

Agency Budget Comparison

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

| Agency Budget Comparison | | | | | | | | |
|-------------------------------|---------------------|------------------------|-----------------------|-----------------------|--------------------------|--------------------------|---------------------|----------------------|
| Budget Item | Base Fiscal 2012 | Approp. Fiscal 2013 | Budget Fiscal 2014 | Budget Fiscal 2015 | Biennium Fiscal 12-13 | Biennium Fiscal 14-15 | Biennium Change | Biennium % Change |
| FTE | 199.21 | 199.21 | 199.21 | 199.21 | 199.21 | 199.21 | 0.00 | 0.00% |
| Estimated Impact of HB 2* | | | (8.26) | (8.26) | | (8.26) | (8.26) | |
| Net Estimated FTE* | | | 190.95 | 190.95 | | 190.95 | (8.26) | |
| Personal Services | 11,462,034 | 11,662,829 | 11,585,096 | 11,605,260 | 23,124,863 | 23,190,356 | 65,493 | 0.28% |
| Operating Expenses | 15,179,930 | 15,422,290 | 15,948,410 | 15,841,721 | 30,602,220 | 31,790,131 | 1,187,911 | 3.88% |
| Equipment & Intangible Assets | 552,065 | 357,423 | 552,065 | 552,065 | 909,488 | 1,104,130 | 194,642 | 21.40% |
| Grants | 3,767,443 | 5,101,505 | 13,515,443 | 11,915,443 | 8,868,948 | 25,430,886 | 16,561,938 | 186.74% |
| Benefits & Claims | 2,280 | 2,280 | 2,280 | 2,280 | 4,560 | 4,560 | 0 | 0.00% |
| Transfers | 570,674 | 707,549 | 2,932,674 | 2,532,674 | 1,278,223 | 5,465,348 | 4,187,125 | 327.57% |
| Total Costs | \$31,534,426 | \$33,253,876 | \$44,535,968 | \$42,449,443 | \$64,788,302 | \$86,985,411 | \$22,197,109 | 34.26% |
| General Fund | 5,601,891 | 5,725,200 | 6,030,337 | 6,023,180 | 11,327,091 | 12,053,517 | 726,426 | 6.41% |
| State Special | 1,071,157 | 1,292,045 | 1,100,490 | 1,001,546 | 2,363,202 | 2,102,036 | (261,166) | (11.05%) |
| Federal Special | 24,861,378 | 26,236,631 | 37,405,141 | 35,424,717 | 51,098,009 | 72,829,858 | 21,731,849 | 42.53% |
| Total Funds | \$31,534,426 | \$33,253,876 | \$44,535,968 | \$42,449,443 | \$64,788,302 | \$86,985,411 | \$22,197,109 | 34.26% |

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

Agency Description

Agency Mission: To provide for safety and well-being for citizens of Montana through mission-ready forces, for federal and state activations, emergency services as directed by the Governor, and services to Montana veterans.

The Department of Military Affairs is administered by the Adjutant General and his staff. The agency oversees all activities in the Army and Air National Guard, Disaster and Emergency Services, the National Guard Youth Challenge Program, and the National Guard Education Outreach Program, STARBASE. The Veterans' Affairs Division, which is administratively attached to the department, manages and coordinates with state and federal agencies in providing services for veterans and their families as well as the state veterans' cemeteries.

The department, through the Army and Air National Guard, manages a joint federal-state program that maintains trained and equipped military organizations for the Governor in the event of a state emergency and the President in the event of a national emergency. The department also plans for and coordinates state responses in disaster and emergency situations.

Agency Highlights

| Department of Military Affairs Major Budget Highlights |
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| <ul style="list-style-type: none"> ◆ The Department of Military Affairs budget increases by 34.3% from the previous biennium due primarily to a \$22.0 million increase in funding for Homeland Security Program Grants. ◆ The legislature approved the addition of a second site for STARBASE at Gore Hill in Great Falls and increased federal authority for the program by \$0.6 million over the 2015 biennium ◆ HB 626 increases the percentage of vehicle fees allocated to the Veteran's Affairs Division. The increases are allocated to two separate accounts: <ul style="list-style-type: none"> • State Veterans' Cemetery Account, which is statutorily appropriated • Veterans' Services Account, which is included in HB 2 ◆ The legislature approved 5.0 new FTE including: <ul style="list-style-type: none"> • 3.0 FTE to support various functions related to the mission of the Army National Guard • 1.0 FTE for the new STARBASE program in Great Falls • 1.0 FTE for the Disaster and Emergency Services Division ◆ The legislature eliminated HB 2 funding for personal services for 5.0 FTE and related operating costs in the Veterans' Affairs Division that were also statutorily appropriated. |

Summary of Legislative Action

The Department of Military Affairs budget increases when compared to the 2013 biennium due to:

- Additional federal revenue authority for grants to local and tribal governments of \$22.0 million over the 2015 biennium
- Additional personal services to support 3.00 FTE to support the Army National Guard mission, 1.00 FTE to provide for homeland security exercise and evaluation, and 1.00 FTE for the new Montana STARBASE "Big Sky" Program in Great Falls
- Reinstatement of \$0.8 million in overtime incurred by the Air National Guard firefighters in Great Falls

General fund increases between the two biennia due to approved funding shifts between general fund and federal funds in most programs and support for grants for outreach services to Montana veterans.

