

DEPARTMENT OF CORRECTIONS

Section D

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Judicial Branch
Dept. of Justice
Public Service Commission

Office of Public Defender
Dept. of Corrections

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

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Senate

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

Walker Hopkins
Barb Wagner

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 | Budget FY 2027 | Biennium Change Amount | from Base Percent | |
| PB | 70.01 | 70.01 | 70.01 | 0.00 | 0.0% | |
| Proprietary Funds | 18,181,633 | 18,687,958 | 18,697,403 | 1,022,095 | 2.8% | |
| Total Funds | 18,181,633 | 18,687,958 | 18,697,403 | 1,022,095 | 2.8% | |
| Personal Services | 5,752,910 | 5,559,235 | 5,568,680 | (377,905) | (3.3%) | |
| Operating Expenses | 11,637,192 | 12,337,192 | 12,337,192 | 1,400,000 | 6.0% | |
| Equipment & Intangible Assets | 548,389 | 548,389 | 548,389 | | 0.0% | |
| Capital Outlay | 35,464 | 35,464 | 35,464 | | 0.0% | |
| Debt Service | 207,678 | 207,678 | 207,678 | | 0.0% | |
| Total Expenditures | 18,181,633 | 18,687,958 | 18,697,403 | 1,022,095 | 2.8% | |
| Total Ongoing | 18,181,633 | 18,687,958 | 18,697,403 | 1,022,095 | 2.8% | |
| Total One-Time-Only | | | | | 0.0% | |

Agency Highlights

Non-budgeted proprietary appropriations requested for the Montana Correctional Enterprises within the Department of Corrections totals \$37.4 million. This is an increase of \$1.0 million or 2.8% compared to FY 2025 base appropriations. Changes primarily relate to increasing or decreasing authority within programs to accurately account for actual expenses and include:

- Increased authority for the Food Factory program of \$1.8 million
- Increased authority for the License Plate Factory program of \$600,000
- Decreased authority in the Prison Ranch program of \$1.0 million
- Statewide present law reductions to personal services totaling \$378,000

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 Corrections 2027 Biennium Base Budget and Requested Adjustments | | | | | | | | | | |
|--|--------------|---------------|-----------------|-------------------|---------------------|--------------|---------------|-----------------|-------------------|---------------------|
| | FY 2026 | | | | | FY 2027 | | | | |
| | General Fund | State Special | Federal Special | Total Funds | % of Budget Request | General Fund | State Special | Federal Special | Total Funds | % of Budget Request |
| Base Budget | 0 | 0 | 0 | 18,181,633 | 97.3% | 0 | 0 | 0 | 18,181,633 | 97.2% |
| Statewide PL | | | | | | | | | | |
| Personal Services | 0 | 0 | 0 | (193,675) | (1.0%) | 0 | 0 | 0 | (184,230) | (1.0%) |
| 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 | (193,675) | (1.0%) | 0 | 0 | 0 | (184,230) | (1.0%) |
| Present Law (PL) | 0 | 0 | 0 | 700,000 | 3.7% | 0 | 0 | 0 | 700,000 | 3.7% |
| New Proposals | 0 | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | 0 | 0.0% |
| Total Adjustments | 0 | 0 | 0 | 506,325 | 2.7% | 0 | 0 | 0 | 515,770 | 2.8% |
| Total Requested Budget | 0 | 0 | 0 | 18,687,958 | | 0 | 0 | 0 | 18,697,403 | |

