

MINUTES OF THE MEETING OF THE APPROPRIATIONS SUB-COMMITTEE ON
ELECTED OFFICIALS AND HIGHWAYS

February 10, 1983

(Tape 63, Side B, 64, 65 and
Tape 66, Side A)

The Appropriations Sub-committee on Elected Officials and Highways met at 7 a.m. on February 10, 1983 with Chairman Quilici presiding. The following members were present:

Chairman Quilici
Rep. Connelly
Rep. Lory

Senator Dover
Senator Keating
Senator Van Valkenburg

Senator Stimatz was excused.

Also present: Mr. Cliff Roessner, LFA; Mr. Doug Booker, OBPP; Mr. Phil Hauck, Architecture and Engineering Division; Rick Morgan, Treasury Division and Morris Brusett, Department of Administration.

WORK SESSION

DEPARTMENT OF ADMINISTRATION

Architect and Engineering Program 04 (Exhibit 1)

Mr. Roessner stated that within the A & E Division they had one file clerk position that was vacant the entire year and the LFA budget deleted this position. The agency is requesting to retain .25 FTE for this position to help out in the summer months. This would make it 14.5 FTE.

Senator Keating MOVED the 14.25 FTE. Question being called for, the motion carried.

In "operating expenses" Chairman Quilici noted there are two areas of difference in "contracted services" and in "travel". Mr. Roessner stated that within the "contracted services" the agency has requested \$10,000 in FY84 and \$5,100 in FY84 to microfilm records which they currently store. They have to access these records and it would be easier to have them microfilmed and have ready access to them.

Mr. Booker stated he felt they were also looking at some legal fees of some \$1,600 one year and \$1,700 the next. Mr. Phil Hauck stated that they have been told by their legal counsel in the department that they are going to backcharge them for legal fees that they have generated with them. He added they also have insurance on bonds on their employees and maintenance on their office equipment, printing costs and miscellaneous items they requested \$5,600 for. That is the difference between the \$10,000.

Mr. Booker said he had read the wrong line and the printing costs are the biggest costs of \$6,500 and \$6,900. So the difference

is not attributable to legal fees. Mr. Hauck explained they do a great deal of specification printing. This is done through Printing and Graphics.

Senator Dover MOVED to accept the OBPP on "contracted services".

Senator Keating stated he had second thoughts about the micro-filming as to how essential it really was. Mr. Hauck stated he had requested this several times before and he reminded the committee that this is LRPB money, not general fund money. He felt this has been very important for about eight years now and has been trying to get these records documented. These are plans, specifications and documents that they use every time they go back and do any kind of remodeling or renovation on a building and they have to access these records. Time itself turns these paper documents brittle and they become more and more difficult to handle. There are over 4,000 of these documents now.

Question being called for, the motion carried.

Chairman Quilici noted there was quite a difference on "travel". This is for one more inspector, an in-house inspector. Mr. Hauck mentioned that 99% of the inspections they do on their state projects is done by contract inspections. The three he has, work with the contract inspectors and they see to it that the contractors are doing their job but this is for in-house inspectors and are included in the 14.5 FTE's. Mr. Hauck noted they are in the contract that they write for the project for architectural services so they come out of project costs.

Rep. Lory MOVED the OBPP in "travel" expenses. Motion carried.

Senator Dover MOVED to line item \$25,000 for the biennium for a study on the laws of construction.

Mr. Hauck explained this probably began with the Governor's Council on Management and it has also been occurring over the years. The construction laws and procedures in the State of Montana have been fractionalized over the years and many recommendations have been made. They feel it is necessary to take a look at all the state laws and procedures. There are some procedures that are very cumbersome and over the years they have been growing. They end up with their change order procedure where it requires 12 signatures and it takes forever to actually get a change order approved. This is a very undesirable situation with the contractor trying to get a job going and completed. They have talked with Senator Boylan and with the Governor and with Mr. Brusett and they all agree that maybe the time is now to get people from the construction industry and try to straighten out these procedures and come back to the next Legislature with some intelligent codifying of the construction laws. He feels that is over due.

Question being called for, the motion carried.

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Senator Dover made a MOTION that the balance of the LFA operating budget be accepted including "equipment". Motion carried.

Senator Dover made a MOTION to accept the A & E budget as amended. Motion carried.

Passenger Tramway Safety 25 (Exhibit 2)

Senator Keating MOVED the LFA budget for Passenger Tramway Safety.

Senator Van Valkenburg asked if the agency knew how much of the insurance increase was attributable to the Passenger Tramway Program. They said the increase was spread throughout the Department of Administration.

Question being called for, the motion carried.

Governor Elect Program 02 (Exhibit 3)

Senator Dover made a MOTION that the committee approve the \$30,000. Motion carried with Rep. Lory voting "no".

Building Standards (11) (Exhibit 4)

Mr. Roessner stated that they were to come back with revised figures for the four vehicles. Within "contracted services" for 1984 the LFA figures increase \$20,364. Included in that increase is \$2,000 for insurance and bonds on four vehicles and they increased the Administrative Rules cost by \$500. In 1985 the LFA figure is \$21,583. In "supplies and materials" in 1984 the figure increased to \$48,108 and in 1985 it is \$52,246. This is all in gasoline for the new vehicles. There were no changes in "communications". In the "travel" category there are no changes for the four inspectors; there is \$933 in the LFA budget that is not in OBPP's figure.

(Begin Tape 62, Side A)

\$51,620 for FY84 and \$42,583 for FY85 are the figures for "travel".

In "repair and maintenance" the rent figure will remain the same. The difference is in the square footage rate between the two offices. The figures are \$7,385 for FY84 and \$7,827 for FY85. "Equipment" in FY84 is \$37,600 which includes \$36,000 for vehicles and \$1,600 in equipment for cameras, etc. In '85 the \$10,000 is word processing equipment and this was approved. Mr. Rick Morgan explained the difference essentially is a base word processing piece of equipment and when you look at the \$14,000 figure they have put on a

high speed printer and added several pieces of software. He explained what they need is a letter quality printer which is much cheaper than a high speed printer. He has continuous forms he will have to run on it. It was Chairman Quilici's understanding that if they received the processor that the part-time help in the summer months when it is the busiest would not be needed.

Rep. Lory MOVED the LFA budget as amended. Motion carried.

Treasury (17) (Exhibit 5)

Chairman Quilici noted the LFA had 2.5 less FTE than the OBPP budget and asked Mr. Roessner to explain. Mr. Roessner noted the OBPP budget contains a personnel officer position and a budget analyst position that were added to this budget during the 1982 fiscal year. The LFA budget does not contain those positions and they were hoping the committee would discuss whether they wanted to keep them in or not. There is a .5 secretary position that Rick Morgan is requesting be moved to his office from the central office.

Mr. Morgan noted that the .5 clerk was basically because they had a vacancy in their office which combined with another half-time clerk in order to relieve the workload they were sharing previously with the Director's office.

Mr. Brusett noted that unless they had the technical people who could provide them the information, they could not make management decisions. Every position that comes out, he has to make sure that this is justified. They have 500 employees and they have never had a personnel officer and they should have one for their department. He did not see how they could run a good department without a personnel officer. His concern was that they were processing paper at the central level and they weren't doing analytical work in terms of all the revolving funds and their other agencies and they needed the technical "know how" to do the analysis so they could make good management decisions. He feels they did demonstrate they cut a lot of FTE's and there were general fund reversions and he is sure there will be some this year. He now gets a report every month that tells what has been spent and the projections of what they will revert. This is the whole idea of having the expertise within the department so they can project ahead and hopefully it does reduce FTE's and results in reversions.

Seantor Dover made a MOTION that the committee approve the 15 FTE's. Motion carried.

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In "contracted services" Senator Dover MOVED the OBPP budget.

Mr. Morgan commented on the cash management system. He said that the proposal they presented indicated that they could flow in more funds for the general fund to invest and, depending upon how the Board of Investments does with the yield, they are calculating at 9.5%. They think in the first 12 months of this operation, they could generate another \$268,000 in interest income to the general fund. They feel the maximum potential benefit of this in each year after that will be \$163,000 per year.

Question being called for, the motion carried.

Senator Keating then made a MOTION to approve \$25,732 in FY84 to put the system on line for the cash management system and in FY85 that cost will be \$25,467. This is a contracted service amount for using the Service Bureau. Motion carried.

Senator Dover then made a MOTION to approve the \$10,485 in FY84 and the \$750 in FY84 for the three MICR coding machines.

The department explained these machines perform a dual purpose, they mark the check for the dollar amount written and the also balance their deposits for them. Senator Van Valkenburg expressed concern that this is an area of technology where it is rapidly changing and it may come to the time where we have automatic transfers. He is a bit hesitant to buy the equipment and have it be a thing of the past in the future. Mr. Morgan stated checks will never be a thing of the past, there might be electronic funds transferred but there will always be a check.

Question being called for, the motion carried. Chairman Quilici and Senator Van Valkenburg voted "no".

Senator Dover MOVED the Treasury budget as amended. Motion carried.

HEARINGS

Department of Administration

Personnel Division (23) (Exhibit 6)

Mr. Dennis Taylor, Administrator of the Personnel Division, gave the committee an overview of the Personnel Division and its programs. The division is responsible for a comprehensive program of personnel administration and this includes position classification. They administer the statewide Classification and Pay Act

that was adopted by the Legislature in 1973. They are involved on a daily basis with liaison to all the agencies in the executive branch of government and for the University System on position classifications and management. This amounts to approximately 1200 transactions per year. They develop classification specifications. They are in charge of the method development and maintenance for the classification system and are involved in classifications in approximately 40 appeals in 1982 and about 28 to date in this fiscal year.

They are also responsible for labor relations and contract administration in conjunction with agencies in the executive branch of state government. Through contract administration they are involved in training the supervisors, managers and personnel officers in matters regarding specific contracts and labor relations in general. They also provide labor relations advice to personnel officers and agencies on a regular basis and are involved in the research, the preparation and presentation of the employer's case in grievance arbitrations.

In the employee relations function they provide significant assistance and consultation to state and local agencies on a variety of personnel topics including personnel policies, recruitment and selection, performance appraisal, discipline, grievance handling, employee records, their Equal Opportunity Employment program, and affirmative Action Program, and provide training on a variety of other topics.

They receive between 200 and 300 individual requests for assistance each month. As they have become more visible throughout the state agencies they have noticed a significant increase in the demand for assistance.

They put out a monthly management newsletter that communicates with management officers and personnel officers throughout the state service.

They are responsible for the pay and benefit administration of the state pay plan. Each biennium they conduct a salary survey which reviews the state of their levels of compensation with the marketplace of all employers in the State of Montana. They make pay plan recommendations to the Legislature.

In the benefit administration area the Personnel Division is responsible, in conjunction with state employees benefits advisory council, to monitor and administer the State of Montana benefit plan, which includes group life insurance. Under their corp plan

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they cover approximately 10,000 employees. Total volume in force, they have about \$693,000,000 worth of insurance for those covered under the state insurance plan which is a net monthly premium of about \$64,000. For the last program year they had about an 84% loss ratio, so their insurance program is in good shape.

They administer the statewide preferred compensation program which is available to state employees after the end of this fiscal year through local government jurisdiction. This is a tax deferred program for individuals who elect to defer certain amounts of their income through guidelines set by the IRS.

They provide statewide training. They operate what he considers a "seriously wounded training program". This is the result of a loss of federal funds through the IPA money. However, they still carry on a variety of training programs. Their major focus is currently on "how to" programs for supervisory and management personnel. There has been a change in focus in the training program due to the loss of the IPA grant fund. He would like to discuss this in greater detail when they get to the modification request that is in the executive budget.

During the last legislative session, they adopted a new program, the employee incentive award program, which has been totally implemented now for about 10 months. They have reviewed 120 applications from individual employees suggesting ideas to reduce costs to state government, of these about 80 have been rejected and 7 awards have been granted to 8 employees. They estimate the cost savings for the first year is somewhere in the neighborhood of \$200,000. They have paid out a little over \$2,500 in actual awards to those individuals who came up with the cost-savings ideas.

They conduct a health promotion program with an emphasis on wellness activities, reducing smoking, etc. all designed to improve the health of the individual employees and help to cut down on absenteeism.

They are responsible for state rules and policies. They have adopted a new format in the last biennium where they set statewide minimum standards for major policy areas of state government.

They provide the selection of recruitment assistance, and affirmative action assistance to agencies. They receive about 2,000 requests from state, city and county agencies a year for examples of policies on various personnel management standards.

As of July 1 of last year, they have been responsible for the position control responsibilities which were transferred from the OBPP to the Department of Administration. They are also responsible

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for the personnel part of the PPP program and they work with the State Auditor's office to maintain and support that total integrated data base.

They provide staff assistance to the Merit System Council, to the Governor's Committee on Employment of the Handicapped, the Collective Bargaining Task Force, and others.

During the last biennium this division lost 11.5 FTE's due to the action in the special session to decentralize the State Merit System. They also lost one position as a result of IPA money from the federal government. This money was devoted to training and consequently the Personnel Division was reorganized from five bureaus down to three. This major organization did not involve reducing any of the programs or services that they had provided in the past. It just organized them into three functional bureaus. They are (1) the Employer Relations Bureau, (2) the Classification Bureau, and (3) the Labor Relations and Employee Benefits Bureau. (Begin Tape 64, Side B)

He referred the committee to an organization chart on the Department of Administration. (Exhibit 7 & 8)

When asked about the personnel appeals they have reviewed he stated that totally in the last five years they have had 5,000 upgrades and 1,000 downgrades for an average per year of about 908 upgrades and 198 downgrades. They found that 88% of the requests were by agency management, 7% were by employee appeals and 5% were a result of the Personnel Division reviews. Totally there are about 13,500 classified positions and this includes the executive branch of government and the university systems.

(Senator Dover assumed the chair for Chairman Quilici.)