HB 626 Includes Provisions to Implement HB 2

The Joint Appropriations Subcommittee on General Government recommended and the legislature approved HB 626, a bill to implement provisions of HB 2 that changes the percentage of motor vehicle revenues that are deposited into the general fund each fiscal year and then transferred to two accounts within the Veterans' Affairs Program:

- State Veterans' Cemetery Account
- Veterans' Services Account

The increase in the percentage, from 0.64% to 0.81%, is estimated to restore the funding provided by the allocation to the levels previously provided prior to the adoption of a percentage.

Boilerplate

The boilerplate section in HB 2 includes the following language:

"It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings

amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium.”

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 8.26 for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

Funding

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

| Total Department Of Military Affairs Funding by Source of Authority 2015 Biennium Budget | | | | | |
|---------------------------------------------------------------------------------------------|---------------------|---------------------------------|----------------------------|----------------------|----------------------|
| Funds | HB 2 | Non- Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds |
| General Fund | \$12,053,517 | \$0 | \$0 | \$12,053,517 | 13.7% |
| State Special Total | 2,102,036 | - | 775,647 | 2,877,683 | 3.3% |
| Federal Special Total | 72,829,858 | - | - | 72,829,858 | 83.0% |
| Proprietary Total | - | - | - | - | 0.0% |
| Current Unrestricted | - | - | - | - | 0.0% |
| Other Total | - | - | - | - | 0.0% |
| Total All Funds | \$86,985,411 | \$0 | \$775,647 | \$87,761,058 | |
| Percent - Total All Sources | 99.1% | 0.0% | 0.9% | | |

HB 2

The Department of Military Affairs is dominated by federal government initiatives, programs, and objectives. As such the agency’s primary funding source is federal funds. General fund supports a portion of most of the programs in the department and 100% of the cost of the National Guard Scholarship program.

State special revenue funds the Disaster and Emergency Services Division and Veterans Affairs Program. The Veterans Affairs Division accounts for the majority of the state special revenue funding with revenues generated through vehicle registrations, specialty license plates, and donations.

Federal special revenues account for the majority of the total agency funding. The most significant impact to the total funding increase is for federal Homeland Security Program Grants that remain unspent from previous fiscal years.

Statutory Appropriations

The Department of Military Affairs has two statutory appropriations that are currently estimated to be expended in the 2015 biennium and several others that are either transferred from other agencies or are not currently estimated to be needed in the next biennium.

The Montana Military Family Relief (MMFRF) Program receives a statutory appropriation to provide monetary grants to families of Montana National Guard and Reserve Component members who on or after April 28, 2007 are on active duty for federal service in a contingency operation. MMFRF grants are intended to help Montana families defray the costs of food, housing, utilities, medical services, and other expenses that become difficult to afford when a wage-earner has temporarily left civilian employment to be placed on active military duty. FY 2012 costs for the program were \$121,000, which is the amount of funding established for each year of the 2015 biennium. The program was originally funded by a transfer of \$1.0 million in general fund. Ongoing revenues include interest on the fund balance (which is declining) and donations of about \$38,000 a year.

The Veterans' Affairs Division has a statutory appropriation for operation of the Montana Veterans' Cemetery Program. The state special revenue funds are generated from cemetery plot allowances and donations.

Statutory appropriations that are not currently estimated for the 2015 biennium include:

- Local incidence responses for emergency and disasters
- Contingencies to address environmental problems

The Governor is also provided a number of statutory appropriations in the event of a declared emergency or disaster. The most notable of these is the authority to authorize up to \$16 million for disaster relief. These expenditures are authorized through executive orders. In FY 2012, the Governor authorized disaster relief expenditures from the general fund totaling \$7,631 with the remainder anticipated to be fully expended in FY 2013, primarily for fire suppression costs.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item | -----General Fund----- | | | | -----Total Funds----- | | | |
|--------------------------|------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|--------------------------|----------------------|
| | Budget Fiscal 2014 | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget | Budget Fiscal 2014 | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget |
| Base Budget | 5,601,891 | 5,601,891 | 11,203,782 | 92.95% | 31,534,426 | 31,534,426 | 63,068,852 | 72.51% |
| Statewide PL Adjustments | 233,664 | 222,074 | 455,738 | 3.78% | (10,434) | (14,453) | (24,887) | (0.03%) |
| Other PL Adjustments | 74,545 | 79,024 | 153,569 | 1.27% | 12,916,345 | 10,831,043 | 23,747,388 | 27.30% |
| New Proposals | 120,237 | 120,191 | 240,428 | 1.99% | 95,631 | 98,427 | 194,058 | 0.22% |
| Total Budget | \$6,030,337 | \$6,023,180 | \$12,053,517 | | \$44,535,968 | \$42,449,443 | \$86,985,411 | |

Statewide present law adjustments are negative from total funds due to reductions for overtime incurred by firefighters in Great Falls. Other present law adjustments include increased federal funding for Homeland Security Grant Program funds within the Disaster and Emergency Services Program.

