

DEPARTMENT OF ADMINISTRATION

Section A

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Commissioner of Political Practice
Dept. of Administration
Dept. of Commerce
Dept. of Labor & Industry
Dept. of Military Affairs
Dept. of Revenue

Governor's Office
Legislative Branch
Montana Consumer Counsel
Secretary of State
State Auditor's Office

-----Committee Members-----

House

Representative Terry Falk (Chair)
Representative Luke Musziewicz
Representative Ken Walsh

Senate

Senator Forrest Mandeville (Vice Chair)
Senator Derek Harvey
Senator Tony Tezak

-----Fiscal Division Staff-----

Molly DelCurto
Ethan Bergen
Katie Guenther

Agency Base Budget Comparison

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Agency Base Budget Comparison					
Budget Item	Base Budget FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	407.81	406.81	406.81	(1.00)	(0.1%)
Proprietary Funds	383,938,114	424,593,460	439,098,776	95,816,008	12.5%
Total Funds	383,938,114	424,593,460	439,098,776	95,816,008	12.5%
Personal Services	40,942,227	41,464,457	41,585,484	1,165,487	1.4%
Operating Expenses	109,240,992	120,532,389	120,654,514	22,704,919	10.4%
Equipment & Intangible Assets	949,236	949,236	949,236		0.0%
Grants	520,113	520,113	520,113		0.0%
Benefits & Claims	230,268,119	258,722,273	273,046,615	71,232,650	15.5%
Transfers	159,000	450,092	387,914	520,006	163.5%
Debt Service	1,858,427	1,954,900	1,954,900	192,946	5.2%
Total Expenditures	383,938,114	424,593,460	439,098,776	95,816,008	12.5%
Total Ongoing	383,938,114	424,593,460	439,098,776	95,816,008	12.5%
Total One-Time-Only					0.0%

Agency Highlights

Department of Administration Major Budget Highlights
<ul style="list-style-type: none"> The Department of Administration's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$95.8 million or 12.5% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Approximately \$71.2 million of this increase is due to an increase in benefits and claims for the Health Care and Benefits Division due to projected claims payments A transfer of 5.00 PB and its associated appropriation authority from the State Information Technology Services Division (SITSD) to the Director's Office and 1.00 PB from the Director's Office to SITSD Proposed rate increases for the Management Services Program, SABHRS, Warrant Writer, Facilities Management Bureau, Workers Compensation Management Program, Enterprise Learning and Development, SITSD, and the Human Resources Information System Program

61010 - Department Of Administration

SUMMARY

Executive Request

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

Department of Administration 2027 Biennium Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	0	0	0	383,938,114	90.4%	0	0	0	383,938,114	87.4%
Statewide PL										
Personal Services	0	0	0	658,944	0.2%	0	0	0	781,374	0.2%
Fixed Costs	0	0	0	258,954	0.1%	0	0	0	(35,893)	(0.0%)
Inflation Deflation	0	0	0	(2,313)	(0.0%)	0	0	0	(1,563)	(0.0%)
Total Statewide PL	0	0	0	915,585	0.2%	0	0	0	743,918	0.2%
Present Law (PL)	0	0	0	39,876,475	9.4%	0	0	0	54,554,861	12.4%
New Proposals	0	0	0	(136,714)	(0.0%)	0	0	0	(138,117)	(0.0%)
Total Adjustments	0	0	0	40,655,346	9.6%	0	0	0	55,160,662	12.6%
Total Requested Budget	0	0	0	424,593,460		0	0	0	439,098,776	

Funding

The following table shows proposed agency funding for all sources of authority.

Total Department of Administration Funding by Source of Authority 2027 Biennium Budget Request						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	115,192,215			185,649,687	300,841,902	21.0%
02858 Mineral Impact				16,908,187	16,908,187	1.2%
02077 Financial Institutions Div	10,242,995				10,242,995	0.7%
02030 Arch & Engin Construction	6,113,232				6,113,232	0.4%
02211 Procurement Special Revenue	1,207,869				1,207,869	0.1%
02098 Insurance Proceeds - State Bld				91,000	91,000	0.0%
State Special Revenue Total	17,564,096	-	-	16,999,187	34,563,283	2.4%
03425 Forest Reserve Shared Revenue				9,760,900	9,760,900	0.7%
03095 Taylor Grazing Act Dist.				250,000	250,000	0.0%
03369 Flood Control Payments	45,414				45,414	0.0%
03320 CMIA Funds	11,656				11,656	0.0%
Federal Special Revenue Total	57,070	-	-	10,010,900	10,067,970	0.7%
06559 Group Benefits Claims A/C			521,460,701		521,460,701	36.5%
06001 State Lottery Fund	13,530,829			207,292,700	220,823,529	15.4%
06522 ISD Proprietary			158,960,655		158,960,655	11.1%
06532 Agency Insurance Int. Svc.			76,434,524		76,434,524	5.3%
06528 Rent And Maintenance			27,387,789		27,387,789	1.9%
Other Proprietary Fund	175,756		79,448,567		79,624,323	5.6%
Proprietary Fund Total	13,706,585	-	863,692,236	207,292,700	1,084,691,521	75.8%
Total of All Funds	146,519,966	-	863,692,236	419,952,474	1,430,164,676	
Percent of All Sources of Authority	10.2%	0.0%	60.4%	29.4%		

The majority of the Department of Administration is funded with non-budgeted proprietary funds. These funds support the operations of the Director's Office, State Financial Services Division, General Services Division, State Information Technology Services Division, Healthcare and Benefits Division, State Human Resource Division, and Risk Management and Tort Defense Division.

Agency Actuals and Budget Comparison

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	407.81	407.81	406.81	406.81
Personal Services	39,640,492	41,226,954	40,942,227	41,464,457	41,585,484
Operating Expenses	101,215,232	115,430,727	109,240,992	120,532,389	120,654,514
Equipment & Intangible Assets	1,507,162	1,511,266	949,236	949,236	949,236
Capital Outlay	208,961	208,849	0	0	0
Grants	467,888	520,113	520,113	520,113	520,113
Benefits & Claims	225,513,642	234,768,119	230,268,119	258,722,273	273,046,615
Transfers	315,856	317,000	159,000	450,092	387,914
Debt Service	10,039,837	2,793,519	1,858,427	1,954,900	1,954,900
Total Expenditures	\$378,909,070	\$396,776,547	\$383,938,114	\$424,593,460	\$439,098,776
Proprietary Funds	378,909,070	396,776,547	383,938,114	424,593,460	439,098,776
Total Funds	\$378,909,070	\$396,776,547	\$383,938,114	\$424,593,460	\$439,098,776
Total Ongoing	\$378,909,070	\$396,776,547	\$383,938,114	\$424,593,460	\$439,098,776
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Description

The Department of Administration (DOA) is a customer service organization providing centralized enterprise services to Montana state agencies and local governments. A few of the key services that they provide through non-budgeted proprietary funding include:

- Technology Services: IT planning, security, and management of enterprise systems for accounting, payroll, budgeting, and HR
- Facilities & Operations: Capitol complex security, facilities and grounds maintenance, leasing, surplus property, recycling, and centralized printing
- Insurance & Risk Management: Property/casualty insurance, risk management, and Tort Claims Act administration

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the Department of Administration expended 95.5% of its \$396.8 million non-budgeted proprietary budget. The majority of agencies expenditures are for benefit and claims for the Health Care and Benefits Division. Further detail regarding FY 2024 expenditures is provided at the program level of this analysis.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Department of Administrations appropriation authority for FY 2025 is approximately \$12.8 million, or 3.2%, less than that of FY 2024. This is largely due to increased appropriation authority for operating expenses and benefits and claims in FY 2024 to make up for budget short falls. Further detail regarding FY 2025 appropriation authority is provided at the program level of this analysis.

Program Base Budget Comparison

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Program Base Budget Comparison						
Budget Item	Base Budget FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent		
PB	27.51	31.51	31.51	4.00	7.3%	
Proprietary Funds	3,611,415	4,130,040	4,141,784	1,048,994	14.5%	
Total Funds	3,611,415	4,130,040	4,141,784	1,048,994	14.5%	
Personal Services	3,108,819	3,432,429	3,450,836	665,627	10.7%	
Operating Expenses	502,596	697,611	690,948	383,367	38.1%	
Total Expenditures	3,611,415	4,130,040	4,141,784	1,048,994	14.5%	
Total Ongoing	3,611,415	4,130,040	4,141,784	1,048,994	14.5%	
Total One-Time-Only					0.0%	

Program Highlights

Director's Office Major Budget Highlights
<ul style="list-style-type: none"> The Director's Office 2027 biennium non-budgeted proprietary appropriations are approximately \$1.0 million or 14.5% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> A transfer of 5.00 PB and its associated appropriation authority from the State Information Technology Services Division (SITSD) and 1.00 PB from the Director's Office to SITSD Statewide present law adjustments for personal services and fixed costs Increased rates for the Management Services Program and the Office of Public Information Requests

Executive Request

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

Director's Office 2027 Biennium Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	0	0	0	3,611,415	87.4%	0	0	0	3,611,415	87.2%
Statewide PL										
Personal Services	0	0	0	(19,882)	(0.5%)	0	0	0	(7,743)	(0.2%)
Fixed Costs	0	0	0	146,929	3.6%	0	0	0	140,173	3.4%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	127,047	3.1%	0	0	0	132,430	3.2%
Present Law (PL)	0	0	0	33,086	0.8%	0	0	0	33,179	0.8%
New Proposals	0	0	0	358,492	8.7%	0	0	0	364,760	8.8%
Total Adjustments	0	0	0	518,625	12.6%	0	0	0	530,369	12.8%
Total Requested Budget	0	0	0	4,130,040		0	0	0	4,141,784	

Funding

The following table shows proposed program funding for all sources of authority.

Department of Administration, 01-Director's Office Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	101,024,073	0	0	179,583,171	280,607,244	88.8%	
02858 Mineral Impact	0	0	0	16,908,187	16,908,187	100.0%	
State Special Total	\$0	\$0	\$0	\$16,908,187	\$16,908,187	5.4%	
03095 Taylor Grazing Act Dist.	0	0	0	250,000	250,000	2.5%	
03369 Flood Control Payments	45,414	0	0	0	45,414	0.5%	
03425 Forest Reserve Shared Revenue	0	0	0	9,760,900	9,760,900	97.1%	
Federal Special Total	\$45,414	\$0	\$0	\$10,010,900	\$10,056,314	3.2%	
06020 Office of Public Information R	0	0	878,955	0	878,955	10.6%	
06504 Chief Data Office	0	0	1,219,482	0	1,219,482	14.7%	
06534 Management Services	0	0	6,173,387	0	6,173,387	74.6%	
Proprietary Total	\$0	\$0	\$8,271,824	\$0	\$8,271,824	2.6%	
Total All Funds	\$101,069,487	\$0	\$8,271,824	\$206,502,258	\$315,843,569		

Non-Budgeted Proprietary Appropriations

A small portion of the Director's Office functions are supported by non-budgeted proprietary funds. These funds are discussed in the Proprietary Rates section of the narrative.

Program Actuals and Budget Comparison

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	27.51	27.51	31.51	31.51
Personal Services	2,288,555	2,836,310	3,108,819	3,432,429	3,450,836
Operating Expenses	359,297	473,699	502,596	697,611	690,948
Total Expenditures	\$2,647,852	\$3,310,009	\$3,611,415	\$4,130,040	\$4,141,784
Proprietary Funds	2,647,852	3,310,009	3,611,415	4,130,040	4,141,784
Total Funds	\$2,647,852	\$3,310,009	\$3,611,415	\$4,130,040	\$4,141,784
Total Ongoing	\$2,647,852	\$3,310,009	\$3,611,415	\$4,130,040	\$4,141,784
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Director's Office has three proprietary funds:

- Management Services Fund – the management services fund includes the Office of Human Resources, which handles payroll processing, supports recruitment, selection, and onboarding of new employees, oversees position classification, and develops departmental policies. The Office of Legal Services provides legal advice and guidance. The Office of Finance and Budget is responsible for preparing and presenting the biennial budget, managing budget change documents, ensuring compliance with state laws and legislative intent, and providing accounting support
- Office of Public Information Requests – provides support and assistance to agencies by:
 - Establishing common policies, standards, and procedures for handling public information requests
 - Providing centralized intake and initial response to agency record requests
 - Developing cost estimates for records requests, as needed
 - Collecting and allocating costs paid by requesters
 - Tracking the status of record requests
 - Coordinating with requesters
 - Searching enterprise IT systems maintained primarily by State Information Technology Services Division
 - Providing primary legal review and response
 - Coordinating responses for requests involving multiple agencies
 - Providing centralized output to requesters
 - Creating reports or dashboards about record requests
 - Providing and maintaining enterprise-wide tools for tracking public information requests and searching, classifying, and preparing information for release to requesters
 - Assisting in record request litigation
- Chief Data Office - provides expertise to state agencies to enable and lead the digital transformation and data modernization efforts within state government. This office works in close partnership with agency leaders to drive the development and deployment of the enterprise data vision and strategies; oversee data management, data analytics, and data governance; ensure data quality; and recommend best practices in establishing agency performance measures

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Director's Office expended 80.0% of its \$3.3 million non-budgeted proprietary budget in FY 2024. Personal services were 80.7% expended due to vacant positions and position turnover. Operating expenses were 75.8% expended due to the division's conservative spending efforts to ensure it had the ability to cover potential budget deficits in the Office of Public Information Requests.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Director's Office appropriation authority for FY 2025 is approximately \$301,000, or 9.1%, higher than that of FY 2024. The majority of this increase is in personal services for the Office of Public Information Requests. Due to this program being relatively new, lower authority was granted in FY 2024 with the assumption that additional authority would be needed in FY 2025 as the program would be fully up and running.

Management Services Fund – Fund 06534

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06534	Management Services	61010	Department of Administration	Director's Office

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Legal and Management Services Fees	1,723,220	1,675,818	2,200,000	2,200,000
Personnel Unit Cost	812,782	820,000	860,000	870,000
Grants/Transfers/Misc.	478	-		
Total Operating Revenues	2,536,480	2,495,818	3,060,000	3,070,000
Expenses				
Personal Services	1,892,332	2,356,524	2,711,206	2,725,609
Operating Expense	274,495	358,596	370,930	365,642
Total Operating Expenses	2,166,827	2,715,120	3,082,136	3,091,251
Operating Income (Loss)	369,653	(219,302)	(22,136)	(21,251)
Nonoperating Revenues				
Other Revenue A	-	12	12	12
Nonoperating Expenses				
Other Expense A	-	-	-	-
Total Nonoperating Revenues (Expenses)	-	12	12	12
Income (Loss) Before Contributions and Transfers	369,653	(219,290)	(22,124)	(21,239)
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position	369,653	(219,290)	(22,124)	(21,239)
Beginning Net Position - July 1	321,811	690,211	470,921	448,797
Prior Period Adjustments	(1,253)			
Change in Net Position	369,653	(219,290)	(22,124)	(21,239)
Ending Net Position - June 30	690,211	470,921	448,797	427,558

Expenses

The executive proposes increasing expenses in the management services fund by approximately \$367,000 in FY 2026 and \$376,000 in FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration Director's Office Management Services Fund Proposed Changes for the 2027 Biennium in the Budgeting System		
	FY 2026	FY 2027
Director's Office		
Statewide Present Law Adjustment - Personal Services	\$ (22,226)	\$ (22,225)
Statewide Present Law Adjustment - Fixed Costs	(27,892)	(29,109)
Total	(50,118)	(51,334)
Office of Legal Services		
Statewide Present Law Adjustment - Personal Services	18,348	19,929
Statewide Present Law Adjustment - Fixed Costs	2,110	1,643
Transfer of Financial Positions	(144,431)	(144,432)
Total	(123,973)	(122,860)
Office of Human Resources		
Statewide Present Law Adjustment - Personal Services	13,134	16,422
Statewide Present Law Adjustment - Fixed Costs	27,488	25,756
Total	40,622	42,178
Office of Finance and Budget		
Statewide Present Law Adjustment - Personal Services	1,934	5,199
Statewide Present Law Adjustment - Fixed Costs	(4,372)	(6,244)
Transfer of Financial Positions	502,923	509,192
Total	500,485	508,147
Total Proposed Change	\$ 367,016	\$ 376,131

The proposed increase is primarily attributed to the transfer of 5.00 PB financial positions from the State Information Technology Services Division (SITSD) to the Office of Finance and Budget. This request also transfers 1.00 PB from the Office of Legal Services to the SITSD, leading to the reduction in that office.

Revenues

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

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium. The executive is proposing a 77.6% increase in FY 2026 and a 78.2% increase in FY 2027 to the total allocation of costs when compared to the FY 2025 base rates. The portion of unit for HR charges per FTE of user programs is proposed to increase by 5.4% in FY 2026 and 6.6% in FY 2027.

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

Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
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Fee Description:

Total Allocation of Costs	\$ 1,723,224	\$ 1,723,224	\$ 3,060,000	\$ 3,070,000
Portion of unit for HR charges per FTE of user programs	\$ 1,265	\$ 1,265	\$ 1,333	\$ 1,349

This program is funded with an internal service fund, which is a type of a proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Chief Data Office – Fund 06504

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06504	Chief Data Office	61010	Dept, of Administration	Director's Office - Chief Data Office

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Charges for Services	500,000	500,000	500,000	500,000
Total Operating Revenues	500,000	500,000	500,000	500,000
Expenses				
Personal Services	251,823	428,000	391,937	394,397
Other Operating Expense	64,054	72,000	216,903	216,245
Total Operating Expense	315,877	500,000	608,840	610,642
Operating Income (Loss)	184,123	-	(108,840)	(110,642)
 Nonoperating Revenues				
Miscellaneous Revenue		12	12	12
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	-	12	12	12
 Income (Loss) Before Contributions and Transfers	184,123	12	(108,828)	(110,630)
 Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
 Change in Net Position	184,123	12	(108,828)	(110,630)
 Beginning Net Position - July 1	-	184,123	184,135	75,307
Prior Period Adjustments				
Change in Net Position	184,123	12	(108,828)	(110,630)
 Ending Net Position - June 30	184,123	184,135	75,307	(35,323)

Expenses

The executive proposes increasing expenses in the Chief Data Office by approximately \$109,000 in FY 2026 and \$111,000 in FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration		
Director's Office		
Chief Data Office Fund		
Proposed Changes for the 2027 Biennium in the Budgeting System		
Chief Data Office	FY 2026	FY 2027
Statewide Present Law Adjustment - Personal Services	\$ (36,063)	\$ (33,603)
Statewide Present Law Adjustment - Fixed Costs	131,182	130,478
Allocate Department Indirect/Administrative Costs	13,721	13,767
Total	\$ 108,840	\$ 110,642

The proposed increase is primarily attributed to statewide present law adjustments for SITSD fixed costs.

Revenues

Revenue is generated for this program by charging each participating agency a fee based on the participating agency's base budget for technology services.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium. The executive is not proposing a rate increase in the 2027 biennium for the Chief Data Office.

Requested Rates for Internal Service or Enterprise Funds				
Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description:	500,000	500,000	500,000	500,000

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Office of Public Information Requests – Fund 06020

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06020	OFFICE OF PUBLIC INFO REQ	61010	Department of Administration	Office of Public Information Requests

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Charge to requestor	10,496	20,000	33,800	33,800
Rate to agencies			218,400	260,000
transaction fee			90,800	115,200
Total Operating Revenues	10,496	20,000	343,000	409,000
Expenses				
Personal Services	175,881	324,295	329,286	330,830
Other Operating Expense	19,572	72,000	109,778	109,061
Total Operating Expense	195,453	396,295	439,064	439,891
Operating Income (Loss)	(184,957)	(376,295)	(96,064)	(30,891)
Nonoperating Revenues				
Miscellaneous Revenue	26	12	12	12
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	26	12	12	12
Income (Loss) Before Contributions and Transfers	(184,931)	(376,283)	(96,052)	(30,879)
Capital Contributions				
Transfers In	202,319	240,000		
Transfers Out				
Loans and Lease Payments				
Change in Net Position	17,388	(136,283)	(96,052)	(30,879)
Beginning Net Position - July 1	-	17,388	(118,895)	(214,947)
Prior Period Adjustments				
Change in Net Position	17,388	(136,283)	(96,052)	(30,879)
Ending Net Position - June 30	17,388	(118,895)	(214,947)	(245,826)

Expenses

The executive proposes increasing expenses in the Office of Public Information Requests by approximately \$43,000 in FY 2026 and \$44,000 in FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration		
Director's Office		
Office of Public Information Requests		
Proposed Changes for the 2027 Biennium in the Budgeting System		
Office of Public Information Requests	FY 2026	FY 2027
Statewide Present Law Adjustment - Personal Services	\$ 4,991	\$ 6,536
Statewide Present Law Adjustment - Fixed Costs	18,413	17,649
Allocate Department Indirect/Administrative Costs	19,365	19,412
Total	\$ 42,769	\$ 43,597

The proposed increase is attributed to statewide present law adjustments for personal service and fixed costs as well as indirect administrative costs.

Revenues

Revenue is generated by charging a fee for each public information request.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium. Due to the Office of Public Information Requests being created in the 2025 biennium no rates were approved in the 2025 biennium.

Requested Rates for Internal Service or Enterprise Funds			
Fee/Rate Information			
	Approved FY 24	Approved FY 25	Proposed FY 26
			Proposed FY 27
Fee Description:	\$ -	\$ -	\$ 421,000
			\$ 421,000

This program is funded with an enterprise fund, which is a type of proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

Present Law Adjustments										
Fiscal 2026						Fiscal 2027				
PB	General Fund	State Special	Federal Special	Total Funds		PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	(19,882)	0.00	0	0	0	(7,743)
DP 2 - Fixed Costs	0.00	0	0	0	146,929	0.00	0	0	0	140,173
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	0	0	33,086	0.00	0	0	0	33,179
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$160,133	0.00	\$0	\$0	\$0	\$165,609

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive proposes an adjustment to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

New Proposals

The "New Proposals" table shows new proposals for spending.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

New Proposals										
Fiscal 2026						Fiscal 2027				
PB	General Fund	State Special	Federal Special	Total Funds		PB	General Fund	State Special	Federal Special	Total Funds
DP 1701 - Transfer of Financial Positions	4.00	0	0	0	358,492	4.00	0	0	0	364,760
Total	4.00	\$0	\$0	\$0	\$358,492	4.00	\$0	\$0	\$0	\$364,760

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1701 - Transfer of Financial Positions -

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

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

Program Base Budget Comparison

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Program Base Budget Comparison					
Budget Item	Base Budget FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	31.33	31.33	31.33	0.00	0.0%
Proprietary Funds	7,095,509	7,454,237	7,386,273	649,492	4.6%
Total Funds	7,095,509	7,454,237	7,386,273	649,492	4.6%
Personal Services	3,201,892	3,254,767	3,264,005	114,988	1.8%
Operating Expenses	3,887,013	4,192,866	4,115,664	534,504	6.9%
Equipment & Intangible Assets	6,604	6,604	6,604		0.0%
Total Expenditures	7,095,509	7,454,237	7,386,273	649,492	4.6%
Total Ongoing	7,095,509	7,454,237	7,386,273	649,492	4.6%
Total One-Time-Only					0.0%

Program Highlights

State Financial Services Division Major Budget Highlights	
<ul style="list-style-type: none"> The State Financial Services Division's 2027 biennium non-budgeted proprietary appropriations are approximately \$649,000 or 4.6% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Increased warrant writer costs for postage and paper Statewide present law adjustments for personal services and fixed costs Increased rates for all warrant writer fees and an approximate 8.0% increase in FY 2026 and 10.2% in FY 2027 for the SABHRS program 	

Executive Request

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

State Financial Services Division 2027 Biennium Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	0	0	0	7,095,509	95.2%	0	0	0	7,095,509	96.1%
Statewide PL										
Personal Services	0	0	0	52,875	0.7%	0	0	0	62,113	0.8%
Fixed Costs	0	0	0	149,118	2.0%	0	0	0	47,473	0.6%
Inflation Deflation	0	0	0	(66)	(0.0%)	0	0	0	(45)	(0.0%)
Total Statewide PL	0	0	0	201,927	2.7%	0	0	0	109,541	1.5%
Present Law (PL)	0	0	0	156,801	2.1%	0	0	0	181,223	2.5%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	358,728	4.8%	0	0	0	290,764	3.9%
Total Requested Budget	0	0	0	7,454,237		0	0	0	7,386,273	

Funding

The following table shows proposed program funding for all sources of authority.

Department of Administration, 03-State Financial Services Division Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	4,880,167	0	0	6,066,516	10,946,683	42.1%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
03320 CMIA Funds	11,656	0	0	0	11,656	100.0%
Federal Special Total	\$11,656	\$0	\$0	\$0	\$11,656	0.0%
06042 Local Govt Svcs AuditRptng	0	0	1,915,188	0	1,915,188	12.8%
06511 SABHRS	0	0	10,716,699	0	10,716,699	71.4%
06527 Investment Division	175,756	0	0	0	175,756	1.2%
06564 Warrant Writing	0	0	2,208,623	0	2,208,623	14.7%
Proprietary Total	\$175,756	\$0	\$14,840,510	\$0	\$15,016,266	57.8%
Total All Funds	\$5,067,579	\$0	\$14,840,510	\$6,066,516	\$25,974,605	

Non-budgeted Proprietary Appropriations

Non-budgeted proprietary funds include Local Government Services Audit Reporting, the State Accounting, Budgeting, and Human Resources System (SABHRS), and Warrant Writing. These funds are discussed in the Proprietary Rates section of this narrative.

Program Actuals and Budget Comparison

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	31.33	31.33	31.33	31.33
Personal Services	2,745,211	2,925,640	3,201,892	3,254,767	3,264,005
Operating Expenses	3,982,529	4,323,801	3,887,013	4,192,866	4,115,664
Equipment & Intangible Assets	592,978	592,979	6,604	6,604	6,604
Debt Service	0	11,600	0	0	0
Total Expenditures	\$7,320,718	\$7,854,020	\$7,095,509	\$7,454,237	\$7,386,273
Proprietary Funds	7,320,718	7,854,020	7,095,509	7,454,237	7,386,273
Total Funds	\$7,320,718	\$7,854,020	\$7,095,509	\$7,454,237	\$7,386,273
Total Ongoing	\$7,320,718	\$7,854,020	\$7,095,509	\$7,454,237	\$7,386,273
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The State Financial Services Division provides the following functions with proprietary funds:

- **Statewide Accounting, Budgeting, and Human Resources Systems (SABHRS):** the Financial Services Technology Bureau is responsible for operational support and maintenance of the enterprise financial (SABHRS Financials) and budget development (IBARS) information systems and for supporting the enterprise acquisition and contracting system (eMACS). The bureau is also responsible for providing database administration services, system architecture, and maintenance for the SABHRS HR information system for the HR Information Systems Bureau
- **Warrant Writer:** the Warrant Writer Unit provides payment processing services for most state agencies, including the university system. Services include direct deposit, warrant consolidation, stopping of payments, warrant cancellations, emergency warrants, duplicate warrants, warrant certification, warrant reissues, warrant research, supplier file maintenance, stale-dated payment processing, and IRS 1099-MISC and 1042 tax reporting. The unit also generates, tracks, and reconciles each approved agency payment generated in SABHRS
- **Local Government Audit and Reporting:** The Local Government Auditing and Reporting Program is responsible for administering the provisions of the Montana Single Audit Act, which specifies the financial reporting and audit requirements for all Montana local government entities. The program collects and publishes local government financial reports, budgets, and audits on a transparency website, provides technical assistance on accounting, auditing, and compliance matters, and maintains the roster of authorized auditors as well as the legal compliance supplement used in audits. It ensures that required audits are conducted in compliance with standards, reviews audit findings, and follows up on corrective actions as needed

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The State Financial Services Division expended 93.2% of its \$7.9 million non-budgeted proprietary authority in FY 2024. Personal services were 93.8% expended, operating expenses were 92.1%. In FY 2024, the Local Government Audit and Reporting Services Division transferred authority to equipment and intangible assets to properly record expenditures related to the purchase of the customer relationship management (CRM) system, Hike2.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The State Financial Services Division non-budgeted proprietary appropriation authority for FY 2025 is approximately \$759,000, or 9.7%, less than that of FY 2024. This decrease is primarily in operating expenses and equipment and intangible assets. In FY 2024, the division requested additional authority for the purchase of a new CRM system and to send property tax rebate warrants to Montana citizens.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium

Expenses

The executive proposes increasing expenses in SABHRS by approximately \$169,000 in FY 2026 and \$77,000 in FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration State Financial Services Division State Accounting, Budgeting, and Human Resources System (SABHRS) Proposed Changes for the 2027 Biennium in the Budgeting System		
	FY 2026	FY 2027
Statewide Present Law Adjustment - Personal Services	\$ 17,348	\$ 24,689
Statewide Present Law Adjustment - Fixed Costs	160,526	61,410
Statewide Present Law Adjustment - Inflation/Deflation	(26)	(18)
Allocate Department Indirect/Administrative Costs	(8,971)	(8,645)
Total	\$ 168,877	\$ 77,436

The proposed increase is primarily attributed to statewide present law adjustments for fixed costs including audit fees in FY 2026 and increased SITSD fixed costs.

Revenues

All state agencies are required to use the SABHRS program to ensure consistent, accurate, and transparent financial and budgeting information. Revenues are based on the costs to operate.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium. The executive proposes an increase in SABHRS rates of 8.0% in FY 2026 and 10.2% in FY 2027 as compared to the 2025 base rate.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description:				
SABHRS Rates	4,793,865	4,570,860	4,936,529	5,035,259

This program is funded with an internal service fund, which is a type of a proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Proprietary Program Revenues and Expenses

Fund	Fund Name	Agency #	Agency Name	Program Name
6564	Warrant Writing	61010	Dept of Administration	State Financial Services Division

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Warrant Writer Revenue	1,264,026	1,035,652	1,270,918	1,270,918
Total Operating Revenues	1,264,026	1,035,652	1,270,918	1,270,918
Expenses				
Personal Services	296,946	302,708	325,992	326,517
Other Operating Expense	1,012,879	597,530	759,981	782,925
Equipment & Intangible Assets		6,604	6,604	6,604
Total Operating Expense	1,309,825	906,842	1,092,577	1,116,046
Operating Income (Loss)	(45,799)	128,810	178,341	154,872
Nonoperating Revenues				
Miscellaneous Revenue	24			
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	24	-	-	-
Income (Loss) Before Contributions and Transfers	(45,775)	128,810	178,341	154,872
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position	(45,775)	128,810	178,341	154,872
Beginning Net Position - July 1	85,263	39,585	168,395	346,736
Prior Period Adjustments	97			
Change in Net Position	(45,775)	128,810	178,341	154,872
Ending Net Position - June 30	39,585	168,395	346,736	501,608

Expenses

The executive proposes increasing expenses in the Warrant Writer Program by approximately \$186,000 in FY 2026 and \$209,000 in FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration State Financial Services Division Warrant Writer Proposed Changes for the 2027 Biennium in the Budgeting System		
	FY 2026	FY 2027
Statewide Present Law Adjustment - Personal Services	\$ 23,284	\$ 23,809
Statewide Present Law Adjustment - Fixed Costs	1,933	874
WWU Increase in Operating Costs	156,435	180,372
Allocate Department Indirect/Administrative Costs	4,083	4,149
Total	\$185,735	\$209,204

The proposed increase is primarily attributed to the Warrant Writer Unit increase in operating costs to account for the increase in cost for postage rates and paper.

