

FIXED COSTS

Fixed costs are costs charged to agencies to fund the operations of certain centralized service functions of state government (such as data network fees, messenger services, and legislative audit). Costs charged to the individual agency budgets are based upon the cost in the service agency and the method used to allocate those costs. These fixed costs are automatically added to each agency budget, as appropriate.

The following figure shows fixed costs funded by the legislature in the 2015 biennium.

Fixed Costs		
2015 Biennium Legislative Budget (in Millions)*		
Subcommittee/Agency Function		2015 Biennium
General Government		
Administration	Insurance	\$24.3
	Warrant Writer Fees	1.2
	HR/Payroll Service	6.6
	ITSD Fees	75.9
	SABHRS Operating	6.3
	Messenger Services	0.6
	Rent- Capitol Complex	18.9
	Grounds Maintenance	0.9
	Workers Compensation Mgmt.	0.6
Legislative Branch	Audit Fees	4.3
Various	Statewide Cost Allocation	<u>6.0</u>
		<u>\$145.7</u>
* All sources of authority.		

The legislature did not approve the executive request to establish a fixed cost for the Professional Development Center. The legislature did adjust the costs for insurance due to payment required to under the Libby asbestos settlement. Other changes that were made did not materially impact rates.

FY 2013 SUPPLEMENTAL APPROPRIATIONS

The legislature appropriated \$118.8 million general fund and \$9.4 million other funds in the 2013 biennium as supplemental funding. The figure shows supplemental appropriations since the 2001 biennium.

General Fund Supplementals	
2001 to 2013	
Biennium	Millions
2001	\$68.2
2003	12.5
2005	12.7
2007	76.4
2009	3.5
2011	2.9
2013	118.8

As shown, the amount requested is the highest over this time period. The following details the FY 2013 appropriation. The figure is followed by a brief description of each.

HB 3 Supplemental Appropriations FY 2013				
Agency/Purpose	General Fund	State Special		Proprietary Funds
		Funds	Federal Funds	
Office of Public Instruction				
State Tuition Payments	\$172,698			
Base Aid	39,899,927			
Block Grants	3,683,002			
Department of Justice				
Major Litigation	1,149,477			
Exempt Staff Payouts	43,037	60,611		
Public Safety Officer Standards and Training	177,723			
Governor's Office				
Exempt Staff Payouts	276,601			
Department of Natural Resources and Conservation				
Fire Suppression*	50,000,000			
Department of Administration				
Montana Lottery				2,000,000
Risk Management	13,400,000			
Office of the Public Defender				
Public Defender	3,200,000			
Appellate Defender	200,000			
Military Affairs				
Homeland Security Grants			6,547,080	
Department of Corrections				
Secure Facilities	<u>\$6,597,000</u>	<u>\$750,000</u>		
Total	<u>\$118,799,465</u>	<u>\$810,611</u>	<u>\$6,547,080</u>	<u>\$2,000,000</u>
* HB 3 includes language to transfer any supplemental funds remaining unencumbered after 7/1/2013 to the fire suppression fund				

- Office of Public Instruction –
 - State Tuition Payments - State tuition payments are payments to school districts for students placed in a school district outside their district of residence by a state agency or court. Tuition payments are higher than anticipated
 - Base Aid – HB 316 moved mineral royalties revenues to the guarantee account from the general fund, reducing the general fund appropriation required for Base Aid. When HB 316 was vetoed additional general fund was needed
 - Block Grants - SB 372 cut tax rates on class 8 business equipment starting tax year 2012. The revenue loss associated with these tax cuts was reimbursed to school districts. However, the amount appropriated for SB 372 reimbursements was short by \$3.7 million.
- Department of Justice – The legislature provided funds for three purposes: 1) to add funds to the biennial appropriation that funds major litigation, which has been depleted by major cases, including the PPL lawsuit that went to the US Supreme Court; 2) payouts of eligible exempt staff who left the department when the new Attorney General took office; and 3) legal services costs for the Public Safety Officer Standards and Training (POST) board
- Governor’s Office – This supplemental is for payout costs for eligible exempt staff who left the office when the new Governor assumed office
- Department of Natural Resources and Conservation (DNRC) – DNRC is the agency responsible for paying most of the state-responsibility costs of fire suppression. Total estimated state responsibility costs as of this writing are \$50.3 million, with \$4.1 million paid from the fire suppression fund (which will be depleted) and \$10.4 million paid from the Governor’s emergency fund, leaving a balance that must be paid from a supplemental appropriation at \$35.8 million. The legislature provided this funding plus an additional \$14.2 million to replenish the fire suppression fund. A further discussion of fire costs can be found in the 2015 Biennium LFD Fiscal Report narrative for DNRC at the following link and in this appendix: <http://www.leg.mt.gov/content/Publications/fiscal/FR-2015/Section%20C/5706-summary.pdf>
- Department of Administration – The legislature provided two appropriations: 1) replenish the fund balance for the state’s self-insurance program that was depleted to pay for the state’s share of the Libby asbestos lawsuit settlement with a lump-sum general fund payment (the remaining fund balance will be replenished over time through additional insurance costs to agencies); and 2) provide additional authority for the lottery to pay vendors
- Office of the Public Defender (OPD) – This appropriation is due primarily to the impacts on the agency from unanticipated double digit caseload growth that was heavily influenced by large growth in the number of dependent and neglect cases, high turnover and payout costs, and costs associated with death penalty cases
- Military Affairs – The department was provided federal homeland security grants for local communities
- Department of Corrections – The legislature added funding primarily for outside medical costs and low vacancy savings in positions on which a vacancy savings rate of 4% was applied in the budget

AGENCY BUDGET COMPARISONS BY FUND

This section provides a comparison, by agency, of HB 2 appropriations compared to the 2013 biennium. For each fund type, a table shows the comparison by agency. Also included for each fund type is a pie chart showing the amount and percent of each fund by major program area, and a bar graph that shows the percentage increase by major program area. The narrative describes the primary reasons for the budget changes, by fund type.

General Fund

As defined in 17-2-102, MCA, the general fund “accounts for all financial resources except those required to be accounted for in another fund.” The general fund provides funding for the general operations of state government.

The legislature increased general fund in HB 2 by \$334.7 million, or 10.36%. K-12 and higher education are over 61% of the total increase. Human services (agencies 6902 through 6911 in the table) are another 26% of the increase, meaning those three areas contribute 87% of the total general fund increase. For most agencies, statewide present law adjustments constitute the largest increase. Note that this comparison is done without including impacts from supplemental appropriations included in the 2013 budget. In this comparison, approximately \$95 million or 28% of the