

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
53rd LEGISLATURE - REGULAR SESSION**

JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT & TRANSPORTATION

Call to Order: By REP. MARY LOU PETERSON, CHAIRMAN, on January 26, 1993, at 8:00 AM.

ROLL CALL

Members Present:

Rep. Mary Lou Peterson, Chair (R)
Sen. Harry Fritz, Vice Chair (D)
Rep. Marjorie Fisher (R)
Sen. Gary Forrester (D)
Rep. Joe Quilici (D)
Sen. Larry Tveit (R)

Members Excused: None

Members Absent: None

Staff Present: Jon Moe, Legislative Fiscal Analyst
Dan Gengler, Office of Budget & Program Planning
Elaine Benedict, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing: DEPARTMENT OF ADMINISTRATION
Executive Action: NONE

HEARING ON DEPARTMENT OF ADMINISTRATION

Tape No. 1:A:008

TEACHERS' RETIREMENT PROGRAM

Informational Testimony:

Mr. Jon Moe, Legislative Fiscal Analyst, presented an overview of the budget for the division. EXHIBITS 1 and 2

Mr. David Senn, Teachers' Retirement Program, presented testimony for the division. EXHIBIT 3. He stated that the vacant position was offered to an individual on Dec. 11, 1992 and that the individual began working on Dec. 21. The position is vital to the program.

Questions, Responses, and Discussion:

REP. MARJORIE FISHER asked if the program was able to reduce employees by attrition when the computer system was installed. Mr. Senn responded that the computer system has not yet been installed but that positions may be reduced when it is sufficiently in place.

STATE TAX APPEAL BOARD

Tape No. 1:A:278

Informational Testimony:

Mr. Moe presented an overview of the budget for the board.
EXHIBIT 4

Mr. John McNaught, Chairman of the State Tax Appeals Board, distributed an organizational chart. EXHIBIT 5. He stated that the new appraisal cycle will bring in a new case-load of appeals. This is particularly true of the new valuation system of agricultural land being proposed in a bill. The sales tax will likely reduce the percentage of property tax from 3.6 to approximately 3.0.

Questions, Responses, and Discussion:

SEN. HARRY FRITZ asked if the same people appeal for each cycle. Mr. Mc Naught responded that several do appeal more than once; some are legitimate, some are not. The board considers all cases equally.

DIRECTOR'S OFFICE

Tape 1:A:625

Informational Testimony:

Mr. Moe presented an overview of the budget for the bureau.
EXHIBIT 6

Ms. Cathy Reardon, filling in for the Administrative Officer, distributed an organizational chart. EXHIBIT 7. The bureau is asking for computer processing costs for the amount that was spent in 1991 for the legislative bill tracking system. The expenses are incurred only in legislative years. The bureau has decided not to request the maintenance contract. The training cost request is based on an estimate calculating actual cost from 1988-1992. The training would provide computer skills to allow the administrative officer to estimate debt services costs of proposed bond sales. The cost of hiring an individual from the private sector to perform this function is \$120/hour. Lawyers must acquire 15 hours of continued education per year. These can usually be acquired at the Professional Development Center. However, there are courses that are only offered by different facilities, requiring travel and registration costs.

Questions, Responses, and Discussion:

REP. FISHER asked the duties of the administrative officer and of the Deputy Director. Ms. Reardon answered that the Administration Officer works closely with the Board of Examiners and tracks bond sales. The deputy director assists in management of the department.

INFORMATION SERVICES DIVISION**Tape No. 1:A:1020****Informational Testimony:**

Mr. Moe presented and overview of the budget for the division.
EXHIBITS 2 and 8

Mr. Mike Trevor, Administrator, Information Services Division, presented testimony for the division. **EXHIBITS 9-13.** The division does not contest elimination of positions 8730 and 8731. These positions were added for a project that did not materialize.

Tape No. 2:A

Mr. Tony Herbert, Information Services Division, presented testimony for the division. **EXHIBIT 14**

Mr. Jack Ellery, Department of Revenue, supported the proposal of an Interactive Voice Response system. In the past, only 15% of incoming telephone calls to the department were able to get through. With the system all calls are connected and answered by a computer. The state-wide cost of the proposal is minimal.

Mr. Linus Carleton, Child Support Enforcement Division, Social and Rehabilitation Services, supported the need for the IVR system. Communication with the public is the most important issue facing the division. This system provides cost savings and allows employees to work on other issues with the time saved by not having to manually answer telephone calls.

Tape No. 2:B

Ms. Joann Finstad, Chief, Benefits Bureau, Unemployment Insurance Division, Department of Labor and Industry, supported the need for the IVR system.

Mr. Dan Gengler, Office of Budget and Program Planning, apprised the committee of the importance of the savings to other agencies created by services divisions such as ISD. If the subcommittee wishes, the staff can provide evidence of these various effects. He also explained why OBPP included METNET appropriation in the budget. HB 30 provided appropriation for the acquisition of equipment and also appropriated for 1 FTE to operate the system. The OBPP feels that the appropriation for the FTE should remain to provide ongoing operation of the program.

STATE PERSONNEL DIVISION

Tape 2:B:970

Informational Testimony:

Mr. Moe presented an overview of the budget for the division.
EXHIBITS 2 and 15

Mr. Mark Cress, Acting Administrator, State Personnel, presented testimony for the division. EXHIBIT 16

Questions, Responses, and Discussion:

CHAIRMAN PETERSON asked if the division still encounters a high turnover in personnel. Mr. Cress answered that the problem has improved but that the situation did impact the 1992 actual figures.

REP. FISHER noted that the division has upgraded positions when classifying duties and asked if the division has ever downgraded any positions. Mr. Cress answered that it has. The division attempts to determine the most fair payment for duties performed. Some jobs are upgraded as a person gains experience. The changes in classification are comparable with previous bienniums.

Informational Testimony:

Ms. Joyce Brown, Bureau Chief, Employee Benefits, addressed the Wellness Program. She stated that the program negotiates with insurance programs to achieve savings. She presented testimony for the division. EXHIBIT 17

Questions, Responses, and Discussion:

REP. FISHER asked if the benefits computer system development would include deferred compensation. Ms. Brown answered that it would not, although the idea is being considered.

REP. FISHER suggested using the system to deal directly with plan holders and eliminate the necessity for intermediaries. Ms. Brown explained that the intermediaries provide services other than those provided by the system.

Tape No. 3:B:060

REP. JOE QUILICI asked if the program works in conjunction with programs provided by health care providers. Ms. Brown answered that it does and that it also has occasion to create its own programs.

REP. QUILICI asked where excess funds would go. Ms. Brown answered the excess funds stay in the account.

Informational Testimony:

Mr. Gengler stated that the OBPP suggested that the division request more than it had intended to for the employee benefits analyst because he/she works effectively with state money. The position is necessary to implement such a large program and the program eventually pays for itself. Also, the Clinton administration may propose health care changes that will require flexibility in the division.

PUBLIC EMPLOYEES RETIREMENT

Tape 3:B:177

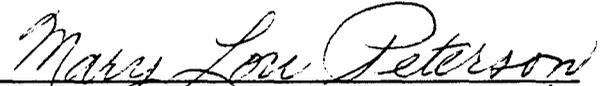
Informational Testimony:

Mr. Moe presented and overview of the budget for the program.
EXHIBITS 2 and 18

Mr. Mark Cress, Secretary, Public Employees' Retirement,
presented testimony for the program. EXHIBIT 19

ADJOURNMENT

Adjournment: 12:00 AM



REP. MARY LOU PETERSON, Chair



ELAINE BENEDICT, Secretary

MLP/EB

HOUSE OF REPRESENTATIVES

Gen. Gov. & Hwys.

SUB-COMMITTEE

ROLL CALL

DATE

1/26/93

NAME	PRESENT	ABSENT	EXCUSED
Rep. Mary Lou Peterson Chair	X		
Sen. Harry Fritz Vice Chair	X		
Rep. Marjorie Fisher	X		
Sen. Gary Forrester	X		
Rep. Joe Quilici	X		
Sen. Larry Tveit	X		

6105 01 00000 TEACHERS RETIREMENT BOARD Program Summary		Teachers Retirement Program						
Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	11.50	11.50	11.50	11.50	0.00	11.50	11.50	0.00
Personal Services	303,352	318,198	329,820	329,818	2	330,874	330,873	1
Operating Expenses	331,152	280,835	273,505	266,423	7,082	245,231	237,850	7,381
Equipment	8,924	4,489	19,969	20,042	(73)	10,964	11,077	(113)
Debt Service	<u>0</u>	<u>0</u>	<u>61,474</u>	<u>61,474</u>	<u>0</u>	<u>61,474</u>	<u>61,474</u>	<u>0</u>
Total Costs	\$643,428	\$603,522	\$684,768	\$677,757	\$7,011	\$648,543	\$641,274	\$7,269
Fund Sources								
Non-expendable Trust	<u>643,428</u>	<u>603,522</u>	<u>684,768</u>	<u>677,757</u>	<u>7,011</u>	<u>648,543</u>	<u>641,274</u>	<u>7,269</u>
Total Funds	\$643,428	\$603,522	\$684,768	\$677,757	\$7,011	\$648,543	\$641,274	\$7,269

Page References

LFA Budget Analysis A-232 to A-235
 Stephens Executive Budget A100

Current Level Differences

MINOR DIFFERENCES

INFLATION DIFFERENCES

TOTAL CURRENT LEVEL DIFFERENCES

Budget Modifications

None

Language

Language is needed to clarify the source of funds. For the 1993 biennium, the language in House Bill 2 stated:

"The amounts listed in items 1, 1a, 1b, and 1c are appropriated from the pension trust fund".

	Exec. Over Fiscal 1994	(Under) LFA Fiscal 1995
MINOR DIFFERENCES	7,084	7,364
INFLATION DIFFERENCES	(73)	(95)
TOTAL CURRENT LEVEL DIFFERENCES	<u>7,011</u>	<u>7,269</u>

DEPARTMENT OF ADMINISTRATION

Positions Removed by Joint Committee Action
House Appropriations & Senate Finance and Claims
January 6, 1993

EXHIBIT

DATE 1/20/93

HB

Position #	Position Description	Total Personal Services		FTE		Total FTE Removed	Non-Approp. FTE
		Fiscal 1994	Fiscal 1993	Removed by 5% Reduction	Removed by Being Vacant		
General Fund Positions							
Director's Office							
00001	Director	\$6,942	\$6,950	0.11		0.11	
00003	Deputy Director	6,907	6,915	0.11		0.11	
Accounting & Management Support							
07014	Management Analyst IV	40,067	40,121		1.00	1.00	
07017	Management Analyst II	12,500	12,528	0.42		0.42	
12004	Personnel Tech II	5,761	6,313	0.25		0.25	
12006	Accounting Tech	12,358	12,424	0.50		0.50	
** 12013	Personnel Specialist	5,971	5,980	0.25		0.25	
12015	Accountant	35,280	35,598		1.00	1.00	
Procurement & Printing							
04008	Admin Officer I	23,822	23,853	0.83		0.83	
State Personnel Division							
00056	Labor Relations Specialist	31,347	31,380		1.00	1.00	
06108	Personnel Specialist	7,738	7,749	0.28		0.28	
** 06200	Career Executive	50,466	50,521	1.00		1.00	
Sub-Total		\$239,159	\$240,332	3.75	3.00	6.75	0.00
Non-General Fund Positions							
Architecture & Engineering							
02003	Energy/Mech. Eng. Spec	\$39,691	\$39,734		1.00	1.00	
02037	Temp. Class Exception	25,706	25,741	0.54		0.54	
Procurement & Printing							
03211	Duplic MacOpr	20,930	20,965	1.00		1.00	
03222	Inf Sys Spec III	16,190	16,225	0.50		0.50	
09609	Purch/Supply Asst	23,587	23,611	1.00		1.00	
09605	Accounting Tech	23,389	23,413		1.00	1.00	
Information Services Division							
08103	Secretary III	10,651	10,663	0.50		0.50	
08225	Inf Sys Spec IV	37,590	37,715	1.00		1.00	
08241	Info Sys Spec I-Impl	28,235	28,272		1.00	1.00	
08523	Info Sys Spec IV-Impl	41,737	41,782		1.00	1.00	
08707	Inf Sys Spec IV	46,128	46,178	1.00		1.00	
* 08730	Inf Sys Spec IV	35,862	35,900	1.00		1.00	
* 08731	Not Yet Classified	35,862	35,900	1.00		1.00	
09313	Switchboard Opr III	19,067	19,091	1.00		1.00	
** 09417	Planner IV	31,347	31,380	1.00		1.00	
General Services Division							
03505	Painter	33,121	33,190	1.00		1.00	
Central Mail							
13002	Mail Clerk II	11,823	11,841	0.52		0.52	
13011	Mail Clerk II	10,317	10,330		0.50	0.50	
Risk Management & Tort Defense							
05019	Not Yet Classified	22,230	22,260	0.57		0.57	
Sub-Total		\$513,463	\$514,191	11.63	4.50	16.13	0.00
TOTAL		\$752,622	\$754,523	15.38	7.50	22.88	0.00

NOTES : * Two positions already excluded from LFA current level.
** Three positions were eliminated by both actions.
They are shown eliminated by 5% reduction.

01/23/93

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PUBLIC EMPLOYEES RETIREMENT BOARD

EXHIBIT 2
 DATE 1/26/93
~~#B~~

Positions Removed by Joint Committee Action
 House Appropriations & Senate Finance and Claims
 January 6, 1993

Position #	Position Description	Total Personal Services		FTE		Total FTE Removed	Non-Approp. FTE
		Fiscal 1994	Fiscal 1995	Removed by 5% Reduction	Removed by Being Vacant		
General Fund Positions							
	None						
Sub-Total		\$0	\$0	0.00	0.00	0.00	0.00
Non-General Fund Positions							
03806	Pay Benefit Spec	\$26,148	\$26,179		1.00	1.00	
Sub-Total		\$26,148	\$26,179	0.00	1.00	1.00	0.00
TOTAL		\$26,148	\$26,179	0.00	1.00	1.00	0.00

TEACHERS' RETIREMENT BOARD

EXHIBIT 2

DATE 1/20/93

Positions Removed by Joint Committee Action
House Appropriations & Senate Finance and Claims
January 6, 1993

HB

Position #	Position Description	Total Personal Services		FTE		Total FTE Removed	Non-Approp. FTE
		Fiscal 1994	Fiscal 1995	Removed by 5% Reduction	Removed by Being Vacant		
General Fund Positions							
	None						
Sub-Total		\$0	\$0	0.00	0.00	0.00	0.00
Non-General Fund Positions							
03908	Secretary III	\$21,805	\$21,831		1.00	1.00	
Sub-Total		\$21,805	\$21,831	0.00	1.00	1.00	0.00
TOTAL		\$21,805	\$21,831	0.00	1.00	1.00	0.00

Budget Presentation - Teachers' Retirement System
General Government & Transportation Subcommittee
Representative Peterson, Chairman

The Teachers' Retirement System is an administratively "attached to" agency of the Department of Administration. The Systems budget is funded from interest earning on the pension fund.

The budget requested by the Teachers' Retirement Board for the 1994-95 biennium is little changed from 1992 actual expenditures. The increase between actual 1992 expenditures and the 1994 LFA recommended is only \$41,337. However, the LFA budget includes a continuing appropriation for audit fees of \$27,805, compared to actual expenditures in 1992 of \$7,685, and warrant writing fees of \$37,948 compared to 1992 expenditures of \$2,299. The point I want to make is that these two items represent an increase of approximately \$56,000, while the total budget increase is only \$41,000. This budget will give the System much less to operate on than in the current biennium.

The real change in this budget is a significant decrease in contracted services, specifically data processing services as explained on page A-234 of the LFA budget report. In FY 1992 we spent approximately \$110,215 to process and maintain the current data processing system. We are requesting only \$60,420 to operate and maintain the new system purchased by the Board.

Just over a year ago the board compared the cost to rewrite and continue to operate the mainframe system, to purchasing packaged software and a mid-range computer. They found it was more cost effective to purchase a new system. The packaged software and hardware purchased by the board cost approximately \$350,000 which was partially paid for during the 1992-93 biennium with the balance to be paid in installment payments over the next 4 years with interest at the rate of 4.78%. Our budget request includes \$61,474 in each year to meet this obligation. An alternative to installment payment would be to pay off the balance due on July 1, 1993, of \$238,799.90

There is just one item I would like to call to the attention of this committee and ask that you address. The LFA has recommended only \$1,500 for microfilm services compared to OBPP recommendation and our request of \$7,960. In 1992 the agency spent \$13,000 to film and fiche all retired files to protect the information from being lost or destroyed and to make room for new retirees. These files are not inactive and the fiche must be updated as new correspondence or changes are received. The amount recommended by the LFA will barely be adequate to keep the information current, we must also store the files which have been filmed. The estimated cost to purchase boxes to store these records and storage fees is \$1,225 in FY 1994, and \$1,000 in FY 1995. We ask that these amount be added to the LFA recommended totals which would still be \$5,500 less than the OBPP 1994.

Governor

Marc Racicot

Teachers' Retirement Board

James Cowan Nancy Trackwell E. Joseph Cross W. Craig Brewington John Kranick Nancy Keenan

Executive Director

Secretary

Assistant Executive Director

Accountant

Data Processing Manger

Refund Clerk

Deposit Clerk

Data Entry Operator

Benefit Tech.

Retired Payroll Manager

Payroll Clerk

Accounting Clerk

6101 37 0000 DEPARTMENT OF ADMINISTRATION Program Summary		State Tax Appeal Board						
Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	10.50	10.50	10.50	10.50	0.00	10.50	10.50	0.00
Personal Services	266,190	275,048	330,809	280,826	49,983	331,314	281,331	49,983
Operating Expenses	59,012	98,837	66,003	58,319	7,684	66,973	59,289	7,684
Equipment	5,183	0	174	180	(6)	174	185	(11)
Local Assistance	<u>4,737</u>	<u>0</u>	<u>4,737</u>	<u>4,737</u>	<u>0</u>	<u>4,737</u>	<u>4,737</u>	<u>0</u>
Total Costs	\$335,123	\$373,885	\$401,723	\$344,062	\$57,661	\$403,198	\$345,542	\$57,656
Fund Sources								
General Fund	<u>335,123</u>	<u>373,885</u>	<u>401,723</u>	<u>344,062</u>	<u>57,661</u>	<u>403,198</u>	<u>345,542</u>	<u>57,656</u>
Total Funds	\$335,123	\$373,885	\$401,723	\$344,062	\$57,661	\$403,198	\$345,542	\$57,656

Page References

LFA Budget Analysis A-177 to A-215
Stephens Executive Budget A79 to A92

Current Level Differences

PER DIEM - The LFA current level is lower because it mistakenly omitted this item, which is the per diem paid to county county tax appeals board members. The executive current level is the correct amount for this item.

INDIRECT/ADMINISTRATIVE COSTS - The LFA current level omitted this amount which is paid to the department's data processing unit proprietary fund. The executive current level is the correct amount for this item.

MINOR DIFFERENCES

TOTAL CURRENT LEVEL DIFFERENCES

Budget Modifications

1993 APPRAISAL CYCLE - The request is for \$182,347 general fund over the biennium for costs associated with property appraisal and tax appeals to the State and County Tax Appeal boards. The executive anticipates appeals will increase at the end of the current reappraisal cycle, December 1992. Most of the funds are requested in fiscal 1994.

Language

None

Exec. Over(Under) LFA
Fiscal 1994 Fiscal 1995

49,983 49,983

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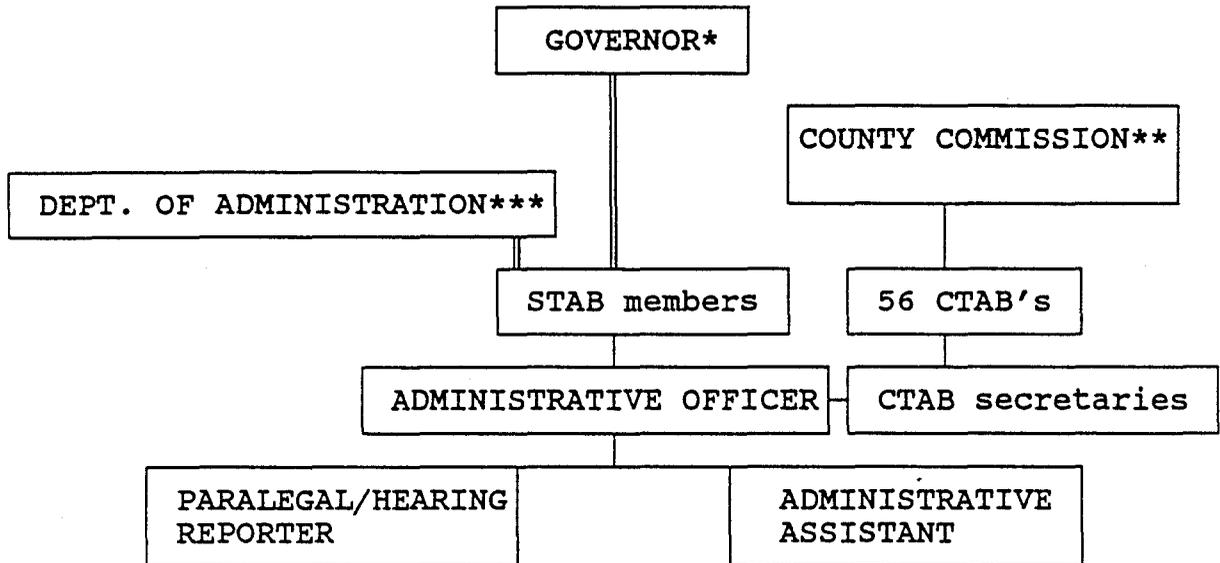
1,282 1,277

57,661 57,656

147,400 34,947

EXHIBIT 5
DATE 1/26/93
~~4B~~

TAX APPEAL SYSTEM



*The Governor appoints members of the State Tax Appeal Board, subject to confirmation by the Senate, to six year terms.

**The County Commission appoints members of the county tax appeal boards to three year terms.

***The State Tax Appeal Board is attached to the Department of Administration for administrative purposes.

DOUBLE LINE DENOTES INDIRECT CONTROL
SINGLE LINE DENOTES DIRECT CONTROL

6101 01 00000 DEPARTMENT OF ADMINISTRATION Program Summary		Director's Office						
Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	7.00	7.00	6.78	7.00	(0.22)	6.78	7.00	(0.22)
Personal Services	278,939	267,863	296,350	310,095	(13,745)	296,976	310,737	(13,761)
Operating Expenses	31,144	28,594	33,687	32,559	1,128	35,460	33,436	2,024
Equipment	<u>13,528</u>	<u>0</u>	<u>6,944</u>	<u>6,944</u>	<u>0</u>	<u>6,944</u>	<u>4,665</u>	<u>2,279</u>
Total Costs	\$323,612	\$296,457	\$336,981	\$349,598	(\$12,617)	\$339,380	\$348,838	(\$9,458)
Fund Sources								
General Fund	255,244	229,378	245,150	258,008	(12,858)	246,986	256,717	(9,731)
Proprietary Fund	<u>68,367</u>	<u>67,079</u>	<u>91,831</u>	<u>91,590</u>	<u>241</u>	<u>92,394</u>	<u>92,121</u>	<u>273</u>
Total Funds	\$323,612	\$296,457	\$336,981	\$349,598	(\$12,617)	\$339,380	\$348,838	(\$9,458)

Page References

LFA Budget Analysis A-177 to A-215
Stephens Executive Budget A79 to A92

Current Level Differences

	Exec. Over Fiscal 1994	(Under) LFA Fiscal 1995
PERSONAL SERVICES - The LFA current level is higher. It includes the "5 percent reduction" (.22) FTE.	(13,745)	(13,761)
COMPUTER PROCESSING - The LFA current level for fiscal 1995 is lower. The executive current level should be accepted for this item because the LFA analysis inadvertently placed the cost in fiscal 1994 and it should be in fiscal 1995.		234
MAINTENANCE CONTRACTS - The LFA current level is lower, taking into account new equipment which is under warranty.	599	553
EDUCATION/TRAINING - The LFA current level uses fiscal 1992 actuals plus provides for increase for some legal profession continuing education.	531	597
MINOR DIFFERENCES	(77)	3,408
INFLATION DIFFERENCES	<u>75</u>	<u>(489)</u>
TOTAL CURRENT LEVEL DIFFERENCES	<u>(12,617)</u>	<u>(9,458)</u>

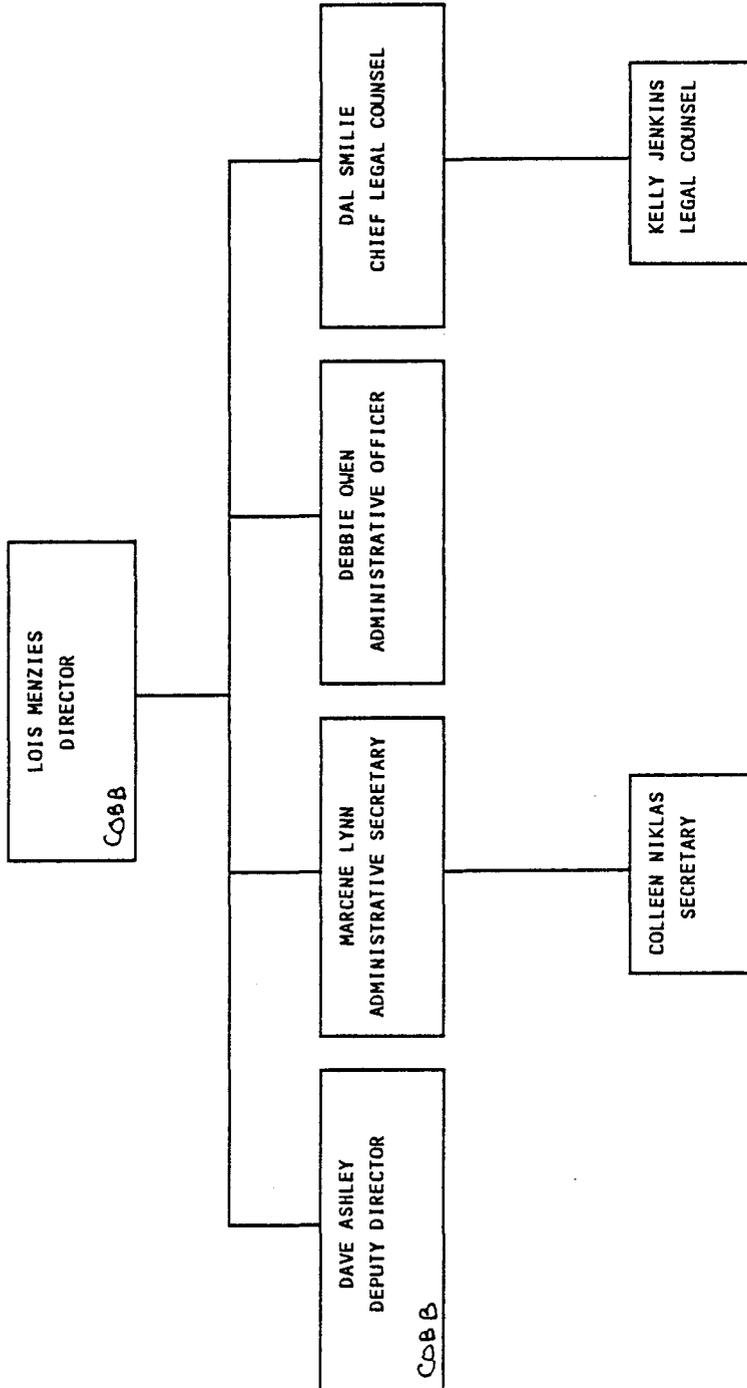
Budget Modifications

None

Language

None

DEPARTMENT OF ADMINISTRATION
DIRECTOR'S OFFICE



6101 07 0000 DEPARTMENT OF ADMINISTRATION Program Summary		Information Services Division						
Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	118.14	118.14	114.14	116.64	(2.50)	114.14	116.64	(2.50)
Personal Services	4,104,242	4,201,656	4,434,536	4,512,584	(78,048)	4,445,504	4,523,829	(78,325)
Operating Expenses	8,519,046	8,727,321	9,924,326	9,819,674	104,652	10,346,083	10,258,257	87,826
Equipment	1,857,295	1,597,044	2,154,300	2,152,431	1,869	2,007,185	2,007,407	(222)
Capital Outlay	18,714	0	0	0	0	0	0	0
Debt Service	<u>4,273,086</u>	<u>4,162,469</u>	<u>3,310,809</u>	<u>2,271,457</u>	<u>1,039,352</u>	<u>2,431,314</u>	<u>1,335,593</u>	<u>1,095,721</u>
Total Costs	\$18,772,385	\$18,688,490	\$19,823,971	\$18,756,146	\$1,067,825	\$19,230,086	\$18,125,086	\$1,105,000
Fund Sources								
Proprietary Fund	<u>18,772,385</u>	<u>18,688,490</u>	<u>19,823,971</u>	<u>18,756,146</u>	<u>1,067,825</u>	<u>19,230,086</u>	<u>18,125,086</u>	<u>1,105,000</u>
Total Funds	\$18,772,385	\$18,688,490	\$19,823,971	\$18,756,146	\$1,067,825	\$19,230,086	\$18,125,086	\$1,105,000

Page References

LFA Budget Analysis A-177 to A-215
Stephens Executive Budget A79 to A92

Current Level Differences

	Exec. Over(Under) Fiscal 1994	LFA Fiscal 1995
PERSONAL SERVICES - The LFA current level is higher because it includes all positions that were funded by the 1991 legislature, including the "5% reduction" FTE (A decrease of 4.5 FTE for this program). 6.5 FTE were reported by the department, but two of those were removed from the LFA base for other reasons. The LFA current level excludes one additional FTE (related to RERS) which is in the executive current level.	(108,004)	(108,121)
LEGAL FEES & COURT COSTS - This fixed cost was mistakenly omitted from the LFA current level.	12,711	12,788
AUDIT FEES - The LFA current level is lower because it was based upon the request submitted initially by the agency. When the amount was corrected to the higher amount, the change did not get to the legislative budget system. The executive current level is the appropriate amount for this fixed cost item.	22,764	
TELEPHONE ADD/MOVE/CHANGE - The LFA current level uses the fiscal 1992 actual expenditures while the executive current level allows for 5% growth.	22,665	35,562
RENT (Non-DofA Building) - The LFA current level is lower because the amount was incorrectly coded in the base year and thereby omitted from the LFA current level in fiscal 1994 and fiscal 1995. The executive current level is the appropriate amount for this fixed cost item.	15,996	15,996
DEBT SERVICE (Central Computer Operations) - The LFA current level does not include amounts for upgrade of the host computer.	1,023,404	1,030,093
DEBT SERVICE (Telecommunications - Voice) - The LFA current level does not include amounts for digital switch upgrades to support MetNet and a voice mail upgrade.	15,948	65,628
METNET - The LFA current level does not include a continuation of this function. The appropriation (and 1.0 FTE) for fiscal 1992 was removed from the base as a one-time appropriation.	58,686	59,066
EMERGENCY 911 - The LFA current level is lower because it adjusts the total budget to reflect the level of projected revenue.	5,598	4,449
MINOR DIFFERENCES	46,365	93,177
INFLATION DIFFERENCES	(48,308)	(103,638)
TOTAL CURRENT LEVEL DIFFERENCES	<u>1,067,825</u>	<u>1,105,000</u>

Budget Modifications

BACKUP NETWORK CONTROL CENTER—This budget modification adds \$250,000 in proprietary funds each year of the biennium to install a backup network control center in the Helena National Guard Armory. (Item #10 on page A-182 of the LFA Budget Analysis.)

250,000 250,000

INTERACTIVE VOICE RESPONSE—The Executive Budget includes 1.0 FTE and \$231,141 proprietary funds over the biennium to purchase equipment and implement interactive voice response (IVR) technology. (Item #11 on page A-183 of the LFA Budget Analysis.)

183,049 48,092

ZIP-PLUS-FOUR SOFTWARE—This budget modification adds \$123,000 proprietary funds over the biennium to purchase software that will enable agencies to modify existing computer programs to print addresses with nine digit zip codes. (Item #12 on page A-183 of the LFA Budget Analysis.)

103,000 20,000

RESTORE 5% FTE REDUCTIONS—The request is to restore 4.5 FTE and \$291,748 proprietary funds of positions removed to comply with section 13 of House Bill 2. (Item #13 on page A-183 of the LFA Budget Analysis.)

145,751 145,997

Language and Other Issues

ISSUE—Subsidies Among Computer and Telecommunications Services.
(LFA Budget Analysis A-188 to A-191)

ISSUE—Upgrade of State Mainframe Computer.
(LFA Budget Analysis A-191)

EXHIBIT 9

DATE 1/26/93

~~HB~~

ISD BUDGET PRESENTATION

- I. DIVISION OVERVIEW
 - A. ORGANIZATIONAL CHART
 - B. FUNCTIONAL CHART BY BUREAU
 - C. MAJOR SERVICES
 - D. DIVISION CASH
 - E. DATA NETWORK REVENUES AND EXPENSE
 - F. FTE GRAPH (82 TO 93) RELATED TO 4.5FTE MOD
 - G. METNET POSITION
 - H. SWYSGOOD AMENDMENT POSITIONS (2)
 - I. HJR48 BRIEFING WITH HB99 CONTINGENCY

- II. PRD OVERVIEW
 - A. AUDIT FEE ISSUE
 - B. LEGAL SERVICE ISSUE

- III. COMPUTER OPERATIONS BUREAU OVERVIEW
 - A. BUREAU STATISTICS
 - B. COMPUTER PROCESSING WORKLOAD
 - C. COMPUTER PROCESSING RATES
 - D. JUSTICE SYSTEM TRANSFER
 - E. DEBT SERVICE ISSUE
 - F. ZIP PLUS FOUR MOD

- IV. TELECOMMUNICATIONS NETWORK SERVICES BUREAU
 - A. BUREAU STATISTICS

 - B. VOICE/VIDEO PROGRAM
 - A. STATE NETWORK MAP
 - B. LONG DISTANCE NETWORK GROWTH
 - C. LONG DISTANCE NETWORK RATES
 - D. ADDS MOVE AND CHANGE ISSUE
 - E. METNET EQUIPMENT ISSUE
 - F. INTERACTIVE VOICE RESPONSE UNIT MOD

 - C. DATA NETWORK PROGRAM
 - A. DATA NETWORK MAP
 - B. DATA NETWORK GROWTH
 - C. BACKUP NETWORK CONTROL CENTER MOD

- V. APPLICATION SERVICES BUREAU OVERVIEW
 - A. BUREAU STATISTICS
 - B. SPECIFIC PROJECTS LIST
 - C. ASB RATE CHART
 - D. BUILDING RENT ISSUE

- VI. METNET SERVICES OVERVIEW
 - A. METNET MAP
 - B. METNET POSITION

- VII. 9-1-1 PROGRAM
 - A. 9-1-1 MAP
 - B. 9-1-1 OPERATIONS ISSUE

EXHIBIT 9
DATE 1/26/93
~~#B~~

LIST OF EXHIBITS

- I. DIVISION OVERVIEW
 - 1. DIVISION ORGANIZATIONAL CHART
 - 2. PRD ORGANIZATIONAL CHART
 - 3. CENTRAL COMPUTER ORGANIZATIONAL CHART
 - 4. TELECOM/NETWORK ORGANIZATIONAL CHART
 - 5. APPLICATION SERVICES ORGANIZATIONAL CHART
 - 6. ISD FUNCTIONAL ANALYSIS
 - 7. ISD MAJOR BILLABLE SERVICES
 - 8. DIVISION CASH
 - 9. DATA NETWORK REVENUES AND EXPENSE
 - 10. COMPUTER CAPACITY NEEDS CHART
 - 11. FTE GRAPH (82 TO 93) RELATED TO 4.5FTE MOD
 - 12. STATEWIDE I/S EXPENDITURES

- II. PRD OVERVIEW - NO EXHIBITS

- III. COMPUTER OPERATIONS BUREAU OVERVIEW
 - 13. COMPUTER PROCESSING WORKLOAD CHART
 - 14. COMPUTER PROCESSING RATE CHART
 - 15. BIENNIUM RATE REDUCTION

- IV. TELECOMMUNICATIONS NETWORK SERVICES BUREAU
 - A. VOICE/VIDEO PROGRAM
 - 16. STATE NETWORK MAP
 - 17. LONG DISTANCE NETWORK GROWTH CHART
 - 18. LONG DISTANCE NETWORK RATES CHART
 - 19. TELEPHONE EQUIPMENT RATE CHART
 - B. DATA NETWORK PROGRAM
 - 20. DATA NETWORK MAP
 - 21. DATA NETWORK DEVICES GROWTH CHART

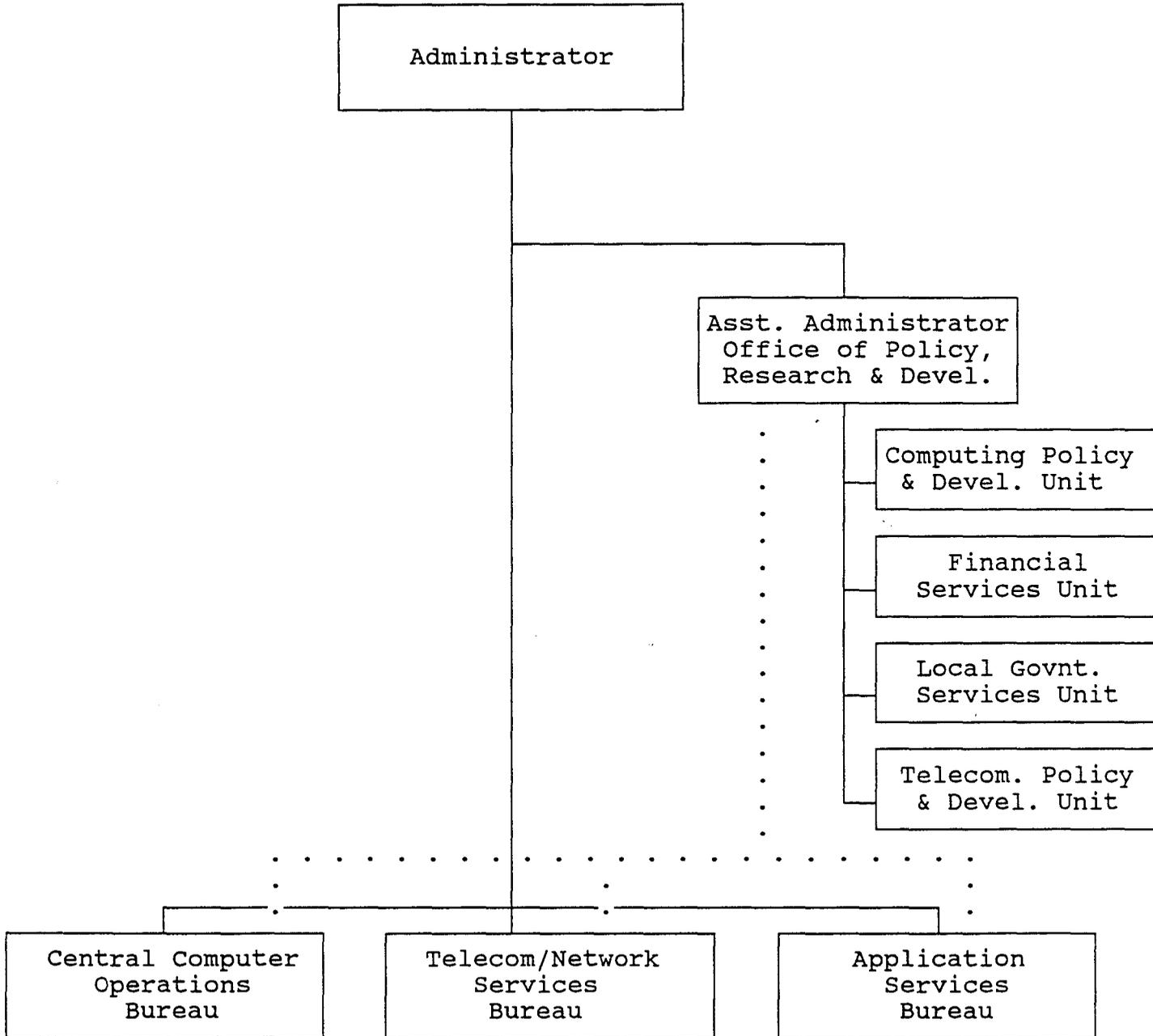
- V. APPLICATION SERVICES BUREAU OVERVIEW
 - 22. SPECIFIC PROJECTS LIST
 - 23. ASB RATE CHART

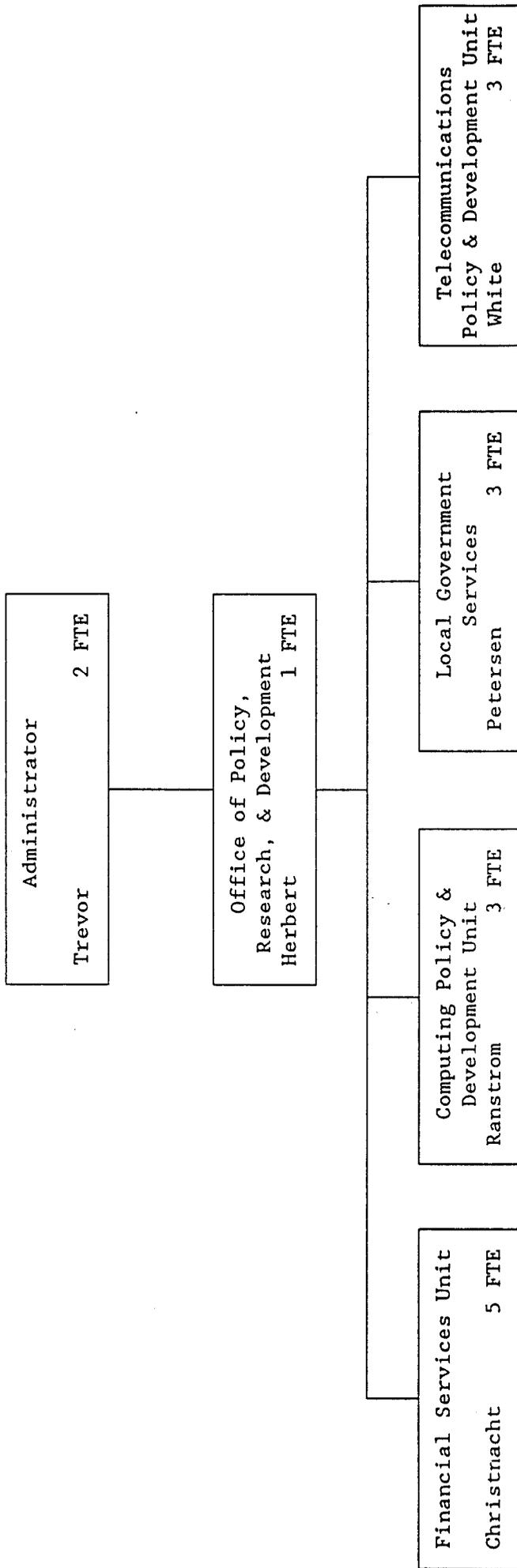
- VI. METNET SERVICES OVERVIEW
 - 24. METNET MAP

- VII. 9-1-1 PROGRAM
 - 25. 9-1-1 MAP

EXHIBIT 9
DATE 1/26/93
~~HB~~

INFORMATION SERVICES DIVISION

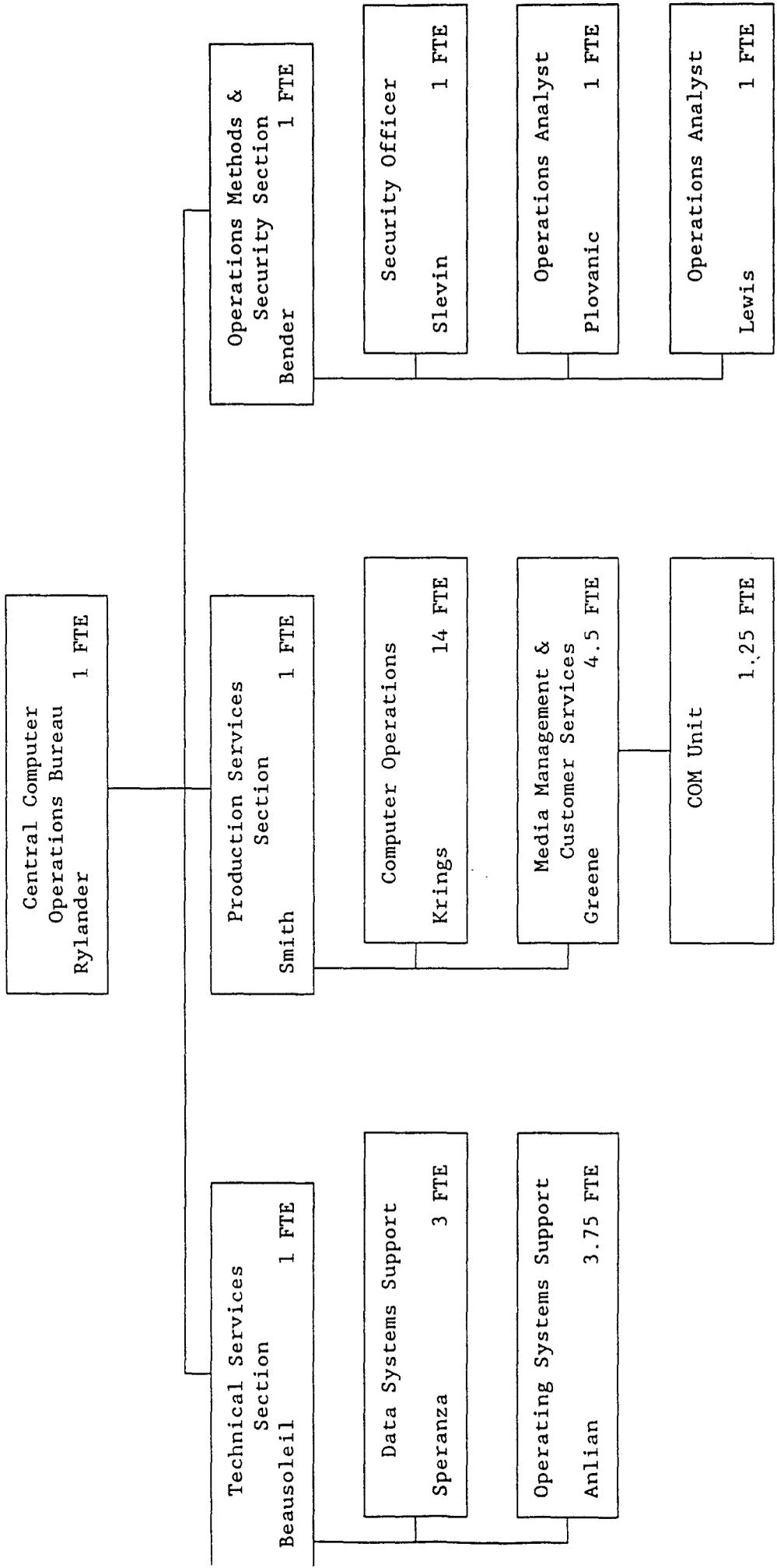




5% Cobb Cuts:

9417 Information Systems Planner (1.0 FTE)

EXHIBIT 9
DATE 1/26/93
~~HB~~



5% Cobb Cuts:

8617 Production Control Specialist (1.0 FTE)

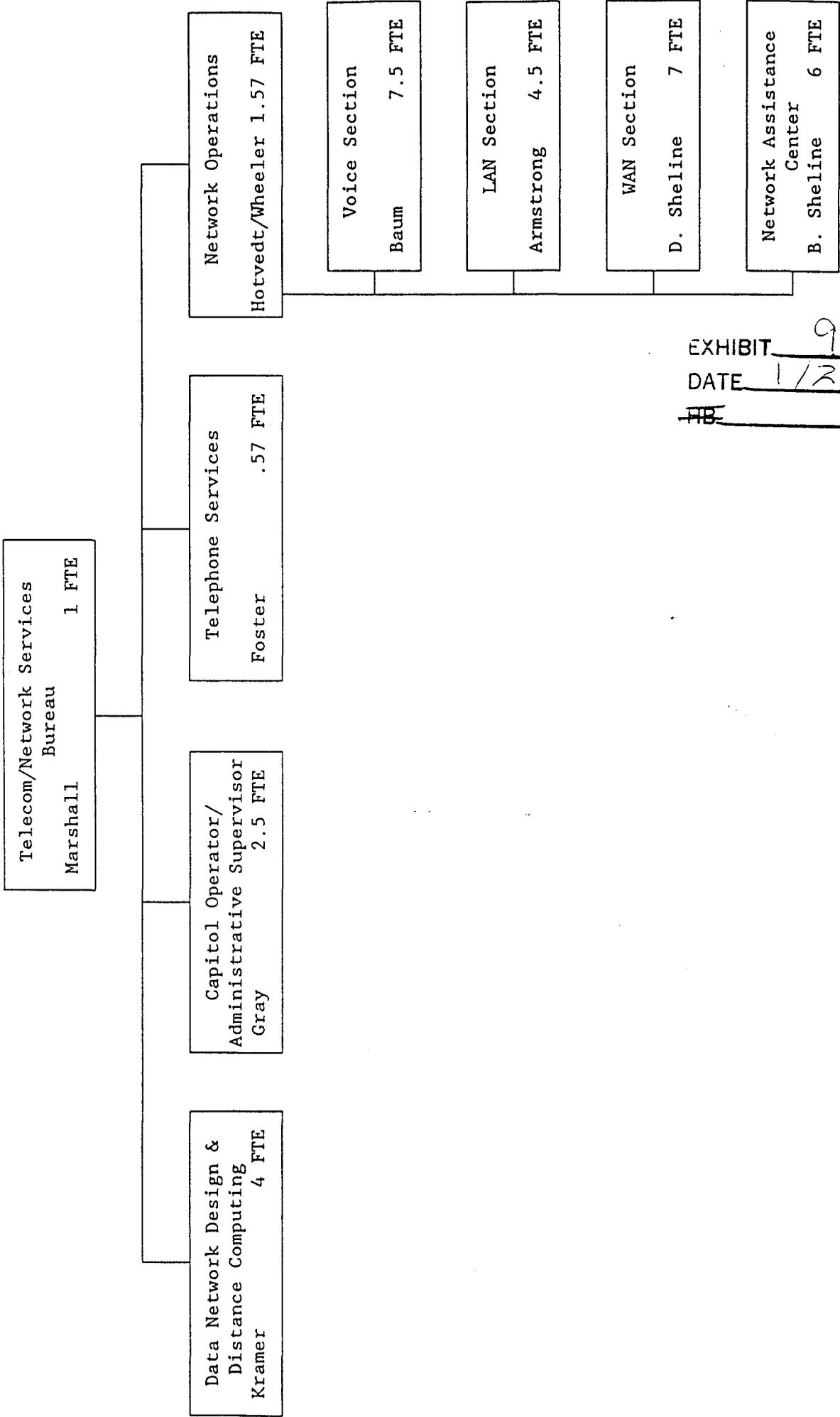
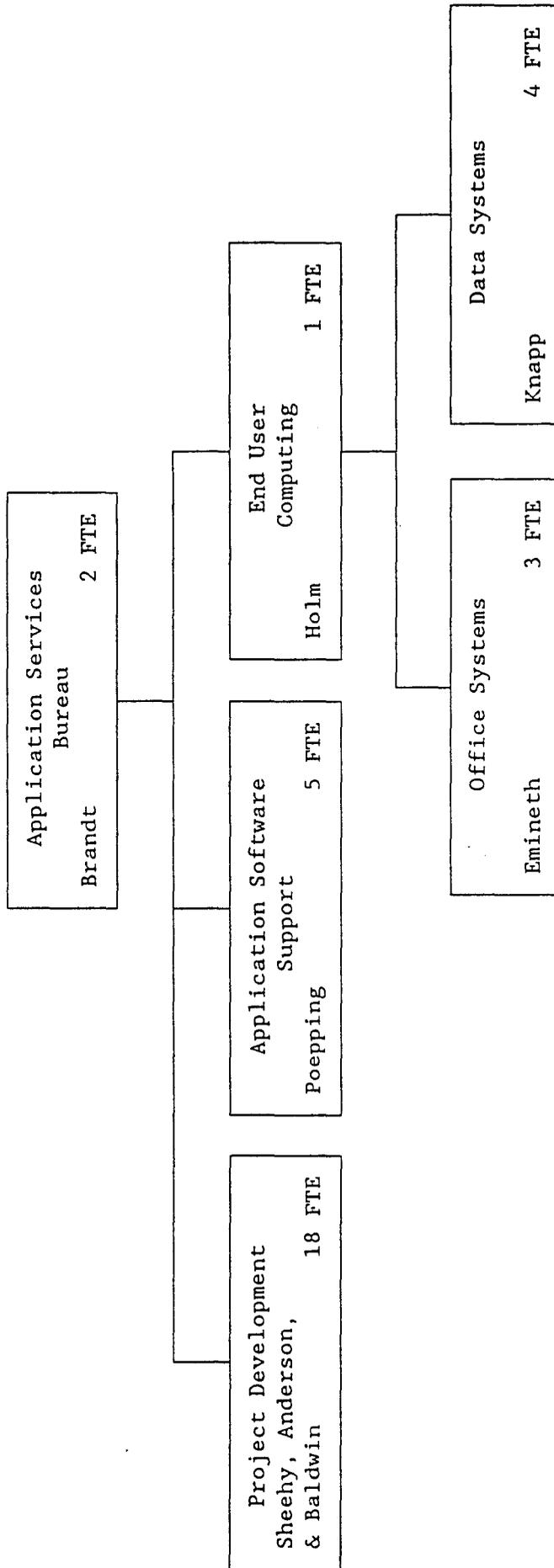


EXHIBIT 9
 DATE 1/26/93
 HB

EXHIBIT 9
 DATE 1/26/93
~~HB~~



5% Cobb Cuts:

- 8206 Information Systems Specialist (1.0 FTE)
- 8215 Information Systems Specialist (.5 FTE)
- 8225 Information Systems Specialist (1.0 FTE)
- 8730 Information Systems Specialist (1.0 FTE)
- 8731 Information Systems Specialist (1.0 FTE)

INFORMATION SERVICES DIVISION
FUNCTIONAL ANALYSIS

EXHIBIT 9
DATE 1/26/93
~~HB~~

OFFICE OF POLICY RESEARCH AND DEVELOPMENT - 17 FTE

DIVISION ADMINISTRATION
COMPUTING POLICY DEVELOPMENT
TELECOMMUNICATIONS POLICY DEVELOPMENT
AGENCY COMPUTING ACQUISITIONS MANAGEMENT
STATEWIDE PROJECT COORDINATION
RFP AND CONTRACT MANAGEMENT
AGENCY TELECOMMUNICATIONS DEVELOPMENT SUPPORT
METNET MANAGEMENT
DIVISION FINANCIAL MANAGEMENT
ACCOUNTING AND BILLING SERVICES
COST RECOVERY/RATE MANAGEMENT
STATEWIDE 9-1-1 PROGRAM MANAGEMENT
STATEWIDE RADIO FREQUENCY MANAGEMENT

COMPUTER OPERATIONS BUREAU - 33.5 FTE

MITCHELL BUILDING (IBM3090) DATA CENTER MANAGEMENT AND OPERATION
ARMORY COMPUTER (IBM4381) OWNERSHIP AND TECHNICAL MANAGEMENT
OPERATING SYSTEMS SUPPORT
DATA SYSTEMS SUPPORT
MEDIA MANAGEMENT AND CUSTOMER SERVICES
COMPUTER OUTPUT MICROFILM MANAGEMENT
COMPUTER SECURITY AND CONTROL
DISASTER RECOVERY AND CONTINGENCY PLANNING

TELECOMMUNICATIONS/NETWORK SERVICES BUREAU - 34.64 FTE

TELECOMMUNICATIONS NETWORK OPERATIONS
TELEPHONE SYSTEMS MANAGEMENT
DATA COMMUNICATIONS NETWORK MANAGEMENT
LOCAL AREA NETWORK MANAGEMENT
NETWORK ASSISTANCE CENTER
CAPITOL OPERATOR SERVICES
DATA NETWORK DESIGN
VIDEO NETWORK OPERATIONS

APPLICATION SERVICES BUREAU - 33 FTE

PROGRAMMING SERVICES
SYSTEMS ANALYSIS AND DESIGN SERVICES
DATA BASE DESIGN AND SUPPORT SERVICES (IDMS)
PROGRAMMER SOFTWARE SUPPORT SERVICES
END USER OFFICE SYSTEMS SUPPORT SERVICES
DATA SYSTEMS SUPPORT SERVICES
DATA PROCESSING TRAINING

INFORMATION SERVICES DIVISION
MAJOR BILLABLE SERVICES

EXHIBIT 9

DATE 1/26/93

~~HB~~

MAINFRAME COMPUTER
PROCESSOR UTILIZATION
PRINTED OUTPUT
DISK STORAGE
TAPE MOUNTS
COMPUTER OUTPUT MICROFILM

NETWORK SERVICES
TELEPHONE SERVICES
LONG DISTANCE SERVICES
DATA NETWORK CONNECTIONS
WIDE AREA NETWORK CONNECTIONS
VIDEO NETWORK (METNET) USAGE

APPLICATION SERVICES
PROGRAMMER AND ANALYST SERVICES
TRAINING SERVICES

REVENUE BY SERVICE

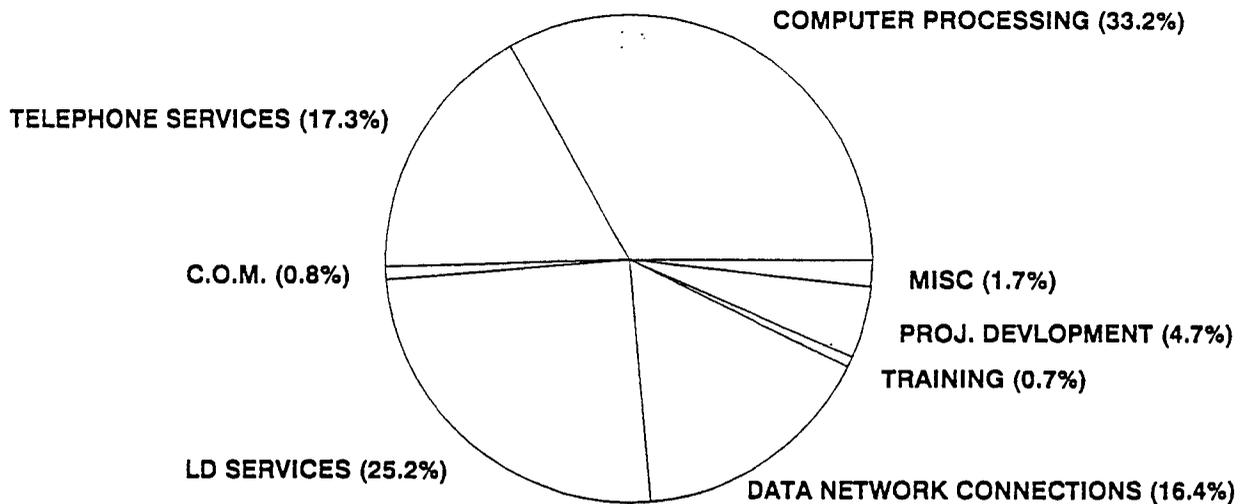
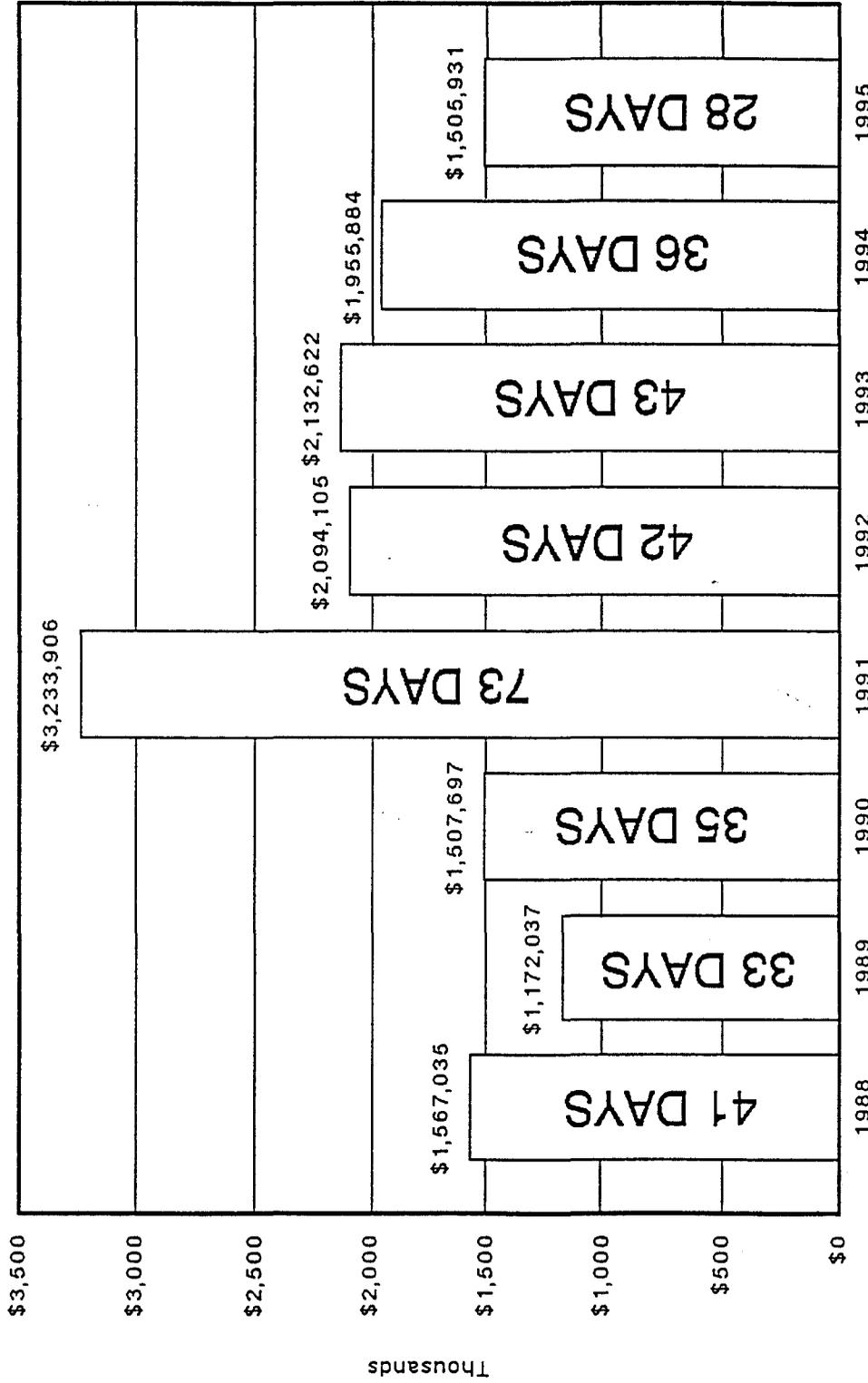


EXHIBIT 9
 DATE 1/26/93

~~HB~~

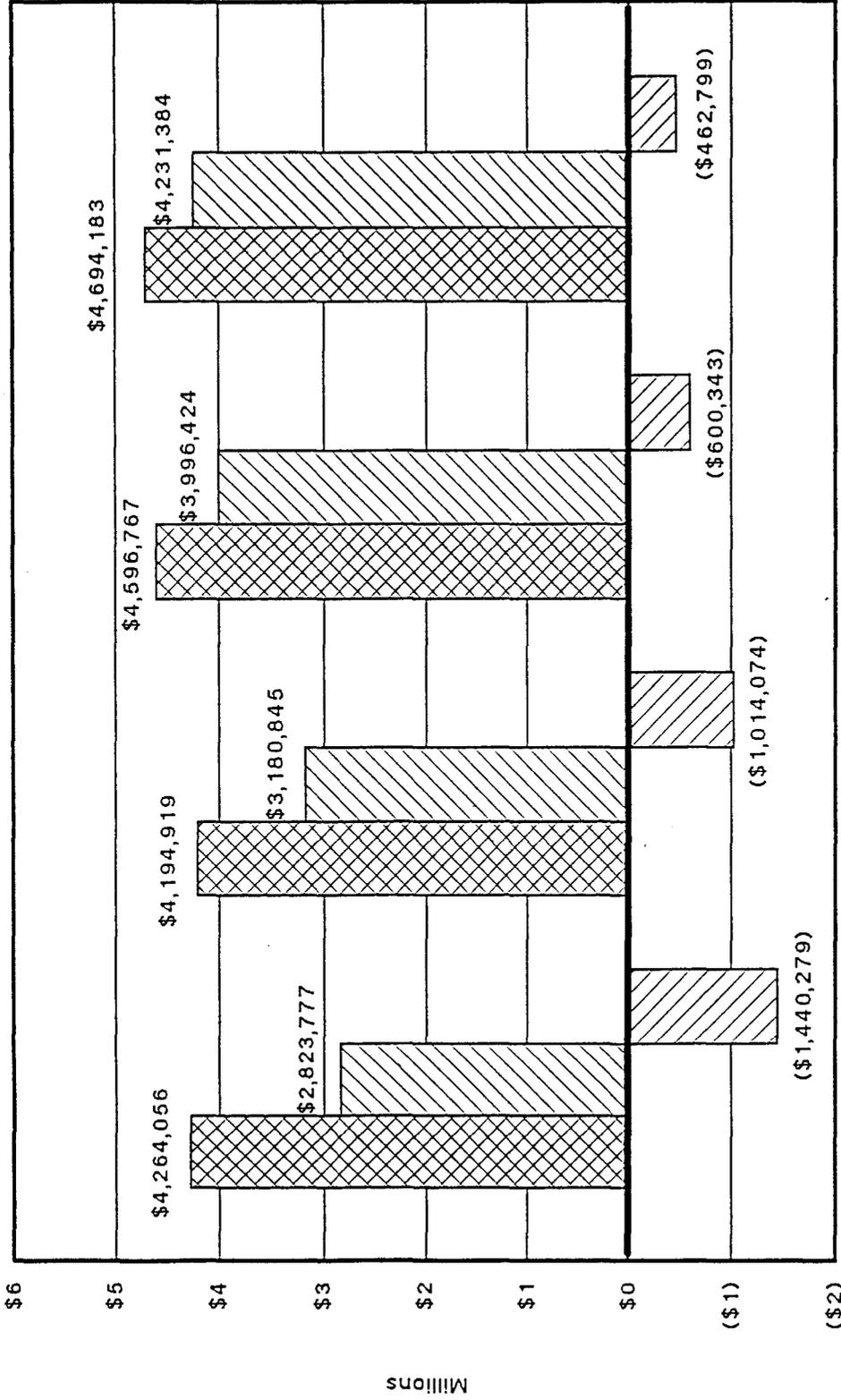
ISD CASH BALANCE PROJECTIONS



ACCEPTABLE OPERATING RESERVE 30-60 DAYS

DATA NETWORK REVENUE & EXPENSES

EXHIBIT 9
 EXHIBIT 9
 DATE 1/20/93
~~#~~



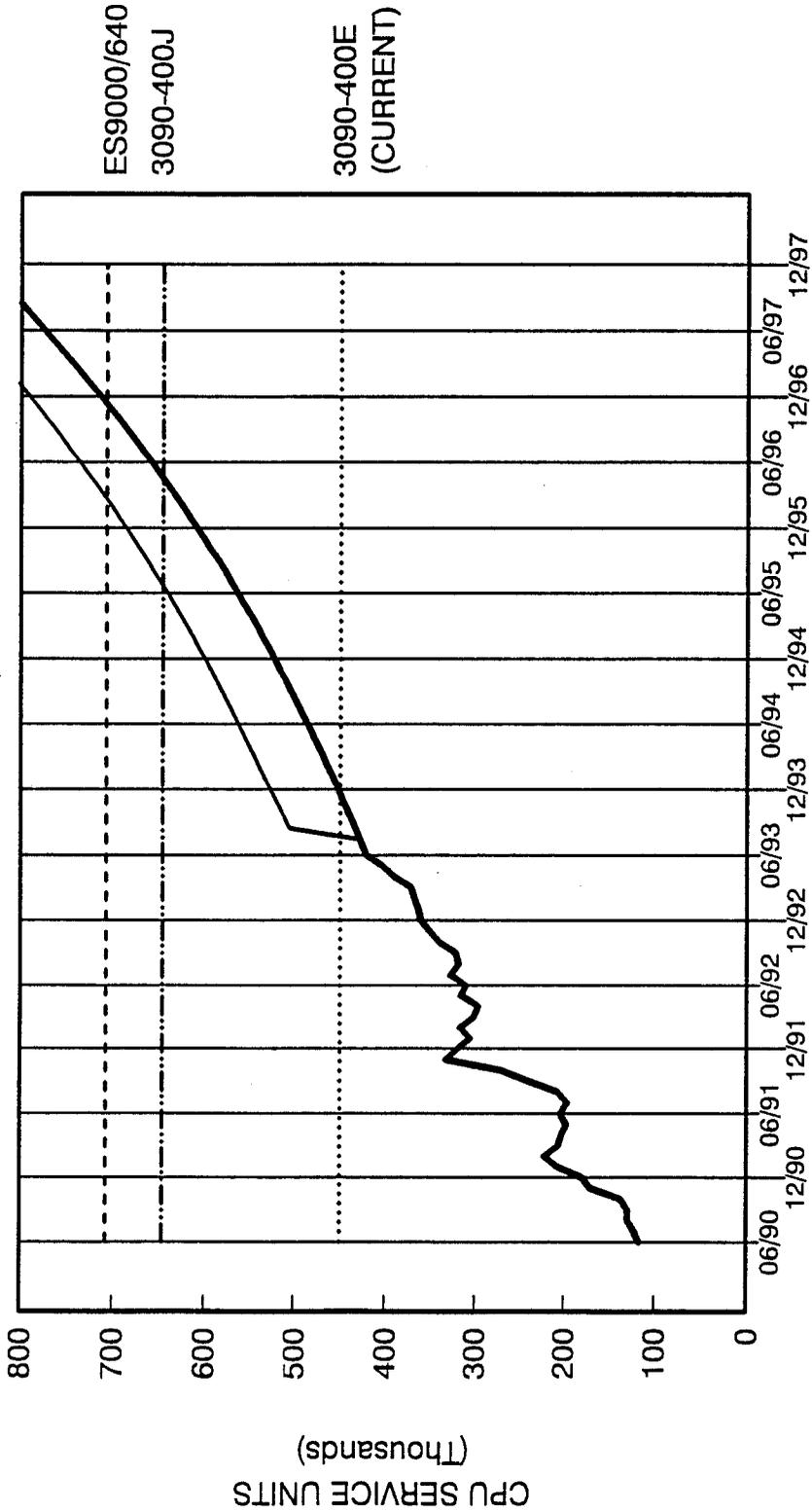
EXPENSES
 REVENUE
 NET INCOME

ASSUMPTIONS: PROJECTED GROWTH OF DEVICES: 800 IN FY'94-95
 RATES REMAIN AT \$40.00 & \$30.00

EXHIBIT 9
DATE 1/26/93
HB _____

CPU CAPACITIES

PROJECTED GROWTH FROM 01/93 FORWARD



— CURRENT WORKLOAD — MOTOR VEH. WORKLOAD

INFORMATION SERVICES DIVISION (ISD)
SUMMARY OF STAFFING LEVEL AND RESPONSIBILITIES
1982-1993

EXHIBIT 11

1982

EXHIBIT 9
DATE 1/26/93

- 143.84 FTE'S
- . Managed only one data center
 - . Multiple data networks with 500-600 terminals ~~HB~~
 - . No PC's, PC/LAN's, etc.
 - . Limited word processing, office automation
 - . Early stages of database
 - . Limited productivity software for the IS professional
 - . Telecommunications meant "telephones"
 - . No Statewide digital backbone network
 - . No statewide telephone system
 - . Could rely on the "phone company"
 - . No video requirements
 - . Minimal radio frequency coordination
 - . No training program
 - . Didn't manage program and software security
 - . No 9-1-1 Emergency Telephone System
 - . Limited agency involvement in planning and policy

1993

- 118.14 FTE's
- . Manage and support two data centers
 - . Manage a consolidated statewide SNA data network, integrated with DECNET (Univ. System) and PC LAN's
 - . 5750 terminals and communicating PC's
 - . 6000 PC's supported statewide
 - . Support comprehensive set of office automation software and data management software for PC users
 - . Support comprehensive set of programmer productivity software for mainframe and PC users
 - . Many agencies totally dependent on database, on-line systems, and state telecommunications network
 - . Telecommunications includes voice, data, interactive video, and radio
 - . All telecom is supported by a statewide digital T1 backbone network and a statewide telephone system
 - . No longer one "phone company" to deal with - instead a new competitive environment
 - . Extensive training program provided
 - . Lower rates for computer and telecom services compared to 1982 (Computer rate = 28% of 1982 rate)
 - . ACF2 Security system managed for use by all agencies
 - . Responsible for statewide 9-1-1 Emergency Telephone program
 - . Provide strategic direction and technical support for statewide educational distance learning network
 - . Manage LAN's in county courthouses for shared use among state agencies
 - . Provide public safety communication frequency coordination and assistance
 - . Intense involvement with agencies in planning, strategy, policy
 - . Provide a disaster recovery computer "hot sight"
 - . Provide public access systems: bulletin board, etc.
 - . 11 FTE reduction in 1990 by data entry contract and 8 FTE (Records Mang.) transferred to Sec. of St. in 1991

STATEWIDE I/S EXPENSES - FISCAL 1992

TOTAL EXPENDITURES \$35,112,813

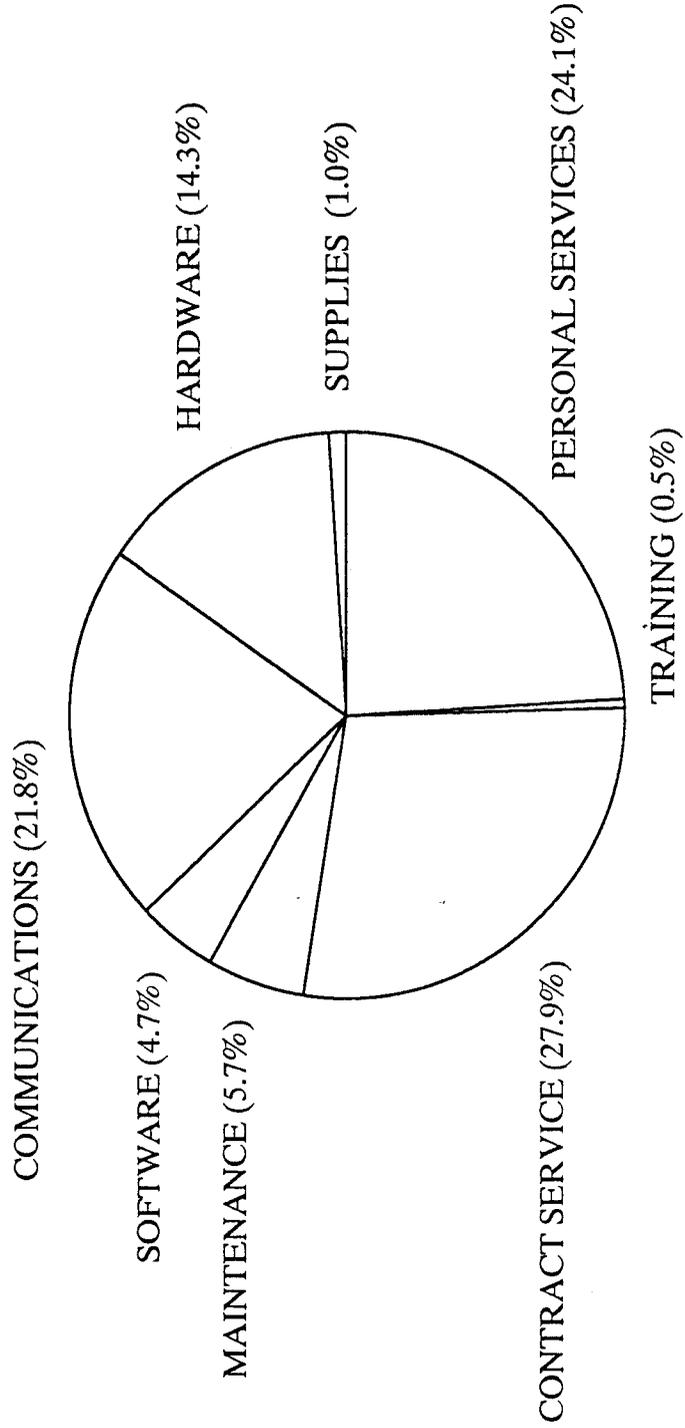


EXHIBIT 9
DATE 1/26/93
HB

ISD 5% PERSONAL SERVICE CUTS

EXHIBIT 10
DATE 1/26/93
HB

<u>Position #</u>	<u>FTE</u>	<u>Description</u>
08206	1.00	Information Systems Spec (replaces 9313)
08215	.50	Information Systems Spec (replaces 8105)
08225	1.00	Information Systems Spec
08617	1.00	Production Control Spec (replaces 8707)
08730	1.00	Information Systems Spec
08731	1.00	Information Systems Spec
09417	<u>1.00</u>	Planner
Total:	6.50	FTE's cut

Modified Request to restore 4.5 FTE's Identified as 5% Cuts

Positions: 08206 Information Systems Spec (1.00 FTE)
08215 Information Systems Spec (.50 FTE)

The loss of these positions will impact ISD's ability to provide system development services (ie, computer system design and programming) for agencies who cannot provide these services for themselves. Specifically, we will have to terminate the following service agreements:

- . Department of State Lands - development and support of their State Trust Lands Management (STLM) system
- . Secretary of State - support for two automated systems, Corporations (CAP) and Uniform Commercial Code (UCC)
- . New projects funded by this legislature
- . Additionally, enhancements for ISD internal systems will be delayed and/or cancelled

Note: ISD has already been forced, this biennium, to cancel service agreements to do development work for: SRS, Child Support; Department of Health, 3 programs (WIC, Underground storage tanks and Food and consumer safety); Department of Labor, Workers Comp database.

Position: 08225 Information Systems Spec (1.00 FTE)

The loss of this position will undermine ISD's plans to provide "value added" services across the data network. ISD will not be able to implement highly beneficial services such as:

- . Electronic storage and access to the Montana Operations Manual (MOM), ARM, MCA, vendor lists, class specifications and other personnel documents, etc.; eliminating the need for every state office to maintain a paper copy of these documents and making update and revision more efficient.
- . Establishing a common dial out capability which will avoid the cost of each agency investing in modems and in some cases dedicated computers; this feature will have the potential of efficiently linking PC's attached to the backbone LAN to the public access bulletin board, making government officials more accessible by the public.
- . Establishing remote bridges which will link Local Area

Networks (LAN's) an agency has in various locations across the state with their LAN in Helena.

Position: 08617 Production Control Spec (1.00 FTE)

The loss of this position will significantly reduce ISD's ability to assist agencies with their production computer runs (batch). We will not have enough staff in Computer Operations to continue scheduling and coordinating batch processing jobs for agencies during the evening shift. They will have to do it themselves. Agencies most affected: Labor and Industry, SRS, Secretary of State, Revenue, Transportation, State Fund, DOA Accounting Division and State Lands.

Position: 09417 Planner (1.00 FTE)

The loss of this position will limit ISD's ability to manage contracts including existing and future microcomputer term contracts. This decrease in capability will have negative effects as follows:

- . Delays and a reduction in the quality of work ISD will be able to put into the next microcomputer term contract
- . ISD won't be able to keep up with the changes in market prices and consequently, will miss opportunities to negotiate lower contract prices for the benefit of all agencies
- . ISD will have a very difficult time providing the necessary assistance agencies need when configuring new systems, etc.
- . ISD will take longer to review and approve hardware acquisitions by agencies
- . ISD will have a greater exposure to litigation

DEPARTMENT OF ADMINISTRATION
INFORMATION SERVICES DIVISION

EXHIBIT 11

DATE 1/26/93

48

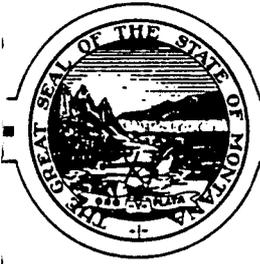
STAN STEPHENS, GOVERNOR

ROOM 221, MITCHELL BUILDING

STATE OF MONTANA

(406) 444-2700

HELENA, MONTANA 59620



November 24, 1992

RECEIVED

DEC 1 1992

Daniel Mossman
2011 Echo Drive
Billings, MT 59105

DEPT. OF ADMINISTRATION
INFORMATION SERVICES

Dear Dan:

I am pleased to offer you the position of Information Systems Specialist (position 08523) with the Office of Policy, Research and Development in the Information Services Division of the Department of Administration.

Position 08523 is classified as an Information Systems Specialist IV - Implementation, grade 16. Your starting salary is \$33,538 per year. As is the case with all new employees of the department, you will be in a probationary status for a period of 6 months.

If you accept this offer, please sign below and return a copy of this letter to me by December 14, 1992.

We look forward to working with you in your new capacity and hope that you will be available to begin work on December 14. We hope that you will enjoy your new position with the department. If you have any questions, contact the Personnel Officer, Barb Kain at (406) 444-4612, or me, (406) 444-2700.

Sincerely:

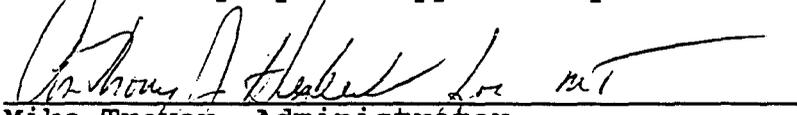
A handwritten signature in cursive script that reads "Tony Herbert".

Tony Herbert, Assistant Administrator
Office of Policy, Research and Development
Information Services Division
Room 221, Mitchell Building
Helena, MT 59620-0113

cc: Barb Kain, Personnel Officer

Daniel Mossman
November 24, 1992
Page 2

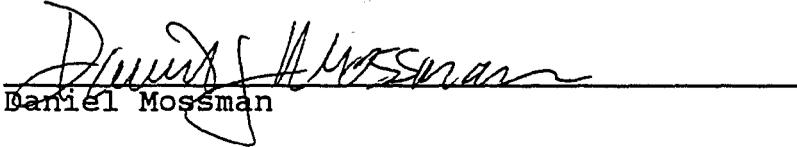
Offer of employment approved by:



Mike Trevor, Administrator

Acceptance of offer of employment

I accept the offer of employment with the conditions as noted above and will report to work on December 14, 1992.


Daniel Mossman

11/28/92
Date

DEPARTMENT OF ADMINISTRATION
INFORMATION SERVICES DIVISION

EXHIBIT 12
DATE 1/26/93
HB



STAN STEPHENS, GOVERNOR

ROOM 221, MITCHELL BUILDING

STATE OF MONTANA

(406) 444-2700

HELENA, MONTANA 59620

November 24, 1992

Brett Boutin
320 Broadway #2
Helena, MT 59601

Dear Brett:

I am pleased to offer you the position of Information Systems Planner (position 09417) with the Office of Policy, Research and Development in the Information Services Division of the Department of Administration.

Position 09417 is classified as an Information Systems Planner, grade 14. Your starting salary is \$25,353 per year. Continuation of employment in this position beyond June 30, 1993 is dependent upon legislative budget authority.

Pending legislative authorization, a position, expected to be classified at a Grade 15, will be added to the Computing Policy and Development Unit. This offer of employment includes a career advancement plan consisting of a transfer to the Grade 15 position provided that legislative budget authority is received and that you achieve the level of knowledge, skills, and abilities to meet the requirements of the position.

If you accept this offer, please sign below and return a copy of this letter to me by November 30, 1992.

We look forward to working with you in your new capacity and hope that you will be available to begin work on December 14. We hope that you will enjoy your new position with the department. If you have any questions, contact the Personnel Officer, Barb Kain at (406) 444-4612, or me, (406) 444-2700.

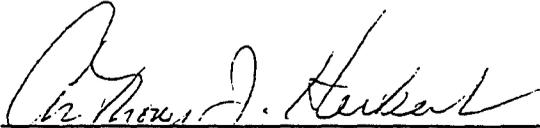
Sincerely:


Tony Herbert, Assistant Administrator
Office of Policy, Research and Development
Information Services Division
Room 221, Mitchell Building
Helena, MT 59620-0113

cc: Barb Kain, Personnel Officer

Brett Boutin
November 24, 1992
Page 2

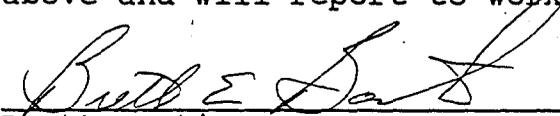
Offer of employment approved by:



Mike Treyor, Administrator

Acceptance of offer of employment:

I accept the offer of employment with the conditions as noted above and will report to work on December 14, 1992.



Brett Boutin

11/25/92
Date

Amendment to HB 2
General Government and Transportation Subcommittee

"Contingent upon passage and approval of HB 99, 1993 session, the following FTE and funds are appropriated to the Information Services Division of the Department of Administration."

	<u>1994</u>	<u>1995</u>
FTE	3.0	3.0
Personal Services	\$100,800	\$100,800
Operating Expenses	15,000	15,000
Equipment	<u>15,000</u>	<u>0</u>
Total	\$130,800	\$130,800

EXHIBIT 14
DATE 1/26/93
~~FBI~~

Madame Chair and members of the committee for the record my name is Tony Herbert, Assistant Administrator of ISD. My presentation will touch upon the apparent budget issues that exist between the Executive and the LFA in ISD's budget. I have organized my presentation in sub-program or Control Variable order, and as I proceed I will discuss both current level issues and modified requests that are contained in the division's budget.

PRD - CV00070

The first sub-program is the Office of Policy, Research and Development (PRD), which I directly manage. There are two discrepancies in this budget, listed first and second on your pink sheets: 1). The LFA also did not include budget for our share of the department's legal staff. (\$12,711 and \$12,788) This requirement was included in other division budgets, but overlooked in ours. 2) The LFA did not include \$22,764 that we will be charged by the legislative auditor for our central reviews audit. They did include our financial compliance audit fees but overlooked this audit. This audit is unique to ISD, and is performed by the auditor in order that their staff can rely upon central controls implemented by our office over the shared systems that we operate.

The total of these two issues is \$48,263 for the biennium.

CENTRAL COMPUTER OPERATIONS BUREAU - CV 00071

The next sub-program is the Central Computer Operations Bureau managed by Paul Rylander.

This bureau manages the Division's data center which operates 24 hours a day, 365 day a year and which is primarily suited best for the very large systems operating in state government such as SBAS, Payroll, SRS Teams, Fish and Game Drawings, and other large statewide systems. The data center:

includes 26,000 reels of tape storage,
has 180,000,000,000 characters of disk storage,
can process 56,000,000 instruction per second, and
generates over 325,000,000 lines of impact print per year.

As we have discussed with this Committee in the past, we continue to experience very large growth in the usage of the shared mainframe processor. Exhibit #13 depicts this growth and shows that the workload on the shared processor has grown almost 49 times since 1982. Note that the workload placed on this system has grown at an annual average of 38% in the last 13 years, and 46% in the last 8 years.

This tremendous growth has provided us with the economies of scale to be able to consistently lower our Central Processing Rate. Exhibit #14 shows you the associated rate decreases in our CPU Rate

that we have provided since 1988. As you can see, our CPU rate has declined by 70% since 1988. Please note that a computer job that cost \$100.00 to perform in 1988 will cost only \$27.00 in 1995.

Exhibit #15 shows the rate decreases which we have offered in agency budgets the past two legislative sessions and for the upcoming biennium. In FY94 and FY95 the budget office has plugged rate decreases of 30% and 38% respectively into agency budgets for work performed on the shared processor. These substantial rate reductions come as a result of three major factors:

1. Growth as we have discussed.
2. The addition of the Motor Vehicle Division of the Department of Justice's workload onto the system beginning in FY94.
3. The partial elimination of the data network subsidy from the shared processor rates.

As you have heard in the Department of Justice's budget hearing, plans are underway to bring the Motor Vehicle Division's work to the shared processor as a consequence of the Armory System no longer having the capacity to manage this workload. The addition of this work represents 16% of each years projected decreases, and is a key and strategic initiative for this sub-program in the upcoming biennium.

The only current level issue in this sub-program is that the LFA inadvertently left out debt service for this program in the amount of \$2,053,497 for the biennium, item 5 on your pink sheets. We have had it explained to us that this was a mistake made as the final preparation was being done on the LFA's budget book. These dollars are critical in order to be able to upgrade the mainframe in early FY 94. Our current level debt service provides adequate funding to be able to upgrade the system, and handle the expected growth during the biennium, including Justice's work. However, as Mike explained, we would expect that an additional upgrade will likely be needed in the next biennium to manage the states needs.

This sub-program has one Modified Request for Zip Plus Four Software, in the amount of \$123,000 for the biennium. The purpose of this mod is to provide "Zip Plus Four" software for users of ISD's mainframe computer and agencies using personal computers attached to the network. The acquisition of Zip Plus Four will enable agencies to modify their existing computer programs to print addresses that are federally approved and certified. Mail generated using the software will then qualify for US Postal Service discounts and prepare it for processing with equipment capable of bar-coding the mail's Zip-Plus Four code onto an envelope using optical character reader (OCR) technology. This request is made in conjunction with a request of the General Services Division to purchase equipment capable of bar-coding mail. However, if it is determined that the State will not purchase the equipment this software will still be necessary to ensure federally

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certified addresses are printed in order to ensure that Montana's mail reaches its destination in the most timely fashion. Deb Fulton from General Services Division is here if you have any questions on how this software relates to her program.

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TELECOMMUNICATIONS VOICE - CV 00072

This sub-program is within the Telecom/Network Services Bureau which is managed by Dave Marshall. This sub program includes the states telephone systems and its telecommunications facilities which is depicted on the map on Exhibit #16. This network includes:

- over 16,000 telephones,
- 20,000,000 long distance minutes,
- over 40,000 digital circuit miles, and
- 21 major switching systems.

It is this network over which all network connections are made for all state agencies, including universities, for voice, data and video. This network is predominately leased from the telecommunications industry, and is controlled through intelligent PBX's or telephone systems located in the cities on the map.

It is important to note that we manage this network in close connection and cooperation with the university system. Our major network switching centers are located on university campuses, and over the years we have been successful at coordinating telecommunications initiatives for the state and the university system in a manner which has benefited everyone.

In spite of a general trend of fewer employees in the state in recent years, we continue to see growth in long distance usage. Exhibit #17 graphically displays the growth we have experienced in long distance since 1985. Once again, through centralized management of telecommunications facilities for all state agencies, we have consistently lowered these rates in agencies budgets as shown in Exhibit #18. The long distance cost depicted on this graph equates to a discount today of 35% off of AT&T's day-time rate, and this rate is built into agency budgets to equal 38% off of AT&T's day-time rate. Furthermore, we have continued to lower the cost of telephone instruments used by state employees. Exhibit #19 shows how these rates have been lowered over the years, resulting in a single line telephone set rate of \$14.00 per month for FY95, which has been plugged in as a reduction to agency budgets.

There are two budget issues within this sub-program:

- 1). The budget office granted us growth for telephone Adds/Moves/and Changes (item 3 on the pink sheets) which was denied by the LFA in the amount of \$66,252 for the biennium. These monies are driven by agency changes over which we have little or no control. While we are in need of this current level growth, if HB23 and HB26 are properly amended to exempt proprietary funds from some of the new restrictions contemplated in those measures for budget amendments, the need for this growth becomes less important.
- 2). Included in the Executive and not the LFA is \$81,576 of debt service for the biennium, item 6 on the pink sheets. This money

is needed to upgrade the network telephone switches throughout the state as more and more traffic is controlled by these devices. We These upgrades are needed due to the age of the systems, due to the volumes they are managing and due to the need to carry new video communications through them. In September of 1992 we carried our first video broadcast over the network. This capability has been put in place in six cities in manner which integrates the video on top of the same inter-city circuits that have traditionally carried only voice and data signals for agencies. These monies are needed in order to continue to equip the network with video capability in other cities. This current video requirement comes from METNET, however, it must be noted that the improvements needed for these systems are not solely the result of pressures from METNET but also from voice and data growth, and the age of the systems.

Also, \$15,923 of the amount in question in FY95 (\$65,628) is for the acquisition of an upgrade to voice mail in Helena, and not switching center upgrades. Voice mail is an other example of technology working to make state employees more productive.

\$49,705 of debt services for switches in FY95.

\$15,923 for voice mail in FY95.

\$65,628 total in FY95.

Additionally, there is one modified request included in this sub-program to implement Interactive Voice Response in the amount of \$231,141 for the biennium.

IVR is a technology which allows the public to access information

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in our State computer systems by using a touch tone telephone. Agencies have expressed a keen interest in using this technology, and have agreed that the best way to gain access to the technology is through a centrally managed system connected to our systems. SRS Child Support System will save \$35,000 per year in reduced mail costs. Revenue will be able to handle 4 to 5 times the number of calls it handles today with IVR technology without adding any staff. Labor can use IVR technology to have unemployment statistics gathered and allow claimants to access the unemployment insurance program. One FTE will be needed to manage the system and to coordinate agency IVR applications. Representatives from SRS, Labor and Revenue are here to speak on behalf of this request at this time.

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TELECOMMUNICATIONS DATA - CV 00073

Like the voice program, this sub-program is also managed by Dave Marshall and the Telecom bureau, and it includes the management, deployment, and coordination of all communicating data devices over the states Data Communications Network. Exhibit #20 depicts this network which:

terminates in all 56 county seats,
includes almost 6,000 supported pcs,
5,000 miles of circuits,
manages over 1,000,000 online transactions per day.

As a growing strategic capability for all agencies, data communications terminals on this network have grown substantially in recent years, as depicted on Exhibit #21. As is shown, we expect this network to eclipse 7,000 terminals by 1995, when there were not even 2,000 devices connected in 1987. These estimates for growth in FY94 and FY95 are based upon agency projections, which we have been working hard on in this area.

There are no current level issues in this sub-program, but there is one modified request. This is for budget authority of \$250,000 each year to create a backup network control center which would be located at the armory. Agency representatives of the DPAC voted this the most needed modified request to our budget when we asked them this past year. This mod will give us the capability to maintain our primary network connections with our disaster recovery

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hot site located in the Tacoma Wa. area. Today if a disaster compromised the Mitchell Bldg., which contains both the Computer Center and our Network Control Center, we would be able port systems to our disaster site and process batch applications, but we would not be prepared to offer network services to online systems. As you know, our major systems, including the Criminal Justice Information System, rely heavily on the network in order to operate.

APPLICATION SERVICES BUREAU - CV 00074

This sub-program provides systems analyst and programmer support for computer applications throughout state government through fees charged to agencies. This bureau is managed by Jeff Brandt and in addition to project development services manages statewide data base software and end user computing initiatives for the division.

This Bureau annually:

manages over 75 different projects,
is responsible for over 4,000,000 lines of programming code,
trains over 700 state employees in the use of software, and
manages more than 2,000 different computer programs.

Exhibit #22 is specific project list for the Bureau and will give you a sense of the kind of projects that come its way. Please note that almost all major statewide systems in existence in Montana are supported in some fashion by this Bureau. Exhibit #23 is a graphic of this Bureau's hourly rate which agencies have been charged since 1985. As you can see, these rates have been kept to a minimum throughout this time period, with only a compounded growth of 2.2% since 1986. It is important to note that agencies would pay as much as twice this Bureau's hourly rate to receive comparable services from the private sector.

There is only one current level issue with this sub-program and that is the LFA did not budget this Bureau with sufficient rent monies for the Bureau's training center. As indicated on the pink sheet, the LFA agrees with the Executive request in this instance.

MONTANA EDUCATIONAL TELECOMMUNICATIONS NETWORK (METNET) - CV 00075

HB30 passed by the 1991 Legislature authorized the creation of METNET and provided for a cooperative effort between OPI, Higher Ed. and the Department of Administration. One of the department's roles was to develop the appropriate network facilities to accommodate METNET's needs, and in doing so we were authorized one additional FTE plus operating expenses.

I have explained earlier how we have integrated video into the network at six cities in response to METNET needs. Exhibit #24 depicts this capability which includes the two-way video system located in Room 317 of the Capitol. The FTE and related operating expenses are directly related to the operation of this current video capability, and are needed regardless of whether METNET expands further in FY94 and FY95 through the passage of HB11. HB11, introduced by Representative Royal Johnson, would expand this video capability into eight additional cities.

Our current level request for this FTE and operating expenses was denied by the LFA I believe on the grounds that it was not included in HB2 in 1991, and therefore should not be considered current level in this current budget process. I believe the Budget Office can share examples where operating costs from cat and dog measures in one biennium are included as current level costs in the next biennium.

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9-1-1 PROGRAM - CV 00076

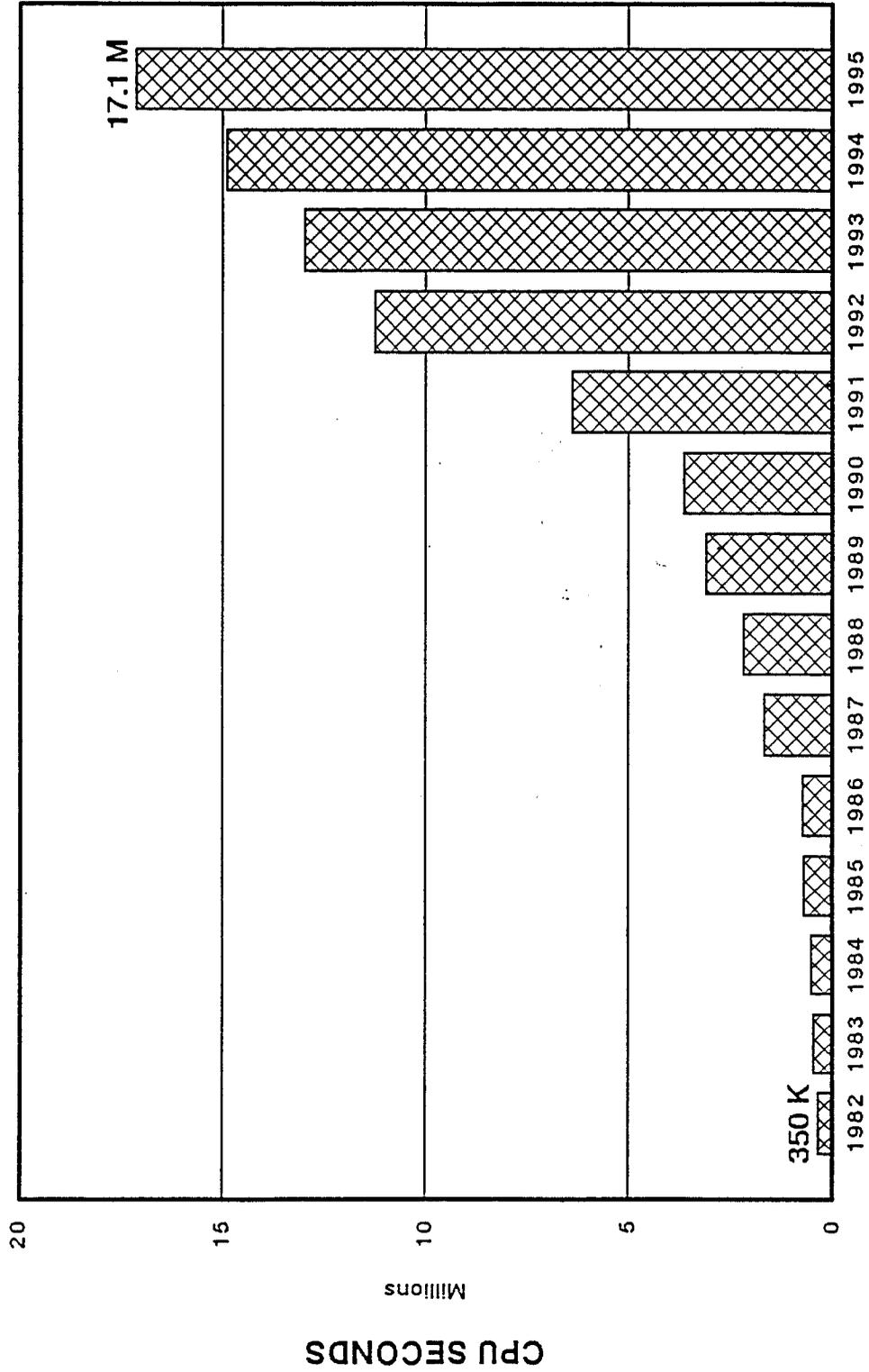
This sub-program is responsible for the implementation of the Statewide Emergency 9-1-1 Telephone System. Statewide 9-1-1 was created in Montana in 1985 and now 83% of all Montanans can be in touch with emergency services through this three digit number. Exhibit #24 shows the coverage of 9-1-1, which is active in 41 of Montana's 56 counties.

We have reviewed the discrepancies between the LFA and the Executive on this sub-program, and after consideration we and OBPP agree with the LFA's numbers.

That concludes my presentation.

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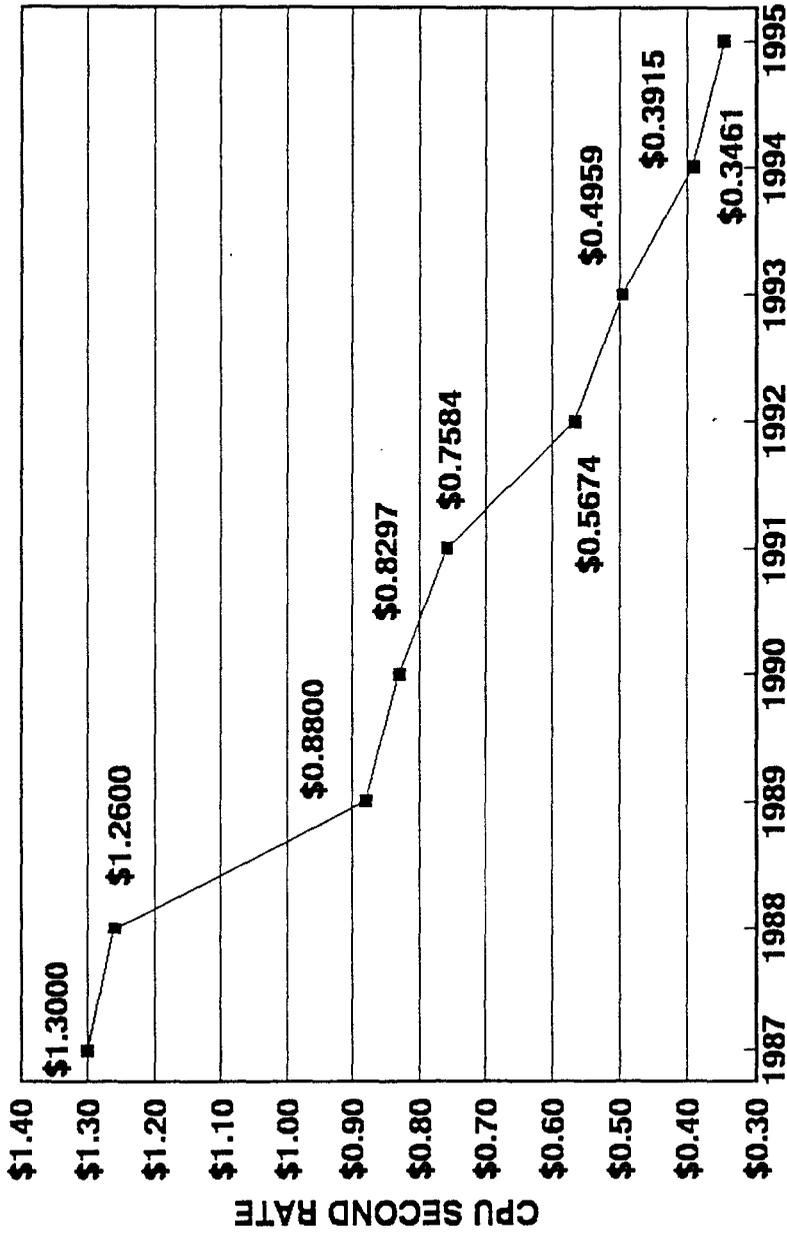
ISD COMPUTER PROCESSING WORKLOAD



FY'94-95 GROWTH PROJECTED @ 15%
AVERAGE ANNUAL GROWTH SINCE FY'82 = 38%
AVERAGE ANNUAL GROWTH SINCE FY'87 = 46%

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ISD COMPUTER PROCESSING RATE



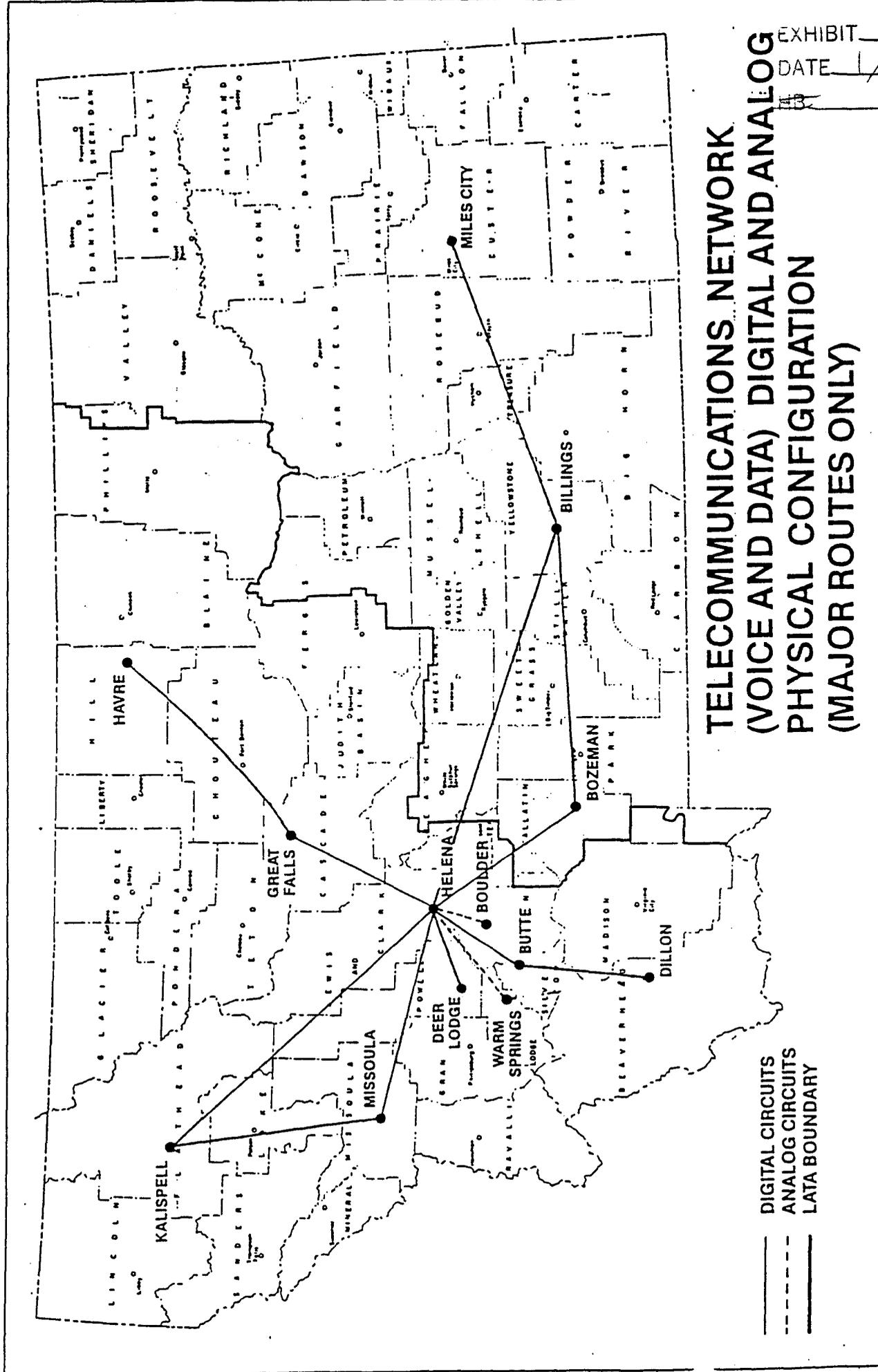
FY'95 RATE IS 73% LOWER THAN FY'87 RATE
A COMPUTER PROCESSING JOB WHICH COST \$100.00 IN FY'87
WILL COST ONLY \$27.00 IN FY'95

MAINFRAME PROCESSING
RATE REDUCTIONS

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<u>SESSION</u>	<u>BASE YEAR</u>	<u>REDUCTIONS FROM BASE YEAR</u>	
		<u>FIRST FY</u>	<u>SECOND FY</u>
1989	FY '88	(FY '90) -18%	(FY '91) -25%
1991	FY '91	(FY '92) -19%	(FY '93) -27%
1993	FY '92	(FY '94) -30%	(FY '95) -38%

EXHIBIT DATE 1/26/9



**TELECOMMUNICATIONS NETWORK
 (VOICE AND DATA) DIGITAL AND ANALOG
 PHYSICAL CONFIGURATION
 (MAJOR ROUTES ONLY)**

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STATE TELEPHONE NETWORK

LONG DISTANCE USAGE

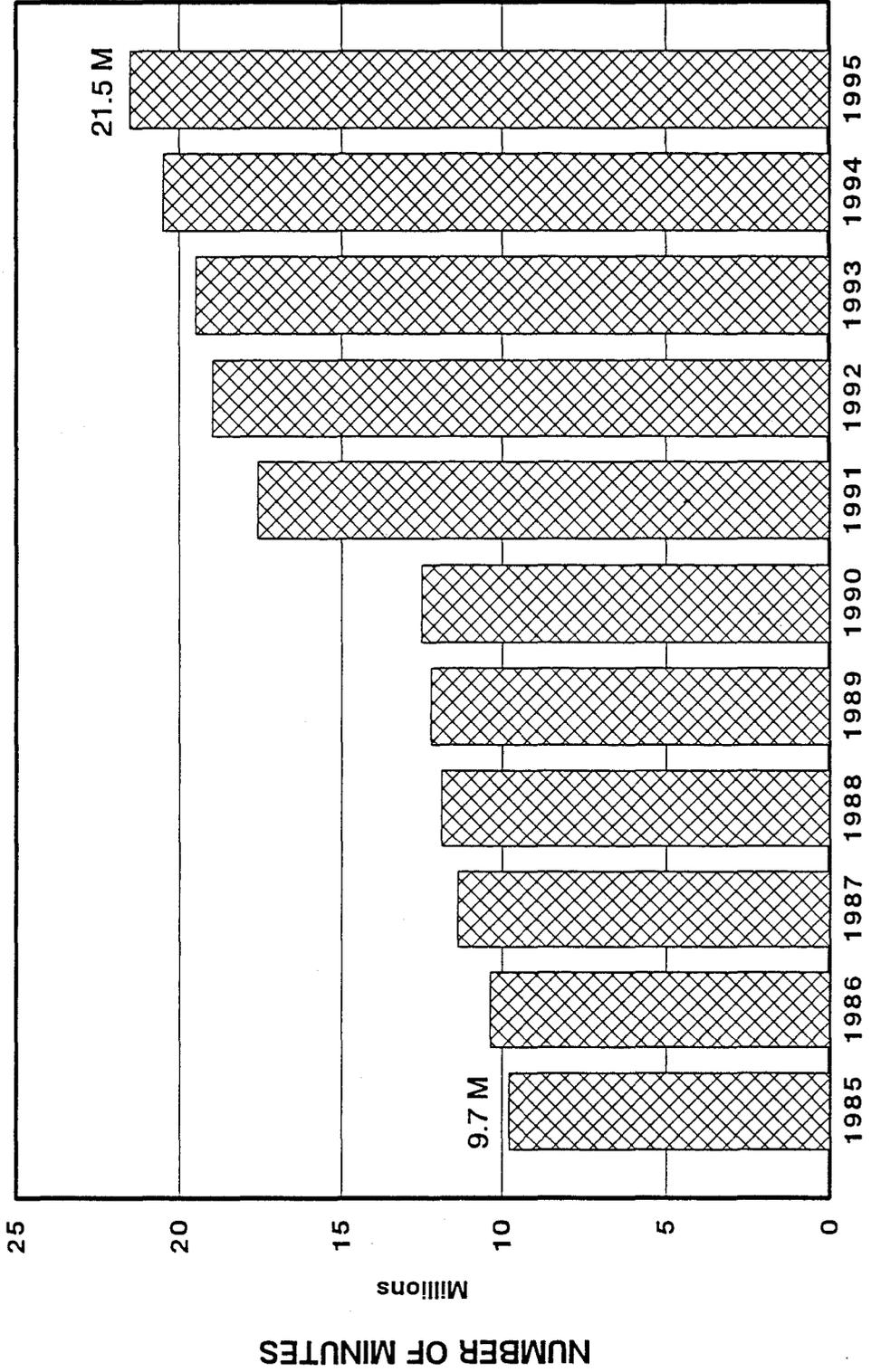
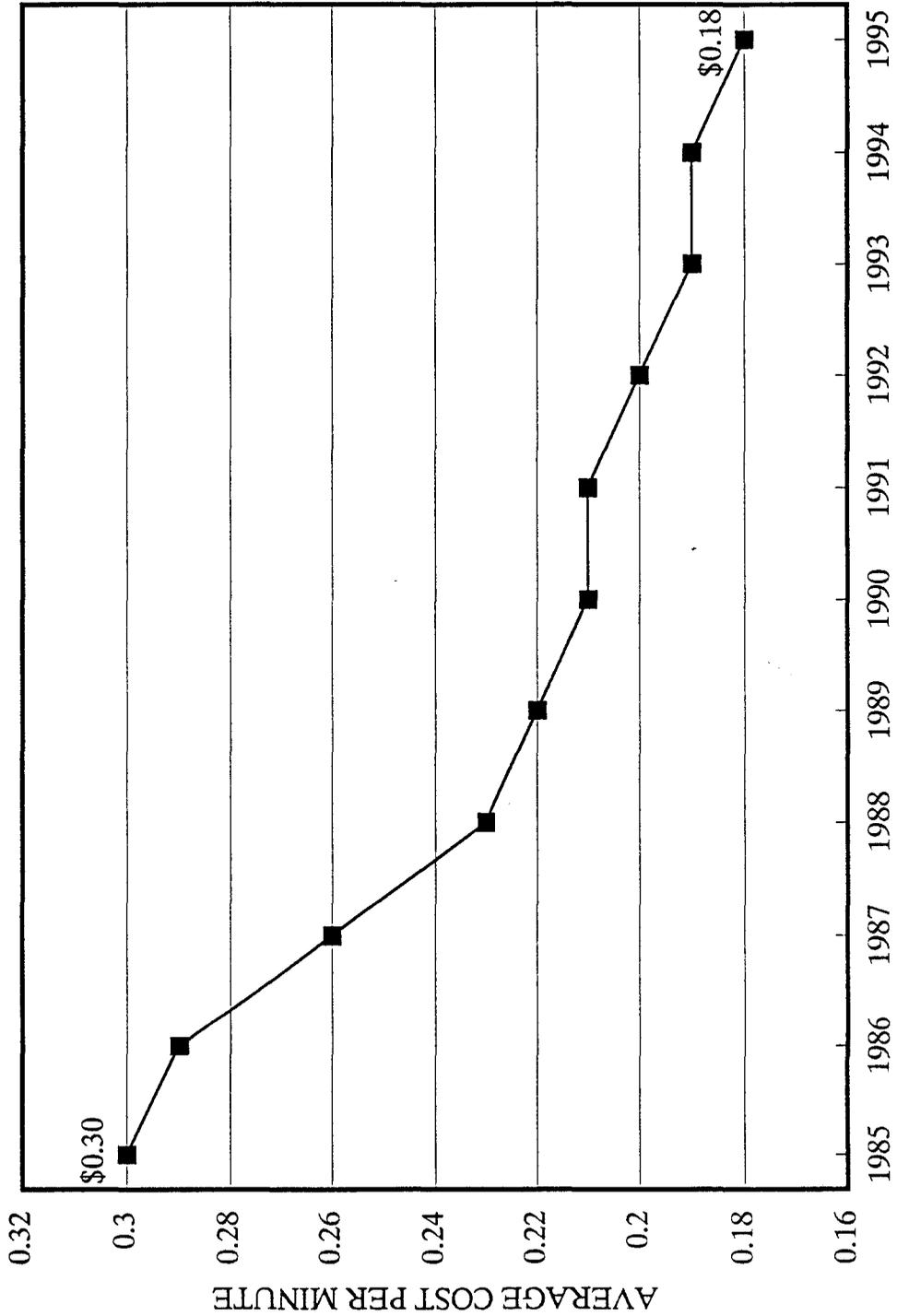


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STATE TELEPHONE NETWORK AVERAGE LONG DISTANCE RATE



#

TELEPHONE EQUIPMENT RATES

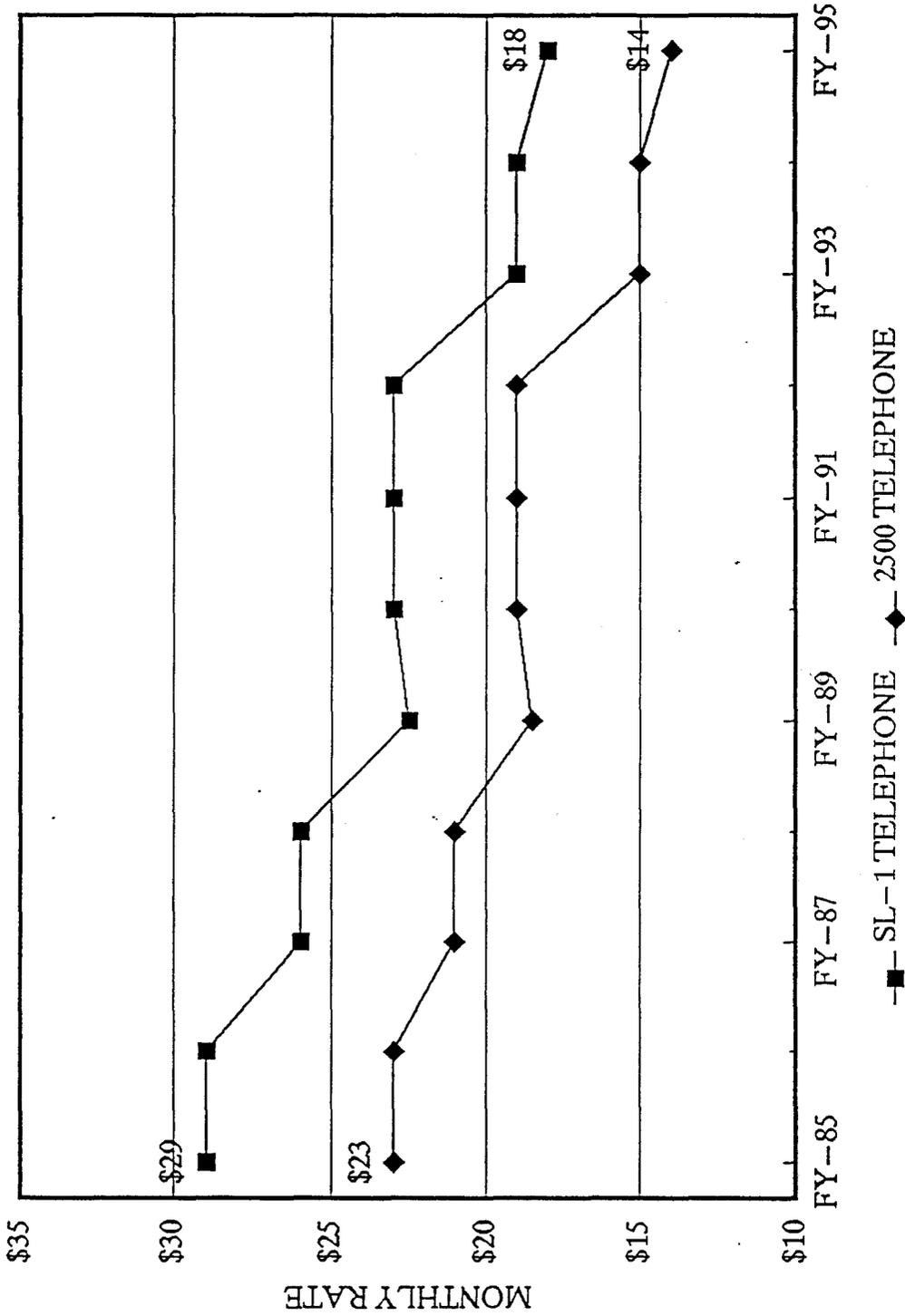


EXHIBIT 14
DATE 1/26/93
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DATA NETWORK DEVICES

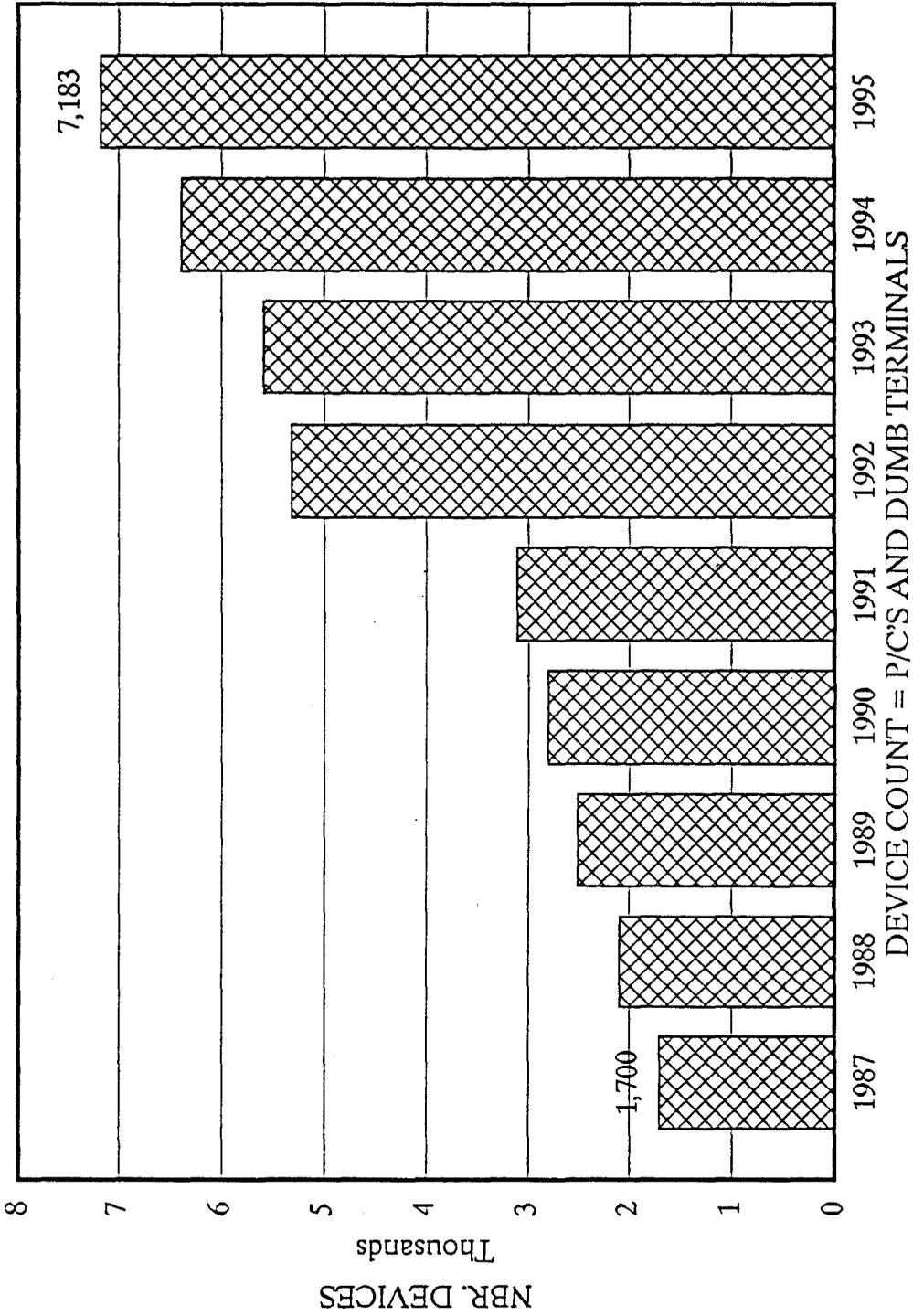


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COMPUTER PROGRAMMING SERVICES PROVIDED BY ASB

APPLICATION SOFTWARE SERVICES

STATEWIDE FINANCIAL SYSTEMS (SFS)

STATEWIDE BUDGETING AND ACCOUNTING SYSTEM (SBAS)
PAYROLL/PERSONNEL/POSITION CONTROL SYSTEM (P/P/P)
WARRANT SYSTEM
REGENTS EMPLOYEES REPORTING SYSTEM (RERS)
STATE INSURANCE SYSTEM (SIS)

AGENCY SYSTEMS

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
TEACHERS RETIREMENT SYSTEM (TRS)
DFWP'S BUDGET ALLOCATION SYSTEM
UNIFORM COMMERCIAL CODE SYSTEM (UCC)
CORPORATIONS SYSTEM
STATE TRUST LAND MANAGEMENT SYSTEM (STLM)

ISD ADMINISTRATIVE SYSTEMS

COMPUTER BILLING SYSTEM
TELECOMMUNICATIONS BILLING SYSTEM
PROBLEM AND CHANGE SYSTEM
DISK MANAGEMENT SYSTEM (DMS)

DATABASE SOFTWARE SERVICES

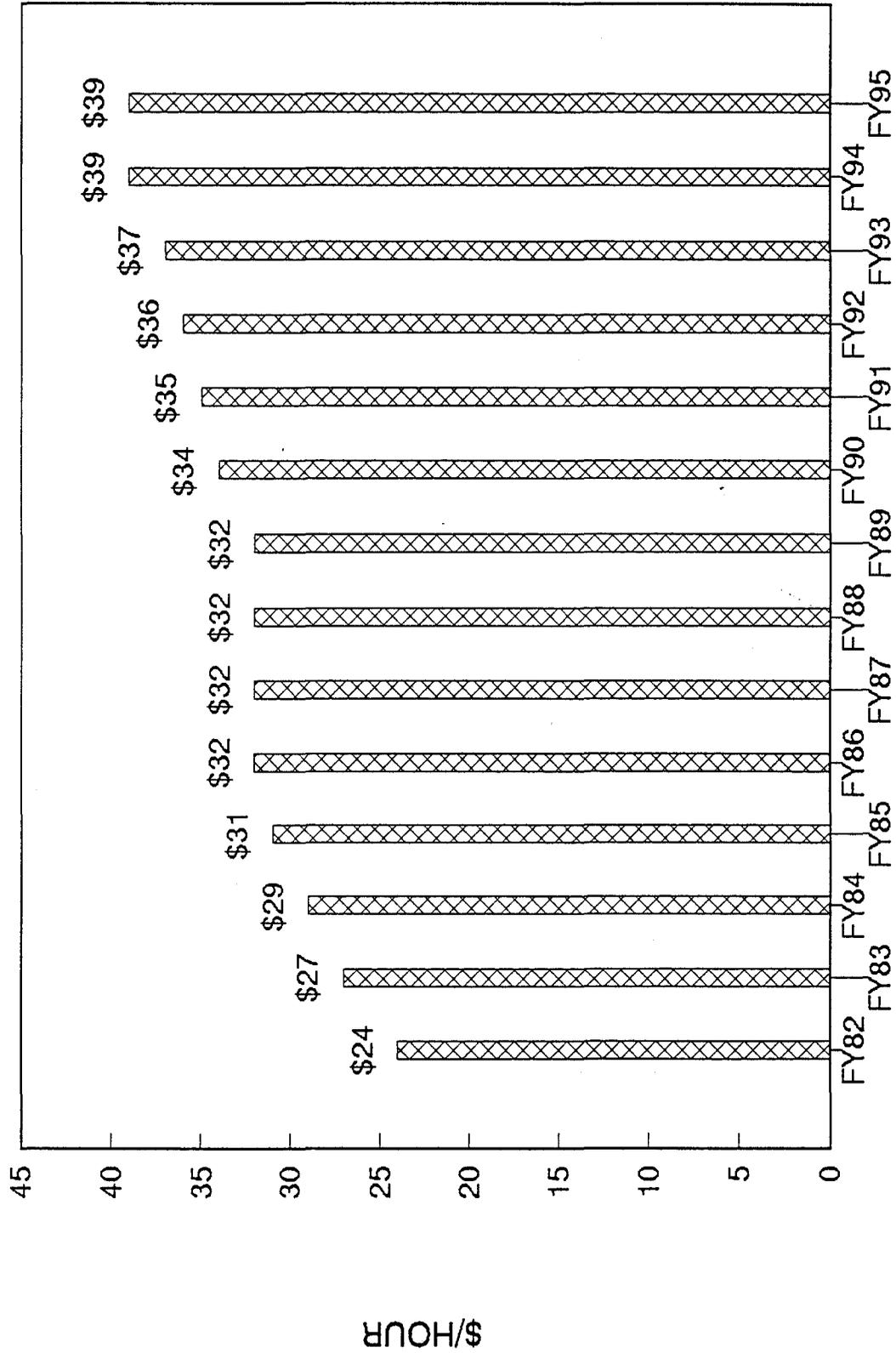
SPORTSMAN'S LICENSE SYSTEM
CRIMINAL HISTORY SYSTEM
DRIVER LICENSING SYSTEM
MOTOR VEHICLE SYSTEM
BRAND REGISTRATION SYSTEM
OIL & GAS SYSTEM
WATER RIGHTS SYSTEM
CORPORATION TAX SYSTEM
ACCOMMODATION TAX SYSTEM
INDIVIDUAL INCOME TAX SYSTEM
CHILD SUPPORT ENFORCEMENT SYSTEM (CSE/SEARCHS)
THE ECONOMIC ASSISTANCE MANAGEMENT SYSTEM (TEAMS)
BILL STATUS SYSTEM
WORKERS' COMPENSATION SYSTEM

END USER SOFTWARE SERVICES

WORDPROCESSING (WORDPERFECT)
SPREADSHEET (LOTUS 1-2-3)
ELECTRONIC MAIL (ZIPMAIL)

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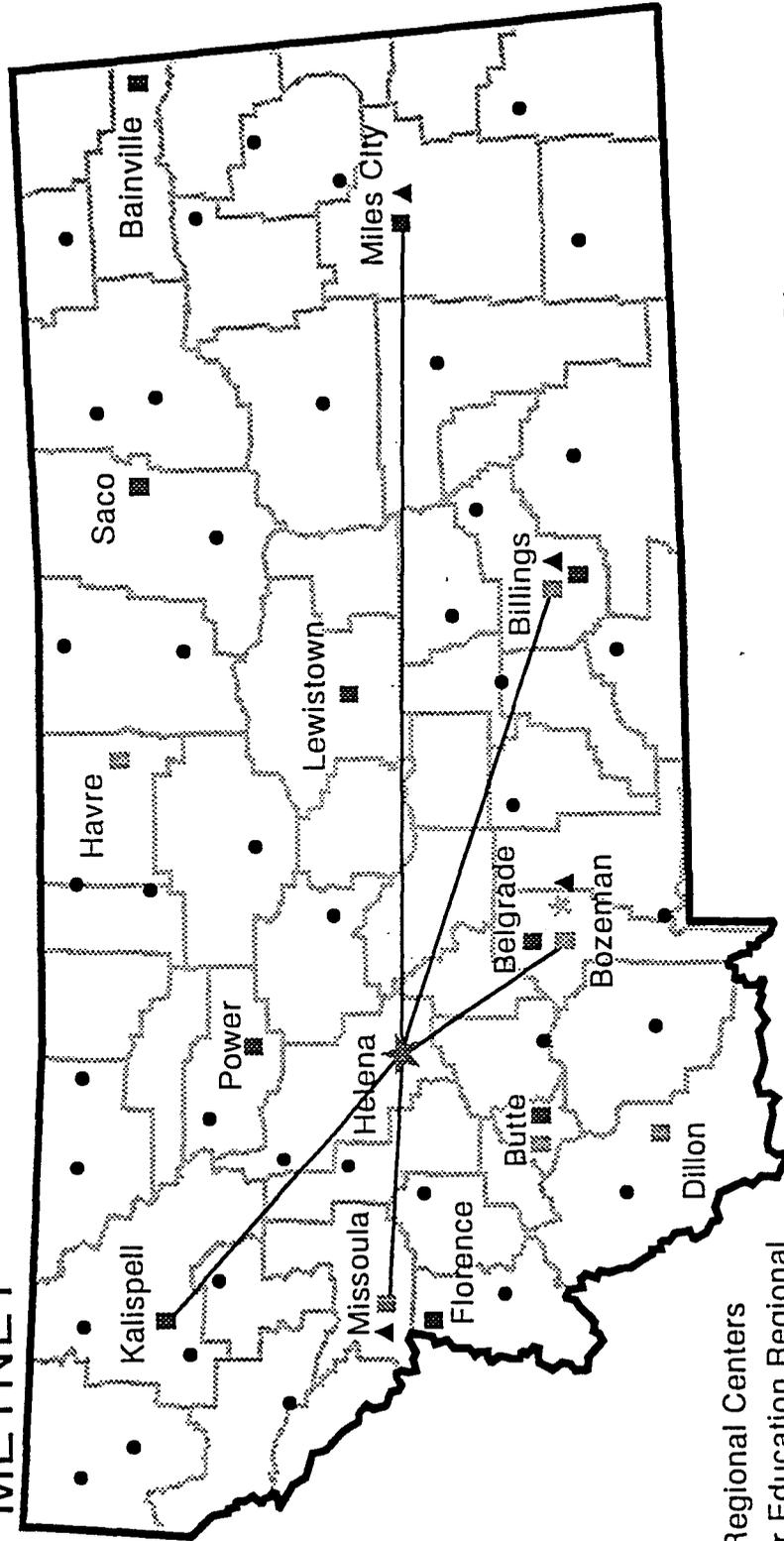
ASB - HOURLY RATES FOR ANALYSIS & PROGRAMMING



AVERAGE ANNUAL GROWTH SINCE FY'82: 3.8%
AVERAGE ANNUAL GROWTH SINCE FY'86: 2.2%

FISCAL YEAR 1993

METNET



- K-12 Regional Centers
- ▣ Higher Education Regional Centers
- ★ State Capitol
- ⬆ Ku Band Uplink
- K-12 Distance Learning Sites
- ▲ Compressed Video Sites

- 225 Distance Learning Sites
- 15 Regional Training Centers
- 6 2-Way Compressed Video Sites
- 1 Ku Band Uplink

EXHIBIT 24
 EXHIBIT 14
 DATE 1/26/93
 HB

6101 23 00000

DEPARTMENT OF ADMINISTRATION
Program Summary

State Personnel Division

#B

Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	38.00	38.00	36.72	38.00	(1.28)	36.72	38.00	(1.28)
Personal Services	1,129,426	1,134,413	1,216,118	1,272,338	(56,220)	1,219,831	1,276,336	(56,505)
Operating Expenses	330,344	413,014	416,609	385,285	31,324	373,865	364,919	8,946
Equipment	15,268	7,017	22,330	20,590	1,740	18,298	17,060	1,238
Debt Service	4,296	0	720	720	0	0	0	0
Total Costs	\$1,479,335	\$1,554,444	\$1,655,777	\$1,678,933	(\$23,156)	\$1,611,994	\$1,658,315	(\$46,321)
Fund Sources								
General Fund	867,764	892,833	937,249	989,345	(52,096)	941,257	992,681	(51,424)
State Revenue Fund	3,296	10,000	0	0	0	0	0	0
Proprietary Fund	608,274	651,611	718,528	689,588	28,940	670,737	665,634	5,103
Total Funds	\$1,479,335	\$1,554,444	\$1,655,777	\$1,678,933	(\$23,156)	\$1,611,994	\$1,658,315	(\$46,321)

Page ReferencesLFA Budget Analysis A-177 to A-215
Stephens Executive Budget A79 to A92**Current Level Differences**

PERSONAL SERVICES - The LFA current level is higher because it includes all positions approved by the 1991 legislature, including the "5 percent reduction" FTE (1.28 FTE for this program).

(55,736) (56,023)

PAY ADMINISTRATION FUNCTION - For certain expenditures related to the pay administration function (computer processing, postage, travel and training), the LFA current level is lower because it used the fiscal 1992 actual expenditures. The agency states that while this function was being transferred between programs in the Personnel Division, a position was left vacant for a period of time, causing these operating costs to be artificially low.

2,446 2,446

TRAVEL (Instate State Motor Pool costs for labor negotiations) - The LFA current level for this travel expenditure is based upon fiscal 1992 current level. The agency indicates that fiscal 1992 was an "off year" for labor negotiations and, therefore, an historic expenditure figure for this travel cost was excluded from the base.

600

MAINTENANCE CONTRACTS - The LFA current level used the fiscal 1992 actual expenditures and did not include an increase because the budget includes 4 new PC's each year (under warranty).

511 511

EQUIPMENT - The LFA current level is lower and excludes funding for office equipment (2 office chairs per year) and training equipment (overhead projector and VCR).

730 970

WELLNESS PROGRAM - The LFA current level is lower and uses the fiscal 1992 actual expenditures. The executive current level includes an increase over fiscal 1992 actuals because it indicates that expenditures in that year were lower due to uncertainty of budget and vacancy savings.

5,540 5,540

MINOR DIFFERENCES

23,269 (782)

INFLATION DIFFERENCES

84 417

TOTAL CURRENT LEVEL DIFFERENCES

(23,156) (46,321)

Budget Modifications

RECRUITMENT COORDINATOR - The budget modification includes \$38,000 in proprietary funds over the biennium to coordinate recruitment of positions. (Item #20 on page A-184 of the LFA Budget Analysis.)

19,000 19,000

BENEFITS COMPUTER SYSTEM DEVELOPMENT - This budget modification updates and continues system development costs originally authorized by the 1989 Legislature. It would be funded from proprietary funds. (Item #21 on page A-184 of the LFA Budget Analysis.)

305,000

EMPLOYEE BENEFITS ANALYST - This request is for 1.0 FTE and \$79,540 in proprietary funds over the biennium to evaluate methods of controlling claims costs of the state health insurance plan (the state is self-insured). If approved, this would replace some contracted services costs in the current level budget. (Item #22 on page A-184 of the LFA Budget Analysis.)

Language

None

41,396 38,144

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DATE 1/26/95
~~HB~~

**Department of Administration
STATE PERSONNEL DIVISION
OVERVIEW**

A. LEGAL MANDATES

Montana Code Annotated Title 18, Chapter 2, Parts 1, 2, 3, 6, 7, 8, 10, and 11; Title 19, Chapter 2, Parts 1 and 2; Title 39, Chapter 31, Parts 1 through 4; Title 39, Chapter 32, Part 1. Executive Order 1-93; and Executive Order 24-81. Various state and federal laws governing public employment and insurance practices.

B. ADVISORY COUNCILS/TASK FORCES

1. State Employee Group Benefits Advisory Council.
2. Incentive Awards Council.
3. Personnel Network Task Force.
4. Reduction in Force Review Task Force.
5. Collective Bargaining Policy Task Force.

C. RESPONSIBILITIES: PERSONNEL PROGRAM

1. Classification of Jobs: 12,500 positions in state government are defined, grouped into classes, and assigned grades for pay purposes. A small portion of this work is delegated to some agencies. Annually, agencies submit approximately 1,750 individual positions for review. Fifty-five to sixty formal appeals of our decisions are filed each year. A major revision of classification methods and procedures is currently underway. This involves the review of each class or occupational group. Since July, 1991 350 classes have been reviewed.
2. Collective Bargaining: We are designated as the State's representative in dealings with the state's 77 collective bargaining units. These units represent 6079 employees (62 percent), not including the University System. We negotiate contracts with each unit. We represent the State in approximately 30 administrative proceedings each year, such as unfair labor practice cases, unit determinations, unit clarifications and grievance arbitrations. We provide advice and assistance to agency managers in contract interpretation and administration, and other labor relations issues.
3. Personnel Policy Setting: Rules and policies are written and interpreted to keep state employment practices legal under new or changing state and federal laws

and court rulings. Equal Employment Opportunity, Affirmative Action and Employment of disabled persons are part of the policy setting program.

Statewide personnel policies are adopted and implemented as minimum standards for the state as an employer in such areas as recruitment, selection, sick and annual leave use, performance appraisal, discipline handling, grievances, reduction in work force, sexual harassment prevention, and equal employment opportunity. Rules are developed to implement new programs such as Parental Leave.

Monitoring impact of federal law and court decisions on state policy setting has increased, especially administration of the Fair Labor Standards Act and the Americans with Disabilities Act. 4,764 technical assistance inquiries were answered in the last fiscal year from state and local government and the private sector. This is an increase of 33 percent over the previous year. In the past three years, technical assistance calls have more than doubled. Annual publications include approximately 76 research reports, policy drafts and rule notices, six issues of a personnel updates newsletter, seven supervisory guides, 11 formal interpretations of rules.

Training sessions were presented in 11 different subject areas, with special emphasis on prevention of unlawful discrimination and particularly sexual harassment. Research topics included dependent care, sick leave, and performance appraisal. The program managed the State Employees Combined Campaign, the Employee Recognition Day program, the annual EEO conference, the update of agency affirmative action plans, the collection and publication of equal employment opportunity statistics, and an update of the State Employee Handbook. The section conducted 7 inquiries or investigations at the request of state agencies.

4. Pay Plan Administration: Rules are written and interpreted for administering the State's pay plans (examples include calculating longevity, breaks in service, transfers, promotions, demotions, appeals, and exceptions). Biennially, a salary survey is conducted.
5. Personnel/Payroll/Position Control Automated System: We support the "personnel" portion of this state system. Statistics and reports on workforce characteristics are generated.

D. RESPONSIBILITIES: EMPLOYEE BENEFITS

1. Group Benefits Plan: For Health and Dental the state is self-insured since September 1981. Blue Cross and Blue Shield is under contact with the state to process claims for the state plan and help manage costs. The plan has 13,226 subscribers and 28,000 total participants. Annually, we process approximately 16,000 changes in coverage. We act on approximately 200

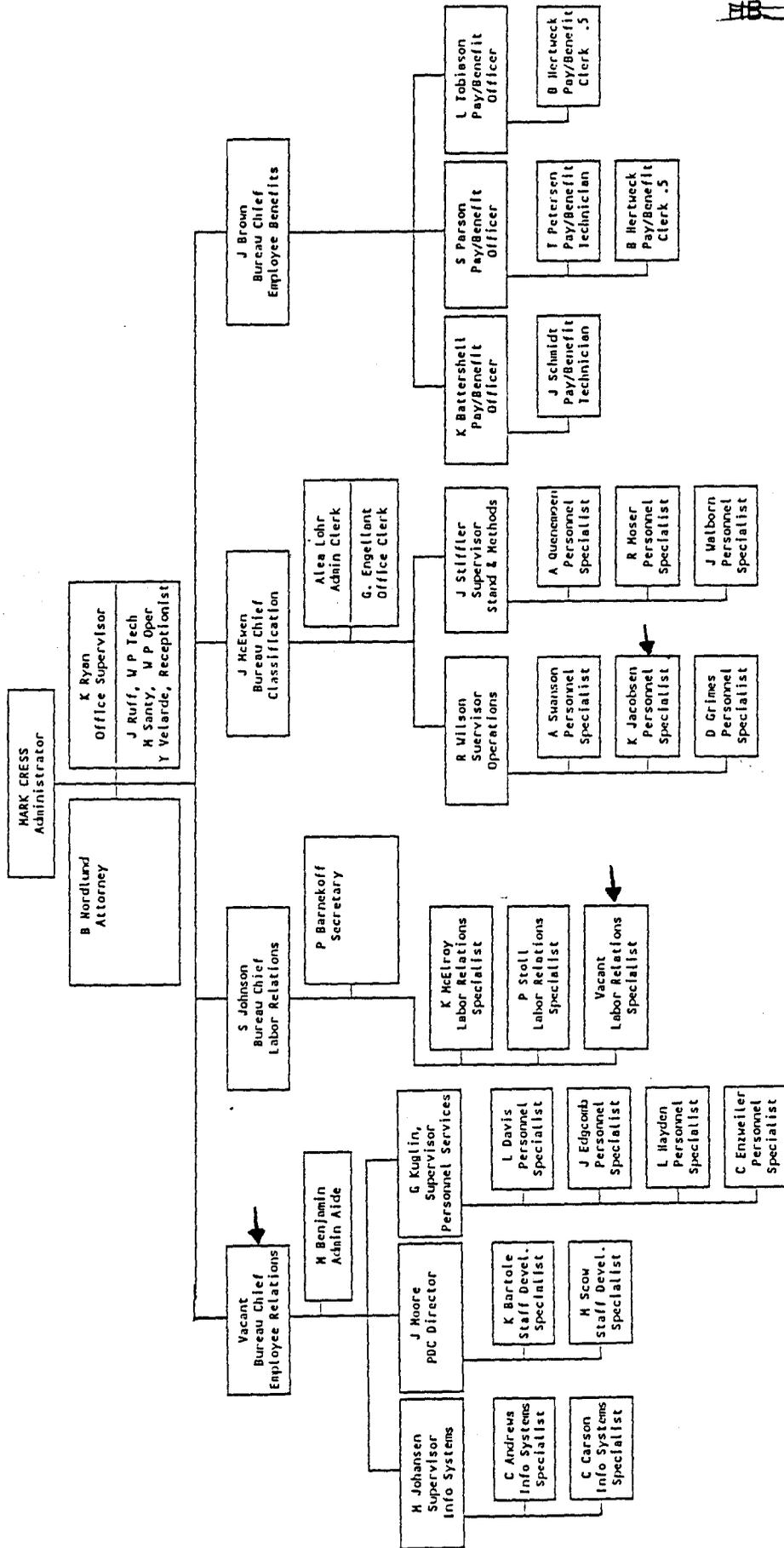
claims review appeals. Contracted health screenings are provided and approximately twenty health promotion activities are sponsored. Federally, Congress is transferring costs to local plans by receding from Medicare coverage and by mandating coverage for plans like ours (COBRA). Tax reform is also changing the way benefits plans are structured.

2. Deferred Compensation Plan: Deferred compensation (IRS Section 457) contributions are invested for the state by Nationwide. Participants are enrolled by D.A. Davidson. Seven thousand one hundred and thirty-five total participants (up 20 percent from FY88); \$79,649,539 account balance as of 6-30-92. We reconcile account balances monthly. Annually, approximately 80 hardship withdrawal requests are received and acted upon. Life Insurance Plan is underwritten by Standard for the state for 10,800 participants.
3. Incentive Awards Program: The benefits program also writes rules and operates the Incentive Award Program. Annually, up to 100 incentive award applications are received and reviewed.

E. RESPONSIBILITIES: TRAINING

1. The State Training program (known as the Professional Development Center or PDC) focuses on creating a better trained state work force, that is current on rapidly changing laws and technology. Special emphasis is on training the state's managers in risk prevention areas such as Sexual Harassment Prevention, Avoiding Wrongful Discharge, Handling Discipline Problems, Appraising Performance, AIDS in the Workplace, and Substance Abuse in the Workplace. Centralized training allows the state to take advantage of volume to provide training at lower costs than if each agency purchased training individually. In FY92, 222 classes or seminars were conducted. 5,537 individuals participated in the training.

STATE PERSONNEL DIVISION
CLASSIFICATION BUREAU
January 22, 1993



BUDGET ISSUES
 PERSONNEL PROGRAM
 Program 230

Additions to LFA Recommendations

	<u>FY94</u>	<u>FY95</u>
1) Computer Processing:	\$ 1,541	\$ 1,541

Requested amount was deflated twice in LFA budget. In error, the LFA took the request after it was deflated by 30% and deflated it 30% again.

2) Postage and Mailing:	\$ 300	\$ 300
Travel:	\$ 350	\$ 350
Education & Training Costs:	<u>\$ 255</u>	<u>\$ 255</u>
	\$ 905	\$ 905

These amounts are a portion of the operating budget of the Pay Administration program. Responsibility for this program was transferred from CV 270 (Employee Benefits) to CV 230 the Personnel Program in FY92. Operating expenses were budgeted in CV 270 and have been paid out of that program in FY92 and FY93. OBPP approved an amount equivalent to the budget for FY93, \$3,157 for all operating expenses. The LFA recommendation includes a \$905 reduction from this FY93 budgeted amount.

3) In-State Motor Pool	<u>\$ 0</u>	<u>\$ 600</u>
	\$ 0	\$ 600

The LFA reduces in-state travel by a total of \$1,050 in FY 95. FY 92 actuals were very low due to staff turnover in the division and the two year cycle of travel in the Labor Relations Program. The program spent only 60% of the budget for travel and the Labor Relations staff spent only 55% of their travel budget in FY 92. The Division is willing to accept that level of travel as a base for FY 94, but requested additional funding for the second year of the biennium for in-state motor pool costs when the majority of the contract negotiations occur.

4) Furniture	\$ 390	\$ 390
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The Division requested funding to replace employee chairs which are worn or damaged. The Division has tried to replace older chairs to ensure employees have adequate seating and avoid safety problems. The requested amount was for 2 chairs each year. The division last purchased office chairs from the State Prison for \$195.

Justification for Reinstating Vacant Compensation/Labor Relations Position Program 230

The duties assigned to this position are divided fairly equally between labor relations and compensation administration.

The labor relations work assigned to the position is mandated under Title 39, and includes:

- (1) Representing management in collective bargaining sessions;
- (2) Advising and assisting agency management in contract administration;
- (3) Representing management in various matters before the board of personnel appeals (unit determination, unit clarification, unfair labor practice, decertification); and
- (4) Representing management in arbitration hearings.

Compensation work involves:

- (1) Conducting a biennial salary survey and writing a report of survey findings, as required in 2-18-301(2);
- (2) Responding to pay exception requests, as authorized under 2-18-303(7) and (8);
- (3) Writing pay plan rules, as authorized under 2-18-301(7);
- (4) Compiling and maintaining various pay schedules as required under 2-18-302; and
- (5) Representing management in wage appeal cases as authorized under 2-18-1011.

At present, there are approximately 6,100 executive branch state employees organized in 77 separate collective bargaining units. There are approximately 60 separate collective bargaining agreements between the state and the 20 labor organizations representing state employees.

Even with the position filled, the bureau is at its lowest staffing level in three years. Without the position, the labor relations bureau has only three full-time employees to handle all contract negotiations and related work involving the 77 bargaining units mentioned above. Moreover, our recent experience indicates that the bureau's workload is increasing, largely because of a steadily increasing number of matters before the board of personnel appeals.

The position is the only one in the bureau currently assigned to perform the compensation administration work. Given the low staffing level in the labor relations function, it would be extremely difficult, if not impossible, to absorb this work elsewhere in the bureau.

**MODIFICATION CV 230
RECRUITING COORDINATION**

<u>FY 94</u>	<u>FY 95</u>
\$19,000	\$19,000

This request would establish proprietary spending authority to achieve efficiencies in recruitment activities among state agencies.

The proprietary spending authority would allow agencies to coordinate and centralize some current recruitment and selection activities, including classified advertising, standardized informational materials, an interest and referral service for hard-to-fill positions. Consolidating these activities does not result in additional spending because agencies already are doing these functions.

Newspaper advertising: Agencies place classified ads independently and each ad contains common information which is repeated taking two to four lines. Placing ads through a central point and sharing the cost of a single heading containing the common information will result in savings. During a three-month trial period in 1991, an overall savings of \$410.30 in classified advertising costs in one newspaper was achieved by coordinating placement of ads. The cost of the repeated lines in each ad in all newspapers was an estimated \$49,000 based on 1991 ad rates. Estimated cost of buying a single header containing the information in each paper and eliminating repeated lines is \$18,000 (\$9,000 per year). This results in an estimated savings of \$31,000 over the biennium. Routine increases in ad lineage rates are anticipated.

Standardizing materials: Standardizing materials and coordinating outreach activities for recruitment would result in savings in printing, travel, per diem, and reduce duplication of effort.

BUDGET ISSUES
EMPLOYEE BENEFITS
PROGRAM 270

Additions to LFA Recommendations

	<u>FY94</u>	<u>FY95</u>
1) Wellness Program	\$ 5,540	\$ 5,540

The Wellness Program provides training programs to reduce identified health risks. For example, an employee who is identified as having a health risk from smoking during the Health Screening maybe reimbursed a portion of the cost of attending a Smoking Cessation class or the Employee Benefits Program will sponsor a Smoking Cessation Class. These programs are a very direct way of trying to reduce expensive medical claims for diseases or injuries that can be prevented. Programs include smoking cessation, weight loss, healthy back care and stress reduction.

Actual expenditures in FY92 were low due to vacancies in the Division and budget concerns. Fewer programs were scheduled. Expenditures for wellness activities for the first 6 months of FY93 were \$11,613 compared to \$10,560 for all of FY92.

q.B.

EXHIBIT 17
DATE 1/26/93
~~FB~~

MODIFIED -- EMPLOYEE BENEFITS ANALYST CV270 EMPLOYEE BENEFITS

This modified is for one FTE and associated operating costs to pursue more aggressive cost containment in the State Employee Insurance Program.

Run away health care costs have greatly expanded health plan administration responsibilities and work load. Instead of simply projecting costs, setting rates to assure adequate reserves, and paying claims, claims costs must be controlled. Several cost control programs have been added to the work load of existing staff leaving no staff to develop and administer additional cost control programs.

Absent additional cost controls, claims costs are projected to increase 15% per year for each year of the biennium. This is a total increase of \$9,566,000 over the biennium.

THIS WILL:

1. Utilize a small portion of proprietary insurance funds to help control costs (.8% of the projected increase in claims costs)
2. Permit the State Plan to adapt and implement cost containment initiatives being used by other health plans such as establishing alternative delivery options -- HMOs, PPOs., wise consumer programs etc.
3. Permit more structured input by plan members on proposed cost containment measures and other plan changes to better meet their needs.

FUNDING SOURCE: Interest earnings from the proprietary Employee Benefit reserve fund.

Object of Expenditure	Nature of Request	Request	
		1994	1995
1000s	Salary and Benefits for one FTE	35,862	35,910
2000s	Operating costs	2,517	2,234
3000s	First year equipment costs	3,017	

9. B.

EXHIBIT 17
DATE 1/26/93
~~HB~~

MODIFIED -- COMPUTER SYSTEM CONTINUED DEVELOPMENT CV270 EMPLOYEE BENEFITS

This modified is for continued development of an on-line State Group insurance computer system. The 51st legislature appropriated funding to the State Auditor to develop a system as part of enhancements to the PPP (Payroll, Personnel and Position Control) system last biennium. Specification development revealed that the required insurance system is more complex than originally assumed in cost estimates by ISD (Information Services Division), and that it needs to be a stand alone system -- not part of PPP.

This request represents the last estimate by ISD of additional costs to complete the development and debugging of the insurance system. Currently, a request for proposal process is underway to determine if a pre-packaged system is available at lower costs. The outcome of that process will not be known until mid-February.

THIS WILL:

1. Replace the current system which is a. outdated (inadequate to meet current needs) and b. broken (it requires extensive work to continue running -- an expense that would still leave it outdated.)
2. Increase insurance data accuracy and decrease the paperwork and time currently required to make changes in benefit elections and verify eligibility for claims payment each month.
3. Handle increasingly more complex benefit structures (created by cost controls and tax law changes) thus, holding down the need for additional agency or State Personnel staff resources.
4. Decrease the State's potential liability due to human errors.

FUNDING SOURCE: Interest earnings from the proprietary Employee Benefit reserve fund.

Object of Expenditure	Nature of Request	Request	
		1994	1995
2172	Costs for debugging the new system during its first year of operation.	5,000	0
2175	System development costs	300,000	0

BUDGET ISSUES
TRAINING PROGRAM
Program 280

Additions to LFA Recommendations

	<u>FY94</u>	<u>FY95</u>
1) Printing/Pub & Graphics:	\$ 3,198	\$ 3,917
2) Postage & Mailing:	\$ 3,368	\$ 3,368
	\$ 6,566	\$ 7,285

The budget for operating expenses for FY 93 for the Training Program is \$113,863. The Executive Budget reduced the center's spending authority to \$100,887. The LFA recommends another reduction to \$88,447.