Other Legislation

HB 13 – The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches as well as the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

HB 21 – The legislature determined that the statutory appropriation for the state veterans' cemeteries should be assigned to the Department of Military Affairs rather than the Board of Veterans' Affairs. HB 21 was passed and approved to address this issue.

Executive Budget Comparison

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Executive Budget Comparison | | | | | | | | |
|-------------------------------|-------------------------|------------------------------|--------------------------------|------------------------------------|------------------------------|--------------------------------|------------------------------------|----------------------------------|
| Budget Item | Base Budget Fiscal 2012 | Executive Budget Fiscal 2014 | Legislative Budget Fiscal 2014 | Leg - Exec. Difference Fiscal 2014 | Executive Budget Fiscal 2015 | Legislative Budget Fiscal 2015 | Leg - Exec. Difference Fiscal 2015 | Biennium Difference Fiscal 14-15 |
| FTE | 199.21 | 199.21 | 199.21 | 0.00 | 199.21 | 199.21 | 0.00 | |
| Estimated Impact of HB 2* | | | (8.26) | (8.26) | | (8.26) | (8.26) | |
| Net Estimated FTE* | | | 190.95 | (8.26) | | 190.95 | (8.26) | |
| Personal Services | 11,462,034 | 11,752,583 | 11,585,096 | (167,487) | 11,770,429 | 11,605,260 | (165,169) | (332,656) |
| Operating Expenses | 15,179,930 | 15,901,626 | 15,948,410 | 46,784 | 15,795,391 | 15,841,721 | 46,330 | 93,114 |
| Equipment & Intangible Assets | 552,065 | 552,065 | 552,065 | 0 | 552,065 | 552,065 | 0 | 0 |
| Grants | 3,767,443 | 13,335,443 | 13,515,443 | 180,000 | 11,735,443 | 11,915,443 | 180,000 | 360,000 |
| Benefits & Claims | 2,280 | 2,280 | 2,280 | 0 | 2,280 | 2,280 | 0 | 0 |
| Transfers | 570,674 | 2,932,674 | 2,932,674 | 0 | 2,532,674 | 2,532,674 | 0 | 0 |
| Total Costs | \$31,534,426 | \$44,476,671 | \$44,535,968 | \$59,297 | \$42,388,282 | \$42,449,443 | \$61,161 | \$120,458 |
| General Fund | 5,601,891 | 5,907,915 | 6,030,337 | 122,422 | 5,900,810 | 6,023,180 | 122,370 | 244,792 |
| State/Other Special | 1,071,157 | 940,549 | 1,100,490 | 159,941 | 842,561 | 1,001,546 | 158,985 | 318,926 |
| Federal Special | 24,861,378 | 37,628,207 | 37,405,141 | (223,066) | 35,644,911 | 35,424,717 | (220,194) | (443,260) |
| Total Funds | \$31,534,426 | \$44,476,671 | \$44,535,968 | \$59,297 | \$42,388,282 | \$42,449,443 | \$61,161 | \$120,458 |

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

The legislature provided a biennial appropriation of \$112,500 in general fund and matching federal funds to address recruitment and retention issues within the ChalleNGe Program. This was line item vetoed by the Governor. At the time of this writing the legislature was being polled to determine if the veto will be overridden.

In addition, the legislature reduced the costs associated with statutorily appropriated state veterans' cemetery revenues from HB 2 and corrected an allocation error between personal services and operating costs. Vacancy savings were increased by an additional 2% above that recommended by the executive for HB 2 funded positions. This reduced personal services by \$466,800 over the biennium and general fund by \$119,600, state special revenue by \$28,400, and federal funds by \$318,800. Finally, the legislature provided general fund for grants for outreach services to veterans in Montana, including initial contact with veterans in communities, assistance with applications and claims, volunteer training, and equipment purchases for transporting disabled veterans to services.

Language and Statutory Authority

The legislature included the following language in HB 2.

"Disaster and Emergency Services includes a reduction in general fund of \$59,763 in fiscal year 2014 and \$59,809 in fiscal year 2015, state special revenue of \$14,211 in fiscal year 2014 and \$14,214 in fiscal year 2015, and federal special revenue of \$160,814 in fiscal year 2014 and \$157,978 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans."