

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	Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	Amount	Percent
PB	213.00	208.00	208.00	(5.00)	(1.2%)
Proprietary Funds	71,297,437	80,789,781	80,824,841	19,019,748	13.3%
Total Funds	71,297,437	80,789,781	80,824,841	19,019,748	13.3%
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	1,884,993	1,808,974	1,353,967	57.9%
Total Expenditures	71,297,437	80,789,781	80,824,841	19,019,748	13.3%
Total Ongoing	71,297,437	80,789,781	80,824,841	19,019,748	13.3%
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 \$19.0 million or 13.3% 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	88.3%	0	0	0	71,297,437	88.2%
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	9,442,342	11.7%	0	0	0	9,406,178	11.6%
New Proposals	0	0	0	(495,206)	(0.6%)	0	0	0	(502,877)	(0.6%)
Total Adjustments	0	0	0	9,492,344	11.7%	0	0	0	9,527,404	11.8%
Total Requested Budget	0	0	0	80,789,781		0	0	0	80,824,841	

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	2,653,967	0	2,653,967	1.6%	
06522 ISD Proprietary	0	0	158,960,655	0	158,960,655	98.4%	
Proprietary Total	\$0	\$0	\$161,614,622	\$0	\$161,614,622	100.0%	
Total All Funds	\$0	\$0	\$161,614,622	\$0	\$161,614,622		

Non-Budgeted Proprietary Funds

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	1,884,993	1,808,974
Total Expenditures	\$70,078,738	\$72,498,152	\$71,297,437	\$80,789,781	\$80,824,841
Proprietary Funds	70,078,738	72,498,152	71,297,437	80,789,781	80,824,841
Total Funds	\$70,078,738	\$72,498,152	\$71,297,437	\$80,789,781	\$80,824,841
Total Ongoing	\$70,078,738	\$72,498,152	\$71,297,437	\$80,789,781	\$80,824,841
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
Operating Expense		46,728,317	45,579,884	55,345,789	55,392,605
Equipment and Intangible Assets		-	370,861	370,861	370,861
Total Operating Expense		69,146,468	68,302,726	78,254,788	78,365,867
Operating Income (Loss)		(902,971)	(302,726)	2,234,422	1,734,741
Nonoperating Revenues					
Other Revenue A		29,267	-	-	-
Total Nonoperating Revenues (Expenses)		29,267	-	-	-
Income (Loss) Before Contributions and Transfers		(873,704)	(302,726)	2,234,422	1,734,741
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)	1,834,422	1,334,741
Beginning Net Position - July 1		2,926,295	1,655,962	953,236	2,787,658
Prior Period Adjustments					
Change in Net Position		(1,270,333)	(702,726)	1,834,422	1,334,741
Ending Net Position - June 30		1,655,962	953,236	2,787,658	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	\$ 64,308,597	\$ 79,679,603	\$ 15,371,005	\$ 79,291,001	\$ 14,982,403

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

- Enterprise service allocation (ESA)
- Microsoft enterprise agreement
- 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	\$ 5,964,003	\$ 6,703,302	\$ 6,703,302	\$ 1,478,597	12.4%

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	\$ 11,828,129	\$ 13,272,399	\$ 13,272,399	\$ 2,888,539	12.2%

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	32,916,519	38,797,918	38,898,033	11,862,913	18.0%

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.

Proprietary Rate

For the 2027 biennium the following rates are proposed by the executive. The rates in the 2025 biennium are shown for comparison purposes.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Approved FY 2024	Approved FY 2025	Proposed FY 2026	Proposed FY 2027
Fee Description:	30-day working capital reserve	30-day working capital reserve	30-day working capital reserve	30-day working capital reserve

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.

LFD COMMENT The legislature may wish to consider adding the following language to HB 2:
The office of budget and program planning shall establish a separate appropriation on the statewide accounting, budgeting, and human resource system for the funding included in each executive branch agency's budget [this act] to pay fixed cost allocations for the state information technology services division of the department of administration. The appropriations must be designated as restricted.

LFD COMMENT The legislature may wish to consider adding the following language to HB 2:
The 30-day working capital reserve used to establish state information technology services division rates for state agencies included in HB-2 shall be based on personal services of \$22,538,138 in FY 2026 and \$22,602,401 in FY 2027, operating expenses of \$55,345,789 in FY 2026 and \$55,392,605 in FY 2027, equipment and intangible assets of \$370,861 in FY 2026 and \$370,861 in FY 2027, and debt service of \$1,170,000 in FY 2026 and \$1,170,000 in FY 2027. The state information technology services division shall report to the legislative finance committee at its June 2025 meeting on how it implemented the state agency rates for information technology services. The state information technology services division shall also report any adjustments to state agency rates for information technology or changes in appropriations of 5.0% or greater to each expenditure category at each subsequent meeting of the legislative finance committee.

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	1,234,924	1,738,856	1,738,856
Total Operating Revenues		713,126	1,234,924	1,738,856	1,738,856
Expenses					
	Personal Services	-	-	-	-
	Operating Expense	187,369	650,000	650,000	650,000
Total Operating Expense		187,369	650,000	650,000	650,000
Operating Income (Loss)		525,757	584,924	1,088,856	1,088,856
Income (Loss) Before Contributions and Transfers		525,757	584,924	1,088,856	1,088,856
	Loans and Lease Payments		(446,033)	(714,993)	(638,974)
Change in Net Position		525,757	138,891	373,863	449,882
Beginning Net Position - July 1		(2,142,335)	(1,616,578)	(1,477,687)	(1,103,824)
	Prior Period Adjustments				
	Change in Net Position	525,757	138,891	373,863	449,882
Ending Net Position - June 30		(1,616,578)	(1,477,687)	(1,103,824)	(653,942)

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.

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. The executive anticipates repaying this loan by the end of the 2027 biennium.

Proprietary Rate

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				
	Reviewed FY 2024	Reviewed FY 2025	Proposed FY 2026	Proposed FY 2027
Fee Description:			1.5%	1.5%
Fee Cap			\$ 20.00	\$ 20.00

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.

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.

	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
DP 702 - eGOV Operations and Debt Service Adjustments	0.00	0	0	0	(459,718)	0.00	0	0	0	(535,737)
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$9,987,550	0.00	\$0	\$0	\$0	\$10,030,281

*"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.

DP 702 - eGOV Operations and Debt Service Adjustments -

The executive proposes an increase in proprietary funding, which includes a decrease in operating expenses and increase in debt services to more closely align expenditures with projected revenues for the 2027 biennium.

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.