



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Director
AMY CARLSON

DATE: September 24, 2015
TO: Legislative Finance Committee
FROM: Greg DeWitt
RE: Required Reports

The purpose of this memo is to provide a quick overview of required reports, including:

- Issues or concerns identified by staff (such as a significant change in the use of an appropriation)
- Other highlights, such as an area of legislative discussion, particular concern of one or more LFC members during the session, etc.

As the interim progresses, these memos will be presented at each meeting. Individual committee members will likely have other items of interest or concern that will also be discussed.

OPERATING PLANS AND PROGRAM TRANSFERS

The Governor's Office submitted three house adjustments, three house corrections, one program transfer, and one agency transfer for committee review prior to approval. The executive has approved eleven program transfers, nine house corrections, and seven operating plan changes that were time sensitive. Staff has reviewed budget changes exceeding \$75,000 and 25% of a budget category, or \$1.0 million, and did not note any legal issues. Two letters with attachments from the Governor's budget office are attached that show more details of these changes.

BUDGET AMENDMENTS

As of September 16, 2015, the Legislative Finance Division received notification of 62 budget amendments certified by the Governor since the June 2015 LFC meeting totaling \$1.6 million in FY 2015, \$12.1 million in FY 2016, and \$0.2 million in FY 2017. No issues were raised by staff. A report by Kris Wilkinson provides more details on budget amendments including a complete listing of those certified since the last committee meeting. This report may show different amounts due to inclusion of budget amendments certified between September 16 and the committee meeting.

REPORTS ON EXTENDED ENCUMBRANCES

Encumbrances are a means of establishing appropriations for expenditures that are obligated but not yet paid at fiscal yearend. For example, if the agency has entered into a purchase agreement for equipment in FY 2015 but the bill is not received until FY 2016, the FY 2015 appropriation can be used even though the department doesn't pay the obligation until after FY 2015 has ended. Another example is estimated Medicaid payments for a given year. The department must use FY 2015 funds for a service provided in FY 2015, even though the actual claim may not be received until months or even years later.

The Department of Administration will extend an encumbrance when the time during which the encumbrance can be expended is longer than originally determined. For example, if an agency enters into a contract to write software, the encumbrance for the contract can be extended as long as the contractor is still writing the software.

At the end of fiscal year 2015 the Department of Administration extended \$3.3 million in general fund encumbrances from previous years. The extensions were mainly in two departments, Department of Environmental Quality and Public Health and Human Services (DPHHS) and comprise 84.3% of all encumbrance extensions. The extensions in the Department of Environmental Quality total just less than \$0.5 million and are for the vendor contracts. The majority of the funding for DPHHS is encumbered for system development and other information technology needs including \$1,647,022 for the Medicaid Management Information System (MMIS).

At the end of fiscal year 2015, the Department of Administration extended \$3.4 million in non-general fund encumbrances from previous years. Of these, 68% were in the Department of Commerce and associated with grant funding.

The general fund and non-general fund encumbrance extension reports are available on the committee's Internet page.

LOANS AND LOAN EXTENSIONS

Short term loans from the general fund to the either state or federal accounting entities for two years in a row totaled \$125.6 million. Two amounts and agencies stand out in the report and together make up 62% of the total:

- Department of Transportation - \$56.6 million for federal funding of the highway trust
- Department of Public Health and Human Services - \$21.6 million for Medicaid federal medical assistance percentages (FMAP)

The university system had \$17.1 million in extensions, primarily due to the timing of grants and contracts reimbursements. The university system and Department of Administration inter-entity loan reports are available on the committee's Internet page.