Revenues

Revenues are derived from monthly billing based on the number of actual warrants issued. Budget authority to pay the costs is a fixed cost item in state agency budgets.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium. The executive proposes an increase to all warrant writer rates for the 2027 biennium.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description:				
Mailer	0.88432	0.88432	1.30	1.30
Non-Mailer	0.38241	0.38241	0.60	0.60
Emergency	14.34045	14.34045	15.00	15.00
Duplicate	9.56030	9.56030	12.00	12.00
Payroll - Printed Warrants	0.16126	0.16126	0.40	0.40
External - University System	0.12907	0.12907	0.40	0.40
Direct Deposit Mailer	1.05163	1.05163	1.30	1.30
Direct Deposit Non-mailer	0.14340	0.14340	0.20	0.20
UI - Warrant Printing Only	0.12564	0.12564	0.40	0.40
UI - Direct Deposit	0.03162	0.03162	0.10	0.10

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Local Government Audit and Reporting – Fund 06042*Proprietary Program Revenues and Expenses*

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06042	Local Govt Svcs	61010	DOA	SFSD

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Charges for Services	789,479	790,000	815,000	815,000
Fines/Forfeits	12,391	12,500	12,500	12,500
Total Operating Revenues	801,870	802,500	827,500	827,500
Expenses				
Personal Services	414,008	597,345	609,588	610,960
Other Operating Expense	164,123	356,129	348,002	346,638
Equipment & Intangible Assets	592,978			
Total Operating Expense	1,171,109	953,474	957,590	957,598
Operating Income (Loss)	(369,239)	(150,974)	(130,090)	(130,098)
Nonoperating Revenues				
Misc. Revenue	40	10	10	10
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	40	10	10	10
Income (Loss) Before Contributions and Transfers	(369,199)	(150,964)	(130,080)	(130,088)
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position	(369,199)	(150,964)	(130,080)	(130,088)
Beginning Net Position - July 1	798,519	927,206	776,242	646,162
Prior Period Adjustments				
Change in Net Position	(369,199)	(150,964)	(130,080)	(130,088)
Ending Net Position - June 30	927,206	776,242	646,162	516,074

Expenses

The executive proposes increasing expenses in the Local Government Audit and Reporting Program by approximately \$4,000 in FY 2026 and in FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration State Financial Services Division Local Government Services Proposed Changes for the 2027 Biennium in the Budgeting System		
	FY 2026	FY 2027
Statewide Present Law Adjustment - Personal Services	\$ 12,243	\$ 13,615
Statewide Present Law Adjustment - Fixed Costs	(13,341)	(14,811)
Statewide Present Law Adjustment - Inflation/Deflation	(40)	(27)
Allocate Department Indirect/Administrative Costs	5,254	5,347
Total	\$ 4,116	\$ 4,124

The proposed increase is attributed to statewide present law adjustments for personal service and indirect administrative costs adjustments. Statewide present law adjustments for fixed costs are negative due to a reduction in fixed costs charges for SITSD services.

Revenues

The program is funded with enterprise funds, as it serves entities outside of state government. The fund receives revenues from the following:

- A report filing fee as required by 2-7-514, MCA, and defined in ARM 2.4.402. All local government entities that are required to submit audits pay the filing fee
- As provided by 2-7-503, MCA, a fee is collected from local governments that are required to submit financial revenues. The fee has been adopted in ARM 2.4.410. The current fee in the rule is \$75
- A roster fee is collected from certified public accountants for inclusion on a roster of independent auditors who are authorized to audit local government entities in Montana. The annual auditor roster fee has been adopted as ARM 2.4.406. The current fee in the rule is \$100 per year
- As provided by 2-7-517, MCA, when a local government entity fails to file a report as required by 2-7-503, MCA, they are required to make a payment within 60 days per 2-7-514, MCA, the department may charge a late payment penalty. The penalty has been adopted in ARM 2.4.404 and is currently 10.0% of the filing fee per month
- A fine for failure to file audits or reports required by 2-7-503, MCA, is also provided by 2-7-517, MCA. When a local government entity fails to file an audit or report within 180 days of the required date, the department must notify the entity of the fine due and provide public notice of the delinquent report. The fine has been adopted in ARM 2.4.403. The current fine in rule is \$75 per publication

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium. The executive is not proposing rate increases for the program.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description:				
Annual revenues equal to or greater than \$750,000 but less than \$1,000,000	\$550	\$550		
Annual revenues equal to or greater than \$1,000,000 but less than \$1,500,000	\$800	\$800	\$800	\$800
Annual revenues equal to or greater than \$1,500,000 but less than \$2,500,000	\$950	\$950	\$950	\$950
Annual revenues equal to or greater than \$2,500,000 but less than \$5,000,000	\$1,300	\$1,300	\$1,300	\$1,300
Annual revenues equal to or greater than \$5,000,000 but less than \$10,000,000	\$1,700	\$1,700	\$1,700	\$1,700
Annual revenues equal to or greater than \$10,000,000 but less than \$50,000,000	\$2,500	\$2,500	\$2,500	\$2,500
Annual revenues equal to or greater than \$50,000,000	\$3,000	\$3,000	\$3,000	\$3,000
Local Government Financial Review Fee	\$75	\$75	\$75	\$75
Roster Fee	\$100	\$100	\$100	\$100

This program is funded with an enterprise fund, which is a type of proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

Present Law Adjustments										
Fiscal 2026						Fiscal 2027				
PB	General Fund	State Special	Federal Special	Total Funds		PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services										
0.00	0	0	0	52,875		0.00	0	0	0	62,113
DP 2 - Fixed Costs										
0.00	0	0	0	149,118		0.00	0	0	0	47,473
DP 3 - Inflation Deflation										
0.00	0	0	0	(66)		0.00	0	0	0	(45)
DP 4 - Allocate Department Indirect/Administrative Costs										
0.00	0	0	0	366		0.00	0	0	0	851
DP 303 - WWU - Increase in Operating Costs										
0.00	0	0	0	156,435		0.00	0	0	0	180,372
Grand Total All Present Law Adjustments										
0.00	\$0	\$0	\$0	\$358,728		0.00	\$0	\$0	\$0	\$290,764

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive proposes adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive proposes an adjustment to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

DP 303 - WWU - Increase in Operating Costs -

The executive proposes an increase in proprietary fund authority to adjust for increases in postage rates and the cost of paper.

Program Base Budget Comparison

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Program Base Budget Comparison					
Budget Item	Base Budget FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	72.35	72.35	72.35	0.00	0.0%
Proprietary Funds	26,013,072	27,800,208	27,766,726	3,540,790	6.8%
Total Funds	26,013,072	27,800,208	27,766,726	3,540,790	6.8%
Personal Services	5,732,472	5,734,124	5,744,520	13,700	0.1%
Operating Expenses	18,938,974	20,336,893	20,355,193	2,814,138	7.4%
Equipment & Intangible Assets	571,771	571,771	571,771		0.0%
Transfers	159,000	450,092	387,914	520,006	163.5%
Debt Service	610,855	707,328	707,328	192,946	15.8%
Total Expenditures	26,013,072	27,800,208	27,766,726	3,540,790	6.8%
Total Ongoing	26,013,072	27,800,208	27,766,726	3,540,790	6.8%
Total One-Time-Only					0.0%

Program Highlights

General Services Division Major Budget Highlights	
<ul style="list-style-type: none"> The General Services Division's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$3.5 million or 6.8% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Increased postage and mail costs in the Print and Mail Services Bureau Increased contract service costs in the Facilities Management Bureau Increase in lease liability in the Facilities Management Bureau A proposed rent increase and consolidation of the rental rate for office and non-office space for the Rent and Maintenance Program A proposed increased rate for interagency mail of 8.8% compared to the FY 2025 base rate in the State Print and Mail Services 	

Executive Request

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

General Services Division 2027 Biennium Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	0	0	0	26,013,072	93.6%	0	0	0	26,013,072	93.7%
Statewide PL										
Personal Services	0	0	0	1,652	0.0%	0	0	0	12,048	0.0%
Fixed Costs	0	0	0	(232,479)	(0.8%)	0	0	0	(315,016)	(1.1%)
Inflation Deflation	0	0	0	(6)	0.0%	0	0	0	(4)	0.0%
Total Statewide PL	0	0	0	(230,833)	(0.8%)	0	0	0	(302,972)	(1.1%)
Present Law (PL)	0	0	0	2,017,969	7.3%	0	0	0	2,056,626	7.4%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	1,787,136	6.4%	0	0	0	1,753,654	6.3%
Total Requested Budget	0	0	0	27,800,208		0	0	0	27,766,726	

Funding

The following table shows proposed program funding for all sources of authority.

Department of Administration, 06-General Services Division Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.0%	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%	
06066 Surplus Property	0	0	1,743,106	0	1,743,106	3.1%	
06528 Rent And Maintenance	0	0	27,387,789	0	27,387,789	49.3%	
06530 Print & Mail Services	0	0	26,436,039	0	26,436,039	47.6%	
Proprietary Total	\$0	\$0	\$55,566,934	\$0	\$55,566,934	100.0%	
Total All Funds	\$0	\$0	\$55,566,934	\$0	\$55,566,934		

Non-Budgeted Proprietary Funds

The General Services Division is entirely supported through proprietary funds. These funds are discussed in the Proprietary Rates section of the narrative.

Program Actuals and Budget Comparison

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	72.35	72.35	72.35	72.35
Personal Services	6,980,883	6,966,416	5,732,472	5,734,124	5,744,520
Operating Expenses	18,597,833	18,726,422	18,938,974	20,336,893	20,355,193
Equipment & Intangible Assets	666,668	670,771	571,771	571,771	571,771
Capital Outlay	208,961	208,849	0	0	0
Transfers	315,856	317,000	159,000	450,092	387,914
Debt Service	540,337	540,855	610,855	707,328	707,328
Total Expenditures	\$27,310,538	\$27,430,313	\$26,013,072	\$27,800,208	\$27,766,726
Proprietary Funds	27,310,538	27,430,313	26,013,072	27,800,208	27,766,726
Total Funds	\$27,310,538	\$27,430,313	\$26,013,072	\$27,800,208	\$27,766,726
Total Ongoing	\$27,310,538	\$27,430,313	\$26,013,072	\$27,800,208	\$27,766,726
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The General Services Division is composed of two bureaus and one program responsible for providing certain internal services to government agencies and the public:

- Capitol Facilities Management (CFM) manages the following services for state agencies in the Capitol complex and several state-owned buildings in the Helena area, either directly or through the administration of service contracts: repair, maintenance, construction, energy consumption, disaster response and recovery, space allocation, security, janitorial, pest control, grounds maintenance, and garbage collection. CFM manages lease negotiation and administration for state agencies throughout the state
- State Print and Mail provides print and mail services to state agencies. Services include internal and external (contracted) printing, marketing and outreach, managed print services, mail preparation, central mail operations, inter-agency (deadhead) mail, and digitization of records. The bureau also operates the United States Post Office in the Capitol
- In addition to the two bureaus, the division manages the State and Federal Surplus Property and Recycling programs

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The General Services Division expended 99.6% of its \$27.4 million non-budgeted proprietary authority in FY 2024. Personal services were 100.2% expended, operating expenses were 99.3%, equipment and intangible assets were 99.4%, capital outlay was 100.1%, transfers were 99.6% expended, and debt service was 99.9% expended.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The General Services Division's non-budgeted proprietary appropriation authority for FY 2025 is approximately \$1.4 million or 5.2%, less than that of FY 2024. In FY 2024, the General Services Division requested additional appropriation authority due to higher costs incurred for print and mail services as well as personal services costs. This request has not been made for FY 2025.

Capitol Facilities Management Rent and Maintenance – Fund 06528**Proprietary Program Revenues and Expenses**

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06528	Rent and Maintenance	61010	Administration	General Services Division

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Charges for Services				
Facilities Management Rate	10,106,701	10,135,578	12,617,367	12,652,564
Non - Office Rental Rate	850,657	851,567	-	-
Maintenance Charges	257,499	257,499	257,499	257,499
Project Work	704,211	459,471	459,471	459,471
Construction Supervisory Fees	46,417	28,396	28,396	28,396
Access and ID Card Revenue	26,050	25,530	25,530	25,530
Other Operating Revenues	62,989	59,485	59,485	59,485
Total Operating Revenues	12,054,524	11,817,526	13,447,748	13,482,945
Expenses				
Personal Services	3,947,401	2,880,981	2,744,329	2,749,881
Operating Expense	7,611,484	9,368,081	9,538,688	9,564,061
Equipment	492,701	300,000	300,000	300,000
Capital Outlay	82,617	-	-	-
Total Operating Expense	12,134,203	12,549,062	12,583,017	12,613,942
Operating Income (Loss)	(79,679)	(731,536)	864,731	869,003
Nonoperating Revenues	3,182	1,500	1,500	1,500
Gain on the sale of a fixed Asset	48,307			
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	51,489	1,500	1,500	1,500
Income (Loss) Before Contributions and Transfers	(28,190)	(730,036)	866,231	870,503
Capital Contributions	-	200,000	300,000	300,000
Transfers In	358,801	562,400	562,400	562,400
Transfers Out	(315,855)	(159,000)	(450,092)	(387,914)
Loans and Lease Payments	(509,421)	(579,939)	(676,412)	(676,412)
Change in Net Position	(123,423)	(706,575)	602,127	668,577
Beginning Net Position - July 1	2,551,592	2,468,672	1,762,097	2,364,224
Prior Period Adjustments	40,503	-	-	-
Change in Net Position	(123,423)	(706,575)	602,127	668,577

Ending Net Position - June 30

2,468,672	1,762,097	2,364,224	3,032,801
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Expenses

The executive proposes increasing expenses in the Capitol Facilities Management Bureau by \$422,000 in FY 2026 and \$390,000 in FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration General Services Division Capitol Facilities Management - Rent and Maintenance Proposed Changes for the 2027 Biennium in the Budgeting System		
	FY 2026	FY 2027
Statewide Present Law Adjustment - Personal Services	\$(136,652)	\$(131,100)
Statewide Present Law Adjustment - Fixed Costs	(355,210)	(430,015)
Allocate Department Indirect/Administrative Costs	(28,435)	(27,644)
Contracted Services Increase	845,344	882,553
Increase to Lease Liability	96,473	96,473
Total	\$ 421,520	\$ 390,267

This increase is primarily attributed to increased contracted services for State Capitol security, janitorial services, software maintenance, and building access control. The executive also proposes an increase due to lease liabilities.

Revenues

Revenues are based on square footage rental rates charged for office and non-office space billed to agencies occupying space in state owned buildings overseen by the Department of Administration.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium. The executive proposes a 2.9% increase in FY 2026 and a 3.2% increase in FY 2027 for the single rate rent cost as compared to the FY 2025 base rate. Additionally, the executive proposes to switch to a single rate rent fee. Historically, the program has charged a separate fee for office versus non-office space. The proposed rates are to consolidate this rate into one for the 2027 biennium.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
Fee Description:	Approved	Approved	Proposed	Proposed
	FY24	FY25	FY26	FY27
Office Rent (per sq. ft.)	11.415	11.421		
Nonoffice Rent (per sq. ft.)	7.599	7.605		
Single Rate Rent (per sq. ft.)			11.757	11.790
Grounds Maintenance (per sq. ft. - only one building)	0.615	0.615		
Project Mgmt. (In-house)	15%	15%	15%	15%
Project Mgmt. (Consultation)	Actual Cost	Actual Cost	Actual Cost	Actual Cost
State Employee Access ID Card	Actual Cost	Actual Cost	Actual Cost	Actual Cost

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Print and Mail Bureau – Fund 06530

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06530	Print & Mail Services	61010	Administration	General Services Division

	Actual	Estimated	Proposed	
		Proposed FY 24	FY 24	FY 25
	25	FY 26	FY 27	
Operating Revenues				
Fees and Charges				
Charges for Services	13,554,623	11,820,000	13,250,000	13,250,000
Total Operating Revenues	13,554,623	11,820,000	13,250,000	13,250,000
Expenses				
Personal Services	2,495,780	2,303,856	2,518,136	2,521,457
Other Operating Expense	10,662,200	9,223,281	10,409,365	10,404,007
Equipment	165,967	260,621	260,621	260,621
Capital Outlay	126,344	-	-	-
Total Operating Expense	13,450,291	11,787,758	13,188,122	13,186,085
Operating Income (Loss)	104,332	32,242	61,878	63,915
Nonoperating Revenues				
Misc. Revenue	101	12	12	12
Nonoperating Expenses				
Other Expense A				
Total Nonoperating Revenues (Expenses)	101	12	12	12
Income (Loss) Before Contributions and Transfers	104,433	32,254	61,890	63,927
Capital Contributions	2,506			
Transfers In	13,101			
Transfers Out				
Loans and Lease Payments	(30,916)	(30,916)	(30,916)	(30,916)
Change in Net Position	89,124	1,338	30,974	33,011
Beginning Net Position - July 1	3,657,885	3,875,387	3,876,725	3,907,699
Prior Period Adjustments				
Change in Net Position	89,124	1,338	30,974	33,011
Ending Net Position - June 30	3,875,387	3,876,725	3,907,699	3,940,710

Expenses

The executive proposes an increase to the Print and Mail Services of \$1.4 million in FY 2026 and FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration General Services Division Print and Mail Services Proposed Changes for the 2027 Biennium in the Budgeting System		
	FY 2026	FY 2027
Statewide Present Law Adjustment - Personal Services	\$ 214,280	\$ 217,601
Statewide Present Law Adjustment - Fixed Costs	90,517	84,607
Statewide Present Law Adjustment - Inflation/Deflation	(6)	(4)
Allocate Department Indirect/Administrative Costs	36,277	36,827
Increase in Postage	1,059,296	1,059,296
Total	\$ 1,400,364	\$ 1,398,327

The majority of this increase is due to an increase in postage costs. Other increases are for statewide present law adjustments and administrative indirect costs for support services.

Revenues

All state agencies in Helena use the services of the State Print and Mail depending on their printing and mail needs. Printing revenues are based on the actual type and volume of printing provided and mail services is based on agency specified service frequency.

Proprietary Rates

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

The figure below shows the rates proposed by the executive for the 2027 biennium. The only rate that the executive is proposing to increase is the interagency mail rate, which is proposed to increase by 8.8% when compared to the FY 2025 base rate.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information					
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27	
Fee Description:					
Internal Printing					
Impressions	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%	
Ink	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%	
Bindery work	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%	
Pre-Press work	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%	
CD/DVD duplicating	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%	
Variable data printing	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%	
Large Format Color per ft.	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%	
Scan	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%	
Pick and Pack Fulfillment	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	
Overtime	\$ 30.00	\$ 30.00			
Desktop	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	
IT Programming	\$ 95.00	\$ 95.00	\$ 95.00	\$ 95.00	
File Transfer	\$ 25.00	\$ 25.00			
Mainframe Print	\$ 0.07	\$ 0.07			
Warrant Printing	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	
Inventory Mark Up	20.00%	20.00%	20.00%	20.00%	
External Printing					
Percent of Invoice Mark-Up	8.80%	8.80%	8.80%	8.80%	
Managed Print					
Percent of Invoice Mark-Up	15.90%	15.90%	15.90%	15.90%	
Mail Preparation					
Tabbing	\$ 0.023	\$ 0.023	Cost + 25%	Cost + 25%	
Labeling	\$ 0.023	\$ 0.023	Cost + 25%	Cost + 25%	
Ink Jet	\$ 0.036	\$ 0.036	Cost + 25%	Cost + 25%	
Inserting	\$ 0.045	\$ 0.045	Cost + 25%	Cost + 25%	
Waymark	\$ 0.069	\$ 0.069	Cost + 25%	Cost + 25%	
Permit mailings	\$ 0.069	\$ 0.069	Cost + 25%	Cost + 25%	
Mail Operations					
Machinable	\$ 0.043	\$ 0.043	Cost + 25%	Cost + 25%	
Non-Machinable	\$ 0.110	\$ 0.110	Cost + 25%	Cost + 25%	
Seal Only	\$ 0.020	\$ 0.020	Cost + 25%	Cost + 25%	
Post cards	\$ 0.070	\$ 0.070	Cost + 25%	Cost + 25%	
Certified Mail	\$ 0.620	\$ 0.620	Cost + 25%	Cost + 25%	
Registered Mail	\$ 0.614	\$ 0.614	Cost + 25%	Cost + 25%	
Internatl Mail	\$ 0.510	\$ 0.510	Cost + 25%	Cost + 25%	
Flats	\$ 0.150	\$ 0.150	Cost + 25%	Cost + 25%	

Priority	\$	0.614	\$	0.614	Cost + 25%	Cost + 25%
Express Mail	\$	0.614	\$	0.614	Cost + 25%	Cost + 25%
USPS Parcels	\$	0.510	\$	0.510	Cost + 25%	Cost + 25%
Insured mail	\$	0.614	\$	0.614	Cost + 25%	Cost + 25%
Media Mail	\$	0.320	\$	0.320	Cost + 25%	Cost + 25%
Standard Mail	\$	0.200	\$	0.200	Cost + 25%	Cost + 25%
Postage Due	\$	0.061	\$	0.061	Cost + 25%	Cost + 25%
Fee Due	\$	0.061	\$	0.061	Cost + 25%	Cost + 25%
Tapes	\$	0.245	\$	0.245	Cost + 25%	Cost + 25%
Express Services	\$	0.500	\$	0.500	Cost + 25%	Cost + 25%
Mail tracking	\$	0.250	\$	0.250	Cost + 25%	Cost + 25%
Cass letters/postcards	\$	0.047	\$	0.047	Cost + 25%	Cost + 25%
Cass flats	\$	0.100	\$	0.100	Cost + 25%	Cost + 25%
Flat sorter	\$	0.250	\$	0.250	Cost + 25%	Cost + 25%
Inter-agency Mail						
Dollars-yearly	\$	365,550	\$	365,550	\$	397,635
Postal Contract (Capitol)						
Dollars-yearly	\$	38,976	\$	38,976	\$	38,976

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Surplus Property – Fund 06066*Proprietary Program Revenues and Expenses*

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds							
Fund	Fund Name	Agency #	Agency Name	Program Name			
06066	Surplus Property	61010	Administration	Surplus Property			
				Actual	Estimated	Proposed	Proposed
				FY 24	FY 25	FY 26	FY 27
Operating Revenues							
Fees and Charges							
Surplus Property Handling Fee				916,410	841,000	920,000	920,000
Total Operating Revenues				916,410	841,000	920,000	920,000
Expenses							
Personal Services				537,702	547,635	471,659	473,182
Other Operating Expense				324,149	347,612	388,840	387,125
Equipment				8,000	11,150	11,150	11,150
Total Operating Expense				869,851	906,397	871,649	871,457
Operating Income (Loss)				46,559	(65,397)	48,351	48,543
Nonoperating Revenues							
Sale of Documents				42,381			
Nonoperating Expenses							
Total Nonoperating Revenues (Expenses)				42,381	-	-	-
Income (Loss) Before Contributions and Transfers				88,940	(65,397)	48,351	48,543
Capital Contributions				1,394,783	1,425,000	800,000	800,000
Transfers In							
Transfers Out							
Loans and Lease Payments							
Change in Net Position				1,483,723	1,359,603	848,351	848,543
Beginning Net Position - July 1				1,228,613	2,712,336	4,071,939	4,920,290
Prior Period Adjustments							
Change in Net Position				1,483,723	1,359,603	848,351	848,543
Ending Net Position - June 30				2,712,336	4,071,939	4,920,290	5,768,833

Expenses

The executive proposes a decrease to the Surplus Property and Recycling of \$35,000 in FY 2026 and FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration General Services Division Surplus Property and Recycling Proposed Changes for the 2027 Biennium in the Budgeting System		
	FY 2026	FY 2027
Statewide Present Law Adjustment - Personal Services	\$ (75,976)	\$ (74,453)
Statewide Present Law Adjustment - Fixed Costs	32,214	30,392
Allocate Department Indirect/Administrative Costs	9,014	9,121
Total	\$ (34,748)	\$ (34,940)

This decrease is primarily attributed to a reduction in the statewide present law adjustment for personal services. This decrease is partially offset by an increase for statewide present law adjustments in fixed costs and indirect administrative costs for support services.

Revenues

The Surplus Property and Recycling Program is an enterprise fund which sells property to the general public. The program operates by charging up to \$750 plus 5.0% per item sold. The fee was raised from \$500 to \$750 at the beginning of FY 2020.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium. The executive is not proposing a rate increase in the 2027 biennium.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information			
Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description: The State Surplus handling fees are: If property is sold for less than \$750, the program retains the proceeds. The program retains \$750 plus 5.0% and unusual expenses for property sold for more than \$750. The Federal Surplus Property program fees are an allocation of freight expense and 14.0% of acquisition cost. This is included in the Federal Plan of Operation, which has been approved by the Federal General Services Administration.			

This program is funded with an enterprise fund, which is a type of a proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

Present Law Adjustments										
-----Fiscal 2026-----						-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	1,652	0.00	0	0	0	12,048
DP 2 - Fixed Costs	0.00	0	0	0	(232,479)	0.00	0	0	0	(315,016)
DP 3 - Inflation Deflation	0.00	0	0	0	(6)	0.00	0	0	0	(4)
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	0	0	16,856	0.00	0	0	0	18,304
DP 601 - Increase in Postage	0.00	0	0	0	1,059,296	0.00	0	0	0	1,059,296
DP 602 - Contracted Services Increase	0.00	0	0	0	845,344	0.00	0	0	0	882,553
DP 604 - Increase to Lease Liability	0.00	0	0	0	96,473	0.00	0	0	0	96,473
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$1,787,136	0.00	\$0	\$0	\$0	\$1,753,654

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive proposes adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

DP 4 - Allocate Department Indirect/Administrative Costs -

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

DP 601 - Increase in Postage -

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

DP 602 - Contracted Services Increase -

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

DP 604 - Increase to Lease Liability -

The executive proposes an increase in proprietary funding for lease liabilities to align with the new lease parameters. This proposal is due to recent changes in accounting guidance requiring leases that meet certain criteria to be classified as a financing (debt service) transaction.

Program Base Budget Comparison

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Program Base Budget Comparison					
Budget Item	Base Budget FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	213.00	208.00	208.00	(5.00)	(1.2%)
Proprietary Funds	71,297,437	80,074,788	80,185,867	17,665,781	12.4%
Total Funds	71,297,437	80,074,788	80,185,867	17,665,781	12.4%
Personal Services	22,351,981	22,538,138	22,602,401	436,577	1.0%
Operating Expenses	47,404,595	55,995,789	56,042,605	17,229,204	18.2%
Equipment & Intangible Assets	370,861	370,861	370,861		0.0%
Debt Service	1,170,000	1,170,000	1,170,000		0.0%
Total Expenditures	71,297,437	80,074,788	80,185,867	17,665,781	12.4%
Total Ongoing	71,297,437	80,074,788	80,185,867	17,665,781	12.4%
Total One-Time-Only					0.0%

Program Highlights

State Information Technology Services Division Major Budget Highlights	
<ul style="list-style-type: none"> The State Information Technology Services Division's 2027 biennium appropriations are approximately \$17.7 million or 12.4% higher than the FY 2025 base budget Significant proposed biennial increases in rates include: <ul style="list-style-type: none"> \$11.9 million for rated services \$6.8 million for general pass thru services \$3.1 million for a new rate for the Tanium enterprise agreement \$8.6 million for the enterprise services allocation, Microsoft enterprise agreement, cybersecurity enterprise rate, and ServiceNow enterprise agreement 	

Executive Request

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

State Information Technology Services Div 2027 Biennium Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	0	0	0	71,297,437	89.0%	0	0	0	71,297,437	88.9%
Statewide PL										
Personal Services	0	0	0	666,363	0.8%	0	0	0	738,297	0.9%
Fixed Costs	0	0	0	(119,937)	(0.1%)	0	0	0	(113,371)	(0.1%)
Inflation Deflation	0	0	0	(1,218)	(0.0%)	0	0	0	(823)	(0.0%)
Total Statewide PL	0	0	0	545,208	0.7%	0	0	0	624,103	0.8%
Present Law (PL)	0	0	0	8,727,349	10.9%	0	0	0	8,767,204	10.9%
New Proposals	0	0	0	(495,206)	(0.6%)	0	0	0	(502,877)	(0.6%)
Total Adjustments	0	0	0	8,777,351	11.0%	0	0	0	8,888,430	11.1%
Total Requested Budget	0	0	0	80,074,788		0	0	0	80,185,867	

Funding

The following table shows proposed program funding for all sources of authority.

Department of Administration, 07-State Information Technology Services Div Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0	0.0%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06004 Electronic Government Services	0	0	1,300,000	0	1,300,000	0.8%
06522 ISD Proprietary	0	0	158,960,655	0	158,960,655	99.2%
Proprietary Total	\$0	\$0	\$160,260,655	\$0	\$160,260,655	100.0%
Total All Funds	\$0	\$0	\$160,260,655	\$0	\$160,260,655	

The functions within the State Information Technology Services Division are funded with nonbudgeted proprietary funds. The executive has an internal services fund that receives revenues from information technology costs charged to state agencies. Additionally, SITSD has an enterprise fund for eGovernment services. These proprietary funds are discussed in more detail in the Proprietary Rates section of the narrative.

Program Actuals and Budget Comparison

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	213.00	213.00	208.00	208.00
Personal Services	22,073,903	22,234,940	22,351,981	22,538,138	22,602,401
Operating Expenses	38,335,391	47,852,204	47,404,595	55,995,789	56,042,605
Equipment & Intangible Assets	247,516	247,516	370,861	370,861	370,861
Debt Service	9,421,928	2,163,492	1,170,000	1,170,000	1,170,000
Total Expenditures	\$70,078,738	\$72,498,152	\$71,297,437	\$80,074,788	\$80,185,867
Proprietary Funds	70,078,738	72,498,152	71,297,437	80,074,788	80,185,867
Total Funds	\$70,078,738	\$72,498,152	\$71,297,437	\$80,074,788	\$80,185,867
Total Ongoing	\$70,078,738	\$72,498,152	\$71,297,437	\$80,074,788	\$80,185,867
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

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

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The State Information Technology Services Division is funded entirely with nonbudgeted proprietary funds. The budget of approximately \$72.5 million was 96.7% expended as of the end of FY 2024. There are two nonbudgeted proprietary funds in this program: the SITSD proprietary fund and the electronic government services proprietary fund.

The SITSD proprietary fund made up 97.5% of the State Information Technology Services Division's budget in FY 2024. Appropriations of \$70.7 million were 98.7% expended at the end of the fiscal year. Operating expenses of \$46.0 million were 82.5% expended and debt service appropriations of \$2.2 million were over expended by \$7.3 million. This was due to the reclassification of contracts as subscription-based information technology arrangements (SBITA) due to new accounting requirements.

The electronic government services proprietary fund had appropriations of \$1.8 million, which were 19.6% expended at the end of FY 2024. According to SITSD, appropriations from this fund were set too high in the 2025 biennium. Expenses for support and maintenance are approximately \$700,000.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall, the FY 2025 appropriation is approximately \$1.2 million or 1.7% lower than the FY 2024 appropriation. There are two primary reasons for the difference:

- The State Information Technology Services Division increased the FY 2024 budget by \$2.1 million. Personal services were increased by \$819,000 because of overtime, termination payouts, increases in wages, and funding 5.00 modified positions. Operating expenses increased by \$405,000 for pass through costs to the agency for services provided by vendors. Debt service increased by \$993,000, in part because estimates for debt service were low and in part due to new accounting requirements for SBITA. These increases are slightly offset by a decrease of \$123,000 for equipment and intangible assets. Although the FY 2024 budget was increased by \$2.1 million, approximately \$1.0 million remained unspent in the budget
- The decreases in FY 2025 appropriations are slightly offset by the allocation of HB 13, which includes the pay plan, between FY 2024 and FY 2025. HB 13 was \$824,000 greater in FY 2025

SITSD Proprietary Fund – 06522*Proprietary Program Description*

Under the direction of the state chief information officer, the division supports and manages the following key information technology programs and services:

- Information Systems Security
 - Manages solutions and services to ensure continuity of enterprise operations and security of data through risk assessment and mitigation, planning and monitoring, detailed recovery planning, incident response, and periodic testing
 - Coordinates security policies and procedures
- Network and Communications
 - Manages the statewide network that connects over 22,000 devices across more than 600 locations, delivering prioritized voice, video, data, and wireless services
 - Develops and implements network solutions that address customer needs for bandwidth and connectivity
- Enterprise Infrastructure
 - Specializes in the design, implementation, and management of shared IT hardware and software infrastructure within a virtualized environment
 - Provides platforms for application and database hosting, utilizing enterprise-class computing and storage capabilities and maintaining load balancing hardware and security policy configuration for externally facing agency applications
 - Supports and maintains the infrastructure responsible for DNS, DHCP, and IP addressing for the enterprise
- Database Services
 - Deploys, manages, and maintains the integrity, performance, and security of SQL Server and Oracle databases, ensuring these systems are available, reliable, and optimized to meet the needs of various agencies
- Montana Data Centers
 - Oversees the state's primary data center in Helena and a disaster recovery facility in Miles City.
 - Maintains the reliability, efficiency, security, and availability of computer processing and storage resources for all customers
- Operations
 - Manages the service desk, network operations and security center, IT asset management, and customer success managers to assist customers regarding hardware and software applications as well as any other IT questions and/or issues from the enterprise.
- Enterprise Platforms
 - Implements and manages large scale enterprise platforms for state use
 - Builds, deploys, and patches endpoints for the Department of Administration and supported agencies
- Application Technology Services
 - Supports the state's mt.gov websites
 - Assists customers with designing and deploying customized applications and online services, including eGovernment applications
- Strategic Planning Services
 - Ensures IT operations are conducted in an organized, deliberative, and cost-effective manner through planning, periodic performance reports, and oversight of agency IT procurements and plans
 - Publishes the state IT strategic plan and biennial report
- State IT Project Management Services
 - Provides expertise, assistance, tools, methodologies, and training to customers to ensure IT projects are conducted in an organized, deliberative, and cost-effective manner
- Financial Management Services
 - Manages budget, billing, acquisition, and contract management services for SITSD.
 - Sets rates and manages the revenues and expenses for more than 200 enterprise services provided to state and local government IT customers

