

# SECRETARY OF STATE

## Section A

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### JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

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#### -----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	43.00	43.00	43.00	0.00	0.0%
Proprietary Funds	6,458,037	6,797,097	6,717,280	598,303	4.6%
<b>Total Funds</b>	<b>6,458,037</b>	<b>6,797,097</b>	<b>6,717,280</b>	<b>598,303</b>	<b>4.6%</b>
Personal Services	3,953,146	4,425,819	4,439,372	958,899	12.1%
Operating Expenses	2,504,891	2,371,278	2,277,908	(360,596)	(7.2%)
<b>Total Expenditures</b>	<b>6,458,037</b>	<b>6,797,097</b>	<b>6,717,280</b>	<b>598,303</b>	<b>4.6%</b>
<b>Total Ongoing</b>	<b>6,458,037</b>	<b>6,797,097</b>	<b>6,717,280</b>	<b>598,303</b>	<b>4.6%</b>
<b>Total One-Time-Only</b>					<b>0.0%</b>

## Agency Highlights

Secretary of State Major Budget Highlights	
<ul style="list-style-type: none"> <li>The Secretary of State's 2027 biennium non-budgeted proprietary appropriations are approximately \$598,000 or 4.6% higher than the FY 2025 base budget</li> <li>This increase is entirely due to increased statewide present law adjustments for personal services, which is partially offset by a decreased statewide present law adjustment for fixed cost</li> </ul>	

## 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.

Office of the Secretary of State 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
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,458,037</b>	<b>95.0%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,458,037</b>	<b>96.1%</b>
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
<b>Total Statewide PL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>339,060</b>	<b>5.0%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>259,243</b>	<b>3.9%</b>
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>339,060</b>	<b>5.0%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>259,243</b>	<b>3.9%</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,797,097</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>6,717,280</b>	

## Funding

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

Total Secretary of State 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
<b>State Special Revenue Total</b>	-	-	-	-	-	<b>0.0%</b>
<b>Federal Special Revenue Total</b>	-	-	-	-	-	<b>0.0%</b>
06053 Sec of St Business Services			13,514,377		13,514,377	100.0%
<b>Proprietary Fund Total</b>	-	-	<b>13,514,377</b>	-	<b>13,514,377</b>	<b>100.0%</b>
<b>Total of All Funds</b>	-	-	<b>13,514,377</b>	-	<b>13,514,377</b>	
<b>Percent of All Sources of Authority</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0.0%</b>		

### Non-Budgeted Proprietary

The Secretary of State is entirely funded with non-budgeted proprietary funding. This fund is described in further detail later in this budget analysis.

## 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	43.00	43.00	43.00	43.00
Personal Services	3,712,645	3,794,921	3,953,146	4,425,819	4,439,372
Operating Expenses	3,218,542	3,516,026	2,504,891	2,371,278	2,277,908
Transfers	106,840	144,000	0	0	0
<b>Total Expenditures</b>	<b>\$7,038,027</b>	<b>\$7,454,947</b>	<b>\$6,458,037</b>	<b>\$6,797,097</b>	<b>\$6,717,280</b>
Proprietary Funds	7,038,027	7,454,947	6,458,037	6,797,097	6,717,280
<b>Total Funds</b>	<b>\$7,038,027</b>	<b>\$7,454,947</b>	<b>\$6,458,037</b>	<b>\$6,797,097</b>	<b>\$6,717,280</b>
<b>Total Ongoing</b>	<b>\$7,038,027</b>	<b>\$7,454,947</b>	<b>\$6,458,037</b>	<b>\$6,797,097</b>	<b>\$6,717,280</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*Agency Description*

The Secretary of State conducts its daily operations through a single program, the Business and Government Services Program. The Business and Government Services Program can be further broken down into the following functional divisions:

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

*FY 2024 Appropriation Compared to FY 2024 Actual Expenditures*

In FY 2024, the Secretary of State expended 94.4% of its \$7.5 million proprietary budget. This is slightly higher than the five-year historical average expenditure of 91.2%. This higher expenditure is largely due to the Secretary of State reducing the total FTE within the agency due to operational efficiencies during the 2023 Legislative Session. In years past, personal service expenditures were lower due to the agency holding these positions vacant. In FY 2024, the agency expended 97.8% of its personal services budget.

*FY 2024 Appropriations Compared to FY 2025 Appropriations*

The Secretary of State's appropriation authority for FY 2025 is approximately \$997,000, or 13.4%, lower than in FY 2024. This decrease is almost entirely attributed to lower operating expenditure authority in FY 2025. During the 2025 biennium the Secretary of State requested additional operating expenditure authority in FY 2024 due to increased expenditures related to software projects and system maintenance. This increase was not requested for FY 2025.

## 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 #	Program Name			
6053	Business Services	32010	Business Services			
			Actual	Estimated	Proposed	Proposed
			FY 24	FY 25	FY 26	FY 27
Operating Revenues						
Fees and Charges						
	Charges for Service		5,752,240	5,970,779	9,746,942	9,703,744
	Sale of Documents		109,260	109,260	109,260	109,260
	Federal I/D Cost Recovery		-	184,817	184,817	184,817
Other Operating Revenues						
	BOI Investment Earnings		598,618	358,340	399,322	427,434
	SOS Miscellaneous Receipts		207,058	22,241	22,241	22,241
Total Operating Revenues			6,667,176	6,645,437	10,462,582	10,447,496
Expenses						
	Personal Services		3,712,645	3,953,146	4,425,819	4,439,372
	Operating Expense		3,218,542	2,504,891	2,371,278	2,277,908
Total Operating Expense			6,931,187	6,458,037	6,797,097	6,717,280
Operating Income (Loss)			(264,011)	187,400	3,665,485	3,730,216
Nonoperating Revenues						
Nonoperating Expenses						
Total Nonoperating Revenues (Expenses)			-	-	-	-
Income (Loss) Before Contributions and Transfers			(264,011)	187,400	3,665,485	3,730,216
Transfers In			302,113			
Transfers Out			(106,840)			
Change in Net Position			(68,738)	187,400	3,665,485	3,730,216
Beginning Net Position - July 1			14,160,481	13,350,457	13,537,857	17,203,341
Prior Period Adjustments			(741,286)	-	-	-
Change in Net Position			(68,738)	187,400	3,665,485	3,730,216
Ending Net Position - June 30			13,350,457	13,537,857	17,203,341	20,933,557

*Expenditures*

Proposed expenditures for FY 2026 and FY 2027 show increased personal services and decreased operating expenses due to statewide present law adjustments.

*Revenues*

Revenue is received from the following sources:

- Fees charged to businesses and corporations for corporate filings and registration of assumed business names and trademarks
- Fees charged to state agencies for publishing the Administrative Rule of Montana and the Montana Administrative Register
- Fees charged to candidates who file for elections
- Fees charged to Montana citizens who apply to be notaries

The program collects the largest amount of revenues on the annual report filings during the annual report season.

In FY 2024 and FY 2025 the Secretary of State waived the annual report filing fee. The Secretary is currently evaluating the agency's financial position and considering additional fee reductions and waivers for the 2027 biennium.

*Proprietary Rates*

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.

The administrative rule that establishes fees charged to agencies for publication of the Administrative Rules of Montana and notices in the Montana Administrative Register was amended in June 2024. Beginning in FY 2026, an agency will have the option between two methods for paying filing fees.

1. Pay \$60 per page for each notice at the time of publication
2. Pay on an annual basis a fee based on the volume of notice submissions:
  - 1 to 4 notices - \$550
  - 5 to 9 notices - \$1,650
  - 10 to 15 notices - \$3,475
  - 16 to 25 notices - \$4,400
  - 26 to 35 notices - \$8,675
  - 36 or more notices - \$16,750

It should be noted that this does not increase the rate charged to agency's but rather gives the agency the choice between paying per page for each notice as they have been doing previously or to pay on an annual basis.

### 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	472,673	0.00	0	0	0	486,226
DP 2 - Fixed Costs	0.00	0	0	0	(133,613)	0.00	0	0	0	(226,983)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$339,060</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$259,243</b>

\*"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 requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

Secretary of State	
Business & Government Services	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 182,027
Management Changes	304,199
Total Budget Modifications	-
Total	<u><u>\$ 486,226</u></u>

The executive requests an increased statewide present law adjustment for personal services primarily due to management changes for increased pay changes. Legislative changes also increased due to increased benefits. It should be noted that the Secretary of State reduced its PB in the 2023 Legislative Session due to operational efficiencies.

### DP 2 - Fixed Costs -

The executive requests 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.

# DEPARTMENT OF REVENUE

## Section A

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### JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

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#### -----Agencies-----

Commissioner of Political Practice  
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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	3.50	3.50	3.50	0.00	0.0%
Proprietary Funds	322,668	349,768	350,898	55,330	8.6%
<b>Total Funds</b>	<b>322,668</b>	<b>349,768</b>	<b>350,898</b>	<b>55,330</b>	<b>8.6%</b>
Personal Services	256,271	273,061	273,062	33,581	6.6%
Operating Expenses	66,397	76,707	77,836	21,749	16.4%
<b>Total Expenditures</b>	<b>322,668</b>	<b>349,768</b>	<b>350,898</b>	<b>55,330</b>	<b>8.6%</b>
<b>Total Ongoing</b>	<b>322,668</b>	<b>349,768</b>	<b>350,898</b>	<b>55,330</b>	<b>8.6%</b>
<b>Total One-Time-Only</b>					<b>0.0%</b>

## Agency Highlights

Department of Revenue Major Budget Highlights
<ul style="list-style-type: none"> <li>The Department of Revenue's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$55,000 or 8.6% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> <li>An increase in personal services authority of \$34,000 because of the statewide present law adjustment for personal services</li> <li>Operating expenses also increased by \$22,000 with this being primarily due to fixed costs associated with administrative costs</li> <li>A proposed increase to the commission rate from 4.75% to 6.00% in FY 2026 and FY 2027</li> </ul> </li> </ul>

## 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 Revenue 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
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>322,668</b>	<b>92.3%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>322,668</b>	<b>92.0%</b>
Statewide PL										
Personal Services	0	0	0	16,790	4.8%	0	0	0	16,791	4.8%
Fixed Costs	0	0	0	10,310	2.9%	0	0	0	11,439	3.3%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	27,100	7.7%	0	0	0	28,230	8.0%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27,100</b>	<b>7.7%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28,230</b>	<b>8.0%</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>349,768</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>350,898</b>	

## Funding

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

Total Department of Revenue 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
<b>01100 General Fund</b>	<b>137,860,350</b>			<b>352,583,000</b>	<b>490,443,350</b>	<b>37.9%</b>
02442 Cannabis	198,135,869				198,135,869	15.3%
02168 MT Oil Production Tax				130,606,005	130,606,005	10.1%
02083 Oil & Gas Local Assistance				10,242,000	10,242,000	0.8%
02008 Tobacco And Cig. Tribal Agree.				6,159,910	6,159,910	0.5%
02966 Tribal Agreement - Alcohol				2,018,000	2,018,000	0.2%
Other State Special Revenue	2,081,408			3,912,037	5,993,445	0.5%
<b>State Special Revenue Total</b>	<b>200,217,277</b>	-	-	<b>152,937,952</b>	<b>353,155,229</b>	<b>27.3%</b>
03928 Royalty Audit - NRCT	1,006,046				1,006,046	0.1%
<b>Federal Special Revenue Total</b>	<b>1,006,046</b>	-	-	-	<b>1,006,046</b>	<b>0.1%</b>
06005 Liquor Division	449,079,507				449,079,507	34.7%
06554 Bad Debt Collection Services			700,666		700,666	0.1%
<b>Proprietary Fund Total</b>	<b>449,079,507</b>	-	<b>700,666</b>	-	<b>449,780,173</b>	<b>34.7%</b>
<b>Total of All Funds</b>	<b>788,163,180</b>	-	<b>700,666</b>	<b>505,520,952</b>	<b>1,294,384,798</b>	
<b>Percent of All Sources of Authority</b>	<b>60.9%</b>	<b>0.0%</b>	<b>0.1%</b>	<b>39.1%</b>		

## Non-Budgeted Proprietary Funds

The finances of the bad debt collection services are funded with non-budgeted proprietary funds which will be discussed in the Proprietary Program Description Section of this narrative.

**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	3.50	3.50	3.50	3.50
Personal Services	239,780	242,234	256,271	273,061	273,062
Operating Expenses	64,348	66,279	66,397	76,707	77,836
<b>Total Expenditures</b>	<b>\$304,128</b>	<b>\$308,513</b>	<b>\$322,668</b>	<b>\$349,768</b>	<b>\$350,898</b>
Proprietary Funds	304,128	308,513	322,668	349,768	350,898
<b>Total Funds</b>	<b>\$304,128</b>	<b>\$308,513</b>	<b>\$322,668</b>	<b>\$349,768</b>	<b>\$350,898</b>
<b>Total Ongoing</b>	<b>\$304,128</b>	<b>\$308,513</b>	<b>\$322,668</b>	<b>\$349,768</b>	<b>\$350,898</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*Agency Description*

The Department of Revenue has one non-budgeted proprietary fund. This fund is within the Information Management and Collections Division (IMCD).

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

*FY 2024 Appropriation Compared to FY 2024 Actual Expenditures*

This non-budgeted proprietary fund was 98.6% expended in FY 2024. This is in line with anticipated expenditures at the end of the fiscal year.

*FY 2024 Appropriations Compared to FY 2025 Appropriations*

In comparing the appropriations for FY 2025 to the FY 2024 appropriations, FY 2025 is 4.6% greater. Within this fund, personal services increased at a larger rate because the pay plan is greater in FY 2025. Within operating expenses, appropriations for this are nearly identical in FY 2025 to the FY 2024 appropriations.

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

Fund	Fund Name	Agency #	Agency Name	Program Name
6554	Bad Debt Collection Services	58010	Revenue	Information Mgmt & Collections

  

	Actual FY 2024	Estimated FY 2025	Proposed FY 2026	Proposed FY 2027
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Fee Revenue A	337,170	300,000	350,000	360,000
Other Operating Revenues				
<b>Total Operating Revenues</b>	337,170	300,000	350,000	360,000
<b>Expenses</b>				
Personal Services	239,961	256,271	273,061	273,062
Other Operating Expense				
Expense A	64,685	66,397	76,707	77,836
<b>Total Operating Expense</b>	304,646	322,668	349,768	350,898
<b>Operating Income (Loss)</b>	32,524	(22,668)	232	9,102
<b>Nonoperating Revenues</b>				
Other Revenue A				
Other Revenue B				
<b>Nonoperating Expenses</b>				
Other Expense A				
Other Expense B				
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	32,524	(22,668)	232	9,102
<b>Capital Contributions</b>				
<b>Transfers In</b>				
<b>Transfers Out</b>				
<b>Loans and Lease Payments</b>				
<b>Change in Net Position</b>	32,524	(22,668)	232	9,102
<b>Beginning Net Position - July 1</b>	261,177	293,951	271,283	271,515
Prior Period Adjustments	250			
Change in Net Position	32,524	(22,668)	232	9,102
<b>Ending Net Position - June 30</b>	293,951	271,283	271,515	280,617
<b>Net Position (Fund Balance) Analysis</b>				
Restricted Net Position (Enterprise Funds Only)				
Unrestricted Net Position				

Expenditures

The Department of Revenue is currently authorized to charge a commission rate for its collection services, excluding the collection of overpaid child support payments made to custodial parents and collection of delinquent child support payments from noncustodial parents. The commissions collected are used to pay the expenses of the Collection Services Program. Historically, 76.5% of the expenditures from this fund are paid in salary and benefits (personal services) with the remaining expenditures being operating expenses.

Revenues

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

Proprietary Rates

The executive proposes a commission rate of 6.00% in both FY 2026 and FY 2027, which is an increase from the rates approved by the 2023 Legislature. This will provide the department with approximately nine months' worth of working capital. The nine-month working capital balance allows the agency to pay expenses as they are incurred as most of commission revenue is not collected until the income tax filing season each year, which is six to nine months after the start of the fiscal year. The department will continue to evaluate the commission rate as actual revenues and expenditures are received and incurred to maintain the working capital balance at the appropriate level.

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:	5.00%	4.75%	6.00%	6.00%

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	16,790	0.00	0	0	0	16,791
DP 2 - Fixed Costs	0.00	0	0	0	10,310	0.00	0	0	0	11,439
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$27,100</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$28,230</b>

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

# DEPARTMENT OF ADMINISTRATION

## Section A

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### JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

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#### -----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%
<b>Total Funds</b>	<b>383,938,114</b>	<b>424,593,460</b>	<b>439,098,776</b>	<b>95,816,008</b>	<b>12.5%</b>
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%
<b>Total Expenditures</b>	<b>383,938,114</b>	<b>424,593,460</b>	<b>439,098,776</b>	<b>95,816,008</b>	<b>12.5%</b>
<b>Total Ongoing</b>	<b>383,938,114</b>	<b>424,593,460</b>	<b>439,098,776</b>	<b>95,816,008</b>	<b>12.5%</b>
<b>Total One-Time-Only</b>					<b>0.0%</b>

## Agency Highlights

Department of Administration Major Budget Highlights
<ul style="list-style-type: none"> <li>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"> <li>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</li> <li>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</li> <li>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</li> </ul> </li> </ul>



## 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
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>383,938,114</b>	<b>90.4%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>383,938,114</b>	<b>87.4%</b>
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%)
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>40,655,346</b>	<b>9.6%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>55,160,662</b>	<b>12.6%</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>424,593,460</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>439,098,776</b>	

### 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
<b>01100 General Fund</b>	<b>115,192,215</b>			<b>185,649,687</b>	<b>300,841,902</b>	<b>21.0%</b>
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%
<b>State Special Revenue Total</b>	<b>17,564,096</b>	<b>-</b>	<b>-</b>	<b>16,999,187</b>	<b>34,563,283</b>	<b>2.4%</b>
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%
<b>Federal Special Revenue Total</b>	<b>57,070</b>	<b>-</b>	<b>-</b>	<b>10,010,900</b>	<b>10,067,970</b>	<b>0.7%</b>
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%
<b>Proprietary Fund Total</b>	<b>13,706,585</b>	<b>-</b>	<b>863,692,236</b>	<b>207,292,700</b>	<b>1,084,691,521</b>	<b>75.8%</b>
<b>Total of All Funds</b>	<b>146,519,966</b>	<b>-</b>	<b>863,692,236</b>	<b>419,952,474</b>	<b>1,430,164,676</b>	
<b>Percent of All Sources of Authority</b>	<b>10.2%</b>	<b>0.0%</b>	<b>60.4%</b>	<b>29.4%</b>		

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
<b>Total Expenditures</b>	<b>\$378,909,070</b>	<b>\$396,776,547</b>	<b>\$383,938,114</b>	<b>\$424,593,460</b>	<b>\$439,098,776</b>
Proprietary Funds	378,909,070	396,776,547	383,938,114	424,593,460	439,098,776
<b>Total Funds</b>	<b>\$378,909,070</b>	<b>\$396,776,547</b>	<b>\$383,938,114</b>	<b>\$424,593,460</b>	<b>\$439,098,776</b>
<b>Total Ongoing</b>	<b>\$378,909,070</b>	<b>\$396,776,547</b>	<b>\$383,938,114</b>	<b>\$424,593,460</b>	<b>\$439,098,776</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*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%	
<b>Total Funds</b>	<b>3,611,415</b>	<b>4,130,040</b>	<b>4,141,784</b>	<b>1,048,994</b>	<b>14.5%</b>	
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%	
<b>Total Expenditures</b>	<b>3,611,415</b>	<b>4,130,040</b>	<b>4,141,784</b>	<b>1,048,994</b>	<b>14.5%</b>	
<b>Total Ongoing</b>	<b>3,611,415</b>	<b>4,130,040</b>	<b>4,141,784</b>	<b>1,048,994</b>	<b>14.5%</b>	
<b>Total One-Time-Only</b>					<b>0.0%</b>	

### Program Highlights

Director's Office Major Budget Highlights	
<ul style="list-style-type: none"> <li>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"> <li>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</li> <li>Statewide present law adjustments for personal services and fixed costs</li> <li>Increased rates for the Management Services Program and the Office of Public Information Requests</li> </ul> </li> </ul>	

### 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
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,611,415</b>	<b>87.4%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,611,415</b>	<b>87.2%</b>
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%
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>518,625</b>	<b>12.6%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>530,369</b>	<b>12.8%</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,130,040</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>4,141,784</b>	

### 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%	
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$16,908,187</b>	<b>\$16,908,187</b>	<b>5.4%</b>	
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%	
<b>Federal Special Total</b>	<b>\$45,414</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,010,900</b>	<b>\$10,056,314</b>	<b>3.2%</b>	
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%	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,271,824</b>	<b>\$0</b>	<b>\$8,271,824</b>	<b>2.6%</b>	
<b>Total All Funds</b>	<b>\$101,069,487</b>	<b>\$0</b>	<b>\$8,271,824</b>	<b>\$206,502,258</b>	<b>\$315,843,569</b>		