The first issue identified from the LFA's budget is the issue of the classification enhancement project, for \$6,985. During the last year, the Personnel Labor Relations Study Commission took a look at their existing classification methods and they brought in experts from similar state services. One of the recommendations that this group made was that essentially the system was sound. The factors that they use are sound and the way they apply this are sound. They could improve their overall program by moving from their current job evaluation method which involves a qualitative approach to one that provides for quantitative approach. It was argued that this would improve their program in terms of acceptance to incumbents, to managers, and help them improve the technical adequacy of their program and help them defend their program when they are involved in classification appeals. So,

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they are undertaking a project to change their existing method by keeping the factors but making those decisions based on a factor basis. The money at issue in this regard would be used to help train existing personnel in the Classifications Bureau in the successful methods of quantifying these classifications.

This issue is in the "contracted services" portion of the budget. Out of the \$34,000 difference, the system he is referring to accounts for \$6,337 of that difference according to Mr. Roessner. Out of the \$34,000 difference, \$21,000 is in data processing costs, \$1,400 for the Governor's Committee on Employment of the Handicapped, \$926 for additional costs for the Administrative Register for fee increases of the rules, \$5,000 related for consultant fees for classification enhancement projects.

There is a difference of about \$1,500 for "other compensation" that deals with the per diem for the Merit System Council and the Governor's Committee on Employment of the Handicapped, which were not provided for when the governor's committee was transferred to the Department of Administration.

The executive budget retains 2 FTE's, an attorney position in the personnel program and a position that is a composite position a .5 FTE for a test specialist and a .5 personnel specialist. These positions are currently filled and are part of the existing base and are necessary to the operation of the division. The LFA's position is to take the lawyer position out of the Personnel Division but attach that position to the Insurance and Legal Division and to charge the Personnel Division on a fee basis. They feel this will increase their costs. They currently have about \$43,000 cost for the biennium and their costs on a fee for service basis, using the Attorney General pool, would be about \$93,000. They feel the LFA recommendation would not nearly meet their needs. They would recommend to continue with the OBPP approach which keeps a full-time attorney in their division.

Under "contracted services" there is a matter of about \$21,000 in data processing costs. Their initial proposal to the Department of Administration was that the entire PPP program should be contained within the Personnel Division. The final recommendation was that it be in one location and it was put in the State Auditor's office. When they transferred all the money that was put in his initial budget request to the department and to the budget office they took out, not only all of the PPP support costs, but all of the PPP costs with which they had to support all of their other activities like the insurance program etc.

About \$14,500 is for general data processing which includes program development, testing, production, PPP reporting for the

division, for lease of computer communications lines, computer disk storage costs and ATMS. Since they write the bulk of the personnel rules for the whole state program they have quite a cost in this area. This was not reflected in the executive budget and he believed the LFA identified this difference when they were reviewing their initial budget request. One thousand dollars of the \$21,000 is requested to provide classifications, to provide management information on the operations of the classification system and about \$5,500 is requested for EEO computer costs for the production of reports required for the EEO.

Mr. Roessner commented they were not aware of the \$21,000. Their budget request asked to delete the whole \$156,000 and he did not see a request in his file for the \$21,000. It was suggested that Mr. Booker and Mr. Roessner get together to settle this difference.

Another \$5,000 was for costs to cover an ongoing lawsuit that was pending before the Federal District Court involving the eligibility technicians across the state. They hope this issue will be settled within this next month. He had initially estimated that their cost would be in the neighborhood of \$20,000. They share this cost equally with SRS, the Board of Personnel Appeals and the Personnel Division. It is not reflected in any of the budgets at the present time.

Finally, there is \$6,000 for consultant fees for a classification enhancement project. The remaining difference in 1985 is the inclusion of \$5,000 by the LFA for data processing costs for the labor relations negotiations. This cost is included in the executive budget and he will work with Mr. Roessner to resolve these differences.

The executive budget includes costs for printing and other supplies and materials. There is a variance of \$5,545 in '84 and \$6,380 in '85. They print a lot of material for which they have experienced rate increases and this is the reason for the variance.

Another issue in this program is the vacancy savings has been recommended at 3.5% for the fiscal year. The total cost, based on the executive budget's submission, would be about \$26,881 in FY84 and \$26,826 in FY85. This translates into about a 1.1 FTE reduction in each year of the biennium. An area of concern to him is if the pay plan is funded out of the base of the current recommendation in the executive budget it would be in excess of whatever it costs to implement the pay plan. For this program it could result in a reduction of another 2 FTE's to this personnel program. The issues are all listed on page 2 of exhibit 6.

Personnel Program (23) (Exhibit (9))

Group Benefits (00027)

The major difference is in the area of the health promotion program. He asked Mr. Rod Sunstad to explain what the health promotion program is and what it has been and where they hope that it is going. The health promotion program is an attempt to contain some of the costs of their health insurance program. They presently are paying almost \$15 million dollars a year in claims under their insurance program and they are seeing an increase of 10 to 15%, to 20% a year. Theirs increased 19% last year. One way they see to control this cost is to promote the health of the employees. They have gone out to state employees and had them take health test appraisals. They fill out appraisals about how their lifestyle is and it then points out how they can improve their health and prevent medical claims. They found a great many people had high blood pressure and didn't know it and getting them on programs to contain it they were able to avoid things like costs related to heart disease in the future. They can also identify things like lack of exercise in their lifestyle etc. They offered programs to educate the employees to modify their lifestyles and thereby lower their costs in the health insurance program. They feel a \$30,000 investment to try to recover part of the \$15 million program is well worth their while. They have gone to what they call a minimum premium plan which is essentially self-insurance and if there are lower claims now the state saves the money. They would like to have the state pay the \$30,000 and also receive the awards of the program.

The program has been in existence and has been working. They are just asking for a change in how it is funded.

Mr. Taylor added this does not involve general fund money. This is money that comes as a result of the employer-employee contribution for the state benefit plan so it is really the employer and employee participating in a joint effort that they hope will result in a reduction in costs overall.

This program is shown under "contracted services". It shows \$28,090 for FY84 for consulting and professional services and \$29,775 in FY85. It also shows a bit in "supplies and materials" of \$6,180 in FY84 and \$6,500 in FY85.

(Begin Tape 65, Side A)

Mr. Taylor noted that the executive budget includes a request for "supplies and materials" for \$7,750 for the health promotion incentive awards program and \$8,218 in FY85. Broken down this is about \$1,400 for the incentive awards, \$4,000 for health promotion, \$1,500 for printing of insurance forms.

He pointed out that the LFA has recommended a 3.6% vacancy savings. They are concerned it will result in a reduction of about .3 of an FTE.

Personnel Program (23)

Training (00028) (Exhibit 10)

The executive budget contains a modified request for two additional FTE above current level programs for the training program. These positions are necessary to develop and provide training programs specific to government needs. "Personal service" expenses would be \$52,434 in '84 and \$52,316 in FY85. Unlike most comparable sized private sector businesses in a majority of other states, the State of Montana has no management training program to train newly appointed new level managers who are generally promoted from technical and professional positions. The Council on Management, Personnel, and the Labor Relations Study Commission had recommended that the state establish a central training program with emphasis on managerial and supervisory training. This program which is identified as a modified would be general fund supported. In addition, the 1 FTE is currently authorized to the central training function in the budget before the committee. This program would be designed to provide specific "how to" training for supervisors and managers for state government.

Mr. Taylor then asked Mark Cress of the Employer Relations Bureau to give a brief overview of where the central training function has been in the last biennium and how this modified reflects the change that would occur within this program. (Exhibit 11)

Mrs. Cress explained the state has had a central training program for a number of years. Prior to 1980 there were two positions that were federally funded from IPA and in 1980 it went to one funded position and one revolving fund position. In 1981 they lost the IPA funds and they lost this FTE. They tried to run with one FTE from the revolving fund and had a number of problems doing this. The kind of training that was done with this program was the hiring of consultants that had ready made packages of training in various areas that were identified as needing help. They would like to establish management and supervisory training primarily that are specific to state agencies. They are talking about basic accepted class procedures of supervision and management that currently state management doesn't get anywhere. One of the problems is that the agencies don't have much in the way of training monies either and very often they are afraid to budget for training. It is very often the first thing that is eliminated from the budget. They come to them with training needs but they don't have the money and neither does this division for the training. They are therefore proposing two training positions that are generally funded to provide what they feel is really basic management supervisory training.

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Rep. Bardanouye added that this was one area they looked over very carefully and they felt there was a clear lack of any training programs. The people usually come up through the ranks. They have potential and possibility for management but they have never had the formal training for management and they see a need for this training.

The department feels this is an extremely modest request that he feels will pay off in the kinds of productivity and reduced costs eventually to the State of Montana.

(Chairman Quilici resumed the chair.)

DEPARTMENT OF REVENUE

Overview

Ms. Ellen Feaver, Director of the Department of Revenue, first presented an overview for the committee. In accordance with her management goals, they have taken on and accomplished a number of major initiatives in the past few years.

Her management objectives come from her audit background, emphasizing efficiency, economy and effectiveness. Effectiveness meaning productivity service to Montanans. She feels productivity and training are very closely tied together. She believes that only in keeping up management's ability to manage will they be able to increase productivity in her agency.

She also believes in a team management philosophy. She feels people have to participate in decisions that affect their jobs, their future, and their lives. This is her goal.

She has created two deputy directors positions. The deputy director has major responsibility for overseeing and coordinating the efforts of the various tax divisions that provide the tax revenues to run state operations. The deputy for support operations is responsible for research and information which is a research function and a computer group. They also have in-house computers and data entry people because of the volume of computerized systems involved in their workload. Centralized Services takes care of their mail operations, payroll and accounting functions and training. Reporting directly to Ms. Feaver are two divisions, the Liquor Division and the Property Tax Division.

She feels this organizational change, where not all the divisions were reporting directly to her, (because some had some very top level policy direction from others), was absolutely necessary to get the department going in a single direction. Prior to this reorganization there were simply too many functions and divisions reporting to the director and she did not have enough time to spend with each division administrator. The effect was that policy

decisions were being made by division administrators, (career government employees) rather than an appointed person who is responsible to the Governor in trying to implement the Governor's policies. The result was that each division had its own policy-making ability and authority essentially because there was not enough time for the director to be involved in all the policy-making decisions. The effect was that the department was headed in a number of different directions.

Now with top level management and attention being devoted to every division she feels they have people in positions who can evaluate performance and this is critical to doing their job well. Now they can review program effectiveness. Also, they can design and improve programs and structures. Now with the performance appraisal system both the employee and the supervisor are forced to write down what the person is going to be appraised on and signed so there is agreement.

A second major initiative is to design and begin implementing a department-wide employee training system. There are five critical elements in the training plan and they are: (1) providing critical skills to employees to do their current job, (2) providing job training; (3) providing cross training in the work unit, and (4) training that's critical for upward mobility in each division and (5) training people and giving them career ladders.

(Begin Tape 65, Side B)

Ms. Feaver stated training money is certainly a budget issue. They have proposed a very, very modest beginning for a training program. She believes that by investing in their people it will enable them to do their current jobs more efficiently, decrease turnover, create career mobility incentives and help their people to move in a career ladder.

A third major initiative besides the performance appraisal and designing a training program is the designing of career ladders. She stated with two of the unions they deal with they have created incentive pay. In the liquor stores, they negotiated a contract that says if this store as a whole improves its current productivity 10% or more over the same quarter of the prior year, everybody in the stores will get a bonus. This has produced incredible results. The expense to the state has been very, very low but the increase in productivity has been high.

They have also created incentive pay in their data entry to accomplish the same thing. Employees can get increases in their pay grade based upon the number of key strokes that they do. They

have also implemented better hiring practices. They adopted an affirmative action plan and put it into use. They are hiring through the Job Service so that now people don't perceive that what you have to do to get a job is to know someone in the state. They also do a structured rating of applicants so it is not a personality contest to get a job.

They have also transferred the administration of all of the natural resource taxes to the corporation tax division so it is now the Natural Resource Corporation Tax Division. Prior to this they had net proceeds in Tax Administration and Property Tax Division and they had a number of the miscellaneous mineral taxes being administered in the Miscellaneous Tax Division and they had corporation taxes in the third division. They already had an aggressive professional audit program in the Corporation Tax Division so that was one of their motives for putting everything together here. They wanted to increase the efficiency of the natural resource audit program and tax administration program because they are so heavily reliant on natural resource taxes. She explained one division instead of three works with virtually the same records.

They have also initiated a pilot program which is a new program which was not considered by the Legislature last session. The reason they initiated a pilot program in auditing mineral royalties was because Wyoming and other states had a lot of publicity during the biennium about how the states were getting "ripped" off by the feds and perhaps by natural resource companies and the states were not getting their fair share of mineral rights and royalties from state and federal lands. They signed an agreement with a mineral management service of the Department of the Interior where they committed one FTE for the year and they did the same and they launched into a pilot audit program. This has been a very high pay-off program. They sent a person to Casper, Wyoming, he was there for six months and he collected over a quarter of a million dollars in royalties that were under-reported by these various kinds of companies. The total program cost including training and sending supervisory people to Casper to get them set up, has been less than \$22,000 so they have a better than 10 to 1 payoff in this program. This will be an issue because they took a corporation tax auditor to see if there was a decent payoff in this area and now finding there is, they feel obligated to return this person back to corporation tax auditing. If the committee wishes to pursue the mineral royalty auditing they would request an auditor to do this specific thing.

Another thing they have done on just the state lands is a few state lands mineral royalty audits because the state gets 100% of this and they only get half of what is on federal land. The Department of Lands does not have any auditors. They have never

done any auditing of their mineral royalties so they talked with Mike Young and told him they didn't want him to take away any of his program but since they already have audit programs and will be looking at the books anyway what if we look at the royalties also. Her understanding is that they have collected about \$75,000 as a result of this effort which had virtually no incremental costs to their program.