Funding

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

| Department of Corrections, 03-Rehabilitation and Programs 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 | 235,666,709 | 0 | 0 | 0 | 235,666,709 | 83.4% |
| 02917 MSP Canteen Revolving Acct | 9,521,572 | 0 | 0 | 0 | 9,521,572 | 100.0% |
| State Special Total | \$9,521,572 | \$0 | \$0 | \$0 | \$9,521,572 | 3.4% |
| Federal Special Total | \$0 | \$0 | \$0 | \$0 | \$0 | 0.0% |
| 06011 License Plate Production | 0 | 0 | 5,760,630 | 0 | 5,760,630 | 15.4% |
| 06033 Prison Ranch | 0 | 0 | 9,738,396 | 0 | 9,738,396 | 26.0% |
| 06034 MSP Institutional Industries | 0 | 0 | 7,732,086 | 0 | 7,732,086 | 20.7% |
| 06545 Prison Indust. Training Prog | 0 | 0 | 1,613,805 | 0 | 1,613,805 | 4.3% |
| 06573 MSP - Cook Chill | 0 | 0 | 12,540,444 | 0 | 12,540,444 | 33.5% |
| Proprietary Total | \$0 | \$0 | \$37,385,361 | \$0 | \$37,385,361 | 13.2% |
| Total All Funds | \$245,188,281 | \$0 | \$37,385,361 | \$0 | \$282,573,642 | |

Non-Budgeted Proprietary Funds

The Montana Correctional Enterprises program is funded through a series of five non-budgeted proprietary funds which include three enterprise proprietary funds and two internal service funds.

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.

| 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 | 70.01 | 70.01 | 70.01 | 70.01 |
| Personal Services | 5,046,122 | 5,285,002 | 5,752,910 | 5,559,235 | 5,568,680 |
| Operating Expenses | 12,831,919 | 14,482,447 | 11,637,192 | 12,337,192 | 12,337,192 |
| Equipment & Intangible Assets | 868,533 | 864,789 | 548,389 | 548,389 | 548,389 |
| Capital Outlay | 0 | 0 | 35,464 | 35,464 | 35,464 |
| Debt Service | 217,461 | 396,370 | 207,678 | 207,678 | 207,678 |
| Total Expenditures | \$18,964,035 | \$21,028,608 | \$18,181,633 | \$18,687,958 | \$18,697,403 |
| Proprietary Funds | 18,964,035 | 21,028,608 | 18,181,633 | 18,687,958 | 18,697,403 |
| Total Funds | \$18,964,035 | \$21,028,608 | \$18,181,633 | \$18,687,958 | \$18,697,403 |
| Total Ongoing | \$18,964,035 | \$21,028,608 | \$18,181,633 | \$18,687,958 | \$18,697,403 |
| Total OTO | \$0 | \$0 | \$0 | \$0 | \$0 |

Program Description

The Montana Department of Corrections utilizes a series of proprietary funds within the Montana Correctional Enterprises (MCE) program. The MCE provides education and vocational training to inmates and operates the department’s correctional industries program. These programs are described separately along with a discussion of the program expenses, revenues, and rates being requested to finance the program:

- License plate factory
- Prison Ranch program
- MSP institutional industries
- MCE food factory
- Vocational education industries training

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the DOC had just over \$21.0 million in non-budgeted proprietary authority for the Montana Correctional Enterprises Program. The program provides services to the Montana State Prison (Deer Lodge) and Montana Women’s Prison (Billings), which includes license plate manufacturing, motor vehicle shop, wood shop, state ranch, tailor shop, and canine training. Total authority within these accounts increased by approximately \$3.2 million during the fiscal year. These increases in authority were made in order to pay additional personal services and operating expenses and are covered by increased revenues due to the completion and sales of products in addition to the completion of larger repair projects.

Through FYE 2024, the Montana Correctional Enterprises Program expended approximately 90.2% or \$19.0 million, leaving an unexpended/unobligated appropriation balance of about \$2.1 million. The table below shows the FY 2024 budget, expenditures, and percent expended for each of the non-budgeted proprietary accounts. Unexpended balances reverted to the proper accounts at FYE.

| Proprietary Account | FY 2024 Budget | FY 2024 Expenses | Percent Expended |
|----------------------------|---------------------------|-----------------------------|-----------------------------|
| Prison Ranch | \$5,170,342 | \$4,060,754 | 78.5% |
| Institutional Industries | 4,788,294 | 4,598,212 | 96.0% |
| Food Factory | 6,827,358 | 6,435,573 | 94.3% |
| Vocational Education | 1,282,546 | 1,217,011 | 94.9% |
| License Plate Factory | 2,960,068 | 2,652,468 | 89.6% |
| Total | \$21,028,608 | \$18,964,018 | 90.2% |

FY 2024 Appropriations Compared to FY 2025 Appropriations

Proprietary appropriations in FY 2025 reflect a decrease of approximately \$2.8 million or 13.5% when compared to FY 2024 appropriations. This is due to the increased revenue experienced in FY 2024 which increased available authority. These increases have not been recorded in FY 2025 to date.

License Plate Factory – Fund 06011

Proprietary Program Description

The License Plate Program trains inmates in specific work skills and life skills in license plate production, graphics design, inventory control and shipping, while providing all license plates to county treasurers throughout Montana.

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 |
|-------|--------------------------|----------|--------------------------------|
| 06011 | License Plate Production | 64010 | 03 REHABILITATION AND PROGRAMS |

| | Actual FY 2024 | Estimated FY 2025 | Proposed FY 2026 | Proposed FY 2027 |
|---|-------------------|----------------------|---------------------|---------------------|
| Operating Revenues | | | | |
| Fees and Charges | | | | |
| Fee Revenue A | 3,014,966 | 3,000,000 | 3,000,000 | 3,000,000 |
| Total Operating Revenues | 3,014,966 | 3,000,000 | 3,000,000 | 3,000,000 |
| Expenses | | | | |
| Personal Services | 518,590 | 550,000 | 648,463 | 648,637 |
| Other Operating Expense | 2,216,055 | 2,350,000 | 2,408,917 | 2,408,917 |
| Total Operating Expense | 2,734,646 | 2,900,000 | 3,057,380 | 3,057,554 |
| Operating Income (Loss) | 280,320 | 100,000 | (57,380) | (57,554) |
| Nonoperating Revenues | | | | |
| Nonoperating Expenses | | | | |
| Total Nonoperating Revenues (Expenses) | - | - | - | - |
| Income (Loss) Before Contributions and Transfers | 280,320 | 100,000 | (57,380) | (57,554) |
| Capital Contributions | | | | |
| Transfers In | | | | |
| Transfers Out | | | | |
| Loans and Lease Payments | | | | |
| Change in Net Position | 280,320 | 100,000 | (57,380) | (57,554) |
| Beginning Net Position - July 1 | 943,730 | 1,224,050 | 1,324,050 | 1,266,670 |
| Prior Period Adjustments | | | | |
| Change in Net Position | 280,320 | 100,000 | (57,380) | (57,554) |
| Ending Net Position - June 30 | 1,224,050 | 1,324,050 | 1,266,670 | 1,209,116 |
| Net Position (Fund Balance) Analysis | | | | |
| Restricted Net Position (Enterprise Funds Only) | | | | |
| Unrestricted Net Position | | | | |

Expenditures

Expenses include funding for 7.01 PB as well as various operating costs and products such as aluminum, reflective sheeting, and other raw materials.

Revenues

Revenues supporting license plate manufacturing come from members of the public who purchase license plates and are derived from the sale of license plates to vehicle owners. A \$10.00 fee is paid for each set, where \$2.00 of this rate is deposited in the general fund, and the remaining \$8.00 and tabs/decals are deposited into a state special revenue account with the Department of Justice.

Proprietary Rates

The license plate factory fund had previously been implemented as an internal service fund with rates approved by the Legislature. This is now an enterprise 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. There is no proposed increase in rates for the 2027 biennium.

Prison Ranch – Fund 06033

Proprietary Program Description

The Prison Ranch Program trains inmates in specific work skills and life skills in operations which include range and dairy cattle, dairy milking parlor and processing plant, crops, land management, lumber processing, wildland firefighting and various community work programs.

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 |
|-------|--------------|----------|----------------------------------|
| 06033 | Prison Ranch | 64010 | Montana Correctional Enterprises |

| | Actual FY 2024 | Estimated FY 2025 | Proposed FY 2026 | Proposed FY 2027 |
|---|-------------------|----------------------|---------------------|---------------------|
| Operating Revenues | | | | |
| Fees and Charges | | | | |
| Fee Revenue A | 3,737,321 | 3,900,000 | 4,000,000 | 4,000,000 |
| Total Operating Revenues | <u>3,737,321</u> | <u>3,900,000</u> | <u>4,000,000</u> | <u>4,000,000</u> |
| Expenses | | | | |
| Personal Services | 1,574,199 | 1,600,000 | 1,693,809 | 1,697,101 |
| Other Operating Expense | 2,122,040 | 2,125,000 | 2,996,591 | 2,996,591 |
| Total Operating Expense | <u>3,696,239</u> | <u>3,725,000</u> | <u>4,690,400</u> | <u>4,693,692</u> |
| Operating Income (Loss) | <u>41,082</u> | <u>175,000</u> | <u>(690,400)</u> | <u>(693,692)</u> |
| Nonoperating Revenues | | | | |
| Other Revenue A | 1,262,368 | 300,000 | 300,000 | 300,000 |
| Nonoperating Expenses | - | - | - | - |
| Total Nonoperating Revenues (Expenses) | <u>1,262,368</u> | <u>300,000</u> | <u>300,000</u> | <u>300,000</u> |
| Income (Loss) Before Contributions and Transfers | <u>1,303,450</u> | <u>475,000</u> | <u>(390,400)</u> | <u>(393,692)</u> |
| Capital Contributions | | | | |
| Transfers In | 421,845 | 400,000 | 400,000 | 400,000 |
| Loans and Lease Payments | | | | |
| Change in Net Position | <u>1,725,295</u> | <u>875,000</u> | <u>9,600</u> | <u>6,308</u> |
| Beginning Net Position - July 1 | 12,332,255 | 14,057,550 | 14,932,550 | 14,942,150 |
| Prior Period Adjustments | | | | |
| Change in Net Position | 1,725,295 | 875,000 | 9,600 | 6,308 |
| Ending Net Position - June 30 | <u>14,057,550</u> | <u>14,932,550</u> | <u>14,942,150</u> | <u>14,948,458</u> |
| Net Position (Fund Balance) Analysis | | | | |
| Restricted Net Postion (Enterprise Funds Only) | | | | |
| Unrestricted Net Position | | | | |

Expenditures

Personal services fund 19.75 PB. Some of the largest operating expenses for the program include services such as:

- Feed not grown on the ranch and feed supplements
- Fertilizer
- Grain
- Diesel Fuel
- Merchandise
- Electricity

The costs of these supplies are somewhat dependent on economic conditions and will tend to vary.

Revenues

The Prison Ranch Program derives revenues from the sale of products within the private sector and services including cattle, milk, and other dairy products reclaimed and blue wood products, wild land firefighting, fencing, tree-thinning, and janitorial and grounds keeping services for various governmental agencies and non-profit organizations.

Proprietary Rates

The proprietary rate when compared to the FY 2025 base rates shows no proposed increase. 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.

MSP Institutional Industries – Fund 06034

Proprietary Program Description

The Industries Program trains inmates in specific work skills and life skills in operations which include manufacturing of furniture, upholstery, print work and signs, sewing and embroidery, institutional laundry, screen printing, inventory management, shipping, AutoCAD design, web design, marketing, hygiene kit assembly and public-private partnerships. In addition, MSP Institutional Industries includes a dog training program located at the Montana Women’s Prison. Three active prison industry enhancement certification programs, Jelt Belt, SIMMS Fishing Products, and TrussLux, have a 10.0% mandatory net pay savings for workers.