### 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
<b>Total Expenditures</b>	<b>\$2,647,852</b>	<b>\$3,310,009</b>	<b>\$3,611,415</b>	<b>\$4,130,040</b>	<b>\$4,141,784</b>
Proprietary Funds	2,647,852	3,310,009	3,611,415	4,130,040	4,141,784
<b>Total Funds</b>	<b>\$2,647,852</b>	<b>\$3,310,009</b>	<b>\$3,611,415</b>	<b>\$4,130,040</b>	<b>\$4,141,784</b>
<b>Total Ongoing</b>	<b>\$2,647,852</b>	<b>\$3,310,009</b>	<b>\$3,611,415</b>	<b>\$4,130,040</b>	<b>\$4,141,784</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### 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
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
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	-		
<b>Total Operating Revenues</b>	2,536,480	2,495,818	3,060,000	3,070,000
<b>Expenses</b>				
Personal Services	1,892,332	2,356,524	2,711,206	2,725,609
Operating Expense	274,495	358,596	370,930	365,642
<b>Total Operating Expenses</b>	2,166,827	2,715,120	3,082,136	3,091,251
<b>Operating Income (Loss)</b>	369,653	(219,302)	(22,136)	(21,251)
<b>Nonoperating Revenues</b>				
Other Revenue A	-	12	12	12
<b>Nonoperating Expenses</b>				
Other Expense A	-	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	-	12	12	12
<b>Income (Loss) Before Contributions and Transfers</b>	369,653	(219,290)	(22,124)	(21,239)
<b>Capital Contributions</b>				
<b>Transfers In</b>				
<b>Transfers Out</b>				
<b>Loans and Lease Payments</b>				
<b>Change in Net Position</b>	369,653	(219,290)	(22,124)	(21,239)
<b>Beginning Net Position - July 1</b>	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)
<b>Ending Net Position - June 30</b>	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
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Charges for Services	500,000	500,000	500,000	500,000
<b>Total Operating Revenues</b>	500,000	500,000	500,000	500,000
<b>Expenses</b>				
Personal Services	251,823	428,000	391,937	394,397
Other Operating Expense	64,054	72,000	216,903	216,245
<b>Total Operating Expense</b>	315,877	500,000	608,840	610,642
<b>Operating Income (Loss)</b>	184,123	-	(108,840)	(110,642)
 Nonoperating Revenues				
Miscellaneous Revenue		12	12	12
Nonoperating Expenses				
<b>Total Nonoperating Revenues (Expenses)</b>	-	12	12	12
 <b>Income (Loss) Before Contributions and Transfers</b>	184,123	12	(108,828)	(110,630)
 Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
 <b>Change in Net Position</b>	184,123	12	(108,828)	(110,630)
 <b>Beginning Net Position - July 1</b>	-	184,123	184,135	75,307
Prior Period Adjustments				
Change in Net Position	184,123	12	(108,828)	(110,630)
 <b>Ending Net Position - June 30</b>	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
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Charge to requestor	10,496	20,000	33,800	33,800
Rate to agencies			218,400	260,000
transaction fee			90,800	115,200
<b>Total Operating Revenues</b>	10,496	20,000	343,000	409,000
<b>Expenses</b>				
Personal Services	175,881	324,295	329,286	330,830
Other Operating Expense	19,572	72,000	109,778	109,061
<b>Total Operating Expense</b>	195,453	396,295	439,064	439,891
<b>Operating Income (Loss)</b>	(184,957)	(376,295)	(96,064)	(30,891)
<b>Nonoperating Revenues</b>				
Miscellaneous Revenue	26	12	12	12
<b>Nonoperating Expenses</b>				
<b>Total Nonoperating Revenues (Expenses)</b>	26	12	12	12
<b>Income (Loss) Before Contributions and Transfers</b>	(184,931)	(376,283)	(96,052)	(30,879)
<b>Capital Contributions</b>				
Transfers In	202,319	240,000		
Transfers Out				
Loans and Lease Payments				
<b>Change in Net Position</b>	17,388	(136,283)	(96,052)	(30,879)
<b>Beginning Net Position - July 1</b>	-	17,388	(118,895)	(214,947)
Prior Period Adjustments				
Change in Net Position	17,388	(136,283)	(96,052)	(30,879)
<b>Ending Net Position - June 30</b>	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
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$160,133</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$165,609</b>

\*\*"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
<b>Total</b>	<b>4.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$358,492</b>	<b>4.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$364,760</b>

\*\*"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%
<b>Total Funds</b>	<b>7,095,509</b>	<b>7,454,237</b>	<b>7,386,273</b>	<b>649,492</b>	<b>4.6%</b>
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%
<b>Total Expenditures</b>	<b>7,095,509</b>	<b>7,454,237</b>	<b>7,386,273</b>	<b>649,492</b>	<b>4.6%</b>
<b>Total Ongoing</b>	<b>7,095,509</b>	<b>7,454,237</b>	<b>7,386,273</b>	<b>649,492</b>	<b>4.6%</b>
<b>Total One-Time-Only</b>					<b>0.0%</b>

### Program Highlights

State Financial Services Division Major Budget Highlights	
<ul style="list-style-type: none"> <li>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"> <li>Increased warrant writer costs for postage and paper</li> <li>Statewide present law adjustments for personal services and fixed costs</li> <li>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</li> </ul> </li> </ul>	

**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
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,095,509</b>	<b>95.2%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,095,509</b>	<b>96.1%</b>
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%
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>358,728</b>	<b>4.8%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>290,764</b>	<b>3.9%</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,454,237</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>7,386,273</b>	

**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%
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>
03320 CMIA Funds	11,656	0	0	0	11,656	100.0%
<b>Federal Special Total</b>	<b>\$11,656</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$11,656</b>	<b>0.0%</b>
06042 Local Govt Svcs AuditRportng	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%
<b>Proprietary Total</b>	<b>\$175,756</b>	<b>\$0</b>	<b>\$14,840,510</b>	<b>\$0</b>	<b>\$15,016,266</b>	<b>57.8%</b>
<b>Total All Funds</b>	<b>\$5,067,579</b>	<b>\$0</b>	<b>\$14,840,510</b>	<b>\$6,066,516</b>	<b>\$25,974,605</b>	

*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
<b>Total Expenditures</b>	<b>\$7,320,718</b>	<b>\$7,854,020</b>	<b>\$7,095,509</b>	<b>\$7,454,237</b>	<b>\$7,386,273</b>
Proprietary Funds	7,320,718	7,854,020	7,095,509	7,454,237	7,386,273
<b>Total Funds</b>	<b>\$7,320,718</b>	<b>\$7,854,020</b>	<b>\$7,095,509</b>	<b>\$7,454,237</b>	<b>\$7,386,273</b>
<b>Total Ongoing</b>	<b>\$7,320,718</b>	<b>\$7,854,020</b>	<b>\$7,095,509</b>	<b>\$7,454,237</b>	<b>\$7,386,273</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*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)
<b>Total</b>	<b>\$ 168,877</b>	<b>\$ 77,436</b>

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

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

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
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Warrant Writer Revenue	1,264,026	1,035,652	1,270,918	1,270,918
<b>Total Operating Revenues</b>	1,264,026	1,035,652	1,270,918	1,270,918
<b>Expenses</b>				
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
<b>Total Operating Expense</b>	1,309,825	906,842	1,092,577	1,116,046
<b>Operating Income (Loss)</b>	(45,799)	128,810	178,341	154,872
<b>Nonoperating Revenues</b>				
Miscellaneous Revenue	24			
<b>Nonoperating Expenses</b>				
<b>Total Nonoperating Revenues (Expenses)</b>	24	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	(45,775)	128,810	178,341	154,872
<b>Capital Contributions</b>				
<b>Transfers In</b>				
<b>Transfers Out</b>				
<b>Loans and Lease Payments</b>				
<b>Change in Net Position</b>	(45,775)	128,810	178,341	154,872
<b>Beginning Net Position - July 1</b>	85,263	39,585	168,395	346,736
Prior Period Adjustments	97			
<b>Change in Net Position</b>	(45,775)	128,810	178,341	154,872
<b>Ending Net Position - June 30</b>	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
<b>Total</b>	<b>\$185,735</b>	<b>\$209,204</b>

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
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Charges for Services	789,479	790,000	815,000	815,000
Fines/Forfeits	12,391	12,500	12,500	12,500
<b>Total Operating Revenues</b>	801,870	802,500	827,500	827,500
<b>Expenses</b>				
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			
<b>Total Operating Expense</b>	1,171,109	953,474	957,590	957,598
<b>Operating Income (Loss)</b>	(369,239)	(150,974)	(130,090)	(130,098)
<b>Nonoperating Revenues</b>				
Misc. Revenue	40	10	10	10
<b>Nonoperating Expenses</b>				
<b>Total Nonoperating Revenues (Expenses)</b>	40	10	10	10
<b>Income (Loss) Before Contributions and Transfers</b>	(369,199)	(150,964)	(130,080)	(130,088)
<b>Capital Contributions</b>				
<b>Transfers In</b>				
<b>Transfers Out</b>				
<b>Loans and Lease Payments</b>				
<b>Change in Net Position</b>	(369,199)	(150,964)	(130,080)	(130,088)
<b>Beginning Net Position - July 1</b>	798,519	927,206	776,242	646,162
Prior Period Adjustments				
Change in Net Position	(369,199)	(150,964)	(130,080)	(130,088)
<b>Ending Net Position - June 30</b>	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
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$358,728</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$290,764</b>

\*"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%
<b>Total Funds</b>	<b>26,013,072</b>	<b>27,800,208</b>	<b>27,766,726</b>	<b>3,540,790</b>	<b>6.8%</b>
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%
<b>Total Expenditures</b>	<b>26,013,072</b>	<b>27,800,208</b>	<b>27,766,726</b>	<b>3,540,790</b>	<b>6.8%</b>
<b>Total Ongoing</b>	<b>26,013,072</b>	<b>27,800,208</b>	<b>27,766,726</b>	<b>3,540,790</b>	<b>6.8%</b>
<b>Total One-Time-Only</b>					<b>0.0%</b>

## Program Highlights

General Services Division Major Budget Highlights	
<ul style="list-style-type: none"> <li>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"> <li>Increased postage and mail costs in the Print and Mail Services Bureau</li> <li>Increased contract service costs in the Facilities Management Bureau</li> <li>Increase in lease liability in the Facilities Management Bureau</li> <li>A proposed rent increase and consolidation of the rental rate for office and non-office space for the Rent and Maintenance Program</li> <li>A proposed increased rate for interagency mail of 8.8% compared to the FY 2025 base rate in the State Print and Mail Services</li> </ul> </li> </ul>	

**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
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26,013,072</b>	<b>93.6%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26,013,072</b>	<b>93.7%</b>
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%
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,787,136</b>	<b>6.4%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,753,654</b>	<b>6.3%</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27,800,208</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>27,766,726</b>	

**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%	
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	
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%	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$55,566,934</b>	<b>\$0</b>	<b>\$55,566,934</b>	<b>100.0%</b>	
<b>Total All Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$55,566,934</b>	<b>\$0</b>	<b>\$55,566,934</b>		

*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
<b>Total Expenditures</b>	<b>\$27,310,538</b>	<b>\$27,430,313</b>	<b>\$26,013,072</b>	<b>\$27,800,208</b>	<b>\$27,766,726</b>
Proprietary Funds	27,310,538	27,430,313	26,013,072	27,800,208	27,766,726
<b>Total Funds</b>	<b>\$27,310,538</b>	<b>\$27,430,313</b>	<b>\$26,013,072</b>	<b>\$27,800,208</b>	<b>\$27,766,726</b>
<b>Total Ongoing</b>	<b>\$27,310,538</b>	<b>\$27,430,313</b>	<b>\$26,013,072</b>	<b>\$27,800,208</b>	<b>\$27,766,726</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**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
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
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
<b>Total Operating Revenues</b>	12,054,524	11,817,526	13,447,748	13,482,945
<b>Expenses</b>				
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	-	-	-
<b>Total Operating Expense</b>	12,134,203	12,549,062	12,583,017	12,613,942
<b>Operating Income (Loss)</b>	(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				
<b>Total Nonoperating Revenues (Expenses)</b>	51,489	1,500	1,500	1,500
<b>Income (Loss) Before Contributions and Transfers</b>	(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)
<b>Change in Net Position</b>	(123,423)	(706,575)	602,127	668,577
<b>Beginning Net Position - July 1</b>	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
<b>Total</b>	<b>\$ 421,520</b>	<b>\$ 390,267</b>

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	
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Charges for Services	13,554,623	11,820,000	13,250,000	13,250,000
<b>Total Operating Revenues</b>	13,554,623	11,820,000	13,250,000	13,250,000
<b>Expenses</b>				
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	-	-	-
<b>Total Operating Expense</b>	13,450,291	11,787,758	13,188,122	13,186,085
<b>Operating Income (Loss)</b>	104,332	32,242	61,878	63,915
Nonoperating Revenues				
Misc. Revenue	101	12	12	12
Nonoperating Expenses				
Other Expense A				
<b>Total Nonoperating Revenues (Expenses)</b>	101	12	12	12
<b>Income (Loss) Before Contributions and Transfers</b>	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)
<b>Change in Net Position</b>	89,124	1,338	30,974	33,011
<b>Beginning Net Position - July 1</b>	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
<b>Ending Net Position - June 30</b>	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%
<b>Inter-agency Mail</b>						
Dollars-yearly	\$	365,550	\$	365,550	\$	397,635
<b>Postal Contract (Capitol)</b>						
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
<b>Operating Revenues</b>							
<b>Fees and Charges</b>							
Surplus Property Handling Fee				916,410	841,000	920,000	920,000
<b>Total Operating Revenues</b>				916,410	841,000	920,000	920,000
<b>Expenses</b>							
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
<b>Total Operating Expense</b>				869,851	906,397	871,649	871,457
<b>Operating Income (Loss)</b>				46,559	(65,397)	48,351	48,543
Nonoperating Revenues							
Sale of Documents				42,381			
Nonoperating Expenses							
<b>Total Nonoperating Revenues (Expenses)</b>				42,381	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>				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							
<b>Change in Net Position</b>				1,483,723	1,359,603	848,351	848,543
<b>Beginning Net Position - July 1</b>				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
<b>Ending Net Position - June 30</b>				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
<b>Total</b>	<b>\$ (34,748)</b>	<b>\$ (34,940)</b>

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
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,787,136</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,753,654</b>

\*"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%
<b>Total Funds</b>	<b>71,297,437</b>	<b>80,074,788</b>	<b>80,185,867</b>	<b>17,665,781</b>	<b>12.4%</b>
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%
<b>Total Expenditures</b>	<b>71,297,437</b>	<b>80,074,788</b>	<b>80,185,867</b>	<b>17,665,781</b>	<b>12.4%</b>
<b>Total Ongoing</b>	<b>71,297,437</b>	<b>80,074,788</b>	<b>80,185,867</b>	<b>17,665,781</b>	<b>12.4%</b>
<b>Total One-Time-Only</b>					<b>0.0%</b>

**Program Highlights**

State Information Technology Services Division Major Budget Highlights	
<ul style="list-style-type: none"> <li>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</li> <li>Significant proposed biennial increases in rates include: <ul style="list-style-type: none"> <li>\$11.9 million for rated services</li> <li>\$6.8 million for general pass thru services</li> <li>\$3.1 million for a new rate for the Tanium enterprise agreement</li> <li>\$8.6 million for the enterprise services allocation, Microsoft enterprise agreement, cybersecurity enterprise rate, and ServiceNow enterprise agreement</li> </ul> </li> </ul>	

**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
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>71,297,437</b>	<b>89.0%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>71,297,437</b>	<b>88.9%</b>
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%)
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,777,351</b>	<b>11.0%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,888,430</b>	<b>11.1%</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>80,074,788</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>80,185,867</b>	

**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%
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>
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%
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$160,260,655</b>	<b>\$0</b>	<b>\$160,260,655</b>	<b>100.0%</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$160,260,655</b>	<b>\$0</b>	<b>\$160,260,655</b>	

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
<b>Total Expenditures</b>	<b>\$70,078,738</b>	<b>\$72,498,152</b>	<b>\$71,297,437</b>	<b>\$80,074,788</b>	<b>\$80,185,867</b>
Proprietary Funds	70,078,738	72,498,152	71,297,437	80,074,788	80,185,867
<b>Total Funds</b>	<b>\$70,078,738</b>	<b>\$72,498,152</b>	<b>\$71,297,437</b>	<b>\$80,074,788</b>	<b>\$80,185,867</b>
<b>Total Ongoing</b>	<b>\$70,078,738</b>	<b>\$72,498,152</b>	<b>\$71,297,437</b>	<b>\$80,074,788</b>	<b>\$80,185,867</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### 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
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
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		
<b>Total Operating Revenues</b>	68,243,497	68,000,000	80,489,210	80,100,608
<b>Expenses</b>				
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
<b>Total Operating Expense</b>	69,146,468	68,302,726	78,299,261	78,363,524
<b>Operating Income (Loss)</b>	(902,971)	(302,726)	2,189,949	1,737,084
<b>Nonoperating Revenues</b>				
Other Revenue A	29,267	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	29,267	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	(873,704)	(302,726)	2,189,949	1,737,084
<b>Capital Contributions</b>				
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)
<b>Change in Net Position</b>	(1,270,333)	(702,726)	1,789,949	1,337,084
<b>Beginning Net Position - July 1</b>	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
<b>Ending Net Position - June 30</b>	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
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Fee	713,126	700,000	809,607	809,607
<b>Total Operating Revenues</b>	713,126	700,000	809,607	809,607
<b>Expenses</b>				
Personal Services	-	-	-	-
Operating Expense	357,213	650,000	650,000	650,000
<b>Total Operating Expense</b>	357,213	650,000	650,000	650,000
<b>Operating Income (Loss)</b>	355,913	50,000	159,607	159,607
<b>Income (Loss) Before Contributions and Transfers</b>	355,913	50,000	159,607	159,607
<b>Change in Net Position</b>	355,913	50,000	159,607	159,607
<b>Beginning Net Position - July 1</b>	(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
<b>Ending Net Position - June 30</b>	(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 15<sup>th</sup> 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
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,447,268</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,566,018</b>

\*\*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)
<b>Total</b>	<b>(5.00)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$495,206)</b>	<b>(5.00)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$502,877)</b>

\*\*\*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%
<b>Total Funds</b>	<b>233,076,725</b>	<b>261,494,436</b>	<b>275,817,894</b>	<b>71,158,880</b>	<b>15.3%</b>
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%
<b>Total Expenditures</b>	<b>233,076,725</b>	<b>261,494,436</b>	<b>275,817,894</b>	<b>71,158,880</b>	<b>15.3%</b>
<b>Total Ongoing</b>	<b>233,076,725</b>	<b>261,494,436</b>	<b>275,817,894</b>	<b>71,158,880</b>	<b>15.3%</b>
<b>Total One-Time-Only</b>					<b>0.0%</b>

### Program Highlights

Health Care & Benefits Division Major Budget Highlights	
<ul style="list-style-type: none"> <li>The Health Care &amp; 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</li> <li>This increase is almost entirely attributed to increased proprietary authority for estimated claims expenses for the State of Montana Benefit Plan (State Plan)</li> <li>Fixed cost rates for the Workers Compensation Program are proposed to increase by 27.6% in FY 2026 and 27.1% in FY 2027</li> </ul>	

**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
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>233,076,725</b>	<b>89.1%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>233,076,725</b>	<b>84.5%</b>
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%
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28,417,711</b>	<b>10.9%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>42,741,169</b>	<b>15.5%</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>261,494,436</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>275,817,894</b>	

**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%	
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	
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%	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$537,312,330</b>	<b>\$0</b>	<b>\$537,312,330</b>	<b>100.0%</b>	
<b>Total All Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$537,312,330</b>	<b>\$0</b>	<b>\$537,312,330</b>		

*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
<b>Total Expenditures</b>	<b>\$241,661,207</b>	<b>\$242,748,848</b>	<b>\$233,076,725</b>	<b>\$261,494,436</b>	<b>\$275,817,894</b>
Proprietary Funds	241,661,207	242,748,848	233,076,725	261,494,436	275,817,894
<b>Total Funds</b>	<b>\$241,661,207</b>	<b>\$242,748,848</b>	<b>\$233,076,725</b>	<b>\$261,494,436</b>	<b>\$275,817,894</b>
<b>Total Ongoing</b>	<b>\$241,661,207</b>	<b>\$242,748,848</b>	<b>\$233,076,725</b>	<b>\$261,494,436</b>	<b>\$275,817,894</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### 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
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
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
<b>Total Operating Revenues</b>	<b>236,392,413</b>	<b>235,641,490</b>	<b>243,735,000</b>	<b>252,895,000</b>
<b>Expenses</b>				
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
<b>Total Operating Expense</b>	<b>233,657,101</b>	<b>224,831,283</b>	<b>253,220,345</b>	<b>267,544,314</b>
<b>Operating Income (Loss)</b>	<b>2,735,312</b>	<b>10,810,207</b>	<b>(9,485,345)</b>	<b>(14,649,314)</b>
<b>Nonoperating Revenues</b>				
Fines/Forfeits	67,049	61,000	61,000	61,000
<b>Nonoperating Expenses</b>				
<b>Total Nonoperating Revenues (Expenses)</b>	<b>67,049</b>	<b>61,000</b>	<b>61,000</b>	<b>61,000</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>2,802,361</b>	<b>10,871,207</b>	<b>(9,424,345)</b>	<b>(14,588,314)</b>
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
<b>Change in Net Position</b>	<b>2,802,361</b>	<b>10,871,207</b>	<b>(9,424,345)</b>	<b>(14,588,314)</b>
<b>Beginning Net Position - July 1</b>	<b>169,966,705</b>	<b>172,753,078</b>	<b>183,624,285</b>	<b>161,128,742</b>
Prior Period Adjustments	(15,988)			
Change in Net Position	2,802,361	10,871,207	(9,424,345)	(14,588,314)
<b>Ending Net Position - June 30</b>	<b>172,753,078</b>	<b>183,624,285</b>	<b>161,128,742</b>	<b>146,540,428</b>