Another major management initiative they have was the purchasing and beginning the implementation of department-wide word processing system. She stated that in a department the size of theirs they were using people working with manual typewriters, trying to send out delinquent tax notices and collection notices to 19,000 individual income taxpayers who owe \$8 million to the State of Montana. They can tie in with the central computer where the income tax delinquency files are located and they can produce by an automated system, personalized collection letters in a very rapid time span. By just looking at their applications in the individual income tax they could have justified the word processing equipment applications that they have. The productivity throughout their department has increased phenomenally and they are able to do things they were never able to do before. Rather than put their word processing into a pool, they had a management team look at how their department should implement word processing. They recommended that they have a central computer and then terminals in each of the program areas (where a terminal was justified) to tie in so that people do not get torn away from their program responsibilities. They have had an unbelievably smooth implementation of a very threatening kind of thing. They have had people who have been in the department for many years who want to compete and be trained to operate these machines. She feels good about the way that it was implemented.

Before they ever did this, she demanded they know if it was going to be cost-justified. The way she guaranteed that it would be was by identifying first, from each division, which positions they could eliminate so they could pay for the word processing equipment. They worked out a payback schedule so they were certain that acquiring the equipment and training the people would be cost justified.

Some of the major issues within her department for the next biennium: One is a very modest training program; (2) additional equipment acquisition for word processing and payment for the software that is necessary to run the word processing equipment; (3) they must have adequate data entry people to run their department, (4) data processing equipment is another critical area, and continuing to have enough data-entering equipment, (5) con-

tinuing to have data processing development staff so they can continue to move upward, (6) adequate travel monies for their auditors so that they can make certain that inequitable situations for taxpayers do not exist, (7) having income tax and withholding tax compliance staff, (8) having increased collection staff and finally (9) withholding staff and field audit employers are important.

In the property assessment area they need help to do their statutory duties in reappraisal but they also need to do the statutory duties in personal property. At the present time the assessors are responsible for putting personal property on the property roles, but they do not have money to leave their offices. There is no money in the budget for them to travel.

Last session virtually nothing had been done towards reappraisal. There was no plan, they had poor management and it took most of FY82 to get planning and management tools in place. They now have a reasonable approach to reappraisal, one that she feels takes into consideration the Legislature's concerns as expressed last session and she feels that they have good management. They have a vastly reduced request to complete reappraisal in comparison to what they requested last session. They are asking that their needs be covered, cars, gasoline, continuous training and 24 additional staff to complete the reappraisal. Many of these would be office workers to do the clerical work and funding for the computer costs both for reappraisal and to pay for what is going on in the counties.

One of the issues in property that this subcommittee did not consider last session is the special appropriation they received to deal with taxation of the railroads, the BN and the UP. As the committee is aware of, they made a settlement for the prior years that were under litigation and as of yesterday they had a settlement in concept, no agreement signed, through 1985. But now the airlines have protective legislation that is very similar to the 4R legislation for the railroads. So airlines are going to be litigating the very same kind of issues.

They are going to be asking that the unspent portion of the special appropriation be carried over for litigating or dealing with these special centrally-assessed kinds of issues. They have spent less than half of this appropriation and they will be asking to carry it forward through this biennium. In the liquor area they believe that they have a well run responsible organization and enterprise. In the appropriations language last time there were statutory requirements for profit put into the appropriations language and they were unable to meet this primarily because of

the state of the economy. They will be encouraging the committee to think more on the lines of "goals" rather than "mandate" this time. She added no other state has a statutory profit requirement in their appropriation language for the liquor enterprise but a number do have profit goals set forth in their language. So that is one option they are requesting the committee consider.

In view of the economy, they are not ashamed of their performance.

They do have some very tough issues that they need to have the committee help them address. A number of these were brought up by the Council on Management and a number were brought up by the Legislative Auditor. One of the issues is: Should they have state-wide pricing of their liquor products? Another issue is: Should they keep small stores open until a lease runs out or a manager retires?

They have some agency stores in some areas of the state and they have not closed unprofitable agencies because she did not understand if that is what the legislature wanted them to do. Does the legislature want them to have hours that are convenient to the public or would the legislature rather that they be opened only a few hours per day? Does the legislature wish them to advertise or change their markup? Does the legislature believe they need enhanced management information so they can keep their inventory under better control? Does the legislature want them to tell their licensees (barowners) you must buy from this store? Should there be different kinds of markups on different products? Should there be a good variety of products? She feels the committee is like their board of directors and she would appreciate the committee considering some of these policy questions when they talk about the Liquor Division.

Director's Office (01) (Exhibit 12)

Ms. Feaver explained in the LFA's budget they cut the deputy for the operations and she stressed that she had already made a decent case for this position. Most of the major initiatives that they put on during the past biennium they were able to do because they had this position working very closely with her. He was the one who thought of combining the natural resource auditing, the mineral royalty auditing, who, when they were confronted with the situation with gasohol, invented systems where they added no people whatsoever and dealt with gasohol manufacturers in a very smooth fashion. He worked on economic development issues, on Indian issues and worked on wind and alternative energy, financial institutions tax and natural resource taxation issues. She would encourage the committee to consider this position favorably.

The 4.5 FTE is two deputies, herself, her secretary and .5 secretarial position. The four positions noted on the budget sheet include 2 full-time secretaries, 1 deputy and herself.

The 4.5 FTE represents a .5 secretary and a full-time deputy. The deputy position came from abolishing the personnel director in the first year of the biennium and transferring this position to the director's office.

In "contracted services" Ms. Feaver explained the FY84 amount is quite high. That \$175,000 includes their audit fees for the biennium of \$105,000, insurance for the entire department (except for liquor inventory of \$34,453) and \$1,000 that they would propose to use to make the deputy's office a little larger.

There is \$35,000 there which is a line-item for this biennium for outside legal counsel. This biennium it is \$25,000. There is also \$10,000 in corporation tax for outside legal counsel.

Ms. Feaver explained what she would prefer to do is put this money all in her office where she can keep tabs on it and increase the \$25,000 figure to \$35,000. This would not be an increase just a shifting the \$10,000 from corporation tax up to her office. When this money is line-itemed it can be used for outside legal counsel and for no other purpose. The way it is in the court tax budget right now it can be used for other things.

The reason they occasionally need outside legal counsel is for corporation tax matters. Sometimes they just need more than one person working on a single case and they need the highest level of expertise they can get. Another issue they need outside counsel for is in Indian issues and Indian liquor matters. It is critical that they do whatever they can as a state to represent their position well in Indian matters because the stakes are very high in the coal tax and also in the liquor area, oil and gas taxation etc. They need the ability to defend the state on those matters. She feels that \$35,000 is really not much, given all the litigation in which they are involved.

(Begin Tape 66, Side A)

For clarification to the committee, Senator Van Valkenburg wanted to know the exact amount and was told it was \$35,000 per year line-itemed for legal counsel in the Director's office. If they don't use it, it reverts. Rep. Lory asked if it would be better to line-item this as a \$70,000 biennial appropriation to give them more flexibility.

Discussion on the Indian jurisdiction issues and the airlines property tax issues by the committee.

In "supplies", "communications" and "travel", basically the difference between the executive budget and the LFA recommendations is due to the deputy. When he came, they used more supplies, more gasoline, etc. In "communications" he had to use the phone

a lot for corresponding and they also had more mail going out. In the travel area, since he has come on board, he has made two trips on Multi-state Tax Commission work, and other trips for tax work. If the committee chooses not to fund the deputy then they would not need the extra required in these three line-itemed areas because these expenses were directly attributable to his work.

In "repair and maintenance" they need to have a maintenance contract on their word processing terminal. They have one in their office and are requesting an additional one. The "repair and maintenance" difference is attributable to this. What they would request is that the committee add \$350 in the first year and \$371 in the second year instead of the \$900 that is there now.

The difference in "other expenses" is training. The LFA allowed more for training than the budget office did.

The "equipment" item is an additional word processing terminal. They are trying to design a way to computerize documentation of what cases they are involved in. Another terminal would allow them ready access to that kind of management information. They feel they can do this for \$6,000 because all they are asking for is a terminal to tie into the computer that they already have.

The funding for their division historically has been that the Liquor Division pays its part of the audit program, and the highway earmarked account pays a good bit of the cost of the Director's office.

Senator Keating asked if, in their zeal for productivity, interpretations by their personnel were so tight that they were exciting more litigation than it is worth, in the taxes that are being paid. Ms. Feaver said her policies are that, in administering the tax laws of the state, what they are attempting to do is to follow the law and achieve equity among taxpayers. Their objective is not to squeeze every last dollar. Their department's objective is equity.

In the area of interpretations in the individual income tax area, that provides the greatest source of funding for the general fund. They have litigation only with out-of-state taxpayers who do not wish to pay the Montana tax. They end up in litigations with tax protestors.

Centralized Services Division (02) (Exhibit 13)

In this division, the difference between the executive budget and the LFA is really quite small. The .75 FTE difference is there because in the LFA's review of the division, this is the division that handles all the mail (the outgoing mail and the incoming mail)

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Elected Officials and Highways, February 10, 1983, Page 21

They assume that because they participate in a central pool for outgoing mail, whereby they get reduced postage rates, that they could eliminate one mail clerk. The fact is that the mail clerk only has historically spent two hours a day working with outgoing mail; the incoming mail is the biggest task in their department. They eliminated 1 FTE where the work only involved .25 of an FTE. On the other hand, they would propose that they decrease a personnel clerk by .25 FTE each year so essentially what they are asking for is the .75 FTE back to process mail.

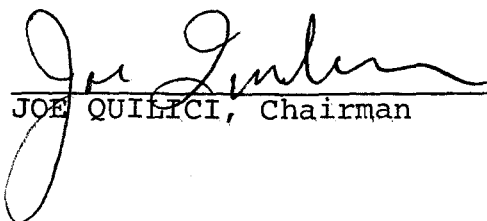
In "travel", in the base year, they were hiring additional liquor auditors. This money is for travel for liquor auditors. In the base year, they were just hiring additional auditors and so the lead auditor was staying in Helena trying to train the new people so they did not have a legitimate base year. It was noted in discussion that if the expense was for the Liquor Division, this is where the expense should be charged.

Part of the travel was for a low base for internal audit staff. There are a very small group of management analysts, internal audit-type people, who in the past, have gone to their property offices to help with systems analysis or the many audits of their operations. They also have some travel for training purposes.

On "other expenses" basically, this difference is for training. One of Ms. Feaver's personal objectives is to be able to deal with their people who are barely making the minimum wage and help train them to do jobs as well as the management people. She would ask the committee to consider this very minimal amount for training.

In the "equipment" category they are asking for a word processing terminal so their payroll personnel people will have automatic access to the new PPP system.

The meeting was adjourned at 11:40 a.m.


JOE QUILICI, Chairman

REPORT EDSR100
DATE : 01/08/83
TIME : 16/25/25

OFFICE OF BUDGET & PROGRAM PLANNING
EXECUTIVE BUDGET SYSTEM
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

PAGE 392

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 04 ARCH & ENGINEERING PCM
CONTROL : 00000

AE/OE	DESCRIPTION	FY 83	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE)	15.25	14.50 <i>OK</i>	14.50	-25	---	14.50	14.25	-25	---
1100	SALARIES	332,477	337,688	339,743	2,055	---	336,615	338,458	1,843	---
1400	EMPLOYEE BENEFITS	66,495	49,708	48,616	-1,092	---	50,122	49,326	-796	---
1500	HEALTH INSURANCE		13,920	13,680	-240	---	13,920	13,680	-240	---
	TOTAL LEVEL	398,972	401,316	402,039	723	---	400,657	401,464	807	---
2100	CONTRACTED SERVICES	6,672	24,805	9,300	-15,505	---	20,651	9,815	-10,836	---
2200	SUPPLIES & MATERIALS	2,554	2,861	2,745	-116	---	3,033	2,908	-125	---
2300	COMMUNICATIONS	9,389	11,279	11,275	-4	---	12,941	12,933	-8	---
2400	TRAVEL	16,311	14,420	11,077	-3,343	<i>over budget</i>	16,582	12,920	-3,662	<i>add budget</i>
2500	RENT	15,744	16,689	16,688	-1	---	16,689	17,689	1,000	---
2700	REPAIR & MAINTENANCE	1,397	1,288	1,286	-2	---	1,365	1,363	-2	---
2800	OTHER EXPENSES	85	674	673	-1	---	714	713	-1	---
	TOTAL LEVEL	52,152	72,016	53,044	-18,972	---	71,975	58,341	-13,634	---
3100	EQUIPMENT	2,490	600	600	---	---	1,279	1,279	---	---
	TOTAL LEVEL	2,490	600	600	---	---	1,279	1,279	---	---
	TOTAL PROGRAM	453,614	473,932	455,683	-18,249	---	473,911	461,084	-12,827	---
02030	ARCHITECTURE & ENGINEERING	453,614	473,932	455,683	-18,249	---	473,911	461,084	-12,827	---
	TOTAL PROGRAM	453,614	473,932	455,683	-18,249	---	473,911	461,084	-12,827	---

Give them 25,000 for a study of contracting contractors.

exhibit 1
2-10-83

DEPARTMENT OF ADMINISTRATION

ARCHITECTURE & ENGINEERING

Budget Issues

- 1) Currently, the division has an FTE for a file clerk position. Our executive budget request includes a reduction of .75 FTE for this position. The position is filled during the summer months as a clerk typist.
- 2) The historical records of past state building projects are an invaluable source of information for current and future building projects. Presently, a duplicate set of records does not exist and the original records are stored in a place where they are susceptible to damage. Funds for the microfilming of the state building plans are included in the executive budget request (\$10,000 in '84 and \$5,000 in '85).
- 3) Our executive budget request included funds for microfilm supplies. These supplies are necessary for microfilming the building drawings (\$112 in '84 and \$119 in '85).
- 4) The executive budget request included a \$5,000 increase in the travel budget. The Fiscal Analyst approved only \$2,000. The additional funds are necessary for the division to conduct field inspections (in both '84 and '85).
- 5) Vacancy savings of 3.5% has been recommended by the Fiscal Analyst in this budget. The total cost based on our executive budget request would be \$14,046 in '84 and \$14,023 in '85. This results in a .50 FTE reduction during each year of the biennium.