PARENTS OF SCHOLARS

SB 385 of the 2011 Legislature created the Parents of Scholars program and allows Temporary Assistance for Needy Families (TANF) cash recipients to attend approved vocational/educational programs. In FY 2015, 41 recipients benefitted from the program. The annual report required in the legislation is available on the committee's Internet page

CASH BALANCES IN EXCESS OF STATUTORY LIMIT

Statute requires that OBPP report on any fund that has a fund balance that is in excess of statutory limitation of greater than twice the annual appropriation or of the biennial appropriation, and why the excess exists or existed.¹ OBPP reports that 20 funds were in excess of the statutory limit. This report is available on the committee's Internet page.

PUBLIC SERVICE ANNOUNCEMENTS

Statute requires that OBPP report on expenditures made by state agencies related to production and distribution of public service announcements (PSAs). In the last year, state agencies expended \$2.2 million on public service announcements. Two agencies accounted for nearly 89% of these expenditures. The Department of Public Health and Human Services expended \$1.3 million on PSAs with the largest amount for tobacco use prevention. The Department of Transportation expended \$0.6 million on PSAs mostly for highway safety announcements. This report is available on the committee's Internet page.

¹ 17-2-302, MCA for the full requirements of the report.

OFFICE OF THE GOVERNOR
BUDGET AND PROGRAM PLANNING
STATE OF MONTANA

STEVE BULLOCK
GOVERNOR



PO Box 200802
HELENA, MONTANA 59620-0802

To: Amy Carlson, Legislative Fiscal Analyst
Legislative Fiscal Division

From: Dan Villa, Budget Director
Office of Budget & Program Planning

Date: September 21, 2015

Subject: **LFC Review & Comment on Operating Budget Changes and Program Transfers –
Additional BCDs received after September 14 memo**

This memo supplements the memo previously sent on September 14, 2015. In accordance with 17-7-138 and -139, MCA, the Governor's Office of Budget and Program Planning is submitting two House Correction (HC) changes that exceed \$75,000 and 25% of a budget category or \$1 million for review and comment at the September Legislative Finance Committee meeting.

We have reviewed the requests and find them to be in compliance with state and federal laws and policies. Your staff has also reviewed these documents and has no issues with these transactions. Please let us know if you have questions or wish additional information.

CC: Greg Dewitt
Frieda Houser

<u>Budget Change Documents that Trigger</u>				
<u>Information submitted for the September 2015 LFC meeting</u>				
<u>Agency #</u>	<u>Agency Name</u>	<u>Doc #</u>	<u>Brief Explanation</u>	<u>Fiscal Year</u>
Documents Being Held for Comment				
Non-Time Sensitive				
51020	Commissioner of Higher Education	HC 205	This transaction makes required budgetary corrections resulting from the move to the 2015 budget starting point during the legislative session or other issues requiring correction related to IBARS data input. The pay plan was set up as personal services (61xxx); however, distributions to the campuses are made in 68xxx for educational units and agencies and 65xxx for community colleges. This BCD also includes a change for program 01 to move the appropriations from 69xxx into operations.	2016/2017
51020	Commissioner of Higher Education	HC 207	This transaction makes required budgetary corrections resulting from the move to the 2015 budget starting point during the legislative session or other issues requiring correction related to IBARS data input. Fund 02289 has a statutory limit (15-38-202 & 15-38-106) of \$666,000, so this appropriation is reduced by \$73,845 (FY 16) and \$73,082 (FY 17) to meet that limit and fund 02576 the Natural Resources Operations account is increased by \$73,845 (FY 16) and \$73,082 (FY 17). Fund 03163 is for a federal grant that no longer exists. This authority is moved to the Perkins federal grant fund 03215 for both FY 16 and FY 17.	2016/2017
	HC 207 does not trigger per email from OBPP on 9/22/15			

OFFICE OF THE GOVERNOR
BUDGET AND PROGRAM PLANNING
STATE OF MONTANA

STEVE BULLOCK
GOVERNOR



PO Box 200802
HELENA, MONTANA 59620-0802

To: Amy Carlson, Legislative Fiscal Analyst
Legislative Fiscal Division

From: Dan Villa, Budget Director
Office of Budget & Program Planning

Date: September 14, 2015

Subject: **LFC Review & Comment on Operating Budget Changes and Program Transfers – Additional BCDs**

In accordance with 17-7-138 and -139, MCA, the Governor's Office of Budget and Program Planning is submitting three House Adjustment (HA) changes, two House Correction (HC) changes, one Program Transfer (PT) change and one Agency Transfer (AT) change that exceed \$75,000 and 25% of a budget category or \$1 million for review and comment at the September Legislative Finance Committee meeting.