*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
<b>Total</b>	<b>\$ 28,389,062</b>	<b>\$ 42,713,031</b>

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
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Charges for Services	296,414	349,312	443,485	443,485
<b>Total Operating Revenues</b>	296,414	349,312	443,485	443,485
<b>Expenses</b>				
Personal Services	233,589	301,646	325,520	325,639
Other Operating Expense	51,929	52,570	57,345	56,715
<b>Total Operating Expense</b>	285,518	354,216	382,865	382,354
<b>Operating Income (Loss)</b>	15,260	(4,904)	60,620	61,131
Nonoperating Revenues				
Nonoperating Expenses				
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	15,260	(4,904)	60,620	61,131
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
<b>Change in Net Position</b>	15,260	(4,904)	60,620	61,131
<b>Beginning Net Position - July 1</b>	(24,643)	(9,383)	(14,287)	46,333
Prior Period Adjustments				
Change in Net Position	15,260	(4,904)	60,620	61,131
<b>Ending Net Position - June 30</b>	(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
<b>Total</b>	<b>\$ 28,649</b>	<b>\$ 28,138</b>

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
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
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
<b>Total Operating Revenues</b>	8,038,126	7,841,250	7,900,000	7,900,000
<b>Expenses</b>				
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
<b>Total Operating Expense</b>	7,718,588	7,891,226	7,891,226	7,891,226
<b>Operating Income (Loss)</b>	319,538	(49,976)	8,774	8,774
Nonoperating Revenues				
Nonoperating Expenses				
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-
<b>Income (Loss) Before Contributions and Transfer</b>	319,538	(49,976)	8,774	8,774
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
<b>Change in Net Position</b>	319,538	(49,976)	8,774	8,774
<b>Beginning Net Position - July 1</b>	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
<b>Ending Net Position - June 30</b>	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%
<b>Total Funds</b>	<b>4,807,779</b>	<b>5,422,380</b>	<b>5,583,079</b>	<b>1,389,901</b>	<b>14.5%</b>
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%
<b>Total Expenditures</b>	<b>4,807,779</b>	<b>5,422,380</b>	<b>5,583,079</b>	<b>1,389,901</b>	<b>14.5%</b>
<b>Total Ongoing</b>	<b>4,807,779</b>	<b>5,422,380</b>	<b>5,583,079</b>	<b>1,389,901</b>	<b>14.5%</b>
<b>Total One-Time-Only</b>					<b>0.0%</b>

### Program Highlights

State Human Resources Division Major Budget Highlights
<ul style="list-style-type: none"> <li>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"> <li>Approximately \$1.1 million of this increase is due to increased contract costs for human resources systems and enterprise learning and development programs</li> <li>Increased authority due to statewide present law adjustments for fixed costs and personal services</li> <li>An increase of 17.0% in FY 2026 and 22.7% in FY 2027 for the HRIS fees</li> <li>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</li> </ul> </li> </ul>

**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
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,807,779</b>	<b>88.7%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,807,779</b>	<b>86.1%</b>
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%
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>614,601</b>	<b>11.3%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>775,300</b>	<b>13.9%</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,422,380</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>5,583,079</b>	

**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%
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>
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%
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$11,005,459</b>	<b>\$0</b>	<b>\$11,005,459</b>	<b>69.6%</b>
<b>Total All Funds</b>	<b>\$4,808,906</b>	<b>\$0</b>	<b>\$11,005,459</b>	<b>\$0</b>	<b>\$15,814,365</b>	

*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
<b>Total Expenditures</b>	<b>\$4,114,071</b>	<b>\$4,752,381</b>	<b>\$4,807,779</b>	<b>\$5,422,380</b>	<b>\$5,583,079</b>
Proprietary Funds	4,114,071	4,752,381	4,807,779	5,422,380	5,583,079
<b>Total Funds</b>	<b>\$4,114,071</b>	<b>\$4,752,381</b>	<b>\$4,807,779</b>	<b>\$5,422,380</b>	<b>\$5,583,079</b>
<b>Total Ongoing</b>	<b>\$4,114,071</b>	<b>\$4,752,381</b>	<b>\$4,807,779</b>	<b>\$5,422,380</b>	<b>\$5,583,079</b>

*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
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Charges for Services	3,849,451	3,849,451	4,344,873	4,561,663
Other Operating Revenues				
Misc. Revenue	341	100	100	100
<b>Total Operating Revenues</b>	3,849,792	3,849,551	4,344,973	4,561,763
<b>Expenses</b>				
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
<b>Total Operating Expense</b>	3,626,439	4,027,022	4,404,802	4,565,794
<b>Operating Income (Loss)</b>	223,353	(177,471)	(59,829)	(4,031)
Nonoperating Revenues				
Nonoperating Expenses				
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	223,353	(177,471)	(59,829)	(4,031)
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
<b>Change in Net Position</b>	223,353	(177,471)	(59,829)	(4,031)
<b>Beginning Net Position - July 1</b>	549,718	773,071	595,600	535,771
Prior Period Adjustments				
Change in Net Position	223,353	(177,471)	(59,829)	(4,031)
<b>Ending Net Position - June 30</b>	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
<b>Total</b>	<b>\$ 377,780</b>	<b>\$ 538,772</b>

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
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
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			
<b>Total Operating Revenues</b>	409,504	406,856	702,464	702,464
<b>Expenses</b>				
Personal Services	99,777	194,658	180,748	180,748
Other Operating Expense	264,148	219,770	488,868	488,457
<b>Total Operating Expense</b>	363,925	414,428	669,616	669,205
<b>Operating Income (Loss)</b>	45,579	(7,572)	32,848	33,259
Nonoperating Revenues				
Nonoperating Expenses				
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	45,579	(7,572)	32,848	33,259
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
<b>Change in Net Position</b>	45,579	(7,572)	32,848	33,259
<b>Beginning Net Position - July 1</b>	163,878	209,457	201,885	234,733
Prior Period Adjustments				
Change in Net Position	45,579	(7,572)	32,848	33,259
<b>Ending Net Position - June 30</b>	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
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$614,601</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$775,300</b>

\*\*\*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%
<b>Total Funds</b>	<b>38,036,177</b>	<b>38,217,371</b>	<b>38,217,153</b>	<b>362,170</b>	<b>0.5%</b>
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%
<b>Total Expenditures</b>	<b>38,036,177</b>	<b>38,217,371</b>	<b>38,217,153</b>	<b>362,170</b>	<b>0.5%</b>
<b>Total Ongoing</b>	<b>38,036,177</b>	<b>38,217,371</b>	<b>38,217,153</b>	<b>362,170</b>	<b>0.5%</b>
<b>Total One-Time-Only</b>					<b>0.0%</b>

### 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
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>38,036,177</b>	<b>99.5%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>38,036,177</b>	<b>99.5%</b>
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%
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>181,194</b>	<b>0.5%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>180,976</b>	<b>0.5%</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>38,217,371</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>38,217,153</b>	

**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%
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$91,000</b>	<b>\$91,000</b>	<b>0.1%</b>
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>
06532 Agency Insurance Int. Svc.	0	0	76,434,524	0	76,434,524	100.0%
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$76,434,524</b>	<b>\$0</b>	<b>\$76,434,524</b>	<b>99.9%</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$76,434,524</b>	<b>\$91,000</b>	<b>\$76,525,524</b>	

*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
<b>Total Expenditures</b>	<b>\$25,775,946</b>	<b>\$38,182,824</b>	<b>\$38,036,177</b>	<b>\$38,217,371</b>	<b>\$38,217,153</b>
Proprietary Funds	25,775,946	38,182,824	38,036,177	38,217,371	38,217,153
<b>Total Funds</b>	<b>\$25,775,946</b>	<b>\$38,182,824</b>	<b>\$38,036,177</b>	<b>\$38,217,371</b>	<b>\$38,217,153</b>
<b>Total Ongoing</b>	<b>\$25,775,946</b>	<b>\$38,182,824</b>	<b>\$38,036,177</b>	<b>\$38,217,371</b>	<b>\$38,217,153</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*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.

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 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
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$181,194</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$180,976</b>

\*\*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.

# DEPARTMENT OF COMMERCE

## Section A

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### JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

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#### -----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 FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	115.33	115.33	115.33	0.00	0.0%
Proprietary Funds	79,475,160	79,488,967	79,205,991	(255,362)	(0.2%)
<b>Total Funds</b>	<b>79,475,160</b>	<b>79,488,967</b>	<b>79,205,991</b>	<b>(255,362)</b>	<b>(0.2%)</b>
Personal Services	13,319,898	12,959,876	12,989,834	(690,086)	(2.6%)
Operating Expenses	10,246,780	10,629,750	10,298,347	434,537	2.1%
Equipment & Intangible Assets	312,000	312,000	312,000		0.0%
Grants	150,000	150,000	150,000		0.0%
Benefits & Claims	54,789,200	54,789,200	54,789,200		0.0%
Transfers	35,000			(70,000)	(100.0%)
Debt Service	622,282	648,141	666,610	70,187	5.6%
<b>Total Expenditures</b>	<b>79,475,160</b>	<b>79,488,967</b>	<b>79,205,991</b>	<b>(255,362)</b>	<b>(0.2%)</b>
<b>Total Ongoing</b>	<b>79,475,160</b>	<b>79,488,967</b>	<b>79,205,991</b>	<b>(255,362)</b>	<b>(0.2%)</b>
<b>Total One-Time-Only</b>					<b>0.0%</b>

## Agency Highlights

### Department of Commerce Major Budget Highlights

- The Department of Commerce's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$255,000 or 0.2% less than the FY 2025 base budget. Significant changes include:
  - Decreased statewide present law adjustments for personal services
  - The removal of indirect administrative costs from the Board of Investments budget
  - Increased statewide present law adjustments for fixed costs and administrative cost adjustments for all other divisions



## 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 Commerce 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
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>79,475,160</b>	<b>100.0%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>79,475,160</b>	<b>100.3%</b>
Statewide PL										
Personal Services	0	0	0	(362,522)	(0.5%)	0	0	0	(332,564)	(0.4%)
Fixed Costs	0	0	0	605,402	0.8%	0	0	0	269,071	0.3%
Inflation Deflation	0	0	0	(1,048)	(0.0%)	0	0	0	(708)	(0.0%)
Total Statewide PL	0	0	0	241,832	0.3%	0	0	0	(64,201)	(0.1%)
Present Law (PL)	0	0	0	(228,025)	(0.3%)	0	0	0	(204,968)	(0.3%)
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,807</b>	<b>0.0%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(269,169)</b>	<b>(0.3%)</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>79,488,967</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>79,205,991</b>	

## Funding

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

Total Department of Commerce 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
<b>01100 General Fund</b>	<b>12,917,365</b>			<b>3,600,000</b>	<b>16,517,365</b>	<b>4.4%</b>
02116 Accommodation Tax Account	1,066,544			32,568,041	33,634,585	8.9%
02254 Regional Accommodation Tax				31,079,986	31,079,986	8.2%
02771 Big Sky Economic Dev Program	1,061,903			17,656,815	18,718,718	4.9%
02279 Accom. Tax - Tourism Grants				17,328,778	17,328,778	4.6%
02277 Accom. Tax - Rural Tourism				16,950,821	16,950,821	4.5%
Other State Special Revenue	18,828,579			10,991,645	29,820,224	7.9%
<b>State Special Revenue Total</b>	<b>20,957,026</b>	<b>-</b>	<b>-</b>	<b>126,576,086</b>	<b>147,533,112</b>	<b>38.9%</b>
03059 Community Development Block	15,065,588				15,065,588	4.0%
03585 HTF	12,576,811				12,576,811	3.3%
03300 Home Grants	11,560,174				11,560,174	3.0%
03092 Distressed Woods Federal				2,001,273	2,001,273	0.5%
03207 Small Business Dev. Centers	1,776,703				1,776,703	0.5%
Other Federal Special Revenue	2,712,206				2,712,206	0.7%
<b>Federal Special Revenue Total</b>	<b>43,691,482</b>	<b>-</b>	<b>-</b>	<b>2,001,273</b>	<b>45,692,755</b>	<b>12.1%</b>
06074 SEC 8 Project Based			57,291,463		57,291,463	15.1%
06054 Section 8 HAP			48,101,012		48,101,012	12.7%
06527 Investment Division			15,395,558		15,395,558	4.1%
06014 BOI Municipal Finance Programs			1,085,546	10,600,000	11,685,546	3.1%
06075 Section 8 Vouchers			8,265,595		8,265,595	2.2%
Other Proprietary Fund			28,555,784		28,555,784	7.5%
<b>Proprietary Fund Total</b>	<b>-</b>	<b>-</b>	<b>158,694,958</b>	<b>10,600,000</b>	<b>169,294,958</b>	<b>44.7%</b>
<b>Total of All Funds</b>	<b>77,565,873</b>	<b>-</b>	<b>158,694,958</b>	<b>142,777,359</b>	<b>379,038,190</b>	
<b>Percent of All Sources of Authority</b>	<b>20.5%</b>	<b>0.0%</b>	<b>41.9%</b>	<b>37.7%</b>		

*Non-Budgeted Proprietary Funds*

Non-budgeted proprietary funds are primarily for the Housing MT Division but also includes authority for the Board of Investments, Facility Finance Authority, and the Director's Office. These funds are discussed in further detail at the program level analysis.

**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	115.33	115.33	115.33	115.33
Personal Services	12,864,003	13,160,709	13,319,898	12,959,876	12,989,834
Operating Expenses	9,477,268	10,844,197	10,246,780	10,629,750	10,298,347
Equipment & Intangible Assets	0	0	312,000	312,000	312,000
Grants	50,000	100,000	150,000	150,000	150,000
Benefits & Claims	52,605,429	55,670,725	54,789,200	54,789,200	54,789,200
Transfers	0	35,000	35,000	0	0
Debt Service	374,809	625,282	622,282	648,141	666,610
<b>Total Expenditures</b>	<b>\$75,371,509</b>	<b>\$80,435,913</b>	<b>\$79,475,160</b>	<b>\$79,488,967</b>	<b>\$79,205,991</b>
Proprietary Funds	75,371,509	80,435,913	79,475,160	79,488,967	79,205,991
<b>Total Funds</b>	<b>\$75,371,509</b>	<b>\$80,435,913</b>	<b>\$79,475,160</b>	<b>\$79,488,967</b>	<b>\$79,205,991</b>
<b>Total Ongoing</b>	<b>\$75,371,509</b>	<b>\$80,435,913</b>	<b>\$79,475,160</b>	<b>\$79,488,967</b>	<b>\$79,205,991</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*Agency Description*

The Department of Commerce non-budgeted proprietary funds includes authority in the Board of Housing, Board of Investments, Facility Finance Authority, and Director's Office. These funds will be discussed in detail at the program level.

*FY 2024 Appropriation Compared to FY 2024 Actual Expenditures*

In FY 2024, the Department of Commerce expended 93.7% of its \$80.4 million nonbudgeted proprietary budget. The majority of these expenditures are in the Housing Division for benefits and claims for various housing programs. These expenditures will be discussed in more detail at the program level.

*FY 2024 Appropriations Compared to FY 2025 Appropriations*

The Department of Commerce's appropriation authority for FY 2025 is approximately \$961,000, or 1.2%, less than in FY 2024. This decrease is primarily due to lower benefits and claims as well as operating expenditures in the Housing MT Division due to greater than anticipated rental assistance payments and administrative costs in FY 2024.

**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	3.00	3.00	3.00	0.00	0.0%
Proprietary Funds	985,339	948,522	898,414	(123,742)	(6.3%)
<b>Total Funds</b>	<b>985,339</b>	<b>948,522</b>	<b>898,414</b>	<b>(123,742)</b>	<b>(6.3%)</b>
Personal Services	495,094	386,388	388,092	(215,708)	(21.8%)
Operating Expenses	276,189	383,078	331,266	161,966	29.3%
Grants	150,000	150,000	150,000		0.0%
Transfers	35,000			(70,000)	(100.0%)
Debt Service	29,056	29,056	29,056		0.0%
<b>Total Expenditures</b>	<b>985,339</b>	<b>948,522</b>	<b>898,414</b>	<b>(123,742)</b>	<b>(6.3%)</b>
<b>Total Ongoing</b>	<b>985,339</b>	<b>948,522</b>	<b>898,414</b>	<b>(123,742)</b>	<b>(6.3%)</b>
<b>Total One-Time-Only</b>					<b>0.0%</b>

**Program Highlights**

**Montana Facility Finance Authority  
Major Budget Highlights**

- The Montana Facility Finance Authority's 2027 biennium non-budgeted proprietary appropriations are approximately \$124,000 or 6.3% less than the FY 2025 base budget. Significant changes include:
  - A decrease in personal services appropriations is due to statewide present law adjustments
  - This decrease is partially offset by statewide present law adjustments for fixed cost and administrative cost adjustments

**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.

Montana Facility Finance Authority 2027 Biennium HB 2 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
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>985,339</b>	<b>103.9%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>985,339</b>	<b>109.7%</b>
Statewide PL										
Personal Services	0	0	0	(111,206)	(11.7%)	0	0	0	(109,502)	(12.2%)
Fixed Costs	0	0	0	55,505	5.9%	0	0	0	1,826	0.2%
Inflation Deflation	0	0	0	(33)	(0.0%)	0	0	0	(22)	(0.0%)
Total Statewide PL	0	0	0	(55,734)	(5.9%)	0	0	0	(107,698)	(12.0%)
Present Law (PL)	0	0	0	18,917	2.0%	0	0	0	20,773	2.3%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
<b>Total HB 2 Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(36,817)</b>	<b>(3.9%)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(86,925)</b>	<b>(9.7%)</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>948,522</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>898,414</b>	

**Funding**

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

Department of Commerce, 71-Montana Facility Finance Authority 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%
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>
06015 Facilities Finance Authority	0	0	1,718,348	0	1,718,348	93.0%
06017 C-PACE Commercial Property Ass	0	0	128,588	0	128,588	7.0%
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,846,936</b>	<b>\$0</b>	<b>\$1,846,936</b>	<b>100.0%</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,846,936</b>	<b>\$0</b>	<b>\$1,846,936</b>	

*Non-Budgeted Proprietary Appropriations*

The Montana Facility Finance Authority is entirely supported through non-budgeted proprietary funds. These funds are discussed in more detail in the program discussion.

**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	3.00	3.00	3.00	3.00
Personal Services	489,055	550,158	495,094	386,388	388,092
Operating Expenses	223,481	270,162	276,189	383,078	331,266
Grants	50,000	100,000	150,000	150,000	150,000
Transfers	0	35,000	35,000	0	0
Debt Service	25,588	29,056	29,056	29,056	29,056
<b>Total Expenditures</b>	<b>\$788,124</b>	<b>\$984,376</b>	<b>\$985,339</b>	<b>\$948,522</b>	<b>\$898,414</b>
Proprietary Funds	788,124	984,376	985,339	948,522	898,414
<b>Total Funds</b>	<b>\$788,124</b>	<b>\$984,376</b>	<b>\$985,339</b>	<b>\$948,522</b>	<b>\$898,414</b>
<b>Total Ongoing</b>	<b>\$788,124</b>	<b>\$984,376</b>	<b>\$985,339</b>	<b>\$948,522</b>	<b>\$898,414</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Program Description**

The Facility Finance Authority (FFA) supports healthcare and community development in Montana by providing access to cost-effective capital financing and development services. Created by the 1983 Legislature, the FFA offers low-cost, tax-exempt debt financing for healthcare facilities, community pre-release centers, and for-profit manufacturing projects to help manage costs and reduce fees.

In 2021, the FFA was designated as the statewide administrator of the Commercial Property Assessed Capital Enhancement (C-PACE) Program, which facilitates private financing for energy efficiency, water conservation, and renewable energy projects. The FFA operates entirely on proprietary funds generated from interest, fees, and charges, with no direct appropriations from HB 2. Its responsibilities are outlined in Title 90, Chapter 7, and Title 2, Chapter 15, MCA.

<b>Department of Commerce</b> <b>Facility Finance Authority</b> <b>Reserve Requirements as of the Beginning of FY 2025</b>		
	Required	Funded
Capital Reserve Account A (a)	\$ 10,913,340	\$ 778,397
Capital Reserve Account B (b)	4,905,556	6,002,274
Direct Loan Program (c)	1,029,153	1,033,903
Working Capital Fund (d)	1,669,926	1,669,926
Total	\$ 18,517,975	\$ 9,484,500
Percent Funded		51.2%
Policy Guidelines - Minimum Funding Requirements		
(a) Up to 10.0% of the outstanding BOI enhanced bond balance as of 7/1/2022		109,133,401
(b) \$4,905,556 as of 7/1/2021 plus YTD loan payments, account investment earnings		6,000,000
(c) 10.0% of the Trust Fund Loan Pool Balance as of 7/1/2024		10,291,527
(d) Twice the current fiscal year operating expense budget		834,963
**Transfer from 06015 to 06012 to match policy occurred on July 9, 2024		

As shown in the figure, the amount of the reserves as of the beginning of FY 2025 is 51.2% of the reserve requirements established by the authority. This is a slight decline from the November 2023 funded ratio of 52.2%.