OFFICE OF BUDGET & PROGRAM PLANNING
EXECUTIVE BUDGET SYSTEM
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

REPORT EBSR100
DATE : 01/08/83
TIME : 16/25/25

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 25 PASSENGER TRAMWAY SAFETY
CONTROL : 00000

AF/OE	DESCRIPTION	FY 83	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
2100	CONTRACTED SERVICES	13,156	8,865	8,864	-1	---	9,397	9,395	-2	---
2200	SUPPLIES & MATERIALS	15	33	31	-2	---	35	32	-3	---
2300	COMMUNICATIONS	30	29	29	-1	---	34	32	-2	---
2400	TRAVEL	2,261	2,854	2,850	-4	---	2,951	2,944	-7	---
2700	REPAIR & MAINTENANCE	16	14	14	-2	---	17	14	-3	---
2800	OTHER EXPENSES	65	51	47	-4	---	54	48	-6	---
	TOTAL LEVEL	15,497	11,849	11,835	-14	---	12,488	12,465	-23	---
	TOTAL PROGRAM	15,497	11,849	11,835	-14	---	12,488	12,465	-23	---
01100	GENERAL FUND	15,497	11,849	11,835	-14	---	12,488	12,465	-23	---
	TOTAL PROGRAM	15,497	11,849	11,835	-14	---	12,488	12,465	-23	---

exhibit 2
2-10-83

REPORT EBSR100
DATE : 01/08/83
TIME : 16/25/25

OFFICE OF BUDGET & PROGRAM PLANNING
EXECUTIVE BUDGET SYSTEM
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 02 GOVERNOR ELECT PROGRAM
CONTROL : 00000

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
2000	OPERATING EXPENSES					30,000		-30,000	
	TOTAL LEVEL					30,000		-30,000	
	TOTAL PROGRAM					30,000		-30,000	
01100	GENERAL FUND					30,000		-30,000	
	TOTAL PROGRAM					30,000		-30,000	

COMMENTS :

exhibit 3
2-10+83

REPORT EBSR100
DATE : 01/08/83
TIME : 16/25/25

OFFICE OF BUDGET & PROGRAM PLANNING

EXECUTIVE BUDGET SYSTEM

AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

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Exhibit 4
2-10-83

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 11 BUILDING STANDARDS PROGRAM
CONTROL : 00000

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	FY 83	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE)	34.50	27.00	27.00			27.00	27.00		
1100	SALARIES	677,318	575,770	564,390	-11,380		575,497	561,789	-13,708	
1400	EMPLOYEE BENEFITS	135,464	85,905	81,474	-4,431		86,900	82,972	-3,928	
1500	HEALTH INSURANCE		25,920	24,840	-1,080		25,920	24,840	-1,080	
	TOTAL LEVEL	812,782	687,595	670,704	-16,891		688,317	669,601	-18,716	
2100	CONTRACTED SERVICES	31,946	21,760	17,864	-3,896		22,973	18,933	-4,040	
2200	SUPPLIES & MATERIALS	34,608	55,281	38,540	-16,741		60,695	42,107	-18,588	
2300	COMMUNICATIONS	15,973	19,776	19,770	-6		22,762	22,750	-12	
2400	TRAVEL	79,865	58,629	51,620	-7,009		59,596	52,583	-7,013	
2500	RENT	10,648	14,056	12,839	-1,217		15,555	13,608	-1,947	
2700	REPAIR & MAINTENANCE	5,324	8,732	5,585	-3,147		9,256	5,919	-3,337	
2800	OTHER EXPENSES	2,662	3,306	3,057	-249		3,504	3,234	-270	
2900	GOODS PURCHASED FOR RESALE	5,324	5,533	5,533			5,533	5,533		
	TOTAL LEVEL	186,350	187,073	154,808	-32,265		199,874	164,667	-35,207	
3100	EQUIPMENT	79,865	65,640	1,600	-64,040		10,000		-10,000	
	TOTAL LEVEL	79,865	65,640	1,600	-64,040		10,000		-10,000	
	TOTAL PROGRAM	79,865	940,308	827,112	-113,196		898,191	834,268	-63,923	
02448	CONSTRUCTION REGULATION	1,078,997	940,308	851,298	-89,010		898,191	858,344	-39,847	
	TOTAL PROGRAM	1,078,997	940,308	851,298	-89,010		898,191	858,344	-39,847	

DEPARTMENT OF ADMINISTRATION

Building Codes Division

Budget Issues

- 1) The purchase of 7 additional vehicles would result in the need for the following costs:

	<u>FY 84</u>	<u>FY 85</u>
Purchase	\$63,000	\$ --
Fuel	16,741	18,588
Insurance	3,896	4,050
Repair & Maintenance	3,147	3,337
Total	<u>\$86,784</u>	<u>\$25,975</u>

- 2) Our budget submission had travel costs associated with the addition of 3 new electrical inspectors which was not included by the LFA. Therefore, approximately \$7,000 is needed for these costs in each year of the biennium.
- 3) An adjustment to the FY82 base not reflected by the LFA budget results in \$1,217 in FY 84 and \$1,947 in FY 85 to cover the need for future storage and personnel space.
- 4) Miscellaneous equipment because of additional staff is requested in the amount of \$2,640 in FY84.
- 5) \$10,000 is requested in FY85 for the purchase of word processing equipment.

REPORT EBSR100
DATE : 01/08/83
TIME : 16/26/30

OFFICE OF BUDGET & PROGRAM PLANNING
EXECUTIVE BUDGET SYSTEM
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

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AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 11 BUILDING STANDARDS PROGRAM
CONTROL : 11001 1 FTE -LAWYER-BLD. CODES

AE/OE	DESCRIPTION	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE)	1.00		-1.00		1.00		-1.00	
1100	SALARIES	21,956		-21,956		21,872		-21,872	
1400	EMPLOYEE BENEFITS	3,276		-3,276		3,303		-3,303	
1500	HEALTH INSURANCE	960		-960		960		-960	
	TOTAL LEVEL	26,192		-26,192		26,135		-26,135	
	TOTAL PROGRAM	26,192		-26,192		26,135		-26,135	
02448	CONSTRUCTION REGULATION	26,192		-26,192		26,135		-26,135	
	TOTAL PROGRAM	26,192		-26,192		26,135		-26,135	

2-10-83

REPORT EBSR100
DATE : 01/08/83
TIME : 16/25/25

OFFICE OF BUDGET & PROGRAM PLANNING
EXECUTIVE BUDGET SYSTEM
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 17 TREASURY
CONTROL : 00000

2/10/83
CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE)	1983 14.45	12.50	-2.50		15.00	12.50	-2.50	
1100	SALARIES	277,093	245,073	-49,353		293,680	244,160	-49,520	
1400	EMPLOYEE BENEFITS	38,908	34,827	-7,570		42,789	35,434	-7,355	
1500	HEALTH INSURANCE	13,872	12,000	-2,400		14,400	12,000	-2,400	
	TOTAL LEVEL	329,873	291,900	-59,323		350,869	291,594	-59,275	
2100	CONTRACTED SERVICES	22,268	13,219	-78		14,095	14,004	-91	
2200	SUPPLIES & MATERIALS	4,938	5,050	-4		5,357	5,351	-6	
2300	COMMUNICATIONS	7,807	6,549	-6		7,580	7,570	-10	
2400	TRAVEL	1,309	1,217	315		939	1,271	332	
2500	RENT	10,599	10,686	4,176		7,206	11,325	4,119	
2700	REPAIR & MAINTENANCE	2,092	1,510	274		1,310	1,601	291	
2800	OTHER EXPENSES	114	1,317	666		690	1,393	703	
	TOTAL LEVEL	49,127	39,548	5,343		37,177	42,515	5,338	
3100	EQUIPMENT	846	1,500	-5,400					
	TOTAL LEVEL	846	1,500	-5,400					
6100	FROM STATE SOURCES	75,000	75,000			75,000	75,000		
	TOTAL LEVEL	75,000	75,000			75,000	75,000		
	TOTAL PROGRAM	54,846	407,948	-59,380		463,046	409,109	-53,937	
01100	GENERAL FUND	379,846	332,948	-59,380		388,046	334,109	-53,937	
02422	HIGHWAYS EARMARKED SP. REV.	75,000	75,000			75,000	75,000		
	TOTAL PROGRAM	54,846	407,948	-59,380		463,046	409,109	-53,937	

8 Review
2 Review
3 Review
4 Review
5 Review

DEPARTMENT OF ADMINISTRATION
TREASURY/CENTRAL SERVICES

BUDGET ISSUES

- 1) Full time equivalents deleted by the fiscal analyst include one personnel officer, one budget analyst and one-half clerk.
 - a) The personnel officer position is particularly important to the Department of Administration. The department had functioned for two years without a qualified personnel officer and personnel needs were not adequately addressed. Particularly, critical areas of performance appraisal, recruitment and selection, grievance administration, and classification had fallen on hard times. Their personnel function consisted only of payroll file maintenance and position control duties. With the employment of our personnel officer, the department has established consistent employee training policies and recruitment and selection policies. In fiscal 1983, the personnel section will have developed a performance appraisal system and will assist division administrators in their personnel management needs.

The Department of Administration is of the opinion that good personnel management systems are important to its overall operation and removal of the full time equivalent would create a void in service to our 450 plus employees.
 - b) The deletion of the budget analyst position would severely hamper the financial component of the department. Our budget and accounting requirements are immensely difficult because of the many different types of funds under the domain of the department. Acute problems continually arise in the areas of rate setting for our proprietary funds, establishment of accounting policies as dictated by generally accepted accounting principles, management and costing of our property accounts, and conversion of the accounting system to the standardized budget system utilized by the State of Montana.
 - c) Prior to the consolidation of the treasury and central services, secretarial services were shared with the directors office. With the new emphasis on management review, proper costing of services, and cash management, the work produced by this unit strained the capabilities of the staff of the directors office. for that reason, Treasury/Central Services now utilizes a full-time secretary to perform typing duties, maintenance of personnel files, and assistance to the personnel officer and the accounting technician.

Cost of 2.50 FTE for which we request continued funding.

Personnel Officer	\$22,779
Budget Analyst	21,956
Secretary	<u>6,319</u>
	51,054
Employee Benefits	<u>9,970</u>
Total cost 1984	<u>\$61,024</u>
Total cost 1985	<u>\$60,590</u>

- 2) The computer terminal is needed by the treasury and central services units to access information, operate the cash management system, prepare accounting forecasts, and analyze financial data.

Cost in fiscal 1984 \$3,800

- 3) Proposal #1 requests additional funds of \$25,732 in 1984 and \$25,467 in 1985 for the department's cash management system
- 4) Proposal #2 requests additional funds of \$10,485 for three MICR coding machines in 1984 and \$750 for maintenance of the machines in fiscal 1985.
- 5) Vacancy savings of 3.5% recommended by the fiscal analyst equate \$12,293 in 1984 and \$12,280 in 1985. This procedure demands the reduction of $\frac{1}{2}$ FTE in each year of the biennium.

approved
2/16/83
#1

Department of Administration
Treasury Central Division
Executive Budget Additional Funds Request

Additional funds are requested to implement Treasury Bureau cash management system with electronic funds transfer and new cash capabilities of the Federal Reserve Bank. Essentially, the Bureau will use a direct drawdown of funds utilizing a service bureau to report bank deposits and prepare drawdown tapes. This process will speed up collection of funds in outlying banks and reduce money handling by state employees.

Cost of System

165 banks call on 252 working days @ 60¢ per call	\$24,948
Daily deposit report @ 75¢ each for 252 days	189
Storage fee \$2 per location for 165 banks	330
Initiation cost \$100 plus \$1 per location	265
Total Cost Fiscal 1984	<u>\$25,732</u>

Total Cost Fiscal 1985

*Transfer to
revenue fund
3/8/84 OK*
\$25,467

Benefits of System

Estimated additional funds available for investment = \$1.1 Million

Estimated yield on investment @ 9½%

Initial one time interest income

\$104,500

Annual increase in interest income by reduction of average deposit time by three days.

Annual deposits in outlying bank \$160 Million less required deposits of \$1 Million

Estimated yield on investments 9½%

159 Million @ 9½% for 3 days

\$124,151

Annual increase in interest income by the addition of withholding receipts to bank reporting system

Average quarterly increase is \$16,291

Annual increase in investment earnings

\$65,164

\$189,315

Maximum potential benefit Fiscal 1984

\$268,083

Maximum potential benefit Fiscal 1985

\$163,848

Department of Administration
Treasury Central Division
Executive Budget Additional Funds Request #2

Additional funds are requested to purchase machinery which enables state of Montana to dollar encode its deposit items. This process is currently performed by our bank at annual cost of \$30,324 or 3.36¢ per item. Our bank indicates the state of Montana could save or keep our costs from increasing about ½¢ per item if this process were performed by Treasury personnel. The new machines would be integrated into our normal balancing process and eliminate duplicate balancing procedures.

Cost of Program

3 MICR coding machines @ \$3,245 ea.	\$9,735
Maintenance agreements 250 per machine per year	750
Total 1984 Cost	<u>\$10,485</u>
 Total 1985 Cost	 <u>\$750</u>
 Total biennium cost	 <u>\$11,235</u>

Benefit of Program

Treasury processes 902,520 deposit items
annual cost saving equals ½¢ per item

Cost Saving per Year	<u>\$4,513</u>
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Total cost of machine purchase will be recaptured in the third year of utilization. Machines have a depreciable life of seven years.

Total saving over the life of the machines is \$16,606.