In addition, this office has processed 11 PT's, nine HC's, and seven OP's that exceeded \$75,000 and 25% of a budget category or \$1 million as time sensitive.

We have reviewed the requests and find them to be in compliance with state and federal laws and policies. Your staff has also reviewed these documents and has no issues with these transactions. Please let us know if you have questions or wish additional information.

CC: Greg Dewitt
Scott Sim
April Grady
Tricia Schiltz
Peter Schaefer
Becky Buska
Jay Phillips
Jennifer Simmons
Kim Moog
George Harris
Sue Daly
Frieda Houser
Don Merritt

<u>Budget Change Documents that Trigger</u>				
<u>Information submitted for the September 2015 LFC meeting</u>				
<u>Agency #</u>	<u>Agency Name</u>	<u>Doc #</u>	<u>Brief Explanation</u>	<u>Fiscal Year</u>
Documents Processed as Time Sensitive				
Time Sensitive				
69010	Public Health & Human Services	PT 483	This request is a transferring of Medicaid authority within the same account level. The change is necessary to provide Prog 11, HRD to meet Medicaid expenditures. Prog 22 FY2015 Medicaid expenditures have grown at a pace slower than originally anticipated and Prog 11 Medicaid expenditures have grown at a faster pace than originally anticipated.	2015
69010	Public Health & Human Services	PT 514	AMDD is requesting additional general fund authority for the Montana State Hospital to cover projected deficits in personal services and operating costs in SFY2015. The census has been over licensed capacity continually which is driving up costs at the facility. Higher acuity of patients is requiring 1:1 staff coverage resulting in an additional 40 shifts each day. Position vacancies have also dropped from an average of 25 vacancies to 12. Additional housekeeping, dietary, and teamster staff were also needed to help with the higher patient population. The staffing demanded by higher patient acuity and increased population results in increased aggregate and overtime costs. The HCSD has remaining authority in administrative funding as a result of enhanced federal match rates, and in TANF MOE and Child Care Matching funds.	2015
64010	Dept of Corrections	OP 151	During FY15, Montana Women's Prison (MWP) had 2.5 unfunded modified FTE, which has contributed approximately \$208,000 to the projected personal services deficit of \$368,000 at the facility. The FY15 overtime budget for Program 6 was \$188,000; projected overtime expenditures exceed this budget by \$85,000. Additionally, the raises granted to Program 6 staff have increased the anticipated FY15 expenditures. Due to unfunded modified FTE, increased overtime costs and pay increases in FY15, Program 6 anticipates having a \$1,400,000.00 deficit in personal services. This BCD will move \$1,400,000.00 from 62000 703H2 into 61000 703H2 to cover this anticipated deficit.	2015

<u>Agency #</u>	<u>Agency Name</u>	<u>Doc #</u>	<u>Brief Explanation</u>	<u>Fiscal Year</u>
64010	Dept of Corrections	PT 450	Internally transferring funds to cover overages in: • Program 1 – BOPP personal services due to inability to meet vacancy savings amounts, Operating deficit due to increases in fixed costs and legal contract cost increases • Program 2 – personal services shortages due to inability to meet vacancy savings and cost of incremental moves per union contract, surplus in operating due to decreased bed usage, and adjusting funding for transfers and debt service due to variations in energy savings payments • Program 3 – surplus in personal services due to inability to fill positions at Montana State Prison, deficit in equipment due to necessary OTO purchases, adjusting funding for transfers and debt service due to variations in energy savings payments • Program 5 – Transferring personal services due to lack of revenues to cover state special funding switch at PHYCF, and shortage in operating due to ancillary repairs needed at PHYCF.	2015
69010	Public Health & Human Services	PT 530	Program transfer of federal authority from Prog 02 HCS to Prog 12 MHS. Prog 02 FY2015 SNAP expenditures have grown at a slower pace than originally anticipated. Prog 12 has growth in Health Information Technology Incentive grant.	2015
69010	Public Health & Human Services	PT 427	Program transfer of Medicaid authority from Prog 22 SLTC and Prog 10 DSD to Prog 11 HRD for current year benefits and claims. Prog 22 and Prog 10 FY2015 Medicaid expenditures have grown at a pace slower than originally anticipated and Prog 11 Medicaid expenditures have grown at a faster pace than originally anticipated.	2015
69010	Public Health & Human Services	PT 543	Program transfer from program 08 (QAD) to program 04 (DO) to cover anticipated costs for fiscal year end. Program 08 (QAD) has available GF due to a favorable fund split adjustment. Program 04 needs additional GF to close out the year end expenditures.	2015
69010	Public Health & Human Services	PT 532	Transfer of year end federal appropriation authority between programs 02, HCSD, and 09, TSD. This transfer is necessary to implement additional CHIMES Medicaid/HMK eligibility determination system functionality that will make this system more user friendly to the citizens it serves and more efficient for the workers that use it. The effort will be funded at 90% federal.	2015
69010	Public Health & Human Services	PT 497	PT from several DPHHS divisions to CFSD Prog 03 to meet SFY2015 obligations. CFSD has experienced an unanticipated increase in children in care, leading to increased expenditures in personal services, operating and benefits in order to carry out our mission of keeping children safe and families strong.	2015
69010	Public Health & Human Services	PT 517	Program transfer of authority from various program to program 09 TSD. The department negotiated a contract reduction for the maintenance and operations of the MMIS Fiscal Agent legacy system, leaving unexpended budget authority in program 12. This authority, along with federal appropriation authority in several divisions, is being transferred to program 09 to fund increased project costs for the MMIS HE system development.	2015