*FY 2024 Appropriation Compared to FY 2024 Actual Expenditures*

The Facility Finance Authority expended 80.1% of its \$984,000 proprietary authority in FY 2024. Personal services were 88.9% expended while operating expenses were 82.7%, grants 50.0%, transfers 0.0%, and debt services 88.1% expended. Lower expenditures for personal services and operating expenses were primarily due to low expenditures for the C-PACE program, which is in its infancy stages. Lower expenditures for grants were due to the division receiving less demand for planning grants. Lower transfer expenditures were due to the agency no longer paying the Board of Investments for shared services as they no longer occupy the same office building.

*FY 2024 Appropriations Compared to FY 2025 Appropriation*

The Facility Finance Authorities total appropriation authority for FY 2025 is not significantly different than FY 2024.

*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
06012	FFA Loan Program	65010	Dept of Commerce	MT Facility Finance Authority
06015	Facilities Finance Authority	65010	Dept of Commerce	MT Facility Finance Authority
06017	C-PACE Commercial Property	65010	Dept of Commerce	MT Facility Finance Authority

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Charges For Services	669,345	800,000	827,000	835,000
Grants	9,544	-	-	-
<b>Total Operating Revenues</b>	678,889	800,000	827,000	835,000
<b>Expenses</b>				
Personal Services	489,055	495,094	386,388	388,092
Operating Expense	223,581	276,189	383,078	331,266
<b>Total Operating Expense</b>	712,636	771,283	769,466	719,358
<b>Operating Income (Loss)</b>	(33,747)	28,717	57,534	115,642
<b>Nonoperating Revenues</b>				
BOI Investment Earnings	435,985	87,500	285,000	265,000
<b>Nonoperating Expenses</b>				
Grants	(50,000)	(150,000)	(150,000)	(150,000)
<b>Total Nonoperating Revenues (Expenses)</b>	385,985	(62,500)	135,000	115,000
<b>Income (Loss) Before Contributions and Transfers</b>	352,238	(33,783)	192,534	230,642
<b>Capital Contributions</b>				
Transfers In				
Transfers Out		(35,000)		
Loans and Lease Payments	(25,588)	(29,056)	(29,056)	(29,056)
<b>Change in Net Position</b>	326,650	(97,839)	163,478	201,586
<b>Beginning Net Position - July 1</b>	9,845,229	10,171,904	10,074,065	10,237,543
Prior Period Adjustments	25			
Change in Net Position	326,650	(97,839)	163,478	201,586
<b>Ending Net Position - June 30</b>	10,171,904	10,074,065	10,237,543	10,439,129
<b>Net Position (Fund Balance) Analysis</b>				
Restricted Net Position (Enterprise Funds Only)				
Unrestricted Net Position	10,171,904	10,074,065	10,237,543	10,439,129

*Expenses*

Personal services are projected to decrease due to statewide present law adjustments for personal services. Operating expenses are projected to increase in the 2027 biennium due statewide present law adjustments and administrative cost adjustments.

*Revenues*

Revenues are projected to increase in the Facility Finance Authority in the 2027 biennium. These projections were made due to the higher market rates and greater activity in the revolving loan program.

*Proprietary Rates*

The executive does not propose any rate changes in the 2027 biennium. 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	
Application Fee:	
Conduit Bonds	
Loan Amount	Fee
Up to \$5,000,000	30 basis points (bp) (.0030)
Up to \$10,000,000	the > of 25 bp or \$ 15,000
Up to \$25,000,000	the > of 15 bp or \$ 25,000
Up to \$50,000,000	the > of 12.5 bp or \$ 37,500
Up to \$100,000,000	the > of 7.5 bp or \$ 62,500
Over \$100,000,000	the > of 6.5 bp or \$ 75,000
C-PACE Financings	
1.25% of the par amount of the financing.	
Annual Fee:	
Stand Alone Bond Issues	5 bp X the outstanding principal amount
Private Placement bond issues	5 bp X the outstanding principal amount
Master Loan Program	10 bp X the outstanding principal amount
C-PACE	Lesser of 100 bp X the amount of the annual payment or \$3,000
Monthly fee:	
Trust Fund Loan Program	50 bp X the outstanding principal amount
Authority:	
Fee revenues: 90-7-202 and 90-7-211, MCA; Investment Earnings: 90-7-202, MCA	

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	(111,206)		0.00	0	0	0	(109,502)
DP 2 - Fixed Costs										
0.00	0	0	0	55,505		0.00	0	0	0	1,826
DP 3 - Inflation Deflation										
0.00	0	0	0	(33)		0.00	0	0	0	(22)
DP 7105 - FFA ADMINISTRATIVE COSTS ADJUSTMENTS										
0.00	0	0	0	18,917		0.00	0	0	0	20,773
<b>Grand Total All Present Law Adjustments</b>										
<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$36,817)</b>		<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$86,925)</b>

\*"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 7105 - FFA ADMINISTRATIVE COSTS ADJUSTMENTS -**

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

### 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	58.33	58.33	58.33	0.00	0.0%
Proprietary Funds	66,875,288	67,342,089	67,217,726	809,239	0.6%
<b>Total Funds</b>	<b>66,875,288</b>	<b>67,342,089</b>	<b>67,217,726</b>	<b>809,239</b>	<b>0.6%</b>
Personal Services	5,111,734	4,956,241	4,969,810	(297,417)	(2.9%)
Operating Expenses	6,209,412	6,813,862	6,663,185	1,058,223	8.5%
Equipment & Intangible Assets	312,000	312,000	312,000		0.0%
Benefits & Claims	54,789,200	54,789,200	54,789,200		0.0%
Debt Service	452,942	470,786	483,531	48,433	5.3%
<b>Total Expenditures</b>	<b>66,875,288</b>	<b>67,342,089</b>	<b>67,217,726</b>	<b>809,239</b>	<b>0.6%</b>
<b>Total Ongoing</b>	<b>66,875,288</b>	<b>67,342,089</b>	<b>67,217,726</b>	<b>809,239</b>	<b>0.6%</b>
<b>Total One-Time-Only</b>					<b>0.0%</b>

### Program Highlights

Housing MT Division Major Budget Highlights
<ul style="list-style-type: none"> <li>The Housing MT Division's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$809,000 or 0.6% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> <li>Increased indirect administrative costs for support services provided by the Director's Office</li> <li>Increased statewide present law adjustments fixed costs</li> </ul> </li> </ul>

**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.

Housing M T 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
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>66,875,288</b>	<b>99.3%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>66,875,288</b>	<b>99.5%</b>
Statewide PL										
Personal Services	0	0	0	(155,493)	(0.2%)	0	0	0	(141,924)	(0.2%)
Fixed Costs	0	0	0	214,720	0.3%	0	0	0	61,017	0.1%
Inflation Deflation	0	0	0	(907)	(0.0%)	0	0	0	(613)	(0.0%)
Total Statewide PL	0	0	0	58,320	0.1%	0	0	0	(81,520)	(0.1%)
Present Law (PL)	0	0	0	408,481	0.6%	0	0	0	423,958	0.6%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>466,801</b>	<b>0.7%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>342,438</b>	<b>0.5%</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>67,342,089</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>67,217,726</b>	

**Funding**

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

Department of Commerce, 74-Housing M T 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%
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>
03300 Home Grants	11,560,174	0	0	0	11,560,174	47.9%
03585 HTF	12,576,811	0	0	0	12,576,811	52.1%
<b>Federal Special Total</b>	<b>\$24,136,985</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$24,136,985</b>	<b>15.2%</b>
06028 Emergency Housing Vouchers-Adm	0	0	318,668	0	318,668	0.2%
06029 Emergency Housing Vouchers-HAP	0	0	1,440,000	0	1,440,000	1.1%
06030 BOH Financial Program Fund	0	0	7,757,547	0	7,757,547	5.8%
06031 Housing Trust Fund	0	0	20,000	0	20,000	0.0%
06032 Mortgage Loan Servicing	0	0	4,750,646	0	4,750,646	3.5%
06037 Sect 8 Mod Rehab HAP	0	0	4,934,016	0	4,934,016	3.7%
06044 Mainstream HCVP-Admin	0	0	150,000	0	150,000	0.1%
06045 Mainstream HCVP-HAP	0	0	800,000	0	800,000	0.6%
06054 Section 8 HAP	0	0	48,101,012	0	48,101,012	35.7%
06074 SEC 8 Project Based	0	0	57,291,463	0	57,291,463	42.6%
06075 Section 8 Vouchers	0	0	8,265,595	0	8,265,595	6.1%
06078 Housing Montana Fund	0	0	20,000	0	20,000	0.0%
06079 Revolving Loan Fund - TANF	0	0	20,000	0	20,000	0.0%
06085 Section 8 Mod Rehab	0	0	690,868	0	690,868	0.5%
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$134,559,815</b>	<b>\$0</b>	<b>\$134,559,815</b>	<b>84.8%</b>
<b>Total All Funds</b>	<b>\$24,136,985</b>	<b>\$0</b>	<b>\$134,559,815</b>	<b>\$0</b>	<b>\$158,696,800</b>	

**Non-Budgeted Proprietary**

The majority of the Housing MT Division's funding is from proprietary funds. These funds are discussed in the program discussion.

### 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	58.33	58.33	58.33	58.33
Personal Services	4,746,246	4,916,180	5,111,734	4,956,241	4,969,810
Operating Expenses	5,279,083	6,391,360	6,209,412	6,813,862	6,663,185
Equipment & Intangible Assets	0	0	312,000	312,000	312,000
Benefits & Claims	52,605,429	55,670,725	54,789,200	54,789,200	54,789,200
Debt Service	240,980	452,942	452,942	470,786	483,531
<b>Total Expenditures</b>	<b>\$62,871,738</b>	<b>\$67,431,207</b>	<b>\$66,875,288</b>	<b>\$67,342,089</b>	<b>\$67,217,726</b>
Proprietary Funds	62,871,738	67,431,207	66,875,288	67,342,089	67,217,726
<b>Total Funds</b>	<b>\$62,871,738</b>	<b>\$67,431,207</b>	<b>\$66,875,288</b>	<b>\$67,342,089</b>	<b>\$67,217,726</b>
<b>Total Ongoing</b>	<b>\$62,871,738</b>	<b>\$67,431,207</b>	<b>\$66,875,288</b>	<b>\$67,342,089</b>	<b>\$67,217,726</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### Program Description

The Housing MT Division supports Montana communities by facilitating access to safe, affordable, and sustainable housing for residents whose needs are unmet by the private market. There are three main proprietary programs within the Housing MT Division:

- **Montana Board of Housing:** Governed by a seven-member board appointed by the Governor, the board manages programs aimed at promoting affordable housing, including the Homeownership Program, Multifamily Loan Program, Low Income Housing Tax Credit Program, Housing Montana Fund, and the Reverse Annuity Mortgage Program
- **Project-Based Section 8 Program:** Administered by the U.S. Department of Housing and Urban Development (HUD), this program provides rental assistance to fixed-location properties for low-income tenants. Responsibilities include overseeing property management, making rent subsidy payments, performing property reviews, and ensuring compliance with fair housing laws. The program earns performance-based fees and renews rent contracts as they expire
- **Tenant-Based Section 8 Program and Housing Choice Vouchers:** This program helps very low-income families, elderly, and disabled individuals secure safe, sanitary housing through HUD's Housing Choice Vouchers and Moderate Rehabilitation Programs. Operated statewide via contracted field agencies, tenants pay 30.0% of their income toward rent and utilities, with subsidies covering the rest. Leases are established on the open market between tenants and private landlords

### FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Housing MT Division expended 93.2% of its \$67.4 million non-budgeted proprietary authority in FY 2024. The Housing MT Division primarily funds multi-year projects through benefits and claims. Therefore, it is not uncommon to have lower expenditures.

### FY 2024 Appropriations Compared to FY 2025 Appropriation

The Housing MT Division's total appropriation authority for FY 2025 is \$556,000 or 0.8% less than FY 2024. This decrease is due to lower benefits and claims and operating expense authority. In FY 2024, the Section 8 Housing programs had higher than anticipated rental assistance payments and administrative costs. Therefore, the division requested additional authority, primarily in benefits and claims and operating expense authority, to meet the needs of this program.

## Montana Board of Housing – Funds 06030, 06031, 06032, 06078, 06079

## 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
06030	BOH Financial Program	65010	Dept. of Commerce	Housing Division - Board of Housing
06031	Housing Trust Fund			
06032	BOH Loan Servicing			
06078	Affordable Housing Revolving			
06079	Revolving Loan - TANF			

  

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Charges For Services	4,932,435	5,104,928	5,283,601	5,468,527
<b>Total Operating Revenues</b>	4,932,435	5,104,928	5,283,601	5,468,527
<b>Expenses</b>				
Personal Services	2,944,357	3,185,633	2,992,817	3,002,953
Other Operating Expense	7,565,675	2,760,009	3,116,707	3,047,735
<b>Total Operating Expense</b>	10,510,032	5,945,642	6,109,524	6,050,688
<b>Operating Income (Loss)</b>	(5,577,597)	(840,714)	(825,923)	(582,161)
<b>Nonoperating Revenues</b>				
BOI Investment Earnings Class	29,099,433	30,117,913	31,172,040	32,263,062
<b>Nonoperating Expenses</b>				
Grants				
<b>Total Nonoperating Revenues (Expenses)</b>	29,099,433	30,117,913	31,172,040	32,263,062
<b>Income (Loss) Before Contributions and Transfers</b>	23,521,836	29,277,199	30,346,117	31,680,901
<b>Capital Contributions</b>				
Transfers In	350,000	387,070	400,618	414,639
Transfers Out	(350,000)	(387,070)	(400,618)	(414,639)
Loans and Lease Payments	(19,673,223)	(20,846,345)	(21,889,895)	(22,982,029)
<b>Change in Net Position</b>	3,848,613	8,430,854	8,456,222	8,698,872
<b>Beginning Net Position - July 1</b>	165,754,763	169,603,376	178,034,230	186,490,452
Prior Period Adjustments				
Change in Net Position	3,848,613	8,430,854	8,456,222	8,698,872
<b>Ending Net Position - June 30</b>	169,603,376	178,034,230	186,490,452	195,189,324

The executive proposes a decrease in personal services due to statewide present law adjustments. Operating expenses are proposed to increase due to statewide present law adjustments for fixed costs as well as administrative cost increases for indirect support service costs.

#### *Revenues*

The Board of Housing's income is derived primarily from mortgage investment income. Mortgage income is the interest people pay on Board of Housing loans and is limited by the Internal Revenue Service as a condition of using tax-free bonds as a financing source. Mortgage income is also controlled by the national markets, which set both mortgage rates and bond financing rates. Investment income comes from interest earned in investing reserves that the Board of Housing is required to hold as well as bond and program moneys not yet used to buy mortgages and pay bondholders. Both future mortgage and investment income depend on the interest rate environment, which is determined by the national financial markets.

#### *Proprietary Rates*

The Board of Housing recovers costs from charging application and compliance fees for the Low-Income Tax Credit Program and from charging a spread on loan programs. The figure below shows the rates proposed by the executive for the 2025 biennium. Several fees have been added this biennium including the 42M letter fee, additional credit request, board legal fees, underwriting fees 10.0% test, underwriting fees – average income, compliance fees – average income. These new fee options are specific to the Low-Income Housing Tax Credit. This executive proposal is not an increase in fee charges but an expansion of fee options.

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:					
Pre 1980 Single Family Programs	% spread between mortgage interest rate and bond yield. No limit on investment earnings	1.50%	1.50%	1.50%	1.50%
Post Single Family Programs	% spread between mortgage interest rate and bond yield. Investment earnings limited to the bond yield	1.125%	1.125%	1.125%	1.125%
Pre 1986 Multifamily Program	% spread between the mortgage interest rate and the bond yield. No limit on investment earnings	1.50%	1.50%	1.50%	1.50%
Post 1986 Multifamily Program	% spread between the mortgage interest rate and the bond yield. Investment earnings limited to the bond yield	1.50%	1.50%	1.50%	1.50%
Multifamily Reservation Fee	up to a % of the loan amount reserved	1.00%	1.00%	1.00%	1.00%
Letter of Intent - Housing Credits	per submission	\$3,000	\$3,000	\$3,000	\$3,000
Application - Housing Credits	% of the tax credit amount requested (4% and 9%)	1.00%	1.00%	1.00%	1.00%
42M letter fee	4% of the tax credit amount requested	4.00%	4.00%	4.00%	4.00%
Additional credit request	sum of application (\$3,000) and 10% reservation fee (9%)	\$3,000 + 10%	\$3,000 + 10%	\$3,000 + 10%	\$3,000 + 10%
Board legal fees	invoiced amount based on actual hours	invoiced amount	invoiced amount	invoiced amount	invoiced amount
Reservation fees-Housing Credits	% of the tax credit amount reserved	10.00%	10.00%	10.00%	10.00%
Underwriting Fees - Housing Credits (8609)	per application	\$3,000	\$3,000	\$3,000	\$3,000
Underwriting Fees - 10% Test	per application	\$1,500	\$1,500	\$1,500	\$1,500
Underwriting Fees - Average Income	applicable only to Average Income LIHTC projects	\$2,000	\$2,000	\$2,000	\$2,000
Compliance fees-Housing Credit Program	per unit	\$45	\$45	\$45	\$45
Compliance fees - Average Income	additional \$20/each non-market unit	\$20	\$20	\$20	\$20
Interest income on reverse annuity mortgage loans	4-5% (new) 5% (old) loans	3-5%	3-5%	3-5%	3-5%
Housing Revolving Loan Fund (HRLA)	variable rates ranging from 2% to 6%	2-6%	2-6%	2-6%	2-6%
Interest on Investments	STIP investment rate	varies	varies	varies	varies
*-There are various extension, late and cancelation fees for both multifamily and homeownership programs not listed but applied a case by case basis					

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.

**HUD Section 8 (Project Based Housing) – Fund 06074***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			
06074	SEC 8 Project Based	65010	Dept. of Commerce	Housing MT - PB Section 8			
				Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
<b>Operating Revenues</b>							
<b>Fees and Charges</b>							
Fines/Forfeits				61			
Federal				30,011,661	31,512,244	33,087,856	34,742,249
<b>Total Operating Revenues</b>				30,011,722	31,512,244	33,087,856	34,742,249
<b>Expenses</b>							
Personal Services				923,061	960,426	871,307	873,672
Other Operating Expense				410,034	384,499	494,304	453,359
Equipment & Intangible Assets				-	156,000	156,000	156,000
<b>Total Operating Expense</b>				1,333,095	1,500,925	1,521,611	1,483,031
<b>Operating Income (Loss)</b>				28,678,627	30,011,319	31,566,245	33,259,218
Nonoperating Revenues							
BOI Investment Earnings Class				207,653	218,036	228,938	240,385
Nonoperating Expenses							
Benefits & Claims				(28,757,640)	(27,076,686)	(27,076,686)	(27,076,686)
<b>Total Nonoperating Revenues (Expenses)</b>				(28,549,987)	(26,858,650)	(26,847,748)	(26,836,301)
<b>Income (Loss) Before Contributions and Transfers</b>				128,640	3,152,669	4,718,497	6,422,917
Capital Contributions							
Transfers In							
Transfers Out							
Loans and Lease Payments				(13,073)	(61,881)	(65,450)	(67,999)
<b>Change in Net Position</b>				115,567	3,090,788	4,653,047	6,354,918
<b>Beginning Net Position - July 1</b>				4,417,432	4,532,999	7,623,787	12,276,834
Prior Period Adjustments							
Change in Net Position				115,567	3,090,788	4,653,047	6,354,918
<b>Ending Net Position - June 30</b>				4,532,999	7,623,787	12,276,834	18,631,752

*Expenses*

The executive proposes a decrease in personal services due to statewide present law adjustments. Operating expenses are proposed to increase due to statewide present law adjustments for fixed costs as well as administrative cost increases for indirect support service costs.

Revenue

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

Proprietary Rates

The Project Based Section 8 Contract Administration is funded through a performance-based contract with HUD, based on a five-year renewable request for proposals. Retained earnings are to be used for operations of this program. Funding for rents is paid by HUD, based on actual contracts negotiated between the department and the individual owners of the projects, set up on the procedure dictated by HUD. The figure below shows the rates proposed by the executive for 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:				
Administration Contract				
	2.5%	2.5%	2.5%	2.5%
Base fee rate paid by HUD = 2.5% times the two bedroom Fair Market Rent for all projects under ACC contract for standard performance, as judged by HUD monthly, quarterly, and annually.				
Administration Contract				
	1.0%	1.0%	1.0%	1.0%
Performance fee incentive rate based on 17 Incentive Based Performance Standards (IBPS), graded monthly, quarterly, and annually by HUD. Can be either positive or negative, based on whether time standards and performance requirements are met on each of the 17 IBPS standards. Rate 3 (per unit).				
Rents Contract				
	100.0%	100.0%	100.0%	100.0%
Amounts for rentals are based on 100.0% of contracted amounts per unit each month, less tenant share of rents.				