REPORT EBSR100
DATE : 01/08/83
TIME : 16/25/25

OFFICE OF BUDGET & PROGRAM PLANNING
EXECUTIVE BUDGET SYSTEM
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 23 PERSONNEL PROGRAM
CONTROL : 00023 PERSONNEL

AE/OE	DESCRIPTION	FY 83	ORPP FY 84	TFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	ORPP FY 85	TFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE)	32.58	31.00	29.00	-2.00		31.00	29.00	-2.00	
1100	SALARIES	728,262	642,506	606,016	-36,490		640,066	603,702	-36,364	
1300	OTHER COMPENSATION	1,000	1,500		-1,500		1,500		-1,500	
1400	EMPLOYEE BENEFITS	146,472	94,256	87,592	-6,664		95,050	88,919	-6,131	
1500	HEALTH INSURANCE		29,760	27,840	-1,920		29,760	27,840	-1,920	
1800				900	900			900	900	
	TOTAL LEVEL	875,734	768,022	722,348	-45,674		766,376	721,361	-45,015	
2100	CONTRACTED SERVICES	189,251	44,575	9,957	-34,618		34,240	15,498	-18,742	
2200	SUPPLIES & MATERIALS	28,595	27,216	21,671	-5,545		29,309	22,969	-6,380	
2300	COMMUNICATIONS	25,079	16,110	14,494	-1,616		18,463	16,649	-1,814	
2400	TRAVEL	23,977	15,682	16,576	894		16,930	19,104	2,174	
2500	RENT	32,036	35,979	35,885	-44		39,745	38,035	-1,710	
2700	REPAIR & MAINTENANCE	3,548	4,875	4,728	-147		5,168	5,005	-163	
2800	OTHER EXPENSES	11,050	10,580	10,048	-532		11,214	10,649	-565	
	TOTAL LEVEL	313,536	196,967	113,359	-41,608		155,109	127,909	-27,200	
3100	Total Program	1,190,270	922,989	835,707	-87,282		921,485	849,270	-72,215	
01100	GENERAL FUND	1,187,228	918,817	832,445	-86,372		917,291	845,813	-71,478	
02043	MERIT SYSTEM COUNCIL	3,042	4,172	3,262	-910		4,194	3,457	-737	
	TOTAL PROGRAM	1,190,270	922,989	835,707	-87,282		921,485	849,270	-72,215	

DEPARTMENT OF ADMINISTRATION

PERSONNEL

Budget Issues

- 1) The executive budget includes \$1,500 other compensation (in each year of biennium) for per diem for the Merit System Council. The fiscal analyst omitted these costs.
- 2) The executive budget retains 2 FTEs (attorney, test specialist (.50), personnel specialist (.50)). These positions are currently filled and are necessary for the operation of the division.
- 3) The executive budget includes contracted services for the following categories:

	<u>'84</u>	<u>'85</u>
Data processing costs	\$21,000	\$21,000
Governor's Committee on Employment of the Handi- capped (GCEH)	1,461	1,549
Administrative Register	926	982
Eligibility Technician Lawsuit	5,000	
Consultant fees for classifi- cation enhancement project	6,000	
Totals	<u>\$34,387</u>	<u>\$23,531</u>

The remaining difference in '85 is the inclusion of \$5,000 by the fiscal analyst for data processing costs for labor negotiations. This cost is included in the executive budget in the schedule above.

- 4) The executive budget includes costs for printing and other supplies and materials (\$5,545 in '84 and \$6,380 in '85).
- 5) The executive budget includes costs for messenger service and to provide communications for GCEH (\$1,315 in '84 and \$1,394 in '85).
- 6) The fiscal analyst budget provides travel funds necessary for GCEH and the Classification Enhancement Project.
- 7) The executive budget includes repair and maintenance expenses for the Merit System Council (\$112 in '84 and \$119 in '85).
- 8) The executive budget includes funds for necessary training to prepare staff to assist agency managers in personnel decisions (\$562 in '84 and \$596 in '85).
- 9) Vacancy savings of 3.5% has been recommended by the fiscal analyst. The total cost based on our executive budget submission would be \$26,881 in '84 and \$26,823 in '85. This translates into a 1.10 FTE reduction during each year of the biennium.

Director's
Office
FTE 1982-11
FTE 1984-9

DEPARTMENT OF ADMINISTRATION

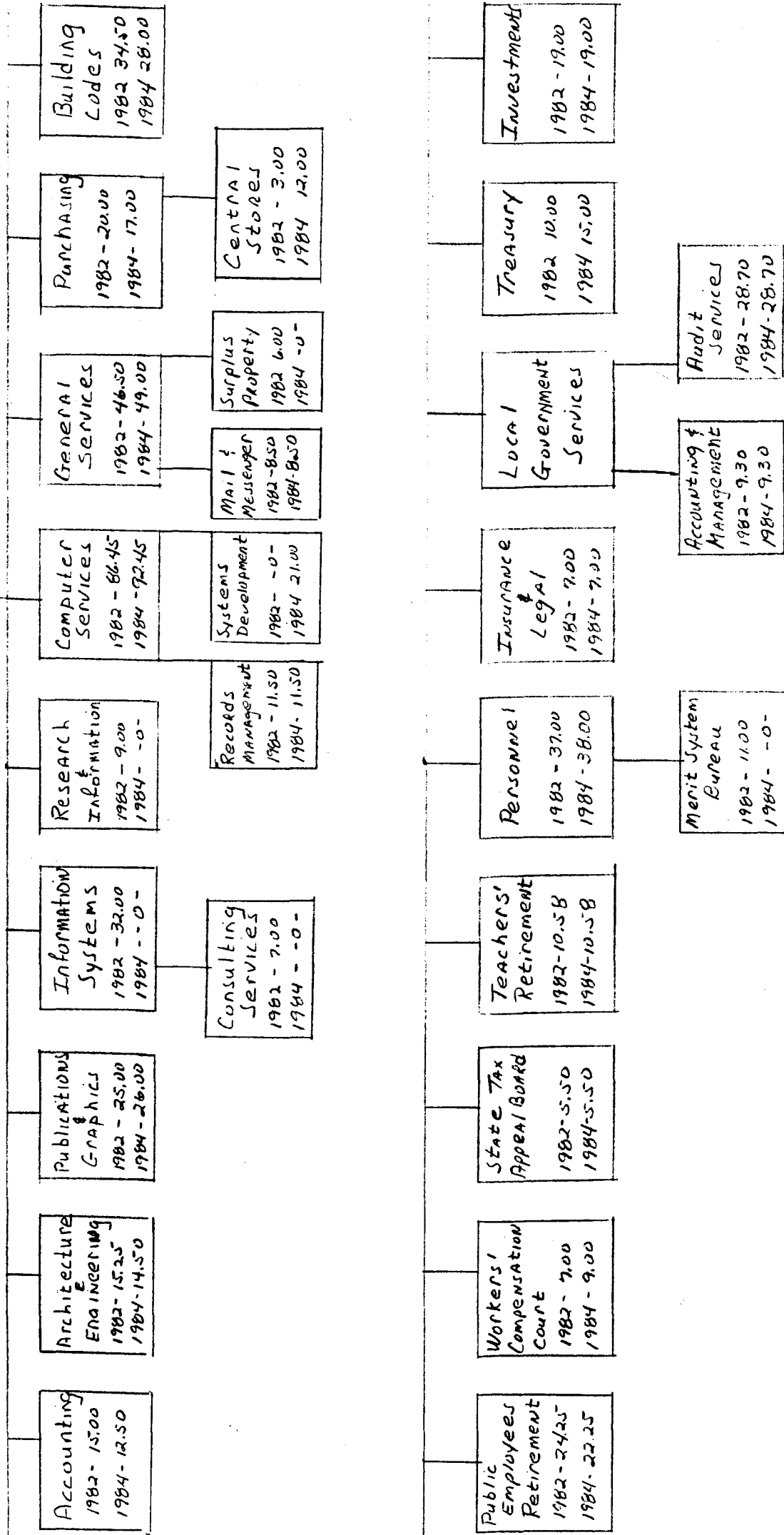
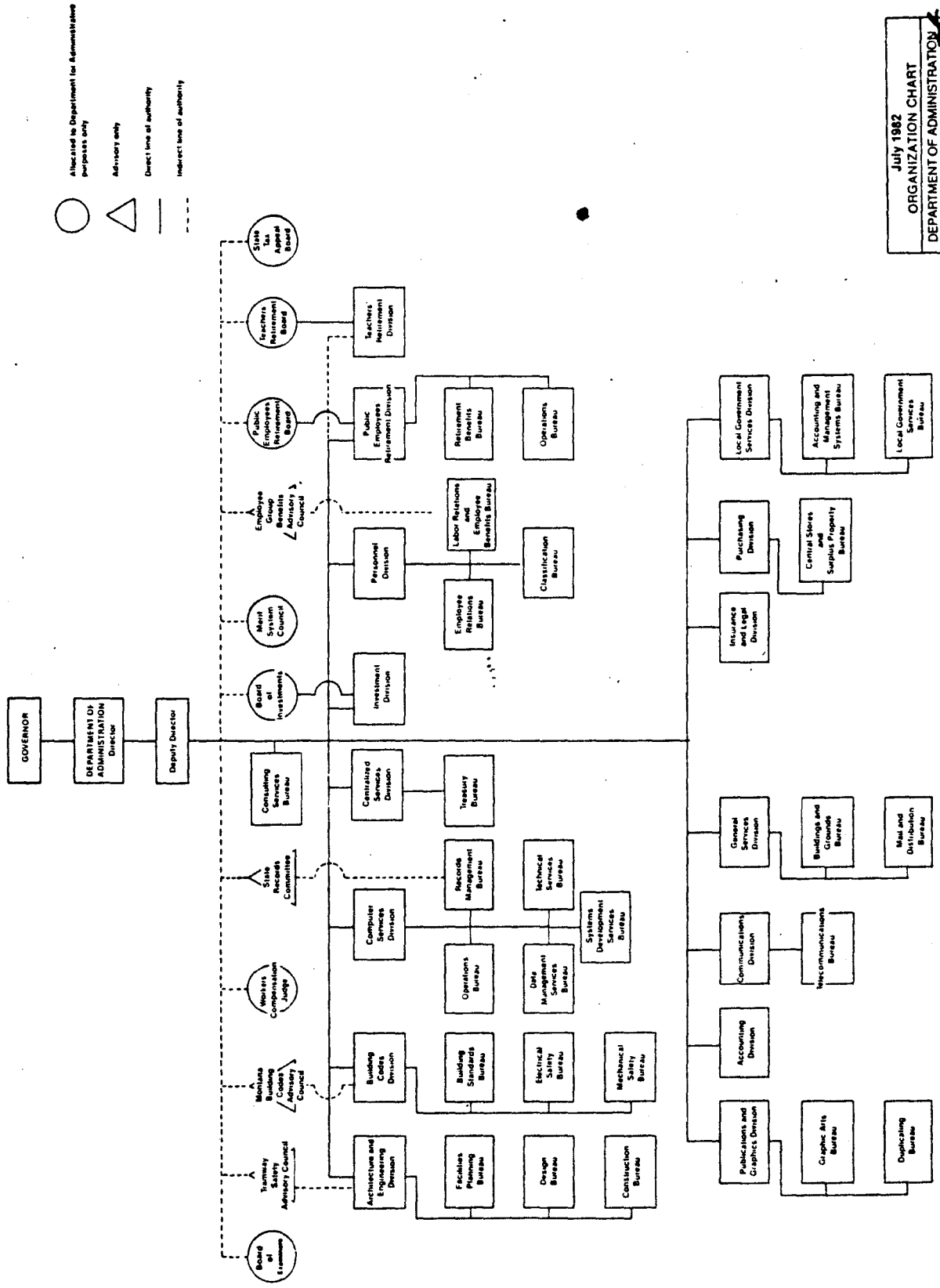
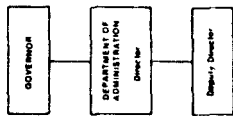


exhibit 3
2-10-83



July 1982
ORGANIZATION CHART
DEPARTMENT OF ADMINISTRATION
Morris L. Byrd Director
Ed Schmitt Governor

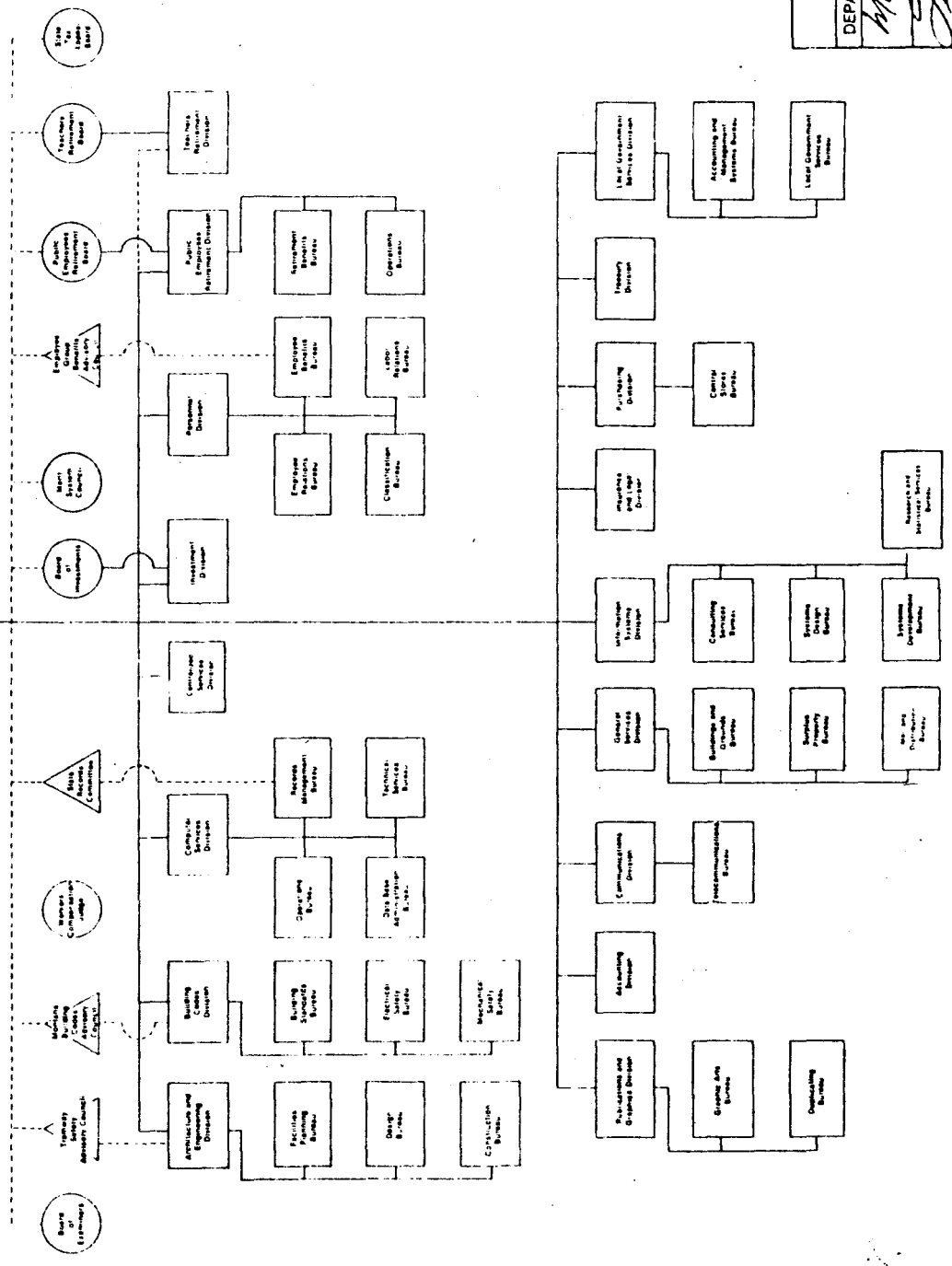


Allocated to Department for Admin. (see
 Bureau only)

