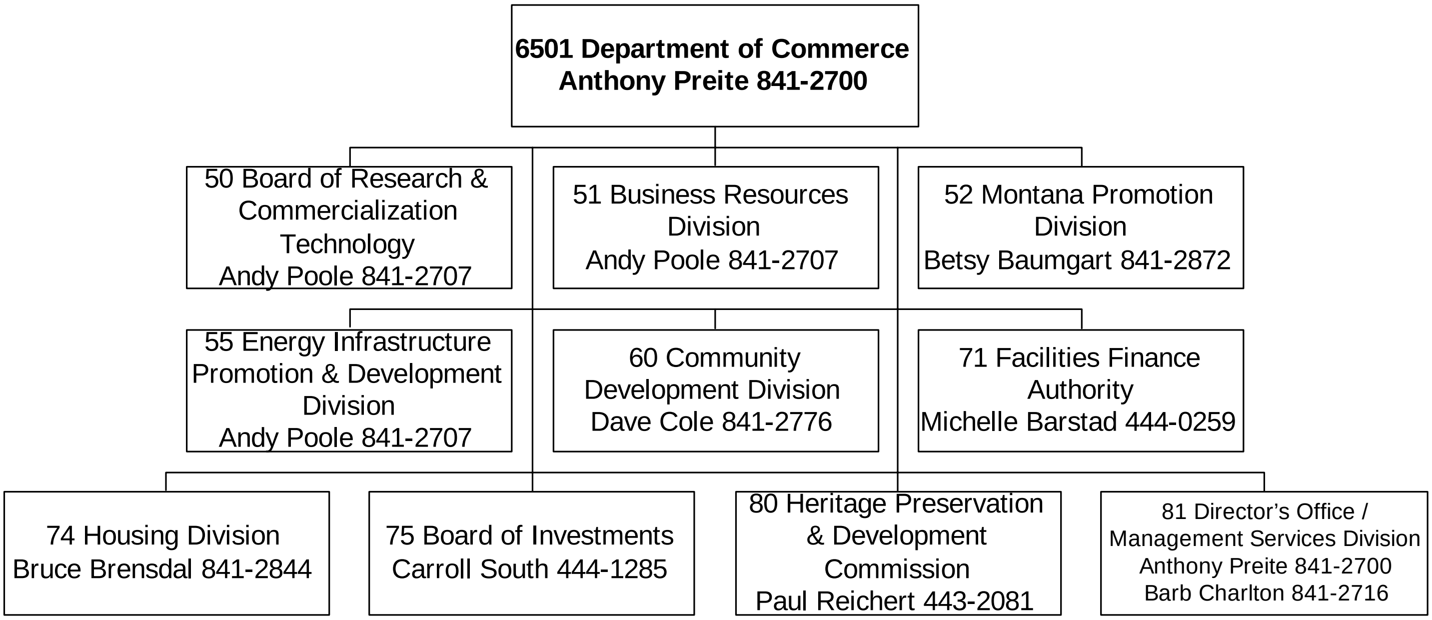
	Total Agency Impact	General Fund Total
FY 2010	($630,838)	$0
FY 2011	($852,608)	$0

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

This decision package is being used to adjust MBARS to reflect State Fund staff estimates of FY10 and FY11 annual budgets.

DEPARTMENT OF COMMERCE-6501

Please note that this agency also contains HB 2 funding.



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

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

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

Agency Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	94.50	1.00	0.00	95.50	1.00	0.00	95.50
Personal Services	5,892,486	506,312	0	6,398,798	526,138	0	6,418,624
Operating Expenses	4,960,342	2,476,728	2,958	7,440,028	2,387,961	2,564	7,350,867
Equipment & Intangible Assets	38,779	52,546	0	91,325	(3,554)	0	35,225
Grants	1,343,152	271,604	0	1,614,756	321,604	0	1,664,756
Benefits & Claims	32,815,064	6,284,935	0	39,099,999	8,184,935	0	40,999,999
Total Costs	**$45,049,823**	**$9,592,125**	**$2,958**	**$54,644,906**	**$11,417,084**	**$2,564**	**$56,469,471**
Proprietary	45,049,823	9,592,125	2,958	54,644,906	11,417,084	2,564	56,469,471
Total Funds	**$45,049,823**	**$9,592,125**	**$2,958**	**$54,644,906**	**$11,417,084**	**$2,564**	**$56,469,471**

DEPARTMENT OF COMMERCE-6501
FACILITY FINANCE AUTHORITY-71

Please note that this program also contains HB 2 funding.

71 Facilities Finance Authority
Michelle Barstad 444-0259

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	3.00	0.00	0.00	3.00	0.00	0.00	3.00
Personal Services	147,721	46,145	0	193,866	46,197	0	193,918
Operating Expenses	183,070	18,471	113	201,654	7,421	98	190,589
Grants	38,396	21,604	0	60,000	21,604	0	60,000
Total Costs	**$369,187**	**$86,220**	**$113**	**$455,520**	**$75,222**	**$98**	**$444,507**
Proprietary	369,187	86,220	113	455,520	75,222	98	444,507
Total Funds	**$369,187**	**$86,220**	**$113**	**$455,520**	**$75,222**	**$98**	**$444,507**

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

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

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

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

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

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

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

	FY 2008	%
521135	$ 1,583.00	0.273%
521136	$ 323,009.51	55.647%
521137	$ 85,583.54	14.744%
521190	$ 31,121.77	5.362%
522110	$ 2,387.75	0.411%
530025	$ 17,433.56	3.003%
538006	$ 116,004.46	19.985%
531644	$ 3,336.15	0.575%
Totals:	$ 580,459.74	100.000%

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

	FY 2008	%
FTE	3	
Personal Services	$ 153,131.00	40.769%
Operating Expenses	$ 184,079.00	49.009%
Grants	$ 38,396.00	10.222%
Transfers	$ -	0.000%
Totals:	$ 375,606.00	100.000%

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

For the purposes of this analysis, it is assumed the authority's ongoing work and customer levels remain constant. Non-typical and one time only expenses, if any, are subtracted from any proposed budgets. Personal services expenditures fund 3.00 FTE and board member per diem.

Working Capital Discussion - The 60 day Working Capital Calculation is not reasonably applicable to the authority because national bond rating agencies, national bond insurers, and institutional investors expect the Authority to reserve two years operating capital (approximately $907,194) to assure that the authority can financially operate between legislative sessions.

Fund Equity and Reserved Fund Balance - The Total Fund Equity requirement for the 2011 biennium ($13,805,340) is derived from the following Authority Program Reserve mandates:

- Biennium Working Capital Reserve; $900,334
- Capital Reserve Account (Loan Loss Reserve); $11,778,034
- Facility Direct Loan Program Reserve; $1,126,972

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

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

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Administrative Fees	443,876	583,648	443,686	435,400	435,400	435,400
Investment Earnings	103,475	143,125	133,438	133,550	133,550	133,550
Securities Lending Income	1,430	131	3,336	3,400	3,400	3,400
Total Operating Revenue	548,781	726,904	580,460	572,350	572,350	572,350
Operating Expenses:						
Personal Services	162,582	145,695	153,131	229,292	193,866	193,918
Other Operating Expenses	160,863	178,464	222,475	179,790	261,809	250,741
Total Operating Expenses	323,445	324,159	375,606	409,082	455,675	444,659
Operating Income (Loss)	**225,336**	**402,745**	**204,854**	**163,268**	**116,675**	**127,691**
Nonoperating Revenues (Expenses):						
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	225,336	402,745	204,854	163,268	116,675	127,691
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	225,336	402,745	204,854	163,268	116,675	127,691
Total Net Assets- July 1	2,484,196	2,709,532	3,112,276	3,317,130	3,480,398	3,597,073
Prior Period Adjustments	-	(1)	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	2,484,196	2,709,531	3,112,276	3,317,130	3,480,398	3,597,073
Net Assets- June 30	**2,709,532**	**3,112,276**	**3,317,130**	**3,480,398**	**3,597,073**	**3,724,764**
60 days of expenses (Total Operating Expenses divided by 6)	53,908	54,027	62,601	68,180	75,946	74,110

Requested Rates for Enterprise Funds
Fee/Rate Information

Application Fee:

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

Annual Fee:

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

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

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

	Total Agency Impact	General Fund Total
FY 2010	$36,600	$0
FY 2011	$37,014	$0

PL- 7101 - FFA Administrative Costs Adjustments HB0576 -
The executive requests overtime, per diem, rent, administrative costs, and planning and studies of small hospitals in the amount of $36,600 in FY 2010 and $37,014 in FY 2011 in Facility Finance Authority Program. The funding source for the request is proprietary funds.

--New Proposals--

	Total Agency Impact	General Fund Total
FY 2010	$113	$0
FY 2011	$98	$0

NP- 6101 - HB 576 Fixed Cost Workers Comp Management Program –
The Workers' Compensation Management program at the Department of Administration was funded by the 2009 Legislature with a one-time-only general fund appropriation. For the 2011 Biennium and beyond, the program will be funded via a fixed cost allocation. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. The budget includes $113 in FY 2010 and $98 in FY 2011 proprietary fund for the FFAs allocation of the fixed cost.

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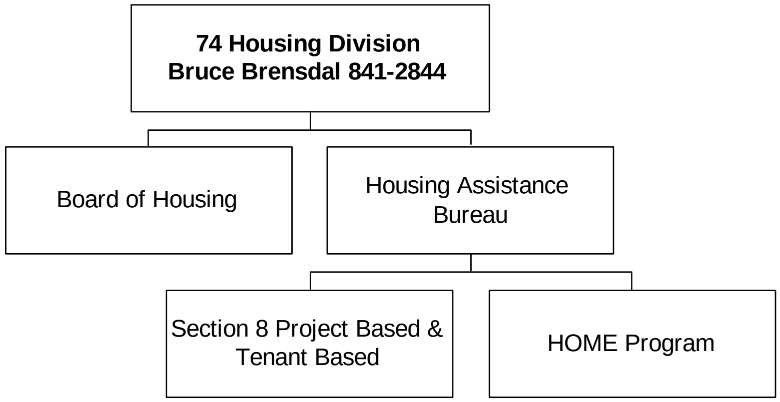
Please note that this program also contains HB 2 funding.



Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	40.50	1.00	0.00	41.50	1.00	0.00	41.50
Personal Services	2,014,739	199,624	0	2,214,363	207,416	0	2,222,155
Operating Expenses	2,457,672	2,038,955	1,564	4,498,191	2,011,374	1,355	4,470,401
Equipment & Intangible Assets	29,025	45,000	0	74,025	0	0	29,025
Grants	1,304,756	250,000	0	1,554,756	300,000	0	1,604,756
Benefits & Claims	32,815,064	6,284,935	0	39,099,999	8,184,935	0	40,999,999
Total Costs	**$38,621,256**	**$8,818,514**	**$1,564**	**$47,441,334**	**$10,703,725**	**$1,355**	**$49,326,336**
Proprietary	38,621,256	8,818,514	1,564	47,441,334	10,703,725	1,355	49,326,336
Total Funds	**$38,621,256**	**$8,818,514**	**$1,564**	**$47,441,334**	**$10,703,725**	**$1,355**	**$49,326,336**

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

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

Section 8 Housing HB 576 Program Description - Project Based Section 8 Contract Administration (PBS8):

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

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

Tenant Based Section 8 Contract Administration (TBS8):

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

The Tenant Based Section 8 program is funded by enterprise accounting entity 06075 with revenues derived from a performance based Annual Contribution Contract with HUD. There are no direct appropriations provided in HB 2; the Tenant Based Section 8 program is completely self-supporting.

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

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

Revenues and Expenses - Board of Housing HB 576 Revenues, Expenses, and Fund Equity:

Revenue Description: Mortgage & Investment Income -The board’s income is primarily from Mortgage and Investment income. Mortgage Income is the interest people pay on loans used to purchases their homes and is limited by the Internal Revenue Service as a condition of using tax-free bonds as a financing source. Mortgage income is also controlled by the national financial markets which set both mortgage rates and bond financing rates. 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. Both future Mortgage Income and Investment Income for the board depend on the interest rate environment which is determined by the national financial markets.

Other Income:

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

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

	FY 2008	%
512033	$ 846.03	0.001%
525130	$ 36,040.00	0.059%
526062	$ 247,264.37	0.406%
530014	$ 1,145,528.50	1.882%
530025	$ 47,402.19	0.078%
531644	$ 1,527.02	0.003%
538040	$ (295,625.95)	-0.486%

538041*	$ 49,789,379.04	81.782%
538042	$ 9,662,602.33	15.871%
538046	$ 5,055.79	0.008%
584001	$ 5,393.52	0.009%
584010	$ 896.77	0.001%
599001	$ 234,382.40	0.385%
Totals:	$ 60,880,692.01	100.000%

* Investment Income includes Government Accounting Standards Board (GASB) market value adjustment. GASB 31 requires that long-term investments be valued at market and any changes since the previous year be added or subtracted from Investment Income. Since no actual gain or loss occurs, this adjustment artificially affects the Investment Income amount presented.

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

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

	FY 2008	%
FTE	21.50	
Personal Services	$ 1,116,986.71	2.072%
Operating Expenses	$ 1,734,699.00	9.452%
Debt Service	$ 51,059,987.00	87.759%
Total:	$ 53,911,672.71	100.000%

*The board currently operates with a staff of 21.50 people in 21.50 Full Time Equivalent (FTE) positions. Fiscal Year (FY) 2008 Servicing and Operations expenses are for SABHRS Funds 06030, 06031, 06078, and 06079.

Working Capital Discussion - The board recovers its costs from charging application and compliance fees for the Low Income Tax Credit Program and from charging a spread on our loan programs. Any income the board earns is used to fund special programs that meet the needs of Montana families that are not being met by our regular programs. These funds are pledged to the bondholders.

Loan Program Charges:
The board earns the bulk of its income from the spread between the interest yield on the Single Family Mortgage loans and the yield on the bonds. The IRS allows the board to earn 1 ½% on Pre 1980 Single Family Programs, 1 1/8% on the Post 1980 Single Family Programs and 1 ½% on Multifamily Programs. According to tax law certain costs must be included in the amount that the board can earn including origination points, operating expenses and servicing fees. It is also necessary that the board not earn the full spread in order to offer lower mortgage rates.

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

Low Income Housing Tax Credit Charges:
The board receives approximately $2.1 million dollars of tax credit allocation, annually. The board charges 4 1/2% of the amount of tax credit reserved. The board is also required to monitor the projects that receive tax credits to determine if the projects are in compliance with tax credit regulations. The board charges $25 per unit for compliance fees.
Other Loan Programs:
Housing Montana Fund: The interest that will be charged on HRLA loan will range from 2% - 6%.
Reverse Annuity Mortgage Loans (RAM) Charges: The loans accrue interest at 5%.

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

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

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

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

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

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

In addition to the legal requirements mentioned above, the board commits funds to various projects and programs throughout the year. The board has set aside over $200 million of first mortgage funds for special programs. In FY 2006, the board originated approximately $ 28.5 million of loans under this program to households with an average income of $ 28,200, which is below 60% of the median income of the state. As of the end of FY 2006, the board had $21,329,479 in outstanding Recycled Mortgage Program commitments.

The board's budgeted monies (those projected to be needed for the fiscal year's operations) are drawn down from the indentures during the fiscal year. These funds are legally pledged to the trust indentures from which they were drawn and any associated fund balance is reserved for the program from which the budgeted funds were withdrawn.

Section 8 Housing HB 576 Revenues, Expenses, and Fund Equity:

Revenue Description - Both Section 8 Housing programs are funded entirely by enterprise funds; Project Based Section 8 with accounting entity 06074; and Tenant Based Section 8 with accounting entity 06075. There are no direct appropriations provided in HB 2. Both funds revenues are derived from performance based Annual Contribution Contracts with HUD, and both programs are completely self-supporting.

Project Based Section 8 Housing revenues (accounting entity 06074) are primarily recorded in the following SABHRS revenue codes:

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	FY 2008	%
512033	$ 295.63	0.002%
526091	$ 37,700.00	0.206%
530025	$ 62,484.49	0.342%
531626	$ -	0.000%
531644	$ 2,012.88	0.011%
538006	$ 21,273.98	0.116%
594109	$ 935,895.00	5.124%
594111	$ 17,205,294.24	94.198%
Total:	$ 18,264,956.22	100.000%

Tenant Based Section 8 Housing revenues (accounting entity 06075) are primarily recorded in the following SABHRS revenue codes:

	FY 2008	%
512033	$ 514.91	0.003%
530025	$ 284,175.73	1.597%
531644	$ 9,154.45	0.051%
538006	$ 589.75	0.003%
594108	$ 94,055.77	0.529%
594110	$ 21,308.94	0.120%
594112	$ 15,634,106.06	87.875%
594116	$ 135,628.12	0.762%
594117	$ 121,544.17	0.683%
594118	$ 300,492.61	1.689%
594119	$ 113,043.83	0.635%
594120	$ (406.62)	-0.002%
594121	$ 117,267.19	0.659%
594122	$ 38,563.42	0.217%
594124	$ 112,327.86	0.631%
594125	$ 224,190.82	1.260%
594126	$ 288,663.12	1.623%
594127	$ 22,687.70	0.128%
594128	$ 273,312.97	1.536%
Total:	$ 17,791,220.80	100.000%

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

	FY 2008	%
FTE	7	
Personal Services	$ 405,249.00	1.905%
Operating Expenses	$ 217,029.70	1.118%
Benefits and Claims	$ 17,227,916.24	96.977%
Total:	$ 17,850,194.94	100.000%

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

	FY 2008	%
FTE	12	
Personal Services	$ 523,082.00	2.748%
Operating Expenses	$ 433,446.87	1.865%
Grants	$ 1,305,395.48	7.654%
Benefits and Claims	$ 15,609,672.65	87.733%
Total:	$ 17,871,597.00	100.000%

Working Capital Discussion - Revenues are generated in the Project Based Section 8 Contract Administration under a HUD performance based contract using 17 Incentive Based Performance Standards which are calculated by HUD monthly, quarterly, and annually. Revenues generated are required to be used for contract administration. Rental Assistance payments are made based on Contracts negotiated by the PBS8 staff and tenant income data, and are paid and reimbursed monthly by HUD, based on actual program benefits paid to owners.

Revenues for the TBS8 are generated per unit for each rental unit under lease each month. Revenues are used to pay for contract administration of the program. HUD regulations do not allow the PHA to earn new reserve balances after 2003, and old reserve balances are committed to paying program administration costs only and HUD may require their use to pay rental subsidies in the future. Retained earnings are used to supplement interest earnings and older operating reserves in paying for contract administration costs that exceed current revenues. Rental subsidies are paid and reimbursed by HUD. The PHA is not allowed to retain any funds for other than the payment of rents under the program.

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

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

Section 8 Housing Rate Explanation - Both funds revenues are derived from competitively awarded performance based Annual Contribution Contracts with HUD, and both programs are completely self-supporting.

There is little uncertainty in forecasting major cost drivers and for the purposes of this analysis it is assumed the Section 8 programs workload and customer level will remain constant.

The Project Based Section 8 Contract Administration is funded through a performance based contract with HUD, based on a 5 year renewable RFP. We are entering the seventh year, and expect HUD to extend our contract in future years, as we have obtained an outstanding review score in most years we have administered the program. Administrative costs are paid as a fixed percent of the HUD fair market rent, currently 2%, with a provision for another 1% awarded for superior performance, or 1% removed for failure to perform. The amounts received are based in 17 different Incentive Based Performance Standards, each of which is evaluated by HUD. Retained earnings are to be used for operations of this program. Funding for rents is paid by HUD, based on actual contracts negotiated between the department and the 107 individual owners of the projects, set up on a procedure dictated by HUD.

Non-typical and one time only expenses, if any, are subtracted from proposed budgets. The Project Based Section 8 program is authorized 7.00 FTE and the Tenant Based Section 8 program is authorized 12.00 FTE; for a total 19.00 FTE.

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

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Administration Fees	-	56,264	37,700	38,000	38,000	38,000
Investment Earnings	49,866	87,653	83,758	45,000	45,000	45,000
Securities Lending Income	741	97	2,013	2,100	2,100	2,100
Premiums	-	-	-	-	-	-
Other Operating Revenues	17,258,134	17,425,066	18,141,485	20,768,503	21,647,330	22,296,750
Total Operating Revenue	17,308,741	17,569,080	18,264,956	20,853,603	21,732,430	22,381,850
Operating Expenses:						
Personal Services	322,422	356,750	405,249	485,716	352,611	353,440
Other Operating Expenses	16,600,360	16,732,150	17,444,946	20,219,640	20,947,364	21,861,876
Total Operating Expenses	16,922,782	17,088,900	17,850,195	20,705,356	21,299,975	22,215,316
Operating Income (Loss)	**385,959**	**480,180**	**414,761**	**148,247**	**432,455**	**166,534**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	(1,720)	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	(1,720)	-	-	-	-
Income (Loss) Before Operating Transfers	385,959	478,460	414,761	148,247	432,455	166,534
Operating Transfers Out (Note 13)	-	(90)	-	-	-	-
Change in net assets	385,959	478,370	414,761	148,247	432,455	166,534
Total Net Assets- July 1	1,272,600	1,658,559	2,136,929	2,551,689	2,699,936	3,132,391
Prior Period Adjustments	-	-	(1)	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	1,272,600	1,658,559	2,136,928	2,551,689	2,699,936	3,132,391
Net Assets- June 30	**1,658,559**	**2,136,929**	**2,551,689**	**2,699,936**	**3,132,391**	**3,298,925**
60 days of expenses (Total Operating Expenses divided by 6)	2,820,464	2,848,150	2,975,033	3,450,893	3,549,996	3,702,553

Requested Rates for Enterprise Funds
Fee/Rate Information

	Actual FYE 06	Actual FY 07	Actual FY 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Administration Contract						
Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

Base fee rate paid by HUD = 2% time Fair Market Rent for all projects under ACC contract for standard performance, as judged by HUD monthly, quarterly, and annually.

Administration Contract						
Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Performance fee incentive rate based on 17 Incentive Based Performance Standards (IBPS), graded monthly, quarterly, and annually by HUD. Can be either positive or negative, based on whether time standards and performance requirements are met on each of the 17 IBPS standards.
Rate 3 (per unit)

Rents Contract						
Rate	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Amounts for rentals are based on 100% of contracted amounts per unit each month, less tenant share of rents.

Use this space for any specific narrative description of the enterprise rates requested. A detailed published record must be kept in the agency's files.

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

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Administration Fees	-	-	-	-	-	-
Investment Earnings	139,909	305,293	284,765	300,000	300,000	300,000
Securities Lending Income	2,339	360	9,154	9,200	9,200	9,200
Premiums	-	-	-	-	-	-
Other Operating Revenues	18,420,738	20,881,658	17,497,301	18,228,605	21,152,992	21,807,890
Total Operating Revenue	18,562,986	21,187,311	17,791,220	18,537,805	21,462,192	22,117,090
Operating Expenses:						
Personal Services	500,762	531,728	523,082	485,717	603,121	605,370
Other Operating Expenses	17,726,058	16,349,708	17,348,515	21,510,161	20,507,394	21,453,366
Total Operating Expenses	18,226,820	16,881,436	17,871,597	21,995,878	21,110,515	22,058,736
Operating Income (Loss)	**336,166**	**4,305,875**	**(80,377)**	**(3,458,073)**	**351,677**	**58,354**
Nonoperating Revenues (Expenses):						
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	336,166	4,305,875	(80,377)	(3,458,073)	351,677	58,354
Operating Transfers Out (Note 13)	-	(150)	-	-	-	-
Change in net assets	336,166	4,305,725	(80,377)	(3,458,073)	351,677	58,354
Total Net Assets- July 1	1,874,146	2,210,312	7,239,521	7,159,144	3,701,071	4,052,748
Prior Period Adjustments	-	723,484	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	1,874,146	2,933,796	7,239,521	7,159,144	3,701,071	4,052,748
Net Assets- June 30	**2,210,312**	**7,239,521**	**7,159,144**	**3,701,071**	**4,052,748**	**4,111,102**
60 days of expenses (Total Operating Expenses divided by 6)	3,037,803	2,813,573	2,978,600	3,665,980	3,518,419	3,676,456

Requested Rates for Enterprise Funds Fee/Rate Information

	Actual FY 06	Actual FY 07	Actual FY 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Administration Contract						
Rate	$45.71	$46.25	$54.85	$63.44	$64.07	$64.72

Base fee rate paid by HUD = $45.79 per unit per month under lease for Housing Choice Vouchers, and $45.79 per month for each unit under HAP contract on Mod Rehab. Estimate increases of 3.5% per year for FY 2006 and FY 2007.

Under HUD contract, for every family with 3 or more minors which either leases the first time or moves; HUD will pay a fee of $75.00.

Homeownership Start-up Fee						
Rate	$1,000.00	$1,000.00	$1,000.00	$1,000.00	$1,000.00	$1,000.00

Under HUD contract, for every family the program starts in Homeownership Vouchers Homeownership Assistance, HUD allows a fee of $1,000.

Project Based Section 8 Opt-Out Start-up Fee						
Rate	$250.00	$250.00	$250.00	$250.00	$250.00	$250.00

Under HUD contract, for every unit HUD approves transferring from Project Based Section 8 to the Housing Choice Vouchers Program, HUD provides reimbursement of start-up expenses of $250.

Rents Contract						
Rate	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Amounts for rentals are based on 100% of contracted amounts per unit each month, less tenant share of rents.

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

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10
Operating Revenues:					
Fee revenue					
Administrative Fees	381,119	380,387	283,304	225,000	360,106
Investment Earnings	6,620,427	10,523,888	10,860,589	10,854,631	12,692,029
Securities Lending Income	610	91	1,527	1,350	1,350
Other Operating Revenues	38,721,770	44,069,482	49,494,600	62,500,000	73,497,320
Total Operating Revenue	45,723,926	54,973,848	60,640,020	73,580,981	86,550,805
Operating Expenses:					
Personal Services	978,777	971,796	1,116,987	1,130,152	1,258,631
Other Operating Expenses	1,886,744	1,940,194	1,734,699	2,720,786	3,779,902
Debt Service Expenses	41,238,457	46,198,572	51,059,987	65,819,096	76,685,769
Total Operating Expenses	44,103,978	49,110,562	53,911,673	69,670,034	81,724,302
Operating Income (Loss)	**1,619,948**	**5,863,286**	**6,728,347**	**3,910,947**	**4,826,503**
Nonoperating Revenues (Expenses):					
Gain (Loss) Sale of Fixed Assets	-	(3,624)	-	-	-
Federal Indirect Cost Recoveries	7,450	1,525	6,290	-	-
Other Nonoperating Revenues (Expenses)	422,936	377,520	234,382	227,351	220,530
Net Nonoperating Revenues (Expenses)	430,386	375,421	240,672	227,351	220,530
Income (Loss) Before Operating Transfers	2,050,334	6,238,707	6,969,019	4,138,298	5,047,033
Operating Transfers Out (Note 13)	-	-	-	-	-
Change in net assets	2,050,334	6,238,707	6,969,019	4,138,298	5,047,033
Total Net Assets- July 1 - As Restated	137,960,360	139,999,136	146,237,840	153,206,858	157,345,155
Prior Period Adjustments	(11,558)	(3)	(1)	-	-
Total Net Assets - July 1 - As Restated	137,948,802	139,999,133	146,237,839	153,206,858	157,345,155
Net Assets- June 30	**139,999,136**	**146,237,840**	**153,206,858**	**157,345,155**	**162,392,188**
60 days of expenses					
(Total Operating Expenses divided by 6)	7,350,663	8,185,094	8,985,279	11,611,672	13,620,717

Fee	Actual FYE 06	Actual FY 07	Actual FY 08	Budgeted FY 09	Budgeted FY 10
Cancellation fees-Single Family Program	1/2 of 1 % of the loan amount reserved	No Change	No Change	No Change	No Change
Extension Fee	1/4 of 1% of the loan amt for 30 days	No Change	No Change	No Change	No Change
Late Fee	1/2 of 1% of the loan amt for 30 days	No Change	No Change	No Change	No Change
Pre 1980 Single Family Programs	1 1/2% spread between mortgage interest rate and bond yield. No limit on investment earnings	No Change	No Change	No Change	No Change
Post Single Family Programs	1 1/8% spread between mortgage interest rate and bond yield. Investment earnings limited to the bond yield	No Change	No Change	No Change	No Change

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

	Total Agency Impact	General Fund Total
FY 2010	$56,992	$0
FY 2011	$53,517	$0

PL- 7401 - HD Board of Housing FTE HB0576 -
The Montana Board of Housing (MBOH) requests 1.00 FTE to meet increased workload in the Single-Family Homeownership Program   The Single Family Homeownership Program has not increased staff since the mid 1990's.

	Total Agency Impact	General Fund Total
FY 2010	$52,500	$0
FY 2011	$32,500	$0

PL- 7402 - HD Housing Assistance Bureau Imaging HB0576 -
The Housing Assistance Bureau is asking for budget authority to institute electronic imaging in the Tenant and Project Based Section 8 housing programs. The programs currently maintain physical files, which occupy a significant amount of prime office space as well as storage space for archived files.

	Total Agency Impact	General Fund Total
FY 2010	$75,000	$0
FY 2011	$15,000	$0

PL- 7403 - HD Software & Software Maint. & Training HB0576 -
This decision package implements software upgrades to key Housing Division Applications. The division's (BOH, PBS8, TBS8, HOME) primary software applications (Emphasis, HDS and HAPPY) will be updated as vendor provides new software releases or upgrades to meet the requirements of our business partners and regulations within our industry segments.

	Total Agency Impact	General Fund Total
FY 2010	$6,534,935	$0
FY 2011	$8,484,935	$0

PL- 7408 - HD Section 8 Housing Assistance Adjustments HB0576 -
The Housing Assistance Bureau is adjusting the amount of rental assistance payments to match costs necessary to assure full payment for leased units in the HUD Tenant and Project Based Section 8 rental assistance programs in the 2011 biennium. These programs need authority in place to match federal budgets for rent payments. Rental assistance payments are projected to increase by 7%.

	Total Agency Impact	General Fund Total
FY 2010	$1,886,785	$0
FY 2011	$1,977,833	$0

PL- 7410 - HD Administrative Costs Adjustments HB0576 -
The Executive requests overtime, per diem, consulting services, foreclosure fees, property management, rent, indirect costs and other administrative adjustments. These adjustments are funded with proprietary funds.

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--New Proposals--

	Total Agency Impact	General Fund Total
FY 2010	$1,564	$0
FY 2011	$1,355	$0

NP- 6102 - HB 576 Fixed Cost Workers Comp Mgmt Pgm –
The Workers' Compensation Management program at the Department of Administration was funded by the 2009 Legislature with a one-time-only general fund appropriation. For the 2011 Biennium and beyond, the program will be funded via a fixed cost allocation. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. The budget includes $1,564 in FY 2010 and $1,355 in FY 2011 proprietary funds for the Housing Division's allocation of the fixed cost.

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Please note that this program also contains HB 2 funding.

75 Board of Investments
Carroll South 444-1285

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	34.00	0.00	0.00	34.00	0.00	0.00	34.00
Personal Services	2,596,332	202,084	0	2,798,416	208,964	0	2,805,296
Operating Expenses	2,085,899	406,040	1,281	2,493,220	353,880	1,111	2,440,890
Equipment & Intangible Assets	6,200	0	0	6,200	0	0	6,200
Total Costs	**$4,688,431**	**$608,124**	**$1,281**	**$5,297,836**	**$562,844**	**$1,111**	**$5,252,386**
Proprietary	4,688,431	608,124	1,281	5,297,836	562,844	1,111	5,252,386
Total Funds	**$4,688,431**	**$608,124**	**$1,281**	**$5,297,836**	**$562,844**	**$1,111**	**$5,252,386**

Program Description - The Board of Investments manages the Unified Investment Program mandated by Article VIII, Section 13 of the Montana Constitution. Section 2-15-1808 created the Board of Investments and Section 17-6-201, MCA, gave the board sole authority to invest state funds. The board also invests local government funds at their discretion. The Board currently manages an investment portfolio with a market value of approximately $13 billion. The board manages the portfolio under the "prudent expert principle."