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 |
|-------|------------------------------|----------|----------------------------------|
| 06034 | MSP Institutional Industries | 64010 | Montana Correctional Enterprises |

| | Actual FY 2024 | Estimated FY 2025 | Proposed FY 2026 | Proposed FY 2027 |
|---|-------------------|----------------------|---------------------|---------------------|
| Operating Revenues | | | | |
| Fees and Charges | | | | |
| Fee Revenue A | 1,559 | 15,000 | 15,000 | 15,000 |
| Fee Revenue B | 4,442,343 | 4,500,000 | 4,500,000 | 4,500,000 |
| Fee Revenue C | 4,331 | | | |
| Total Operating Revenues | 4,448,233 | 4,515,000 | 4,515,000 | 4,515,000 |
| Expenses | | | | |
| Personal Services | 1,718,338 | 1,768,074 | 1,821,116 | 1,875,750 |
| Other Operating Expense | 3,099,115 | 2,120,900 | 2,184,527 | 2,250,063 |
| Expense A | (206,839) | 30,000 | 30,900 | 31,827 |
| Expense B | 68,493 | 207,678 | 213,908 | 220,326 |
| Total Operating Expense | 4,679,107 | 4,126,652 | 4,250,451 | 4,377,965 |
| Operating Income (Loss) | (230,874) | 388,348 | 264,549 | 137,035 |
| Nonoperating Revenues | | | | |
| Nonoperating Expenses | | | | |
| Total Nonoperating Revenues (Expenses) | - | - | - | - |
| Income (Loss) Before Contributions and Transfers | (230,874) | 388,348 | 264,549 | 137,035 |
| Change in Net Position | (230,874) | 388,348 | 264,549 | 137,035 |
| Beginning Net Position - July 1 | 1,679,757 | 1,448,884 | 1,837,232 | 2,101,780 |
| Prior Period Adjustments | | | | |
| Change in Net Position | (230,874) | 388,348 | 264,549 | 137,035 |
| Ending Net Position - June 30 | 1,448,884 | 1,837,232 | 2,101,780 | 2,238,815 |
| Net Position (Fund Balance) Analysis | | | | |
| Restricted Net Position (Enterprise Funds Only) | | | | |
| Unrestricted Net Position | | | | |

Expenditures

Personal service expenses are used to fund 19.25 PB. Operating expenses make up the largest portion of expenditures and are mostly used for items such as merchandise, sewing/embroidered clothing, manufacturing hardwood/plywood, and shop supplies.

Revenues

The Industries Program derives revenues primarily from the sale of products (primarily furniture) and services such as laundry. Prices for manufactured products are set utilizing current market values and take into account cost of materials, overhead, and capital outlay. Revenues for all industries programs are based on customer orders, inventory levels, available customer budgets and customer satisfaction.

Proprietary Rates

Although the Industries Program is an enterprise fund, the agency requests a rate approval for laundry, as the rate directly affects several customers who pay with general fund. This allows these general fund customers to request appropriations required to cover the requested rate increases. The MCE is requesting that the Legislature approve the following per-pound rates for the laundry program.

| Requested Rates for Internal Service or Enterprise Funds | | | | |
|---|---------------------------|---------------------------|-----------------------------|-----------------------------|
| Fee/Rate Information | | | | |
| | Actual FY 2024 | Actual FY 2025 | Proposed FY 2026 | Proposed FY 2027 |
| <u>Fee Description:</u> | | | | |
| Cost Per Pound Laundry Services | \$ 0.68 | \$ 0.68 | \$ 0.73 | \$ 0.73 |
| <u>Delivery Charge per Pound:</u> | | | | |
| Riverside Youth Correctional/Riverside Special Needs Unit | \$ 0.05 | \$ 0.05 | \$ 0.05 | \$ 0.05 |
| Montana Law Enforcement Academy | \$ 0.15 | \$ 0.15 | \$ 0.15 | \$ 0.15 |
| Montana Chemical Dependency Corp | \$ 0.04 | \$ 0.04 | \$ 0.04 | \$ 0.04 |
| Southwest Montana Veterans' Home | \$ - | \$ - | \$ 0.04 | \$ 0.04 |
| START Program | \$ 0.01 | \$ 0.01 | \$ 0.01 | \$ 0.01 |
| Montana State Hospital | \$ - | \$ - | \$ - | \$ - |
| University of Montana | \$ 67.50 | \$ 67.50 | \$ 67.50 | \$ 67.50 |
| Calculated at 67.50 per shared round trip | | | | |

the funds or approve the rates for the program with the exception of the request to approve laundry rate increases. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

Vocational Education (Industries Training) – Fund 06545

Proprietary Program Description

The Vocational Education Program trains inmates in specific work skills and life skills in operations which include motor vehicle maintenance, vehicle restoration welding, and machining and metals programs in conjunction with the general funded vocational education program. This table is shown below and is combined with one other fund.

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 | enc | Program Name |
|-------|-------------------------------|-----|----------------------------------|
| 06545 | Prison Industry Training Prog | | Montana Correctional Enterprises |

| | Actual FY 2024 | Estimated FY 2025 | Proposed FY 2026 | Proposed FY 2027 |
|---|-------------------|----------------------|---------------------|---------------------|
| Operating Revenues | | | | |
| Fees and Charges | | | | |
| Fee Revenue A | 1,356,263 | 1,002,000 | 1,002,000 | 1,002,000 |
| Fee Revenue B | 1,544 | 3,000 | 3,000 | 3,000 |
| Total Operating Revenues | <u>1,357,807</u> | <u>1,005,000</u> | <u>1,005,000</u> | <u>1,005,000</u> |
| Expenses | | | | |
| Personal Services | 307,031 | 250,281 | 257,789 | 265,523 |
| Other Operating Expense | 906,705 | 536,050 | 552,132 | 568,695 |
| Total Operating Expense | <u>1,213,736</u> | <u>786,331</u> | <u>809,921</u> | <u>834,219</u> |
| Operating Income (Loss) | <u>144,071</u> | <u>218,669</u> | <u>195,079</u> | <u>170,781</u> |
| Nonoperating Revenues | | | | |
| Nonoperating Expenses | | | | |
| Total Nonoperating Revenues (Expenses) | - | - | - | - |
| Income (Loss) Before Contributions | <u>144,071</u> | <u>218,669</u> | <u>195,079</u> | <u>170,781</u> |
| Capital Contributions | | | | |
| Transfers In | | | | |
| Transfers Out | | | | |
| Loans and Lease Payments | | | | |
| Change in Net Position | <u>144,071</u> | <u>218,669</u> | <u>195,079</u> | <u>170,781</u> |
| Beginning Net Position - July 1 | 127,126 | 271,197 | 489,866 | 684,945 |
| Prior Period Adjustments | | | | |
| Change in Net Position | 144,071 | 218,669 | 195,079 | 170,781 |
| Ending Net Position - June 30 | <u>271,197</u> | <u>489,866</u> | <u>684,945</u> | <u>855,726</u> |
| Net Position (Fund Balance) Analysis | | | | |
| Restricted Net Position (Enterprise Funds Only) | | | | |
| Unrestricted Net Position | | | | |

Expenditures

Expenses include personal services funding for 3.00 PB as well as various parts to perform repairs and operating costs associated with the various programs.

Revenues

Revenues are derived primarily through repair, maintenance, and restoration work on customer vehicles and equipment, as well as the sale of products and services in the welding, machining, and metal programs. Primary funding supporting payment for services are the ranch proprietary and general funds. Both of these funds support the MSP and are associated with large portions of revenue for the program.