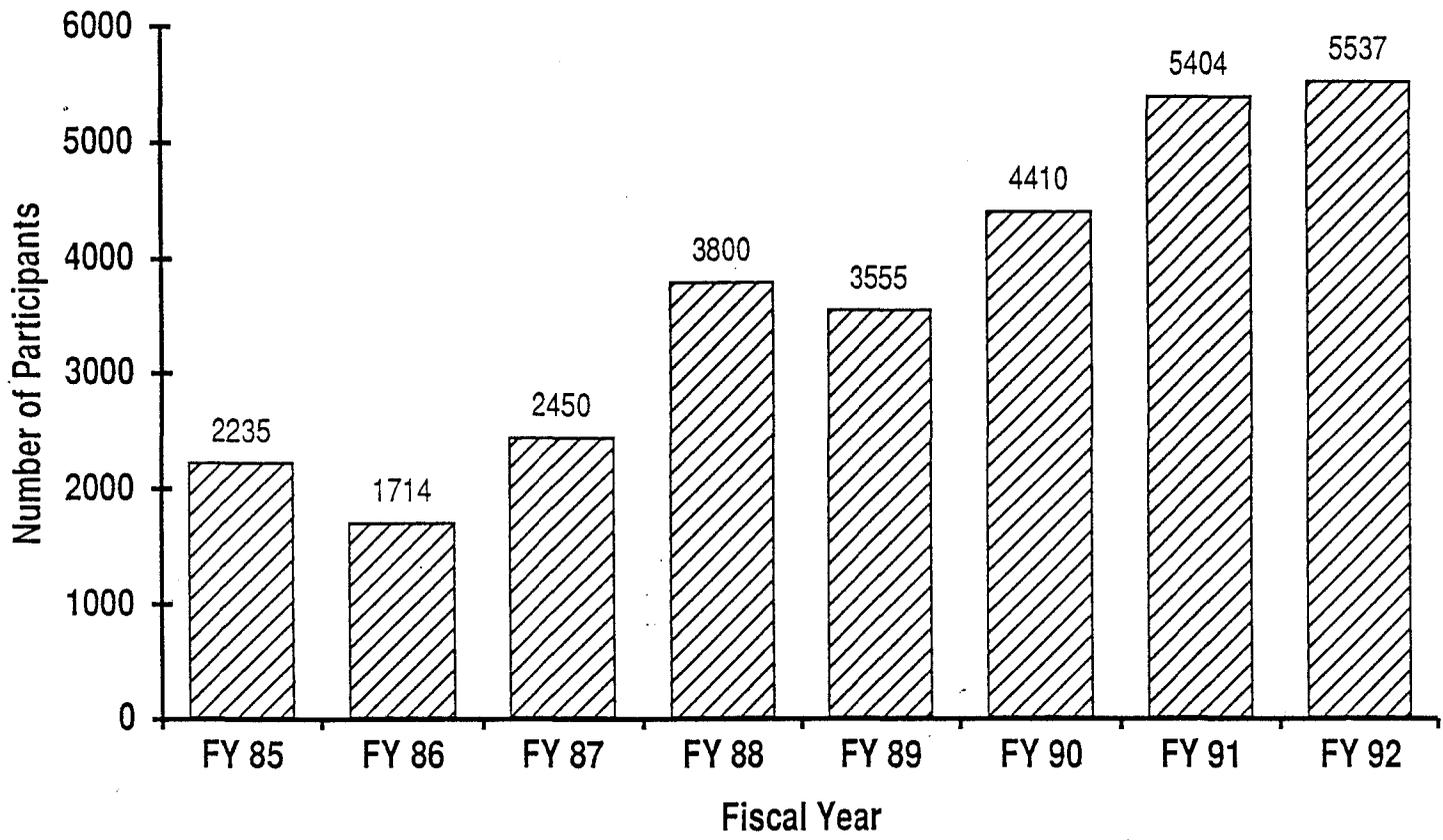
The Training Program is entirely self funding. All expenses are paid from proprietary funds generated from participant fees. The program provides 1/3 more training classes and serves over 2 times the participants than 5 years ago. This increase in the volume of training provided was accomplished with no increase in FTE.

Participation in training can be quite variable. If we provide fewer courses we have lower operating costs. If we provide more courses we have greater operating costs. The expenditures above are the categories that fluctuate the most as the volume of courses and participants changes. Without adequate spending authority in these categories, our three trainers may have to turn down requested training classes that they otherwise would be able to do.

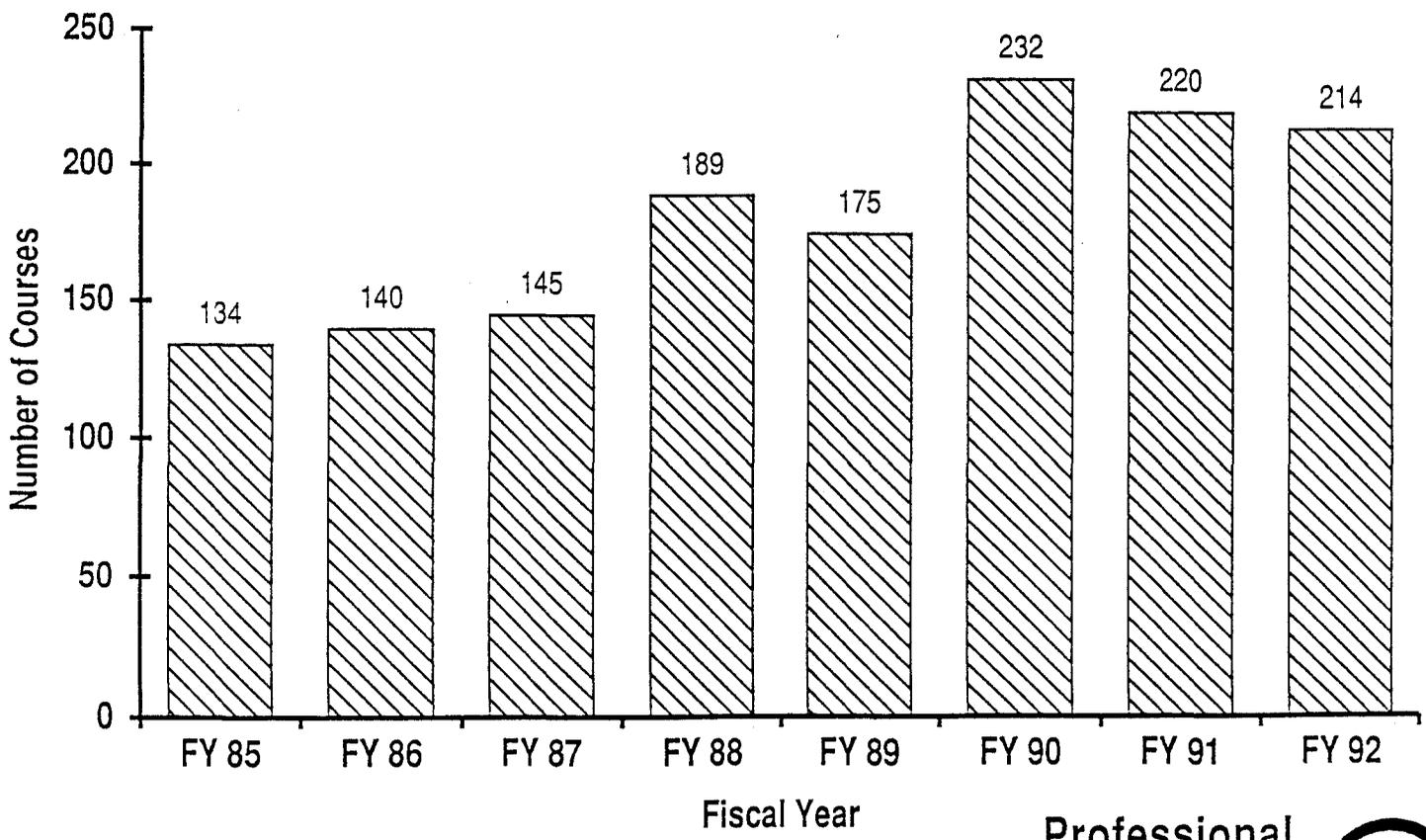
3) Educational Equipment:	\$ 340	\$ 580
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The LFA budget eliminates funding for an overhead projector in FY94 and a Video Recorder in FY95. These are requested to replace existing equipment that the training program has used for many years. This equipment gets very heavy use and is often being transported from one training location to another.

Participants Attending



Courses Conducted



Program Summary

Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	20.00	20.00	20.00	20.00	0.00	20.00	20.00	0.00
Personal Services	567,998	577,003	594,636	594,889	(253)	596,452	596,705	(253)
Operating Expenses	368,585	433,526	529,460	508,978	20,482	509,946	480,436	29,510
Equipment	14,169	1,704	7,716	7,111	605	5,435	5,431	4
Total Costs	\$950,753	\$1,012,233	\$1,131,812	\$1,110,978	\$20,834	\$1,111,833	\$1,082,572	\$29,261
Fund Sources								
Non-expendable Trust	<u>950,753</u>	<u>1,012,233</u>	<u>1,131,812</u>	<u>1,110,978</u>	<u>20,834</u>	<u>1,111,833</u>	<u>1,082,572</u>	<u>29,261</u>
Total Funds	\$950,753	\$1,012,233	\$1,131,812	\$1,110,978	\$20,834	\$1,111,833	\$1,082,572	\$29,261

Page References

LFA Budget Analysis A-228 to A-231
Stephens Executive Budget A99

Current Level Differences

MEDICAL SERVICES—The LFA current level uses the fiscal 1992 actual expenditures as the base while the executive current level increases the base in each year per the agency request, which expects increases in the number of initial disability applications and the number of members on disability retirements.

2,319 5,334

COMPUTER PROCESSING—The LFA current level is lower than the executive current level. The LFA figures are mistakenly deflated twice. The committee should accept the executive current level for this item.

29,621 37,520

MINOR DIFFERENCES

(2,191) (69)

INFLATION DIFFERENCES

(8,915) (13,524)

TOTAL CURRENT LEVEL DIFFERENCES

20,834 29,261**Budget Modifications**

DISABILITY CLAIMS EXAMINER—The Executive Budget includes 1.0 FTE and related operating costs supported by retirement trust funds to review disability retirement claims. During the 1993 biennium, this service was provided by agency staff.

39,001 34,591

Language

Language is needed to clarify the source of funds. For the 1993 biennium, the language in House Bill 2 stated:

"The amounts listed in items 1, 1a, 1b, and 1c are appropriated from the pension trust fund".

Exec. Over(Under) LFA
Fiscal 1994 Fiscal 1995

PUBLIC EMPLOYEES' RETIREMENT DIVISION

Serving as the administrative staff of the Public Employees' Retirement Board, this state agency accounts for over \$1.2 Billion held in trust for the eight public pension plans administered by the Board, with over \$191 Million in annual revenues and \$85 Million in annual expenses.

With monthly retirement benefits paid to over 12,500 recipients, this agency processes a monthly benefit payroll for more persons than the state's central payroll system. Annual benefit payments exceed \$74.4 Million.

PERD also accounts for and refunds terminating members contributions in excess of \$8.7 Million per year on a semi-monthly basis.

Monthly membership payroll reports of the service and salaries of over 29,000 active public employee members in the 7 contributory retirement systems are processed by this agency.

Staff of the Benefits Bureau counsel members about the cost and advisability of purchasing various types of service in the retirement systems, contact employers to obtain certifications of past service of members, counsel members considering retirement about their retirement options, counsel beneficiaries of their options for receiving death benefits, and obtain required employer and physicians reports to document members' requests for disability retirements.

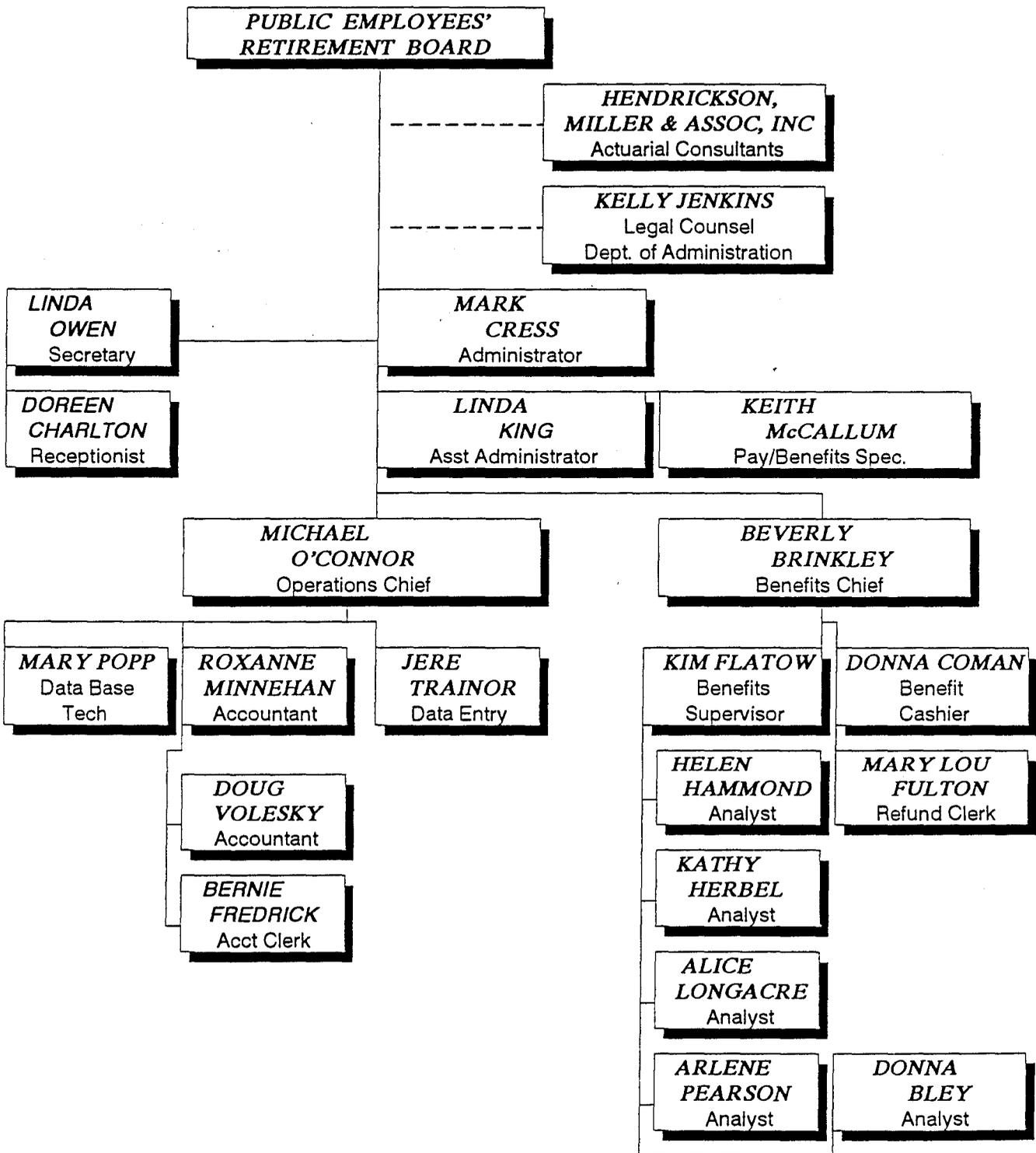
The agency works with the Professional Development Center to offer a series of 2-day preretirement planning seminars each year for members who anticipate retirement within the next five years and provides staff to travel across the state for informational presentations to groups of employees at their request or in conjunction with programs sponsored by employers or other groups.

Retirement system information handbooks are updated and provided to employers for distribution to their employees as changes occur in retirement benefits; newsletters are printed and distributed annually to active members and retirees to keep them informed of changes on the state and federal level which can impact their retirement benefits; and annual statements of accounts are prepared and distributed to all active members.

During the Legislature or in the interim, we are available at your request to answer questions about the impact of proposed legislation to the retirement systems, state and local government budgets, retirees, and active members. Our 1992 annual financial report has been provided to you and biennial actuarial reports of the retirement systems are always available for your information.

Finally, we are proud to report that all of this work is accomplished by a staff of 20 and within a total annual administrative budget which is only 1% of the anticipated investment earnings on the pension trust funds each year.

**PUBLIC EMPLOYEES'
RETIREMENT DIVISION
ORGANIZATIONAL CHART**



PUBLIC EMPLOYEES' RETIREMENT DIVISION

Administer 8 Separate Retirement Systems

Public Employees' Retirement System
Municipal Police Officers' Retirement System
Game Wardens' Retirement System
Sheriffs' Retirement System
Judges' Retirement System
Highway Patrol Officers' Retirement System
Firefighters' Unified Retirement System
Volunteer Firefighters' Retirement Act

About 500 Employers

29,200 Active Members

5,879 inactive members

12,524 Retirees and Beneficiaries
(Includes 1,095 Disabled Retirees)

\$89 Million in Employer and Employee Contributions

\$84 Million in Benefit Payments and Refunds

PUBLIC EMPLOYEES RETIREMENT BOARD
FY 1994 AND FY 1995
CURRENT LEVEL BUDGET ISSUES

Additional Requested*		
FY 94	FY 95	
\$2,319	\$5,334	

Operating Expenses

Contracted Services

Medical Services. The Board is requesting an additional \$2,319 in FY 94 and \$5,334 in FY 95 over FY 92 actual expenditures due to steadily increasing numbers of initial disability applications and the increasing number of current disability retirees whose ongoing disability status must be reviewed. Since 1983, the number of disability retirements has increased by 31%, with increases in the law enforcement systems as high as 21% during this time period. During the past year there have been over 100 new applications for disability retirement and the agency has been able to increase its reviews of current disabilities from under 100 per year to approximately 130. The additional expenditures are required for two distinct purposes:

1. A physician on contract with the Board is utilized to interpret medical records and reports so that the Board may make the disability determinations required of them by law. This is not a contracted claims review expenditure. The retirement statutes specify that the Board will make the claim determinations with competent medical advice. Without such medical expertise available in making their disability determination decisions, this process would be open to legal challenges which could result in significant costs to the 7 retirement systems which they administer.

2. The Board must pay the actual costs of medical services and reports required to review the status of on-going disabilities in the smaller retirement systems. While the costs vary widely depending on the nature of the tests and diagnoses to be made, the cost of a single CAT scan can be well over \$1,000. The average cost which the agency must pay for one medical review of a disability retiree is currently over \$100.

The additional funding is requested because of increasing numbers of initial determinations and reviews required by law; the increase does not reflect inflation in the costs of the services.

Differences in Base\Inflation

Computer Processing. The remaining difference between the base budget request and the LFA budget recommendation for this agency are explained by an inadvertent double deflation of the agency's base request for computer processing. Instead of utilizing the agency's base request, the deflated base request was picked-up and then deflated again. Because of the substantial of computer processing utilized by this agency and the 30% and 38% deflation factors anticipated in computer processing charges during the next biennium, the error would result in underfunding this area by \$29,621 in FY 94 and \$37,520 in FY 95. (It should be understood that putting the base requests back into the budget will actually ultimately increase the budget by only \$20,734 in FY 94 and \$24,012 in FY 95 after deflation factors are applied.)

*All additional expenditure authority requested in this document is in addition to LFA recommended levels for the next biennium.

Vacant Position

While there were no vacant positions in this agency on December 31, 1992, the listing of vacant positions provided to the Legislature erroneously listed position 03806 as a vacant position for this agency. The attached letter of hire to fill position 03806 was sent on December 3, 1992 and the position was filled on December 21, 1992. We request that this agency retain position 03806 because it is currently filled, was not vacant on December 31, and therefore should not subject to the resolution requiring it to remain vacant.

DEPARTMENT OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT DIVISION

EXHIBIT 19
DATE 1/26/93



STAN STEPHENS, GOVERNOR

STATE OF MONTANA

(406) 444-3154

TELEFAX (406) 444-5428

1712 9TH AVENUE
HELENA, MONTANA 59620-0131

December 3, 1992

Keith McCallum
303 North 17th Avenue
Bozeman, MT 59715

Dear Keith:

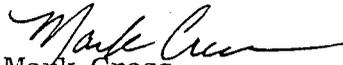
I am pleased to offer you the position of Payroll/Benefits Specialist with the Public Employees' Retirement Division of the Department of Administration. If agreeable to you, this appointment will be effective December 21, 1992.

You will be paid at Grade 12, with a salary of \$20,545/year. We look forward to working with you as a member of our staff.

If you accept this offer, please sign below and return a copy of this letter to me.

We hope that you will enjoy your position with this Division. If you have any questions, please contact the Personnel Officer, Barb Kain, at 444-4612 or me.

Sincerely,


Mark Cress
Administrator

Acceptance of Offer of Employment

I accept the offer of employment with the conditions as noted above. I will report for work at 8:00 a.m. on _____.

Signature

Date

cc: Barb Kain, Personnel Officer
PERD Personnel File

PUBLIC EMPLOYEES RETIREMENT BOARD
FY 1994 AND FY 1995
MODIFIED LEVEL BUDGET REQUEST

FY 92 FY 93
\$39,001 \$34,591

1. Disability Claims Examiner

Of the 11,963 total benefit recipients in the seven retirement systems administered by the Public Employees' Retirement Board, 1,095 are disability retirees. The total number of disability retirees has grown by over 31% during the past 9 years, with over 100 new disability claims submitted during the past year. Since the value of the average disability retirement benefit has a value significantly higher than the average retirement benefit, it is imperative that the Board has sufficient and competent staff to review both the increasing number of initial disability retirement applications as well as to administer the ongoing review of current disability retirees. If the rate of disability retirements increases beyond the rates actuarially anticipated, increased employer and/or employee contributions will be required to fund these retirement systems.

The Board has never before contracted for disability claims review services. The Board currently has no technical staff devoted to disability determination. The contract between the Board and its physician is for assistance in interpreting medical records and reports; this modified level request will not replace the need for the current level of contracted services for medical advice from the physician or for the medical tests and reports which must be purchased from physicians for the review of disability retirees in the law enforcement systems. In fact, this modified budget includes a total of \$4,000 over the biennium to pay for contracted medical services for approximately 40 additional medical exams of disability retirees expected to be accomplished because of increased efficiencies of the new disability claims examiner position.

The Benefits Bureau Chief currently provides the majority of the staff support to the Board in this area; however, the number of disabilities has so extensively increased during the past few years, along with the complexity of the work required, that at least 90% of this person's time is now devoted to disabilities and a backlog exists in the ongoing review process. A technical staff position with skills and training in the disability determination field would greatly expedite and enhance the Board's ability to deal with the growing demand in this area.

The Board is requesting an additional 1.0 FTE Disability Claims Examiner and related operating costs (which include additional administrative hearings expenses, Board paid medical exams and travel expenses for disability reviews in the small retirement systems, computer network charges, and necessary office equipment for the staff person).

All funds will be appropriated from the pension trust funds administered by the Board. Sufficient amounts are contained in these trust funds to pay all costs without increases in employer or employee contribution rates. This modified level request totalling \$73,592 for the biennium is less than the benefits which would be paid to four new disability retirees during this same period.

EXHIBIT 19
DATE 1/26/95

HOUSE OF REPRESENTATIVES
VISITOR REGISTER

GEN. GOV. & HWYS. SUBCOMMITTEE DATE 1/26/1993

DEPARTMENT(S) Dept. of Admin DIVISION

PLEASE PRINT

PLEASE PRINT

NAME	REPRESENTING	
EARL ZUELICE	MSB / Dept of Admin	
Cathy Rardon	msB / DoA	
Connie Griffith	Acctg / MSB for DoA	
LOIS MENZIES	DoA	
Dave Ashley	DoA	
Jeri-Ann Nelson	STAB	
John & Michael	STAB	
Doreen	Teachers Retirement	
Mike Trevor	DOA / ISD	
Linus Carleton	SRS / CSED	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.