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

In-State Investments - Section 17-6-305, MCA authorizes the board to invest 25 percent of the Permanent Coal Tax Trust Fund to assist Montana's economic development. This "In-State Investment Program" makes business loans from the Trust Fund in participation with financial institutions. The board lends Trust Fund monies to local governments to fund infrastructure that will serve job-creating businesses locating in the government's jurisdiction. The board also lends low-interest monies funded from the Trust Fund to value-added type businesses creating jobs. Throughout Fiscal 2008, the board purchased Montana residential mortgages with pension funds as part of the In-State Investment Program.

INTERCAP Program - The board sells tax-exempt bonds and lends the proceeds to eligible governments for a variety of projects. Loan terms range from one to 15 years, and short-term loans to finance cash flow deficits or bridge financing are also available. The INTERCAP and In-State Investment Programs were created in fiscal year 1984 as part of the "Build Montana" program.

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

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

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

There has been no significant change in the services provided by the Board of Investments from those provided in the last biennium, although the investment portfolio continues to grow in size and complexity.

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

Nearly all Investment Program revenues (accounting entity 06527, an internal service fund) are generated from charges to each account that the board invests. The revenue objective of the Investment Program is to fairly assess the costs of operations while maintaining a reasonable and prudent 60 day working capital reserve.

The Board of Investments does not receive any direct appropriations.

FY 2008 base year funding, by fund type for the Investment Program, fund 06527 is as follows:

	FY 2008	%
General Fund	$ 155,440.26	3.390%
State Special	$ 72,295.05	1.576%
Federal Special	$ 3,835.89	0.084%
Proprietary	$ 308,660.92	6.731%
Expendable Trust	$ 107,169.00	2.337%
Non Expendable Trust	$ 3,749,549.60	81.764%
Local Government	$ 132,948.47	2.899%
University	$ 45,773.50	0.998%
Debt Service	$ 10,143.31	0.221%
Total:	$ 4,585,816.00	100.000%

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

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

	FY 2008	%
525130	$ 33,321.47	0.731%
530008	$ 214,512.54	4.707%
530010	$ 649,568.23	14.253%
530014	$ 147,098.42	3.228%
530025	$ 9,971.57	0.219%
530029	$ 26,446.00	0.580%
530030	$ (3,624.19)	-0.080%
531644	$ 321.22	0.007%
538043	$ 3,425,901.00	76.360%
Total:	$ 4,503,516.26	100.00%

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Investment Program revenues (accounting entity 06527) are primarily recorded in the following SABHRS revenue codes:

	FY 2008	%
521055	$ 4,585,816.00	100.000%

Expense Description - The major cost drivers within the Board of Investments are personal services, operating expenses and expenditures related to the periodic replacement of computer equipment. Additionally, over $4.105 million was disbursed from accounting entity 06014 in FY 2008 via a statutory appropriation for debt service requirements related to the state's bonding activity.

FY 2008 base year expenditures, for accounting entity 06014 are as follows:

	FY 2008	%
FTE	4	
Personal Services	$ 297,247.00	6.53%
Operating Expenses	$ 149,548.00	3.28%
Debt Service	$ 4,105,985.00	90.19%
Total:	$ 4,552,780.00	100.00%

FY 2008 base year expenditures, for accounting entity 06527 are as follows:

	FY 2008	%
FTE	30	
Personal Services	$ 2,359,279.00	52.32%
Operating Expenses	$ 2,042,537.00	47.68%
Total:	$ 4,401,816.00	100.00%

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

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

Non-typical and one time only expenses, if any, are subtracted from proposed budgets. The Board of Investments is authorized 34.00 FTE (approximately 30.00 funded from accounting entity 06527, and 4.00 funded from accounting entity 06014) and personal services expenditures include board member per diem.

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

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

Fund Equity and Reserved Fund Balance - At the proposed rates, the Department projects a fiscal year end 2011 ending working capital reserve of approximately 60 days for accounting entity 06527. All interest earnings on the working capital reserve are distributed to the state general fund.

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Rate Explanation -Rate Explanation - The Board of Investments recovers its costs from the entities that use its services. Typically, this has been done by requesting a maximum level of expenditures similar to what occurs in HB 2 and setting the fee at that level. This process has worked very well since the passage of HB 576 and this methodology is continued in the 2011 biennium because it provides an easy comparison with historical financial activity.

Significant Present Law - The Board of Investments fund 06527 has three decision packages which effect portfolio assessments.

Fixed Income Analytics Systems:

The board manages a $4.5 billion fixed income portfolio that includes all the state's major trusts, pensions, and the State Fund. The board has never had access to a fixed-income analytics system that permits a drill down to the security level to provide the type of information needed to assist in managing the portfolios. The board has hired a new fixed income portfolio manager and plans to subscribe to an analytical system sometime in the fall of 2008. The annualized costs should be built into the 2011 biennium budget. Estimated annualized cost for this is $150,000 per year.

	FY 2010	FY 2011
Requested-Fee Assessment	$ 5,069,728	$ 5,069,728
Decision Package Amount	$ 150,000	$ 150,000
Variance:	$ 4,919,728	$ 4,919,728

Administrative Costs:

The total cost of this decision package is $183,829 in FY 2010 and $209,717 in FY 2011 and is funded from accounting entity 06527. Items requested include adjustments for overtime, Per Diem, rent adjustments, and indirect cost adjustments. The proposal would also provide for annualizing the costs of consulting and professional services fees.

It is estimated that this decision package would impact assessments as follows:

	FY 2010	FY 2011
Requested-Fee Assessment	$ 5,069,728	$ 5,069,728
Decision Package Amount	$ 183,829	$ 193,765
Variance:	$ 4,885,899	$ 4,875,963

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

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Operating Revenues:						
Fee revenue						
Administrative Fees	3,224,490	3,178,921	4,585,816	4,664,072	5,069,728	5,069,728
Total Operating Revenue	3,224,490	3,178,921	4,585,816	4,664,072	5,069,728	5,069,728
Operating Expenses:						
Personal Services	1,884,259	2,252,469	2,359,279	2,444,136	2,603,967	2,682,086
Other Operating Expenses	1,603,959	1,708,723	2,042,537	2,129,818	2,343,644	2,286,321
Total Operating Expenses	3,488,218	3,961,192	4,401,816	4,573,954	4,947,611	4,968,407
Operating Income (Loss)	**(263,728)**	**(782,271)**	**184,000**	**90,118**	**122,117**	**101,321**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	(1,234)	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	(1,234)	-	-	-	-
Income (Loss) Before Operating Transfers	(263,728)	(783,505)	184,000	90,118	122,117	101,321
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	900,000	-	-	-	-
Operating Transfers Out (Note 13)	-	(546)	-	-	-	-
Change in net assets	(263,728)	115,949	184,000	90,118	122,117	101,321
Total Net Assets- July 1	478,290	214,562	330,512	514,512	604,630	726,747
Prior Period Adjustments	-	1	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	478,290	214,563	330,512	514,512	604,630	726,747
Net Assets- June 30 (Fund Balance)	**214,562**	**330,512**	**514,512**	**604,630**	**726,747**	**828,069**
60 days of expenses (Total Operating Expenses divided by 6)	581,370	660,199	733,636	762,326	824,602	828,068

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

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
BOI Administrative Fee Rate	$3,224,490	$3,178,921	$4,585,816	$4,664,072	$5,069,728	$5,069,728

Allocation Methodology: The revenue objective of the Board of Investments is to assess the costs of operations to each portfolio the Board invests while attempting to maintain a reasonable and prudent 60 day working capital reserve.

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Fund	Fund Name	Agency #	Agency Name	Program Name
06014	Industrial Revenue Bond I-95	65010	Dept. of Commerce	Board of Investments

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Operating Revenues:						
Fee revenue						
Fee Revenues	6,794	22,344	33,321	35,000	35,000	35,000
Investment Earnings	570,078	931,678	1,043,973	1,200,000	1,200,000	1,200,000
Securities Lending Income	259	25	321	350	350	350
Other Operating Revenues	3,049,576	3,449,993	3,425,901	5,781,182	3,783,578	3,752,075
Total Operating Revenue	3,626,707	4,404,040	4,503,516	7,016,532	5,018,928	4,987,425
Operating Expenses:						
Personal Services	249,637	256,017	297,247	340,782	320,293	321,080
Operating Expenses	122,185	125,894	149,548	126,267	158,100	163,100
Debt Service Expenses	3,068,932	3,785,524	4,105,985	5,781,182	3,783,578	3,752,075
Total Operating Expenses	3,440,754	4,167,435	4,552,780	6,248,231	4,261,971	4,236,255
Operating Income (Loss)	**185,953**	**236,605**	**(49,264)**	**768,301**	**756,957**	**751,170**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	185,953	236,605	(49,264)	768,301	756,957	751,170
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	(900,074)	-	-	-	-
Change in net assets	185,953	(663,469)	(49,264)	768,301	756,957	751,170
Total Net Assets- July 1	5,168,347	5,354,301	4,690,833	4,641,568	5,409,869	6,166,826
Prior Period Adjustments	1	1	(1)	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	5,168,348	5,354,302	4,690,832	4,641,568	5,409,869	6,166,826
Net Assets- June 30	**5,354,301**	**4,690,833**	**4,641,568**	**5,409,869**	**6,166,826**	**6,917,996**
60 days of expenses (Total Operating Expenses divided by 6)	573,459	694,573	758,797	1,041,372	710,329	706,043

Requested Rates for Enterprise Funds
Fee/Rate Information

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Budgeted Revenues						
Fees & Investment Revenues	$3,626,707	$ 4,404,040	$4,503,516	$ 7,016,532	$5,018,928	$4,987,425

DEPARTMENT OF COMMERCE-6501
BOARD OF INVESTMENTS-75

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

	Total Agency Impact	General Fund Total
FY 2010	$150,000	$0
FY 2011	$150,000	$0

PL- 7501 - BOI Fixed Income Analytics Systems HB0576 -
The Board of Investments (BOI) manages a $4.5 billion fixed income portfolio that includes all the state's major trusts, pensions, and the State Fund. The board has never had access to a fixed-income analytics system that permits a drill down to the security level to provide the type of information needed to assist in managing the portfolios. The board has hired a new fixed income portfolio manager and plans to subscribe to an analytical system sometime in the fall of 2008. The annualized costs should be built into the 2011 biennium budget.

	Total Agency Impact	General Fund Total
FY 2010	$182,080	$0
FY 2011	$207,129	$0

PL- 7502 - BOI Administrative Costs Adjustments HB0576 -
This request is for administrative cost adjustments including overtime, per diem, consulting services, rent, subscriptions, indirect costs, and annualization of non-state network services for a total proprietary funding of $182,080 in FY 2010 and $207,129 in FY 2011.

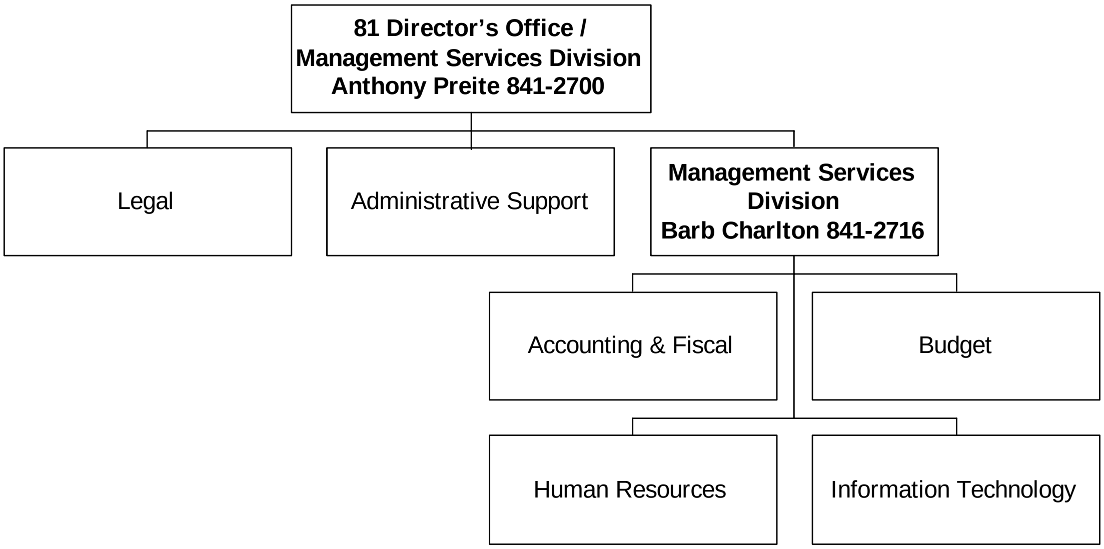
--------------------------------------New Proposals--------------------------------------

	Total Agency Impact	General Fund Total
FY 2010	$1,281	$0
FY 2011	$1,111	$0

NP- 6101 - HB 576 Fixed Cost Workers Comp Management Program –
The Workers' Compensation Management program at the Department of Administration was funded by the 2009 Legislature with a one-time-only general fund appropriation. For the 2011 Biennium and beyond, the program will be funded via a fixed cost allocation. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. The budget includes $1,281 in FY 2010 and $1,111 in FY 2011 proprietary funds for the BOIs allocation of the fixed cost.

DEPARTMENT OF COMMERCE-6501
DIRECTOR/MANAGEMENT SERVICES-81

Please note that this program also contains HB 2 funding.



Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	17.00	0.00	0.00	17.00	0.00	0.00	17.00
Personal Services	1,133,694	58,459	0	1,192,153	63,561	0	1,197,255
Operating Expenses	233,701	13,262	0	246,963	15,286	0	248,987
Equipment & Intangible Assets	3,554	7,546	0	11,100	(3,554)	0	0
Total Costs	**$1,370,949**	**$79,267**	**$0**	**$1,450,216**	**$75,293**	**$0**	**$1,446,242**
Proprietary	1,370,949	79,267	0	1,450,216	75,293	0	1,446,242
Total Funds	**$1,370,949**	**$79,267**	**$0**	**$1,450,216**	**$75,293**	**$0**	**$1,446,242**

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

The Management Services Division provides effective and efficient internal support to Department of Commerce staff, programs, bureaus, division and administratively attached boards in a positive customer service manner. Services provided by the Management Services Division include budgeting, accounting and fiscal management, internal controls, contracting, purchasing, asset management, information technology, human resources, payroll, benefits, training and assistance with the implementation of policies, rules, regulations and statutes.

DEPARTMENT OF COMMERCE-6501
DIRECTOR/MANAGEMENT SERVICES-81

The Director's Office and the Management Services Division are funded through an internal service fund; accounting entity 06542.

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

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

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

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

The Director's Office/Management Services Division provides all of the services listed in the program description to all department divisions, bureaus, programs, and employees.

The customer base for the Director's Office/Management Services Division includes:

Board of Research & Commercialization Technology
Business Resources Division
Montana Promotion Division
Energy Infrastructure Promotion and Development Division
Community Development Division
Montana Facility Finance Authority
Housing Division
Board of Investments
Montana Heritage Preservation and Development Commission
Montana Council on Developmental Disabilities

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

FY 2008 base year funding, by fund type is as follows:

	FY 2008	FY 2008
Fund	Amount	%
General Fund	$ 290,708.41	19.215%
State Special	$ 438,931.39	29.012%
Federal Special	$ 97,634.98	6.453%
Capital Projects	$ 40,624.37	2.685%
Proprietary	$ 643,298.25	42.520%
Misc Reimbursement	$ 1,716.85	0.113%
Total:	**$ 1,512,914.25**	**100.000%**

Customer expenditures are primarily recorded in SABHRS expenditure code 62827; while Director's Office/Management Services Division revenues are primarily recorded in the following SABHRS revenue codes:

DEPARTMENT OF COMMERCE-6501
DIRECTOR/MANAGEMENT SERVICES-81

	FY 2008	FY 2008
Revenue Code	Amount	%
520702	$ 1,288,447.79	85.163%
522017	$ 16.85	0.001%
525045	$ 25,000.00	1.652%
584002	$ 197,749.61	13.071%
585005	$ 1,700.00	0.112%
Total:	**$ 1,512,914.25**	**100.000%**

Expense Description - The major cost drivers within the Director's Office/Management Services Division are personal services, operating expenses and expenditures related to the periodic replacement of the agencies computer equipment. The major cost drivers for the division can best be represented in the following table:

	FY 2008	FY 2008
Item	Amount	%
FTE	17.00	
Personal Services	$ 1,140,336.03	78.983%
Operating Expenses	$ 303,430.34	21.017%
Total:	**$ 1,443,766.37**	**100.000%**

Factors that contribute to uncertainty in forecasting expenses involve potential legislative actions since the cost of providing centralized support services is directly related to the number and complexity of the agencies divisions, bureaus, and programs; and the number of agency staff served. As agency services and programs increase, or decrease; management needs to remain cognizant of the divisions staffing requirements and indirect cost rates and make the necessary adjustments when needed.

For the purposes of this analysis, it is assumed the agencies divisions, bureaus, programs, and staff remain constant. Non-typical and one-time-only expenses are subtracted out of the divisions future cost projections before calculating the indirect rate. The proposed indirect cost rate will fund 17.00 FTE in the 2011 biennium.

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

The division's working capital objective is to recover the costs necessary to fund the division's ongoing operations. The division needs to maintain a nominal 60 day working capital reserve to meet ongoing operational costs.

Fund Equity and Reserved Fund Balance - At the proposed rates, the Department projects a fiscal year end 2011 ending working capital reserve of approximately 60 days. All interest earnings on the working capital reserve are distributed to the state general fund.

Rate Explanation -Rate Explanation - The division calculates a federal indirect cost rate on an annual basis. This rate is a fixed rate for federally funded programs. This rate is then applied against actual federally funded personal services expenditures within the department, not including the Director's Office/ Management Services Division.

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

DEPARTMENT OF COMMERCE-6501
DIRECTOR/MANAGEMENT SERVICES-81

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

Significant Present Law -The only present law adjustments are for software and software maintenance and administrative costs; such as overtime and annual rent increases.

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

Software and Software Maintenance:

	FY 2010	FY 2011
2011 Biennium Requested Rate	12.950%	12.950%
2011 Biennium Rate W/O Software	12.900%	00.000%
Variance:	00.050%	12.950%

Administrative Costs:

	FY 2010	FY 2011
2011 Biennium Requested Rate	12.950%	12.950%
2011 Biennium Rate W/O Admin Costs	12.920%	12.920%
Variance:	00.030%	00.030%

DEPARTMENT OF COMMERCE-6501
DIRECTOR/MANAGEMENT SERVICES-81

2011 Biennium Report on Internal Service and Enterprise Funds 2011

Fund	Fund Name	Agency #	Agency Name	Program Name
06542	Commerce Centralized Services	65010	Dept. of Commerce	Director/Management Services

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Operating Revenues:						
Fee revenue						
Administrative Fees	981,171	1,060,688	1,290,148	1,290,148	1,248,659	1,252,228
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	25,069	25,124	25,017	25,000	25,000	25,000
Total Operating Revenue	1,006,240	1,085,812	1,315,165	1,315,148	1,273,659	1,277,228
Operating Expenses:						
Personal Services	1,005,708	1,103,478	1,140,336	1,189,909	1,239,839	1,245,145
Other Operating Expenses	216,565	200,502	303,430	251,734	259,495	250,412
Total Operating Expenses	1,222,273	1,303,980	1,443,766	1,441,643	1,499,334	1,495,557
Operating Income (Loss)	**(216,033)**	**(218,168)**	**(128,601)**	**(126,495)**	**(225,675)**	**(218,329)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	(2,602)	-	-	-	-
Federal Indirect Cost Recoveries	235,588	186,811	197,750	197,750	201,705	201,705
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	235,588	184,209	197,750	197,750	201,705	201,705
Income (Loss) Before Operating Transfers	19,555	(33,959)	69,149	71,255	(23,970)	(16,624)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	(137)	-	-	-	-
Change in net assets	19,555	(34,096)	69,149	71,255	(23,970)	(16,624)
Total Net Assets- July 1	164,933	184,488	150,335	219,485	290,740	266,770
Prior Period Adjustments	-	(57)	1	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	164,933	184,431	150,336	219,485	290,740	266,770
Net Assets- June 30 (Fund Balance)	**184,488**	**150,335**	**219,485**	**290,740**	**266,770**	**250,146**
60 days of expenses						
(Total Operating Expenses divided by 6)	**203,712**	**217,330**	**240,628**	**240,274**	**249,889**	**249,260**

Requested Rates for Internal Service Funds
Fee/Rate Information

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
State Programs Indirect Cost Rate	13.70%	13.65%	14.00%	13.75%	12.95%	12.95%
Federal Programs Indirect Cost Rate	13.70%	13.65%	14.00%	13.75%	12.95%	12.95%

Allocation Methodology: Indirect costs for the Director's Office/Management Services Division are allocated to supported programs via a federally calculated indirect cost plan for federally funded programs, and a legislatively approved rate for state fun

DEPARTMENT OF COMMERCE-6501
DIRECTOR/MANAGEMENT SERVICES-81

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

	Total Agency Impact	General Fund Total
FY 2010	$11,100	$0
FY 2011	$0	$0

PL- 8101 - MSD Software & Software Maintenance HB0576 –
The executive adds funds for website audits and software maintenance.

	Total Agency Impact	General Fund Total
FY 2010	$3,728	$0
FY 2011	$5,535	$0

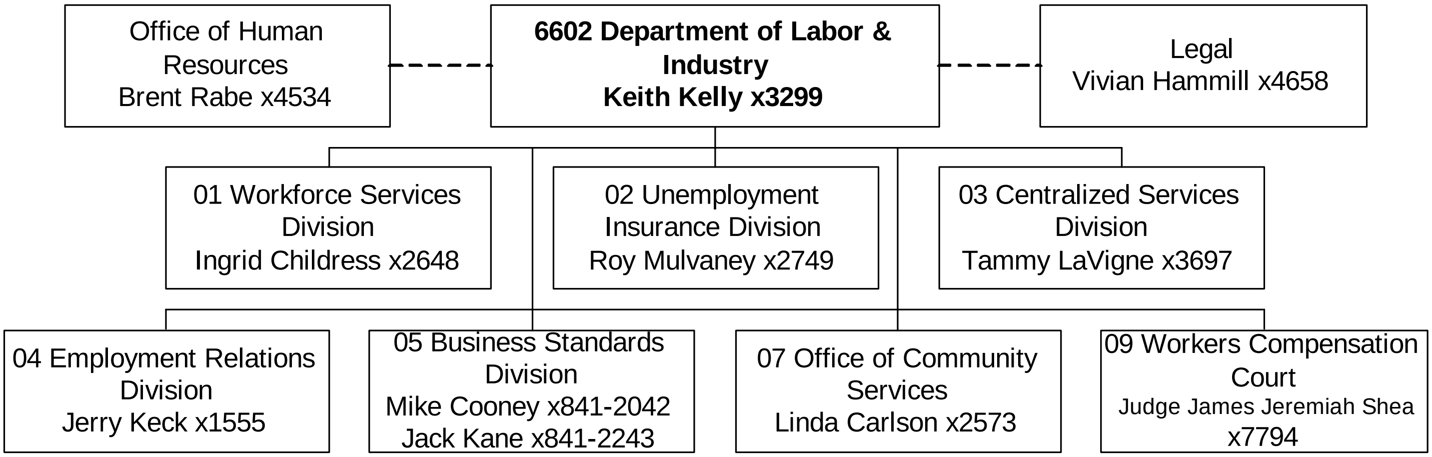
PL- 8104 - MSD Administrative Costs Adjustments HB0576 -
The executive adjusts for overtime and rent costs for the 20011 biennium. The cost for the 2011 biennium is $9,263 and is funded with Indirect costs.

	Total Agency Impact	General Fund Total
FY 2010	-$3,554	$0
FY 2011	$3,554	$0

PL- 8105 –Correction of an error –
Corrects miscoding to a non budgeted equipment account.

DEPARTMENT OF LABOR & INDUSTRY-6602

Please note that this agency also contains HB 2 funding.



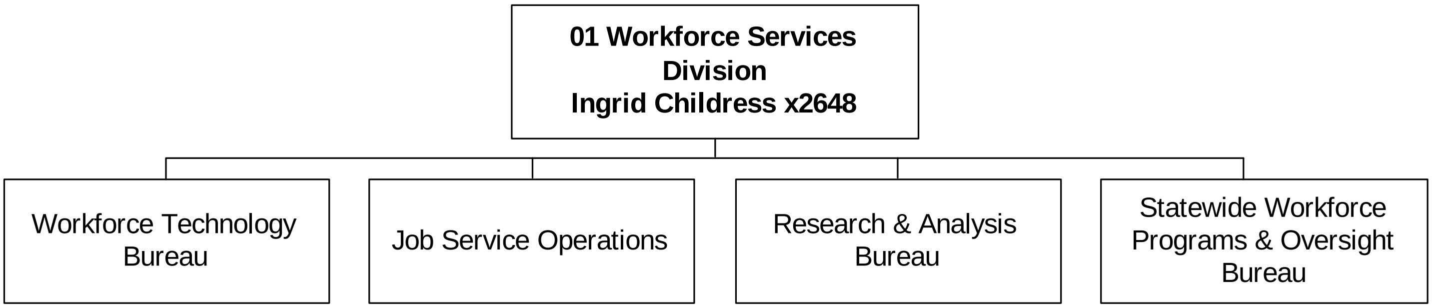
Mission Statement - The purpose of the Department of Labor and Industry is to promote the well-being of Montana's workers, employers, and citizens, and to uphold their rights and responsibilities.

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

Agency Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	85.75	0.00	(33.00)	52.75	0.00	(33.00)	52.75
Personal Services	3,031,152	2,111,107	(1,831,310)	3,310,949	2,126,061	(1,835,900)	3,321,313
Operating Expenses	1,497,198	424,201	27,209	1,948,608	254,601	23,591	1,775,390
Equipment & Intangible Assets	51,432	0	0	51,432	0	0	51,432
Benefits & Claims	91,010,917	20,000,000	0	111,010,917	20,000,000	0	111,010,917
Transfers	1,405,025	0	0	1,405,025	0	0	1,405,025
Total Costs	**$96,995,724**	**$22,535,308**	**($1,804,101)**	**$117,726,931**	**$22,380,662**	**($1,812,309)**	**$117,564,077**
Proprietary	96,995,724	22,535,308	(1,804,101)	117,726,931	22,380,662	(1,812,309)	117,564,077
Total Funds	**$96,995,724**	**$22,535,308**	**($1,804,101)**	**$117,726,931**	**$22,380,662**	**($1,812,309)**	**$117,564,077**

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

Please note that this program also contains HB 2 funding.



Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	0.75	0.00	0.00	0.75	0.00	0.00	0.75
Personal Services	0	43,171	0	43,171	43,269	0	43,269
Operating Expenses	11,820	4,797	0	16,617	4,723	0	16,543
Total Costs	**$11,820**	**$47,968**	**$0**	**$59,788**	**$47,992**	**$0**	**$59,812**
Proprietary	11,820	47,968	0	59,788	47,992	0	59,812
Total Funds	**$11,820**	**$47,968**	**$0**	**$59,788**	**$47,992**	**$0**	**$59,812**

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

Revenues and Expenses -
Revenue comes to MCIS by billing users for optional components and services. Major classes of expenses for the MCIS program are personal services and computer programming charges.

Rate Explanation -The fees charged by MCIS are not to exceed $1,500 per site. Fees will be charged by optional component per site as follows:

- IDEAS Assessment - $100 per site
- Civil Service Practice Tests - $200 per site
- Dependable Strengths - $200 per site
- Academic Practice Tests Package - $225-450 depending on enrollment

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

2011 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency	Agency Name	Program Name
6051	MT Career Info System	66020	Dept. of Labor &	Workforce Services Division

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue			2,413	2,000	2,000	2,000
Charges for Services	2,740	5,300	15,832	60,000	63,100	63,100
Net Fee Revenue	2,740	5,300	18,245	62,000	65,100	65,100
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	2,740	5,300	18,245	62,000	65,100	65,100
Operating Expenses:						
Personal Services	8,455	(75)	-	42,019	43,171	43,269
Other Operating Expenses	6,403	5,300	11,819	5,812	21,352	21,121
Total Operating Expenses	14,858	5,225	11,819	47,831	64,523	64,390
Operating Income (Loss)	**(12,118)**	**75**	**6,426**	**14,169**	**577**	**710**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(12,118)	75	6,426	14,169	577	710
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(12,118)	75	6,426	14,169	577	710
Total Net Assets- July 1 - As Restated	43,767	31,651	31,726	38,152	52,321	52,898
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	43,767	31,651	31,726	38,152	52,321	52,898
Net Assets- June 30	**31,649**	**31,726**	**38,152**	**52,321**	**52,898**	**53,608**
60 days of expenses						
(Total Operating Expenses divided by 6)	2,476	871	1,970	7,972	10,754	10,732

Fee/Rate Information

		Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FYE 09	Budgeted FYE 10	Budgeted FYE 11
Charges for Services		1,150	1,150	1,500	1,500	1,500	1,500
Group II	(High schools w/under 200 students)	977	977	725	725	725	725
Group II	(High schools w/over 200 students, agencies and busin	2,000	2,000	950	950	950	950

Rates will be charged for optional components and services associated with the Montana Career Information System (MCIS). The fees charged by MCIS are not to exceed $1,500 per site. Fee will be charged by optional components as follows: IDEAS Assessment - $100 per site; Civil Service Practice Tests - $200 per site; Academic Practice Tests - $225-450 per site depending on enrollment; The Real Game Series - up to $325 depending on component/game; and Dependable Strengths - $200 per

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

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

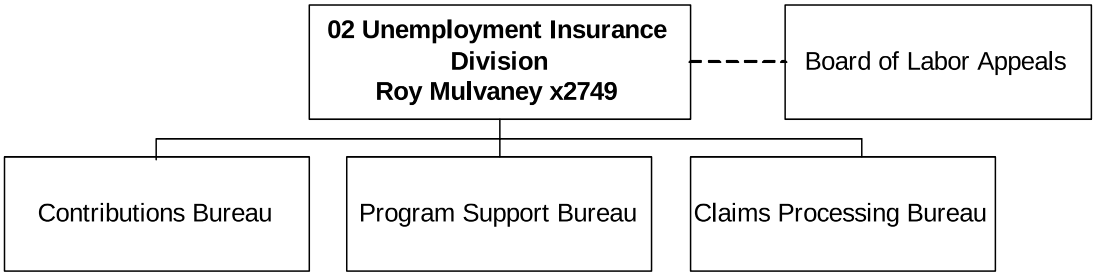
	Total Agency Impact	General Fund Total
FY 2010	$4,797	$0
FY 2011	$4,723	$0

PL- 101 - WSD General Operating Increase -

The budget includes base adjustments in overtime, per diem, and operating cost increases for the Workforce Services Division. This includes off-campus rent, leased vehicles, and indirect costs. This request is for $4,797 in FY 2010 and $4,723 in FY 2011.

DEPARTMENT OF LABOR & INDUSTRY-6602
UNEMPLOYMENT INSURANCE DIVISION-02

Please note that this program also contains HB 2 funding.



Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	9	0	0	9	0	0	9
Benefits & Claims	90,383,234	20,000,000	0	110,383,234	20,000,000	0	110,383,234
Transfers	1,299,031	0	0	1,299,031	0	0	1,299,031
Total Costs	**$91,682,274**	**$20,000,000**	**$0**	**$111,682,274**	**$20,000,000**	**$0**	**$111,682,274**
Proprietary	91,682,274	20,000,000	0	111,682,274	20,000,000	0	111,682,274
Total Funds	**$91,682,274**	**$20,000,000**	**$0**	**$111,682,274**	**$20,000,000**	**$0**	**$111,682,274**

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

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

Rate Explanation -The Unemployment Insurance Division administers the state unemployment insurance law. There is no proprietary rate but a collection of contributions from employers that are used to pay the Unemployment Insurance Benefits to claimants who have involuntarily become unemployed.

DEPARTMENT OF LABOR & INDUSTRY-6602
UNEMPLOYMENT INSURANCE DIVISION-02

2011 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
6069	UI Tax Benefit Fund	66020	Dept. Of Labor & Industry	Unemployment Insurance Division

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
	-	-	-	-	-	-
Net Fee Revenue				-		-
Investment Earnings	10,295,866	11,656,237	13,284,078	16,800,000	17,900,000	18,200,000
Securities Lending Income				-		-
Premiums	76,754,170	83,661,425	85,801,007	93,000,000	105,882,054	104,216,515
Other Operating Revenues	10,726,426	8,029,340	7,598,665	9,100,000	8,939,270	9,166,633
Total Operating Revenue	97,776,462	103,347,002	106,683,750	118,900,000	132,721,324	131,583,148
Operating Expenses:						
Personal Services	-	-	-	-	-	-
Other Operating Expenses	72,660,548	72,377,607	90,268,937	87,461,777	110,383,243	110,383,243
Total Operating Expenses	72,660,548	72,377,607	90,268,937	87,461,777	110,383,243	110,383,243
Operating Income (Loss)	**25,115,914**	**30,969,395**	**16,414,813**	**31,438,223**	**22,338,081**	**21,199,905**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	25,115,914	30,969,395	16,414,813	31,438,223	22,338,081	21,199,905
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	(557,800)	(1,066,119)	(1,299,031)	(1,200,000)	(3,200,000)	-
Change in net assets	24,558,114	29,903,276	15,115,782	30,238,223	19,138,081	21,199,905
Total Net Assets- July 1 - As Restated	207,156,981	231,714,417	261,981,058	277,096,839	307,335,062	326,473,143
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	207,156,981	231,714,417	261,981,058	277,096,839	307,335,062	326,473,143
Net Assets- June 30	**231,715,095**	**261,617,693**	**277,096,839**	**307,335,062**	**326,473,143**	**347,673,048**
60 days of expenses						
(Total Operating Expenses divided by 6)	12,110,091	12,062,935	15,044,823	14,576,963	18,397,207	18,397,207

Requested Rates for Enterprise Funds

Fee/Rate Information

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FYE 09	Budgeted FYE 10	Budgeted FYE 11
Unemployment Insurance Contributions/Benefits	70,459,358	73,504,939	90,333,065	92,893,000	108,800,000	107,100,000

Note:

MCA 39-51-1217 sets the rate which employers are charged contributions for the purpose of paying Unemployment Insurance Benefits.

DEPARTMENT OF LABOR & INDUSTRY-6602
UNEMPLOYMENT INSURANCE DIVISION-02

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

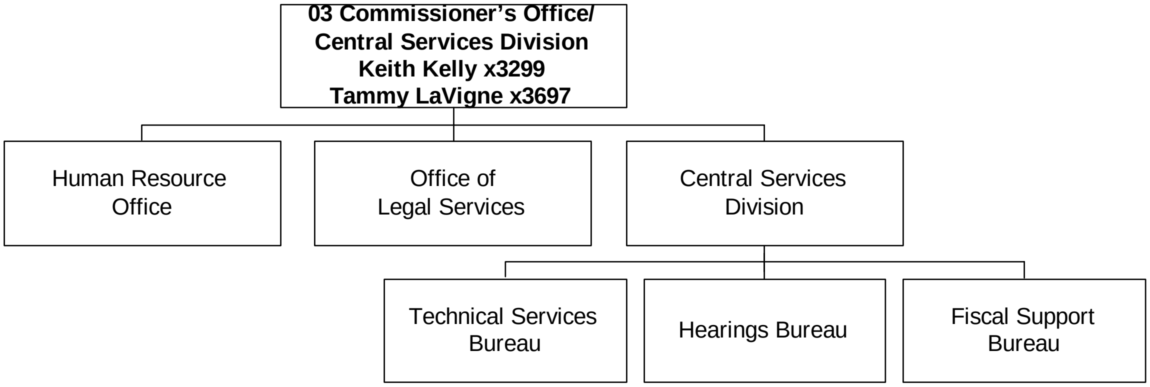
	Total Agency Impact	General Fund Total
FY 2010	$20,000,000	$0
FY 2011	$20,000,000	$0

PL- 202 - Unemployment Increased Benefits -

The budget includes $20,000,000 enterprise funding each year of the biennium for increased Unemployment Insurance benefits. UI projected tax revenues and benefit payments are derived from a forecasting model which considers numerous dynamic and often conflicting factors, such as growth in business-employers, number of employees, average wage growth, anticipated unemployment rates, and general economic indicators like inflation, investment interest rates, etc. Input data is derived through historical averaging, trending, and projections provided by the Bureau of Business and Economic Research at the University of Montana School of Business Administration. As always, projections are limited to the information at hand at the time of projection and may often vary significantly as real events replace the anticipated conditions through the passage of time.

DEPARTMENT OF LABOR & INDUSTRY-6602
COMMISSIONER'S OFFICE/CENTRAL SERVICES DIVISION-03

Please note that this program also contains HB 2 funding.



Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	52.00	0.00	0.00	52.00	0.00	0.00	52.00
Personal Services	3,031,152	236,626	0	3,267,778	246,892	0	3,278,044
Operating Expenses	1,485,369	419,404	27,209	1,931,982	249,878	23,591	1,758,838
Equipment & Intangible Assets	51,432	0	0	51,432	0	0	51,432
Total Costs	**$4,567,953**	**$656,030**	**$27,209**	**$5,251,192**	**$496,770**	**$23,591**	**$5,088,314**
Proprietary	4,567,953	656,030	27,209	5,251,192	496,770	23,591	5,088,314
Total Funds	**$4,567,953**	**$656,030**	**$27,209**	**$5,251,192**	**$496,770**	**$23,591**	**$5,088,314**

Program Description -Supportive services provided by the Commissioner's Office and Centralized Services Division are funded through a cost allocation plan whereby the department programs are assessed a percentage of their personal services costs. 41.50 FTE are funded by the revenues generated.

The Hearings Bureau holds administrative hearings on behalf of the Business Standards licensing and building code bureaus. An hourly rate is assessed for Administrative Law Judge and paralegal time associated with the hearings. 0.50 FTE are funded by the revenue generated.

The Office of Legal Services provides legal services to the Business Standards Division whereby an hourly rate for attorney fees is established. The revenues generated fund 10.00 FTE.

Revenues and Expenses - There are no significant changes to the methodology for calculating the rate for centralized services or Hearings Bureau. However, legal services rate was included in the Business Standards Division rate calculation in past biennia. It now is included on the Commissioners Office rate calculation and rate table. All rates consider a 60-day or less working capitol to meet payroll and operating costs that are not charged equal throughout the year.

DEPARTMENT OF LABOR & INDUSTRY-6602
COMMISSIONER'S OFFICE/CENTRAL SERVICES DIVISION-03

Rate Explanation -The cost allocation rate must be approved by the U.S. Department of Labor which requirements include a working capitol of no more than 60 days. The rate is determined by calculating the total costs of providing the services divided by the projected department personal services expenditures. The rate requested for the 2011 biennium is 11% for FY 2010 and 10.6% for FY 2011.

The Hearings Bureau rate per hour is calculated based in the projected cost of services for the 2011 biennium divided by the direct hours of service provided in the 2009 biennium. Rates are established for both Administrative Law judges and paralegal services are $90 and $50 respectively.

The office of Legal Services rate per hour is calculated on projected costs of services for the 2011 biennium divided by the direct hours of service provided in the 2009 biennium. The rate for the 2011 biennium is $95 per hour.

DEPARTMENT OF LABOR & INDUSTRY-6602
COMMISSIONER'S OFFICE/CENTRAL SERVICES DIVISION-03

2011 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
6546	Commissioner's Office/CSD	66020	Department of Labor & Industry	Commissioner's Office
6547	L/CSD-Direct Charge			

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Cost Allocation Plan (CAP)-Nonfederal	1,563,571	1,806,997	2,189,148	2,193,300	2,825,382	2,825,382
	-	-	-	-	-	-
Net Fee Revenue	1,563,571	1,806,997	2,189,148	2,193,300	2,825,382	2,825,382
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	236	-	-	-
Total Operating Revenue	1,563,571	1,806,997	2,189,384	2,193,300	2,825,382	2,825,382
Operating Expenses:						
Personal Services	2,118,187	2,211,905	2,075,937	2,414,829	2,550,684	2,558,298
Other Operating Expenses	821,081	791,493	1,479,953	1,273,683	1,805,698	1,635,549
Total Operating Expenses	2,939,268	3,003,398	3,555,890	3,688,512	4,356,382	4,193,847
Operating Income (Loss)	**(1,375,697)**	**(1,196,401)**	**(1,366,506)**	**(1,495,212)**	**(1,531,000)**	**(1,368,465)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(10,524)	7,624	(5,009)	-	-	-
Federal Indirect Cost Recoveries	1,163,780	1,226,993	1,658,796	1,670,000	1,670,000	1,670,000
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	1,153,256	1,234,617	1,653,787	1,670,000	1,670,000	1,670,000
Income (Loss) Before Operating Transfers	(222,441)	38,216	287,281	174,788	139,000	301,535
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(222,441)	38,216	287,281	174,788	139,000	301,535
Total Net Assets- July 1 - As Restated	346,874	124,433	162,589	477,125	651,913	790,913
Prior Period Adjustments	-	(60)	27,255	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	346,874	124,373	189,844	477,125	651,913	790,913
Net Assets- June 30	**124,433**	**162,589**	**477,125**	**651,913**	**790,913**	**1,092,448**
60 days of expenses						
(Total Operating Expenses divided by 6)	489,878	500,566	592,648	614,752	726,064	698,975

Requested Rates for Internal Service Funds
Fee/Rate Information

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FYE 09	Budgeted FYE 10	Budgeted FYE 11
Cost Allocation Plan (CAP)						
Requested Rate	8.000%	8.000%	9.125%	9.125%	11.000%	10.600%

This rate is charged to the various divisions within the Department of Labor to provide revenue to support centralized functions. The fluctuations in this rate are due to the increase/decrease in the amount of revenue required to perform centralized services for the department.

DEPARTMENT OF LABOR & INDUSTRY-6602
COMMISSIONER'S OFFICE/CENTRAL SERVICES DIVISION-03

2011 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Charges for services	2,910,999	3,067,183	1,071,733	986,000	990,600	991,500
Net Fee Revenue	2,910,999	3,067,183	1,071,733	986,000	990,600	991,500
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	2,910,999	3,067,183	1,071,733	986,000	990,600	991,500
Operating Expenses:						
Personal Services	2,138,842	2,307,941	863,661	714,883	841,660	844,312
Other Operating Expenses	661,583	768,944	201,079	121,232	146,818	145,661
Total Operating Expenses	2,800,425	3,076,885	1,064,740	836,115	988,478	989,973
Operating Income (Loss)	**110,574**	**(9,702)**	**6,994**	**149,885**	**2,122**	**1,527**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-		-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	110,574	(9,702)	6,994	149,885	2,122	1,527
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)		-	-	-	-	-
Change in net assets	110,574	(9,702)	6,994	149,885	2,122	1,527
Total Net Assets- July 1 - As Restated	(74,448)	36,086	26,323	33,317	183,202	185,324
Prior Period Adjustments	(40)	(61)	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	(74,488)	36,025	26,323	33,317	183,202	185,324
Net Assets- June 30	**36,086**	**26,323**	**33,317**	**183,202**	**185,324**	**186,851**
60 days of expenses						
(Total Operating Expenses divided by 6)	466,738	512,814	177,457	139,353	164,746	164,996

Requested Rates for Internal Service Funds

Fee/Rate Information

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FYE 09	Budgeted FYE 10	Budgeted FYE 11
Recharge Rate	48%	48%	54%	54%		
Recharge Amount	2,500,000	2,500,000	3,500,000	3,600,000		
Attorney rate per hour					$ 95.00	$ 95.00
Administrative Law Judge rate per hour					$ 90.00	$ 90.00
Administrative Services rate per hour					$ 50.00	$ 50.00

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

DEPARTMENT OF LABOR & INDUSTRY-6602
COMMISSIONER'S OFFICE/CENTRAL SERVICES DIVISION-03

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

	Total Agency Impact	General Fund Total
FY 2010	$12,145	$0
FY 2011	$10,657	$0

PL- 301 - CSD General Operating Increase -

This request of $12,145 in FY 2010 and $10,657 in FY 2011 is for indirect costs to support the Centralized Services Division. The funding sources for this request include general fund, state special, and federal special revenues. The affect of this proposal on the proprietary rate is immaterial.

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

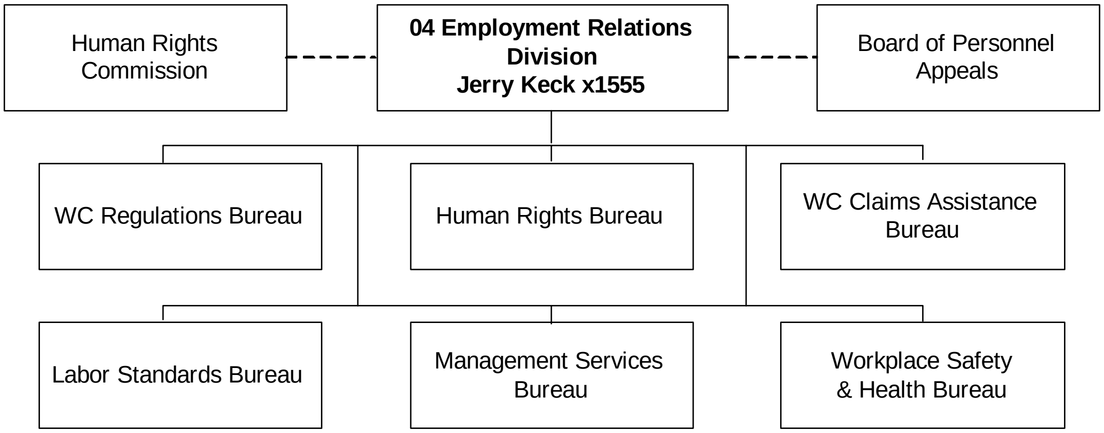
	Total Agency Impact	General Fund Total
FY 2010	$27,209	$0
FY 2011	$23,591	$0

NP- 6101 - Workers' Compensation Mgmt Pgm -

The Workers' Compensation Management program at the Department of Administration was funded by the 2007 Legislature with a one-time-only general fund appropriation. For the 2011 Biennium and beyond, the program will be funded via a fixed cost allocation. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. The budget includes $27,209 in FY 2010 and $23,591 in FY 2011 internal service fund for the Department of Labor's allocation of the fixed cost. The proprietary rate is not materially affected by this decision package.

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

Please note that this program also contains HB 2 funding.



Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Benefits & Claims	627,683	0	0	627,683	0	0	627,683
Transfers	105,994	0	0	105,994	0	0	105,994
Total Costs	**$733,677**	**$0**	**$0**	**$733,677**	**$0**	**$0**	**$733,677**
Proprietary	733,677	0	0	733,677	0	0	733,677
Total Funds	**$733,677**	**$0**	**$0**	**$733,677**	**$0**	**$0**	**$733,677**

Program Description -The Subsequent Injury Fund was established in 1973 to assist disabled persons in becoming employed by offering a financial incentive to the employers who hire them. The incentive has a limit of 104 weeks of benefits paid by their Workers' Compensation carrier in the event of an on-the-job injury to the certified employee, thus minimizing workers' compensation expenses. Beginning July 1, 1999, the fund is maintained by annual assessment of all Montana Workers' Compensation insurers, including self insured employers, private insurers and the State Fund. The asset balance is maintained at approximately $700,000 to provide an operating balance for payment of benefits and administrative costs.

Revenues and Expenses - Beginning July 1, 1999, the fund is maintained by an annual assessment on all workers' compensation policyholders, which is collected by all Montana workers' compensation insurers. The assessment is statutorily set (Title 39-71-915 MCA) at the amount expended by the fund for the benefit payments plus the cost of administration in the previous calendar year, less other income. The assessment is allocated among Plan 1, Plan 2, and Plan 3 insurers based on their compensation and medical payments for the previous calendar year. Thus, any rate beyond one year into the future is an unknown, and based solely on the insured's current year's use.

Rate Explanation -The assessment for the Subsequent Injury Fund is allocated among insurers based on their compensation and medical payments for the previous calendar year per 39-71-915, MCA.

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

2011 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
6040	Subsequent Injury-Trust Fund	66020	Dept. of Labor & Industry	Employment Relations Division

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Subsequent Injury Fund Assessment	128,462	81,244	487,640	750,000	750,000	750,000
Net Fee Revenue	128,462	81,244	487,640	750,000	750,000	750,000
Investment Earnings	44,879	69,827	56,334	40,000	40,000	40,000
Securities Lending Income	24,982	14,649	3,193	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	4,400	100	4,330	4,400	4,400	4,400
Total Operating Revenue	202,723	165,821	551,498	794,400	794,400	794,400
Operating Expenses:						
Personal Services				-		-
Other Operating Expenses	762,016	836,176	963,726	768,177	733,677	733,677
Total Operating Expenses	762,016	836,176	963,726	768,177	733,677	733,677
Operating Income (Loss)	**(559,293)**	**(670,355)**	**(412,228)**	**26,223**	**60,723**	**60,723**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(559,293)	(670,355)	(412,228)	26,223	60,723	60,723
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	(55,392)	(43,862)	(105,994)	(105,994)	(108,430)	(111,406)
Change in net assets	(614,685)	(714,218)	(518,222)	(79,771)	(47,707)	(50,683)
Total Net Assets- July 1 - As Restated	(826,698)	(1,441,383)	(2,155,601)	(2,692,213)	(2,771,984)	(2,819,691)
Prior Period Adjustments	-		(18,390)	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	(826,698)	(1,441,383)	(2,173,991)	(2,692,213)	(2,771,984)	(2,819,691)
Net Assets- June 30 *	**(1,441,383)**	**(2,155,601)**	**(2,692,213)**	**(2,771,984)**	**(2,819,691)**	**(2,870,374)**
60 days of expenses						
(Total Operating Expenses divided by 6)	127,003	139,363	160,621	128,030	122,280	122,280

Requested Rates for Enterprise Funds
Fee/Rate Information

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FYE 09	Budgeted FYE 10	Budgeted FYE 11
Plan I- Insureds	-	-	12,000	142,000	142,000	142,000
(Admin costs & benefits paid to certified claimants)						
Plan II- Insureds	55,463	50,000	77,000	229,000	229,000	229,000
(Admin costs & benefits paid to certified claimants)						
Plan III- Old Insureds	-	11,000	11,000	21,000	21,000	21,000
(Admin costs & benefits paid to certified claimants)						
Plan III- New Insureds	72,998	68,000	100,000	358,000	358,000	358,000
(Admin costs & benefits paid to certified claimants)						

Note:

The rates are based on the four Workers Compensation (WC) insurance plans' share of the WC market as compared to the net outlay of the Subsequent Injury Fund (SIF) in a calendar year. Please see 39-71-915, MCA, for particular details.

DEPARTMENT OF LABOR & INDUSTRY-6602
BUSINESS STANDARDS DIVISION-05

Please note that this program also contains HB 2 funding.

05 Business Standards Division
Mike Cooney x841-2042
Jack Kane x841-2243

Health Care Licensing Bureau

Business & Occupational Licensing Bureau

Building Codes Bureau

Weights & Measures Bureau

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	33.00	0.00	(33.00)	0.00	0.00	(33.00)	0.00
Personal Services	0	1,831,310	(1,831,310)	0	1,835,900	(1,835,900)	0
Total Costs	**$0**	**$1,831,310**	**($1,831,310)**	**$0**	**$1,835,900**	**($1,835,900)**	**$0**
Proprietary	0	1,831,310	(1,831,310)	0	1,835,900	(1,835,900)	0
Total Funds	**$0**	**$1,831,310**	**($1,831,310)**	**$0**	**$1,835,900**	**($1,835,900)**	**$0**

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

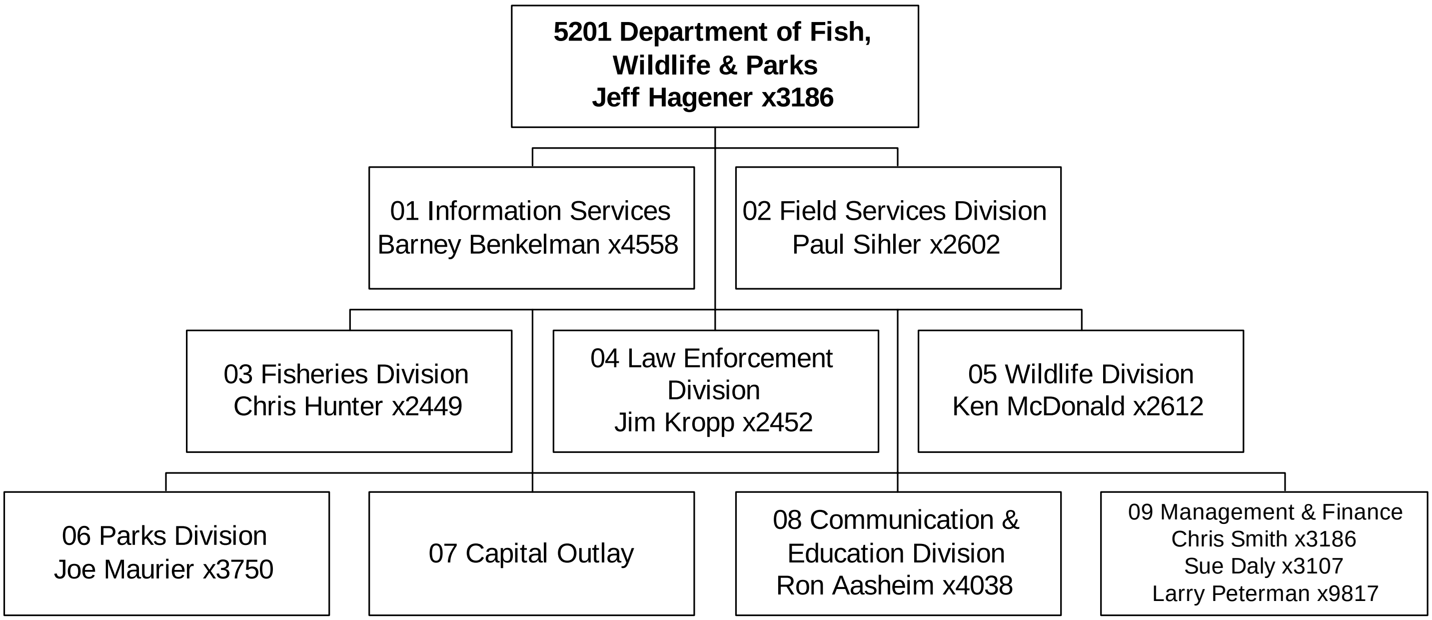
	Total Agency Impact	General Fund Total
FY 2010	($1,831,310)	$0
FY 2011	($1,835,900)	$0

NP- 501 - BSD - Funding Switch -

This request is to move 33.00 proprietary FTE to HB 2. The FTE are currently accounted for in an internal service fund whereby a "recharge" is assessed to the boards and programs who use their services. The operating costs related to the FTE are in HB 2 base authority. Moving the FTE to HB 2 would more properly account for the cost of services provided through cost allocation rather than a "recharge". There is no net increase in costs for this proposal.

DEPARMENT OF FISH, WILDLIFE & PARKS-5201

Please note that this agency also contains HB 2 funding.



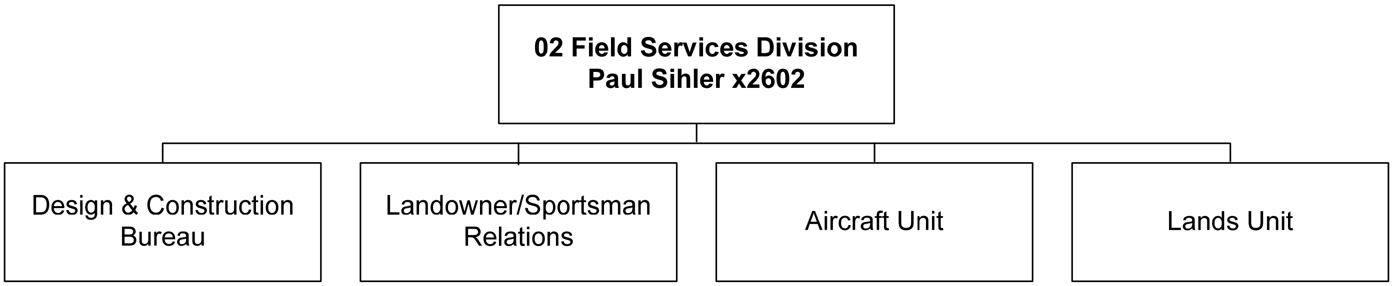
Mission Statement - Montana Fish, Wildlife & Parks, through its employees and citizen commission, provides for the stewardship of the fish, wildlife, parks, and recreational resources of Montana while contributing to the quality of life for present and future generations.

Statutory Authority - Title 87 and 23, MCA.

Agency Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	4.06	0.00	0.00	4.06	0.00	0.00	4.06
Personal Services	155,702	22,104	0	177,806	22,279	0	177,981
Operating Expenses	2,451,309	290,478	0	2,741,787	313,128	0	2,764,437
Equipment & Intangible Assets	840,017	0	0	840,017	0	0	840,017
Total Costs	**$3,447,028**	**$312,582**	**$0**	**$3,759,610**	**$335,407**	**$0**	**$3,782,435**
Proprietary	3,447,028	312,582	0	3,759,610	335,407	0	3,782,435
Total Funds	**$3,447,028**	**$312,582**	**$0**	**$3,759,610**	**$335,407**	**$0**	**$3,782,435**

DEPARTMENT OF FISH, WILDLIFE & PARKS-5201
FIELD SERVICES DIVISION - 02

Please note that this program also contains HB 2 funding.



Proprietary Rates

Program Proposed Budget

Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	384,653	26,245	0	410,898	31,795	0	416,448
Transfers	0	0	0	0	0	0	0
Total Costs	**$384,653**	**$26,245**	**$0**	**$410,898**	**$31,795**	**$0**	**$416,448**
Proprietary	384,653	26,245	0	410,898	31,795	0	416,448
Total Funds	**$384,653**	**$26,245**	**$0**	**$410,898**	**$31,795**	**$0**	**$416,448**

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

Revenues and Expenses -
Aircraft Fund

Revenues, Expenses and Fund Equity
The objective of the aircraft account is to recover (through rates) sufficient funds to cover insurance costs, fuel, repair costs, and general operational costs of the airplanes. Personal Services is not covered by this fund. The two largest costs are fuel and repairs. Gasoline expenses have increased an average of 15% over the past four years and we project this rate to continue into the next biennium. In FY08 the department flew just over 1,100 miles in department aircrafts.

Working Capital Discussion
The department attempts to manage this account so that a 60-day working capital amount of cash is available when the cash balance is at its lowest level. To compensate for a cash flow problem created by increasing fuel costs rates were increased and 7% rate in FY06. We are requesting an additional rate increase of 16% each year for our aircraft.

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

DEPARTMENT OF FISH, WILDLIFE & PARKS-5201
FIELD SERVICES DIVISION - 02

In order to maintain a positive cash balance, the aircraft fund currently has a $190,000 loan from another fund. We anticipate a positive working capital at the end of FY12.

Fund Equity and Reserved Fund Balance
There is no requirement to reserve fund balance. At FYE 08, the aircraft fund had total assets of $245,000 and the book value (original cost less accumulated depreciation) of the fleet was $229,000. The major liability is a $190,000 loan to ensure a positive cash balance at year-end. A portion of the program's fund balance has been reserved for the book value of department aircraft.

Rate Explanation -Aircraft

Rate Explanation
The rate methodology attempts to determine a cost/hour rate for each class of aircraft. The methodology is to determine the previous year's expenses, including operating, maintenance and administration expenses minus the previous year's revenue generated from the rates to establish the net cash inflow. Future year expenses are estimated based on the most current year's information plus a 5% inflationary factor. Using the most current year's usage and the projected expenses, a cost (hour) rate is determined for the future years. The goal is to have a cash balance at fiscal year end equal to 60 days of total operating expenses. Due to the current cash balance and the increased fuel costs, our proposed aircraft rates have been increased an average of 20% each year of the biennium.

Rates
Department of Fish, Wildlife & Parks
Aircraft Rates
Fiscal Years 2010 and 2011

Description	**FY 2010**	**FY 2011**
Per Hour Rates:		
2 Place Single Engine	$108.07	$129.69
Partnavia	$514.56	$617.47
Turbine Helicopters	$576.10	$691.32

Adjustments to the Base Rate
During the past four years, fuel expenses have increased an average of 15% per year. We anticipate this trend to continue through FY 2011. The inflationary factor provided to diesel fuel should provide sufficient authority for the 2011 biennium.

DEPARTMENT OF FISH, WILDLIFE & PARKS-5201
FIELD SERVICES DIVISION - 02

2011 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06540	FWP Aircraft	52010	Fish, Wildlife & Parks	Field Services

	Actual FY06	Actual FY07	Actuals FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Revenue from vehicle fees		228,644	300,774	366,952	440,342	528,411
Revenue from aircraft fees	-	-	-	-		
Net Fee Revenue	-	228,644	300,774	366,952	440,342	528,411
Premiums	-	-	-	-	-	-
Total Operating Revenue	-	228,644	300,774	366,952	440,342	528,411
Operating Expenses:						
Personal Services	-	-	-	-		
Other Operating Expenses		422,342	412,573	345,780	363,069	381,222
Total Operating Expenses	-	422,342	412,573	345,780	363,069	381,222
Operating Income (Loss)	**-**	**(193,698)**	**(111,799)**	**21,172**	**77,273**	**147,189**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets						
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	-	(193,698)	(111,799)	21,172	77,273	147,189
Contributed Capital		273,005	-	-	-	-
Operating Transfers In (Note 13)	-					
Operating Transfers Out (Note 13)	-	-	(19,631)	-	-	-
Change in net assets	-	79,307	(131,430)	21,172	77,273	147,189
Total Net Assets- July 1 - As Restated		-	79,307	(52,123)	(30,951)	46,322
Prior Period Adjustments		-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	79,307	(52,123)	(30,951)	46,322
Net Assets- June 30	**-**	**79,307**	**(52,123)**	**(30,951)**	**46,322**	**193,511**
60 days of expenses						
(Total Operating Expenses divided by 6)	-	70,390	68,762	57,630	60,512	63,537

Requested Rates for Internal Service Funds

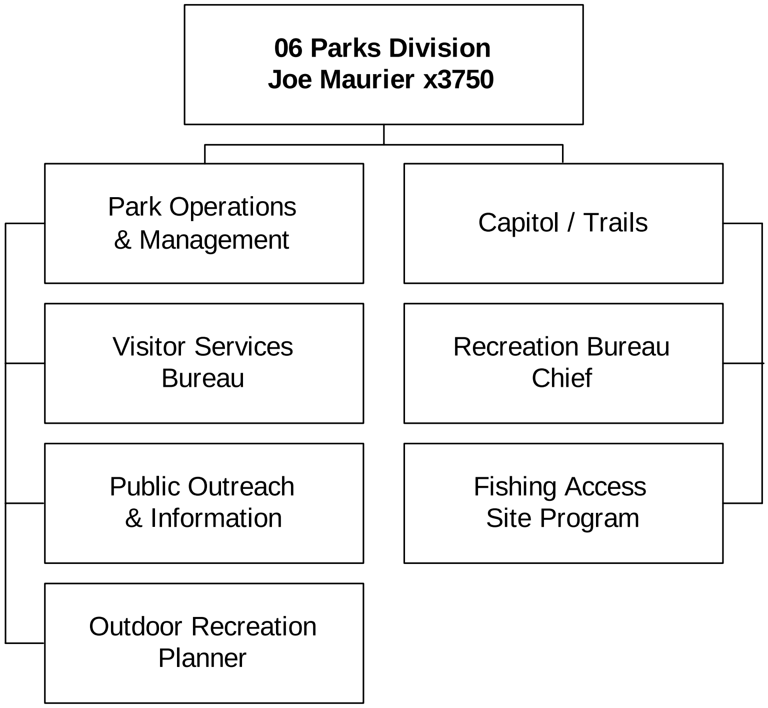
Fee/Rate Information

	Actual FY06	Actual FY07	Actuals FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Revenue from aircraft fees						
Two place - single engine (per hour)	59.56	62.56	75.05	90.06	108.07	129.69
Partnavia (per hour)	297.78	297.78	357.34	428.80	514.56	617.47
Turbine helicoptors (per hour)	363.01	363.01	417.46	480.08	576.10	691.32

NOTE: The FWP Aircraft Program was combined with FWP's fleet vehicle program in fund 06502 through FY06. As of FY07, expenditures and revenues were separately recorded in Program 2 Field Services.