- IT Contract, Procurement, and Vendor Management Services
 - Manages the full lifecycle of IT contracts and procurement activities, ensuring compliance with the Department of Administration, State Procurement Division, and applicable regulations and maximizing value for the state
 - Oversees vendor relationships, performance, and risk while driving cost efficiency and strategic partnerships to support operational and programmatic goals
- Change Enablement
 - Provides comprehensive support for organizational change through strategic communications, event planning, end-user training
 - Provides organizational change management practices to prepare, equip, and support people adopting changes
- State IT Enterprise Architecture
 - Oversees and guides the development, implementation, and management of the state's IT enterprise architecture (EA). The EA provides a strategic blueprint that aligns the business processes, data, applications, and technology infrastructure with strategic objectives
- Portfolio Operations
 - Provides support for long-range planning and funding by collecting and analyzing data, reporting to the Legislative Finance and Interim Budget committees, and ensuring alignment with strategic goals
 - Supports the State CIO by overseeing IT project portfolio operations and management, ensuring projects are prioritized, resourced, and executed

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Program Name
06522	SITSD Proprietary	State Information Technology Services

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Charges for Services - Agency	68,243,497	54,123,818	79,679,603	79,291,001
Security Consolidation		1,528,032		
Cybersecurity		10,300,097		
Other Operating Revenues				
Revenue A - External Users		619,470	809,607	809,607
Revenue B - eGOV Receipts		700,000	-	-
Revenue C - Projected Growth		728,583		
Total Operating Revenues	68,243,497	68,000,000	80,489,210	80,100,608
Expenses				
Personal Services	22,418,151	22,351,981	22,538,138	22,602,401
Other Operating Expense	46,728,317	45,579,884	55,390,262	55,390,262
Equipment and Intangible Assets	-	370,861	370,861	370,861
Total Operating Expense	69,146,468	68,302,726	78,299,261	78,363,524
Operating Income (Loss)	(902,971)	(302,726)	2,189,949	1,737,084
Nonoperating Revenues				
Other Revenue A	29,267	-	-	-
Total Nonoperating Revenues (Expenses)	29,267	-	-	-
Income (Loss) Before Contributions and Transfers	(873,704)	(302,726)	2,189,949	1,737,084
Capital Contributions				
Transfers In	-	770,000	770,000	770,000
Transfers Out				
Loans and Lease Payments	(396,629)	(1,170,000)	(1,170,000)	(1,170,000)
Change in Net Position	(1,270,333)	(702,726)	1,789,949	1,337,084
Beginning Net Position - July 1	2,926,295	1,655,962	953,236	2,743,185
Prior Period Adjustments				
Change in Net Position	(1,270,333)	(702,726)	1,789,949	1,337,084
Ending Net Position - June 30	1,655,962	953,236	2,743,185	4,080,269

Budget authority to pay the SITSD allocation is a fixed cost item in each agency's budget. The statewide fixed costs for information technology included in the executive proposal are \$15.4 million higher in FY 2026 and \$15.0 million higher in FY 2027 when compared to the FY 2025 base year. The table below shows the overall amount proposed, by agency, for FY 2026 and FY 2027 and the change when compared the FY 2025 base appropriation.

Department of Administration State Information Technology Services Division State Agency Fixed Costs for Information Technology					
	Budgeted	Requested	Change	Requested	Change
	FY 2025	FY 2026	Between FY 2025 and FY 2026	FY 2027	Between FY 2025 and FY 2027
Legislative Branch	\$ 1,596,524	\$ 849,505	\$ (747,019)	\$ 745,094	\$ (851,430)
Consumer Counsel	20,764	20,422	(342)	20,436	(328)
Judiciary	3,240,425	4,176,303	935,878	4,156,457	916,031
Governor's Office	558,534	459,034	(99,500)	456,826	(101,708)
Secretary of State's Office	1,005,066	770,462	(234,603)	741,547	(263,518)
Commissioner of Political Practice	119,825	101,980	(17,844)	97,762	(22,063)
State Auditor's Office	345,273	410,404	65,130	471,253	125,980
Office of Public Instruction	952,778	1,491,643	538,865	1,515,785	563,007
Department of Justice	4,260,479	4,646,776	386,297	4,598,101	337,622
Public Service Regulation	212,144	265,794	53,651	258,291	46,147
Board of Public Education	44,480	20,342	(24,138)	20,253	(24,227)
Commissioner of Higher Education	2,455	127,788	125,333	126,788	124,333
University of Montana	942	971	29	971	29
Montana State University	154	291	138	291	138
School for the Deaf & Blind	158,547	257,597	99,050	256,544	97,998
Montana Arts Council	71,123	43,250	(27,872)	42,822	(28,301)
Library Commission	658,905	769,663	110,758	768,806	109,901
Historical Society	557,531	617,738	60,207	634,571	77,041
Department of Fish, Wildlife & Parks	2,956,411	4,030,499	1,074,089	3,993,117	1,036,706
Department of Environmental Quality	1,894,343	2,667,638	773,295	2,621,631	727,288
Department of Transportation	7,125,883	10,005,923	2,880,040	9,794,244	2,668,360
Department of Livestock	618,469	788,082	169,614	779,857	161,388
Natural Resource & Conservation	3,140,335	4,677,824	1,537,489	4,691,089	1,550,754
Department of Revenue	3,145,467	3,709,892	564,425	3,791,999	646,532
Department of Administration	3,174,505	3,861,865	687,361	3,783,428	608,924
Montana State Fund	1,203,541	1,240,994	37,453	1,181,069	(22,472)
MT Public Employee Retirement	365,329	581,449	216,121	575,160	209,831
Teachers Retirement Board	171,260	213,497	42,237	216,790	45,529
Public Defender	1,101,274	1,333,258	231,984	1,337,634	236,360
Department of Agriculture	610,318	710,712	100,393	711,758	101,439
Department of Corrections	4,187,630	4,932,766	745,136	4,905,722	718,092
Department of Commerce	1,054,320	1,429,303	374,983	1,441,903	387,583
Board of Investments	-	126,110	126,110	126,110	126,110
Department Labor & Industry	5,154,877	4,756,721	(398,156)	4,741,219	(413,658)
Department of Military Affairs	335,065	398,077	63,012	382,623	47,558
Public Health & Human Services	14,263,624	19,185,027	4,921,402	19,303,051	5,039,427
Total	<u>\$ 64,308,597</u>	<u>\$ 79,679,603</u>	<u>\$ 15,371,005</u>	<u>\$ 79,291,001</u>	<u>\$ 14,982,403</u>

In the 2027 biennium, services the State Information Technology Services provides can be rolled up to seven high-level categories, which include:

- Cybersecurity enterprise rate (CESA)
- ServiceNow enterprise agreement
- Rated Services
- General pass thru
- Tanium enterprise agreement

The table below shows the FY 2025 base year information technology rates to the requested FY 2026 and FY 2027 rates. The executive is requesting an increase of revenues of \$30.4 million or 23.6% when comparing the FY 2025 base year to the 2027 biennium.

Department of Administration State Information Technology Services Division State Agency Fixed Costs for Information Technology by Service					
	FY 2025	FY 2026	FY 2027	FY 2025 to 2027 Biennium Change	
				Amount	Percent
Enterprise Services Allocation	\$ 5,964,003	\$ 6,703,302	\$ 6,703,302	\$ 1,478,597	12.4%
Microsoft Enterprise Agreement	4,813,944	5,528,448	5,542,950	1,443,509	15.0%
Cybersecurity Enterprise Rate	11,828,129	13,272,399	13,272,399	2,888,539	12.2%
ServiceNow Enterprise Agreement	3,573,587	4,949,820	4,949,828	2,752,473	38.5%
Rated Services	32,916,519	38,797,918	38,898,033	11,862,913	18.0%
General Pass Thru	5,212,415	8,869,823	8,366,597	6,811,590	65.3%
Tanium Enterprise Agreement	-	1,557,894	1,557,894	3,115,788	100.0%
Grand Total	<u>\$ 64,308,597</u>	<u>\$ 79,679,603</u>	<u>\$ 79,291,001</u>	<u>\$ 30,353,408</u>	<u>23.6%</u>

The following sections will provide additional information on each of these rates.

Enterprise Service Allocation

Enterprise services are information technology services and staff time provided by SITSD that are used by and benefit at least 90.0% of the enterprise (state agencies). State agencies are charged for their portion of the enterprise services allocation (ESA) based on the active directory (user profiles) within an agency. The enterprise allocation totaled \$6.0 million in the FY 2025 base year. The executive is proposing that the ESA rate will be \$6.7 million in each fiscal year of the biennium, which is a 12.4% increase in the rate.

Department of Administration State Information Technology Services Division Enterprise Service Allocation					
Service	FY 2025	FY 2026	FY 2027	FY 2025 to 2027 Biennium Change	
				Amount	Percent
Adlib Maintenance	\$ 26,588	\$ 20,470	\$ 20,470	\$ (12,236)	-23.0%
Adobe ETLA	467,609			(935,219)	-100.0%
Application Development	1,305,840	1,610,993	1,610,993	610,305	23.4%
Application Hosting	101,423	130,628	130,628	58,410	28.8%
Communications Cloud	294,494	322,500	322,500	56,011	9.5%
Database Hosting	18,413	23,837	23,837	10,847	29.5%
DBA Professional Services	15,420	20,150	20,150	9,460	30.7%
Directory Services	216,670	425,106	425,106	416,872	96.2%
DNS DHCP IPAM	77,963	85,758	85,758	15,591	10.0%
Enterprise Infrastructure / ESA	260,563	637,641	637,641	754,158	144.7%
Enterprise Website/Web Content Hosting	344,996	415,439	415,439	140,887	20.4%
ESPER License Agreement	315,000			(630,000)	-100.0%
Expert Time	1,742,165	2,413,869	2,413,869	1,343,407	38.6%
Montana.gov and MINE	226,859	96,911	96,911	(259,896)	-57.3%
MS Support Contract	550,000	500,000	500,000	(100,000)	-9.1%
Total Enterprise Service Allocation	<u>\$ 5,964,003</u>	<u>\$ 6,703,302</u>	<u>\$ 6,703,302</u>	<u>\$ 1,478,597</u>	<u>12.4%</u>

Significant biennial changes from the FY 2025 base rate include:

- Expert time is proposed to increase \$1.3 million or 38.6%. This increase is due to the increase in hours and rates for the various expert time services. Additionally, expert time for Tableau and the chief innovation and transformation officer were added to this rate for the 2027 biennium
- Enterprise infrastructure is proposed to increase \$754,000 or 144.7%. This increase is due to SITSD moving some data from on-premises to the cloud
- Application development is proposed to increase \$610,000 or 23.4% because the rates increased from \$120 per hour to \$155 per hour
- Directory services is proposed to increase \$417,000 or 96.2% because the number of personal service hours dedicated to this service increased
- Adobe ETLA is proposed to decrease \$935,000 because it is included in the pass thru rate in the 2027 biennium
- ESPER license agreement is proposed to decrease \$630,000 it is included in the pass thru rate in the 2027 biennium

Microsoft Enterprise Agreement

The Microsoft enterprise agreement is the cost of the licensing agreement for Microsoft services. The Microsoft enterprise agreement totaled \$4.8 million in the FY 2025 base year. The executive is proposing a rate of \$5.5 million in each fiscal year of the 2027 biennium, which is a 15.0% increase in the rate. SITSD has negotiated contract extensions for the past 5 years, in which there have been grandfathered discounts. Microsoft will not allow SITSD to extend again, which is resulting in increased costs.

Cybersecurity Enterprise Rate

The cybersecurity enterprise rate provides revenue to pay for cybersecurity services and staff time provided by SITSD that are used by and benefit at least 90.0% of the enterprise. The cybersecurity enterprise rate totaled \$11.8 million in the FY 2025 base year (including IT security consolidation). The executive is proposing that the rate will be \$13.3 million in each fiscal year of the 2027 biennium, which is a 12.2% increase. The table below shows the FY 2025 base year cybersecurity enterprise rate, the requested FY 2026 and FY 2027 rate, and the change between the FY 2025 rate and the 2027 biennium.

Department of Administration State Information Technology Services Division Cybersecurity Enterprise Rate					
Service	FY 2025	FY 2026	FY 2027	FY 2025 to 2027 Biennium Change	
				Amount	Percent
Cybersecurity Enterprise Services - ESP	\$ 1,346,852	\$ 3,383,514	\$ 3,383,514	\$ 4,073,323	151.2%
Cybersecurity Enterprise Services - IRTS	2,158,495	2,254,300	2,254,300	191,610	4.4%
Directory Services - Identity Management	651,265	811,469	811,469	320,408	24.6%
eGov Identity Management	391,497	407,624	407,624	32,255	4.1%
Expert Time	3,376,013	3,626,065	3,626,065	500,105	7.4%
File and Object Storage	28,529	35,821	35,821	14,585	25.6%
IT Security Consolidation	1,528,032			(3,056,064)	-100.0%
Live Storage	8,705	8,216	8,216	(976)	-5.6%
MFA Service	375,694	378,270	378,270	5,151	0.7%
Network Security	1,499,038	1,642,580	1,642,580	287,083	9.6%
Software Configuration Management	77,052	92,317	92,317	30,530	19.8%
Splunk Service	310,208	556,438	556,438	492,459	79.4%
Virtual Server	76,749	75,784	75,784	(1,930)	-1.3%
Total Cybersecurity Enterprise Rate	<u>\$ 11,828,129</u>	<u>\$ 13,272,399</u>	<u>\$ 13,272,399</u>	<u>\$ 2,888,539</u>	<u>12.2%</u>

There are several services that are contributing to the increase in rates. Biennial increases in the rates when compared to the FY 2025 base rate include:

- Cybersecurity enterprise services – enterprise risk management section (ESP) is proposed to increase by \$4.1 million or 151.2%. Of this increase, A significant portion is due to moving the information technology security consolidation rate from the 2025 session into the cybersecurity enterprise rate. Additionally, there was an increase of approximately \$862,000 for overhead
- Expert time is proposed to increase by \$500,000 or 7.4% because the rates and number of hours increased for application hosting section (AHS) and enterprise security risk management. The additional AHS hours are for support of the web application firewall that AHS supports for the enterprise that covers creating new policies, updating existing policies, monitoring and migrating blocks, etc. The enterprise security risk management hours were from IT security consolidation
- Splunk service is proposed to increase by \$492,000 because the annual maintenance contract increased

ServiceNow Enterprise Agreement

ServiceNow is the enterprise platform for service ticketing for the state as well as a platform for forms for business processes. It also includes IT asset management, policy hosting, and application portfolio management.

The ServiceNow enterprise rate totaled \$3.6 million in the FY 2025 base year. The executive is proposing that the rate will be approximately \$4.9 million in each fiscal year of the 2027 biennium, which is a 38.5% increase. According to SITSD, the increase is primarily due to:

- The ServiceNow contract is increasing \$2.1 million or 30.0% over the biennium, which includes:
 - The public sector digital services (PSDS), which delivers government specific workflows, is an increase of \$800,000. This product includes features specific to licensing, permitting, social benefits and eligibility
 - Impact, which provides insights, guidance, recommendations and technical support and tools, is an increase of \$246,000
- An increase in 2.50 PB to assist with maintaining and supporting the health of the platform as use and adoption of ServiceNow has grown

Rated Services

The State Information Technology Services Division uses an activity-based budgeting model that allocates costs to individual services. This model employs a separate unit for each service and the unit is the increment in which the agency buys the service or product. There are 54 services included in the budget for rated services for the 2025 biennium. The number of units budgeted is based on the planned utilization of each agency.