<u>Agency #</u>	<u>Agency Name</u>	<u>Doc #</u>	<u>Brief Explanation</u>	<u>Fiscal Year</u>
69010	Public Health & Human Services	HC 524	This transaction makes required budgetary corrections resulting from the move to the 2015 budget starting point during the legislative session or other issues requiring correction related to IBARS data input. House correction to realign authority for SFY2016 and SFY2017 within Prog 07, PHSD. There is no change to the agency scope and/or objectives, first level account changes are due to incorrect allocations amongst funds.	2016/2017
69010	Public Health & Human Services	HC 501	This transaction makes required budgetary corrections resulting from the move to the 2015 budget starting point during the legislative session or other issues requiring correction related to IBARS data input. House correction for Prog 04, DO, realign authority for FY2016 and FY2017. During legislative session, allocation of costs were made incorrectly amongst funds within the state special revenue and federal revenue fund types. This BCD corrects that.	2016/2017
57060	Dept Nat Resource/Conservation	OP 524	BCD requests to move ORG budget from operating (62000) to capital outlay (64000) in general fund (01100) and state special revenue fund (02039) in program 35, Forestry Division to properly record expenditures in SABHRS. DNRC is authorized to purchase the Aircraft Hangar in Kalispell, Montana, per HB 403 (2015) approved in the 2015 session of the Sixty-fourth Legislature. HB 403 (2015) is effective immediately upon passage and approval. The Department of Administration (DoA) and DNRC have a signed Memorandum of Understanding (MOU) delegating duties from DoA to DNRC to purchase the Aircraft Hangar.	2015
67010	Dept of Military Affairs	OP 106	This BCD is to make first level accounts positive for FYE. Directors Office \$10,000 from personal service to operations, Army program \$200,000 from equipment to operations, Veterans Affairs \$3,800 from personal services to operations. Army program triggers, there was not as much as equipment money available as predicted in the last session.	2015
69010	Public Health & Human Services	PT 559	Program transfer of general authority programs 06, 07, and 08 to program 09 to cover anticipated expenditures.	2015
21100	Judiciary	OP 163	Op plan change for Drug Treatment Courts, 040H7, 01100, moving \$52,923 from 61000 and \$57,500 from 62000 for a total of \$110,492.97 to 67000. The change is being made so that authority at fiscal year-end will be in agreement with actual expenditures incurred.	2015
65010	Department of Commerce	HC 153	This transaction makes required budgetary corrections resulting from the move to the 2015 budget starting point during the legislative session or other issues requiring correction related to IBARS data input. This BCD revises HB 2 appropriation authority in the Department of Commerce which were caused by significant changes in the legislative budgeting process, such as the move to FY 2015 budgeted base, and corrections related to errors in change package entries made during this past legislative session.	2016/2017
35010	Office of Public Instruction	OP 515	Move authority from account level 62000 into account level 63000 & 68000 to comply with GASBE.	2015
11040	Legislative Branch	OP 087	Moving PG20 HB2 appropriation (FY15) from 62000 level to 63000 level to appropriately record capitalized assets.	2015
69010	Public Health & Human Services	PT 569	Program transfer of authority between Prog 02, Prog 33 and Prog 11. Program transfer of federal authority to program 33, AMDD to fully liquidate CHIPRA cash.	2015
35010	Office of Public Instruction	OP 516	Moving between operating levels to clear negative ending balances.	2015

<u>Agency #</u>	<u>Agency Name</u>	<u>Doc #</u>	<u>Brief Explanation</u>	<u>Fiscal Year</u>
66020	Labor & Industry	HC 747	This transaction makes required budgetary corrections resulting from the move to the 2015 budget starting point during the legislative session or other issues requiring correction related to IBARS data input. This request corrects the omission of authority in the 68000 category attributed to the switch in the Base Budget used which failed to take into account an accounting policy change and Change Packages implemented during the Legislative process in FSR within the Office of Community Service. Allowing OCS to comply with MOM Policy 345 IX.C. when administering existing grants with other State Agencies.	2016
56030	Department of Livestock	HC 603	This transaction makes required budgetary corrections resulting from the move to the 2015 budget starting point during the legislative session or other issues requiring correction related to IBARS data input. Correcting brands budget categories and funding for FY 2016 and FY 2017 withing HB2 total authority. Correcting operational plan to provide proper personal services and operating in the brands enforcement.	2016/2017
21100	Judiciary	HC 006	This transaction makes required budgetary corrections resulting from the move to the 2015 budget starting point during the legislative session or other issues requiring correction related to IBARS data input.	2016/2017
56030	Department of Livestock	HC 606	This transaction makes required budgetary corrections resulting from the move to the 2015 budget starting point during the legislative session or other issues requiring correction related to IBARS data input. Correcting milk and egg budget categories and funding for FY 2016 and FY 2017 within HB2/HB13 total authority. Correcting operational plan to provide personal services and operating in milk and egg program. The allocation of personal services was incorrect in the milk and egg program and must be corrected in order to operate.	2016/2017
56030	Department of Livestock	HC 607	This transaction makes required budgetary corrections resulting from the move to the 2015 budget starting point during the legislative session or other issues requiring correction related to IBARS data input. Correcting meat inspection personal services and operational plan allocations for HB2/HB13 authority. Correcting operational plan to provide proper personal services and operating in milk and egg program. The allocation of personal services and operations was incorrect in the meat inspection program and must be corrected in order to operate.	2016/2017
56030	Department of Livestock	HC 605	This transaction makes required budgetary corrections resulting from the move to the 2015 budget starting point during the legislative session or other issues requiring correction related to IBARS data input. Correcting animal health division budget categories and funding for FY 2016 and FY 2017 withing HB2/HB13 total authority. Correcting operational plan to provide proper personal services and operating in the animal health division. Essential corrections are needed to establish an operational plan for the animal health division with correct funding and allocation to budget categories.	2016/2017
Documents Being Held for Comment				
Non-Time Sensitive				