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.

HUD Section 8 – Fund 06037 (Mod Rehab HAP), 06054 (Section 8 HAP), 06075 (Tenant Based), 06085 (Mod Rehab)

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
06037	Sect 8 Mod Rehab HAP	65010	Dept. of Commerce	Housing MT - TB Section 8
06054	Section 8 HAP			
06075	Section 8 Vouchers			
06085	Section 8 Mod Rehab			

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Charges For Services	114			
Federal	26,262,401	28,701,447	30,014,359	31,392,916
<b>Total Operating Revenues</b>	26,262,515	28,701,447	30,014,359	31,392,916
<b>Expenses</b>				
Personal Services	877,586	963,175	1,085,824	1,086,860
Other Operating Expense	2,640,570	2,914,904	3,049,829	3,009,063
Equipment & Intangible Assets		156,000	156,000	156,000
<b>Total Operating Expense</b>	3,518,156	4,034,079	4,291,653	4,251,923
<b>Operating Income (Loss)</b>	22,744,359	24,667,368	25,722,706	27,140,993
<b>Nonoperating Revenues</b>				
BOI Investment Earnings Class	354,694	363,942	382,135	401,238
<b>Nonoperating Expenses</b>				
Benefits & Claims	(22,916,797)	(26,517,514)	(26,457,764)	(26,395,026)
<b>Total Nonoperating Revenues (Expenses)</b>	(22,562,103)	(26,153,572)	(26,075,629)	(25,993,788)
<b>Income (Loss) Before Contributions and Transfers</b>	182,256	(1,486,204)	(352,923)	1,147,205
<b>Capital Contributions</b>				
Transfers In				
Transfers Out				
Loans and Lease Payments	(13,073)	(201,600)	(205,169)	(207,718)
<b>Change in Net Position</b>	169,183	(1,687,804)	(558,092)	939,487
<b>Beginning Net Position - July 1</b>	6,606,139	6,775,322	5,087,518	4,529,426
Prior Period Adjustments				
Change in Net Position	169,183	(1,687,804)	(558,092)	939,487
<b>Ending Net Position - June 30</b>	6,775,322	5,087,518	4,529,426	5,468,913

Expenses

The executive proposes an increase in personal services and operating costs due to statewide present law adjustments and administrative cost adjustments for indirect support service costs paid to the Director's Office.

Revenue

The Tenant Based Section 8 Program is supported by an enterprise fund with revenues derived from performance-based Annual Contribution Contracts with HUD. Revenues for the Tenant Based Section 8 Program are generated per unit for each rental unit under lease each month.

Proprietary Rates

Fund revenues are derived from competitively awarded, performance-based annual contribution contracts with HUD. The program is completely self-supporting. The department is the only statewide housing authority in Montana and specifically budgeted for in HUD's ongoing appropriation for Tenant Based Section 8. The figure below shows the rates proposed by the executive for 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:				
Administration Contract	\$91.90	\$95.12	\$98.45	\$101.90
Base fee rate paid by HUD = \$91.90 (before proration) per unit per month under lease, which is HUD's column B rate for units beyond the first 600 Housing Choice Vouchers (or 7,200 unit months per year) for the majority of leases. Mod Rehab earned fee rate is \$98.46 per lease per month (HUD's column A rate, no proration). Estimate increases of 3.5% per year for FY 2023, FY 2024 and FY 2025.				
Rents Contract	100.00%	100.00%	100.00%	100.00%
Amounts for rentals are based on 100% of contracted amounts per unit each month, less tenant share of rents.				

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.

**HUD Emergency Housing Vouchers and Mainstream Housing Choice Vouchers – Fund 06028 (Emergency Housing Vouchers – Administration), 06029 (Emergency Housing Vouchers – Housing Assistance Payments), 06044 (Mainstream Housing Choice Voucher Program – Administration), 06045 (Mainstream Housing Choice Voucher Program – Housing Assistance Payments)**

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
06028	Emergency Housing Vouchers-Adm	65010	Dept. of Commerce	Housing MT - TB Section 8
06029	Emergency Housing Vouchers-HAP			
06044	Mainstream HCVP-Admin			
06045	Mainstream HCVP-HAP			

	Actuals FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Federal	1,117,534	1,173,411	1,232,081	1,293,686
<b>Total Operating Revenues</b>	1,117,534	1,173,411	1,232,081	1,293,686
<b>Expenses</b>				
Personal Services	2,645	2,500	6,293	6,325
Other Operating Expense	103,829	150,000	153,022	153,028
<b>Total Operating Expense</b>	106,474	152,500	159,315	159,353
<b>Operating Income (Loss)</b>	1,011,060	1,020,911	1,072,766	1,134,333
<b>Nonoperating Revenues</b>				
BOI Investment Earnings Class	26,115	27,422	28,793	30,233
<b>Nonoperating Expenses</b>				
Benefits & Claims	(918,147)	(1,195,000)	(1,254,750)	(1,317,488)
<b>Total Nonoperating Revenues (Expenses)</b>	(892,032)	(1,167,578)	(1,225,957)	(1,287,255)
<b>Income (Loss) Before Contributions and Transfers</b>	119,028	(146,667)	(153,191)	(152,922)
<b>Capital Contributions</b>				
Transfers In	486,885	546,626	573,957	602,655
Transfers Out				
Loans and Lease Payments				
<b>Change in Net Position</b>	605,913	399,959	420,766	449,733
<b>Beginning Net Position - July 1</b>	-	605,913	1,005,872	1,426,638
Prior Period Adjustments				
Change in Net Position	605,913	399,959	420,766	449,733
<b>Ending Net Position - June 30</b>	605,913	1,005,872	1,426,638	1,876,371

Expenses

Expenses are projected to increase in the 2027 biennium for personal services and operating expenses due to statewide present law adjustments.

Revenues

The Mainstream Housing Choice Voucher Program is supported by an enterprise fund with revenues derived from performance-based Annual Contribution Contracts with HUD. Revenues for the Mainstream Housing Choice Voucher Program are generated per unit for each rental unit under lease each month.

Proprietary Rates

Fund revenues are derived from competitively awarded, performance-based annual contribution contracts with HUD. The program is completely self-supporting. The department is the only statewide housing authority in Montana and specifically budgeted for in HUD’s ongoing appropriation for Tenant Based Section 8. The figure below shows the rates proposed by the executive for 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:				
Administration Contract	\$91.90	\$95.12	\$98.45	\$101.90
Base fee rate paid by HUD = \$91.90 (before proration) per unit per month under lease, which is HUD's column B rate for units beyond the first 600 Housing Choice Vouchers (or 7,200 unit months per year) for the majority of leases. Mod Rehab earned fee rate is \$98.46 per lease per month (HUD's column A rate, no proration). Estimate increases of 3.5% per year for FY 2023, FY 2024 and FY 2025.				
Rents Contract	100.00%	100.00%	100.00%	100.00%
Amounts for rentals are based on 100% of contracted amounts per unit each month, less tenant share of rents.				

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	(155,493)		0.00	0	0	0	(141,924)
DP 2 - Fixed Costs										
0.00	0	0	0	214,720		0.00	0	0	0	61,017
DP 3 - Inflation Deflation										
0.00	0	0	0	(907)		0.00	0	0	0	(613)
DP 7405 - HMT ADMINISTRATIVE COSTS ADJUSTMENTS										
0.00	0	0	0	408,481		0.00	0	0	0	423,958
<b>Grand Total All Present Law Adjustments</b>										
<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$466,801</b>		<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$342,438</b>

\*"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 7405 - HMT ADMINISTRATIVE COSTS ADJUSTMENTS -

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

### 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	33.00	33.00	33.00	0.00	0.0%
Proprietary Funds	8,628,255	8,304,731	8,176,373	(775,406)	(4.5%)
<b>Total Funds</b>	<b>8,628,255</b>	<b>8,304,731</b>	<b>8,176,373</b>	<b>(775,406)</b>	<b>(4.5%)</b>
Personal Services	5,166,689	5,295,753	5,300,465	262,840	2.5%
Operating Expenses	3,461,010	3,008,422	2,875,352	(1,038,246)	(15.0%)
Debt Service	556	556	556		0.0%
<b>Total Expenditures</b>	<b>8,628,255</b>	<b>8,304,731</b>	<b>8,176,373</b>	<b>(775,406)</b>	<b>(4.5%)</b>
<b>Total Ongoing</b>	<b>8,628,255</b>	<b>8,304,731</b>	<b>8,176,373</b>	<b>(775,406)</b>	<b>(4.5%)</b>
<b>Total One-Time-Only</b>					<b>0.0%</b>

### Program Highlights

Board of Investments Major Budget Highlights	
<ul style="list-style-type: none"> <li>The Board of Investment's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$775,000 or 4.5% less than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> <li>A decreased statewide present law adjustment for personal services</li> <li>This decrease is partially offset by a statewide present law adjustment for fixed cost and an administrative cost adjustment</li> </ul> </li> </ul>	



**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.

Board of Investments 2027 Biennium HB 2 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
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,628,255</b>	<b>103.9%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,628,255</b>	<b>105.5%</b>
Statewide PL										
Personal Services	0	0	0	129,064	1.6%	0	0	0	133,776	1.6%
Fixed Costs	0	0	0	210,953	2.5%	0	0	0	77,849	1.0%
Inflation Deflation	0	0	0	(103)	(0.0%)	0	0	0	(69)	(0.0%)
Total Statewide PL	0	0	0	339,914	4.1%	0	0	0	211,556	2.6%
Present Law (PL)	0	0	0	(663,438)	(8.0%)	0	0	0	(663,438)	(8.1%)
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
<b>Total HB 2 Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(323,524)</b>	<b>(3.9%)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(451,882)</b>	<b>(5.5%)</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,304,731</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>8,176,373</b>	

**Funding**

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

Department of Commerce, 75-Board of Investments 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%
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>
06014 BOI Municipal Finance Programs	0	0	1,085,546	10,600,000	11,685,546	43.2%
06527 Investment Division	0	0	15,395,558	0	15,395,558	56.8%
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$16,481,104</b>	<b>\$10,600,000</b>	<b>\$27,081,104</b>	<b>100.0%</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$16,481,104</b>	<b>\$10,600,000</b>	<b>\$27,081,104</b>	

**Statutory Authority**

Section 17-7-502, MCA provides funding to the Board of Investments related to the debt services for the Intermediate Term Capital (INTERCAP) Program. Statutory authority provides funding for legal and marketing fees related to these debt services.

**Non-Budgeted Proprietary Fund**

The majority of the Board of Investments funding comes from non-budgeted proprietary funding. 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	33.00	33.00	33.00	33.00
Personal Services	5,203,495	5,241,267	5,166,689	5,295,753	5,300,465
Operating Expenses	3,213,297	3,480,143	3,461,010	3,008,422	2,875,352
Debt Service	0	556	556	556	556
<b>Total Expenditures</b>	<b>\$8,416,792</b>	<b>\$8,721,966</b>	<b>\$8,628,255</b>	<b>\$8,304,731</b>	<b>\$8,176,373</b>
Proprietary Funds	8,416,792	8,721,966	8,628,255	8,304,731	8,176,373
<b>Total Funds</b>	<b>\$8,416,792</b>	<b>\$8,721,966</b>	<b>\$8,628,255</b>	<b>\$8,304,731</b>	<b>\$8,176,373</b>
<b>Total Ongoing</b>	<b>\$8,416,792</b>	<b>\$8,721,966</b>	<b>\$8,628,255</b>	<b>\$8,304,731</b>	<b>\$8,176,373</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### Program Description

The Montana Board of Investments, established under Article VIII, Section 13 of the Montana Constitution, manages the Unified Investment Program, which includes approximately \$28.4 billion in state and local government funds. Investments are managed through pools and separate accounts, with un-pooled funds categorized as "All Other Funds–Direct Holdings."

### Investment Pools:

- Consolidated Asset Pension Pool – Retirement system funds
- Trust Funds Investment Pool – State trust funds
- Short Term Investment Pool – Local and state agencies
- All Other Funds–Direct Holdings – Non-pool investments

The Board also supports economic development through tailored loan programs, including commercial loans, low-interest home loans for Montana veterans, and housing development loans for low- and moderate-income applicants. Additionally, the Board issues bonds for state and local government projects.

Funded by proprietary revenues without direct appropriations, the Board's responsibilities are defined by the Montana Constitution and state law (MCA Titles 2 and 17).

### FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Board of Investments expended 96.5% of its \$8.4 million proprietary authority in FY 2024. Personal services were 99.3% expended while operating expenses were 92.3% expended. This expenditure is in line with historical expenditures for the division.

### FY 2024 Appropriations Compared to FY 2025 Appropriation

The Board of Investments total appropriation authority for FY 2025 is approximately \$94,000 or 1.1% less than FY 2024. In FY 2024, the Board of Investments received additional authority to make dividend payments.

### Industrial Revenue Bond 1-95 – 06014

#### 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
06014	BOI Municipal Finance Programs	65010	Dept. of Commerce	Board of Investments

  

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Charges For Service	-	-		
<b>Total Operating Revenues</b>	-	-	-	-
<b>Expenses</b>				
Personal Services	474,011	469,317	400,155	401,006
Other Operating Expense	145,978	205,583	145,513	138,872
<b>Total Operating Expense</b>	619,989	674,900	545,668	539,878
<b>Operating Income (Loss)</b>	(619,989)	(674,900)	(545,668)	(539,878)
<b>Nonoperating Revenues</b>				
BOI Investment Earnings Class	4,347,027	1,211,901	5,914,586	5,914,586
<b>Nonoperating Expenses</b>				
<b>Total Nonoperating Revenues (Expenses)</b>	4,347,027	1,211,901	5,914,586	5,914,586
<b>Income (Loss) Before Contributions and Transfers</b>	3,727,038	537,001	5,368,918	5,374,708
<b>Capital Contributions</b>				
<b>Transfers In</b>				
<b>Transfers Out</b>				
<b>Loans and Lease Payments</b>	(3,571,186)	(5,185,244)	(5,300,000)	(5,300,000)
<b>Change in Net Position</b>	155,852	(4,648,243)	68,918	74,708
<b>Beginning Net Position - July 1</b>	5,765,478	5,921,330	1,273,087	1,342,005
Prior Period Adjustments				
Change in Net Position	155,852	(4,648,243)	68,918	74,708
<b>Ending Net Position - June 30</b>	5,921,330	1,273,087	1,342,005	1,416,713

*Expenses*

The executive is proposing a decrease in personal services due to employee turnover and hiring new employees at lower wages. Decreases in operating expenses are primarily due to a decrease in indirect administrative costs and statewide present law adjustments for fixed costs and inflation.

Revenues

Nearly all bond program revenues are generated by the difference between interest rates on bonds sold and the interest rate charged on loans to borrowers. Since these revenues are only received from the trustee on an annual basis, a 270-day fund balance is required to provide adequate funding for the bond program between draws. Remaining revenues are received monthly from the board's contract with the Montana Facility Finance Authority.

Proprietary Rates

The Board of Investments recovers its costs from the entities that use its services. Typically, this has been done by requesting a maximum level of expenditures and setting a fee at that level. The executive proposes an increased rate for the 2027 biennium due to increased loan activity and increased interest rates charged to borrowers. Fees proposed for the INTERCAP Program are shown below.

Requested Rates for Internal Service or Enterprise Funds				
Fee/Rate Information				
	Actual	Estimated	Proposed	Proposed
	FY 24	FY 25	FY 26	FY 27
Fee Description:				
Fees & Investment Revenues	\$ 1,211,901	\$ 1,211,901	\$ 5,914,586	\$ 5,914,586

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.

Investment Division – 06527

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
06527	Investment Division	65010	Dept. of Commerce	Board of Investments

  

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Charges For Services	7,826,576	7,826,543	8,079,321	8,079,321
<b>Total Operating Revenues</b>	7,826,576	7,826,543	8,079,321	8,079,321
<b>Expenses</b>				
Personal Services	4,833,770	4,785,250	4,895,598	4,899,459
Other Operating Expense	2,786,242	3,178,008	2,863,465	2,737,036
<b>Total Operating Expense</b>	7,620,012	7,963,258	7,759,063	7,636,495
<b>Operating Income (Loss)</b>	206,564	(136,715)	320,258	442,826
Nonoperating Revenues				
Nonoperating Expenses				
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	206,564	(136,715)	320,258	442,826
Capital Contributions				
Transfers In	3,500			
Transfers Out				
Loans and Lease Payments	(298,997)	-	-	-
<b>Change in Net Position</b>	(88,933)	(136,715)	320,258	442,826
<b>Beginning Net Position - July 1</b>	90,817	1,884	(134,831)	185,427
Prior Period Adjustments				
Change in Net Position	(88,933)	(136,715)	320,258	442,826
<b>Ending Net Position - June 30</b>	1,884	(134,831)	185,427	628,253

*Expenses*

The executive is proposing an increase in statewide present law adjustments for personal services. Decreases in operating expenses are due to a reduction in indirect costs for support services.

*Revenues*

Nearly all Investment Program revenues are generated from charges to each account that the board invests. The revenue objective of the Investment Program is to fairly assess the costs of operations while maintaining a 60-day working capital reserve.

*Proprietary Rates*

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

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
BOI Administrative Fee				
Rate	\$ 7,826,543	\$ 7,826,543	\$ 8,079,321	\$ 8,079,321

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	129,064	0.00	0	0	0	133,776
DP 2 - Fixed Costs	0.00	0	0	0	210,953	0.00	0	0	0	77,849
DP 3 - Inflation Deflation	0.00	0	0	0	(103)	0.00	0	0	0	(69)
DP 7505 - BOI ADMINISTRATIVE COSTS ADJUSTMENTS	0.00	0	0	0	(663,438)	0.00	0	0	0	(663,438)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$323,524)</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$451,882)</b>

\*"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 7505 - BOI ADMINISTRATIVE COSTS ADJUSTMENTS -

The executive proposes an adjustment to ongoing appropriations for a decrease in the indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs.

### 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	21.00	21.00	21.00	0.00		0.0%
Proprietary Funds	2,986,278	2,893,625	2,913,478	(165,453)		(2.8%)
<b>Total Funds</b>	<b>2,986,278</b>	<b>2,893,625</b>	<b>2,913,478</b>	<b>(165,453)</b>		<b>(2.8%)</b>
Personal Services	2,546,381	2,321,494	2,331,467	(439,801)		(8.6%)
Operating Expenses	300,169	424,388	428,544	252,594		42.1%
Debt Service	139,728	147,743	153,467	21,754		7.8%
<b>Total Expenditures</b>	<b>2,986,278</b>	<b>2,893,625</b>	<b>2,913,478</b>	<b>(165,453)</b>		<b>(2.8%)</b>
<b>Total Ongoing</b>	<b>2,986,278</b>	<b>2,893,625</b>	<b>2,913,478</b>	<b>(165,453)</b>		<b>(2.8%)</b>
<b>Total One-Time-Only</b>						<b>0.0%</b>

### Program Highlights

Director's Office Major Budget Highlights	
<ul style="list-style-type: none"> <li>The Director's Offices 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$165,000 or 2.8% less than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> <li>A decreased statewide present law adjustment for personal services</li> <li>This decrease is partially offset by a statewide present law adjustment for fixed cost and an administrative cost adjustment</li> </ul> </li> </ul>	



**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
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,986,278</b>	<b>103.2%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,986,278</b>	<b>102.5%</b>
Statewide PL										
Personal Services	0	0	0	(224,887)	(7.8%)	0	0	0	(214,914)	(7.4%)
Fixed Costs	0	0	0	124,224	4.3%	0	0	0	128,379	4.4%
Inflation Deflation	0	0	0	(5)	(0.0%)	0	0	0	(4)	(0.0%)
Total Statewide PL	0	0	0	(100,668)	(3.5%)	0	0	0	(86,539)	(3.0%)
Present Law (PL)	0	0	0	8,015	0.3%	0	0	0	13,739	0.5%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(92,653)</b>	<b>(3.2%)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(72,800)</b>	<b>(2.5%)</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,893,625</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>2,913,478</b>	

**Funding**

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

Department of Commerce, 81-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	2,154,973	0	0	0	2,154,973	23.5%	
02324 Community Reinvestment	17,950	0	0	0	17,950	100.0%	
<b>State Special Total</b>	<b>\$17,950</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$17,950</b>	<b>0.2%</b>	
03441 MCDD	1,200,000	0	0	0	1,200,000	100.0%	
<b>Federal Special Total</b>	<b>\$1,200,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,200,000</b>	<b>13.1%</b>	
06542 Commerce Centralized Services	0	0	5,807,103	0	5,807,103	100.0%	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,807,103</b>	<b>\$0</b>	<b>\$5,807,103</b>	<b>63.3%</b>	
<b>Total All Funds</b>	<b>\$3,372,923</b>	<b>\$0</b>	<b>\$5,807,103</b>	<b>\$0</b>	<b>\$9,180,026</b>		

**Non-Budgeted Proprietary Funding**

The Director's Office is also funded by an internal service type proprietary fund from indirect costs charged to programs in the Department of Commerce. This fund will be discussed in further detail in the Proprietary Rates section of this analysis.

### 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	21.00	21.00	21.00	21.00
Personal Services	2,425,207	2,453,104	2,546,381	2,321,494	2,331,467
Operating Expenses	761,407	702,532	300,169	424,388	428,544
Debt Service	108,241	142,728	139,728	147,743	153,467
<b>Total Expenditures</b>	<b>\$3,294,855</b>	<b>\$3,298,364</b>	<b>\$2,986,278</b>	<b>\$2,893,625</b>	<b>\$2,913,478</b>
Proprietary Funds	3,294,855	3,298,364	2,986,278	2,893,625	2,913,478
<b>Total Funds</b>	<b>\$3,294,855</b>	<b>\$3,298,364</b>	<b>\$2,986,278</b>	<b>\$2,893,625</b>	<b>\$2,913,478</b>
<b>Total Ongoing</b>	<b>\$3,294,855</b>	<b>\$3,298,364</b>	<b>\$2,986,278</b>	<b>\$2,893,625</b>	<b>\$2,913,478</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

#### Program Description

The Director's Office oversees the Department of Commerce, providing leadership, administrative support, and policy guidance to its staff, programs, and attached boards. It coordinates services in accounting, legal affairs, human resources, information technology, and public information, while serving as a liaison with businesses, governments, communities, and other stakeholders to support economic development and public engagement.

#### FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the Director's Office expended 99.9% of its approximately \$3.3 million non-budgeted proprietary authority.

#### FY 2024 Appropriations Compared to FY 2025 Appropriation

The Director's Office non-budgeted proprietary appropriation authority for FY 2025 is approximately \$312,000, or 9.5%, less than in FY 2024. The decrease is primarily in operating expense authority. A budget modification was made in the 2025 interim due to greater than anticipated operating expenditures. This budget modification increased operating expense authority only in FY 2024.

*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		
06542	Commerce Centralized Services	65010	Dept. of Commerce	Director's Office		
			Actual	Estimated	Proposed	Proposed
			FY 24	FY 25	FY 26	FY 27
<b>Operating Revenues</b>						
<b>Fees and Charges</b>						
Charges For Services			2,146,819	2,316,805	2,467,898	2,474,510
Grants/Transfers/Misc			617,061	518,131	588,848	590,381
<b>Total Operating Revenues</b>			2,763,880	2,834,936	3,056,746	3,064,891
<b>Expenses</b>						
Personal Services			2,425,207	2,546,381	2,321,494	2,331,467
Operating Expense			761,407	300,169	424,388	428,544
<b>Total Operating Expense</b>			3,186,614	2,846,550	2,745,882	2,760,011
<b>Operating Income (Loss)</b>			(422,734)	(11,614)	310,864	304,880
Nonoperating Revenues						
Nonoperating Expenses						
<b>Total Nonoperating Revenues (Expenses)</b>			-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>			(422,734)	(11,614)	310,864	304,880
Capital Contributions						
Transfers In						
Transfers Out						
Loans and Lease Payments			(108,241)	(139,728)	(147,743)	(153,467)
<b>Change in Net Position</b>			(615,249)	(151,342)	163,121	151,413
<b>Beginning Net Position - July 1</b>			688,913	87,952	(63,390)	99,731
Prior Period Adjustments			14,288			
Change in Net Position			(615,249)	(151,342)	163,121	151,413
<b>Ending Net Position - June 30</b>			87,952	(63,390)	99,731	251,144

Expenses

Overall, the executive is proposing slight decreases in personal services due to statewide present law adjustments. Operating expenses and debt services are proposed to increase due to statewide present law adjustments and administrative cost adjustments.

Revenues

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

Proprietary Rates

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

The Director’s Office calculates a federal indirect cost rate on an annual basis. This rate is a fixed rate for federally funded programs, which is applied against actual federally funded personal services expenditures within the department. The federally calculated rate requires that a carry-forward amount be built into the rate. This carry-forward amount represents the amount the Director’s Office under-recovered or over-recovered in a given fiscal year. This computation compares what was originally calculated to what actually occurred. The difference is then carried forward into the following year’s rate.

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:	13.47%	13.47%	19.89%	19.89%

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.

Due to the proposed rate change, the following table shows the estimated change in cost to each division using the Department of Commerce's centralized services.

## 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	(224,887)		0.00	0	0	0	(214,914)
DP 2 - Fixed Costs										
0.00	0	0	0	124,224		0.00	0	0	0	128,379
DP 3 - Inflation Deflation										
0.00	0	0	0	(5)		0.00	0	0	0	(4)
DP 8105 - DO ADMINISTRATIVE COSTS ADJUSTMENTS										
0.00	0	0	0	8,015		0.00	0	0	0	13,739
<b>Grand Total All Present Law Adjustments</b>										
<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$92,653)</b>		<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$72,800)</b>

\*"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 8105 - DO ADMINISTRATIVE COSTS ADJUSTMENTS -

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

# DEPARTMENT OF LABOR & INDUSTRY

## Section A

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### JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

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#### -----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 FY 2026      FY 2027		Biennium Change from Base Amount      Percent	
PB	93.75	93.75	93.75	0.00	0.0%
Proprietary Funds	156,245,909	158,886,125	165,410,711	11,805,018	3.8%
<b>Total Funds</b>	<b>156,245,909</b>	<b>158,886,125</b>	<b>165,410,711</b>	<b>11,805,018</b>	<b>3.8%</b>
Personal Services	10,033,219	10,049,837	10,074,616	58,015	0.3%
Operating Expenses	9,738,762	9,372,692	9,231,908	(872,924)	(4.5%)
Benefits & Claims	135,503,328	138,492,996	145,133,587	12,619,927	4.7%
Transfers	25,048	25,048	25,048		0.0%
Debt Service	945,552	945,552	945,552		0.0%
<b>Total Expenditures</b>	<b>156,245,909</b>	<b>158,886,125</b>	<b>165,410,711</b>	<b>11,805,018</b>	<b>3.8%</b>
<b>Total Ongoing</b>	<b>156,245,909</b>	<b>158,886,125</b>	<b>165,410,711</b>	<b>11,805,018</b>	<b>3.8%</b>
<b>Total One-Time-Only</b>					<b>0.0%</b>

### Agency Highlights

Department of Labor and Industry Major Budget Highlights	
<ul style="list-style-type: none"> <li>The Department of Labor and Industry's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$11.8 million or 3.8% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> <li>An increase in the Unemployment Insurance Division of \$12.6 million to pay additional benefits and claims from the unemployment insurance benefit trust</li> <li>A decrease in fixed costs across various divisions of \$857,000 for the upcoming biennium</li> </ul> </li> <li>Along with this, there are also proposed increases in two internal services funds <ul style="list-style-type: none"> <li>The technical services fund within the Technology Services Division. This fund supports staff in development and testing department applications</li> <li>The technical services direct fund within the Technology Services Division. The increase is within the enterprise services rate that is transferred to the State Information Technology Services Division</li> </ul> </li> </ul>	

## 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 Labor and Industry 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
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>156,245,909</b>	<b>98.3%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>156,245,909</b>	<b>94.5%</b>
Statewide PL										
Personal Services	0	0	0	16,618	0.0%	0	0	0	41,397	0.0%
Fixed Costs	0	0	0	(358,133)	(0.2%)	0	0	0	(499,225)	(0.3%)
Inflation Deflation	0	0	0	(950)	(0.0%)	0	0	0	(642)	(0.0%)
Total Statewide PL	0	0	0	(342,465)	(0.2%)	0	0	0	(458,470)	(0.3%)
Present Law (PL)	0	0	0	2,982,681	1.9%	0	0	0	9,623,272	5.8%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,640,216</b>	<b>1.7%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,164,802</b>	<b>5.5%</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>158,886,125</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>165,410,711</b>	

## Funding

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

Total Department of Labor and Industry 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
<b>01100 General Fund</b>	<b>1,671,517</b>				<b>1,671,517</b>	<b>0.3%</b>
02258 Employment Security Account	54,114,829	100,000			54,214,829	10.3%
02448 Building Codes State Spec Rev	12,929,002				12,929,002	2.5%
02455 Workers' Comp Regulation	12,246,207				12,246,207	2.3%
02347 Safety Administration Fund	5,019,319				5,019,319	1.0%
02805 Weights & Measures Bureau	4,421,971				4,421,971	0.8%
Other State Special Revenue	36,729,770			1,407,247	38,137,017	7.3%
<b>State Special Revenue Total</b>	<b>125,461,098</b>	<b>100,000</b>	<b>-</b>	<b>1,407,247</b>	<b>126,968,345</b>	<b>24.2%</b>
03954 UI Administrative Grants	21,893,398				21,893,398	4.2%
03124 Employment Trng Grants	15,650,553				15,650,553	3.0%
03682 Wagner Peyser	12,305,441				12,305,441	2.3%
03322 MT Community Service FSR	8,091,201				8,091,201	1.5%
03982 RESEA	2,133,719				2,133,719	0.4%
Other Federal Special Revenue	11,423,034				11,423,034	2.2%
<b>Federal Special Revenue Total</b>	<b>71,497,346</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>71,497,346</b>	<b>13.6%</b>
06069 UI Tax Benefit Fund			280,619,927		280,619,927	53.4%
06578 Technical Services Direct			14,633,532		14,633,532	2.8%
06546 Commissioner's Office/CSD			10,338,593		10,338,593	2.0%
06552 Legal Admin Services			7,882,590		7,882,590	1.5%
06568 Technical Services			7,761,942		7,761,942	1.5%
Other Proprietary Fund			3,060,252	614,578	3,674,830	0.7%
<b>Proprietary Fund Total</b>	<b>-</b>	<b>-</b>	<b>324,296,836</b>	<b>614,578</b>	<b>324,911,414</b>	<b>61.9%</b>
<b>Total of All Funds</b>	<b>198,629,961</b>	<b>100,000</b>	<b>324,296,836</b>	<b>2,021,825</b>	<b>525,048,622</b>	
<b>Percent of All Sources of Authority</b>	<b>37.8%</b>	<b>0.0%</b>	<b>61.8%</b>	<b>0.4%</b>		



*Non-Budgeted Proprietary Funds*

Within the Department of Labor and Industry are numerous proprietary funds, both enterprise and internal service funds. The description, revenue, and expenditures of these funds are all unique. More detail on these aspects will be provided at the program level of this report.

**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	93.75	93.75	93.75	93.75
Personal Services	8,194,124	9,611,296	10,033,219	10,049,837	10,074,616
Operating Expenses	11,883,514	13,307,150	9,738,762	9,372,692	9,231,908
Benefits & Claims	140,261,554	143,499,728	135,503,328	138,492,996	145,133,587
Transfers	29,368	28,648	25,048	25,048	25,048
Debt Service	866,916	875,938	945,552	945,552	945,552
<b>Total Expenditures</b>	<b>\$161,235,476</b>	<b>\$167,322,760</b>	<b>\$156,245,909</b>	<b>\$158,886,125</b>	<b>\$165,410,711</b>
Proprietary Funds	161,235,476	167,322,760	156,245,909	158,886,125	165,410,711
<b>Total Funds</b>	<b>\$161,235,476</b>	<b>\$167,322,760</b>	<b>\$156,245,909</b>	<b>\$158,886,125</b>	<b>\$165,410,711</b>
<b>Total Ongoing</b>	<b>\$161,235,476</b>	<b>\$167,322,760</b>	<b>\$156,245,909</b>	<b>\$158,886,125</b>	<b>\$165,410,711</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*Agency Description*

The Department of Labor and Industry (DOLI) serves a number of functions. In part, the department:

- Fosters a robust Montana workforce by connecting job seekers with employment opportunities and upskilling programs, assisting individuals in preparing for and finding jobs while assisting employers in finding workers
- Oversees federal and state training and apprenticeship programs
- Conducts economic research and collects economic data
- Administers the Unemployment Insurance Program, disburses unemployment benefits and facilitates employer UI contributions
- Enforces state and federal labor standards, anti-discrimination laws, and state and federal safety-occupational health laws
- Provides adjudicative services in labor-management disputes
- Licenses, inspects, tests, and certifies all weighing or measuring devices used in making commercial transactions in the State of Montana
- Provides administrative and clerical services to the professional boards of licensure and occupational licensing programs authorized by state statutes
- Establishes and enforces minimum building codes
- Administers the federal AmeriCorps, Campus Corps, and Volunteer Montana programs through the Office of Community Service
- Oversees and regulates the Montana workers' compensation system

Organizationally, the department is divided into five divisions: 1) Workforce Services; 2) Unemployment Insurance; 3) Commissioner's Office/Centralized Services; 4) Employment Standards; and 5) Technology Services Division. The Office of Community Service, Workers' Compensation Court, Board of Personnel Appeals, and Board of Labor Appeals are administratively attached. Under statute the Human Rights Commission is allocated to the Department of Labor and Industry for administrative purposes.

*FY 2024 Appropriations Compared to the FY 2024 Expenditures*

The appropriations within non-budgeted proprietary funds were 96.4% expended through the end of FY 2024. The primary expenditure was within benefits and claims, as the largest fund is the Unemployment Insurance (UI) Tax Benefit fund, more details on this fund and all other non-budgeted proprietary funds will be found at the program level of this report.

closely mirrors its five-year Olympic average percent expended of 91.3%.

*FY 2024 Appropriations Compared to FY 2025 Appropriations*

Appropriations within non-budgeted proprietary funds decrease by 6.6% in comparing the FY 2025 appropriations to that of FY 2024. This decrease is primarily driven by the UI Tax Benefit fund as the major aspect of this change is within benefits and claims. As the UI Tax Benefit fund encapsulates 88.5% of the total FY 2025 appropriation, any change in this fund has a large impact on non-budgeted proprietary funds within the agency.

### 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	Budget FY 2027	Biennium Change from Base Amount	Percent
Proprietary Funds	8,737	1,750	1,750	(13,974)	(80.0%)
<b>Total Funds</b>	<b>8,737</b>	<b>1,750</b>	<b>1,750</b>	<b>(13,974)</b>	<b>(80.0%)</b>
Operating Expenses	8,737	1,750	1,750	(13,974)	(80.0%)
<b>Total Expenditures</b>	<b>8,737</b>	<b>1,750</b>	<b>1,750</b>	<b>(13,974)</b>	<b>(80.0%)</b>
<b>Total Ongoing</b>	<b>8,737</b>	<b>1,750</b>	<b>1,750</b>	<b>(13,974)</b>	<b>(80.0%)</b>
<b>Total One-Time-Only</b>					<b>0.0%</b>

### Program Highlights

Workforce Services Division Major Budget Highlights
<ul style="list-style-type: none"> <li>The Workforce Services Division's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$14,000 or 80.0% lower than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> <li>A decrease of \$14,000 in proprietary authority within the Montana Career Information System fund</li> <li>Proposed increase in the enterprise rates for the Montana Career Information System fund from \$1,625 to \$1,750</li> </ul> </li> </ul>

### 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.

Workforce 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
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,737</b>	<b>499.3%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,737</b>	<b>499.3%</b>
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	0	0.0%	0	0	0	0	0.0%
Present Law (PL)	0	0	0	(6,987)	(399.3%)	0	0	0	(6,987)	(399.3%)
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6,987)</b>	<b>(399.3%)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6,987)</b>	<b>(399.3%)</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,750</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>1,750</b>	

## Funding

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

Department of Labor and Industry, 01-Workforce 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	556,072	0	0	0	556,072	0.8%
02067 Montana HELP Act	1,350,000	0	0	0	1,350,000	4.5%
02258 Employment Security Account	28,837,139	0	0	0	28,837,139	95.5%
<b>State Special Total</b>	<b>\$30,187,139</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$30,187,139</b>	<b>44.9%</b>
03124 Employment Trng Grants	15,650,553	0	0	0	15,650,553	43.0%
03128 L & I Federal Funding	685,498	0	0	0	685,498	1.9%
03194 Research & Analysis BLS	1,537,411	0	0	0	1,537,411	4.2%
03297 Labor and Industry Veteran Gra	1,597,549	0	0	0	1,597,549	4.4%
03660 SAA	246,555	0	0	0	246,555	0.7%
03682 Wagner Peyser	12,305,441	0	0	0	12,305,441	33.8%
03692 Alien Labor Certification(ALC)	981,071	0	0	0	981,071	2.7%
03693 Wrk Opportunities Tx Crdt/WOTC	189,051	0	0	0	189,051	0.5%
03694 Trade Adjustment Assist/NAFTA	1,049,473	0	0	0	1,049,473	2.9%
03954 UI Administrative Grants	47,302	0	0	0	47,302	0.1%
03982 RESEA	2,133,719	0	0	0	2,133,719	5.9%
<b>Federal Special Total</b>	<b>\$36,423,623</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$36,423,623</b>	<b>54.2%</b>
06051 Montana Career Info System	0	0	3,500	0	3,500	100.0%
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,500</b>	<b>\$0</b>	<b>\$3,500</b>	<b>0.0%</b>
<b>Total All Funds</b>	<b>\$67,166,834</b>	<b>\$0</b>	<b>\$3,500</b>	<b>\$0</b>	<b>\$67,170,334</b>	

## Non-Budgeted Proprietary

The Montana Career Information System (MCIS) has been active in Montana since 1980. The purpose of MCIS is to deliver current career and labor market information to Montanans in an easy-to-use and easy-to-understand format. The MCIS is the only career information delivery system in the country that has specific Montana labor market information included in each file.

## 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
Operating Expenses	875	8,594	8,737	1,750	1,750
<b>Total Expenditures</b>	<b>\$875</b>	<b>\$8,594</b>	<b>\$8,737</b>	<b>\$1,750</b>	<b>\$1,750</b>
Proprietary Funds	875	8,594	8,737	1,750	1,750
<b>Total Funds</b>	<b>\$875</b>	<b>\$8,594</b>	<b>\$8,737</b>	<b>\$1,750</b>	<b>\$1,750</b>
<b>Total Ongoing</b>	<b>\$875</b>	<b>\$8,594</b>	<b>\$8,737</b>	<b>\$1,750</b>	<b>\$1,750</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*Program Description*

MCIS is funded primarily by the Employment Standards Administration (ESA), with federal Workforce Information Grants (WIG) from the Employment and Training Administration to support the update of data and job projections. In addition to data and system support, the MCIS unit also offers training and outreach direct to schools and through partnerships with nonprofit organizations to support a wide variety of users:

- Job services offices
- Vocational rehabilitation offices
- Middle schools
- High schools
- Community colleges
- Universities
- Tribal colleges
- Educational and training agencies
- Home use
- Adult education programs

There are currently optional components of MCIS not funded by ESA or WIG funds, such as the interest determination, exploration and assessment System (IDEAS) (an interest inventory) and Peterson practice tests that requires the program to collect fees associated with each optional component.

*FY 2024 Appropriations Compared to FY 2024 Expenditures*

The MCIS fund was 10.2% expended in FY 2024. As shown in the above chart, all of these expenditures for operating expenses. The lower percent expended is due to fewer schools utilizing the optional aspects of this fund. A more detailed breakdown of the expenditures for this fund can be found below.

*FY 2024 Appropriations Compared to FY 2025 Appropriations*

When looking at the FY 2025 appropriations compared to that of FY 2024, FY 2025 is 1.7% higher. Similar to FY 2024, all of the FY 2025 appropriations are in operating expenses.

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

*Proprietary Rates*

The executive proposes an increase in the MCIS proprietary rate when compared to the FY 2025 base rates. The increase in the proposed revenues for FY 2026 and FY 2027 is due an increase the agency experienced in FY 2024. 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				
Fee Description:	Reviewed FY 2024	Reviewed FY 2025	Proposed FY 2026	Proposed FY 2027
Fees are collected from schools and transferred to MCIS contractor on a 1:1 ratio				
IDEAS Assessment @ \$125/test	\$ 375	\$ 375	\$ 500	\$ 500
Peterson's Academic Practice Tests - Pkg 1 @\$250/test	1,250.00	1,250.00	1,250.00	1,250.00
Peterson's Academic Practice Tests - Pkg 2 @\$200/test				
Peterson's Civil Service Practice Tests @ \$200/test				
Peterson's College Placement Skills @ \$225/test				
Total	\$ 1,625	\$ 1,625	\$ 1,750	\$ 1,750

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 3 - Inflation Deflation	0.00	0	0	0	0	0.00	0	0	0	0
DP 103 - MCIS Proprietary Authority Adjustment	0.00	0	0	(6,987)		0.00	0	0	0	(6,987)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$6,987)</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$6,987)</b>

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

DP 103 - MCIS Proprietary Authority Adjustment -

The executive proposes adjustments to the appropriation of this fund to align with the estimated revenues more closely.

### 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
Proprietary Funds	134,000,000	136,989,668	143,630,259	12,619,927	4.7%
<b>Total Funds</b>	<b>134,000,000</b>	<b>136,989,668</b>	<b>143,630,259</b>	<b>12,619,927</b>	<b>4.7%</b>
Benefits & Claims	134,000,000	136,989,668	143,630,259	12,619,927	4.7%
<b>Total Expenditures</b>	<b>134,000,000</b>	<b>136,989,668</b>	<b>143,630,259</b>	<b>12,619,927</b>	<b>4.7%</b>
<b>Total Ongoing</b>	<b>134,000,000</b>	<b>136,989,668</b>	<b>143,630,259</b>	<b>12,619,927</b>	<b>4.7%</b>
<b>Total One-Time-Only</b>					<b>0.0%</b>

### Program Highlights

Unemployment Insurance Division Major Budget Highlights
<ul style="list-style-type: none"> <li>The Unemployment Insurance Division's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$12.6 million, or 4.7% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> <li>An increase in benefits and claims authority within the unemployment insurance tax benefit trust fund in the amount of \$12.6 million</li> </ul> </li> </ul>

### 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.

Unemployment Insurance 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
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>134,000,000</b>	<b>97.8%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>134,000,000</b>	<b>93.3%</b>
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	0	0.0%	0	0	0	0	0.0%
Present Law (PL)	0	0	0	2,989,668	2.2%	0	0	0	9,630,259	6.7%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,989,668</b>	<b>2.2%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,630,259</b>	<b>6.7%</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>136,989,668</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>143,630,259</b>	



### Funding

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

Department of Labor and Industry, 02-Unemployment Insurance 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%
02067 Montana HELP Act	652,763	0	0	0	652,763	4.1%
02258 Employment Security Account	15,177,110	0	0	0	15,177,110	95.9%
<b>State Special Total</b>	<b>\$15,829,873</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$15,829,873</b>	<b>5.0%</b>
03278 UI Penalty & Interest	2,088,695	0	0	0	2,088,695	9.2%
03954 UI Administrative Grants	20,703,324	0	0	0	20,703,324	90.8%
<b>Federal Special Total</b>	<b>\$22,792,019</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$22,792,019</b>	<b>7.1%</b>
06069 UI Tax Benefit Fund	0	0	280,619,927	0	280,619,927	100.0%
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$280,619,927</b>	<b>\$0</b>	<b>\$280,619,927</b>	<b>87.9%</b>
<b>Total All Funds</b>	<b>\$38,621,892</b>	<b>\$0</b>	<b>\$280,619,927</b>	<b>\$0</b>	<b>\$319,241,819</b>	

### Non-Budgeted Proprietary Funds

The Unemployment Insurance Tax Benefit fund (UI fund) is a proprietary account to fund unemployment benefits to claimants through state unemployment taxes. The tax amount depends on the ratio of the unemployment insurance trust fund balance to the total covered wages in Montana and the employer's experience. Montana uses 11 schedules with 10 contribution rates in each schedule to assess SUTA.

During the interim, the agency contracted an actuary to study the UI fund, the revenues to this fund, and the fund balance. With that, the actuary concluded that the agency may be able to make changes to the revenue structure of the fund while maintaining a sufficient fund balance. There is currently legislation, LC 463, that includes the recommended changes.

### 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
Benefits & Claims	139,248,071	142,000,000	134,000,000	136,989,668	143,630,259
<b>Total Expenditures</b>	<b>\$139,248,071</b>	<b>\$142,000,000</b>	<b>\$134,000,000</b>	<b>\$136,989,668</b>	<b>\$143,630,259</b>
Proprietary Funds	139,248,071	142,000,000	134,000,000	136,989,668	143,630,259
<b>Total Funds</b>	<b>\$139,248,071</b>	<b>\$142,000,000</b>	<b>\$134,000,000</b>	<b>\$136,989,668</b>	<b>\$143,630,259</b>
<b>Total Ongoing</b>	<b>\$139,248,071</b>	<b>\$142,000,000</b>	<b>\$134,000,000</b>	<b>\$136,989,668</b>	<b>\$143,630,259</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### Program Description

The Department of Labor and Industry collects the contributions paid by employers, based on their industry or individual experience rate, to pay for their unemployment insurance. The department expends the funds by paying unemployment insurance benefit claims.

*FY 2024 Appropriations Compared to FY 2024 Expenditures*

The UI fund was 98.1% expended in FY 2024, with all of these expenditures being from benefits and claims. This is in line with anticipated expenditures for the fiscal year. Expenditures out of this fund are dependent on the number of UI claims filed and the amount in benefits to be paid. Further detail on the expenditures of this fund can be found below.

*FY 2024 Appropriations Compared to FY 2025 Appropriations*

Appropriations in FY 2025 are 5.6% less than FY 2024. This is due to a pair of budget modifications made in FY 2024 to increase the authority in that fiscal year. These modifications were to pay benefits to claimants throughout the fiscal year.

*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
6069	UI Trust Fund	66020	Labor and Industry	Unemployment Insurance

  

		Actual FY 2024	Estimated FY 2025	Proposed FY 2026	Proposed FY 2027
<b>Operating Revenues</b>					
<b>Fees and Charges</b>					
Fee Revenue A	Investment Earnings	15,195,166	14,569,552	13,231,399	11,040,703
Fee Revenue B	Contributions/Premium	161,878,065	180,217,905	184,022,299	188,818,261
Fee Revenue C	Other Revenues	3,487,915	8,238,853	7,840,715	7,246,324
Fee Revenue D	Penalty	125,699	238,466	255,269	268,294
Other Operating Revenues					
<b>Total Operating Revenues</b>		180,686,845	203,264,776	205,349,682	207,373,582
<b>Expenses</b>					
Personal Services					
Other Operating Expense					
Expense A	Benefits	138,871,162	128,614,224	136,989,668	143,630,259
<b>Total Operating Expense</b>		138,871,162	128,614,224	136,989,668	143,630,259
<b>Operating Income (Loss)</b>		41,815,683	74,650,552	68,360,014	63,743,323
Nonoperating Revenues					
Other Revenue A					
Nonoperating Expenses					
Other Expense A	Bad Debt	11,271,237			
<b>Total Nonoperating Revenues (Expenses)</b>		11,271,237	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>		53,086,920	74,650,552	68,360,014	63,743,323
Capital Contributions					
Transfers In		37,046			
Transfers Out					
Loans and Lease Payments					
<b>Change in Net Position</b>		53,123,966	74,650,552	68,360,014	63,743,323
<b>Beginning Net Position - July 1</b>		543,624,850	600,091,665	674,742,217	743,102,231
Prior Period Adjustments		3,342,849			
<b>Change in Net Position</b>		53,123,966	74,650,552	68,360,014	63,743,323
<b>Ending Net Position - June 30</b>		600,091,665	674,742,217	743,102,231	806,845,554
<b>Net Position (Fund Balance) Analysis</b>					
Restricted Net Position (Enterprise Funds Only)					
Unrestricted Net Position					

*Expenditures*

Significant costs for the program consist of unemployment insurance benefits paid to claimants while unemployed, including federal withholding tax and child support payments the claimants have elected to be taken out of their benefit check. The expenditures in this account are entirely dependent on the benefit payments that are to be made.

*Revenues*

The revenues received in the proprietary fund are from unemployment insurance tax collections, federal reimbursement for claims on federal employees, military personnel, claimants in other states, and interest earnings to the unemployment insurance trust fund.

*Proprietary Rates*

The Unemployment Insurance Division administers the state unemployment insurance law. There is no proprietary rate but rather a collection of contributions from employers that are used to pay the unemployment insurance benefits to claimants who have involuntarily become unemployed. The rate calculation is set in statute under 39-51-1217, MCA.

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 202 - UI Proprietary Adjustment	0.00	0	0	0	2,989,668	0.00	0	0	0	9,630,259
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,989,668</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$9,630,259</b>

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

DP 202 - UI Proprietary Adjustment -

The executive proposes an adjustment in non-budgeted proprietary funding due to projected revenue and benefit levels for the upcoming biennium.

### 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	Requested Budget FY 2027	Biennium Change from Base Amount Percent	
PB	64.75	64.75	64.75	0.00	0.0%
Proprietary Funds	9,550,104	9,171,214	9,049,969	(879,025)	(4.6%)
<b>Total Funds</b>	<b>9,550,104</b>	<b>9,171,214</b>	<b>9,049,969</b>	<b>(879,025)</b>	<b>(4.6%)</b>
Personal Services	6,878,508	6,856,118	6,875,747	(25,151)	(0.2%)
Operating Expenses	2,581,921	2,225,421	2,084,547	(853,874)	(16.5%)
Debt Service	89,675	89,675	89,675		0.0%
<b>Total Expenditures</b>	<b>9,550,104</b>	<b>9,171,214</b>	<b>9,049,969</b>	<b>(879,025)</b>	<b>(4.6%)</b>
<b>Total Ongoing</b>	<b>9,550,104</b>	<b>9,171,214</b>	<b>9,049,969</b>	<b>(879,025)</b>	<b>(4.6%)</b>
<b>Total One-Time-Only</b>					<b>0.0%</b>

### Program Highlights

Commissioner's Office and Centralized Services Division (CSD)	
Major Budget Highlights	
<ul style="list-style-type: none"> <li>The Commissioners Office and CSD's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$879,000 or 4.6% lower than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> <li>A decrease in fixed costs of \$852,000 in the Commissioner's Office/CSD non-budgeted proprietary fund</li> </ul> </li> </ul>	

### 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.

Commissioner's Office & C.s.d. 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
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,550,104</b>	<b>104.1%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,550,104</b>	<b>105.5%</b>
Statewide PL										
Personal Services	0	0	0	(22,390)	(0.2%)	0	0	0	(2,761)	(0.0%)
Fixed Costs	0	0	0	(355,550)	(3.9%)	0	0	0	(496,732)	(5.5%)
Inflation Deflation	0	0	0	(950)	(0.0%)	0	0	0	(642)	(0.0%)
Total Statewide PL	0	0	0	(378,890)	(4.1%)	0	0	0	(500,135)	(5.5%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(378,890)</b>	<b>(4.1%)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(500,135)</b>	<b>(5.5%)</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,171,214</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>9,049,969</b>	

**Funding**

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

Department of Labor and Industry, 03-Commissioner's Office & C.s.d. Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	691,011	0	0	0	691,011	3.2%
02233 BSD Hearings	151,223	0	0	0	151,223	9.1%
02258 Employment Security Account	1,395,405	100,000	0	0	1,495,405	89.7%
02315 DLI Info Exchange/Rental	2,142	0	0	0	2,142	0.1%
02941 Uninsured Employer Fund	18,568	0	0	0	18,568	1.1%
<b>State Special Total</b>	<b>\$1,567,338</b>	<b>\$100,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,667,338</b>	<b>7.7%</b>
03122 EEOC	63,288	0	0	0	63,288	5.2%
03954 UI Administrative Grants	1,142,772	0	0	0	1,142,772	94.8%
<b>Federal Special Total</b>	<b>\$1,206,060</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,206,060</b>	<b>5.5%</b>
06546 Commissioner's Office/CSD	0	0	10,338,593	0	10,338,593	56.7%
06552 Legal Admin Services	0	0	7,882,590	0	7,882,590	43.3%
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$18,221,183</b>	<b>\$0</b>	<b>\$18,221,183</b>	<b>83.6%</b>
<b>Total All Funds</b>	<b>\$3,464,409</b>	<b>\$100,000</b>	<b>\$18,221,183</b>	<b>\$0</b>	<b>\$21,785,592</b>	

**Non-Budgeted Proprietary Funds**

The Commissioner's Office and Centralized Services Division provides two functions funded with non-budgeted proprietary funds. These programs are described separately along with a discussion of the program expenses, revenues, and rates being proposed to finance the program.

**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	64.75	64.75	64.75	64.75
Personal Services	5,683,783	6,212,841	6,878,508	6,856,118	6,875,747
Operating Expenses	2,192,407	2,525,656	2,581,921	2,225,421	2,084,547
Debt Service	68,737	77,425	89,675	89,675	89,675
<b>Total Expenditures</b>	<b>\$7,944,927</b>	<b>\$8,815,922</b>	<b>\$9,550,104</b>	<b>\$9,171,214</b>	<b>\$9,049,969</b>
Proprietary Funds	7,944,927	8,815,922	9,550,104	9,171,214	9,049,969
<b>Total Funds</b>	<b>\$7,944,927</b>	<b>\$8,815,922</b>	<b>\$9,550,104</b>	<b>\$9,171,214</b>	<b>\$9,049,969</b>
<b>Total Ongoing</b>	<b>\$7,944,927</b>	<b>\$8,815,922</b>	<b>\$9,550,104</b>	<b>\$9,171,214</b>	<b>\$9,049,969</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Program Description**

The Commissioner's Office and the Centralized Services Division has two proprietary funds:

- Commissioner's Office/CSD – provides supportive services including human resources, accounting, and other administrative duties through an indirect service charge
- Office of Legal Services – provides legal assistance to the department's five programs and two administratively attached entities, whereby an hourly rate for attorney fees is established

*FY 2024 Appropriations Compared to FY 2024 Expenditures*

When looking at the two non-budgeted proprietary funds together, these funds were 90.1% expended in FY 2024, which is in line with expectation. These expenditures were centralized in personal services with these expenditures encapsulating 70.5% of the total expenditures for the fiscal year. A more detailed description of the expenditures within each individual fund can be found below.

*FY 2024 Appropriations Compared to FY 2025 Appropriations*

Appropriations are 8.3% higher in FY 2025 when compared to FY 2024. Similar to FY 2024, appropriations in FY 2025 are centralized in personal services with \$6.9 million of the \$9.6 million in appropriations within this expenditure type. The increase in appropriations from FY 2024 to FY 2025 is in line with the proposed expenditures from the 2023 Session. More details surrounding the revenues and expenditures of these funds can be found below.

**Commissioner’s Office/CSD – Fund 06546**

*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
06546	Commissioner's Office/CSD	66020	Department of Labor & Industry	CSD - CAP - NAPROP

  

	Actual FY 2024	Estimated FY 2025	Proposed FY 2026	Proposed FY 2027
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Non Federal Ind Cost Recovery	4,170,573	4,124,440	4,124,440	4,124,440
CSD Draws - CAP	988,320	1,025,560	1,025,560	1,025,560
Other Operating Revenues				
<b>Total Operating Revenues</b>	<b>5,158,893</b>	<b>5,150,000</b>	<b>5,150,000</b>	<b>5,150,000</b>
<b>Expenses</b>				
Personal Services	3,096,237	3,625,840	3,705,001	3,714,870
Other Operating Expense	1,676,984	1,959,240	1,517,449	1,377,085
Expense A				
Expense B				
Expense C				
<b>Total Operating Expense</b>	<b>4,773,221</b>	<b>5,585,080</b>	<b>5,222,450</b>	<b>5,091,955</b>
<b>Operating Income (Loss)</b>	<b>385,672</b>	<b>(435,080)</b>	<b>(72,450)</b>	<b>58,045</b>
Nonoperating Revenues				
Nonoperating Expenses				
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>385,672</b>	<b>(435,080)</b>	<b>(72,450)</b>	<b>58,045</b>
Capital Contributions				
Transfers In				
Transfers Out	-			
Loans and Lease Payments	(128)	(12,094)	(12,094)	(12,094)
<b>Change in Net Position</b>	<b>385,544</b>	<b>(447,174)</b>	<b>(84,544)</b>	<b>45,951</b>
<b>Beginning Net Position - July 1</b>	<b>(67,742)</b>	<b>318,062</b>	<b>(129,112)</b>	<b>(213,656)</b>
Prior Period Adjustments	260			
Change in Net Position	385,544	(447,174)	(84,544)	45,951
<b>Ending Net Position - June 30</b>	<b>318,062</b>	<b>(129,112)</b>	<b>(213,656)</b>	<b>(167,705)</b>
<b>Net Position (Fund Balance) Analysis</b>				
Restricted Net Position (Enterprise Funds Only)				
Unrestricted Net Position				

Expenditures

Major expenditures for this fund consist of the personal services costs for the Commissioner’s Office and CSD, as well as other operating expenses. Significant expenses within this fund include:

- Personal services costs for 34.00 PB, which accounts for \$3.6 million in estimated expenses in FY 2025
- Operating expenses, including:
  - Department-wide fixed costs, such as the statewide cost allocation plan (SWCAP), legislative audit fees, and the Human Resources Information System service fees
  - Charges for legal services that benefit the entire agency
  - Charges for information technology (IT) application that benefit the entire agency

Revenues

The Commissioner’s Office and CSD is funded by revenues from charges allocated to all divisions, bureaus, and programs supported by the division’s indirect cost plan. Revenue for this fund is collected through an indirect cost rate that is charged against personal services expenses within the agency. The services provided for the fee that is collected include:

- Human resources
- Accounting
- Budgeting
- Payroll processing
- Mail processing
- Other department-wide management and administration

If the rate approved by the legislature differs from the rate proposed, program budgets will need to be adjusted accordingly to maintain alignment with decisions made for this program.

Proprietary Rates

The executive proposes no change to the Commissioner’s Office / CSD proprietary rate when compared to the FY 2025 base rates. The figure below shows the rates proposed by the executive for the 2027 biennium. The rates proposed by the division for this fund are the same as the estimated rates for FY 2024 and FY 2025.

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:	9.50%	9.50%	9.50%	9.50%

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.

Legal Administrative Services – Fund 06552

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
06552	Office of Legal Services	66020	Department of Labor & Industry	Centralized Services

  

	Actual FY 2024	Budget FY 2025	Proposed FY 2026	Proposed FY 2027
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Fee Revenue	3,067,215	4,050,000	4,050,000	4,050,000
Other Operating Revenues				
<b>Total Operating Revenues</b>	3,067,215	4,050,000	4,050,000	4,050,000
<b>Expenses</b>				
Personal Services	2,681,658	3,252,668	3,151,117	3,160,877
Other Operating Expense	518,817	622,681	707,972	707,462
<b>Total Operating Expense</b>	3,200,475	3,875,349	3,859,089	3,868,339
<b>Operating Income (Loss)</b>	(133,259)	174,651	190,911	181,661
Nonoperating Revenues				
Other Revenue A				
Other Revenue B				
Nonoperating Expenses				
Other Expense A				
Other Expense B				
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	(133,259)	174,651	190,911	181,661
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments	(38,527)	(77,581)	(77,581)	(77,581)
<b>Change in Net Position</b>	(171,787)	97,070	113,330	104,080
<b>Beginning Net Position - July 1</b>	206,547	38,033	135,103	248,433
Prior Period Adjustments	3,273			
Change in Net Position	(171,787)	97,070	113,330	104,080
<b>Ending Net Position - June 30</b>	38,033	135,103	248,433	352,513
<b>Net Position (Fund Balance) Analysis</b>				
Restricted Net Position (Enterprise Funds Only)				
Unrestricted Net Position				

*Expenditures*

Within this fund, expenditures include personal services in form of salaries and overhead costs of agency legal staff, as well as other operating costs. Regarding personal services, this includes funding for 20.75 PB, with \$3.3 million in expenditures, or 83.4% of the total budgeted for FY 2025.

*Revenues*

Revenues for the Office of Legal Services are derived from charges for attorney time incurred by Department of Labor and Industry divisions. The rate is a direct hourly rate, charged to each division based on number of hours of legal service they receive. The rate per hour is calculated on actual costs of services divided by actual direct hours of service provided in FY 2024.

*Proprietary Rates*

The executive proposes no change to the Office of Legal Services proprietary rate when compared to the FY 2025 base 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 2024	Approved FY 2025	Proposed FY 2026	Proposed FY 2027	
Fee Description: All					
Attorneys	\$ 132	\$ 132	\$ 132	\$ 132	
Paralegals & Other	\$ 97	\$ 97	\$ 97	\$ 97	

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	(22,390)	0.00	0	0	0	(2,761)
DP 2 - Fixed Costs	0.00	0	0	0	(355,550)	0.00	0	0	0	(496,732)
DP 3 - Inflation Deflation	0.00	0	0	0	(950)	0.00	0	0	0	(642)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$378,890)</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$500,135)</b>

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

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.

### 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
Proprietary Funds	1,528,376	1,528,376	1,528,376		0.0%
<b>Total Funds</b>	<b>1,528,376</b>	<b>1,528,376</b>	<b>1,528,376</b>		<b>0.0%</b>
Benefits & Claims	1,503,328	1,503,328	1,503,328		0.0%
Transfers	25,048	25,048	25,048		0.0%
<b>Total Expenditures</b>	<b>1,528,376</b>	<b>1,528,376</b>	<b>1,528,376</b>		<b>0.0%</b>
<b>Total Ongoing</b>	<b>1,528,376</b>	<b>1,528,376</b>	<b>1,528,376</b>		<b>0.0%</b>
<b>Total One-Time-Only</b>					<b>0.0%</b>

### Program Highlights

Employment Standards Division Major Budget Highlights	
<ul style="list-style-type: none"> <li>The Employment Standards Division's 2027 biennium proposed non-budgeted proprietary appropriations are the same as the FY 2025 base budget</li> </ul>	

### 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.

Employment Standards 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
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,528,376</b>	<b>100.0%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,528,376</b>	<b>100.0%</b>
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	0	0.0%	0	0	0	0	0.0%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,528,376</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>1,528,376</b>	

## Funding

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

Department of Labor and Industry, 05-Employment Standards 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	80,295	0	0	0	80,295	0.1%
02024 Blasters	29,974	0	0	0	29,974	0.0%
02078 Occupational Therapists	162,135	0	0	0	162,135	0.2%
02079 Fire Prevention	124,976	0	0	0	124,976	0.2%
02080 Prescription Drug Registry	686,852	0	0	0	686,852	0.9%
02109 Outfitters	938,657	0	0	0	938,657	1.2%
02155 Boilers	1,545,782	0	0	0	1,545,782	2.0%
02207 Cranes Operators	427,021	0	0	0	427,021	0.6%
02258 Employment Security Account	8,115,175	0	0	0	8,115,175	10.5%
02263 Subsequent Injury Admin	152,845	0	0	0	152,845	0.2%
02315 DLI Info Exchange/Rental	12,178	0	0	0	12,178	0.0%
02346 Contractor Registration	4,275,300	0	0	0	4,275,300	5.5%
02347 Safety Administration Fund	5,019,319	0	0	0	5,019,319	6.5%
02446 Psychologists	227,204	0	0	0	227,204	0.3%
02448 Building Codes State Spec Rev	12,929,002	0	0	0	12,929,002	16.7%
02455 Workers' Comp Regulation	10,792,330	0	0	0	10,792,330	14.0%
02460 Underground Facility Protect	0	0	0	256,879	256,879	0.3%
02580 Athletic Trainers	59,852	0	0	0	59,852	0.1%
02679 Massage Therapists	357,436	0	0	0	357,436	0.5%
02767 Elevators	1,603,693	0	0	0	1,603,693	2.1%
02805 Weights & Measures Bureau	4,421,971	0	0	0	4,421,971	5.7%
02809 Speech Pathologists	228,110	0	0	0	228,110	0.3%
02810 Radiologic Technologists	405,686	0	0	0	405,686	0.5%
02811 Clinical Laboratory Practition	196,658	0	0	0	196,658	0.3%
02812 Physical Therapists	394,211	0	0	0	394,211	0.5%
02813 Nursing Home Admin	123,370	0	0	0	123,370	0.2%
02814 Hearing Aid Dispensers	77,886	0	0	0	77,886	0.1%
02816 Sanitarians	72,489	0	0	0	72,489	0.1%
02818 Electrical	1,004,846	0	0	0	1,004,846	1.3%
02819 Realty Regulations	1,275,822	0	0	0	1,275,822	1.7%
02820 Architects/Landscape Architect	373,018	0	0	0	373,018	0.5%
02821 Funeral Service	396,230	0	0	0	396,230	0.5%
02822 Chiropractors	203,229	0	0	0	203,229	0.3%
02823 Professional Engineers	602,097	0	0	0	602,097	0.8%
02824 Medical Examiners	2,967,259	0	0	0	2,967,259	3.8%
02826 Barbers & Cosmetologists	2,613,115	0	0	0	2,613,115	3.4%
02828 Plumbers	667,350	0	0	0	667,350	0.9%
02829 Private Investigator	533,187	0	0	0	533,187	0.7%
02830 Dentistry	748,238	0	0	0	748,238	1.0%
02831 Optometrists	94,683	0	0	0	94,683	0.1%
02832 Pharmacy	1,855,032	0	0	0	1,855,032	2.4%
02833 Nursing	4,005,280	0	0	0	4,005,280	5.2%
02834 Veterinarians	380,328	0	0	0	380,328	0.5%
02840 Behavioral Health	1,825,350	0	0	0	1,825,350	2.4%
02852 Alternative Health Care	130,168	0	0	0	130,168	0.2%
02854 Real Estate Appraisers	444,572	0	0	200,000	644,572	0.8%
02855 Respiratory Care	212,980	0	0	0	212,980	0.3%
02859 Genetic Counselors	71,723	0	0	0	71,723	0.1%
02870 Property Manager Licensing	259,083	0	0	0	259,083	0.3%
02941 Uninsured Employer Fund	1,789,169	0	0	950,368	2,739,537	3.5%
<b>State Special Total</b>	<b>\$75,832,871</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,407,247</b>	<b>\$77,240,118</b>	<b>92.0%</b>
03122 EEOC	506,173	0	0	0	506,173	17.0%
03130 Coal Mine Safety	450,500	0	0	0	450,500	15.1%
03131 OSHA Stat Prgm Fed.St Sdy	280,717	0	0	0	280,717	9.4%
03195 On-Site Consultation	1,392,751	0	0	0	1,392,751	46.7%
03293 Country of Origin Labeling	41,344	0	0	0	41,344	1.4%
03985 Data Management Unit Grant	312,958	0	0	0	312,958	10.5%
<b>Federal Special Total</b>	<b>\$2,984,443</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,984,443</b>	<b>3.6%</b>
06040 Subsequent Injury-Trust Fund	0	0	3,056,752	0	3,056,752	83.3%
06086 Public Accountants	0	0	0	614,578	614,578	16.7%
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,056,752</b>	<b>\$614,578</b>	<b>\$3,671,330</b>	<b>4.4%</b>
<b>Total All Funds</b>	<b>\$78,897,609</b>	<b>\$0</b>	<b>\$3,056,752</b>	<b>\$2,021,825</b>	<b>\$83,976,186</b>	

*Non-Budgeted Proprietary Funds*

Within the Employment Standards Division (ESD), there is one non-budgeted proprietary fund. The subsequent injury fund is a proprietary account that assists disabled persons in becoming employed by offering a financial incentive to employers who hire them. The fund rate is based on the total amount of paid losses reimbursed by the fund in the preceding calendar year. Although the board of public accountants is a proprietary fund, it is statutorily appropriated and discussed within the HB 2 budget analysis.

**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
Benefits & Claims	1,013,483	1,499,728	1,503,328	1,503,328	1,503,328
Transfers	29,368	28,648	25,048	25,048	25,048
<b>Total Expenditures</b>	<b>\$1,042,851</b>	<b>\$1,528,376</b>	<b>\$1,528,376</b>	<b>\$1,528,376</b>	<b>\$1,528,376</b>
Proprietary Funds	1,042,851	1,528,376	1,528,376	1,528,376	1,528,376
<b>Total Funds</b>	<b>\$1,042,851</b>	<b>\$1,528,376</b>	<b>\$1,528,376</b>	<b>\$1,528,376</b>	<b>\$1,528,376</b>
<b>Total Ongoing</b>	<b>\$1,042,851</b>	<b>\$1,528,376</b>	<b>\$1,528,376</b>	<b>\$1,528,376</b>	<b>\$1,528,376</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*Program Description*

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

*FY 2024 Appropriations Compared to FY 2024 Expenditures*

The subsequent injury fund utilized 68.2% of its FY 2024 appropriations with the majority of these being within benefits and claims, with a small portion being in transfers. Non-budgeted proprietary funds often experience a lower percent expended due to the expenditures being based upon the amount in benefits needing to be paid. More detail on the expenditures being paid from this fund can be found below.

*FY 2024 Appropriations Compared to FY 2025 Appropriations*

Appropriations within FY 2025 are identical to that of FY 2024.

*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				
06040	Subsequent Injury- Trust Fund	66020	Dept of Labor and Industry	Employment Standards Division				
					Actual	Budget	Proposed	Proposed
					FY 2024	FY 2025	FY 2026	FY 2027
<b>Operating Revenues</b>								
<b>Fees and Charges</b>								
Fee Revenue A	Subsequent Injury Fund Assessment (and Surcharge)				1,826,448	1,543,376	1,543,376	1,543,376
Other Operating Revenues								
Revenue A	Investment Earnings				67,979	25,000	25,000	25,000
Revenue B	Securities Lending Income							
Revenue C	Other Operating Revenues							
<b>Total Operating Revenues</b>					<b>1,894,426</b>	<b>1,568,376</b>	<b>1,568,376</b>	<b>1,568,376</b>
<b>Expenses</b>								
Personal Services								
Other Operating Expense								
Expense A	Benefits and Claims				680,858	1,528,376	1,528,376	1,528,376
<b>Total Operating Expense</b>					<b>680,858</b>	<b>1,528,376</b>	<b>1,528,376</b>	<b>1,528,376</b>
<b>Operating Income (Loss)</b>					<b>1,213,568</b>	<b>40,000</b>	<b>40,000</b>	<b>40,000</b>
Nonoperating Revenues								
Other Revenue A								
Nonoperating Expenses								
Other Expense A								
<b>Total Nonoperating Revenues (Expenses)</b>					<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>					<b>1,213,568</b>	<b>40,000</b>	<b>40,000</b>	<b>40,000</b>
Capital Contributions								
Transfers In								
Transfers Out					(29,368)	(25,048)	(25,048)	(25,048)
Loans and Lease Payments								
<b>Change in Net Position</b>					<b>1,184,201</b>	<b>14,952</b>	<b>14,952</b>	<b>14,952</b>
<b>Beginning Net Position - July 1</b>					<b>(1,198,661)</b>	<b>(14,460)</b>	<b>492</b>	<b>15,444</b>
Prior Period Adjustments								
Change in Net Position					1,184,201	14,952	14,952	14,952
<b>Ending Net Position - June 30</b>					<b>(14,460)</b>	<b>492</b>	<b>15,444</b>	<b>30,396</b>
<b>Net Position (Fund Balance) Analysis</b>								
Restricted Net Position (Enterprise Funds Only)								
Unrestricted Net Position								

*Expenditures*

The expenses of the program consist of administration costs and benefits for certified workers. Expenses are paid out when reimbursement requests are submitted to the department if there are sufficient monies in the fund to cover those expenses.

*Revenues*

The program is funded through an annual assessment on Plan 1 (self-insured) workers' compensation employers and a surcharge premium paid for Plan 2 (private sector) and Plan 3 (Montana State Fund) employers. The assessment is based on a percentage of the compensation and medical benefits paid in Montana by each insurer the preceding calendar year (39-71-915, MCA) and amounts actually paid out from SIF. The revenue to the fund is collected five times throughout the year.

*Proprietary Rates*

The executive proposes changes to Plan 1 and Plan 3 of the SIF proprietary rates when compared to the FY 2025 base rates. These changes are based upon the estimated rates for FY 2025. The figure below shows the rates proposed by the executive for the 2027 biennium. The SIF rate is set by the Employment Standards Division based on the total amount of paid losses reimbursed by the fund in the preceding year. Because the rate is based upon the previous years' experience, future rates beyond one year are unknown. The estimated rates for the program are shown below:

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.

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

	Reviewed FY 2024	Reviewed FY 2025	Proposed FY 2026	Proposed FY 2027
Plan I - Insureds	\$ 250,566	\$ 250,566	\$ 231,048	\$ 231,048
(Admin costs & benefits paid to certified claimants)				
Plan III - Old Insureds	20,033	20,033	9,619	9,619
(Admin costs & benefits paid to certified claimants)				
Plan II & III - (surcharge)	\$ 1,232,729	\$ 1,232,729	\$ 1,327,709	\$ 1,327,709
(Admin costs & benefits paid to certified claimants)				

### 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	29.00	29.00	29.00	0.00	0.0%	
Proprietary Funds	11,158,692	11,195,117	11,200,357	78,090	0.3%	
<b>Total Funds</b>	<b>11,158,692</b>	<b>11,195,117</b>	<b>11,200,357</b>	<b>78,090</b>	<b>0.3%</b>	
Personal Services	3,154,711	3,193,719	3,198,869	83,166	1.3%	
Operating Expenses	7,148,104	7,145,521	7,145,611	(5,076)	(0.0%)	
Debt Service	855,877	855,877	855,877		0.0%	
<b>Total Expenditures</b>	<b>11,158,692</b>	<b>11,195,117</b>	<b>11,200,357</b>	<b>78,090</b>	<b>0.3%</b>	
<b>Total Ongoing</b>	<b>11,158,692</b>	<b>11,195,117</b>	<b>11,200,357</b>	<b>78,090</b>	<b>0.3%</b>	
<b>Total One-Time-Only</b>					<b>0.0%</b>	

### Program Highlights

Technology Services Division Major Budget Highlights	
<ul style="list-style-type: none"> <li>The Technology Services Division's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$78,000 or 0.3% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> <li>An increase in personal services funding of \$83,000 in the upcoming biennium for the statewide present law adjustment for personal services</li> </ul> </li> <li>Proposed increase in the internal services fund rates for the technical services fund and the technical services direct fund <ul style="list-style-type: none"> <li>The technical services fund provides support for staff developing and testing department applications</li> <li>The technical services direct fund increase is all within the enterprise rate for fund passed through to the State Information Technology Services Division</li> </ul> </li> </ul>	

### 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.

Technology 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
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,158,692</b>	<b>99.7%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,158,692</b>	<b>99.6%</b>
Statewide PL										
Personal Services	0	0	0	39,008	0.3%	0	0	0	44,158	0.4%
Fixed Costs	0	0	0	(2,583)	(0.0%)	0	0	0	(2,493)	(0.0%)
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	36,425	0.3%	0	0	0	41,665	0.4%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>36,425</b>	<b>0.3%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>41,665</b>	<b>0.4%</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,195,117</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>11,200,357</b>	

### Funding

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

Department of Labor and Industry, 06-Technology 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%
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>
06568 Technical Services	0	0	7,761,942	0	7,761,942	34.7%
06578 Technical Services Direct	0	0	14,633,532	0	14,633,532	65.3%
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$22,395,474</b>	<b>\$0</b>	<b>\$22,395,474</b>	<b>100.0%</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$22,395,474</b>	<b>\$0</b>	<b>\$22,395,474</b>	

### Non-Budgeted Proprietary Funds

The Technology Services Division is funded entirely with proprietary rates. The two proprietary funds utilized by the division are the technical services account and the technical services direct account. These funds will be discussed in further detail in the proprietary rates section below.

**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	29.00	29.00	29.00	29.00
Personal Services	2,510,341	3,398,455	3,154,711	3,193,719	3,198,869
Operating Expenses	9,690,232	10,772,900	7,148,104	7,145,521	7,145,611
Debt Service	798,179	798,513	855,877	855,877	855,877
<b>Total Expenditures</b>	<b>\$12,998,752</b>	<b>\$14,969,868</b>	<b>\$11,158,692</b>	<b>\$11,195,117</b>	<b>\$11,200,357</b>
Proprietary Funds	12,998,752	14,969,868	11,158,692	11,195,117	11,200,357
<b>Total Funds</b>	<b>\$12,998,752</b>	<b>\$14,969,868</b>	<b>\$11,158,692</b>	<b>\$11,195,117</b>	<b>\$11,200,357</b>
<b>Total Ongoing</b>	<b>\$12,998,752</b>	<b>\$14,969,868</b>	<b>\$11,158,692</b>	<b>\$11,195,117</b>	<b>\$11,200,357</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*Program Description*

The Technology Services Division has two non-budgeted proprietary funds:

- Technical and Application Services - provides services related to staff who program, test, and analyze the department's applications
- Technical Services Direct – has two rates that are direct pass thru costs to the department divisions. The rate for enterprise services provided by State Information Technology Services Division (SITSD) is allocated on total cost by division PB. The other direct rate is for actual cost of contracted and SITSD services that are directly attributable to a specific division

*FY 2024 Appropriations Compared to FY 2024 Expenditures*

The TSD is funded solely through non-budgeted proprietary funding. The division expended 86.8% of their \$15.0 million appropriations. Expenditures within this division are concentrated within personal services and operating expenses with personal services being 73.9% expended and operating expenses being 90.0%. As the agency experienced vacancies in information technology (IT) positions due to difficulty in hiring, this caused a lower percent expended within personal services. Personal services expenditures for this division are all in the technical services fund with the majority of the operating expenses being in the technical services direct fund.

*FY 2024 Appropriations Compared to FY 2025*

Appropriations within the Technology Services Division are 25.5% less in FY 2025 compared to the of FY 2024. This difference is largely due to the division requesting an increase in operating expenses budget throughout FY 2024 to properly record expenses. This increase in operating expenses in FY 2024 was to record accrued IT contract expenditures within the technical services direct fund.

**Technical and Application Services – Fund 06568***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
06568	Technical Services	66020	Department of Labor & Industry	Technology Services

  

	Actual FY 2024	Estimated FY 2025	Proposed FY 2026	Proposed FY 2027
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Non Federal Ind Cost Recovery	3,053,938	3,325,488	3,980,720	3,922,610
Federal Indirect Cost Recoveries	25,520	175,026	315,000	315,000
Other Operating Revenues				
<b>Total Operating Revenues</b>	<u>3,079,458</u>	<u>3,500,514</u>	<u>4,295,720</u>	<u>4,237,610</u>
<b>Expenses</b>				
Personal Services	2,539,617	3,154,711	3,193,719	3,198,869
Other Operating Expense	453,259	585,321	582,738	582,828
Expense A                      Transfers				
Expense B				
Expense C				
<b>Total Operating Expense</b>	<u>2,992,876</u>	<u>3,740,032</u>	<u>3,776,457</u>	<u>3,781,697</u>
<b>Operating Income (Loss)</b>	<u>86,582</u>	<u>(239,518)</u>	<u>519,263</u>	<u>455,913</u>
 Nonoperating Revenues				
Other Revenue A				
Other Revenue B				
Nonoperating Expenses				
Other Expense A				
Other Expense B				
<b>Total Nonoperating Revenues (Expenses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Income (Loss) Before Contributions and Transfers</b>	<u>86,582</u>	<u>(239,518)</u>	<u>519,263</u>	<u>455,913</u>
 Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments	(710)	(101,894)	(101,894)	(101,894)
<b>Change in Net Position</b>	<u>85,872</u>	<u>(341,412)</u>	<u>417,369</u>	<u>354,019</u>
<b>Beginning Net Position - July 1</b>	107,071	194,125	(147,287)	270,082
Prior Period Adjustments	1,182			
Change in Net Position	85,872	(341,412)	417,369	354,019
<b>Ending Net Position - June 30</b>	<u>194,125</u>	<u>(147,287)</u>	<u>270,082</u>	<u>624,101</u>
<b>Net Position (Fund Balance) Analysis</b>				
Restricted Net Position (Enterprise Funds Only)				
Unrestricted Net Position				

Expenditures

The major expenses for this fund consist of the personal services for 34.00 PB, with an estimated \$3.2 million in personal services expense proposed in FY 2026 and FY 2027. The remaining \$583,000 in expenditures lies within operating expenses.

Revenues

The rate for application services is assessed based on a direct hourly charge to the benefiting division. Revenues for the Application Section are billed to divisions also approved by the legislature and the U.S. Department of Labor.

All programs which utilize these services have a present law adjustment in the proposed budget to account for the proposed rate. If the rate approved by the legislature differs from the rate proposed, program budgets will need to be adjusted accordingly to maintain alignment with decisions made for this program.

Proprietary Rates

The executive proposes an increase to the technical services proprietary rate when compared to the FY 2025 base 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		Proposed	
	FY 2024		FY 2025	
	Approved		Proposed	
	FY 2024		FY 2025	
Fee Description:				
Application Rate	\$	104	\$	120
Technical Services Rate		0		0

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.

Technical Services Direct – Fund 06578

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
06578	Technical Services	66020	Department of Labor and Industry	Technology Services

  

	Actual FY 2024	Estimated FY 2025	Proposed FY 2026	Proposed FY 2027
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Non Federal Ind Cost Recovery	7,899,228	6,267,002	6,267,002	6,267,002
Federal Indirect Cost Recovery	1,323,172	1,049,764	1,049,764	1,049,764
Other Operating Revenues				
<b>Total Operating Revenues</b>	9,222,400	7,316,766	7,316,766	7,316,766
<b>Expenses</b>				
Personal Services				
Other Operating Expense	9,210,152	7,316,766	7,316,766	7,316,766
<b>Total Operating Expense</b>	9,210,152	7,316,766	7,316,766	7,316,766
<b>Operating Income (Loss)</b>	12,247	-	-	-
Nonoperating Revenues				
Other Revenue A				
Other Revenue B				
Nonoperating Expenses				
Other Expense A				
Other Expense B				
<b>Total Nonoperating Revenues (Expenses)</b>	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	12,247	-	-	-
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments	(12,247)			
<b>Change in Net Position</b>	0	-	-	-
<b>Beginning Net Position - July 1</b>	(0)	0	0	0
Prior Period Adjustments				
Change in Net Position	0	-	-	-
<b>Ending Net Position - June 30</b>	0	0	0	0
<b>Net Position (Fund Balance) Analysis</b>				
Restricted Net Position (Enterprise Funds Only)				
Unrestricted Net Position				



Expenditures

The technical services direct fund includes expenses for pass through information technology expenditures that could be directly related to a division. These include SITSD charges, software purchases, and contract payments.

Revenues

The enterprise services rate is all State Information Technology Services Division (SITSD) charges that directly benefit the department. Those total costs are distributed based on department PB. The direct rate includes actual expenditures that can be identified as directly benefiting a specific program such as contracts and specific SITSD services.

All programs that utilize these services have a present law adjustment in the proposed budget to account for the proposed rate. If the rate approved by the legislature differs from the rate proposed, program budgets will need to be adjusted accordingly to maintain alignment with decisions made for this program.

Proprietary Rates

The executive proposes an increase to the technical services direct proprietary rate when compared to the FY 2025 base rates. This increase is within the enterprise rate of funding passed through to SITSD 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 2024	Approved FY 2025	Proposed FY 2026	Proposed FY 2027
Fee Description:				
Enterprise	\$ 3,098,763	\$ 3,104,826	\$ 3,546,886	\$ 3,513,016
Direct Services	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.

**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	39,008	0.00	0	0	0	44,158
DP 2 - Fixed Costs	0.00	0	0	0	(2,583)	0.00	0	0	0	(2,493)
DP 3 - Inflation Deflation	0.00	0	0	0	0	0.00	0	0	0	0
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$36,425</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$41,665</b>

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

**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.