Proprietary Rates

Motor vehicle maintenance rates are based on the costs of parts and a supply charge to cover consumable supplies for auto repairs and labor to perform tasks. The labor charge is based on the cost of civilian and inmate labor and program overhead. The MCE is not requesting an increase for these rates in the 2027 biennium. The executive is requesting that the legislature approve the rates shown for the Vocational Education Program.

| Requested Rates for Internal Service or Enterprise Funds | | | | |
|---|---------------------------|---------------------------|-----------------------------|-----------------------------|
| Fee/Rate Information | | | | |
| | Actual FY 2024 | Actual FY 2025 | Proposed FY 2026 | Proposed FY 2027 |
| <u>Fee Description:</u> | | | | |
| Labor Charge/hour | \$ 30.00 | \$ 30.00 | \$ 30.00 | \$ 30.00 |
| Supply fee as percentage of actual cost of parts | 10% | 10% | 10% | 10% |
| Parts | Sold at Cost | Sold at Cost | Sold at Cost | Sold at 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.

MCE Food Factory (Cook Chill)– Fund 06573

Proprietary Program Description

The Food Factory Program trains inmates in specific work skills and life skills in meal preparation, bakery and cook chill operations while providing meals to numerous state and county facilities in western Montana.

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 |
|-------|----------------|----------|----------------------------------|
| 06573 | MSP Cook Chill | 64010 | Montana Correctional Enterprises |

| | Actual FY 2024 | Estimated FY 2025 | Proposed FY 2026 | Proposed FY 2027 |
|---|-------------------|----------------------|---------------------|---------------------|
| Operating Revenues | | | | |
| Fees and Charges | | | | |
| Fee Revenue A | 7,402,502 | 6,335,290 | 6,335,290 | 6,335,290 |
| Total Operating Revenues | <u>7,402,502</u> | <u>6,335,290</u> | <u>6,335,290</u> | <u>6,335,290</u> |
| Expenses | | | | |
| Personal Services | 900,936 | 1,000,000 | 1,440,633 | 1,442,635 |
| Other Operating Expense | 5,510,783 | 5,525,000 | 4,828,588 | 4,828,588 |
| Total Operating Expense | <u>6,411,720</u> | <u>6,525,000</u> | <u>6,269,221</u> | <u>6,271,223</u> |
| Operating Income (Loss) | <u>990,782</u> | <u>(189,710)</u> | <u>66,069</u> | <u>64,067</u> |
| Nonoperating Revenues | | | | |
| Nonoperating Expenses | | | | |
| Total Nonoperating Revenues (Expenses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Income (Loss) Before Contributions and Transfers | <u>990,782</u> | <u>(189,710)</u> | <u>66,069</u> | <u>64,067</u> |
| Capital Contributions | | | | |
| Transfers In | | | | |
| Transfers Out | | | | |
| Loans and Lease Payments | | | | |
| Change in Net Position | <u>990,782</u> | <u>(189,710)</u> | <u>66,069</u> | <u>64,067</u> |
| Beginning Net Position - July 1 | 3,225,992 | 4,216,774 | 4,027,064 | 4,093,133 |
| Prior Period Adjustments | | | | |
| Change in Net Position | <u>990,782</u> | <u>(189,710)</u> | <u>66,069</u> | <u>64,067</u> |
| Ending Net Position - June 30 | <u>4,216,774</u> | <u>4,027,064</u> | <u>4,093,133</u> | <u>4,157,200</u> |
| Net Position (Fund Balance) Analysis | | | | |
| Restricted Net Position (Enterprise Funds Only) | | | | |
| Unrestricted Net Position | | | | |

Expenditures

Personal service expenses are used to fund 21.00 PB. Operating expenses make up the majority of expenses and are primarily used for bulk food items to sell and to prepare tray meals.

Revenues

The food factory sells bulk food items and tray meals to customers to obtain revenue. Revenues from MSP, the food factory's largest customer, come from the general fund.

Proprietary Rates

Rates are based on the cost of raw materials, supplies, and other operating expenses. There is a request for a \$0.10 increase on base tray hot/cold meals in FY 2026 and a \$0.20 increase in FY 2027. Other requested increases are for base tray hot meals and detention center trays (\$0.10 in FY 2026 and \$0.20 in FY 2027). The executive is requesting that the legislature approve the rates shown for the Food Service Program.

| Requested Rates for Internal Service or Enterprise Funds | | | | |
|---|-------------------|-------------------|---------------------|---------------------|
| Fee/Rate Information | | | | |
| | Actual FY 2024 | Actual FY 2025 | Proposed FY 2026 | Proposed FY 2027 |
| <u>Fee Description:</u> | | | | |
| <u>Tray Meal Prices to all customers</u> | | | | |
| Base Tray-hot/cold | \$ 2.55 | \$ 2.65 | \$ 2.75 | \$ 2.85 |
| Base Tray-hot | \$ 1.44 | \$ 1.70 | \$ 1.80 | \$ 1.90 |
| Base Tray-hot (Detention Ctr Trays) | \$ 3.38 | \$ 3.73 | \$ 3.83 | \$ 3.93 |
| Accessory Package | \$ 0.20 | \$ 0.20 | \$ 0.20 | \$ 0.20 |
| Disposable tray | at cost | at cost | at cost | at cost |
| <u>Delivery Charge Per Trayed Meal</u> | | | | |
| Delivery charge per mile | \$ 0.50 | \$ 0.50 | \$ 0.50 | \$ 0.50 |
| Delivery charge per hour | \$ 35.00 | \$ 35.00 | \$ 35.00 | \$ 35.00 |
| Bulk food is sold at cost, with a spoilage percentage added on and an overhead charge to cover operating expenses. Overhead charge is based on historical costs and volume of sales to the customer, as a percentage of overall food costs. Delivery is based on actual delivery costs. | | | | |
| Spoilage percentage to all bulk customers | 5.0% | 5.0% | 5.0% | 5.0% |
| <u>Overhead Charges</u> | | | | |
| Montana State Prison | 94.0% | 85.0% | 85.0% | 85.0% |
| Montana State Hospital | 6.0% | 7.0% | 7.0% | 7.0% |
| CCCS, Inc. WATCH Program | 0.0% | 8.0% | 8.0% | 8.0% |

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.

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.

| 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 | (193,675) | 0.00 | 0 | 0 | 0 | (184,230) |
| DP 2 - Fixed Costs | 0.00 | 0 | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0 |
| DP 3 - Inflation Deflation | 0.00 | 0 | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0 |
| DP 391 - Reduce Ranch Operating Appropriation | 0.00 | 0 | 0 | 0 | (500,000) | 0.00 | 0 | 0 | 0 | (500,000) |
| DP 392 - Increase Operating Authority for Food Factory | 0.00 | 0 | 0 | 0 | 900,000 | 0.00 | 0 | 0 | 0 | 900,000 |
| DP 393 - Increase Operating Authority for License Plate Factory | 0.00 | 0 | 0 | 0 | 300,000 | 0.00 | 0 | 0 | 0 | 300,000 |
| Grand Total All Present Law Adjustments | 0.00 | \$0 | \$0 | \$0 | \$506,325 | 0.00 | \$0 | \$0 | \$0 | \$515,770 |

*"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 391 - Reduce Ranch Operating Appropriation -

The executive proposes a reduction of proprietary funding within the Prison Ranch program to align appropriation balances with actual expenses.

DP 392 - Increase Operating Authority for Food Factory -

The executive proposes an increase in proprietary funding within the Food Factory program to align appropriation balances with actual expenses.

DP 393 - Increase Operating Authority for License Plate Factory -

The executive proposes an increase in proprietary funding within the License Plate Factory program to align appropriation balances with actual expenses.