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

Please note that this program also contains HB 2 funding.



Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	107,025	166	0	107,191	181	0	107,206
Total Costs	**$107,025**	**$166**	**$0**	**$107,191**	**$181**	**$0**	**$107,206**
Proprietary	107,025	166	0	107,191	181	0	107,206
Total Funds	**$107,025**	**$166**	**$0**	**$107,191**	**$181**	**$0**	**$107,206**

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

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

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

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

In FY 2008 this fund accounted for the following monies: $112,395 of earned revenue, $105,339 of expenditures and a fund balance in the amount of $232,050.

Revenues and Expenses -

Enterprise Fund

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

Rate Explanation -To ensure sufficient revenues are collected to replenish inventory.

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

2011 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Goods For Resale	94,704	106,397	112,396	94,636	95,000	95,000
Net Fee Revenue	94,704	106,397	112,396	94,636	95,000	95,000
Investment Earnings	3,704	5,199	4,769	-	-	-
Securities Lending Income	65	6	154	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	8	-	-	-
Total Operating Revenue	98,473	111,602	117,327	94,636	95,000	95,000
Operating Expenses:						
Personal Services	-	-	-	-	-	-
Other Operating Expenses	52,755	82,920	106,022	94,636	95,000	95,000
Total Operating Expenses	52,755	82,920	106,022	94,636	95,000	95,000
Operating Income (Loss)	**45,718**	**28,682**	**11,305**	**-**	**-**	**-**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	45,718	28,682	11,305	-	-	-
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	45,718	28,682	11,305	-	-	-
Total Net Assets- July 1 - As Restated	147,749	193,467	220,746	232,051	232,051	232,051
Prior Period Adjustments				-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	147,749	193,467	220,746	232,051	232,051	232,051
Net Assets- June 30	**193,467**	**222,149**	**232,051**	**232,051**	**232,051**	**232,051**
60 days of expenses (Total Operating Expenses divided by 6)	8,793	13,820	17,670	15,773	15,833	15,833

Requested Rates for Enterprise Funds

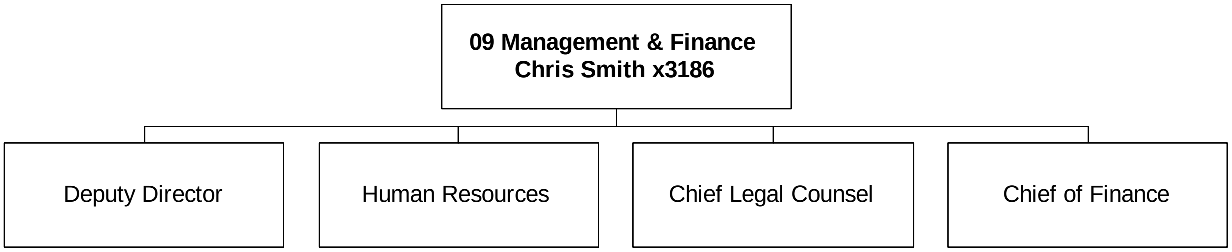
Fee/Rate Information

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Fee Group A	-	-	-	-	-	-
Goods for resale						

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

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

Please note that this program also contains HB 2 funding.



Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	4.06	0.00	0.00	4.06	0.00	0.00	4.06
Personal Services	155,702	22,104	0	177,806	22,279	0	177,981
Operating Expenses	1,959,631	264,067	0	2,223,698	281,152	0	2,240,783
Equipment & Intangible Assets	840,017	0	0	840,017	0	0	840,017
Total Costs	**$2,955,350**	**$286,171**	**$0**	**$3,241,521**	**$303,431**	**$0**	**$3,258,781**
Proprietary	2,955,350	286,171	0	3,241,521	303,431	0	3,258,781
Total Funds	**$2,955,350**	**$286,171**	**$0**	**$3,241,521**	**$303,431**	**$0**	**$3,258,781**

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

Equipment Enterprise Fund - The department's equipment fund provides a fleet of vehicles to department employees. The revenue users are department employees, mostly enforcement wardens, fish and wildlife biologists, and park employees. Every month, users are charged for the miles driven during the previous month.

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

Revenues and Expenses - Duplicating Center

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

Rates have been historically adjusted based on the need to increase or decrease the cash balances in the account. Prior to requesting new rates, a review of the cash balance is completed. At FYE 2008, the cash balance was ($1,143).

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

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

Fund Equity and Reserved Fund Balance - A portion of the program's fund balance has been reserved for the duplicating center's equipment and inventory. At FYE 2008 the book value of the fund's assets was $20,933 and the fund had $9,858 in inventory.

Equipment Fund

Revenues, Expenses and Fund Equity - The objective of the vehicle account is to recover (through rates and annual auction revenues) sufficient funds to cover administrative costs to operate the program (personal services and operations), fuel, repair costs, and replacement of fleet vehicles at approximately 120,000 miles. A total of 2.56 FTE are funded in this fund. The two largest costs are fuel and repairs. In FY 2004, the fund spent over $675,000 on fuel and $500,000 on repairs. In FY 2006, the fund spent over $930,000 on fuel and $365,000 on repairs. In FY 2008, the fund spent $1,280,000 on fuel and $340,000 on repairs. Gasoline expenses have increased an average of 15% over the past six years and we project this rate to continue into the next biennium. In FY 2008, the department drove just over 5,500,000 miles in department vehicles. Due to the proposed rates in FY 2010 and FY 2011, the program anticipates revenues of $3.2 million in FY10 and $3.3 in FY11.

Working Capital Discussion - The department attempts to manage this account so that a 60-day working capital amount of cash is available when the cash balance is at its lowest level. To compensate for a cash flow problem created by increasing fuel costs rates, we are requesting an additional rate increase of 29% in FY 2010 and 31.8% in FY 2011 for our vehicles.

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

In order to maintain a positive cash balance, the vehicle fund currently has a $300,000 loan from another fund. We anticipate a positive working capital at the end of FY 2011.

Divisions are billed monthly for the miles driven during the previous month. Cash balances fluctuate during the year for two reasons. The first is that monthly mileage is greater during the summer and fall than during the winter and spring. The second reason is that new vehicles are purchased in the spring. Thus cash balances are normally highest in December after the hunting season and lowest in the spring after purchasing the new vehicles. Fiscal year end balances tend to be significantly lower than spring balances

Fund Equity and Reserved Fund Balance - There is no requirement to reserve fund balance. At FYE 2008, the vehicle fund had total assets of $6,505,000 and the book value (original cost less accumulated depreciation) of the fleet was $6,163,000. The major liability is a $300,000 loan to ensure a positive cash balance at year-end. A portion of the program's fund balance has been reserved for the book value of department vehicles.

Warehouse Inventory

Revenues and Expenses - The expenses associated with the warehouse include personal services, miscellaneous office supplies and expenses for the warehouse worker, and inventory purchased to replenish existing stock. Revenues are the sales of inventory items to department employees. We anticipate revenues to be constant at around $110,000 per year for FY 2010 and FY 2011.

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

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

Field projects are billed monthly for the purchases made during the month. Cash balances fluctuate during the year. Cash balances are lowest during the winter when stock is replenished and highest during the summer when temporary and seasonal employees are hired.

Fund Equity and Reserved Fund Balance - A portion of the program's fund balance has been reserved for the warehouse inventory. At FYE 2008, the warehouse inventory was $104,190.

Rate Explanation -Duplicating Center

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

Proposed rates
Duplicating Services Rates

Item	**FY 2010**	**FY 2011**
Copies		
1-20	$0.060	$0.065
21-100	$0.045	$0.050
101-1,000	$0.040	$0.045
1,001-5,000	$0.030	$0.035
Color - per sheet	$0.25	$0.25
Binding		
Collating (per sheet)	$0.010	$0.010
Hand Stapling (per set)	$0.020	$0.020
Saddle stitch (per set)	$0.035	$0.035
Folding (per sheet)	$0.010	$0.010
Punching (per sheet)	$0.005	$0.005
Cutting (per minute)	$0.600	$0.600

Vehicle

Rate Explanation - The rate methodology attempts to determine a cost/mile rate for various classes of vehicles. The methodology is to determine the previous year's expenses, including operating, maintenance, and administration expenses minus the previous year's revenue generated from the rates and the annual vehicle auction to establish the net cash inflow. Future year expenses are estimated based on the most current year's information plus a 10% inflationary factor. Using the most current year's mileage and the projected expenses, a cost/mile (hour) rate is determined for the future years. The goal is to have a cash balance at fiscal year end equal to 60 days of total operating expenses. Due to the current cash balance and the increased fuel costs, our proposed vehicle rates have been increased 29% in FY 2010 and 31.8% in FY 2011.

In addition, in order to more fairly charge users, a minimum mileage rate was instigated in FY 2000. This was an attempt to recover overhead costs whether a vehicle is driven or not. A minimum monthly overhead charge would be assessed to each vehicle that is not driven a minimum number of miles. By using this method, the overhead costs are recovered and low mileage vehicles are not being subsidized by higher mileage vehicles.

Department of Fish, Wildlife & Parks
Vehicle Rate
Fiscal Years 2010 and 2011

Description	**FY 2010**	**FY 2011**
Per Mile Rates:		
Sedans	$0.45	$0.46
Vans	$0.52	$0.53
Utilities	$0.57	$0.58
Pickup 1/2 Ton	$0.52	$0.53
Pickup 3/4 Ton	$0.60	$0.61

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

Significant Present Law Adjustments - Each year, department employees drive over 5,500,000 miles in department owned vehicles. The department currently has a fleet of over 450 vehicles, which are mainly used by enforcement officers, fish and wildlife biologists, and parks employees. The department's request for vehicle replacement is for 40 vehicles in both FY 2010 and FY 2011. This is based on replacing vehicles after a minimum of 120,000 miles. This replacement schedule does not require a present law adjustment.

Adjustments to the Base Rate - During the past four years, fuel expenses have increased an average of 15% per year. We anticipate this trend to continue through FY 2011. In FY 2008, the fund spent $1,280,000 on vehicle fuel. The inflation factor provided to gasoline expenditures should provide sufficient authority for the 2011 biennium.

The department has found that it is cost effective to replace vehicles after 120,000 miles. Annually, the department will auction off these vehicles and replace them with new vehicles. Historically, we will replace 40-45 vehicles each year.

Warehouse inventory

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

Due to a cash build up, the warehouse overhead rate for the past four years has been 5%. We are now requesting a warehouse overhead rate of 18% in FY 2010 and 20% in FY 2011. The rate is calculated by estimating the support costs required to maintain the warehouse function such as personal services, office supplies and other miscellaneous office costs. Based on estimated warehouse sales, a fixed overhead percentage is determined that allows the department to recover the warehouse support costs. This rate is also adjusted for any previous over or under collections. Due to the size of this operation, a simple warehouse overhead rate has been considered the most logical.

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

2011 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY06	Actual FY07	Actual FY08	Actual FY09	Actual FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Revenue from Duplicating Center	65,469	77,801	69,261	110,000	80,000	80,000
Net Fee Revenue	65,469	77,801	69,261	110,000	80,000	80,000
Investment Earnings	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	65,469	77,801	69,261	110,000	80,000	80,000
Operating Expenses:						
Personal Services	32,210	34,224	36,185	33,640	36,765	36,785
Other Operating Expenses	52,750	47,031	47,585	74,630	40,537	40,561
Total Operating Expenses	84,960	81,255	83,770	108,270	77,302	77,346
Operating Income (Loss)	**(19,491)**	**(3,454)**	**(14,509)**	**1,730**	**2,698**	**2,654**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(19,491)	(3,454)	(14,509)	1,730	2,698	2,654
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(19,491)	(3,454)	(14,509)	1,730	2,698	2,654
Total Net Assets- July 1 - As Restated	62,222	42,731	39,277	24,768	26,498	29,196
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	62,222	42,731	39,277	24,768	26,498	29,196
Net Assets- June 30	**42,731**	**39,277**	**24,768**	**26,498**	**29,196**	**31,850**
60 days of expenses						
(Total Operating Expenses divided by 6)	14,160	13,543	13,962	18,045	12,884	12,891

Requested Rates for Internal Service Funds
Fee/Rate Information

	Actual FY06	Actual FY07	Actual FY08	Actual FY09	Actual FY10	Budgeted FY11
Duplicating (number of copies)						
1-20	0.045	0.045	0.050	0.055	0.060	0.065
21-100	0.030	0.030	0.035	0.040	0.045	0.050
101-1000	0.025	0.025	0.030	0.035	0.040	0.045
1001-5000	0.020	0.020	0.025	0.030	0.035	0.040
Color Copies	0.250	0.200	0.250	0.200	0.250	0.250
Bindery						
Colating (per sheet)	0.005	0.005	0.005	0.010	0.010	0.010
Hand stapling (per set)	0.015	0.015	0.015	0.020	0.020	0.020
Saddle stitch (per set)	0.030	0.030	0.030	0.035	0.035	0.035
Folding (per sheet)	0.005	0.005	0.005	0.010	0.010	0.010
Punching (per sheet)	0.001	0.001	0.001	0.005	0.005	0.005
Cutting (per minute)	0.550	0.550	0.550	0.600	0.600	0.600

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

2011 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Revenue from vehicle fees	2,049,755	2,075,370	2,502,210	2,650,000	3,250,000	3,300,000
Revenue from aircraft fees	264,661	-	-	-	-	-
Net Fee Revenue	2,314,416	2,075,370	2,502,210	2,650,000	3,250,000	3,300,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	2,314,416	2,075,370	2,502,210	2,650,000	3,250,000	3,300,000
Operating Expenses:						
Personal Services	89,945	113,238	108,950	119,283	119,280	119,426
Other Operating Expenses	2,260,704	2,087,571	2,259,223	1,971,916	2,069,377	2,106,998
Total Operating Expenses	2,350,649	2,200,809	2,368,173	2,091,199	2,188,657	2,226,424
Operating Income (Loss)	**(36,233)**	**(125,439)**	**134,037**	**558,801**	**1,061,343**	**1,073,576**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(394,419)	(227,792)	(76,328)	(100,000)	(100,000)	(100,000)
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(394,419)	(227,792)	(76,328)	(100,000)	(100,000)	(100,000)
Income (Loss) Before Operating Transfers	(430,652)	(353,231)	57,709	458,801	961,343	973,576
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	109,316	30,077	155,282	100,000	150,000	150,000
Operating Transfers Out (Note 13)	-	(214,900)	-			-
Change in net assets	(321,336)	(538,054)	212,991	558,801	1,111,343	1,123,576
Total Net Assets- July 1 - As Restated	6,491,594	6,170,258	5,632,204	5,837,596	6,396,397	7,507,740
Prior Period Adjustments	-	-	(7,599)	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	6,491,594	6,170,258	5,624,605	5,837,596	6,396,397	7,507,740
Net Assets- June 30	**6,170,258**	**5,632,204**	**5,837,596**	**6,396,397**	**7,507,740**	**8,631,316**
60 days of expenses						
(Total Operating Expenses divided by 6)	391,775	366,802	394,696	348,533	364,776	371,071

Requested Rates for Internal Service Funds

Fee/Rate Information

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Actual FYE 09	Actual FYE 10	Budgeted FYE 11
Revenue from vehicle fees						
Sedans (per mile)	0.30	0.30	0.36	0.38	0.45	0.46
Vans (per mile)	0.33	0.33	0.40	0.42	0.52	0.53
Utilities (per mile	0.37	0.37	0.43	0.46	0.57	0.58
Pickups - 1/2 ton (per mile)	0.32	0.32	0.39	0.41	0.52	0.53
Pickups - 3/4 ton (per mile)	0.37	0.37	0.44	0.48	0.60	0.61

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

NOTE: In FY07, the department requested a new fund (06540) to track aircraft activity. Prior to FY07, vehicle and aircraft activity had been combined in fund 06502.

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

2011 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Revenue from warehouse sales	99,246	76,728	103,992	80,000	118,000	120,000
Net Fee Revenue	99,246	76,728	103,992	80,000	118,000	120,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	99,246	76,728	103,992	80,000	118,000	120,000
Operating Expenses:						
Personal Services	18,610	18,145	15,173	15,310	21,761	21,770
Other Operating Expenses	116,984	82,282	114,744	120,531	105,304	105,331
Total Operating Expenses	135,594	100,427	129,917	135,841	127,065	127,101
Operating Income (Loss)	**(36,348)**	**(23,699)**	**(25,925)**	**(55,841)**	**(9,065)**	**(7,101)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(36,348)	(23,699)	(25,925)	(55,841)	(9,065)	(7,101)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(36,348)	(23,699)	(25,925)	(55,841)	(9,065)	(7,101)
Total Net Assets- July 1 - As Restated	198,843	162,495	138,796	112,871	57,030	47,965
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	198,843	162,495	138,796	112,871	57,030	47,965
Net Assets- June 30	**162,495**	**138,796**	**112,871**	**57,030**	**47,965**	**40,864**
60 days of expenses						
(Total Operating Expenses divided by 6)	22,599	16,738	21,653	22,640	21,178	21,184

Requested Rates for Internal Service Funds

Fee/Rate Information

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Warehouse overhead rate	5%	5%	5%	5%	18%	20%

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

DEPARTMENT OF ENVIRONMENTAL QUALITY-5301

Please note that this agency also contains HB 2 funding.

5301 Department of Environmental Quality
Richard Opper x2544

- 10 Central Management Program
  Tom Livers x4632
- 20 Planning, Prevention & Assistance Division
  Art Compton x6754
- 30 Enforcement Division
  John Arrigo x5327
- 40 Remeditation Division
  Sandi Olsen x841-5001
- 50 Permitting and Compliance Division
  Judy Hanson x0496
- 90 Petroleum Tank Release Compensation Board
  Terry Wadsworth x841-5092

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

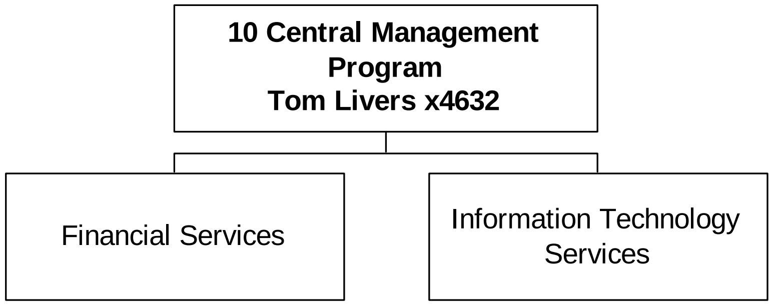
Statutory Authority - Titles 2, 7, 37, 50, 69, 75, 76, 80, 82 and 90, MCA; USC 24, 30, 33 and 42; PL No. 92-500, 95-87, 91, 95-224 and 99-519.

Language - "The department is authorized to decrease federal special revenue in the water pollution control and/or drinking water revolving loan programs and to increase state special revenue by a like amount within the special administration account when the amount of federal capitalization funds have been expended or when federal funds and bond proceeds will be used for other program purposes."

Agency Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	55.50	0.00	0.00	55.50	0.00	0.00	55.50
Personal Services	3,240,091	489,227	0	3,729,318	500,269	0	3,740,360
Operating Expenses	2,356,892	466,913	13,604	2,837,409	354,732	11,796	2,723,420
Equipment & Intangible Assets	12,673	0	0	12,673	0	0	12,673
Total Costs	**$5,609,656**	**$956,140**	**$13,604**	**$6,579,400**	**$855,001**	**$11,796**	**$6,476,453**
Proprietary	5,609,656	956,140	13,604	6,579,400	855,001	11,796	6,476,453
Total Funds	**$5,609,656**	**$956,140**	**$13,604**	**$6,579,400**	**$855,001**	**$11,796**	**$6,476,453**

DEPARTMENT OF ENVIRONMENTAL QUALITY-5301
CENTRAL MANAGEMENT PROGRAM-10

Please note that this program also contains HB 2 funding.



Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	55.50	0.00	0.00	55.50	0.00	0.00	55.50
Personal Services	3,240,091	489,227	0	3,729,318	500,269	0	3,740,360
Operating Expenses	2,356,892	466,913	13,604	2,837,409	354,732	11,796	2,723,420
Equipment & Intangible Assets	12,673	0	0	12,673	0	0	12,673
Total Costs	**$5,609,656**	**$956,140**	**$13,604**	**$6,579,400**	**$855,001**	**$11,796**	**$6,476,453**
Proprietary	5,609,656	956,140	13,604	6,579,400	855,001	11,796	6,476,453
Total Funds	**$5,609,656**	**$956,140**	**$13,604**	**$6,579,400**	**$855,001**	**$11,796**	**$6,476,453**

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

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

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

DEPARTMENT OF ENVIRONMENTAL QUALITY-5301
CENTRAL MANAGEMENT PROGRAM-10

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

Revenues and Expenses - The department has one proprietary fund, which is an internal service fund used to account for the department's indirect cost activity. The department anticipates negotiating an indirect cost rate with the U.S. Environmental Protection Agency (EPA) of approximately 24% percent on personal services and 4% on operating expenses in FY 2010 and FY 2011. Revenues generated by the current indirect cost rate fund 55.50 FTE.

The Central Management Program provides the services presented in the program description. The cost of providing support services is directly related to the number of staff served and contracts and other operating expenses processed. The department negotiates an indirect rate with EPA based on that computation annually. Adjustments for over-recovery and under-recovery in the previous year are made to the calculations each year. EPA and DEQ agree to the services that are included in the indirect calculation. Funding is collected from all non-proprietary sources expended within the department. The FY 2008 base collections were: $677,448 in general fund, $2,595,693 in state special revenue, and $2,014,879 in federal special revenue.

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

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

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

Rate Explanation -The department is requesting to continue separate indirect rates for personal services and operating expenses as approved in the last legislature session.

The approved cap for FY 2008 was set at 22.5% on the personal services and 3.0% for operating expenses and FY 2009 was 21.0% on personal services and 4.0% on operating expenses. For the 2011 biennium, the department requests approval of a 24.0% cap on the personal services rate and 4% cap on the operating rate. The department negotiates the annual indirect cost rate with our cognizant agency, the Environmental Protection Agency (EPA). The approved rate is a fixed rate which may be slightly lower than the cap set by the Legislature. The difference is that the negotiated rate must, and does, include a carry-forward amount representing under-recovery or over-recovery in the fund in a given year. The rate negotiated may be lower but never higher than the legislative cap.

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

DEPARTMENT OF ENVIRONMENTAL QUALITY-5301
CENTRAL MANAGEMENT PROGRAM-10

2011 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Revenue from State Services	2,624,142	2,738,378	3,273,141	3,170,563	4,297,825	4,319,223
Net Fee Revenue	2,624,142	2,738,378	3,273,141	3,170,563	4,297,825	4,319,223
Investment Earnings	-	-	-	-		
Securities Lending Income	-	-	-	-		
Premiums	119,534	(97,410)	9,017	12,000	12,000	12,000
Other Operating Revenues	3,024	3,587	18,770	-		
Total Operating Revenue	2,746,700	2,644,555	3,300,928	3,182,563	4,309,825	4,331,223
Operating Expenses:						
Personal Services	2,970,567	3,101,701	3,264,185	3,549,351	3,729,318	3,740,360
Other Operating Expenses	1,182,083	1,466,246	2,511,314	2,184,378	3,008,127	2,894,240
Equipment Expenses				20,000	12,673	12,673
Total Operating Expenses	4,152,650	4,567,947	5,775,499	5,753,729	6,750,118	6,647,273
Operating Income (Loss)	**(1,405,950)**	**(1,923,392)**	**(2,474,571)**	**(2,571,166)**	**(2,440,293)**	**(2,316,050)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(54,192)	(1,598)	(4,174)	-		
Federal Indirect Cost Recoveries	1,792,090	1,713,437	2,014,879	2,398,882	3,242,219	3,258,362
Other Nonoperating Revenues (Expenses)	-	-	-	-		
Net Nonoperating Revenues (Expenses)	1,737,898	1,711,839	2,010,705	2,398,882	3,242,219	3,258,362
Income (Loss) Before Operating Transfers	331,948	(211,553)	(463,866)	(172,284)	801,926	942,312
Contributed Capital	-	-	-	-		
Operating Transfers In (Note 13)	14,018	-	-	-		
Operating Transfers Out (Note 13)	-	(8,566)	(69,352)	-		
Change in net assets	345,966	(220,119)	(533,218)	(172,284)	801,926	942,312
Total Net Assets- July 1 - As Restated	842,340	1,156,198	898,188	367,541	195,257	997,183
Prior Period Adjustments	(32,108)	(37,891)	2,571	-		
Cumulative effect of account change	-	-	-	-		
Total Net Assets - July 1 - As Restated	810,232	1,118,307	900,759	367,541	195,257	997,183
Net Assets- June 30	**1,156,198**	**898,188**	**367,541**	**195,257**	**997,183**	**1,939,495**
60 days of expenses						
(Total Operating Expenses divided by 6)	692,108	761,325	962,583	958,955	1,125,020	1,107,879

Requested Rates for Internal Service Funds

Fee/Rate Information

	Actual FYE 06	Actual FY 07	Actual FY 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Requested Rates for Internal Service Funds	25.0	25.0	-	-		
(Changed Methodogy see below)						
Personal Services			22.5	21.0	24.0	24.0
Operating Expenditures			3.0	4.0	4.0	4.0

The department has one proprietary fund, which is an internal service fund used to account for the Department's indirect cost activity. The department anticipates negotiating the indirect cost rates with the U.S. Environmental Protection Agency (EPA) of approximately 24.0% applied against personal services and 4% applied against operating costs for FY2010 and FY2011. Revenues generated by the current indirect cost rates fund 55.50 FTE.

DEPARTMENT OF ENVIRONMENTAL QUALITY-5301
CENTRAL MANAGEMENT PROGRAM-10

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

	Total Agency Impact	General Fund Total
FY 2010	$163,649	$0
FY 2011	$163,649	$0

PL- 1003 - Proprietary Operations Adjustments -
This operations adjustment request is for $163,649 in both FY 2010 and FY 2011 funded by DEQ Indirects internal service fund. The operating adjustments requested are required to pay for increases in non-state rent, replace personal computers over the course of the biennium, and restore communications, travel and training budgets due to vacancies. This request represents 2.2% of the projected annual revenue to the proprietary fund each year of the 2011 biennium.

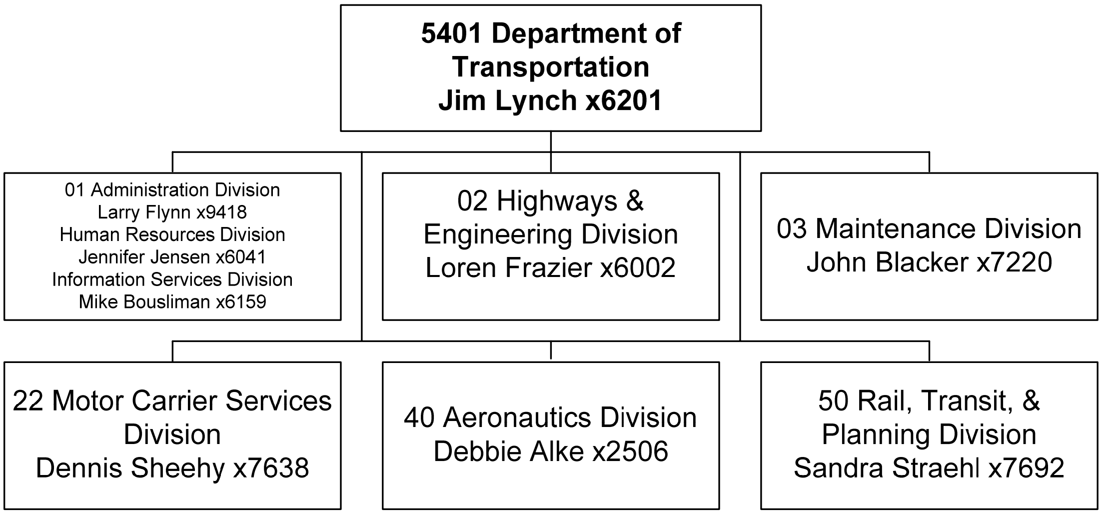
--New Proposals--

	Total Agency Impact	General Fund Total
FY 2010	$13,604	$0
FY 2011	$11,796	$0

NP- 6101 - Fixed Cost Workers Comp Mgmt Pgm Allocation -
The Workers' Compensation Management program at the Department of Administration was funded by the 2007 Legislature with a one-time-only general fund appropriation. For the 2011 biennium and beyond, the program will be funded via a fixed cost allocation. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. The budget includes $13,604 in FY 2010 and $11,796 in FY 2011 from proprietary funds for the Department of Environmental Quality's allocation of the fixed cost. This request represents approximately 0.2% of the projected annual revenue to the proprietary fund each year of the 2011 biennium.

DEPARTMENT OF TRANSPORTATION-5401

Please note that this agency also contains HB 2 funding.



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

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

Language - "The department may adjust appropriations in the general operations, construction, maintenance, and transportation planning programs between state special revenue and federal special revenue funds if the total state special revenue authority for these programs is not increased by more than 10% of the total appropriations established by the Legislature for each program."

"All federal special revenue appropriations in the department are biennial."

"All appropriations in the general operations, construction, maintenance, and transportation planning programs are biennial."

"All remaining federal pass-through grant appropriations for highway traffic safety, including reversions for the 2009 biennium, are authorized to continue and are appropriated in FY 2010 and FY 2011."

Agency Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	129.29	1.71	0.00	131.00	1.71	0.00	131.00
Personal Services	7,736,310	395,235	0	8,131,545	434,993	0	8,171,303
Operating Expenses	15,630,802	2,130,370	4,290	17,765,462	2,475,852	3,719	18,110,373
Equipment & Intangible Assets	9,431,754	1,323,554	0	10,755,308	529,554	0	9,961,308
Debt Service	388,388	13,352	0	401,740	13,352	0	401,740
Total Costs	**$33,187,254**	**$3,862,511**	**$4,290**	**$37,054,055**	**$3,453,751**	**$3,719**	**$36,644,724**
Proprietary	33,187,254	3,862,511	4,290	37,054,055	3,453,751	3,719	36,644,724
Total Funds	**$33,187,254**	**$3,862,511**	**$4,290**	**$37,054,055**	**$3,453,751**	**$3,719**	**$36,644,724**

DEPARTMENT OF TRANSPORTATION-5401
STATE MOTOR POOL-07

Please note that this program also contains HB 2 funding.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	6.00	0.00	0.00	6.00	0.00	0.00	6.00
Personal Services	335,108	8,901	0	344,009	11,132	0	346,240
Operating Expenses	2,852,819	409,862	201	3,262,882	534,415	174	3,387,408
Equipment & Intangible Assets	2,333,918	485,751	0	2,819,669	565,751	0	2,899,669
Debt Service	388,388	13,352	0	401,740	13,352	0	401,740
Total Costs	**$5,910,233**	**$917,866**	**$201**	**$6,828,300**	**$1,124,650**	**$174**	**$7,035,057**
Proprietary	5,910,233	917,866	201	6,828,300	1,124,650	174	7,035,057
Total Funds	**$5,910,233**	**$917,866**	**$201**	**$6,828,300**	**$1,124,650**	**$174**	**$7,035,057**

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

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

Other Options to Use of the Program - Use of the program is optional to agencies when personnel are required to travel by vehicle for official state business, but is encouraged in the Montana Operations Manual (MOM). Other options to use by state employees are: 1) other state-owned vehicles not part of the State Motor Pool fleet; 2) personal vehicles, with authorization provided by the agency director; or 3) vehicles from a private rental agency contract. The MOM manual encourages use of the program through the reimbursement rate for use of personal vehicles for state business travel that are set at 52% of the rate established by the Internal Revenue Service for the current year, less three cents, unless you meet conditions as discussed in 1-0310-30 of the MOM manual.

Significant Program Growth - The program has increased from 278 units in fiscal 1996 to 1032 in fiscal 2008. During that time, annual mileage increased from 4.4 million to 14.9 million miles. This growth in the number of vehicles and miles traveled is largely due to the practice of the Office of Budget and Program Planning (OBPP) stipulating agencies to lease new vehicles from the State Motor Pool instead of agencies purchasing vehicles directly.

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

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FYE2005	833	Units	13,014,200 miles
FYE2006	884	Units	13,646,466 miles
FYE2007	943	Units	14,104,595 miles
FYE2008	1032	Units	14,972,276 miles
FY2009	1027	Units	14,270,532 miles Projected
FY2010	1067	Units	15,677,500 miles Projected
FY2011	1070	Units	15,732,948 miles Projected

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

Revenues and Expenses -

Changes in Services and Fees - Revenue is generated through vehicle rental fees and from the gain on sale of surplus assets. Vehicle rental fees provide the majority (roughly 99% in FY 2008) of the revenue for the program. Rental fee revenues are functionally tied to the travel requirements of various user agencies. The program also receives revenues resulting from accident damages reimbursed by private individuals or insurance companies. The amount generally covers the expenditures to repair the damage or pays for a vehicles residual value when the unit is beyond repair.

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

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

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

A large portion of costs of the program are indirect costs, as they cannot be traced directly to specific miles driven by State Motor Pool vehicles. Indirect costs are supported by the assigned rates allocated to the eight classes of vehicles. The motor pool supports 6.00 FTE. Administrative overhead and service activities that cannot be tied directly to specific units makes up 80% of the FTE salaries. Maintenance and repairs that can be directly tied to specific units makes up the remaining 20% of the FTE salaries. Direct costs also include fuel, oil, and tires, and are supported by the usage rates for all eight classes of vehicles. The allocations of indirect costs and direct costs use the same methodology for all rates to which they apply. The program has included projected increases for the 2011 biennium. This increase is being projected as the industry has increased costs for vehicle purchases and increased costs of repairs and maintenance. A large expected increase is in fuel which is expected to be higher than the base year expenditures.

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

The program also uses an operating loan from the general fund account. The operating loan is needed to support the motor pool in order to allow the program to pay for all obligations through out each fiscal year. This operating loan was scheduled to be paid back over five years starting in FY 2008. However with the loss incurred in FY 2008 and an expected loss in FY 2009, this scheduled pay back may not be attainable. The rates are set to generate enough revenue to bring the cash position of the motor pool back to an acceptable level. It is expected that the need for the operating loan will no longer be needed in future years as the motor pool will operate on a full cost recovery process.

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

Fund Equity and Reserve Fund Balance - The program rents vehicles for use by other state government entities. The number of vehicles in the program at the end of FY 2008 has grown to 1032 vehicles. The motor pool is now nearly four times as large as it was in 1996. Because of this growth, the program has needed to borrow funds to purchase new vehicles. As such, the balance sheet for the program ending FY 2008 has $17.6 million in equipment assets which are all light duty vehicles. The equipment assets are currently depreciated to approximately 20% of their cost; in previous years they were depreciated to 30% of their cost. This has reduced the net book value of all assets to approximately $10.4 million financed by $6.5 million of long-term debt. The resultant fund equity is $1.0 million or 10% of total fixed asset value.

Cash Flow Discussion - Motor pool fluctuations in cash balance are due to the motor pool recovering insufficient cash to meet its operation needs and pay back outstanding loans for operations. Recurring cash obligations that must be paid back by cash on hand or loans include the loan repayments for BOI and general fund loans. Cash flow is also being affected by higher cost of fuel and the resulting increase in the cost of parts, maintenance work, and supplies. The intent of the motor pool program is to become less reliant on operational loans to meet its obligations. The current rental rates are expected to generate the appropriate revenue to start the program toward that goal.

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

The Equipment Vehicle Management System (EVMS) provides cost information related to direct and indirect costs for each vehicle class. These costs were used to project final costs for FY 2008 and in addition provide the base to project costs for FY 2010 and FY 2011. Adjustments to current costs were made for additional lease vehicles that will be added to the fleet for FY 2010-2011. Adjustments were also made for increases to indirect costs and projected increases in operational costs (direct costs).

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

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

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

For the 2011 biennium, the State Motor Pool requests legislative approval of the rates shown in Table 1

Table 1 – State Motor Pool Base and 2011 Biennium Requested Rates							
		Fiscal Year 2008		Fiscal Year 2010		Fiscal Year 2011	
Class	Description	Assigned (per hour)	Usage (per mile)	Assigned (per hour)	Usage (per mile)	Assigned (per hour)	Usage (per mile)
02	Small Utilities	$1.547	$0.158	$2.543	$0.176	$2.428	$0.176
03	Hybrid SUV	$1.547	$0.158	$1.690	$0.129	$2.323	$0.128
04	Large Utilities	$1.948	$0.200	$2.347	$0.208	$2.359	$0.210
05	Hybrid Sedans	$1.393	$0.123	$2.355	$0.093	$2.610	$0.094
06	Mid-Size Compact	$1.393	$0.123	$1.733	$0.134	$1.749	$0.135
07	Small Pickups	$1.528	$0.187	$1.667	$0.199	$1.678	$0.201
11	Large Pickups	$1.432	$0.215	$1.797	$0.207	$1.831	$0.209
12	Van, All Types	$1.453	$0.181	$1.825	$0.198	$1.858	$0.200
Tier 2 (Contingent $3.71/gal)							
02	Small Utilities			$2.543	$0.200	$2.428	$0.200
03	Hybrid SUV			$1.690	$0.146	$2.323	$0.144
04	Large Utilities			$2.347	$0.239	$2.359	$0.241
05	Hybrid Sedans			$2.355	$0.105	$2.610	$0.107
06	Mid-Size Compact			$1.733	$0.151	$1.749	$0.153
07	Small Pickups			$1.667	$0.225	$1.678	$0.228
11	Large Pickups			$1.797	$0.236	$1.831	$0.238
12	Van, All Types			$1.825	$0.224	$1.858	$0.227
Tier 3 (Contingent $4.21/gal)							
02	Small Utilities			$2.543	$0.225	$2.428	$0.224
03	Hybrid SUV			$1.690	$0.164	$2.323	$0.161
04	Large Utilities			$2.347	$0.271	$2.359	$0.272
05	Hybrid Sedans			$2.355	$0.118	$2.610	$0.119
06	Mid-Size Compact			$1.733	$0.169	$1.749	$0.171
07	Small Pickups			$1.667	$0.252	$1.678	$0.254
11	Large Pickups			$1.797	$0.266	$1.831	$0.268
12	Van, All Types			$1.825	$0.251	$1.858	$0.253

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2011 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Projected FY10	Projected FY11
Operating Revenues:						
Service Reimbursements	3,619,941	3,950,962	5,903,943	6,225,206	8,384,829	8,591,451
Net Fee Revenue	3,619,941	3,950,962	5,903,943	6,225,206	8,384,829	8,591,451
Investment Earnings	-					
Securities Lending Income	-					
Premiums	-					
Other Operating Revenues	54,077	3,250	1,683	50,000	20,000	20,000
Total Operating Revenue	3,674,018	3,954,212	5,905,626	6,275,206	8,404,829	8,611,451
Operating Expenses:						
Personal Services	305,719	323,452	337,428	344,691	344,009	346,240
Other Operating Expenses	4,267,266	4,644,110	5,666,694	5,214,712	6,624,740	6,829,131
Total Operating Expenses	4,572,985	4,967,562	6,004,122	5,559,403	6,968,749	7,175,371
Operating Income (Loss)	**(898,967)**	**(1,013,350)**	**(98,496)**	**715,803**	**1,436,080**	**1,436,080**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(207,741)	(220,901)	(68,559)	30,000		
Federal Indirect Cost Recoveries	-					
Other Nonoperating Revenues (Expenses)	-		23,300			
Net Nonoperating Revenues (Expenses)	(207,741)	(220,901)	(45,259)	30,000	-	-
Income (Loss) Before Operating Transfers	(1,106,708)	(1,234,251)	(143,755)	745,803	1,436,080	1,436,080
Contributed Capital	-					
Operating Transfers In (Note 13)	-	1,330,000				
Operating Transfers Out (Note 13)	-					
Change in net assets	(1,106,708)	95,749	(143,755)	745,803	1,436,080	1,436,080
Total Net Assets- July 1 - As Restated	2,205,651	1,099,134	1,193,920	1,050,166	1,795,970	3,232,051
Prior Period Adjustments	190	(964)				
Cumulative effect of account change	-					
Total Net Assets - July 1 - As Restated	2,205,841	1,098,170	1,193,920	1,050,166	1,795,970	3,232,051
Net Assets- June 30	**1,099,134**	**1,193,920**	**1,050,166**	**1,795,970**	**3,232,051**	**4,668,132**
60 days of expenses (Total Operating Expenses divided by 6)	762,164	827,927	1,000,687	926,567	1,161,458	1,195,895

Requested Rates for Internal Service Funds Fee/Rate Information

		Actual FY 08 Assigned Rate	Actual FY 08 Usage Rate	Actual FY 09 Assigned Rate	Actual FY 09 Usage Rate	Budgeted FY 10 Assigned Rate	Budgeted FY 10 Usage Rate	Budgeted FY 11 Assigned Rate	Budgeted FY 11 Usage Rate
TIER 1 (Budgeted)									
Rental Rate Fees									
Class 02	Small Utilities	1.547	0.158	1.637	0.160	2.543	0.176	2.428	0.176
Class 03	Hybrid SUV	1.948	0.200	2.038	0.202	1.690	0.129	2.323	0.128
Class 04	Large Utilities	1.948	0.200	2.038	0.202	2.347	0.208	2.359	0.210
Class 05	Hybrid Sedans	1.393	0.123	1.408	0.125	2.355	0.093	2.610	0.094
Class 06	Passenger Car	1.393	0.123	1.408	0.125	1.733	0.134	1.749	0.135
Class 07	Small Pickup	1.528	0.187	1.581	0.190	1.667	0.199	1.678	0.201
Class 11	Large Pickup	1.432	0.215	1.437	0.218	1.797	0.207	1.831	0.209
Class 12	Vans	1.453	0.181	1.420	0.183	1.825	0.198	1.858	0.200
						Budgeted	Budgeted	Budgeted	Budgeted
TIER 2 (Contingent $3.71/gal))						FY 10	FY 10	FY 11	FY 11
Rental Rate Fees						Assigned Rate	Usage Rate	Assigned Rate	Usage Rate
Class 02	Small Utilities					2.543	0.200	2.428	0.200
Class 03	Hybrid SUV					1.690	0.146	2.323	0.144
Class 04	Large Utilities					2.347	0.239	2.359	0.241
Class 05	Hybrid Sedans					2.355	0.105	2.610	0.107
Class 06	Passenger Car					1.733	0.151	1.749	0.153
Class 07	Small Pickup					1.667	0.225	1.678	0.228
Class 11	Large Pickup					1.797	0.236	1.831	0.238
Class 12	Vans					1.825	0.224	1.858	0.227
						Budgeted	Budgeted	Budgeted	Budgeted
TIER 3 (Contingent ($4.21/gal))						FY 10	FY 10	FY 11	FY 11
Rental Rate Fees						Assigned Rate	Usage Rate	Assigned Rate	Usage Rate
Class 02	Small Utilities					2.543	0.225	2.428	0.224
Class 03	Hybrid SUV					1.690	0.164	2.323	0.161
Class 04	Large Utilities					2.347	0.271	2.359	0.272
Class 05	Hybrid Sedans					2.355	0.118	2.610	0.119
Class 06	Passenger Car					1.733	0.169	1.749	0.171
Class 07	Small Pickup					1.667	0.252	1.678	0.254
Class 11	Large Pickup					1.797	0.266	1.831	0.268
Class 12	Vans					1.825	0.251	1.858	0.253

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

	Total Agency Impact	General Fund Total
FY 2010	$1,141	$0
FY 2011	$1,141	$0

PL- 701 - OT/Differential -
This request is to re-establish zero-based overtime and differential pay with associated benefits in the amount of $1,141 per year from the motor pool internal service fund. DP701 impacts the assigned rates by $.00039 per hour in each year of the biennium.

	Total Agency Impact	General Fund Total
FY 2010	$17,769	$0
FY 2011	$17,769	$0

PL- 705 - Increased Repair & Maintenance Costs -
This request is for an increase of $35,538 across the biennium from the motor pool internal service fund due to the increased cost of motor oil and tires. DP705 impacts the usage rates by $0.00113 per mile in each year of the biennium.

	Total Agency Impact	General Fund Total
FY 2010	$1,227	$0
FY 2011	$1,227	$0

PL- 706 - EVMS Maintenance Contract Increase -
This budget request is for $1227 per year for a 2.5% increase in the maintenance contract with Agile Assets for the Equipment and Vehicle Management System (EVMS). Half will be paid by the Motor Pool Program and half by the Equipment Program. This request is for $2,454 in motor pool proprietary funds for the biennium. This will impact the assigned rates by $0.00041959 per hour in FY 2010 and by $0.00041847 in FY 2011.

	Total Agency Impact	General Fund Total
FY 2010	$499,103	$0
FY 2011	$643,379	$0

PL- 707 - Vehicle Purchases -
The motor pool program has an increased quantity of replacement vehicles that need to be purchased in the 2011 biennium. This request is for a budget authority increase of $1,142,482 for the biennium for the cost of the vehicles and the additional gas that will be required to run them. DP707 impacts the assigned rates by $0.0046 per hour in each year of the biennium and the mileage usage rate is increased $0.0041 per mile in FY 2011.

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--New Proposals--

	Total Agency Impact	General Fund Total
FY 2010	$201	$0
FY 2011	$174	$0

NP- 6101 - Fixed Cost Workers Comp Mgmt Program Allocation -
The Workers' Compensation Management Program at the Department of Administration was funded by the 2007 Legislature with a one-time-only general fund appropriation. For the 2011 biennium and beyond, the program will be funded via a fixed cost allocation. The allocation is based upon the average number of payroll warrants issued per pay period. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. This request for the biennium is for $375. This decision package is one of four decision packages which total $73,142 in FY 2010 and $63,417 in FY 2011 for Montana Department of Transportation's allocation of the fixed cost. DP704 impacts the assigned rates by $0.000069 in FY 2010 and $0.000059 in FY 2011.

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EQUIPMENT PROGRAM-08

Please note that this program also contains HB 2 funding.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	122.00	1.00	0.00	123.00	1.00	0.00	123.00
Personal Services	7,269,300	367,510	0	7,636,810	404,815	0	7,674,115
Operating Expenses	12,703,484	1,703,717	4,089	14,411,290	1,924,449	3,545	14,631,478
Equipment & Intangible Assets	7,061,639	864,000	0	7,925,639	0	0	7,061,639
Benefits & Claims	0	0	0	0	0	0	0
Total Costs	**$27,034,423**	**$2,935,227**	**$4,089**	**$29,973,739**	**$2,329,264**	**$3,545**	**$29,367,232**
Proprietary	27,034,423	2,935,227	4,089	29,973,739	2,329,264	3,545	29,367,232
Total Funds	**$27,034,423**	**$2,935,227**	**$4,089**	**$29,973,739**	**$2,329,264**	**$3,545**	**$29,367,232**

Program Description - The Equipment Program is responsible for the acquisition, disposal, repair and maintenance of a fleet of approximately 4,600 individual units. The fleet is comprised of light duty vehicles, single and tandem axle dump trucks, specialized snow removal units, roadway maintenance units and other specialized equipment. Exclusively the various programs within the Montana Department of Transportation (MDT) such as Construction, Motor Carrier Services, Maintenance, and Right-of-Way use the fleet. All units are assigned to the various user programs and are charged rental on a bi-weekly basis. The Equipment Program supports 122.00 FTE.

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

Program Growth - The program has monitored the size of the equipment fleet to identify any excess or low usage units and ensure the fleet sizing requirements are at needed levels. The program continues to ensure staffing levels are adequate to continue to support, repair and maintain the current fleet and to ensure operating and maintenance expenses are kept at the most cost effective levels. The fleet size from FY 1997 through FY 2008 is depicted as follows:

FYE 1997 4041 Units	20,115,826 miles
FYE 1998 4039 Units	17,508,471 miles
FYE 1999 4169 Units	18,712,127 miles
FYE 2000 4282 Units	19,602,485 miles
FYE 2001 4632 Units	21,962,128 miles
FYE 2002 4609 Units	22,855.416 miles
FYE 2003 4638 Units	22,712,391 miles
FYE 2004 4571 Units	23,653,560 miles
FYE 2005 4563 Units	22,317,297 miles
FYE 2006 4555 Units	21,797,235 miles
FYE 2007 4546 Units	21,511,744 miles
FYE 2008 4608 Units	21,682,290 miles

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EQUIPMENT PROGRAM-08

Revenues and Expenses

Change in Services or Fees - Revenue is generated through the vehicle/equipment rental fees, from the gain on sale of surplus assets, and from reimbursements from equipment accidents caused by an outside party. Vehicle rental fees provide the majority of the revenue for the program. Revenues for the fleet are functionally tied to the severity of the winter, construction program workload, and travel requirements of the various department users. Annual mileage and hours of usage can vary significantly. The rental rates will be set to cover anticipated increased expenditures for fuel, cutting edges for snowplows, and repair parts. The rates will be sufficient to recover revenue to meet the program's obligations.

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

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

The Equipment Program supports 122.00 FTE. Approximately 65% of the FTE salaries are allocated to administrative overhead and service activities that cannot be functionally tied directly to a piece of equipment. The remaining 35% of the FTE salaries can be directly tied to specific units as the maintenance and repair can be directly captured to a specific unit.

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

Working Capital Discussion - The equipment rental rates are set to recover sufficient revenue to purchase assets and cover normal operating expenses. Revenue is generated through the rental rates, gain on sale of surplus assets, and damage settlements. The primary source of revenue for the program is from user rental rates charged for the use and possession of vehicles and equipment. The program rental rates are based on a "dual rate" structure. Users will reimburse the program for actual miles driven (usage rate) and a possession rate (assigned rate). Actual miles of travel and hours of usage are reported bi-weekly and billed on the same schedule as payrolls. Approximately $1,050,000 in rental revenue was generated every two weeks during FY 2008. Rental revenue varies with the season, weather conditions and workloads. Auction revenue varies depending on the number and types of units being sold. The program also receives incidental revenues for accident damages that are reimbursed by private individuals or insurance companies. The amount generally covers the expenditures to repair the damage. If the program doesn't generate sufficient revenue to meet these obligations then the program would have to either liquidate assets or receive a loan.

Fund Equity and Reserved Fund Balance - The fund equity balance continues to grow as the fleet size increase. The fleet size increases are partially tied to requirement that the department takeover maintenance of secondary roads through out the state. Also, each fiscal year since 1999, federal money has been available to purchase equipment. The equipment is then donated to the Equipment Program and the donated equipment contributes to the increase in the fund equity balance. The Equipment Program will have to maintain the equipment and will replace the units when life cycle and cost dictates replacement.

Cash Flow Discussion - The Equipment Program is internal to the Department of Transportation. The cash flow is dependent on the rental revenue and from the auction proceeds of fleet units sold. Rental revenue varies with the season, weather conditions and workloads. If the department experiences a light winter season, there is low usage, which generates less revenue. If the department experiences a heavy winter season, there is higher usage which generates increased revenue. Cash flow also has been affected by the increased cost of fuel and the resulting increase in the cost of parts, maintenance work and supplies. During the 2007 Legislature the historical 60-day working cash maximum was changed to a 20-day working cash maximum. The program has found this to be unattainable. The program will request that the Legislature return the maximum working cash to 60-days for the 2011 biennium.

Rate Explanation - The Equipment Program rental rates are based on a two-tiered rate structure. The users pay a usage rate and an assigned rate. The usage rate is a per mile or hourly rate that is applied to a vehicle or piece of equipment for the actual miles/hours used and is designed to recover "direct costs" that include labor, parts, fuel, lubricants, tires, and tubes. The assigned rate is designed to recover "fixed costs" such as insurance, depreciation, and indirect costs. Rental rates are adjusted yearly. The rates are based on the actual operational costs for each sub-class for the base rental period. These costs are adjusted to reflect changes in operations or operating costs from the base. The effects are internal to the Department of Transportation and the program is held accountable to ensure the rates recover only needed operational monies. Attached are the current FY 2009 rental rates, which will be adjusted yearly to reflect changes in operations.

DEPARTMENT OF TRANSPORTATION-5401
EQUIPMENT PROGRAM-08

2011 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Projected FY10	Projected FY11
Operating Revenues:						
Service Reimbursements	-					
Net Fee Revenue	22,728,515	24,632,634	27,433,927	26,543,533	28,237,427	28,507,999
Investment Earnings	-					
Securities Lending Income	-					
Premiums	-					
Other Operating Revenues	117,198	142,095	159,843			
Total Operating Revenue	22,845,713	24,774,729	27,593,770	26,543,533	28,237,427	28,507,999
Operating Expenses:						
Personal Services	6,449,512	6,753,280	6,994,768	7,075,695	7,636,810	7,674,115
Other Operating Expenses	15,991,352	16,311,267	18,859,666	18,605,248	22,339,953	21,696,474
Total Operating Expenses	22,440,864	23,064,547	25,854,434	25,680,943	29,976,763	29,370,589
Operating Income (Loss)	**404,849**	**1,710,182**	**1,739,336**	**862,590**	**(1,739,336)**	**(862,590)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(13,021)	(53,461)	60,763			
Federal Indirect Cost Recoveries	-					
Other Nonoperating Revenues (Expenses)	-					
Net Nonoperating Revenues (Expenses)	(13,021)	(53,461)	60,763	-	-	-
Income (Loss) Before Operating Transfers	391,828	1,656,721	1,800,099	862,590	(1,739,336)	(862,590)
Contributed Capital	-	1,177,207	632,190			
Operating Transfers In (Note 13)	-		658,935			
Operating Transfers Out (Note 13)	-					
Change in net assets	391,828	2,833,928	3,091,224	862,590	(1,739,336)	(862,590)
Total Net Assets- July 1 - As Restated	58,466,020	59,416,174	62,004,471	65,227,190	66,089,780	64,350,444
Prior Period Adjustments	558,326	(245,631)	131,495			
Cumulative effect of account change	-					
Total Net Assets - July 1 - As Restated	59,024,346	59,170,543	62,135,966	65,227,190	66,089,780	64,350,444
Net Assets- June 30	**59,416,174**	**62,004,471**	**65,227,190**	**66,089,780**	**64,350,444**	**63,487,854**
60 days of expenses						
(Total Operating Expenses divided by 6)	3,740,144	3,844,091	4,309,072	4,280,157	4,996,127	4,895,098

Requested Rates for Internal Service Funds

Fee/Rate Information

Requested Rates for Internal Service Fund

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

The program uses a leapfrog process to account for prior year gains or losses. You will notice the gains indicated for FY2008 and 2009 are adjusted in FY2010 and FY2011.

DEPARTMENT OF TRANSPORTATION-5401
EQUIPMENT PROGRAM-08

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

	Total Agency Impact	General Fund Total
FY 2010	$57,135	$0
FY 2011	$57,135	$0

PL- 801 - OT/Differential -

This request is to re-establish zero-based overtime and differential pay with associated benefits in the amount of $57,135 per year from the highway equipment internal service fund. The assigned rates are impacted by $0.00603 per hour in each year of the biennium.

	Total Agency Impact	General Fund Total
FY 2010	$864,000	$0
FY 2011	$0	$0

PL- 805 - Equipment Purchases -

This request is for new equipment to be used throughout the equipment program. The requested amount is for $864,000 in highway equipment proprietary funds for the biennium. There is no impact to the rates.

	Total Agency Impact	General Fund Total
FY 2010	$57,324	$0
FY 2011	$57,465	$0

PL- 806 - FTE for St. Regis Shop -

This request is for 1.00 FTE and $114,789 from the highway equipment proprietary fund for the biennium. This area experiences severe winter conditions (i.e. Lookout Pass) creating a work load that one mechanic cannot keep up with. This request impacts the rates by $0.006048 per hour in FY 2010 and $0.006063 per hour in FY 2011.

	Total Agency Impact	General Fund Total
FY 2010	$183,963	$0
FY 2011	$185,410	$0

PL- 807 - Equipment Repair & Maintenance -

This request is for a budget increase of $369,373 from the highway equipment proprietary fund for the biennium to account for the increased cost of automotive parts and vehicle maintenance products. This request impacts the usage rates by $0.008465 per mile in FY 2010 and $0.008531 per hour in FY 2011.

	Total Agency Impact	General Fund Total
FY 2010	$1,227	$0
FY 2011	$1,227	$0

PL- 808 - EVMS Maintenance Contract Increases -

This budget request is for $1227 per year for a 2.5% increase in the maintenance contract with Agile Assets for the Equipment and Vehicle Management System (EVMS). Half will be paid by the Motor Pool Program and half by the Equipment Program. This request is for $2,454 from the highway equipment proprietary fund for the biennium. The assigned rates are impacted by $0.000129 per hour in each year of the biennium.

DEPARTMENT OF TRANSPORTATION-5401
EQUIPMENT PROGRAM-08

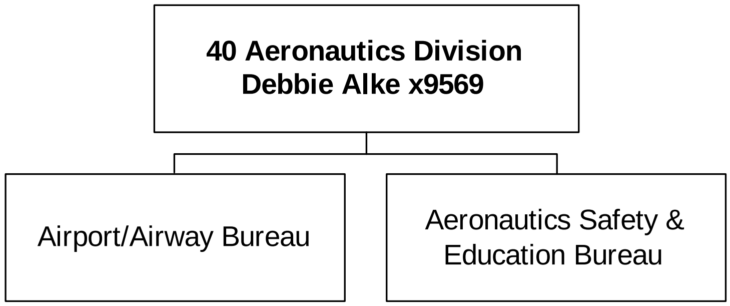
---------------------------------------New Proposals---------------------------------------

	Total Agency Impact	General Fund Total
FY 2010	$4,089	$0
FY 2011	$3,545	$0

NP- 6101 - Fixed Cost Workers Comp Mgmt Pgm Allocation -
The Workers' Compensation Management Program at the Department of Administration was funded by the 2007 Legislature with a one-time-only general fund appropriation. For the 2011 biennium and beyond, the program will be funded via a fixed cost allocation. The allocation is based upon the average number of payroll warrants issued per pay period. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. This request for the biennium is for $7,634 and represents approximately 0.014% of the rate. This decision package is one of four decision packages which total $73,142 in FY 2010 and $63,417 in FY 2011 for Montana Department of Transportation's allocation of the fixed cost.

DEPARTMENT OF TRANSPORTATION-5401
AERONAUTICS PROGRAM-40

Please note that this program also contains HB 2 funding.



Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	1.29	0.71	0.00	2.00	0.71	0.00	2.00
Personal Services	131,902	18,824	0	150,726	19,046	0	150,948
Operating Expenses	74,499	16,791	0	91,290	16,988	0	91,487
Equipment & Intangible Assets	36,197	(26,197)	0	10,000	(36,197)	0	0
Total Costs	**$242,598**	**$9,418**	**$0**	**$252,016**	**($163)**	**$0**	**$242,435**
Proprietary	242,598	9,418	0	252,016	(163)	0	242,435
Total Funds	**$242,598**	**$9,418**	**$0**	**$252,016**	**($163)**	**$0**	**$242,435**

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

Airside facilities at the airport include an 8,400’ foot runway and taxiway as well as large ramp and hangar areas for all types of aircraft operations. The runway is also equipped with a precision instrument landing system (ILS), allowing flights in any kind of weather as well as full approach, runway, and taxiway lighting. Other airport facilities include a commercial terminal building which tenants a restaurant / gift shop, two car rental agencies, airport administration and Transportation Security Administration (TSA) offices, and the Delta subsidiary SkyWest Airlines. Also located on the field are several outbuildings and other facilities housing bulk fuel storage, a fixed based operation (FBO) serving aviation needs, and full airport crash fire rescue services. The USFS also operates an inter-agency fire control center with both a smoke jumper and fire retardant bomber base. The airport also has a large on field pilot campground for fly in camping trips. The entire airport property is surrounded by a security / wildlife fence.

Fees for leases and other business services are both market and recovery based. Additional operating expenses planned in the 2011 biennium include only small airfield and terminal maintenance projects as well as any other requirements to meet all applicable federal airport regulations.

DEPARTMENT OF TRANSPORTATION-5401
AERONAUTICS PROGRAM-40

The West Yellowstone Airport is funded by an enterprise proprietary fund. There is one airport manager who works year round and one airport operations chief and one airport fire fighter who are employed seasonally.

Revenues and Expenses - Landing fees did increase in FY 2009 but are not forecasted to increase for the 2011 biennium. Landing fees increased from $0.60/1000lbs to $1.10/1000lbs. Other fees associated with the Yellowstone Airport did not increase.

Annual expenses at the Yellowstone Airport, for a three year period, average $296,424/year. The Yellowstone Airport currently supports 1.29 FTE but has asked for an additional 0.71 FTE to bring the total to 2.00 FTE. This additional FTE is needed to maintain federal airport certification requirements.

The Yellowstone Airport proprietary fund balance is forecast to remain about even with a slight decrease in operating expenses. Management objectives are to use part of the available fund balance as needed to satisfy recent necessary federal airport certification requirements. There is no anticipated influx of cash into the program and conservation of fund equity is to remain a high priority to offset additional Federal Airport Certification and Security requirements. The Yellowstone Airport is not planning any major improvement projects for the 2011 biennium.

Rate Explanation -Fees for provided services are market based. Landing fees did increase in FY 2009 but are not forecast to increase for the 2011 biennium. Landing fees increased from $0.60/1000lbs to $1.10/1000lbs. Other fees associated with the Yellowstone Airport did not increase.

DEPARTMENT OF TRANSPORTATION-5401
AERONAUTICS PROGRAM-40

2011 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Miscellaneous Service Fee	-	-	-	-		
Net Fee Revenue	26,942	48,805	46,638	59,995	58,881	60,430
Investment Earnings	-	-	-	-		
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	121,501	111,943	126,178	176,292	173,019	177,570
Total Operating Revenue	148,443	160,748	172,816	236,287	231,900	238,000
Operating Expenses:						
Personal Services	46,285	112,552	134,965	151,373	150,726	150,948
Other Operating Expenses	195,154	205,746	194,570	91,684	101,897	92,170
Total Operating Expenses	241,439	318,298	329,535	243,057	252,623	243,118
Operating Income (Loss)	**(92,996)**	**(157,550)**	**(156,719)**	**(6,770)**	**(20,723)**	**(5,118)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	7,683	8,887	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	7,683	8,887	-	-
Income (Loss) Before Operating Transfers	(92,996)	(157,550)	(149,036)	2,117	(20,723)	(5,118)
Contributed Capital	-		174,369	-	-	-
Operating Transfers In (Note 13)	10,283	29,326	13,700	13,700	13,700	13,700
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(82,713)	(128,224)	39,033	15,817	(7,023)	8,582
Total Net Assets- July 1 - As Restated	2,525,826	2,443,113	2,314,889	2,345,100	2,360,917	2,353,894
Prior Period Adjustments	-		(8,822)	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	2,525,826	2,443,113	2,306,067	2,345,100	2,360,917	2,353,894
Net Assets- June 30	**2,443,113**	**2,314,889**	**2,345,100**	**2,360,917**	**2,353,894**	**2,362,476**
60 days of expenses						
(Total Operating Expenses divided by 6)	40,240	53,050	54,923	40,510	42,104	40,520

Fee/Rate Information

	Actuals FY 2008	Budgeted FY 2009	Budgeted FY 2010	Budgeted FY 2011
Fee Group A				
Landing Fees - Scheduled A	$0.60/1000 lbs	$1.10/1000lbs	$1.10/1000 lbs	$1.10/1000 lbs
Landing Fees - Other uses	11,000-31,250 lbs -	9,001-16,500lbs =$25.00	9,001-16,500lbs	9,001-16,500lbs
Landing Fees - Other uses	>31,250 lbs -	>16,500 lbs - $1.60/1000lbs	>16,500 lbs -	>16,500 lbs -
Fuel Flowage Fee	$0.06/Gallon	$0.06/Gallon	$0.06/Gallon	$0.06/Gallon
Building Leases - Car rental	$2.00/sq.ft.	$2.00/sq.ft.	$2.00/sq.ft.	$2.00/sq.ft.
Building Leases - Hangar G	$0.10/sq.ft	$0.12/sq.ft	$0.12/sq.ft	$0.12/sq.ft
Tax Transfers	$11,000	$11,000	$11,000	$11,000
Sales Receipts	10% of Gross Sales	10% of Gross Sales	10% of Gross Sales	10% of Gross Sales
Non-Aero Rentals				
Nevada Testing	Prior Year = C.P.I	Prior Year = C.P.I	Prior Year = C.P.I	Prior Year = C.P.I
City	$10,000/Year	$10,000/Year	$10,000/Year	$10,000/Year
Energy West	$12,500/Year	$12,500/Year	$12,500/Year	$12,500/Year

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

	Total Agency Impact	General Fund Total
FY 2010	$62,562	$0
FY 2011	$62,593	$0

PL- 4004 - West Yellowstone Airport FTE -

This request is for the equivalent of 0.71 FTE and a biennial budget increase of $125,155 from the West Yellowstone proprietary fund. To remain federally certified and to be able to accept increased Federal Aviation Administration (FAA) funds, the West Yellowstone Airport requires a manager to be brought up to 1.00 FTE. Two other positions will be brought up to 0.5 FTE. Health insurance will be required for both positions and is included in the total cost reflected above. There is no impact to the rates due to this decision package.

	Total Agency Impact	General Fund Total
FY 2010	($11,981)	$0
FY 2011	($21,969)	$0

PL- 4014 - West Yellowstone Airport Adj. -

This request is to show an overall reduction of proprietary costs associated with the West Yellowstone Airport. West Yellowstone Airport does not have any major projects planned for this biennium. The reduction is $11,981 in FY 2010 and $21,969 in FY 2011. There is no impact to the rates due to this decision package.

DEPARTMENT OF NATURAL RESOURCES & CONSERVATION-5706

Please note that this agency also contains HB 2 funding.

5706 Natural Resources & Conservation
Mary Sexton x2074

- 21 Centralized Services Division
  Ann Bauchman x6734
- 22 Oil & Gas Conservation Division
  Tom Richmond 656-0040
- 23 Conservation & Resource Development Division
  Ray Beck x6667

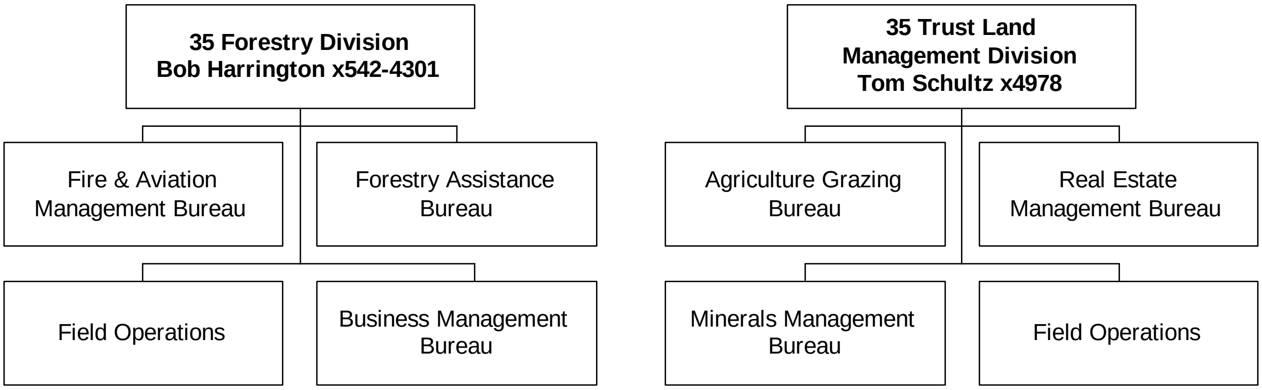
Mission Statement - To ensure Montana's land and water resources provide benefits for present and future generations.

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

Agency Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	21.93	0.00	3.22	25.15	0.00	3.22	25.15
Personal Services	1,281,247	77,026	143,900	1,502,173	83,898	144,089	1,509,234
Operating Expenses	1,303,560	96,990	501	1,401,051	111,576	433	1,415,569
Equipment & Intangible Assets	33,174	0	0	33,174	0	0	33,174
Total Costs	**$2,617,981**	**$174,016**	**$144,401**	**$2,936,398**	**$195,474**	**$144,522**	**$2,957,977**
Proprietary	2,617,981	174,016	144,401	2,936,398	195,474	144,522	2,957,977
Total Funds	**$2,617,981**	**$174,016**	**$144,401**	**$2,936,398**	**$195,474**	**$144,522**	**$2,957,977**

DEPARTMENT OF NATURAL RESOURCES & CONSERVATION-5706
FORESTRY/TRUST LANDS MANAGEMENT DIVISION-35

Please note that this program also contains HB 2 funding.



Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	21.93	0.00	3.22	25.15	0.00	3.22	25.15
Personal Services	1,281,247	77,026	143,900	1,502,173	83,898	144,089	1,509,234
Operating Expenses	1,303,560	96,990	501	1,401,051	111,576	433	1,415,569
Equipment & Intangible Assets	33,174	0	0	33,174	0	0	33,174
Total Costs	**$2,617,981**	**$174,016**	**$144,401**	**$2,936,398**	**$195,474**	**$144,522**	**$2,957,977**
Proprietary	2,617,981	174,016	144,401	2,936,398	195,474	144,522	2,957,977
Total Funds	**$2,617,981**	**$174,016**	**$144,401**	**$2,936,398**	**$195,474**	**$144,522**	**$2,957,977**

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

Nursery - The Montana Conservation Seedling Nursery produces and distributes seedlings for conservation plantings, including applications such as fire and logging reforestation, farmstead windbreaks, shelterbelts, wildlife habitat, stream stabilization, and other conservation uses. The program mission is to produce the highest quality, locally-adapted, source-identified seedlings available for conservation practices in Montana and to ensure affordable seedlings are available to Montana landowners. The nursery grows an average of one million seedlings annually on 110 acres of state land and in 9,000 square feet of greenhouse space. Sixty-seven plant species are currently in production. In FY 2006, 895 landowners purchased seedlings. The nursery program is funded solely from the nursery proprietary account. No general fund or federal dollars are used in the program.

DEPARTMENT OF NATURAL RESOURCES & CONSERVATION-5706
FORESTRY/TRUST LANDS MANAGEMENT DIVISION-35

Revenues and Expenses –

Air Operations - The primary source of revenue is in the collection of aircraft rental charges. Additional transfer-in revenue is received from HB 2 transfers of fixed costs (FTE, insurance, and rent) from the general fund and the fire protection tax revenues. The department has limited cooperative agreements to assist our federal partners (U.S. Forest Service) with fire protection. The department also has agreements with other state agencies for non-fire related aircraft rental services. The customers served are comprised primarily of state land managers for the DNRC. This involves initial attack of fires under state direct protection and federal and other state agencies. Historic and projected trends are dependent on length and severity of the fire season. Base year funding by fund type would be comprised primarily from FEMA and U.S. Forest Service (both 03 fund types). Expense account used in SABHRS to record aircraft rental is 62525. The revenue accounts used in SABHRS to record aircraft revenue are 522067-522076 (there is a separate account for each aircraft).

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

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

NURSERY:

Revenue Description - The primary source of revenue is seedling sales. Other revenue sources are such services as seed collection, cleaning, and storage and the sale of products for seedling care and protection. The customer base for nursery products and services is comprised of private landowners in Montana, the DNRC Trust Land Management Division, the Department of Fish, Wildlife and Parks, the Conservation Reserve Program (CRP), tribal agencies, the Wildlife Habitat Incentives Program (WHIP), Pheasants Forever, and numerous other conservation programs and organizations. Historic and projected trends in nursery revenue are dependent on conservation activity in the state, landowner access to cost-share dollars for implementation of conservation projects, and long-term seedling production contracts from large scale conservation activities. Revenue potential is also dependent on the number of seedlings available for sale each fiscal year. Sales are predicted two to three years in advance due to the two- to three-year production time needed for each seedling type. This can lead to seedling shortages or surpluses when unforeseen events such as extended drought or extreme fire seasons alter demand for seedlings. The revenue accounts used in SABHRS to record nursery revenue are 552101, (Sale of Nursery Products) and 520224 (Nursery Services).

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

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

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

$1,075.00	Bell UH-1/H Helicopters
$475.00	Jet Ranger Helicopter
$150.00	Cessna 180 Series Aircraft

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

DEPARTMENT OF NATURAL RESOURCES & CONSERVATION-5706
FORESTRY/TRUST LANDS MANAGEMENT DIVISION-35

2011 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Subsequent Injury Fund Assessment	-	-	-	-	-	-
Revenue from Bell UH-1Hs	498,108	814,967	1,071,238	1,052,878	1,423,544	1,423,544
Revenue from Bell Jet Rangers	53,360	82,167	83,084	106,154	138,250	138,250
Revenue from Cessna 180 Series	54,112	69,445	78,398	89,715	122,138	122,138
Revenue from Fee E	-	-	-	-	-	-
Revenue from Fee F	-	-	-	-	-	-
Net Fee Revenue	605,580	966,579	1,232,720	1,248,747	1,683,932	1,683,932
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	593	9,791	25,917	-	-	-
Total Operating Revenue	606,173	976,370	1,258,637	1,248,747	1,683,932	1,683,932
Operating Expenses:						
Personal Services	664,484	792,301	915,760	1,020,077	1,014,031	1,019,253
Other Operating Expenses	870,454	1,051,205	1,200,581	899,506	1,258,123	1,272,184
Total Operating Expenses	1,534,939	1,843,506	2,116,341	1,919,583	2,272,154	2,291,437
Operating Income (Loss)	**(928,766)**	**(867,136)**	**(857,704)**	**(670,836)**	**(588,222)**	**(607,505)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(928,766)	(867,136)	(857,704)	(670,836)	(588,222)	(607,505)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	1,009,421	811,066	959,896	977,351	1,218,391	1,228,445
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	80,655	(56,070)	102,192	306,515	630,169	620,940
Total Net Assets- July 1 - As Restated	86,307	175,091	119,675	201,993	508,508	1,138,677
Prior Period Adjustments	8,128	654	(19,874)	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	94,435	175,745	99,801	201,993	508,508	1,138,677
Net Assets- June 30	**175,091**	**119,675**	**201,993**	**508,508**	**1,138,677**	**1,759,617**
60 days of expenses						
(Total Operating Expenses divided by 6)	255,823	307,251	352,724	319,931	378,692	381,906

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

	Actual FY 06	Actual FY 07	Actual FY 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Fee Group A						
Bell UH-1H Helicopter	875.00	875.00	1,075.00	1,075.00	1,210.00	1,210.00
Bell Jet Ranger Helicopter	355.00	355.00	475.00	475.00	515.00	515.00
Cessna 180 Fixed Wing	95.00	95.00	150.00	150.00	170.00	170.00

Rate Explanation:

Aircraft fuel has increased from an average of $4.25 per gallon to $5.38 per gallon since the present rate was set by the legislature effective July 1, 2007. Additional increases are anticipated over the next two years. The price for parts for FY 2009 has increased but that cost has generally been offset by the use of surplus FEPP obtained equipment.

DEPARTMENT OF NATURAL RESOURCES & CONSERVATION-5706
FORESTRY/TRUST LANDS MANAGEMENT DIVISION-35

2011 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Subsequent Injury Fund Assessment	-	-	-	-	-	-
Revenue from Nursery Sales	379,623	428,274	572,169	478,500	625,000	660,000
Revenue from Nursery Services	2,200	32,250	-	27,500	25,000	30,000
Revenue from Misc. Nursery Income	-	6,572	7,821	5,000	7,500	7,500
Revenue from Fee E	-	-	-	-	-	-
Revenue from Fee F	-	-	-	-	-	-
Net Fee Revenue	381,823	467,096	579,990	511,000	657,500	697,500
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	29	37	24	30	30	30
Total Operating Revenue	381,852	467,133	580,014	511,030	657,530	697,530
Operating Expenses:						
Personal Services	294,586	305,661	386,761	387,312	488,142	489,981
Other Operating Expenses	124,601	133,607	181,832	101,233	176,621	177,141
Total Operating Expenses	419,187	439,268	568,593	488,545	664,763	667,122
Operating Income (Loss)	**(37,335)**	**27,865**	**11,421**	**22,485**	**(7,233)**	**30,408**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(37,335)	27,865	11,421	22,485	(7,233)	30,408
Contributed Capital	7,119	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(30,217)	27,865	11,421	22,485	(7,233)	30,408
Total Net Assets- July 1 - As Restated	17,190	(12,982)	14,883	26,304	48,789	41,556
Prior Period Adjustments	45	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	17,235	(12,982)	14,883	26,304	48,789	41,556
Net Assets- June 30	**(12,982)**	**14,883**	**26,304**	**48,789**	**41,556**	**71,964**
60 days of expenses						
(Total Operating Expenses divided by 6)	69,864	73,211	94,766	81,424	110,794	111,187

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

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

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

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

	Total Agency Impact	General Fund Total
FY 2010	$61,086	$0
FY 2011	$61,179	$0

NP- 3502 - Conservation Seedling Nursery Staffing Increase -

The executive recommends the permanent establishment of a 1.00 FTE horticulturalist position at the Montana Conservation Seedling Nursery and to increase the nursery accounting technician position from 0.75 FTE to 1.00 FTE. State nursery seedling production is at its maximum level and the nursery is not fulfilling all requests for restoration and conservation seedlings. The FTE is funded by the State Nursery Enterprise Fund at $61,086 in FY 2010 and $61,179 in FY 2011. There is no impact to the rate; this new FTE would generate the revenue necessary to fund the positions.

	Total Agency Impact	General Fund Total
FY 2010	$82,814	$0
FY 2011	$82,910	$0

NP- 3504 - Aviation Crew Coverage Extension -

The executive recommends an increase in seasonal pilots, helicopter managers, crew members, and fuel truck drivers to enable full utilization of the DNRC helicopter fleet during fire season. This proposal will allow seven day per week coverage for quick response every day during the fire season. The cost of this proposal is an increase of 6.79 FTE and $265,756 in FY 2010 and $265,991 in FY 2011 in general fund. This proposal also requires additional funding from the air operations proprietary fund.

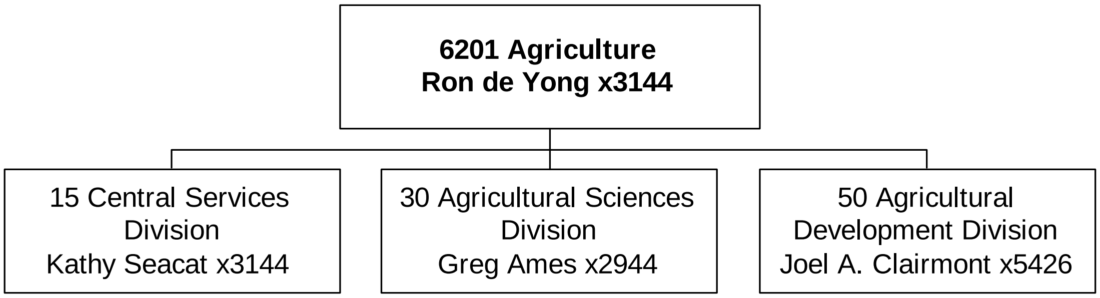
	Total Agency Impact	General Fund Total
FY 2010	$501	$0
FY 2011	$433	$0

NP- 6101 - Fixed Cost Workers Comp Management Program Allocation -

The Workers' Compensation Management Program at the Department of Administration was funded by the 2007 Legislature with a one-time-only (OTO) general fund appropriation. For the 2011 biennium and beyond, the program will be funded via a fixed cost allocation. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. This decision package is for $23,406 of general, state special revenue, and air operations proprietary funds across the biennium. The impact to the proprietary fund is negligible.

DEPARTMENT OF AGRICULTURE-6201

Please note that this agency also contains HB 2 funding.



Mission Statement - To protect producers and consumers and to enhance and develop agriculture and allied industries.

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

Agency Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	50	(50)	0	0	(50)	0	0
Operating Expenses	1,260	59,421	0	60,681	59,421	0	60,681
Total Costs	**$1,310**	**$59,371**	**$0**	**$60,681**	**$59,371**	**$0**	**$60,681**
Proprietary	1,310	59,371	0	60,681	59,371	0	60,681
Total Funds	**$1,310**	**$59,371**	**$0**	**$60,681**	**$59,371**	**$0**	**$60,681**

DEPARTMENT OF AGRICULTURE-6201
AGRICULTURAL SCIENCES DIVISION-30

Please note that this program also contains HB 2 funding.

30 Agricultural Sciences Division
Greg Ames x2944

- Commodity Services Bureau
- Laboratory Bureau
- Pest Management Bureau
- Technical Services Bureau

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	50	(50)	0	0	(50)	0	0
Operating Expenses	1,260	1,221	0	2,481	1,221	0	2,481
Total Costs	**$1,310**	**$1,171**	**$0**	**$2,481**	**$1,171**	**$0**	**$2,481**
Proprietary	1,310	1,171	0	2,481	1,171	0	2,481
Total Funds	**$1,310**	**$1,171**	**$0**	**$2,481**	**$1,171**	**$0**	**$2,481**

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

Revenues and Expenses - The Alfalfa Leaf-Cutting Bee Program

Change in Services or Fees - No changes in services or fees.

Working Capital Discussion - Using the agreed upon formula, the program must maintain $220 in cash to maintain an ongoing operation.

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

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

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

DEPARTMENT OF AGRICULTURE-6201
AGRICULTURAL SCIENCES DIVISION-30

2011 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06011	Alfalfa Leaf Cutting Bee	62010	Agriculture	Ag Sciences Division

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Operating Revenues:						
Fee revenue						
Revenue from Lab Fee	240	1,600	1,955	2,500	2,500	2,500
Revenue from Registration Fee	1,140	15	515		-	-
Net Fee Revenue	1,380	1,615	2,470	2,500	2,500	2,500
Investment Earnings	270	410	319	350	350	350
Securities Lending Income	5	-	10	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	3	-	-	-	-
Total Operating Revenue	1,655	2,028	2,799	2,850	2,850	2,850
Operating Expenses:						
Personal Services		50	50	100	-	-
Other Operating Expenses	622	525	1,268	2,475	2,481	2,481
Total Operating Expenses	622	575	1,318	2,575	2,481	2,481
Operating Income (Loss)	**1,033**	**1,453**	**1,481**	**275**	**369**	**369**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	1,033	1,453	1,481	275	369	369
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	1,033	1,453	1,481	275	369	369
Total Net Assets- July 1 - As Restated	7,079	8,112	9,565	11,046	11,321	11,690
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	-	-	-	-
Net Assets- June 30	**8,112**	**9,565**	**11,046**	**11,321**	**11,690**	**12,059**
60 days of expenses						
(Total Operating Expenses divided by 6)	104	96	220	429	414	414

Requested Rates for Enterprise Funds

Fee/Rate Information

		Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Fee Group A		-	-	-	-	-	-
	Certified Samples	30	30	30	30	30	30
	Sample Analysis	30	30	30	30	30	30
	Sex Ratio	20	20	20	20	20	20
Fee Group B		-	-	-	-	-	-
	Registration	15	15	15	15	15	15

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

DEPARTMENT OF AGRICULTURE-6201
AGRICULTURAL SCIENCES DIVISION-30

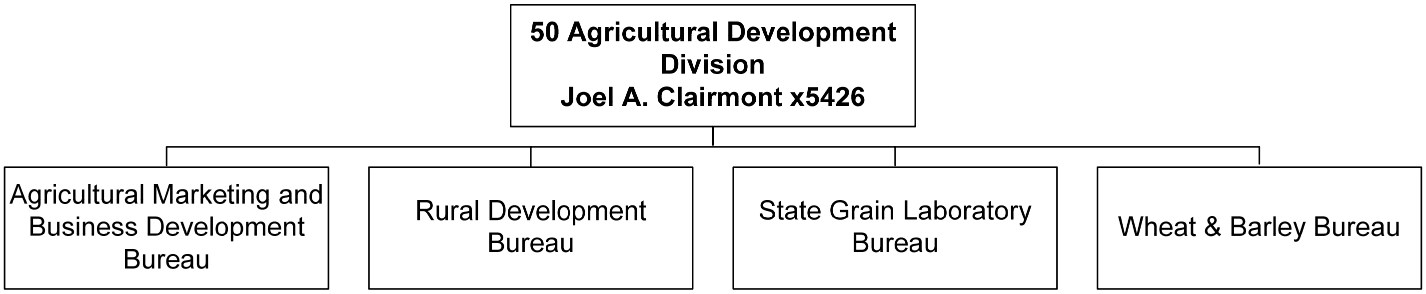
-------------------------------Present Law Adjustments-------------------------------

	Total Agency Impact	General Fund Total
FY 2010	$1,265	$0
FY 2011	$1,265	$0

PL- 3001 - Program 30 Base Budget Adjustments -
The budget includes $1,265 FY2010 and $1,265 FY2011proprietary funds for base budget adjustments within the Agricultural Sciences Division. This base adjustment will reestablish per diem and cover increases in rent, travel, printing services, field inspection supplies, and replacement vehicles.

DEPARTMENT OF AGRICULTURE-6201
AGRICULTURAL DEVELOPMENT DIVISION-50

Please note that this program also contains HB 2 funding.



Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	0	58,200	0	58,200	58,200	0	58,200
Total Costs	**$0**	**$58,200**	**$0**	**$58,200**	**$58,200**	**$0**	**$58,200**
Proprietary	0	58,200	0	58,200	58,200	0	58,200
Total Funds	**$0**	**$58,200**	**$0**	**$58,200**	**$58,200**	**$0**	**$58,200**

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 to assist producers in recovering their input costs should there be hail damage. The program insures approximately 1.9 million acres of crops with coverage exceeding $85 million each year. The program pays for 3.17 permanent FTE and 4.55 seasonal FTE to support program operations. The program is statutorily appropriated under Title 80, Chapter 2, part 2, MCA.

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

DEPARTMENT OF AGRICULTURE-6201
AGRICULTURAL DEVELOPMENT DIVISION-50

Revenues and Expenses - The Hail Insurance Program

Change in Services or Fees - No changes in services or fees.

Working Capital Discussion - Using the agreed upon formula, the program must maintain $1,843,952 in cash to maintain an ongoing operation.

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

Cash Flow Discussion - Hail program cash flow is dependent upon the amount of hail insurance purchased which is directly affected by the amount of moisture received through out the state as well as market conditions. Cash obligations are determined by the ongoing administrative expenses of the program, end of the season hail board approved refunds to persons insured, and an annual transfer of 3.5% of the gross annual fees imposed and collected, 2% to the Department of Revenue and 1.5% to the general fund at fiscal year end.

The Montana Beginning Farmer/Rancher Loan Program -

Change in Services or Fees - No changes in services or fees. Funds are generated by the sale of bonds and investment earnings.

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

Fund Equity and Reserved Fund Balance - The Beginning Farm/Ranch program uses its funds to promote and administer the loan program and funds are only expended as needed.

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

Rate Explanation -The Hail Insurance Program
Hail premiums charged are set by 80-2-208, MCA, and cannot exceed $50 per acre for non-irrigated land and $76 per acre for irrigated land.

The Montana Beginning Farmer/Rancher Loan Program - Rate Explanation.
Applicants pay a $50 application fee and a loan participation fee of 1.5% of the value of the bond.

DEPARTMENT OF AGRICULTURE-6201
AGRICULTURAL DEVELOPMENT DIVISION-50

2011 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06052	Hail Insurance	62010	Agriculture	Ag Development Division

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Operating Revenues:						
Fee revenue						
Net Fee Revenue	-	-	-	-	-	-
Investment Earnings	363,176	560,354	402,077	400,000	400,000	400,000
Accommodations Tax	-	-	-	100	100	100
Securities Lending Income	6,331	667	12,953	-	-	-
Hail Insurance Premium	5,801,660	6,032,253	7,717,879	7,500,000	7,500,000	7,500,000
Hail Insurance Premium Penalty & Interest	8,551	9,467	12,614	13,000	13,000	13,000
Total Operating Revenue	6,179,718	6,602,741	8,145,523	7,913,100	7,913,100	7,913,100
Operating Expenses:						
Personal Services	238,457	272,953	308,244	376,889	319,936	320,512
Other Operating Expenses	4,393,390	4,389,843	10,755,471	6,805,989	10,920,216	10,921,069
Total Operating Expenses	4,631,847	4,662,796	11,063,715	7,182,878	11,240,152	11,241,581
Operating Income (Loss)	**1,547,871**	**1,939,945**	**(2,918,192)**	**730,222**	**(3,327,052)**	**(3,328,481)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	1,547,871	1,939,945	(2,918,192)	730,222	(3,327,052)	(3,328,481)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	(69,038)	(50,008)	(121,298)	(33,732)	(69,038)	(69,038)
Change in net assets	1,478,833	1,889,937	(3,039,490)	696,490	(3,396,090)	(3,397,519)
Total Net Assets- July 1 - As Restated	8,749,141	10,227,974	12,117,911	9,078,421	9,774,911	6,378,821
Prior Period Adjustments		-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	-	-	-	-
Net Assets- June 30	**10,227,974**	**12,117,911**	**9,078,421**	**9,774,911**	**6,378,821**	**2,981,302**
60 days of expenses						
(Total Operating Expenses divided by 6)	771,975	777,133	1,843,953	1,197,146	1,873,359	1,873,597

Requested Rates for Enterprise Funds

Fee/Rate Information

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Premium	1.5	1.5	1.5	1.5	1.5	1.5

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

DEPARTMENT OF AGRICULTURE-6201
AGRICULTURAL DEVELOPMENT DIVISION-50

2011 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06016	Beginning Farm/Ranch Loan Prg	62010	Agriculture	Ag Development Division

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY09	Budgeted FY 10	Budgeted FY 11
Operating Revenues:						
Fee revenue						
Beginning Farm Ranch Loan Fees			-	60,000	60,000	60,000
Net Fee Revenue	-	-	-	60,000	60,000	60,000
Investment Earnings	23	30	25	50	50	50
Securities Lending Income	-	-	1	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	23	30	26	60,050	60,050	60,050
Operating Expenses:						
Personal Services	-	-	-	-	-	-
Other Operating Expenses		-	-	58,200	58,200	58,200
Total Operating Expenses	-	-	-	58,200	58,200	58,200
Operating Income (Loss)	**23**	**30**	**26**	**1,850**	**1,850**	**1,850**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	23	30	26	1,850	1,850	1,850
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	23	30	26	1,850	1,850	1,850
Total Net Assets- July 1 - As Restated	2,324	2,347	2,377	2,403	4,253	6,103
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	-	-	-	-
Net Assets- June 30	**2,347**	**2,377**	**2,403**	**4,253**	**6,103**	**7,953**
60 days of expenses						
(Total Operating Expenses divided by 6)	-	-	-	9,700	9,700	9,700

Requested Rates for Enterprise Funds

Fee/Rate Information

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Fee Group A	-	-	-	-	-	-
% of loan balance	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

DEPARTMENT OF AGRICULTURE-6201
AGRICULTURAL DEVELOPMENT DIVISION-50

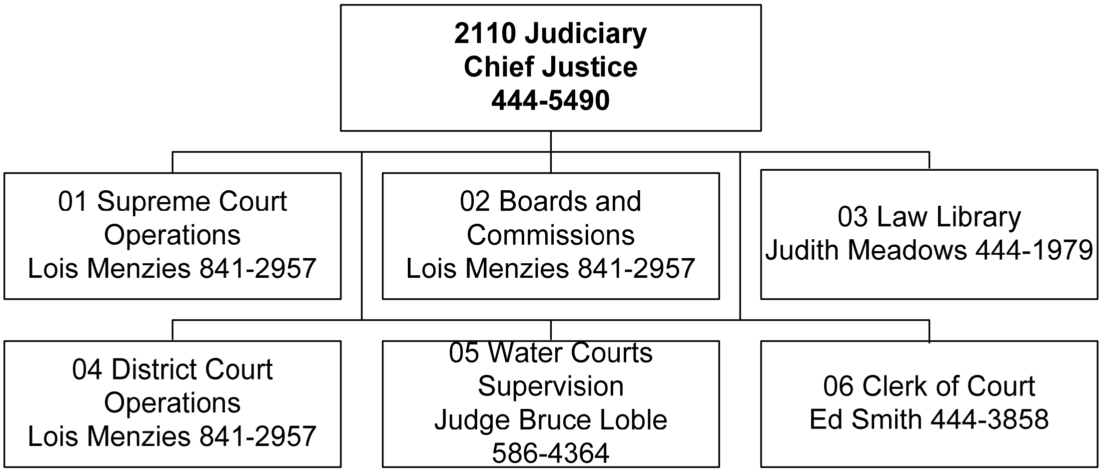
--------------------------------Present Law Adjustments--------------------------------

	Total Agency Impact	General Fund Total
FY 2010	$58,200	$0
FY 2011	$58,200	$0

PL- 5004 - Montana Beginning Farm/Ranch Loan-Statutory -
This request is for $116,400 in statutory spending authority in the 2011 biennium. The statutory spending authority is authorized for beginning farm/ranch loans under 80-12-311, MCA.

JUDICIAL BRANCH-2110

Please note that this agency also contains HB 2 funding.



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

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

Agency Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	104,489	253	0	104,742	303	0	104,792
Total Costs	**$104,489**	**$253**	**$0**	**$104,742**	**$303**	**$0**	**$104,792**
Proprietary	104,489	253	0	104,742	303	0	104,792
Total Funds	**$104,489**	**$253**	**$0**	**$104,742**	**$303**	**$0**	**$104,792**

JUDICIAL BRANCH-2110
LAW LIBRARY-03

Please note that this program also contains HB 2 funding.

03 Law Library
Judith Meadows 444-1979

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	104,489	253	0	104,742	303	0	104,792
Total Costs	**$104,489**	**$253**	**$0**	**$104,742**	**$303**	**$0**	**$104,792**
Proprietary	104,489	253	0	104,742	303	0	104,792
Total Funds	**$104,489**	**$253**	**$0**	**$104,742**	**$303**	**$0**	**$104,792**

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

JUDICIAL BRANCH-2110
LAW LIBRARY-03

2011 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Law Library Online Searches Revenue	57,835	102,411	104,898	118,676	104,742	104,792
Net Fee Revenue	57,835	102,411	104,898	118,676	104,742	104,792
Total Operating Revenue	57,835	102,411	104,898	118,676	104,742	104,792
Operating Expenses:						
Personal Services	-	-	-	-	-	-
Other Operating Expenses	53,676	101,875	104,489	118,676	104,742	104,792
Total Operating Expenses	53,676	101,875	104,489	118,676	104,742	104,792
Operating Income (Loss)	**4,159**	**536**	**409**	-	-	-
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	4,159	536	409	-	-	-
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	4,159	536	409	-	-	-
Total Net Assets- July 1 - As Restated	20	4,179	4,715	5,124	5,124	5,124
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	-	-	-	-
Net Assets- June 30	**4,179**	**4,715**	**5,124**	**5,124**	**5,124**	**5,124**
60 days of expenses						
(Total Operating Expenses divided by 6)	8,946	16,979	17,415	19,779	17,457	17,465

Requested Rates for Enterprise Funds

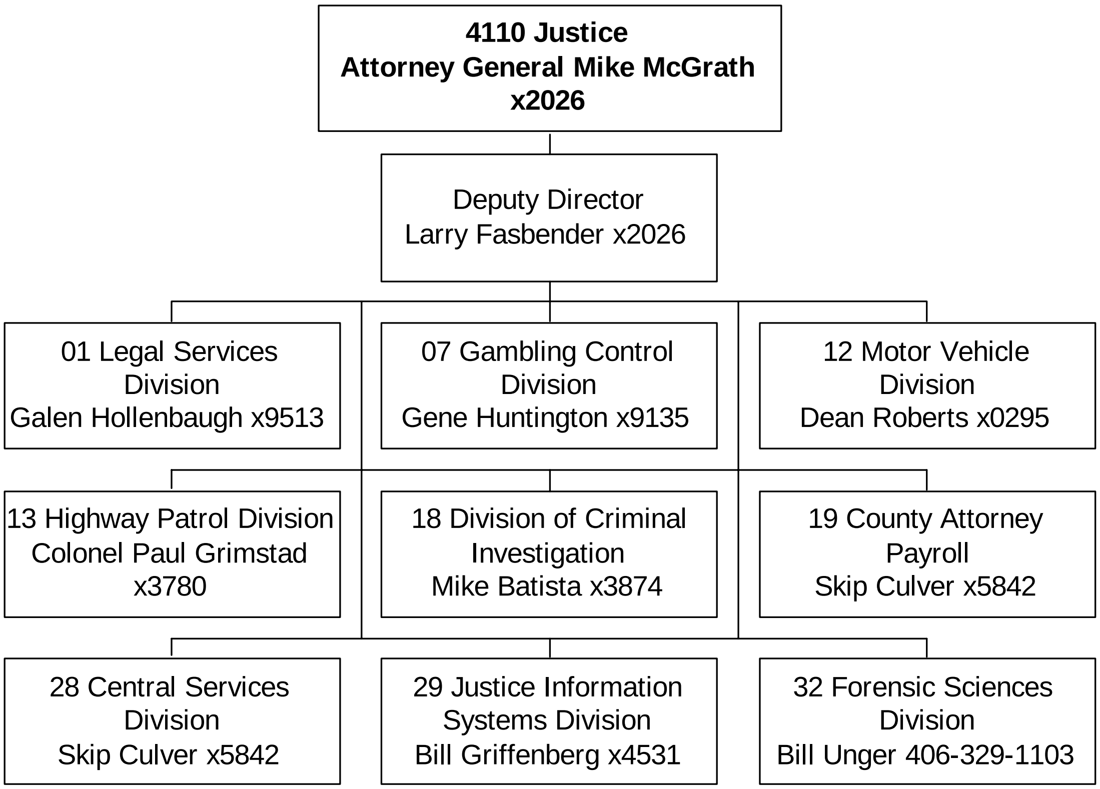
Fee/Rate Information

	Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Law Library Online Searches	53,676	101,875	104,489	118,676	104,742	104,792

The Law Library staff performs on-line searches/research for public and private entities. The law library is billed by the on-line provider for the air time and the Law Library, in turn, bills the entity requesting the search/research, collects the money and pays the provider. The net effect is zero.

DEPARTMENT OF JUSTICE-4110

Please note that this agency also contains HB 2 funding.



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

Statutory Authority - Statutory authority is provided in 2-15-501 MCA, 2-15-2001 through -2021 MCA, and Title 44 MCA.

Language - The Department of Justice is re-appropriated the unspent balance of the appropriation that was established by the 2007 Legislature for activities and potential litigation related to the Yellowstone River Compact, up to $2.9M general fund.

Agency Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	17.00	0.00	0.00	17.00	0.00	0.00	17.00
Personal Services	1,032,466	201,748	0	1,234,214	206,209	0	1,238,675
Operating Expenses	190,123	8,702	541	199,366	10,768	469	201,360
Total Costs	**$1,222,589**	**$210,450**	**$541**	**$1,433,580**	**$216,977**	**$469**	**$1,440,035**
Proprietary	1,222,589	210,450	541	1,433,580	216,977	469	1,440,035
Total Funds	**$1,222,589**	**$210,450**	**$541**	**$1,433,580**	**$216,977**	**$469**	**$1,440,035**

DEPARTMENT OF JUSTICE-4110
AGENCY LEGAL SERVICES-06

Please note that this program also contains HB 2 funding.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	17.00	0.00	0.00	17.00	0.00	0.00	17.00
Personal Services	1,032,466	201,748	0	1,234,214	206,209	0	1,238,675
Operating Expenses	190,123	8,702	541	199,366	10,768	469	201,360
Total Costs	**$1,222,589**	**$210,450**	**$541**	**$1,433,580**	**$216,977**	**$469**	**$1,440,035**
Proprietary	1,222,589	210,450	541	1,433,580	216,977	469	1,440,035
Total Funds	**$1,222,589**	**$210,450**	**$541**	**$1,433,580**	**$216,977**	**$469**	**$1,440,035**

Program Description -Agency Legal Services Bureau (ALSB) provides legal, hearing examiner, and investigative services to state agency clients on a contract basis. ALSB attorneys and investigators bill clients for their services and case-related and incidental costs.

ALSB has 17 FTE funded from the revenues generated.

Statutory authority: The Attorney General is the legal officer for the state per Article VI, Section 4(4), Montana Constitution. Montana Code Annotated § 2-4-611(2) provides that state agencies may request from the Attorney General's Office a hearing examiner in a contested case.

Alternate Sources: State agencies have the option to use in-house or private counsel and investigators to do the work provided by ALSB. Private law firms, however, typically charge considerably more per hour than ALSB, and ALSB attorneys and investigators have specific knowledge and experience that agencies find beneficial. Agencies must receive approval from the Legal Services Review Committee (made up of a representative of the Attorney General, the Budget Director, and the Governor’s Chief Legal Counsel) prior to contracting for outside legal services.

Customers Served: ALSB serves State of Montana agencies, boards, and commissions that have entered into contracts with ALSB. According to Executive Order 5-93, agencies must receive approval from the Legal Services Review Committee (made up of a representative of the Attorney General, the Budget Director, and the Governor’s Chief Legal Counsel) prior to contracting for outside legal services.

Revenues and Expenses -
Change in Service or Fees - The Agency Legal Services proposes to increase their hourly rates for attorneys from $84 to $90, and investigator rates from $50 to $53 for the 2011 biennium.

Working Capital Discussion -The objective of program management is to recover costs to fund necessary and ongoing operations. The program will increase cash on hand from a projected cash balance of $137,888 at the end of the 09 biennium to $154,567 at the end of 2011. A 60-day working capital would be approximately $217,000.

Fund Equity and Reserved Fund Balance - The program would like to maintain a working fund balance of 60-days. However, this has never been accomplished due to the need to keep program rates down.

Cash Flow Discussion - With the proposed rate increase, the department anticipates that cash flow should be sufficient to maintain the proposed rates though the 2011 biennium without an increase.

DEPARTMENT OF JUSTICE-4110
AGENCY LEGAL SERVICES-06

Rate Explanation -Rate Explanation – Rates are based upon the projected costs of operations for the attorneys and investigators. The rates take into consideration holidays, non-billable hours, sick and vacation leave. Rates have to be sufficient to cover all personnel costs and operating expenses.

DEPARTMENT OF JUSTICE-4110
AGENCY LEGAL SERVICES-06

2011 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Program Name
6500	Agency Legal Services	4110	Agency Legal Services

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue	1,095,784	1,145,084	1,235,696	1,217,664	1,302,336	1,302,336
Pass Though Revenue	68,616	190,660	54,647	75,000	75,000	75,000
Agency Fee Revenue	18,162	-	34,057	73,694	76,124	78,639
	-	-	-	-	-	-
Net Fee Revenue	1,182,562	1,335,744	1,324,400	1,366,358	1,453,460	1,455,975
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	34	48	-	-	-	-
Total Operating Revenue	1,182,596	1,335,792	1,324,400	1,366,358	1,453,460	1,455,975
Operating Expenses:						
Personal Services	931,284	1,043,926	1,071,663	1,074,105	1,109,393	1,145,923
Other Operating Expenses	152,266	145,407	191,662	234,383	241,634	245,804
Pass Though Expense	68,616	190,660	54,647	75,000	75,000	75,000
Total Operating Expenses	1,152,166	1,379,993	1,317,972	1,383,488	1,426,027	1,466,727
Operating Income (Loss)	**30,430**	**(44,201)**	**6,428**	**(17,130)**	**27,433**	**(10,752)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	30,430	(44,201)	6,428	(17,130)	27,433	(10,752)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	30,430	(44,201)	6,428	(17,130)	27,433	(10,752)
Total Net Assets- July 1 - As Restated	(69,834)	(39,501)	(98,082)	(91,654)	(108,784)	(81,351)
Prior Period Adjustments	(97)	(14,380)	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	(69,931)	(53,881)	(98,082)	(91,654)	(108,784)	(81,351)
Net Assets- June 30	**(39,501)**	**(98,082)**	**(91,654)**	**(108,784)**	**(81,351)**	**(92,103)**
60 days of expenses						
(Total Operating Expenses divided by 6)	192,028	229,999	219,662	230,581	237,671	244,455

Requested Rates for Internal Service Funds

Fee/Rate Information for Legislative Action

	Actual FYE 06	Actual FY 07	Actual FY 08	Actual FY 09	Budgeted FY10	Budgeted FY11
Fee Group A						
Attorney rate per hour	$ 71.80	$ 71.80	$ 84.00	$ 84.00	$ 90.00	$ 90.00
Invesitgators rate per hour	$ 39.80	$ 39.80	$ 50.00	$ 50.00	$ 53.00	$ 53.00

DEPARTMENT OF JUSTICE-4110
AGENCY LEGAL SERVICES-06

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

	Total Agency Impact	General Fund Total
FY 2010	$3,275	$0
FY 2011	$4,962	$0

PL- 601 - ALS Rent Adjustment -

Agency Legal Services Bureau leases a non-DOA building that is subject to a 2% annual rent increase, at the beginning of each fiscal year, and requires additional funding of $8,237 in the 2011 biennium. Rent in the base year is $81,072. Applying this to each fiscal year results in an increase of $3,275 for FY10 and $4,962 for FY11. This is funded with the bureau's enterprise fund and there is no general fund request.

--New Proposals--

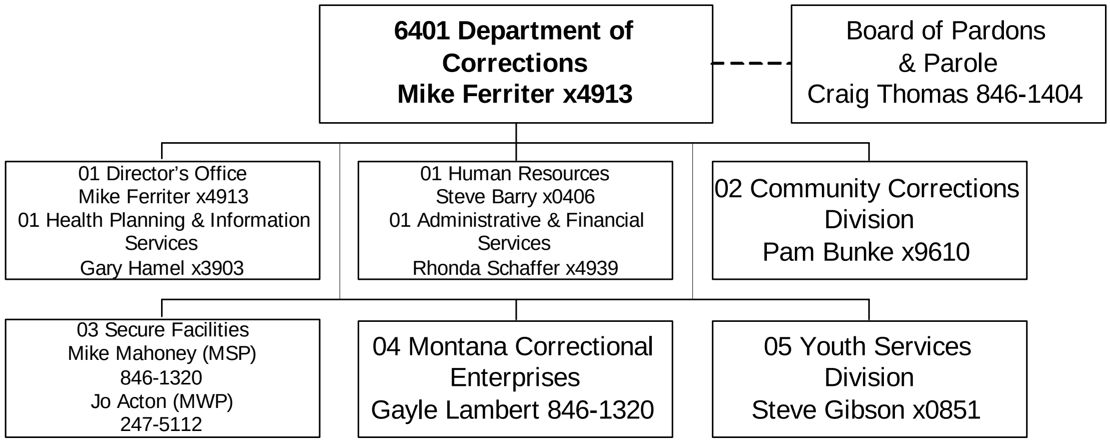
	Total Agency Impact	General Fund Total
FY 2010	$541	$0
FY 2011	$469	$0

NP- 6101 - Fixed Cost Workers Comp Mgmt Program Allocation -

The Workers' Compensation Management program at the Department of Administration was funded by the 2007 Legislature with a one-time-only general fund appropriation. For the 2011 Biennium and beyond, the program will be funded via a fixed cost allocation. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. The budget includes $541 in FY 2010 and $469 in FY 2011 state special revenue authority for the Office of Consumer Protection's allocation of the fixed cost. This is funded with the bureau's enterprise fund and there is no general fund request.

DEPARTMENT OF CORRECTIONS-6401

Please note that this agency also contains HB 2 funding.



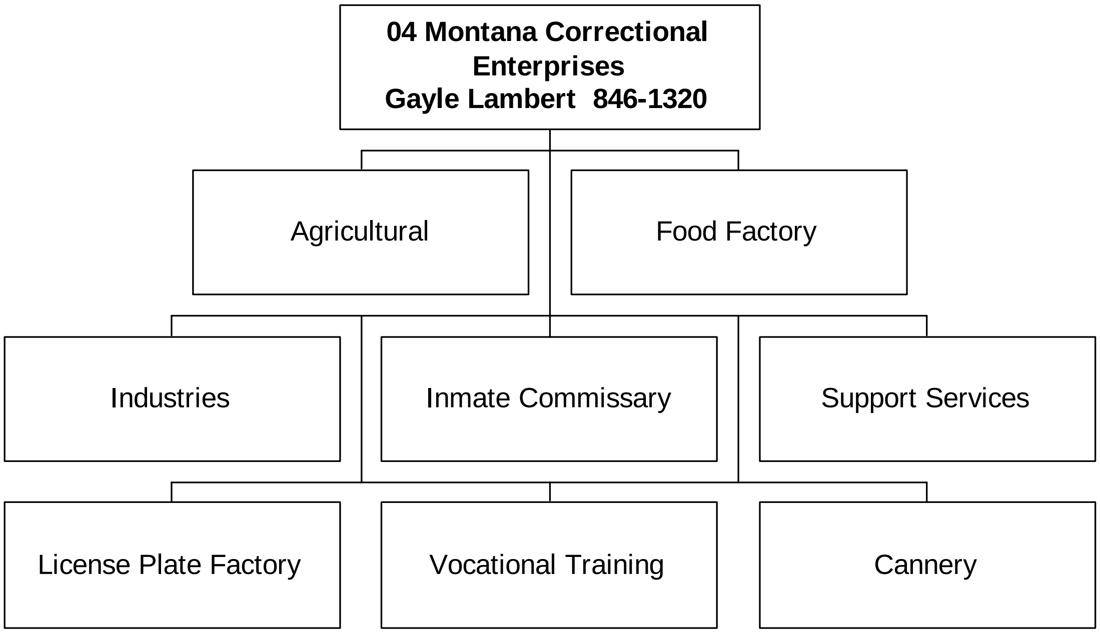
Mission Statement - The Montana Department of Corrections enhances public safety, promotes positive change in offender behavior, reintegrates offenders into the community, and supports victims of crime.

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

Agency Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	61.75	0.00	1.00	62.75	0.00	1.00	62.75
Personal Services	3,395,028	224,304	44,242	3,663,574	234,154	44,282	3,673,464
Operating Expenses	6,197,686	675,361	19,200	6,892,247	686,105	15,000	6,898,791
Equipment & Intangible Assets	84,441	274,000	60,000	418,441	415,000	0	499,441
Capital Outlay	74,940	0	0	74,940	0	0	74,940
Total Costs	**$9,752,095**	**$1,173,665**	**$123,442**	**$11,049,202**	**$1,335,259**	**$59,282**	**$11,146,636**
Proprietary	9,752,095	1,173,665	123,442	11,049,202	1,335,259	59,282	11,146,636
Total Funds	**$9,752,095**	**$1,173,665**	**$123,442**	**$11,049,202**	**$1,335,259**	**$59,282**	**$11,146,636**

DEPARTMENT OF CORRECTIONS-6401
MONTANA CORRECTIONAL ENTERPRISES-04

Please note that this program also contains HB 2 funding.



Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	61.75	0.00	1.00	62.75	0.00	1.00	62.75
Personal Services	3,395,028	224,304	44,242	3,663,574	234,154	44,282	3,673,464
Operating Expenses	6,197,686	675,361	19,200	6,892,247	686,105	15,000	6,898,791
Equipment & Intangible Assets	84,441	274,000	60,000	418,441	415,000	0	499,441
Capital Outlay	74,940	0	0	74,940	0	0	74,940
Total Costs	**$9,752,095**	**$1,173,665**	**$123,442**	**$11,049,202**	**$1,335,259**	**$59,282**	**$11,146,636**
Proprietary	9,752,095	1,173,665	123,442	11,049,202	1,335,259	59,282	11,146,636
Total Funds	**$9,752,095**	**$1,173,665**	**$123,442**	**$11,049,202**	**$1,335,259**	**$59,282**	**$11,146,636**

Program Description - The Montana Correctional Enterprises (MCE) Industry program includes furniture, upholstery, print, sign, and laundry operations at the Montana State Prison facility. At the current time there are not any programs operating at the Montana Women's Prison or regional and private facilities.

The MCE Ranch and Dairy operation includes range cattle, crops, feedlot, land management, dairy milking parlor, dairy processing, heifer reproduction, lumber processing, and the Montana Food Bank Cannery, which are all located at the Montana State Prison facility.

The MCE Vocational Education program operates a motor vehicle maintenance shop and Toyota cutaway operation.

DEPARTMENT OF CORRECTIONS-6401
MONTANA CORRECTIONAL ENTERPRISES-04

Revenues and Expenses -
MCE revenues are derived from the sale of product and services to state, city, county, non-profit and private customers. Operational needs, cash flow, economic return, customer orders, and product inventory levels determine the level of expenditures. Revenue levels are dependent on marketing efforts, cattle and dairy market conditions, legislative restrictions, governmental and non-profit customer needs and purchases, expansion and adjustment of the product line, private sector complaints and private customer contracts. In addition revenues for the Laundry and Cook Chill operation are dependant on daily populations of the facilities they service, and Inmate Canteen revenues are dependant on orders received from inmates located at both Montana State and Montana Women's Prisons.

Rate Explanation -The MCE Industries rates for furniture upholstery, print and sign shops are based on competitive pricing.

The break even cost for laundry operations is approximately $.38 per pound without delivery costs. Any profit is maintained within the industries fund to be used for future laundry equipment replacements, as well as the over industries enterprise operation.

MCE ranch and dairy rates are based on the current market prices of cattle, crops and diary products. Lumber processing rates are based on current market value of the service performed.

The Food Factory rates are based on material cost and operating expenses. Meal prices are commensurate with costs incurred.

DEPARTMENT OF CORRECTIONS-6401
MONTANA CORRECTIONAL ENTERPRISES-04

2011 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
6573	MSP institutional	64010	Dept. of Corrections	Secure Custody Facilities

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Food Product Sales	-			3,325,524	3,750,000	3,900,000
Net Fee Revenue	3,088,551	3,123,840	3,325,524	3,325,524	3,750,000	3,900,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	3,088,551	3,123,840	3,325,524	3,325,524	3,750,000	3,900,000
Operating Expenses:						
Personal Services	774,761	855,000	861,919	933,702	922,781	925,614
Other Operating Expenses	2,323,100	2,352,867	2,668,115	2,664,860	2,825,741	2,967,927
Total Operating Expenses	3,097,861	3,207,867	3,530,034	3,598,562	3,748,522	3,893,541
Operating Income (Loss)	**(9,310)**	**(84,027)**	**(204,510)**	**(273,038)**	**1,478**	**6,459**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(9,310)	(84,027)	(204,510)	(273,038)	1,478	6,459
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(9,310)	(84,027)	(204,510)	(273,038)	1,478	6,459
Total Net Assets- July 1 - As Restated	3,779,845	3,770,734	3,686,707	3,482,196	3,209,158	3,210,636
Prior Period Adjustments	199	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	3,780,044	3,770,734	3,686,707	3,482,196	3,209,158	3,210,636
Net Assets- June 30	**3,770,734**	**3,686,707**	**3,482,196**	**3,209,158**	**3,210,636**	**3,217,095**
60 days of expenses						
(Total Operating Expenses divided by 6)	516,310	534,645	588,339	599,760	624,754	648,924

Requested Rates for Internal Service Funds

Fee/Rate Information for Legislative Action

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Tray Meal Prices to all customers						
Base Tray Price, no delivery	$ 1.37	$ 1.37	$ 1.37	$ 1.37	$ 1.69	$ 1.69
Delivery charge - per mile					$ 0.50	$ 0.50
Deliver charge - per hour					$ 35.00	$ 35.00
Delivery Charge Per Trayed Meal						
Montana State Prison	$ 0.01	$ 0.01	$ 0.01	$ 0.01		
Riverside Youth Correctional Facility	$ 0.64	$ 0.64	$ 0.64	$ 0.64		
Helena Pre Release	$ 0.64	$ 0.64	$ 0.64	$ 0.64		
WATCh DUI Program	$ 0.22	$ 0.22	$ 0.22	$ 0.22		
New Meth Treatment Center		$ 0.64	$ 0.64	$ 0.64		
Ananconda Deer Lodge County Jail		$ 1.13	$ 1.13	$ 1.13		

Bulk Food is sold at cost, with a spoilage percentage added on and an overhead charge to cover operating expenses and delivery. Overhead charge is based on historical costs and volume of sales to the customer, as a percentage of overall food costs. Delivery is based on actual delivery costs.

		Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
	Spoilage percentage to all customers	3%	3%	4%	4%	4%	4%
(Overhead Chrg)	Montana State Hospital	9%	9%	9%	9%		
	MSH - supplies only					12%	12%
	MSH - all overhead except supplies					6%	6%
	Montana State Prison	65%	65%	65%	65%		
	MSP - supplies only					77%	77%
	MSP - all overhead except supplies					41%	41%
	Treasure State Correctional Training	8%	8%	8%	8%		
	TSCTC - supplies only					11%	11%
	TSCTS - all overhead except supplies					6%	6%

DEPARTMENT OF CORRECTIONS-6401
MONTANA CORRECTIONAL ENTERPRISES-04

2011 Biennium Report on Internal Service and Enterprise Funds 2011

Fund	Fund Name	Agency #	Agency Name	Program Name
6545	Vocational Education	64010	Dept. of Corrections	Mont Correctional Enterprises

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Revenue from Motor Vehicle Maintenance Service	-			445,065	597,000	597,000
Net Fee Revenue	373,685	399,164	447,265	445,065	597,000	597,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	373,685	399,164	446,165	445,065	597,000	597,000
Operating Expenses:						
Personal Services	200,684	191,898	235,887	272,923	265,084	265,084
Other Operating Expenses	232,117	183,927	280,294	209,992	308,681	308,681
Total Operating Expenses	432,801	375,825	516,182	482,915	573,765	573,765
Operating Income (Loss)	**(59,116)**	**23,339**	**(70,017)**	**(37,850)**	**23,235**	**23,235**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(59,116)	23,339	(70,017)	(37,850)	23,235	23,235
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(59,116)	23,339	(70,017)	(37,850)	23,235	23,235
Total Net Assets- July 1 - As Restated	150,571	112,879	136,218	66,201	28,351	28,351
Prior Period Adjustments	21,424	-		-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	171,995	112,879	136,218	66,201	28,351	28,351
Net Assets- June 30	**112,879**	**136,218**	**66,201**	**28,351**	**51,586**	**51,586**
60 days of expenses						
(Total Operating Expenses divided by 6)	72,134	62,637	86,030	80,486		95,628

Requested Rates for Internal Service Funds

Fee/Rate Information for Legislative Action

			Actual FYE 06	Actual FYE 07	Actual FYE 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Fee Group A -								
Rate 1	per hour	Labor Charge for Motor Vehicle Maint	$ 23.50	$ 26.50	$ 26.50	$ 26.50	$ 26.50	$ 26.50
Rate 2 (per unit)		Supply fee as a percentage of actual cost	3%	3%	3%	3%	3%	3%
Rate 3		Parts are sold at actual cost						

DEPARTMENT OF CORRECTIONS-6401
MONTANA CORRECTIONAL ENTERPRISES-04

2011 Biennium Report on Internal Service and Enterprise Funds 2011

Fund	Fund Name	Agency #	Agency Name	Program Name
6034	MSP Institutional Industries	64010	Dept. of Corrections	Mont Correctional Enterprises

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Sale of Industries Products				2,645,000	2,645,000	2,645,000
Revenue from Fee B				-	-	-
Revenue from Fee C				-	-	-
Revenue from Fee D				-	-	-
Revenue from Fee E				-	-	-
Revenue from Fee F				-	-	-
Net Fee Revenue	2,655,418	2,135,467	2,645,818	2,645,000	2,645,000	2,645,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	2,655,418	2,135,467	2,645,818	2,645,000	2,645,000	2,645,000
Operating Expenses:						
Personal Services	952,974	1,077,379	1,206,450	1,361,173	1,216,413	1,220,859
Other Operating Expenses	1,503,466	1,228,838	1,452,391	1,502,746	1,477,896	1,479,264
Total Operating Expenses	2,456,439	2,306,217	2,658,841	2,863,919	2,694,309	2,700,123
Operating Income (Loss)	**198,979**	**(170,750)**	**(13,023)**	**(218,919)**	**(49,309)**	**(55,123)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	198,979	(170,750)	(13,023)	(218,919)	(49,309)	(55,123)
Contributed Capital	-			-	-	-
Operating Transfers In (Note 13)	-			-	-	-
Operating Transfers Out (Note 13)	-			-	-	-
Change in net assets	198,979	(170,750)	(13,023)	(218,919)	(49,309)	(55,123)
Total Net Assets- July 1 - As Restated	2,129,979	2,328,958	2,157,586	2,032,402	1,813,483	1,764,174
Prior Period Adjustments	-	(622)	(112,161)	-	-	-
Cumulative effect of account change	-	-		-	-	-
Total Net Assets - July 1 - As Restated	2,129,979	2,328,336	2,045,425	2,032,402	1,813,483	1,764,174
Net Assets- June 30	**2,328,958**	**2,157,586**	**2,032,402**	**1,813,483**	**1,764,174**	**1,709,051**
60 days of expenses						
(Total Operating Expenses divided by 6)	409,407	384,369	443,140	477,320	449,052	450,021

Requested Rates for Enterprise Funds
Fee/Rate Information

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Cost Per Pound for Laundry Services, including delivery						
Base Laundry Price for Customer	0.39	0.39	0.43	0.43	0.43	0.43
Delivery Charge per Pound						
Montana Developmental Center	0.05	0.05	0.05	0.05	0.05	0.05
Riverside Youth Correctional Facility	0.05	0.05	0.05	0.05	0.05	0.05
Montana Law Enforcement Academy	0.15	0.15	0.15	0.15	0.15	0.15
Montana Chemical Dependency Corp.	0.04	0.04	0.04	0.04	0.04	0.04
START Program	0.01	0.01	0.01	0.01	0.01	0.01
Montana State Hospital	0.01	0.01	0.01	0.01	0.01	0.01
Fee Group C						
Rate 8 (per unit)						
Rate 9 (per unit)						

Use this space for any specific narrative description of the enterprise rates requested. A detailed published record must be kept in the agency's files.

Prior period adjustments: FY08

Reclassify room & board	47,679
Workers comp	1,167
Inventory correction	63,316
	112,161

Will increase FY09,10 and 11 revenue estimates.

DEPARTMENT OF CORRECTIONS-6401
MONTANA CORRECTIONAL ENTERPRISES-04

2011 Biennium Report on Internal Service and Enterprise Funds 2011

Fund	Fund Name	Agency #	Agency Name	Program Name
6033	Prison Ranch	64010	Dept. of Corrections	Mont Correctional Enterprises

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
Sales of Products	-	-		4,404,167	4,404,167	4,404,167
MFBN Cannery Service Revenues	-	-		130,000	130,000	130,000
Net Fee Revenue	3,047,937	3,458,488	4,534,488	4,534,167	4,534,167	4,534,167
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	13,670	6,076	17,917	18,400	18,400	18,400
Total Operating Revenue	3,061,608	3,464,563	4,552,404	4,552,567	4,552,567	4,552,567
Operating Expenses:						
Personal Services	1,202,888	1,324,459	1,356,991	1,383,530	1,524,400	1,526,991
Other Operating Expenses	1,180,839	2,839,190	2,588,305	3,011,243	3,087,039	3,031,578
Total Operating Expenses	2,383,727	4,163,649	3,945,296	4,394,773	4,611,439	4,558,569
Operating Income (Loss)	**677,880**	**(699,086)**	**607,109**	**157,794**	**(58,872)**	**(6,002)**
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)		-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	677,880	(699,086)	607,109	157,794	(58,872)	(6,002)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)		-	-	-	-	-
Change in net assets	677,880	(699,086)	607,109	157,794	(58,872)	(6,002)
Total Net Assets- July 1 - As Restated	9,609,130	10,287,011	9,587,925	10,192,884	10,350,678	10,291,806
Prior Period Adjustments		-	(2,150)	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	9,609,130	10,287,011	9,585,775	10,192,884	10,350,678	10,291,806
Net Assets- June 30	**10,287,011**	**9,587,925**	**10,192,884**	**10,350,678**	**10,291,806**	**10,285,804**
60 days of expenses						
(Total Operating Expenses divided by 6)	397,288	693,942	657,549	732,462	768,573	759,762

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

	Total Agency Impact	General Fund Total
FY 2010	$274,000	$0
FY 2011	$415,000	$0

PL- 401 - Replacement Equipment – HB 576 -
Ranch and Industries have a number of pieces of equipment that is used in the daily operation of the two programs. Due to the heavy use of the equipment, replacement equipment is necessary for the continued operation of both programs. Equipment is purchased only if it is deemed necessary and if adequate cash flows exist in the operations. Purchase of this equipment will not affect customer rates on products sold.

	Total Agency Impact	General Fund Total
FY 2010	$550,500	$0
FY 2011	$550,500	$0

PL- 403 - Staff Overtime and Inmate Payroll – HB 576 -
Industries and Food Factory inmate payroll is projected at $95,000, $20,000, and $5,000 respectively, and is based on FY2007 actual and FY2008 to date. Inmate payroll is zero based, therefore, must be requested each biennium. Inmate payroll is currently built into all rate and price structures. Inmates that work in the various MCE programs earn an hourly or daily wage depending on inmate program and pay plan. Inmate pay is a critical part of inmate work programs and rehabilitation efforts. Ranch Inmate payroll is based on 90 workers, 365 days for a total of $200,000. Industries inmate payroll is based on 150 workers, 2,080 hours for a total of $190,000. Food Factory inmate payroll is based on 30 workers, 2,080 hours for a total of $40,500.

	Total Agency Impact	General Fund Total
FY 2010	$600,000	$0
FY 2011	$600,000	$0

PL- 405 - Increased Spending Authority – HB 576 -
Increased spending authority in these programs will not affect the rate or price structures. Each year the MCE division completes budget change documents to request enough authority for operations. All purchases within HB 576 are made only as needed and can be justified as economically good decisions.

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

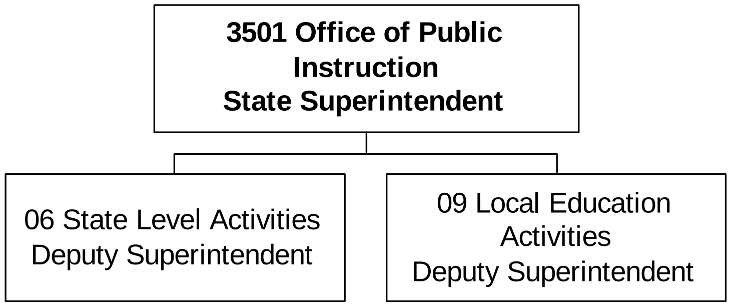
	Total Agency Impact	General Fund Total
FY 2010	$123,442	$0
FY 2011	$59,282	$0

NP- 408 - Alternative Energy Biomass Burner for MSP and MCE -

To reduce energy purchase costs and utilize a renewable energy source, Montana Correctional Enterprises (MCE) is proposing construction of a small wood products biomass burner near the existing MCE Dairy site. This proposal is currently in Long Range Building Planning. The proposal will be to construct a biomass burner between the MCE Dairy and the Montana State Prison (MSP) Work Dorm. The burner will supply hot water and steam to these two buildings for domestic hot water, heating, and dairy processing and cleanup. The burner will be sized to accommodate the Work Dorm expansion, which is now under construction. Fuel or biomass for this burner will be harvested from slash and timber thinning residue from timber operations on the MCE forestland. One (1.0) FTE will be needed to operate the burner and coordinate the harvest and transportation of the biomass wood supply to the burner as well as supervise an inmate crew. Annual operating expenses without fuel costs are estimated at $15,000. One time only start-up costs are estimated to be $64,200, which includes an office set-up, computer, timber chipper, and miscellaneous tools. Ranch owned trucks and loaders would be utilized for loading and hauling wood to the biomass burner site.

OFFICE OF PUBLIC INSTRUCTION-3501

Please note that this agency also contains HB 2 funding.



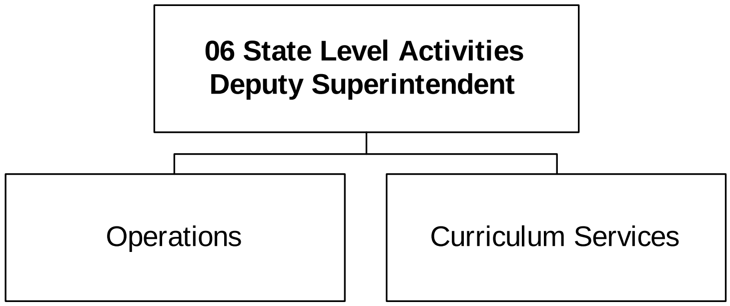
Mission Statement - It is the mission of the Office of Public Instruction to improve teaching and learning through communication, collaboration, advocacy, and accountability to those we serve.

Statutory Authority - Title 20, MCA

Agency Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	23.83	0.00	0.00	23.83	0.00	0.00	23.83
Personal Services	1,360,190	(2,568)	0	1,357,622	146	0	1,360,336
Operating Expenses	872,274	222,781	0	1,095,055	135,035	0	1,007,309
Total Costs	**$2,232,464**	**$220,213**	**$0**	**$2,452,677**	**$135,181**	**$0**	**$2,367,645**
Proprietary	2,232,464	220,213	0	2,452,677	135,181	0	2,367,645
Total Funds	**$2,232,464**	**$220,213**	**$0**	**$2,452,677**	**$135,181**	**$0**	**$2,367,645**

OFFICE OF PUBLIC INSTRUCTION-3501
STATE LEVEL ACTIVITIES-06

Please note that this program also contains HB 2 funding.



Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	23.83	0.00	0.00	23.83	0.00	0.00	23.83
Personal Services	1,360,190	(2,568)	0	1,357,622	146	0	1,360,336
Operating Expenses	872,274	222,781	0	1,095,055	135,035	0	1,007,309
Total Costs	**$2,232,464**	**$220,213**	**$0**	**$2,452,677**	**$135,181**	**$0**	**$2,367,645**
Proprietary	2,232,464	220,213	0	2,452,677	135,181	0	2,367,645
Total Funds	**$2,232,464**	**$220,213**	**$0**	**$2,452,677**	**$135,181**	**$0**	**$2,367,645**

Program Description -OPI Indirect Cost Pool - OPI's internal service fund (A/E 06512) is used to pool internal and statewide central service type costs that are charged back to all of OPI's state and federally funded programs using a pre-approved indirect cost rate.

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

Revenues and Expenses -
INDIRECT COST POOL

Revenue Description - Indirect cost pool revenues are a function of the amount of expenditures recorded in the State Level Activities Program. Revenues are generated monthly by applying an approved indirect cost rate to the prior month's direct personal services and operating expenditures in both state and federally funded programs. Last fiscal year OPI federal programs contributed $858,853 (SABHRS revenue account 584002) towards the cost of "indirects"; general and other state-funded programs contributed $821,632 (SABHRS revenue account 520260). State and federal program payments to the indirect cost pool are recorded using SABHRS account 62827. OPI negotiates a three year "predetermined rate" with the U.S. Department of Education. The rate is calculated in accordance with federal regulations and section 17-3-111(1), MCA. The federally approved rate for fiscal years 2008 through 2010 is 14 percent.

OFFICE OF PUBLIC INSTRUCTION-3501
STATE LEVEL ACTIVITIES-06

Expense Description
Costs of OPI operations that are paid from the indirect cost pool include:
Termination payouts (vacation/comp time/sick leave) for all staff (except the State Superintendent and her personal staff).
Services provided to OPI by other state agencies for a fee:

- Depart. of Admin. (DofA) General Liability Insurance and Employee Bonds
- DofA Warrant Writing Fees
- DofA Human Resources Information Fees
- DofA Workers' Comp Management Fee
- Legislative Audit Fees
- DofA SABHRS Costs
- DofA telephone equipment charges, network services charges, and enterprise fees
- DofA rent charge for common areas (bathrooms, halls, conference rooms)
- DofA Capitol Complex Grounds Maintenance
- OPI's share of statewide indirect costs, allocated through a Statewide Cost Allocation Plan (SWCAP) prepared by the Department of Administration.

Payroll, personnel, accounting, budgeting, data management, cash management, financial reporting, purchasing, word processing, mail delivery and resource center services to all OPI programs. Operating costs associated with 22.8 positions are paid from the pool, including the cost of rent for space they occupy, office supplies, postage, long distance phone charges, equipment, training, travel, photocopy charges, etc.
General-use items such as paper, FAX lines and shared equipment, including maintenance contracts on that equipment.

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

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

ADVANCED DRIVERS EDUCATION

Expense Description - Cost drivers for fees include instructor expenses (includes salaries, travel and per diem); vehicle maintenance and operating expenses (fuel), classroom and track supplies, track lease, program advertising, and administration (planning, scheduling, registrations, advertising, professional development of staff, support services, etc.). Continued increases in fuel costs this last year and track repairs consumed the revenue projected to support periodic capital and maintenance costs. Fuel and transportation expenses are anticipated to continue to increase as increased energy costs filter into the base price of other supplies, materials and equipment. Need for improvements to classroom and restroom facilities are pending.

Working Capital Discussion - This program is a summer seasonal program that operates 45 - 55 days during June, July and August. The program typically employs four professional instructors for each workshop (10 - 11 hours per day each). A director (0.15) and a program specialist (0.125) provide administrative support during the year. Most revenue is received in April - June through pre-paid workshop registrations. Most expenses are realized June through August, with continuing administrative expenses during the remainder of the year. The program requires 30 - 45 percent of its annual budget to be carried over into the next fiscal year to cover working expenses paid out July - March.

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

OFFICE OF PUBLIC INSTRUCTION-3501
STATE LEVEL ACTIVITIES-06

Rate Explanation -Proprietary Rate Explanation

Indirect Cost Rates - OPI negotiates a three year "predetermined rate" with the U.S. Department of Education every year. The rate is calculated in accordance with federal regulations and section 17-3-111(1), MCA. The proposed rate for fiscal years 2008 through 2010 is 14%, however the rate may change based on negotiations currently ongoing.

Montana D.R.I.V.E. Program Rates - Workshop rates are fixed rates evaluated against workshop personnel expenses, operating expenses and depreciated vehicle costs on a seasonal basis to ensure workshop operating expenses are covered. Inflationary influences are anticipated as best as possible to ensure that inflation does not leave the program in a deficit situation. All attempts are made to keep workshop fees low since the potential customers such as bus drivers, volunteer firemen and ambulance drivers have small training budgets.

OFFICE OF PUBLIC INSTRUCTION-3501
STATE LEVEL ACTIVITIES-06

2011 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06067	Advanced Drivers Education	3501	Office of Public Instruction	State Level Activities

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Fee revenue						
From Fee A - Full Day Workshop	92,244			160,000	160,000	160,000
Half Day Refresher Workshop	7,050			8,000	8,000	8,000
From Fee B - Daily Track Rentals, Exclusive	2,280					
From Fee C - Periodic or Extended Track Rental, Non-Exclu.	-	-	-	-	-	-
From Fee D - Custom Training/Workshop	75,000	-	-	-	-	-
Misc. Income				500	500	500
	-	-	-	-	-	-
Total Operating Revenue	176,574	146,520	166,477	168,500	168,500	168,500
Operating Expenses:						
Personal Services	83,896	74,900	91,554	82,983	80,675	80,714
Other Operating Expenses	74,999	65,891	51,803	83,857	48,723	48,838
Total Operating Expenses	158,895	140,791	143,357	166,840	129,398	129,552
Operating Income (Loss)	**17,679**	**5,729**	**23,120**	**1,660**	**39,102**	**38,948**
Total Net Assets- July 1 - As Restated	17,459	35,139	40,868	63,988	65,648	104,750
Net Assets- June 30	**35,139**	**40,868**	**63,988**	**65,648**	**104,750**	**143,698**
60 days of expenses						
(Total Operating Expenses divided by 6)	26,482	23,465	23,893	27,807	21,566	21,592

Fee/Rate Information

		Actual FYE 06	Actual FY 07	Actual FY 08	Budgeted FY 09	Budgeted FY 10	Budgeted FY 11
Fee Group A	Rate 1 (per unit) Full-Day Workshop	235-250	250	250-260	260-295	260-320	260-320
	Rate 2 (per unit) Half-Day Workshop	140-150	150	150-155	155-175	155-190	155-190
	Rate 3 (per unit)						
Fee Group B	Rate 4 (per unit) Daily Track Rental - Gov.	150	150-200	150-200	150-200	150-200	150-200
	Rate 5 (per unit) Daily/Yearly High Schools	35/575	35/575	40/600	40/600	40/600	40/600
	Rate 6 (per unit) Daily Track Rental Non-Profit	300-330	330-350	330-400	330-400	330-400	330-400
	Rate 7 (per unit) Daily Private for Profit	1750-2500	1750-2500	2000-2750	2000-2750	2000-2750	2000-2750
Fee Group C	Rate 8 (per unit) Periodic/Extended Non-Exclusive - Gov	Negotiated	Negotiated	Negotiated	Negotiated	Negotiated	Negotiated
	Rate 9 (per unit) Periodic/Extended Non-Exclusive - Non-Profit	N/A	Negotiated	Negotiated	Negotiated	Negotiated	Negotiated
Fee Group D	Rate 10 (per unit) Custom Full-Day Workshop	Negotiated	Negotated	Negotiated	Negotiated	Negotiated	Negotiated
	Rate 11 (per unit) Custom, Other training configurations	Negotiated	Negotated	Negotiated	Negotiated	Negotiated	Negotiated
Misc. Income	This includes fees collected for use of cones, equipment of other misc. assets				Negotiated	Negotiated	Negotiated

Group A represents the workshops the Office of Public Instruction offers for driver improvement and advanced driver education. It is typically a one-day workshop or a half-day refresher course. It involves a driving track, four to five instructors, and 10-12 vehicles.

Group B are the fees other users of the tract pay for exclusive use of the track. Rate 5 for High Schools involves use of the track after hours or on dates not scheduled for other uses.

Group C are fees charged to groups that use the track on a non-exclusive basis that involves periodic or extended use, such as research projects that can accommodate other users, or are confined to dates that are not typically used. A fee that fairly represents the loss of track time from other uses, accounts for value added benefits to the program/facility, and takes into account wear and tear on facility will be negotiated.

Change of Lead Agency Status. Asof February 28, 2008, Western Transportation Institute became the lead agency at the Lewistown Montana driving facility and will now arrange for and collect use fees from other users. OPI now subleases the tract from WTI and will rarely see track revenue from other users based upon this change. OPI will occassionally realize misc. income from other uses of cones, signs, and other misc. assets.

Fiscal cycle note: Revenues and budgeting need to provide resources that can be carried over to cover costs incurred by the program in low/non-revenue months (September – March), and to accrue funds across fiscal years for replacement of vehicles and periodic repairs to the facility.
Increased rates in all areas represent increasing costs and major improvements to the track spring of 2009.

OFFICE OF PUBLIC INSTRUCTION-3501
STATE LEVEL ACTIVITIES-06

2011 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06512	Indirect Cost Pool	3501	Office of Public Instruction	State Level Activities

	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:						
Nonfederal indirect cost recoveries	879,092	995,388	821,632	990,000	1,150,000	1,025,000
Federal Indirect Cost Recoveries	1,099,972	1,296,962	858,853	1,005,000	1,200,000	1,200,000
Other Operating Revenues	3,472	5,978	5,848	5,000	5,000	5,000
Total Operating Revenue	1,982,537	2,298,327	1,686,334	2,000,000	2,355,000	2,230,000
Operating Expenses:						
Personal Services	1,010,252	1,163,144	1,276,828	1,222,135	1,341,245	1,343,953
Other Operating Expenses	693,372	741,390	824,515	800,841	982,648	894,809
Total Operating Expenses	1,703,624	1,904,533	2,101,343	2,022,976	2,323,893	2,238,762
Operating Income (Loss)	**278,913**	**393,794**	**(415,010)**	**(22,976)**	**31,107**	**(8,762)**
Total Net Assets- July 1 - As Restated	124,947	403,860	797,653	382,644	359,668	390,775
Total Net Assets - July 1 - As Restated	124,947	403,860	797,653	382,644	359,668	390,775
Net Assets- June 30	**403,860**	**797,653**	**382,644**	**359,668**	**390,775**	**382,013**
60 days of expenses						
(Total Operating Expenses divided by 6)	283,937	317,422	350,224	337,163	387,316	373,127

Requested Rates for Internal Service Funds

Fee/Rate Information

	Actual FYE 06	Actual FY 07	Actual FY 08	Budgeted FY 09	Budgeted FY10	Budgeted FY11
Unrestricted Rate	21.4%	21.4%	24.0%	24.0%	24.0%	24.0%
Restricted Rate	17.3%	17.3%	14.0%	14.0%	14.0%	14.0%

OPI's indirect cost rate is negotiated with the U.S. Department of Education every three-years in accordance with federal regulations published in OMB Circular A-87, U.S. Department of Education General Administrative Requirements, and section 17-3-111, MCA. The restricted rate approved by the U.S. Department of Education for FY2008-FY2010 is 14%. The approved unrestricted rate is 24%. The restricted rate is applied to all general fund programs and to federal programs with "supplement not supplant" requirements.

MONTANA LIBRARY COMMISSION-5115
STATEWIDE LIBRARY RESOURCES-01

Please note that this program also contains HB 2 funding.

5115 Montana State Library
Darlene Staffeldt x3115

01 Library & Information Services

Mission Statement - The Montana State Library meets the information needs of Montana government agency management and staff, ensures all Montana citizens have access to information created by their government, supports the role of all Montana libraries in delivering quality library content and services to their patrons, works to strengthen local community public libraries, ensures that Montanans who are visually or physically handicapped are provided access to library resources, and measures its successes by its patrons' and partners' successes.

Statutory Authority - Title 22, Chapter 1, and Title 90, Chapter 15, MCA.

Program Description - The State Library operations program provides 1) information services to state government employees and officials; 2) assistance to all public libraries; 3) reading material for all blind and physically handicapped Montana residents; 4) direction to the six library federations and 5) a centralized depository for natural resources information. This program also administers the state documents depository system, and coordinates the development of information resources and library information systems throughout the state. The program also manages the budgetary, personnel, and administrative functions of the State Library.

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	0.00	0.00	0.50	0.50	0.00	0.50	0.50
Personal Services	0	0	23,052	23,052	0	23,058	23,058
Operating Expenses	47,956	1	148,752	196,709	1	213,746	261,703
Equipment & Intangible Assets	0	0	100,000	100,000	0	0	0
Total Costs	**$47,956**	**$1**	**$271,804**	**$319,761**	**$1**	**$236,804**	**$284,761**
Proprietary	47,956	1	271,804	319,761	1	236,804	284,761
Total Funds	**$47,956**	**$1**	**$271,804**	**$319,761**	**$1**	**$236,804**	**$284,761**

Program Description -The Montana Shared Catalog is a cooperative project involving 90+ libraries. Public libraries, school libraries, academic libraries, medical libraries, and other special libraries have pooled resources to purchase a robust library automation system. Members enjoy the benefits of shared expertise and the ability to provide great service to library customers. The Montana State Library became the fiscal agent for the Shared Catalog since FY 2008.

MONTANA LIBRARY COMMISSION-5115
STATEWIDE LIBRARY RESOURCES-01

Revenues and Expenses - The Shared Catalog members pay membership dues that are used to pay operating expenses. There are approximately 90 member libraries that pay membership fees of about $219,000 per year. Expenditures include payment of required fees for software licensing, user interface, and indexing to make the system run; payment for required yearly catalog and director station maintenance; a travel budget that includes meetings twice a year to make decisions on direction of the shared catalog and conference attendance; training to new library members as well as ongoing training to current members; and equipment replacement. A request for a new 0.50 FTE technical assistant and a request for one-time-only funding for server replacement are included in the 2011 biennium.

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

MONTANA LIBRARY COMMISSION-5115
STATEWIDE LIBRARY RESOURCES-01

2011 Biennium Report on Internal Service and Enterprise Funds 2011

Fund	Fund Name	Agency #	Agency Name	Program Name
06021	MT Shared Catalog	51150	State Library Commission	MT State Library

	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11		
Operating Revenues:						
Fee revenue						
Net Fee Revenue	-	-	-	-	-	-
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	47,956	219,761	319,761	284,761	-	-
Total Operating Revenue	47,956	219,761	319,761	284,761	-	-
Operating Expenses:						
Personal Services	-	22,717	23,052	23,058	-	-
Other Operating Expenses	47,956	197,044	296,709	261,703	-	-
Total Operating Expenses	47,956	219,761	319,761	284,761	-	-
Operating Income (Loss)	-	-	-	-	-	-
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	-	-	-	-	-	-
Contributed Capital		-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	-	-	-	-	-	-
Total Net Assets- July 1 - As Restated			-	-		
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	-	-	-	-
Net Assets- June 30	-	-	-	-	-	-
60 days of expenses (Total Operating Expenses divided by 6)	7,993	36,627	53,294	47,460	-	-

Requested Rates for Enterprise Funds
Fee/Rate Information

Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11

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

MONTANA LIBRARY COMMISSION-5115
STATEWIDE LIBRARY RESOURCES-01

--New Proposals--

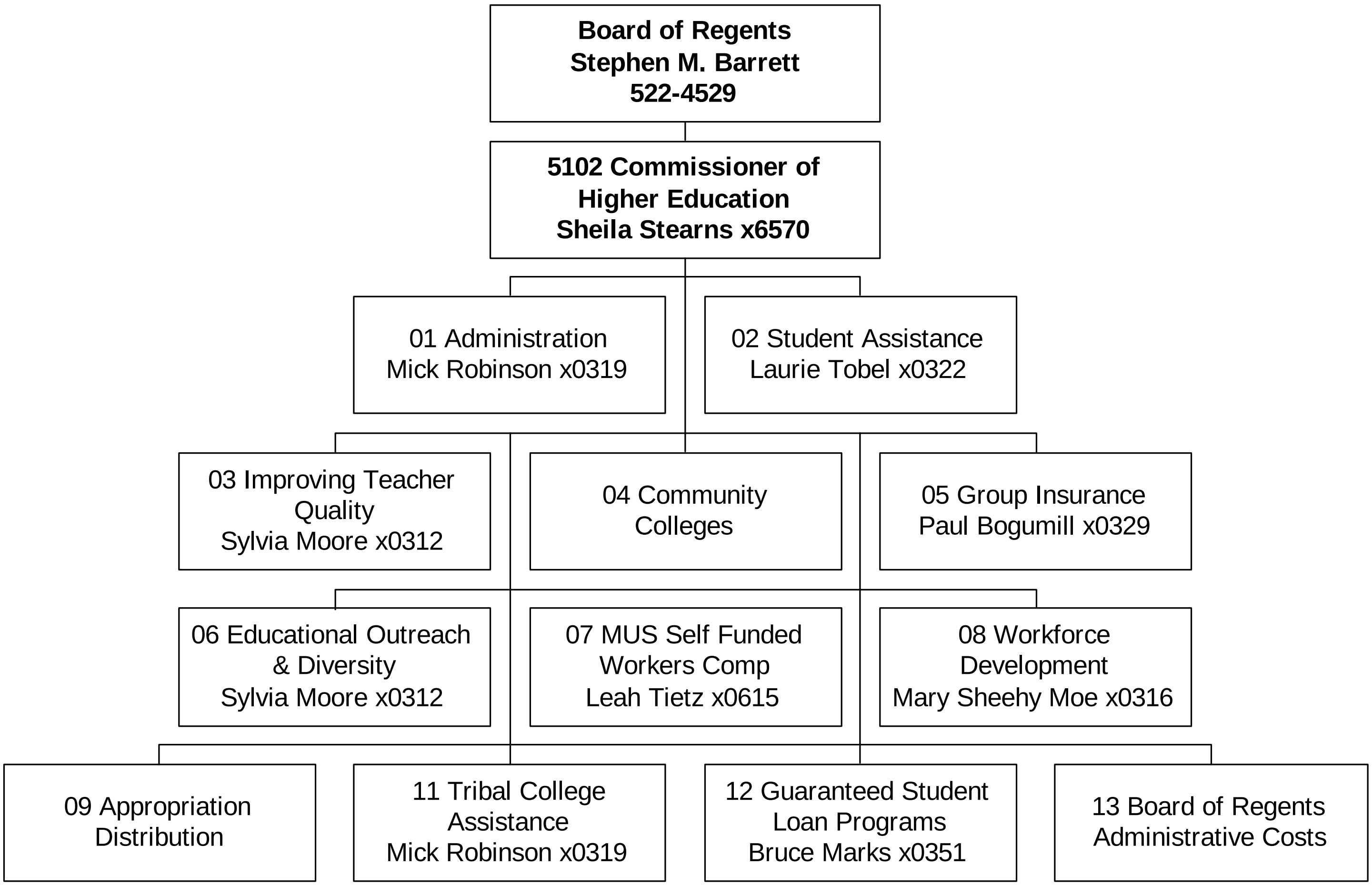
	Total Agency Impact	General Fund Total
FY 2010	$271,804	$0
FY 2011	$236,804	$0

NP- 5115 - Montana Shared Catalog -

This request is to establish ongoing personal services for a new 0.50 FTE and additional operating expenses paid for by proprietary funds from fees charged to Montana Shared Catalog (MSC) member libraries. MSC has fund balance set aside to replace the server that runs the shared catalog automation system. The server is six years old and needs to be replaced with a new higher performance server and other components. MSC will have approximately $100,000 for replacement equipment and plans to ask for bids in FY 2010 with this one-time-only $100,000 appropriation.

COMMISSIONER OF HIGHER EDUCATION-5102

Please note that this agency also contains HB 2 funding.



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

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

Agency Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	4.65	1.00	0.00	5.65	1.00	0.00	5.65
Personal Services	405,014	28,016	0	433,030	28,083	0	433,097
Operating Expenses	5,010,714	335,057	0	5,345,771	360,289	0	5,371,003
Benefits & Claims	60,702,450	5,875,000	0	66,577,450	5,900,000	0	66,602,450
Debt Service	25,297	0	0	25,297	0	0	25,297
Total Costs	**$66,143,475**	**$6,238,073**	**$0**	**$72,381,548**	**$6,288,372**	**$0**	**$72,431,847**
Proprietary	66,143,475	6,238,073	0	72,381,548	6,288,372	0	72,431,847
Total Funds	**$66,143,475**	**$6,238,073**	**$0**	**$72,381,548**	**$6,288,372**	**$0**	**$72,431,847**

COMMISSIONER OF HIGHER EDUCATION-5102
MUS GROUP INSURANCE PROGRAM-05

Please note that this program also contains HB 2 funding.

05 Group Insurance
Paul Bogumill x0329

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	4.65	0.00	0.00	4.65	0.00	0.00	4.65
Personal Services	326,088	28,034	0	354,122	28,088	0	354,176
Operating Expenses	4,522,718	273,674	0	4,796,392	273,889	0	4,796,607
Benefits & Claims	58,226,658	5,450,000	0	63,676,658	5,450,000	0	63,676,658
Total Costs	**$63,075,464**	**$5,751,708**	**$0**	**$68,827,172**	**$5,751,977**	**$0**	**$68,827,441**
Proprietary	63,075,464	5,751,708	0	68,827,172	5,751,977	0	68,827,441
Total Funds	**$63,075,464**	**$5,751,708**	**$0**	**$68,827,172**	**$5,751,977**	**$0**	**$68,827,441**

Program Description -The Board of Regents provides faculty and staff with group benefits through the MUS Group Insurance Program. The commissioner is authorized by Board of Regents policy to administer the program as a self-insured, group insurance plan. All university system employees, retirees, and eligible dependents are offered medical, dental, vision, and group life insurance, as well as long-term disability benefits.

COMMISSIONER OF HIGHER EDUCATION-5102
MUS GROUP INSURANCE PROGRAM-05

2011 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
6008	MUS Group Insurance Program	51020	Commissioner of Higher Education	MUS Group Insurance

	Actual FY04	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:								
Fee revenue								
Subsequent Injury Fund Assessment	-	-	-	-	-	-	-	-
Revenue from Fee B	-	-	-	-	-	-	-	-
Revenue from Fee C	-	-	-	-	-	-	-	-
Revenue from Fee D	-	-	-	-	-	-	-	-
Revenue from Fee E	-	-	-	-	-	-	-	-
Revenue from Fee F	-	-	-	-	-	-	-	-
Net Fee Revenue	-	-	-	-	-	-	-	-
Investment Earnings	136,845	409,840	1,094,811	1,517,681	1,363,270	1,250,000	1,000,000	1,000,000
Securities Lending Income	-	-	-					
Premiums	42,219,354	47,731,723	54,136,616	57,143,428	62,651,624	66,205,319	65,827,394	65,827,686
Other Operating Revenues	406,424	263,410	508,347	1,221,714	2,333,690	2,210,000	1,975,000	1,975,000
Total Operating Revenue	42,762,623	48,404,973	55,739,774	59,882,823	66,348,585	69,665,319	68,802,394	68,802,686
Operating Expenses:								
Personal Services	156,542	159,291	335,103	191,925	337,025	257,531	354,122	354,176
Other Operating Expenses	39,521,073	40,357,590	51,803,500	58,309,753	58,700,430	78,818,494	68,448,272	68,448,510
Total Operating Expenses	39,677,615	40,516,881	52,138,603	58,501,678	59,037,455	79,076,025	68,802,394	68,802,686
Operating Income (Loss)	**3,085,008**	**7,888,092**	**3,601,171**	**1,381,145**	**7,311,129**	**(9,410,706)**	-	-
Nonoperating Revenues (Expenses):								
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	3,085,008	7,888,092	3,601,171	1,381,145	7,311,129	(9,410,706)	-	-
Contributed Capital	-	-	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-	-	-
Change in net assets	3,085,008	7,888,092	3,601,171	1,381,145	7,311,129	(9,410,706)	-	-
Total Net Assets- July 1 - As Restated	7,910,008	10,995,016	18,883,108	22,484,279	23,911,122	31,222,252	21,811,546	21,811,546
Prior Period Adjustments	-	-		45,698	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	7,910,008	10,995,016	18,883,108	22,529,977	23,911,122	31,222,252	21,811,546	21,811,546
Net Assets- June 30	**10,995,016**	**18,883,108**	**22,484,279**	**23,911,122**	**31,222,252**	**21,811,546**	**21,811,546**	**21,811,546**
60 days of expenses								
(Total Operating Expenses divided by 6)	6,612,936	6,752,814	8,689,767	9,750,280	9,839,576	13,179,337		

Requested Rates for Internal Service Funds

Fee/Rate Information

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09		
Fee Group A						-	-	-
Rate 1 (per unit)								
Rate 2 (per unit)						-	-	-
Rate 3 (per unit)								
Fee Group B						-	-	-
Rate 4 (per unit)								
Rate 5 (per unit)						-	-	-
Rate 6 (per unit)								
Rate 7 (per unit)								
Fee Group C								

HB2 Language: Because certain employee benefit plans require a large number of individual premiums for a variety of benefit options, because the portion of these premiums paid by the state is statutorily established in 2-18-703, and because the employee-paid portion of these premiums must be adjusted from time to time to maintain employee group benefit plans on an actuarially sound basis, the legislature defines rates and fees for Montana university system employee benefit programs to mean the state contribution toward employee group benefits provided for in 2-18-703, and the employee contribution toward employee group benefits necessary to maintain the employee group benefit plans on an actuarially sound basis.

COMMISSIONER OF HIGHER EDUCATION-5102
MUS GROUP INSURANCE PROGRAM-05

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

	Total Agency Impact	General Fund Total
FY 2010	$5,725,000	$0
FY 2011	$5,725,000	$0

PL- 500 - Group Health Insurance -
Group health insurance increased appropriation authority to cover benefits provided.

COMMISSIONER OF HIGHER EDUCATION-5102
MUS WORKERS COMPENSATION PROGRAM-07

Please note that this program also contains HB 2 funding.

07 MUS Self Funded
Workers Comp
Leah Tietz x0615

Proprietary Rates

Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011
FTE	0.00	1.00	0.00	1.00	1.00	0.00	1.00
Personal Services	78,926	(18)	0	78,908	(5)	0	78,921
Operating Expenses	487,996	61,383	0	549,379	86,400	0	574,396
Benefits & Claims	2,475,792	425,000	0	2,900,792	450,000	0	2,925,792
Debt Service	25,297	0	0	25,297	0	0	25,297
Total Costs	**$3,068,011**	**$486,365**	**$0**	**$3,554,376**	**$536,395**	**$0**	**$3,604,406**
Proprietary	3,068,011	486,365	0	3,554,376	536,395	0	3,604,406
Total Funds	**$3,068,011**	**$486,365**	**$0**	**$3,554,376**	**$536,395**	**$0**	**$3,604,406**

COMMISSIONER OF HIGHER EDUCATION-5102
MUS WORKERS COMPENSATION PROGRAM-07

2011 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
6082	MUS Self-Funded Workers Comp	51020	Commissioner of Higher Education	MUS Self-Funded Workers Comp

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09	Budgeted FY10	Budgeted FY11
Operating Revenues:								
Fee revenue								
Subsequent Injury Fund Assessment	-	-	-	-	-	-	-	-
Net Fee Revenue	-	-	-	-	-	-	-	-
Investment Earnings		69,469	167,654	342,242	338,966	139,000	200,000	200,000
Securities Lending Income	-	-	-	-	-	-	-	-
Premiums		2,916,509	3,543,348	4,047,323	4,659,752	4,224,000	3,354,457	3,404,495
Other Operating Revenues	-	-	-	-	62	-	-	-
Total Operating Revenue	-	2,985,978	3,711,002	4,389,565	4,998,780	4,363,000	3,554,457	3,604,495
Operating Expenses:								
Personal Services	-	-	-	7,662	80,406	77,575	78,908	78,921
Other Operating Expenses		2,849,415	2,971,101	2,639,705	2,986,580	3,655,415	3,475,549	3,525,574
Total Operating Expenses	-	2,849,415	2,971,101	2,647,367	3,066,986	3,732,990	3,554,457	3,604,495
Operating Income (Loss)	**-**	**136,563**	**739,901**	**1,742,198**	**1,931,794**	**630,010**	**-**	**-**
Nonoperating Revenues (Expenses):								
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	-	136,563	739,901	1,742,198	1,931,794	630,010	-	-
Contributed Capital	-	-	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-	-	-
Change in net assets	-	136,563	739,901	1,742,198	1,931,794	630,010	-	-
Total Net Assets- July 1 - As Restated	-	(71,521)	65,042	804,943	2,553,620	4,485,413	5,115,424	5,115,424
Prior Period Adjustments	-	-	-	6,478	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	(71,521)	65,042	811,421	2,553,620	4,485,413	5,115,424	5,115,424
Net Assets- June 30	**(71,521)**	**65,042**	**804,943**	**2,553,620**	**4,485,413**	**5,115,424**	**5,115,424**	**5,115,424**
60 days of expenses								
(Total Operating Expenses divided by 6)	-	474,903	495,183	441,228	511,164	622,165	592,410	600,749

Requested Rates for Internal Service Funds

Fee/Rate Information

	FY10	FY11
HB2 Language (proposed): The legislature defines rates for the Montana university system self funded workers compensation program to mean the amount necessary to maintain the plan on an actuarially sound basis.	-	-
	-	-

COMMISSIONER OF HIGHER EDUCATION-5102
MUS WORKERS COMPENSATION PROGRAM-07

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

	Total Agency Impact	General Fund Total
FY 2010	$78,908	$0
FY 2011	$78,921	$0

PL- 700 - FTE to manage MUS work comp program -
The Board of Regents authorized the hiring of an employee at the OCHE office to run the workers' comp program. Prior to this request, a contractor was used to manage the program.

	Total Agency Impact	General Fund Total
FY 2010	$486,000	$0
FY 2011	$536,000	$0

PL- 701 - Workers Comp Operating and Benefits -
Requests increases appropriation authority to the workers comp program.