Advisory only

Consulting & Advisory

Organizational & Support



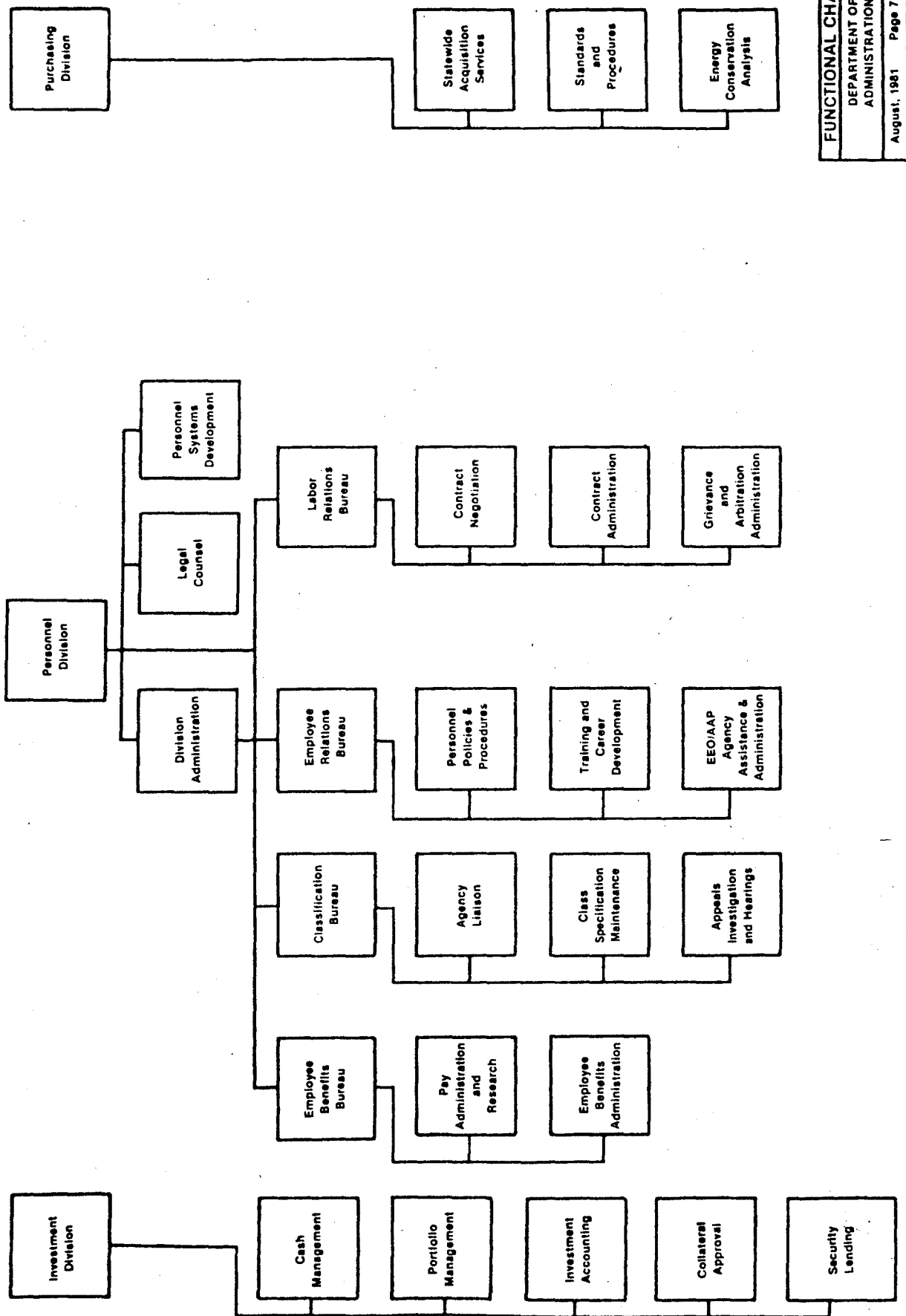
December 1981

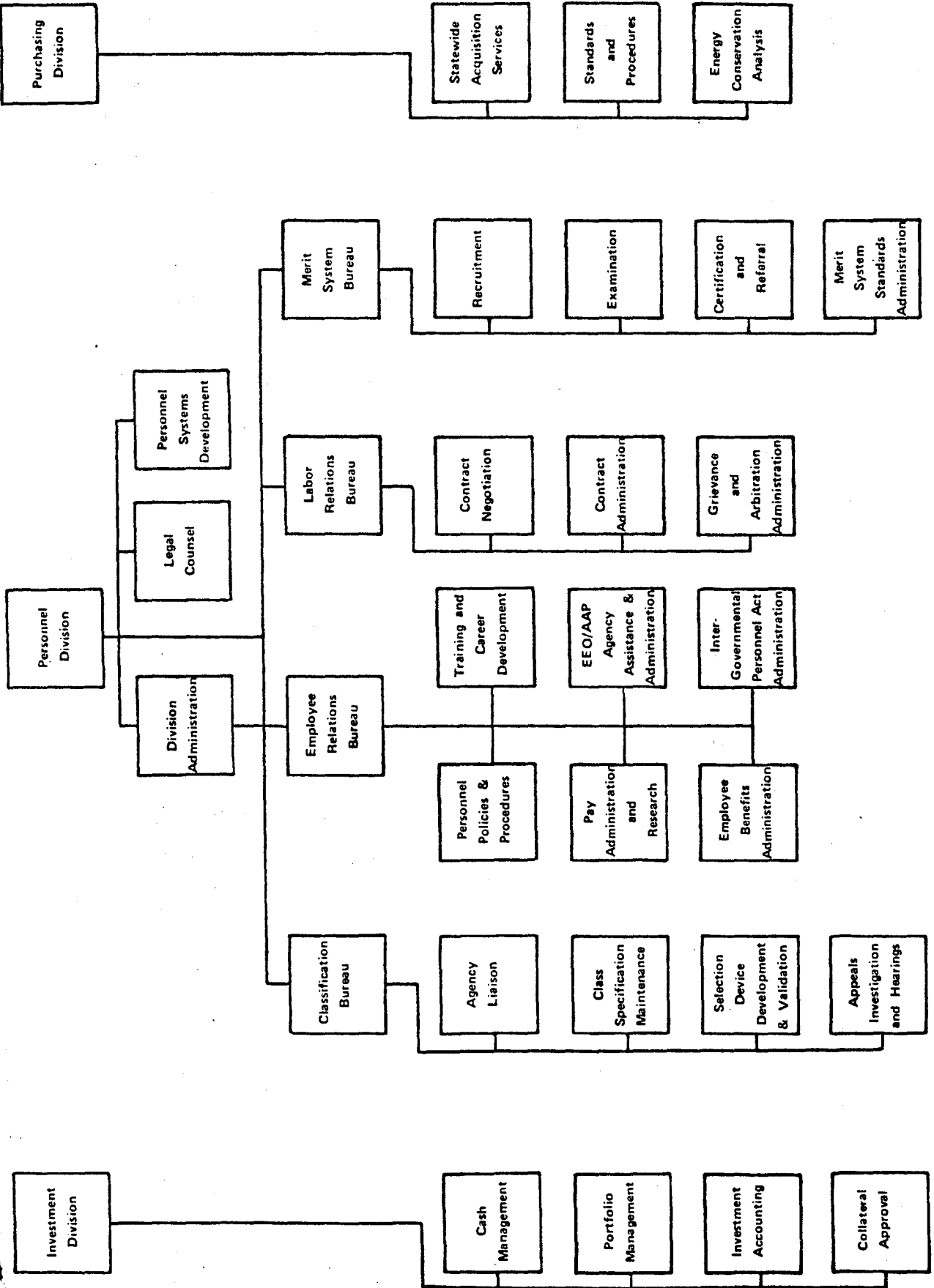
ORGANIZATION CHART

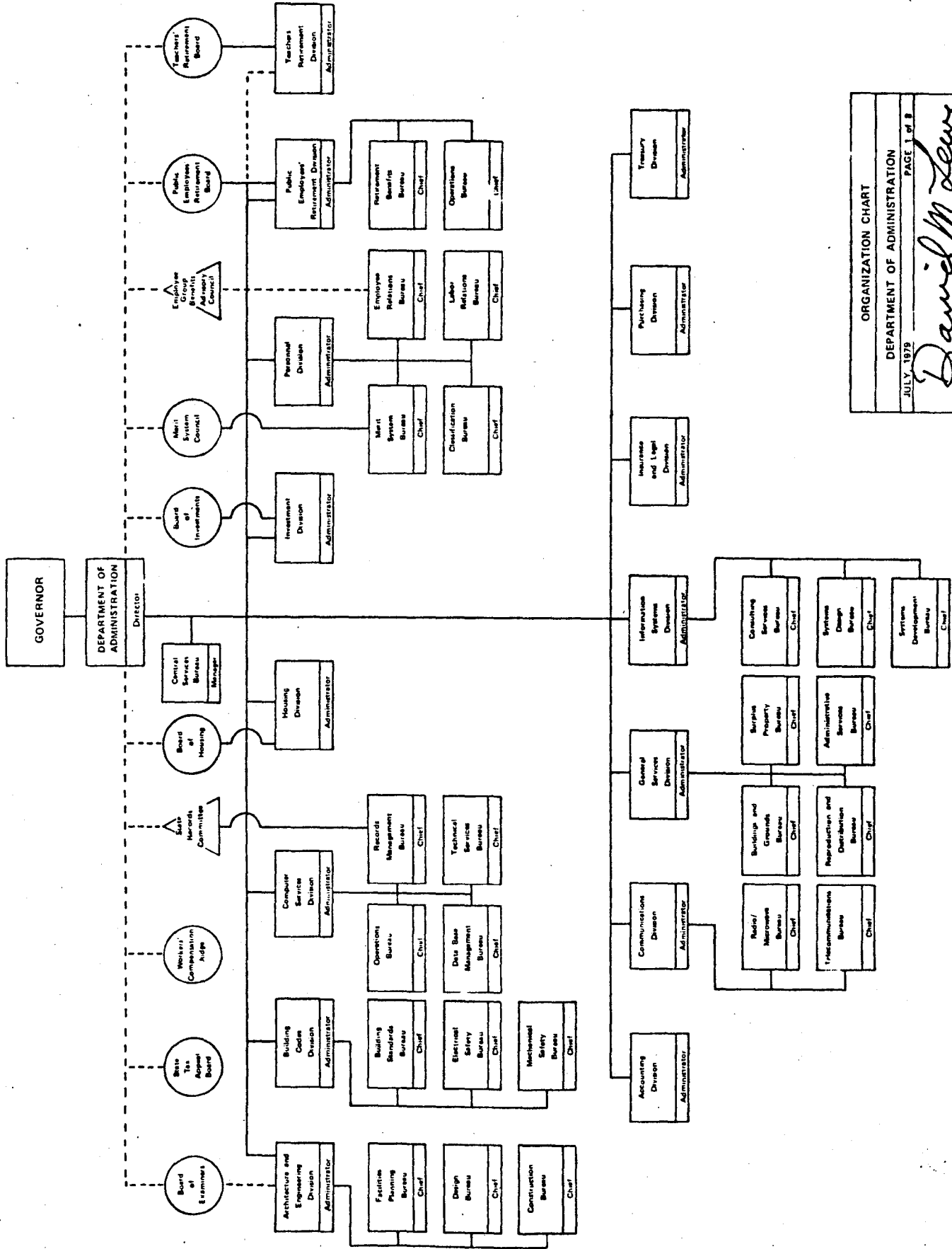
DEPARTMENT OF ADMINISTRATION

Morris L. Bryant, Director

John L. Bryant, Deputy Director







ORGANIZATION CHART	
DEPARTMENT OF ADMINISTRATION	
JULY, 1979	PAGE 1 of 8
<i>David M. Lewis</i> David M. Lewis, Director	
<i>Thomas L. Judge</i> Thomas L. Judge, Governor	

REPORT EBSR100
DATE : 01/08/83
TIME : 16/25/25

OFFICE OF BUDGET & PROGRAM PLANNING
EXECUTIVE BUDGET SYSTEM
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

exhibit 9
2-10-83

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 23 PERSONNEL PROGRAM
CONTROL : 00027 GROUP BENEFITS

BUREAU OF PERSONNEL PROGRAM CONTROL : 00027 GROUP BENEFITS										
AF/OE	DESCRIPTION	FY83	ORPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	ORPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE)	3,42	4,00	4,00			4,00	4,00		
1100	SALARIES	67,375	74,541	74,434	-107		74,260	74,149	-111	
1400	EMPLOYEE BENEFITS	13,490	11,256	10,617	-639		11,347	10,770	-577	
1500	HEALTH INSURANCE		3,840	3,840			3,840	3,840		
	TOTAL LEVEL	80,865	89,637	88,891	-746		89,447	88,759	-688	
2100	CONTRACTED SERVICES	71,045	80,472	52,288	-28,184		85,289	55,411	-29,878	
2200	SUPPLIES & MATERIALS	7,395	14,485	6,728	-7,757		17,854	9,629	-8,225	
2300	COMMUNICATIONS	2,375	3,517	3,509	-8		4,512	4,500	-12	
2400	TRAVEL	1,535	2,956	2,952	-4		3,091	3,085	-6	
2800	OTHER EXPENSES	580	1,045	764	-281		1,108	808	-300	
	TOTAL LEVEL	82,930	102,475	66,241	-36,234		111,854	73,433	-38,421	
	TOTAL PROGRAM	163,795	192,112	155,132	-36,980		201,301	162,192	-39,109	
01100	GENERAL FUND	36,727	46,000	39,824	6,176		46,000	39,671	-6,329	
06012	GROUP BENEFIT ADMINISTRATION	127,068	146,112	115,308	-30,804		155,301	122,521	-32,780	
	TOTAL PROGRAM	163,795	192,112	155,132	-36,980		201,301	162,192	-39,109	

DEPARTMENT OF ADMINISTRATION

Personnel/Group Benefits

Budget Issues

- 1) The executive budget includes a request for consulting and professional services for the health promotion program (\$28,090 in '84 and \$29,775 in '85).
- 2) The executive budget includes requests for supplies and materials for the following programs:

<u>Program</u>	<u>'84</u>	<u>'85</u>
Incentive Awards	\$1,573	\$1,667
Health Promotion	<u>6,180</u>	<u>6,551</u>
Totals	<u>\$7,753</u>	<u>\$8,218</u>

- 3) Vacancy savings of 3.6% has been recommended by the fiscal analyst. The total cost based on our executive budget submission would be \$3,227 in '84 and \$3,220 in '85. This translates into a .14 FTE reduction during each year of the biennium.

STATE HEALTH PROMOTION

In 1981, Blue Cross began funding the Health Promotion Program with \$30,000 annually, while the state appropriated \$9,000. At that time, medical and dental coverage was fully insured, meaning Blue Cross kept all collected premiums regardless of claims paid. It was appropriate for them to fund the program as they were the financial beneficiaries of any results. With a good experience from the state plan, Blue Cross would receive a greater income and reduce their claim payment load.

Currently, the state deposits the state contribution and collected premium into an interest earning account monthly. Blue Cross pays claims from that account and charges 8.68 retention fee for administering payment of claims and providing stop loss insurance to limit the state's liability. Any difference between premium deposited and claims paid remains in the account. Under this agreement with Blue Cross, the state will be the financial beneficiary from a health promotion program.

It is no longer appropriate for Blue Cross to fund the State Health Promotion Program for these reasons, and, also, for any benefits from a health promotion program to be realized, it must be on-going. To rely almost entirely on Blue Cross for funding jeopardizes the program, as a change in carriers would threaten funding and the program. Now, as it stands, the Health Promotion Program is tied directly to our relationship with Blue Cross.

It is advantageous for the state to fund the health promotion plan to assure its longevity while moving from an insured plan to a self-funded or partially self-funded plan, as is the trend nationally.

Currently, over 500 state employees in the Helena area have taken the Health Risk Appraisal and have participated in classroom instruction on C.P.R., stress reduction, wellness, behavior modification, weight loss, smoking cessation, and self-care.

Classroom instruction will begin March 1 in Butte for state employees covering fitness, wellness, and nutrition.

Since Health Promotion Week in May, 1982, over 1,000 employees have participated in blood pressure screening. 17% have been found to be hypertensive. Over half of those were not aware of their high blood pressure.

Because circulatory diseases are the highest cost item on the State's health care bill, the early detection and treatment for high blood pressure could reduce that bill substantially.

Based upon information from Health Risk Appraisals, the typical state worker is overweight, lacks regular exercise, does not use seat belts when driving in an auto, females do not receive annual breast examinations, smokes a pack of cigarettes or more a day, and consumes more alcohol than is considered safe. These are specific risk factors for chronic diseases which are the highest cost items on the state's health care bill. By eliminating these risk factors, the health promotion program can reduce that bill.

Employee evaluations indicate classes have an impact on lifestyle changes. Employees are concerned about their health and are making efforts to improve upon it.

Continued health education and information are available to employees who participate in the program through an on-site, part-time, registered nurse who does the followup on employees. She has at this time set up several noon-time exercise groups. Participation is high.

The State Health Promotion Program is an essential element in containing health care costs and must be assured funding without ties to any carrier, in order to be on-going and effective.

REPORT EBSR100
DATE : 01/08/83
TIME : 16/25/25

OFFICE OF BUDGET & PROGRAM PLANNING
EXECUTIVE BUDGET SYSTEM
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

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AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 23 PERSONNEL PROGRAM
CONTROL : 00028 TRAINING

AGENCY : 0001 DEPARTMENT OF ADMINISTRATION									
PROGRAM : 23 PERSONNEL PROGRAM									
CONTROL : 00028 TRAINING									
CURRENT LEVEL SERVICES ONLY									
AE/OE	DESCRIPTION	FY83	ORPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	ORPP FY 85	LFA FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE)	1.00	3.00	1.00	-2.00		3.00	1.00	-2.00
1100	SALARIES	21,196	65,766	23,361	-42,405		65,515	23,272	-42,243
1400	EMPLOYEE BENEFITS	4,280	9,516	3,416	-6,100		9,592	3,463	-6,129
1500	HEALTH INSURANCE		2,880	960	-1,920		2,880	960	-1,920
	TOTAL LEVEL	25,476	78,162	27,737	-50,425		77,987	27,695	-50,292
2100	CONTRACTED SERVICES	5,000	37,519	19,001	-18,518		39,407	20,136	-19,271
2200	SUPPLIES & MATERIALS	2,790	4,349	4,460	111		4,610	4,724	114
2300	COMMUNICATIONS	250	3,924	3,920	-4		4,453	4,446	-7
2400	TRAVEL	1,000	63	578	515		65	586	521
2700	REPAIR & MAINTENANCE	200	36	53	17		38	56	18
2800	OTHER EXPENSES		13	11	-2		14	11	-3
	TOTAL LEVEL	9,240	45,904	28,023	-17,881		48,587	29,959	-18,628
3100	EQUIPMENT	1,000		2,236	2,236			2,365	2,365
	TOTAL LEVEL	1,000		2,236	2,236			2,365	2,365
	TOTAL PROGRAM	35,716	124,066	57,996	-66,070		126,574	60,019	-66,555
06525	INTERGOVERNMENTAL TRAINING	35,716	124,066	57,996	-66,070		126,574	60,019	-66,555
	TOTAL PROGRAM	35,716	124,066	57,996	-66,070		126,574	60,019	-66,555

DEPARTMENT OF ADMINISTRATION

Personnel/Training

Budget Issues

- 1) The executive budget includes a modified request for two FTE's. These positions are necessary to develop and provide training programs specific to state government needs. Personal service expenses would be \$52,434 in '84 and \$52,316 in '85.
- 2) The division requested a reduction of \$11,124 in contracted services due to increased use of internal staff to provide training. The executive budget leaves this figure in at an inflated amount. The fiscal analyst omitted the cost. These costs should be deleted if the two new FTE's are approved to help with the training program. (\$12,498 in '84 and \$13,248 in '85).

Also, the executive budget includes a modified request for \$6,000 (in both '84 and '85) for contracted services. This request is in relation to the addition of the two new positions.

- 3) The fiscal analyst approved \$500 in travel funds for training programs outside of Helena. These funds are necessary for the operation of the program.
- 4) The fiscal analyst approved funds for the purchase of video tape equipment and related training films (\$2,236 and \$111 in '84, plus \$2,365 and \$114 in '85, respectively).

Training Positions

Unlike most comparably sized private sector businesses and the majority of other states, the state of Montana has no management training program to train newly appointed mid-level managers who are generally promoted from professional and technical positions. Both the Governor's Council on Management and the Personnel and Labor Relations Study Commission have recommended the state establish a central training program with emphasis on managerial and supervisory training.

In the Council of Management's report, recommendation number 11 states:

State government is Montana's largest employer. However, no ongoing training program has been established to improve the managerial and technical abilities of classified or appointed state employees. Promotions are often made arbitrarily since no criteria exist to define appropriate skill levels for supervisory assignments. Lack of central control over training programs has resulted in inadequate separate departmental efforts. Also, completed coursework is not recorded in personnel files so employee incentives are low.

A comprehensive training program should be initiated and coordinated by the Office of the Governor to correct these deficiencies. Initially, \$100,000 should be allocated annually to develop and conduct a series of management seminars and technical courses to improve employee skills. A recording procedure should also be established so accomplishments can be readily identified. Improved training will enhance staff knowledge and abilities while providing additional incentives to increase productivity and improve the delivery of public service.

The Personnel and Labor Relations Study Commission recommends the following:

Establish a central training section responsible for general skills training, particularly management training with the following specific functions:

1. Develop and provide a managerial and supervisory curriculum specific to Montana state managers and supervisors making use of internal resources, University personnel, and private consultants.
2. Coordinate training resources including internal resources, the University System, and private vendors to avoid redundant purchases and make full use of available programs.
3. Provide technical assistance to agencies in conducting needs assessments, developing training plans, and developing and assessing in-house training activities and budgets.
4. Continue to select workshop programs using private vendors more carefully selected to meet identified training needs.
5. Directly provide general skills training not available at reasonable cost elsewhere.

(See attached program description.)

Response to Legislative Fiscal Analyst Budget - Training Program

The Personnel Division has requested funding for a new program. The request is for 2 positions to provide specific how-to training for supervisors and managers in a type of program which is new to state government but is common and has proven effective for public and private employers.

The LFA budget, while it does not include the 2 positions, is silent on the merits of the new program. While this request does represent a new approach, the FTE do not represent a significant departure from where the state's training program was five years ago. The training section included two fully funded FTE until October, 1980. These positions were funded by a federal personnel grant. From October, 1980 until October, 1981, the training program had one federally funded FTE and one FTE funded through a revolving fund. In October, 1981, federal funding was lost and the program was reduced to one FTE on revolving funds. During fiscal year 1982, the fund could only support a half-time position. Over the last few years the state's central training program has been gradually chipped away until there is little left.

The LFA's suggestion that a one FTE program should be completely self funding is a little crazy and not very carefully thought out. Where else in government is a single employee with no general fund or ear marked revenue expected to generate all funds necessary to support their own salary and cover expenses? What happens if the one employee becomes ill or resigns? How is the program supported while a new person is hired and trained? The LFA's position is set up to fail and by that failure the LFA will conclude that central training is not needed. The agencies are not allowed to budget any funds to support training and neither is the central training function.

The state needs to make a reasoned decision whether a large complex organization should invest a small amount of money in training its supervisors and managers. Such a decision should be based upon the merits and benefits of such training. The only criteria should not be to see if a single employee can scramble around, stay healthy, and generate enough income to cover their own salary.

If the state decides that it should invest in preparing its supervisors and managers; if we're going to have a management training program; then it has to be funded at a reasonable, minimum level of operation. That is what's represented in the Governor's executive budget.

We strongly believe that we cannot continue to allow the small commitment the state has had to employee training disappear. There has been considerable discussion about the need for a consistent program of managerial and supervisory training. The state was strongly criticized by the Governor's Council on Management in a number of areas in their report for the lack of training for supervisors and managers. The Council translates this lack of training to inefficient management of the state's resources and recommends a central training program.

The Personnel and Labor Relations Study Commission, in examining the productivity of state workers and what can be done to improve that productivity, voted unanimously to recommend a management training program. The commission concludes in their report to the legislature:

Productivity specialists agree that there are no magic solutions or shortcuts to increased productivity - only better application of established principles of supervision and management - better planning, better organization, and particularly better supervision. An effective management training program is consequently a key element of any effort to increase productivity.

The state should no longer ignore these recommendations. The state should no longer ignore the costs and inefficiencies of having poorly trained supervisors and managers.

PROGRAM DESCRIPTION:

The program will be a central, general training program with major emphasis on supervisory and managerial training. Training will be developed and provided by a combination of central staff trainers, specialized state employees, university faculty and private consultants. The program will include the following features:

1. Training Specialists.

Three Training Specialists will develop and provide training; identify training resources among state employees, university faculty and private consultants; supervise the development and presentation of training programs; and assist agencies in establishing training plans and policies.

2. Course Catalogue.

A published catalogue of courses will include descriptions and titles of workshops which will be offered at least once each year. The catalogue will identify core courses for supervisors and for managers level I and II; sequences of courses on particular subjects; elective courses on a variety of topics; and the policies and procedures of the central training program.

3. Supervisory Core Courses.

The program will offer a core of supervisory courses concentrating on basic how-to skills specific to supervision in Montana state government. A Certificate of Completion will be awarded to participants who complete all the core courses. The core courses will be offered in sequence several times each year.

4. Managerial Core Courses.

The program will include two levels of managerial core workshops. Level I will include the supervisory core courses as well as basic how-to management courses in introduction to management, financial management, general management, personnel management, and general government. Level II courses will include more advanced study of these areas with the addition of courses on policy and theoretical topics.

5. Elective Courses.

The program will offer elective courses in a variety of subject areas including supervision, management, executive management, clerical skills, data processing, work improvement skills and other areas. These elective courses will be either established in the Course Catalogue or offered on a one-time basis. Under certain circumstances, specific elective courses may be substituted for parts of the core curriculum.

6. Extended Course Schedules.

Each quarter, selected core courses will be offered on extended schedules. For example, an 8-hour course may be scheduled for one hour a day, twice a week for 4 weeks. Extended course schedules may also be offered during evening hours to accommodate those employees who cannot be given leave during regular work hours.

7. Training Advisory Committee.

A committee of managers and training specialists from state agencies will meet on a regular basis to advise on program policies and procedures, training plans, course offerings, and any other topics related to statewide training.

8. Needs Assessment and Program Evaluation.

The program director will be responsible for detailed assessment of training needs in state agencies and for the on-going evaluation of course offerings.