The following table shows the FY 2025 base budget, requests for FY 2026 and FY 2027, and the change between the 2027 biennium and the base year by service.

Department of Administration State Information Technology Services Division Rated Services					
Service	FY 2025	FY 2026	FY 2027	FY 2025 to 2027 Biennium Change	
				Amount	Percent
Additional Line	339,243	432,378	432,378	186,270	27.5%
Contact Center	1,389,269	1,426,546	1,433,584	81,592	2.9%
Application Development	981,720	1,326,413	1,239,690	602,663	30.7%
Application Hosting	952,371	541,319	524,692	(838,730)	-44.0%
Backup Service	515,086	853,623	903,903	727,354	70.6%
Data Center Rack Space - MCDC	74,205	8,166	8,166	(132,077)	-89.0%
Data Center Rack Space - SMDC	23,039	40,326	40,326	34,573	75.0%
Data Warehousing		276,830	276,830	553,660	100.0%
Database Hosting	1,000,505	1,155,580	1,144,932	299,503	15.0%
DBA Professional Services	111,360	89,978	88,738	(44,005)	-19.8%
Directory Services - AD Authentication	68,539	121,954	124,841	109,716	80.0%
Dynamic 365	76,398	98,531	98,531	44,266	29.0%
Enterprise Content Management	126,402	157,499	146,500	51,195	20.3%
Email	123,280	138,431	138,429	30,300	12.3%
Expert Time	3,302,044	2,614,535	2,595,988	(1,393,565)	-21.1%
File & Print Shared Server	54,621	92,317	96,823	79,897	73.1%
File and Object Storage	234,809	286,712	289,663	106,757	22.7%
Firewall Administration - Advanced	55,470	40,010	40,010	(30,920)	-27.9%
Job Scheduling Distribution	457,608	479,868	485,866	50,517	5.5%
Live Storage	1,370,383	2,292,158	2,312,820	1,864,213	68.0%
Long Distance - Toll Free	1,448,522	1,905,799	1,906,244	914,998	31.6%
MFT Service	5,826	6,796	6,796	1,940	16.6%
Mobile Device	135,059	112,302	112,266	(45,549)	-16.9%
Network Access	11,222,862	11,228,611	11,274,352	57,240	0.3%
Network Connection	401,876	185,153	185,153	(433,445)	-53.9%
O365	1,335,222	1,764,232	1,775,649	869,437	32.6%
RDP		70,200	71,646	141,846	100.0%
SCCM as a Service	194,204			(388,408)	-100.0%
Service Desk as a Service		674,502	754,431	1,428,934	100.0%
Service Now	121,928	250,073	231,288	237,505	97.4%
Splunk Service	328,909	597,874	607,740	547,797	83.3%
VDI as a Service	466,200	642,313	641,809	351,722	37.7%
Video Conference	635,601	748,418	749,875	227,090	17.9%
Virtual Server	2,970,231	4,960,500	4,973,718	3,993,757	67.2%
VoIP Phone Service	2,182,691	2,998,835	3,003,392	1,636,844	37.5%
VPN Client	211,036	179,134	180,963	(61,975)	-14.7%
Total Rated Services	<u>32,916,519</u>	<u>38,797,918</u>	<u>38,898,033</u>	<u>11,862,913</u>	<u>18.0%</u>

The rated services totaled \$32.9 million in the FY 2025 base year. The executive is proposing that the rate will be \$38.8 million in FY 2026 and \$38.9 million in FY 2027, which is an increase of 18.0%. Significant biennial changes in rates when compared to the base rate include:

- Virtual servers increased \$4.0 million and live storage increased \$1.9 million. This increase is because the virtual server platform (VSP) service was discontinued and moved to the shared private cloud. At the time of transition, virtual machines were split with approximately 60.0% using the shared private cloud and 40.0% using VSP. With the new model virtual machines and live storage are now tracked at the individual level. According to SITSD, this allows for improved standardization of servers, enhanced compliance with policies, and enhanced supportability
- VoIP phone service increased \$1.6 million. The rate per phone increased by \$58 annually per phone because of the support and maintenance costs paid to the contractor as well as the amount budgeted for phones
- Long distance – toll free increased \$915,000 because of the cloud contact center. In order to maintain the current phone numbers for the state, call routing requires a transfer from the local state telephone number to the cloud contact center, which results in a long distance charge
- O365 increased \$869,000 due to increased personal services and the Proofpoint Secure Email Relay contract. This contract allows for 3rd party cloud solutions to send emails (with @mt.gov) from a State of Montana managed cloud platform so that the citizen customer experience is not impacted
- Backup service increased \$727,000. Approximately half of this increase is due to increased usage. The remaining increase is related to new infrastructure that will enable the service for the remaining 40% of agency servers moving to the shared private cloud
- Application development increased \$603,000 because the application development rate increased from \$120 to \$155
- Expert time decreased \$1.4 million. There are two types of expert time that are primarily contributing to the reduction, which include ServiceNow and the service desk. ServiceNow was reduced because there were too many hours allocated and SITSD didn't have the resources to fulfill those hours, so there is a reduction in the 2027 biennium. The service desk was reduced because this is eliminated in the expert hours rates and is its own rate in the 2027 biennium
- Application hosting decreased \$839,000 because Citrix was discontinued

General Pass Thru

The general pass thru rate is for additional services that state agencies have requested where the cost of the service is passed directly on to the agency.

The general pass thru had rates that totaled \$5.2 million in the FY 2025 base year. The executive is proposing that the rate will be \$8.9 million in FY 2026 and \$8.4 million in FY 2027, which is a 65.3% increase. The table below shows the FY 2025 base year rate, the requested FY 2026 and FY 2027 rate, and the change between the FY 2025 rate and the 2027 biennium for each pass thru.

Department of Administration State Information Technology Services Division General Pass Thru					
Service	FY 2025	FY 2026	FY 2027	FY 2025 to 2027 Biennium Change	
				Amount	Percent
Adobe	32,760	836,198	877,895	1,648,573	2516.1%
Amplifund Pass-Thru	236,340	-	-	(472,681)	-100.0%
CDO Product Pass Thru	610,500	774,171	774,171	327,341	26.8%
ESPER Pass Thru	530,500	1,341,625	1,341,625	1,622,251	152.9%
ESRI Enterprise Agreement	998,834	1,999,754	2,000,000	2,002,086	100.2%
Grant System Pass Thru	-	238,183	269,411	507,594	100.0%
Hyland	699,784	1,456,722	1,571,078	1,628,232	116.3%
Microsoft Direct Pass Thru	501,211	150,712	150,712	(700,998)	100.0%
Monarch Report Analysis Software	11,841	36,618	42,565	55,501	234.4%
Network Cabling Pass-Thru	304,047	-	-	(608,094)	-100.0%
Oracle	1,097,237	981,301	682,401	(530,771)	-24.2%
RSA Token	82,960	877,100	470,500	1,181,680	712.2%
SAS	106,400	176,043	184,845	148,088	69.6%
SSL Certificate	-	1,395	1,395	2,789	100.0%
Total Pass Thru	<u>5,212,415</u>	<u>8,869,823</u>	<u>8,366,597</u>	<u>6,811,590</u>	<u>65.3%</u>

There are several services that are contributing to the increase in rates. Significant biennial changes in rates when compared to the base rate include:

- ESRI increased \$2.0 million or 100.2%. This increase is based on estimated agency license increases as well as cost increases and license option changes
- Adobe increased \$1.6 million. Approximately \$935,000 of this increase is because this service was included in the enterprise service allocation and has moved to the pass thru rate. Adobe changed their licensing model from unlimited to usage based so agencies are now charged for their direct usage
- ESPER, which is a software that is used to support the review and rulemaking needs of state agencies, increased \$1.6 million or 152.9%. Approximately \$630,000 of this increase is because this service was included in the enterprise service allocation and has moved to the pass thru rate. The additional \$1.0 million for the 2027 biennium is because this service was underbudgeted for the 2025 biennium
- Hyland, which enables users to capture documents, automate workflows, and access information securely, increased \$1.6 million or 116.3%. According to SITSD, they learned that Hyland allows offshore resources to access state data. SITSD negotiated that all access must be conducted using onshore resources, which resulted in an increase in costs
- RSA token increased \$1.2 million because of tokens expiring. Each token costs \$100 per token

Tanium Enterprise Agreement

The 2023 Legislature approved the Montana cybersecurity enhancement project in HB 10. Included in this project was funding for Tanium. This project has ongoing costs of \$3.1 million, which are included in the proposed rates for the 2027 biennium.

eGovernment Services – 06522*Proprietary Program Description*

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

Proprietary Program Narrative

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds				
Fund	Fund Name	Program Name		
06004	eGovernment	Electronic Government Services		
	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Fee	713,126	700,000	809,607	809,607
Total Operating Revenues	713,126	700,000	809,607	809,607
Expenses				
Personal Services	-	-	-	-
Operating Expense	357,213	650,000	650,000	650,000
Total Operating Expense	357,213	650,000	650,000	650,000
Operating Income (Loss)	355,913	50,000	159,607	159,607
Income (Loss) Before Contributions and Transfers	355,913	50,000	159,607	159,607
Change in Net Position	355,913	50,000	159,607	159,607
Beginning Net Position - July 1	(2,142,335)	(1,786,422)	(1,736,422)	(1,576,815)
Prior Period Adjustments				
Change in Net Position	355,913	50,000	159,607	159,607
Ending Net Position - June 30	(1,786,422)	(1,736,422)	(1,576,815)	(1,417,208)

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

Proprietary Rate

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

The eGovernment services program is funded with an enterprise fund, which is a type of a proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

**LFD
COMMENT**

The Governor's Office will update the proprietary rate for the eGovernment services proprietary fund in the December 15th Governor's budget submission.

**LFD
COMMENT**

In December 2020, the contract with the vendor providing eGovernment services expired. When this contract expired, the State Information Technology Services Division took over the responsibility for managing these services. During this time, SITSD took out a general fund loan of \$2.5 million. There is currently \$1.8 million remaining on the general fund loan.

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

Present Law Adjustments										
Fiscal 2026						Fiscal 2027				
PB	General Fund	State Special	Federal Special	Total Funds		PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	666,363	0.00	0	0	0	738,297
DP 2 - Fixed Costs	0.00	0	0	0	(119,937)	0.00	0	0	0	(113,371)
DP 3 - Inflation Deflation	0.00	0	0	0	(1,218)	0.00	0	0	0	(823)
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	0	0	438,075	0.00	0	0	0	441,530
DP 701 - SITSD - Contracted Services Increase	0.00	0	0	0	9,463,985	0.00	0	0	0	9,500,385
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$10,447,268	0.00	\$0	\$0	\$0	\$10,566,018

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive proposes adjustments to the present law personal services budget. Part of the increase in the statewide present law adjustment for personal services is due to management changes to pay rates for retention, promotions, and reclassifications. Also, the median market rate for vacant positions increased in the personal services snapshot. In addition to the management changes, there were also increases in benefits associated with current positions budgeted (PB).

DP 2 - Fixed Costs -

The executive proposes adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive proposes adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive proposes an adjustment to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

DP 701 - SITSD - Contracted Services Increase -

The executive proposes an increase in proprietary funding for additional operating expenses due to increases in information technology contract costs.

New Proposals

The "New Proposals" table shows new proposals for spending.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

New Proposals										
	Fiscal 2026					Fiscal 2027				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 703 - Eliminate CFO Position	(1.00)	0	0	0	(138,605)	(1.00)	0	0	0	(138,606)
DP 1701 - Transfer of Financial Positions	(4.00)	0	0	0	(356,601)	(4.00)	0	0	0	(364,271)
Total	(5.00)	\$0	\$0	\$0	(\$495,206)	(5.00)	\$0	\$0	\$0	(\$502,877)

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 703 - Eliminate CFO Position -

The executive proposes a decrease in proprietary funding for 1.00 PB for a chief financial officer position. This position was eliminated as part of a reorganization within the department.

DP 1701 - Transfer of Financial Positions -

The executive proposes a decrease in proprietary funding for 4.00 PB. This proposal involves transferring 5.00 FTE from the SITSD to the Director's Office. In April 2024, the chief financial officer position in SITSD was eliminated as part of a reorganization within the department. The five financial positions residing in SITSD are now report to the department's chief financial officer in the Director's Office. The reorganization was completed to eliminate a duplicative position and to increase efficiencies within the department's accounting and financial functions.

Also proposed is the transfer of 1.00 PB attorney position from the Director's Office to SITSD. Due to the increase in enterprise contracts, policy reviews, and other legal work, SITSD will utilize this attorney full time.

Program Base Budget Comparison

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Program Base Budget Comparison					
Budget Item	Base Budget FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	21.87	21.87	21.87	0.00	0.0%
Proprietary Funds	233,076,725	261,494,436	275,817,894	71,158,880	15.3%
Total Funds	233,076,725	261,494,436	275,817,894	71,158,880	15.3%
Personal Services	2,077,746	2,029,203	2,033,627	(92,662)	(2.2%)
Operating Expenses	16,188,427	16,200,527	16,195,219	18,892	0.1%
Benefits & Claims	214,810,552	243,264,706	257,589,048	71,232,650	16.6%
Total Expenditures	233,076,725	261,494,436	275,817,894	71,158,880	15.3%
Total Ongoing	233,076,725	261,494,436	275,817,894	71,158,880	15.3%
Total One-Time-Only					0.0%

Program Highlights

Health Care & Benefits Division Major Budget Highlights	
<ul style="list-style-type: none"> • The Health Care & Benefits Division's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$71.2 million or 15.3% higher than the FY 2025 base budget • This increase is almost entirely attributed to increased proprietary authority for estimated claims expenses for the State of Montana Benefit Plan (State Plan) • Fixed cost rates for the Workers Compensation Program are proposed to increase by 27.6% in FY 2026 and 27.1% in FY 2027 	

Executive Request

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

Health Care & Benefits Div 2027 Biennium Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	0	0	0	233,076,725	89.1%	0	0	0	233,076,725	84.5%
Statewide PL										
Personal Services	0	0	0	(48,543)	(0.0%)	0	0	0	(44,119)	(0.0%)
Fixed Costs	0	0	0	3,354	0.0%	0	0	0	(2,365)	(0.0%)
Inflation Deflation	0	0	0	(223)	(0.0%)	0	0	0	(151)	(0.0%)
Total Statewide PL	0	0	0	(45,412)	(0.0%)	0	0	0	(46,635)	(0.0%)
Present Law (PL)	0	0	0	28,463,123	10.9%	0	0	0	42,787,804	15.5%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	28,417,711	10.9%	0	0	0	42,741,169	15.5%
Total Requested Budget	0	0	0	261,494,436		0	0	0	275,817,894	

Funding

The following table shows proposed program funding for all sources of authority.

Department of Administration, 21-Health Care & Benefits Div Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.0%	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%	
06027 Flexible Spending Funds	0	0	15,782,452	0	15,782,452	2.9%	
06559 Group Benefits Claims A/C	0	0	520,764,659	0	520,764,659	96.9%	
06575 Workers Comp Mgmt Program	0	0	765,219	0	765,219	0.1%	
Proprietary Total	\$0	\$0	\$537,312,330	\$0	\$537,312,330	100.0%	
Total All Funds	\$0	\$0	\$537,312,330	\$0	\$537,312,330		

Non-Budgeted Proprietary

The Health Care and Benefits Division (HCBD) is funded entirely with non-budgeted proprietary funds which are not appropriated in HB 2. These funds are discussed in greater detail in the Proprietary Rates section of this narrative.

Program Actuals and Budget Comparison

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	21.87	21.87	21.87	21.87
Personal Services	1,397,923	1,986,608	2,077,746	2,029,203	2,033,627
Operating Expenses	20,775,165	21,451,688	16,188,427	16,200,527	16,195,219
Benefits & Claims	219,488,119	219,310,552	214,810,552	243,264,706	257,589,048
Total Expenditures	\$241,661,207	\$242,748,848	\$233,076,725	\$261,494,436	\$275,817,894
Proprietary Funds	241,661,207	242,748,848	233,076,725	261,494,436	275,817,894
Total Funds	\$241,661,207	\$242,748,848	\$233,076,725	\$261,494,436	\$275,817,894
Total Ongoing	\$241,661,207	\$242,748,848	\$233,076,725	\$261,494,436	\$275,817,894
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Health Care and Benefits Division provides group benefits to state employees, retirees, legislators, judges, and their dependents by administering a benefits program. Services include health, dental, vision, life, long-term care, long-term disability, flexible spending accounts, employee assistance, and health promotion. The division also oversees workers' compensation matters for the state.