<u>Agency #</u>	<u>Agency Name</u>	<u>Doc #</u>	<u>Brief Explanation</u>	<u>Fiscal Year</u>
52010	Dept. of Fish, Wildlife & Parks	AT 005.01	Correct op plan for Parks and Com Ed programs. Authority for the org budgets was set up in the Transfer category instead of the Grants category.	2016/2017
52010	Dept. of Fish, Wildlife & Parks	HA 801	Request refund from 405HB to 405H1 & 405H4 and make an OP plan change to better represent where authority will actually be spent in FY2016 and FY2017. Budget moves between Personal Services, Ops, and Grants in Com Ed to get Com Ed's op plan where it needs to be and still meet the intent of the Shooting Range Grant line item.	2016/2017
69010	Public Health & Human Services	PT 578	This is a program transfer of personal services authority to program 04, the Director's Office, to fund the agency's termination payouts. Under federal regulations, DPHHS must charge termination payouts through the agency-wide cost allocation plan. This is accomplished by charging the expenditures to the Human Resources Office, which is located in the Director's Office. Personal services costs are originally budgeted in the division that the position is assigned to. Part of the personal service budget is now being moved to Human Resource Office, where the termination payout expenditures will be charged.	2016
51020	Commissioner of Higher Education	HC 209	This transaction makes required budgetary corrections resulting from the move to the 2015 budget starting point during the legislative session or other issues requiring correction related to IBARS data input. Moving authority from 68000s to 62000s in FY 16. Moving authority from both 68000s and 61000s to 62000s in FY 17.	2016/2017
69010	Public Health & Human Services	HC 507	This transaction makes required budgetary corrections resulting from the move to the 2015 budget starting point during the legislative session or other issues requiring correction related to IBARS data input. House Correction for SFY16 and SFY17 authority between appropriations within Program 10 DSD. Allocating authority that was combined during budgeting process out to the intended areas.	2016/2017
41070	Crime Control Division	HA 021	Budget change is needed to move authority from grants to transfers. MBCC had a large award in National Criminal History Improvement Program (NCHIP) for the MT Supreme Court & one NCHIP award for Dept. of Corrections and Dept. of Justice. The significant budget change is needed to move authority from grants to transfers to fund 2 National Criminal History Improvement Program (NCHIP) awards. One going to Supreme Court and the other will go to Dept of Corrections & Dept of Justice. Personnel is adjusted to add a .5 modified FTE to manage a \$6.5 million VOCA grant increase (from \$1.7 mil) & two retirements plus an increase in the Statistical Analysis Center. Operating is adjusted to manage the increased VOCA & SAC awards.	2016

<u>Agency #</u>	<u>Agency Name</u>	<u>Doc #</u>	<u>Brief Explanation</u>	<u>Fiscal Year</u>
41070	Crime Control Division	HA 022	FY17-The significant change is needed to increase personnel and operating authority to administer increased award amounts. VOCA (Victims of Crime) & SAC (Statistical Analysis Center) increased from \$1.9 mil to \$6.5 mil & \$50K to \$272,029 per year. Significant change to personnel for a modified .5 FTE to help administer the increase in VOCA and to fully fund personnel. Moving authority from grants to transfers due to large awards to state agencies. Operating to administer the increased SAC & VOCA awards. The majority of SAC is contracted to the universities for research. Authority is also being adjusted between federal funds to reflect the actual award amounts.	2017