POSITION DESCRIPTION SUMMARIES

Training Program Director: Position is responsible for overall program management including: supervises Training Specialists; oversees training advisory committee; prepares overall training plan and program policies and procedures; coordinates training activities with state agencies, the university system, MPA program and private vendors; prepares and monitors program budget and revolving account; prepares detailed needs assessments and program evaluations; maintains fee schedules; and acts as Training Specialist.

Training Specialist: Position has primary responsibility for development and presentation of curriculum in specific subject areas. Responsibilities include: establishing outline of training content; contacts, supervises and evaluates training providers; prepares schedules for training sessions; prepares catalogue of available training; assists agencies with needs assessment and training plans; assists agencies in locating specialized training resources; handles details of workshop administration; and prepares and presents a variety of training courses.

MANAGEMENT CORE CURRICULUM - LEVEL I

Financial:

Minimum Course Time Required

- | | |
|---|----------|
| 1. <u>Managerial Accounting - SBAS</u> | 12 hours |
| a. Basic Accounting (Public) | |
| b. Using/Reading SBAS Reports | |
| 2. <u>Budget Development/Management</u> | 10 hours |
| a. Needs Analysis | |
| b. Fund Sources | |
| c. Budgeting Techniques | |
| 3. <u>Statewide Budget and Planning System</u> | 4 hours |
| a. Montana Laws | |
| b. Legislative Fiscal Analyst/Legislative Auditor | |
| c. Office of Budget and Program Planning | |

TOTAL: 26 hours

Personnel Management:

- | | |
|--|---------|
| 1. <u>Selection/Recruitment</u> | 8 hours |
| a. EEO | |
| b. Job Analysis | |
| c. Selection Planning | |
| d. Measures | |
| e. Recruitment | |
| f. Interviews | |
| g. Reference Checks, Etc. | |
| *2. <u>Job Analysis/Job Descriptions</u> | 2 hours |
| a. Task Statements/Duties | |
| b. Completing a Job/Position Description and Uses Of | |
| *3. <u>Performance Appraisal</u> | 7 hours |
| a. Introduction | |
| b. Job Analysis | |
| c. Performance Standards | |
| d. Work Observation + Rating | |
| e. The Appraisal Meeting | |
| f. Uses of Appraisal Data | |
| *4. <u>EEO and Affirmative Action</u> | 5 hours |
| a. Defining Discrimination/Laws and Regulations | |
| b. Discrimination Based on Race, Sex, National Origin, Age, etc. | |
| c. Sexual Harassment | |
| d. Handicapped Employment | |
| e. Affirmative Action | |

Personnel Management - Continued

- *5. Discipline and Grievance Handling 8 hours
 - a. Maintaining Good Discipline
 - b. Signs of Disciplinary Troubles
 - c. Disciplinary Action
 - d. Discipline and EEO
 - e. The Grievance Process
 - f. Preparing for a Grievance
 - 6. Compensation and Benefits 5 hours
 - a. The Pay Rules
 - b. Leave Administration and Absentee Control
 - c. Employee Group Benefits
 - d. Personnel Policies
 - *7. Position Classification 3 hours
 - a. Job Analysis
 - b. The Classification Factors
 - c. Manager's Role in Classification
 - 8. Labor Contract Interpretation and Administration 4 hours
 - a. Labor Organizing and Unfair Labor Practices
 - b. The Collective Bargaining Process
 - 9. Labor Contract Interpretation and Administration 4 hours
 - a. Contract Clauses
 - b. Administering the Contract
 - c. Discipline and Grievances
- TOTAL: 48 hours

General Management:

- 1. Introduction to Management 4 hours
- 2. Understanding and Managing Human Behavior/Participatory Management 8 hours
 - a. Communication
 - b. Active Listening
 - c. Motivation
 - d. Resolving Conflict
 - e. Leadership/Effective Use of Authority
- *3. Coaching and Counseling/The Problem Employee 6 hours
 - a. How To Deal With Marginal Performance
 - b. Coaching Models
 - c. Employee Assistance

4.	<u>Organizational Management/Development</u>	4 hours
	a. Organizational Concepts and Models	
	b. Staffing/Career Development	
*5.	<u>Delegation of Authority</u>	4 hours
	a. Delegation	
	b. Time Management	
*6.	<u>Planning</u>	8 hours
	a. Management by Objectives	
	b. Work Plans/Action Plans	
	c. Setting Goals and Objectives	
7.	<u>Operations Research</u>	4 hours
	a. Introduction	
	b. Decision Making	
	c. Critical Path Analysis	
8.	<u>Program Evaluation</u>	2 hours
		TOTAL: <u>40 hours</u>

General Government:

1.	<u>Administrative Procedures Act</u>	4 hours
	a. Laws, Rules, Executive Orders	
2.	<u>Executive/Legislative Structure and Process</u>	4 hours
	a. Executive Branch	
	b. Legislative Process	
		TOTAL: <u>8 hours</u>

TOTAL COURSE HOURS = 120 hours/
15 days

*SUPERVISORY CORE COURSES = 54 hours/
7 days

MANAGEMENT CORE CURRICULUM - LEVEL II

	<u>Approximate Course Time</u>
1. Management Theory	4 hours
2. Improving Management Skills	8 hours
3. Management Style and Leadership	4 hours
4. Management Communications	8 hours
5. Motivation Theory and Practice	4 hours
6. Team Building and Team Management	4 hours
7. Organizational Theory and Concepts	8 hours
8. Managing the Personnel Function	8 hours
9. Productivity Measures and Improvement	8 hours
10. Program Evaluation	4 hours
11. ADP for Managers	8 hours
12. Administrative Law	8 hours
13. Effective Meetings	4 hours
14. Management Information Systems (SBAS - P/P/P)	4 hours
15. Policy Development and Implementation	<u>4 hours</u>

TOTAL: 88 hours

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OFFICE OF BUDGET & PROGRAM PLANNING
EXECUTIVE BUDGET SYSTEM
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

REPORT EBSR100
DATE : 01/08/83
TIME : 16/25/25

AGENCY : 5001 DEPARTMENT OF REVENUE
PROGRAM : 01 DIRECTORS OFFICE
CONTROL : 00000

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	APPROP FY 83	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE)	4.00	4.50	3.50	-1.00	---	4.50	3.50	-1.00	---
1100	SALARIES	153,332	153,260	109,906	-43,354	---	153,161	109,487	-43,674	---
1400	EMPLOYEE BENEFITS	24,315	21,288	14,124	-7,164	---	21,504	14,426	-7,078	---
1500	HEALTH INSURANCE	---	4,320	3,360	-960	---	4,320	3,360	-960	---
	TOTAL LEVEL	177,127	178,868	127,390	-51,478	---	178,985	127,273	-51,712	---
2100	CONTRACTED SERVICES	61,561	175,973	164,786	-11,187	---	70,004	63,371	-6,633	---
2200	SUPPLIES & MATERIALS	1,749	1,905	1,545	-360	---	2,020	1,636	-384	---
2300	COMMUNICATIONS	4,628	4,885	3,612	-1,273	---	5,750	4,220	-1,530	---
2400	TRAVEL	5,315	5,233	3,182	-2,051	---	5,163	3,323	-2,140	---
2500	RENT	2,838	6,878	3,473	-3,405	---	7,612	3,681	-3,931	---
2700	REPAIR & MAINTENANCE	133	1,501	537	-964	---	1,591	568	-1,023	---
2800	OTHER EXPENSES	1,564	974	1,296	322	---	1,008	1,372	364	---
	TOTAL LEVEL	83,854	197,349	178,431	-18,918	---	93,148	78,171	-15,277	---
3100	EQUIPMENT	300	5,969	---	-5,969	---	---	---	---	---
	TOTAL LEVEL	300	5,969	---	-5,969	---	---	---	---	---
8100	Transfers	7,401	382,186	305,821	-76,365	---	272,133	205,444	-66,989	---
01100	GENERAL FUND	170,944	263,839	179,734	-84,105	---	197,873	124,269	-73,604	---
02422	HIGHWAYS EARMARKED SP. REV.	75,931	102,597	126,087	23,490	---	74,560	81,175	6,615	---
06005	LIQUOR DIVISION	22,401	15,750	---	-15,750	---	---	---	---	---
	TOTAL PROGRAM	269,276	382,186	305,821	-76,365	---	272,133	205,444	-66,989	---

ISSUES: Recommended Increases To LFA Budget

1. Personal Services - Add 1.00 F.T.E. each year for the Deputy Director over the tax divisions
2. Supplies and Materials - Add \$360(84) and \$384(85) for increased usage of supplies.
3. Communications - Add \$1,273(84) and \$1,530(85) for increased usage of telephone - STS
4. Travel - Add \$2,051(84) and \$2,140(85) to cover inflationary increases from FY 82 base expenditures

Directors Office

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Continues

5. Repair & Maintenance - Add \$350 (84) and \$371 (85) for maintenance on word processing equipment
6. Equipment - Add \$5,969 (84) to purchase a word processing terminal
7. Funding - Provide funding in the liquor appropriation for audit fees
8. Contracted Services - Add \$11,000 (84) for expected increase in legal costs (\$10,000) and remodel work on Deputy Director's Office

AGENCY : 5801 DEPARTMENT OF REVENUE
PROGRAM : 02 CENTRALIZED SERVICES DIVISION
CONTROL : 00000

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	FY 83	ORPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	ORPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE)	41,52	40,27	39,52	-75	---	40,27	39,52	-75	---
1100	SALARIES	611,300	683,894	672,484	-11,410	---	681,893	670,155	-11,738	---
1400	EMPLOYEE BENEFITS	131,159	97,181	94,231	-2,950	---	98,056	95,684	-2,372	---
1500	HEALTH INSURANCE		38,659	37,938	-721	---	38,659	37,938	-721	---
	TOTAL LEVEL	308,571	819,734	804,653	-15,081	---	818,608	803,777	-14,831	---
2100	CONTRACTED SERVICES	23,752	25,468	25,347	-121	---	26,996	26,864	-132	---
2200	SUPPLIES & MATERIALS	13,233	18,601	18,594	-7	---	19,720	19,708	-12	---
2300	COMMUNICATIONS	16,042	16,480	17,649	1,169	---	19,068	20,253	1,185	---
2400	TRAVEL	11,362	8,409	6,370	-2,039	---	8,813	6,698	-2,115	---
2500	RENT	20,214	26,397	26,790	393	---	29,214	28,396	-818	---
2700	REPAIR & MAINTENANCE	6,231	4,987	5,061	74	---	5,286	5,363	77	---
2800	OTHER EXPENSES	1,394	3,964	2,755	-1,209	---	3,983	2,918	-1,065	---
	TOTAL LEVEL	93,758	104,306	102,566	-1,740	---	113,080	110,200	-2,880	---
3100	EQUIPMENT	11,700	9,965	2,150	-7,815	---	2,400	2,800	400	---
	TOTAL LEVEL	11,700	9,965	2,150	-7,815	---	2,400	2,800	400	---
	TOTAL PROGRAM	913,947	934,005	909,369	-24,636	---	934,088	916,777	-17,311	---
01100	GENERAL FUND	904,947	929,005	904,369	-24,636	---	929,088	911,777	-17,311	---
03049	CENTRALIZED SERVICES	9,000	5,000	5,000	---	---	5,000	5,000	---	---
	TOTAL PROGRAM	913,947	934,005	909,369	-24,636	---	934,088	916,777	-17,311	---

ISSUES: Recommended Changes to LFA Budget

- Personal Services - Add 1.00 F.T.E. for mail/clerk position and decrease personnel clerk position by .25 each year
- Travel - Add \$ 2,039(84) and \$2,115(85) for increased travel expense
- Other Expense - Add \$1,209(84) to allow for partial implementation of training plan
- Equipment - Add \$6,565 (84) for word processing terminal in Payroll/Personnel Bureau to allow for more effective utilization of Central Payroll/Personnel Position Control System

CENTRALIZED SERVICES DIVISION
DISCUSSION OF BUDGET ISSUES

Issues:

1. Personal Services

The analyst for the LFA assumed that "because the Department joined the Central Mail Service a decrease in workload should result". Without discussing this with anyone in the Department they deleted a full grade 6 mail clerk.

The outgoing mail services transferred to the Central Mail Service took a grade 6 mail clerk an average of two hours per day or 25 percent of the employees time. The reduction therefore was not reasonable and if this position were not funded mail service within the Department would be seriously hampered and would delay deposit of funds.

The reduction of 25% of a personnel clerk position made by the Budget Office accounts for the 25% reduction in this divisions workload resulting from the use of the Central Mail Service.

2. Travel

Increased in-state travel funds for auditors above the FY 82 base were not provided by the LFA. These funds were requested to provide for expected travel above that of the base year resulting from:

- a) travel by a Helena based liquor store auditor who travelled a reduced amount in FY 82 due to breaking in two new auditors.
- b) travel by internal audit staff who did not travel during the base year because of the nature of the project assignments. Normally some travel is required to perform project work at one or more of the 200 Department of Revenue locations outside of Helena.
- c) travel within state by some Centralized Services staff for training purposes that did not occur in FY 82 but is expected to occur in FY 84 & FY 85.

3. Other Expenses - Training The analyst for the LFA suggests training equipment and fees as an optional budget item but has not included them in the budget.

Training equipment for \$6,100 and one-half of requested training funds were previously cut by the budget office.

An effective training program is needed in the Department to:

- a) assure the employees have the necessary skills to perform their jobs;
- b) improve employee morale and productivity by developing career paths, and
- c) assure uninterrupted continuance of essential functions.

We request as a minimum the reinstatement of the funding level allowed in the Executive Budget.

4. Equipment

In reducing this divisions' equipment budget to cover only minimum replacement needs the LFA analyst cut out a request for word processing equipment in the Payroll/Personnel Bureau that was allowed in the Executive Budget.

The word processing equipment in the Payroll/Personnel Bureau was requested to take advantage of recent improvements to the Central Payroll/Personnel/Position Control System. A substantial investment was made in this system such that many of the data elements contained in the system can be accessed using relatively inexpensive user programs directly from a user terminal. Without such a terminal optimal use of the system is not possible. A savings of 10% of one clerical employees time would pay for this.

We request the equipment budget be established at the level allowed in the Executive Budget.