Employee benefits are governed by several Montana Code Annotated statutes, and the Montana Safety Culture Act applies to state government.

The division is funded entirely by proprietary funds not appropriated in HB 2 and includes three main functions:

1. Health Care Benefits Bureau: Administers the employee group benefit plan, funded by the Group Benefits Claims Account
2. Workers' Compensation Management Bureau: Serves as a resource for state agencies to enhance worker safety, implement loss-prevention strategies, and manage workers compensation coverage
3. Flexible Spending Funds: Manages employee deductions for medical and childcare expenses

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Health Care and Benefits Division expended 99.6% of its FY 2024 appropriation authority. The majority of the expenditures are made in benefits and claims, which were over 100.0% expended. Personal services were only 70.4% expended due to employee turnover.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Health Care and Benefits Division's FY 2025 appropriation authority is approximately \$9.7 million or 4.1% lower than FY 2024. In FY 2024, the division requested an increase of \$10.0 million in appropriation authority, allocated between operating expenses and benefits and claims, due to a higher volume of claims. However, this additional authority was not requested for FY 2025.

Employee Benefits Program – Group Benefits and Claims – Fund 06559

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06559	Group Benefits and Claims	61010	DOA	HCBD

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Charges for Services	225,923,326	226,063,596	234,890,000	245,420,000
BOI Investment Earnings	7,296,617	4,970,000	4,120,000	2,750,000
Other Operating Revenues				
Federal	3,172,470	4,607,894	4,725,000	4,725,000
Total Operating Revenues	236,392,413	235,641,490	243,735,000	252,895,000
Expenses				
Personal Services	1,164,334	1,776,100	1,703,683	1,707,988
Other Operating Expense	20,574,234	15,951,861	15,959,186	15,954,508
Benefits and Claims	211,918,533	207,103,322	235,557,476	249,881,818
Total Operating Expense	233,657,101	224,831,283	253,220,345	267,544,314
Operating Income (Loss)	2,735,312	10,810,207	(9,485,345)	(14,649,314)
Nonoperating Revenues				
Fines/Forfeits	67,049	61,000	61,000	61,000
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	67,049	61,000	61,000	61,000
Income (Loss) Before Contributions and Transfers	2,802,361	10,871,207	(9,424,345)	(14,588,314)
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position	2,802,361	10,871,207	(9,424,345)	(14,588,314)
Beginning Net Position - July 1	169,966,705	172,753,078	183,624,285	161,128,742
Prior Period Adjustments	(15,988)			
Change in Net Position	2,802,361	10,871,207	(9,424,345)	(14,588,314)
Ending Net Position - June 30	172,753,078	183,624,285	161,128,742	146,540,428

Expenses

The executive proposes an increase to the Group Benefit and Claims Program of \$28.5 million in FY 2026 and \$42.7 million in FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration Health Care and Benefits Division Group Benefit and Claims Proposed Changes for the 2027 Biennium in the Budgeting System		
	FY 2026	FY 2027
Statewide Present Law Adjustment - Personal Services	\$ (72,417)	\$ (68,112)
Statewide Present Law Adjustment - Fixed Costs	2,495	(2,489)
Statewide Present Law Adjustment - Inflation	(41)	(28)
Allocate Department Indirect/Administrative Costs	4,871	5,164
HCBD Increase in Estimated Claims Expense	28,454,154	42,778,496
Total	\$ 28,389,062	\$ 42,713,031

The majority of this increase is due to greater projected benefit and claims payments in the 2027 biennium. This increase is based on a projected increase of 6.0% in medical claims and 9.0% in prescription claims, year over year.

Revenues

The state employee group benefit plan (SEGBP) is self-funded, and as such is responsible for medical costs incurred by its members. SEGBP is funded through a combination of state share paid by the State of Montana as an employer and member (employee and retiree) contribution payments. The state share is \$1,054 per month and is established in 2-18-703(2), MCA. As a component of employee compensation, the state share contribution amount is a subject of collective bargaining and is negotiated as part of the overall pay package for state employees.

Proprietary Rates

The figure below shows the rates as the currently appear in statute for the 2027 biennium.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description:				
State Share Contribution	\$ 1,054	\$ 1,054	\$ 1,054	\$ 1,054
Rates are established to maintain adequate reserves. Actual state share rates are set for each calendar year as opposed to a fiscal year. This table shows the average month state share rate for each fiscal year.				

The amounts shown as rates above are the state share contribution for each state employee each month. The state share contribution amounts are contained in statute. The various contribution costs for the program are not limited through the legislative process but are determined by the division based on actuarial estimates of the claim costs for each insurance type. Any difference between the state share contribution and actual costs are made up by employee and retiree contributions and investment income. As the plan year for the state employee health insurance is a calendar year, the revenues for the plans are a combination of contributions for two years.

Proprietary Program Revenues and Expenses

Fund	Fund Name	Agency #	Agency Name	Program Name
06575	Workers Comp Mgmt. Program	61010	Dept. of Administration	HCBD

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Charges for Services	296,414	349,312	443,485	443,485
Total Operating Revenues	296,414	349,312	443,485	443,485
Expenses				
Personal Services	233,589	301,646	325,520	325,639
Other Operating Expense	51,929	52,570	57,345	56,715
Total Operating Expense	285,518	354,216	382,865	382,354
Operating Income (Loss)	15,260	(4,904)	60,620	61,131
Nonoperating Revenues				
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfers	15,260	(4,904)	60,620	61,131
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position	15,260	(4,904)	60,620	61,131
Beginning Net Position - July 1	(24,643)	(9,383)	(14,287)	46,333
Prior Period Adjustments				
Change in Net Position	15,260	(4,904)	60,620	61,131
Ending Net Position - June 30	(9,383)	(14,287)	46,333	107,464

Expenses

The executive proposes an increase to the Workers Compensation Management Program of \$29,000 in FY 2026 and \$28,000 in FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration Health Care and Benefits Division Workers Compensation Management Program Proposed Changes for the 2027 Biennium in the Budgeting System		
	FY 2026	FY 2027
Statewide Present Law Adjustment - Personal Servi	\$ 23,874	\$ 23,993
Statewide Present Law Adjustment - Fixed Costs	859	124
Statewide Present Law Adjustment - Inflation	(182)	(123)
Allocate Department Indirect/Administrative Costs	4,098	4,144
Total	\$ 28,649	\$ 28,138

The majority of this increase is due to statewide present law adjustments for personal services due to pay and benefit increases. Statewide present law adjustments for fixed costs and indirect administrative costs adjustments for support services also increased.

Revenues

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

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium. The executive proposes an increase to the fixed cost rate of 27.6% in FY 2026 and 27.1% in FY 2027.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description:	\$ 0.9700	\$ 0.9700	\$ 1.24	\$ 1.23

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Flexible Spending Account Program – Fund 06027*Proprietary Program Revenues and Expenses*

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06027	Flexible Spending	61010	Dept. of Administration	HCBD

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Charges for Services	7,869,631	7,741,250	7,800,000	7,800,000
BOI Investment Earnings	168,495	100,000	100,000	100,000
Total Operating Revenues	8,038,126	7,841,250	7,900,000	7,900,000
Expenses				
Personal Services	-	-	-	-
Other Operating Expense	149,002	183,996	183,996	183,996
Expense A	7,569,586	7,707,230	7,707,230	7,707,230
Total Operating Expense	7,718,588	7,891,226	7,891,226	7,891,226
Operating Income (Loss)	319,538	(49,976)	8,774	8,774
Nonoperating Revenues				
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfer	319,538	(49,976)	8,774	8,774
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position	319,538	(49,976)	8,774	8,774
Beginning Net Position - July 1	3,587,838	3,893,523	3,843,547	3,852,321
Prior Period Adjustments	(13,853)			
Change in Net Position	319,538	(49,976)	8,774	8,774
Ending Net Position - June 30	3,893,523	3,843,547	3,852,321	3,861,095

Expenses

Expenses are not projected to increase in the Flexible Spending Program for the 2027 biennium as compared to the FY 2025 base budget.

Revenues

The flexible spending account program is funded from an administrative fee of \$2.16 per month on each account participating in the program. This fee is charged per participant whether the participant has a medical account, a dependent care account, or both.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description: \$	2.16	\$ 2.16	\$ 2.16	\$ 2.16

This program is funded with an enterprise fund, which is a type of proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

Present Law Adjustments										
-----Fiscal 2026-----						-----Fiscal 2027-----				
PB	General Fund	State Special	Federal Special	Total Funds		PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services										
0.00	0	0	0	(48,543)		0.00	0	0	0	(44,119)
DP 2 - Fixed Costs										
0.00	0	0	0	3,354		0.00	0	0	0	(2,365)
DP 3 - Inflation Deflation										
0.00	0	0	0	(223)		0.00	0	0	0	(151)
DP 4 - Allocate Department Indirect/Administrative Costs										
0.00	0	0	0	8,969		0.00	0	0	0	9,308
DP 2101 - HCBF - Increase in Estimated Claims Expense										
0.00	0	0	0	28,454,154		0.00	0	0	0	42,778,496
Grand Total All Present Law Adjustments										
0.00	\$0	\$0	\$0	\$28,417,711		0.00	\$0	\$0	\$0	\$42,741,169

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive proposes adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive proposes adjustments to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

DP 2101 - HCBF - Increase in Estimated Claims Expense -

The executive proposes additional proprietary authority to pay estimated claims expenses for the State of Montana Benefit Plan (State Plan).

Program Base Budget Comparison

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Program Base Budget Comparison					
Budget Item	Base Budget FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	24.75	24.75	24.75	0.00	0.0%
Proprietary Funds	4,807,779	5,422,380	5,583,079	1,389,901	14.5%
Total Funds	4,807,779	5,422,380	5,583,079	1,389,901	14.5%
Personal Services	2,609,746	2,622,321	2,632,807	35,636	0.7%
Operating Expenses	1,975,553	2,577,579	2,727,792	1,354,265	34.3%
Benefits & Claims	222,480	222,480	222,480		0.0%
Total Expenditures	4,807,779	5,422,380	5,583,079	1,389,901	14.5%
Total Ongoing	4,807,779	5,422,380	5,583,079	1,389,901	14.5%
Total One-Time-Only					0.0%

Program Highlights

State Human Resources Division Major Budget Highlights
<ul style="list-style-type: none"> The State Human Resources Division's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$1.4 million or 14.5% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Approximately \$1.1 million of this increase is due to increased contract costs for human resources systems and enterprise learning and development programs Increased authority due to statewide present law adjustments for fixed costs and personal services An increase of 17.0% in FY 2026 and 22.7% in FY 2027 for the HRIS fees An increase of 45.7% in each fiscal year of the 2027 biennium for the Enterprise Learning and Development Program along with two additional rates for Linked-In Learning and Roberts Rules of Order

Executive Request

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

State Human Resources Division 2027 Biennium Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	0	0	0	4,807,779	88.7%	0	0	0	4,807,779	86.1%
Statewide PL										
Personal Services	0	0	0	12,575	0.2%	0	0	0	23,061	0.4%
Fixed Costs	0	0	0	125,171	2.3%	0	0	0	24,997	0.4%
Inflation Deflation	0	0	0	(9)	(0.0%)	0	0	0	(6)	(0.0%)
Total Statewide PL	0	0	0	137,737	2.5%	0	0	0	48,052	0.9%
Present Law (PL)	0	0	0	476,864	8.8%	0	0	0	727,248	13.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	614,601	11.3%	0	0	0	775,300	13.9%
Total Requested Budget	0	0	0	5,422,380		0	0	0	5,583,079	

Funding

The following table shows proposed program funding for all sources of authority.

Department of Administration, 23-State Human Resources Division Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	4,808,906	0	0	0	4,808,906	30.4%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06525 Enterprise Learning and Develo	0	0	1,338,821	0	1,338,821	12.2%
06559 Group Benefits Claims A/C	0	0	696,042	0	696,042	6.3%
06563 HR Info Services	0	0	8,970,596	0	8,970,596	81.5%
Proprietary Total	\$0	\$0	\$11,005,459	\$0	\$11,005,459	69.6%
Total All Funds	\$4,808,906	\$0	\$11,005,459	\$0	\$15,814,365	

Non-Budgeted Proprietary Appropriations

The majority of the State Human Resources Division's operations are supported by proprietary funds. This includes:

- Enterprise Learning and Development
- Human Resource Information Services (HRIS) Bureau

The Enterprise Learning and Development generates revenue by charging a fee for services to each agency that utilizes its services. The Human Resource Information Services Bureau (HRIS) is funded through a fee charged to state agencies for each employee payroll processed in a pay period. Both funds are considered and approved as rates charged to other state agencies and are discussed in greater detail in the Proprietary Rates section of this narrative.

Program Actuals and Budget Comparison

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	24.75	24.75	24.75	24.75
Personal Services	2,417,526	2,498,920	2,609,746	2,622,321	2,632,807
Operating Expenses	1,696,545	2,030,981	1,975,553	2,577,579	2,727,792
Benefits & Claims	0	222,480	222,480	222,480	222,480
Total Expenditures	\$4,114,071	\$4,752,381	\$4,807,779	\$5,422,380	\$5,583,079
Proprietary Funds	4,114,071	4,752,381	4,807,779	5,422,380	5,583,079
Total Funds	\$4,114,071	\$4,752,381	\$4,807,779	\$5,422,380	\$5,583,079
Total Ongoing	\$4,114,071	\$4,752,381	\$4,807,779	\$5,422,380	\$5,583,079

Program Description

The State Human Resources Division provides statewide human resource services and programs under the authority of Title 2, Chapter 18, and 39-31-301, MCA. The division houses:

- The Human Resources Policy and Programs Bureau, which establishes the human resource rules, policies, and standards for Montana's executive branch
- The Human Resources Information Systems Bureau, which processes the biweekly payroll, and administers other human resources information systems, for all branches of state government
- Enterprise Learning and Development Bureau, which coordinates professional development and leadership training for the enterprise
- Labor Relations Bureau, which provides labor relations service on behalf of all executive branch agencies

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The State Human Resources Division expended 86.6% of its FY 2024 non-budgeted proprietary appropriation authority. Personal services were 96.7% expended while operating expenses were 83.5% expended. This expenditure falls within the typical spending range for this division.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The State Human Resources Division's FY 2025 appropriation authority is \$55,000, or 1.2%, higher than FY 2024's non-budgeted proprietary authority. This increase is entirely due to greater personal services costs from statewide present law adjustments and a higher pay plan appropriation in FY 2025.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

Fund	Fund Name	Agency #	Agency Name	Program Name
06563	HR Info Services	61010	Department of Administration	State Human Resources Division

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Charges for Services	3,849,451	3,849,451	4,344,873	4,561,663
Other Operating Revenues				
Misc. Revenue	341	100	100	100
Total Operating Revenues	3,849,792	3,849,551	4,344,973	4,561,763
Expenses				
Personal Services	2,215,707	2,290,295	2,336,441	2,346,581
Other Operating Expense	1,410,732	1,736,727	2,068,361	2,219,213
Total Operating Expense	3,626,439	4,027,022	4,404,802	4,565,794
Operating Income (Loss)	223,353	(177,471)	(59,829)	(4,031)
Nonoperating Revenues				
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfers	223,353	(177,471)	(59,829)	(4,031)
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position	223,353	(177,471)	(59,829)	(4,031)
Beginning Net Position - July 1	549,718	773,071	595,600	535,771
Prior Period Adjustments				
Change in Net Position	223,353	(177,471)	(59,829)	(4,031)
Ending Net Position - June 30	773,071	595,600	535,771	531,740

Expenses

The executive proposes increasing expenses in the Human Resources Information Services Program by approximately \$378,000 in FY 2026 and \$539,000 in FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration State Human Resources Division Human Resources Info Services Proposed Changes for the 2027 Biennium in the Budgeting System		
	FY 2026	FY 2027
Statewide Present Law Adjustment - Personal Services	\$ 46,146	\$ 56,286
Statewide Present Law Adjustment - Fixed Costs	94,359	(5,129)
Statewide Present Law Adjustment - Inflation/Deflation	(9)	(6)
Allocate Department Indirect/Administrative Costs	5,278	5,615
HRIS - Contracted Services Increase	232,006	482,006
Total	\$ 377,780	\$ 538,772

The majority of the proposed increase is attributed to increased contract costs for current human resource systems, which are estimated to increase by an additional 3.0%. Statewide present law adjustments for fixed costs and personal services are also proposed to increase. Greater fixed costs in FY 2026 are due to audit fees.

Revenues

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

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium. The executive proposes increased HRIS fees of 17.0% in FY 2026 and 22.7% in FY 2027 when compared to the FY 2025 base rates.

Requested Rates for Internal Service or Enterprise Funds				
Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description:	\$ 10.12	\$ 10.10	\$ 11.82	\$ 12.39

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Enterprise Learning and Development – Fund 06525*Proprietary Program Revenues and Expenses*

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06525	Enterprise Learning and Development	61010	Department of Administration	State Human Resources Division

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
ELD Program Fees	409,131	406,856	492,684	492,684
Linked-In Learning			146,285	146,285
Robert's Rules			63,495	63,495
Other Operating Revenues				
Misc. Revenue	373			
Total Operating Revenues	409,504	406,856	702,464	702,464
Expenses				
Personal Services	99,777	194,658	180,748	180,748
Other Operating Expense	264,148	219,770	488,868	488,457
Total Operating Expense	363,925	414,428	669,616	669,205
Operating Income (Loss)	45,579	(7,572)	32,848	33,259
Nonoperating Revenues				
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfers	45,579	(7,572)	32,848	33,259
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position	45,579	(7,572)	32,848	33,259
Beginning Net Position - July 1	163,878	209,457	201,885	234,733
Prior Period Adjustments				
Change in Net Position	45,579	(7,572)	32,848	33,259
Ending Net Position - June 30	209,457	201,885	234,733	267,992

Expenses

The executive proposes increasing expenses in the Enterprise Learning and Development Program by approximately \$255,000 in FY 2026 and in FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration State Human Resources Division Enterprise Learning and Development Proposed Changes for the 2027 Biennium in the Budgeting System		
	FY 2026	FY 2027
Statewide Present Law Adjustment - Personal Services	\$ (13,910)	\$ (13,910)
Statewide Present Law Adjustment - Fixed Costs	30,679	30,237
Allocate Department Indirect/Administrative Costs	8,515	8,546
ELD - Contracted Services Increase	229,904	229,904
Total	\$255,188	\$254,777

The majority of the proposed increase is due to Enterprise Learning and Development contract cost increases, including the contract with Linked-In Learning.

Revenues

The Enterprise Learning and Development Program (ELD) generates revenue through charging fees for the services provided based on the average PB that utilize the service within each agency.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium. The executive proposes increased ELD Program fees of 45.7% in FY 2026 and in FY 2027 when compared to the FY 2025 base rates. The executive also proposes separate fees for Linked-In Learning and Robert's Rules of Order services.

Requested Rates for Internal Service or Enterprise Funds				
Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description:				
ELD Program Fees	\$ 33.2965	\$ 33.2965	\$ 48.5044	\$ 48.5044
Linked-In Learning			\$ 9.9830	\$ 9.9830
Robert's Rules			\$ 60.3565	\$ 60.3565

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

Present Law Adjustments										
Fiscal 2026						Fiscal 2027				
PB	General Fund	State Special	Federal Special	Total Funds		PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services										
0.00	0	0	0	12,575		0.00	0	0	0	23,061
DP 2 - Fixed Costs										
0.00	0	0	0	125,171		0.00	0	0	0	24,997
DP 3 - Inflation Deflation										
0.00	0	0	0	(9)		0.00	0	0	0	(6)
DP 4 - Allocate Department Indirect/Administrative Costs										
0.00	0	0	0	14,954		0.00	0	0	0	15,338
DP 2301 - HRIS - Contracted Services Increase										
0.00	0	0	0	232,006		0.00	0	0	0	482,006
DP 2302 - ELD - Contracted Services Increase										
0.00	0	0	0	229,904		0.00	0	0	0	229,904
Grand Total All Present Law Adjustments										
0.00	\$0	\$0	\$0	\$614,601		0.00	\$0	\$0	\$0	\$775,300

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive proposes adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive proposes adjustments to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

DP 2301 - HRIS - Contracted Services Increase -

The executive proposes increased non-budgeted proprietary funding for increased contract costs related to current human resource systems. The State Human Resources Division currently contracts with Oracle for five human resource systems: Service Cloud, Taleo, Fusion, People Soft, and Oracle Analytics Cloud. These contracts are renewed annually, except Fusion, which is currently on a two-year contract. The division's current budget allows for up to a 5.0% annual increase

per system. However, the renewal rates for the system have increased, and the division is anticipating the renewal rate to increase by another 3.0%, which will bring the increase up to 8.0% annually.

Additionally, the executive proposes additional authority for an estimated contract increase due to the transition to a new enterprise recruiting system as the old recruiting system will no longer be supported. This annual increase is dependent on the new enterprise recruiting software application approval in HB 10.

DP 2302 - ELD - Contracted Services Increase –

The executive proposes increased non-budgeted proprietary funding for the Enterprise Learning and Development Program (ELD). ELD maintains an annual Robert's Rules of Order training subscription that all board and commission members complete annually at the direction of the Lieutenant Governor. State Human Resources Division (SHRD) currently has a three-year contract with LinkedIn Learning for 12,500 seats for enterprise training. The current contract ends June 30, 2026. The State Human Resources Division will need to renew the contract to retain LinkedIn Learning for enterprise training. The renewal contract would span FY 2027 through FY 2029 and is expected to increase in cost.

Program Base Budget Comparison

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Program Base Budget Comparison					
Budget Item	Base Budget FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	17.00	17.00	17.00	0.00	0.0%
Proprietary Funds	38,036,177	38,217,371	38,217,153	362,170	0.5%
Total Funds	38,036,177	38,217,371	38,217,153	362,170	0.5%
Personal Services	1,859,571	1,853,475	1,857,288	(8,379)	(0.2%)
Operating Expenses	20,343,834	20,531,124	20,527,093	370,549	0.9%
Grants	520,113	520,113	520,113		0.0%
Benefits & Claims	15,235,087	15,235,087	15,235,087		0.0%
Debt Service	77,572	77,572	77,572		0.0%
Total Expenditures	38,036,177	38,217,371	38,217,153	362,170	0.5%
Total Ongoing	38,036,177	38,217,371	38,217,153	362,170	0.5%
Total One-Time-Only					0.0%

Program Highlights

Risk Management & Tort Defense Division Major Budget Highlights

- The Risk Management & Tort Defense Division's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$362,000 or 0.5% higher than the FY 2025 base budget
- This increase is almost entirely due to statewide present law adjustments for fixed costs

Executive Request

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

Risk Mgmt & Tort Defense Div 2027 Biennium Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	0	0	0	38,036,177	99.5%	0	0	0	38,036,177	99.5%
Statewide PL										
Personal Services	0	0	0	(6,096)	(0.0%)	0	0	0	(2,283)	(0.0%)
Fixed Costs	0	0	0	186,798	0.5%	0	0	0	182,216	0.5%
Inflation Deflation	0	0	0	(791)	(0.0%)	0	0	0	(534)	(0.0%)
Total Statewide PL	0	0	0	179,911	0.5%	0	0	0	179,399	0.5%
Present Law (PL)	0	0	0	1,283	0.0%	0	0	0	1,577	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	181,194	0.5%	0	0	0	180,976	0.5%
Total Requested Budget	0	0	0	38,217,371		0	0	0	38,217,153	

Funding

The following table shows proposed program funding for all sources of authority.

Department of Administration, 24-Risk Mgmt & Tort Defense Div Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0	0.0%
02098 Insurance Proceeds - State Bld	0	0	0	91,000	91,000	100.0%
State Special Total	\$0	\$0	\$0	\$91,000	\$91,000	0.1%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06532 Agency Insurance Int. Svc.	0	0	76,434,524	0	76,434,524	100.0%
Proprietary Total	\$0	\$0	\$76,434,524	\$0	\$76,434,524	99.9%
Total All Funds	\$0	\$0	\$76,434,524	\$91,000	\$76,525,524	

Non-Budgeted Proprietary Appropriations

The majority of the Risk Management and Tort Defense Division's (RMTD) budget is comprised of proprietary funds that are derived from premium assessments on insurance risks paid by state agencies and the Montana University System. These funds are considered and approved as rates charged to the other state agencies are discussed in the Proprietary Rates budget analysis.

Statutory Appropriations

Statutory appropriations comprise less than 1.0% of the total appropriations for RMTD. The statutory appropriation is for the receipt of insurance proceeds for claims that fall above the amount that the state self-insures.

Program Actuals and Budget Comparison

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	17.00	17.00	17.00	17.00
Personal Services	1,736,491	1,778,120	1,859,571	1,853,475	1,857,288
Operating Expenses	17,468,472	20,571,932	20,343,834	20,531,124	20,527,093
Grants	467,888	520,113	520,113	520,113	520,113
Benefits & Claims	6,025,523	15,235,087	15,235,087	15,235,087	15,235,087
Debt Service	77,572	77,572	77,572	77,572	77,572
Total Expenditures	\$25,775,946	\$38,182,824	\$38,036,177	\$38,217,371	\$38,217,153
Proprietary Funds	25,775,946	38,182,824	38,036,177	38,217,371	38,217,153
Total Funds	\$25,775,946	\$38,182,824	\$38,036,177	\$38,217,371	\$38,217,153
Total Ongoing	\$25,775,946	\$38,182,824	\$38,036,177	\$38,217,371	\$38,217,153
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Risk Management and Tort Defense Division oversees the state's property and casualty insurance. The division purchases commercial coverage for catastrophic losses while self-insuring most risks below \$2.0 million. Insured areas include aircraft, cybersecurity, medical malpractice, and liability, among others. The division also provides training, inspections, and legal support to mitigate loss risks and handles the investigation and resolution of tort and property damage claims. It operates under MCA 2-9-101 through 2-9-305, MCA.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Risk Management and Tort Defense Division expended 67.5% of its FY 2024 appropriation authority. Lower expenditures were driven by lower expenditures in benefits and claims. Appropriation authority was increased in FY 2022 due to a historically high payout year because of a liability settlement. Appropriation authority has remained high; however, expenditures have not reached the level seen in FY 2022.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Risk Management and Tort Defense Division's FY 2025 appropriation is approximately \$147,000, or less than 1.0%, lower than its FY 2024 appropriation. This decrease is entirely within operating expenses. In FY 2024, the division requested additional operating authority to cover increased insurance premiums that were due and pending; however, this additional authority was not requested for FY 2025. Meanwhile, personal services funding increased in FY 2025 due to statewide present law adjustments.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds							
Fund	Fund Name	Agency #	Agency Name	Program Name			
06532	Agency Insurance	61010	Dept. of Administration	Risk Management & Tort Defense Division			
				Actual	Estimated	Proposed	Proposed
				FY 24	FY 25	FY 26	FY 27
Operating Revenues							
Fees and Charges							
	Premium			-	-	12,075,506	12,075,506
	Other Operating Revenue - Motorcycle Training			5,974	-	-	-
	Investment Earnings			6,674,126	4,680,337	3,744,269	2,995,415
Total Operating Revenues				6,680,099	4,680,337	15,819,775	15,070,921
Expenses							
	Personal Services			1,736,491	1,859,571	1,853,475	1,857,288
	Other Operating Expense			2,975,908	5,990,545	6,177,835	6,173,804
	Insurance Premiums			14,960,452	14,873,402	14,873,402	14,873,402
	Claims			6,025,523	15,235,087	15,235,087	15,235,087
Total Operating Expense				25,698,374	37,958,605	38,139,799	38,139,581
Operating Income (Loss)				(19,018,275)	(33,278,268)	(22,320,024)	(23,068,660)
Nonoperating Revenues							
	Other Revenue A - Subrogation Proceeds			347,022	178,145	178,159	178,159
Nonoperating Expenses							
	Other Expense A - A&E expenses			(838,394)	-	-	-
Total Nonoperating Revenues (Expenses)				(491,372)	178,145	178,159	178,159
Income (Loss) Before Contributions and Transfers				(19,509,646)	(33,100,123)	(22,141,865)	(22,890,501)
Capital Contributions							
	Transfers In - Insurance Proceeds Transfer			507,607	98,950	98,950	98,950
	Transfers Out			-	-	-	-
	Loans and Lease Payments			(77,572)	(77,572)	(77,572)	(77,572)
Change in Net Position				(19,079,611)	(33,078,745)	(22,120,487)	(22,869,123)
Beginning Net Position - July 1				117,396,487	98,316,876	68,058,980	45,938,493
	Prior Period Adjustments						
	Change in Net Position			(19,079,611)	(33,078,745)	(22,120,487)	(22,869,123)
Ending Net Position - June 30				98,316,876	68,058,980	45,938,493	23,069,370

Expenses

The executive proposes increasing expenses in the Risk Management and Tort Defense Program by approximately \$181,000 in FY 2026 and in FY 2027 when compared to the FY 2025 base budget. The majority of the proposed increase is due to statewide present law adjustments for information technology fixed costs.

Revenue

Montana self-insures its insurance risks for automobile, aviation, general liability and property via the Risk Management and Tort Defense Division (RMTD). All agencies pay insurance premiums to the division.

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

Premiums for the 2027 biennium are apportioned based upon exposure and loss experience as

follows: Automobile – comprised of two separate components:

- Comprehensive and collision based upon total value of reported vehicles
- Auto liability premium based on agency losses over the past four years and number of vehicles reported
- Aviation – allocated to those agencies that have aircraft based on charges on 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 – comprised of commercial coverage negotiated with commercial insurance carriers and self- insurance for those risks that are not insurable through commercial coverage based on number of exposures
- Property – allocated to each agency based on its percentage of reported expenses (e.g., building replacement cost values, boilers, and machinery, etc.)

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

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description:				
Auto Comprehensive/Collision	1,820,313	1,820,313	1,820,313	1,820,313
Aviation	169,961	169,961	169,961	169,961
General Liability	13,151,738	13,151,738	13,151,738	13,151,738
Property/Miscellaneous	9,009,000	9,009,000	9,009,000	9,009,000
	\$ 24,151,012	\$ 24,151,012	\$ 24,151,012	\$ 24,151,012

This program is funded with an internal service fund, which is a type of a proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

In FY 2022, the amount of the reserves in the RMTD fund increased significantly. The Risk Management and Tort Defense Division won a judgement of approximately \$78.6 million against the state's former insurance carrier for recovery of expenses incurred in defense and settlement of Libby asbestos claims. Additionally, in the same fiscal year, the former insurance carrier agreed to pay the state \$62.5 million in another settlement involving Libby asbestos claims.

The 2023 Legislature approved a premium holiday for the 2025 biennium in order to reduce the level of reserves in the state insurance fund to fall within an acceptable range of target funding ratios that are commonly used by public entities and higher education. The results of the premium holiday are that the excess reserves are reduced over time and those agencies that are federally funded are beneficiaries of lower costs over time as opposed to transferring the excess to the general fund, which would necessitate a payment to the federal government. For the 2027 biennium, the executive proposes a partial premium holiday, reducing the premium by half, to continue to reduce the reserves.

The rates being proposed are a placeholder, the legislature may wish to approve this rate holiday as one-time-only in order for the executive to not have to rebuild this program in 2029 biennium budget. State agencies and universities that do not continue to participate in risk management, mitigation initiatives, and insurance premiums discount programs may be billed an insurance premium during the 2027 biennium.

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

Present Law Adjustments										
Fiscal 2026						Fiscal 2027				
PB	General Fund	State Special	Federal Special	Total Funds		PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	(6,096)	0.00	0	0	0	(2,283)
DP 2 - Fixed Costs	0.00	0	0	0	186,798	0.00	0	0	0	182,216
DP 3 - Inflation Deflation	0.00	0	0	0	(791)	0.00	0	0	0	(534)
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	0	0	1,283	0.00	0	0	0	1,577
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$181,194	0.00	\$0	\$0	\$0	\$180,976

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive proposes adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive proposes an adjustment to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.