

MINUTES OF THE MEETING  
INSTITUTIONS AND CULTURAL EDUCATION SUBCOMMITTEE  
50TH LEGISLATIVE SESSION  
HOUSE OF REPRESENTATIVES

January 8, 1987

The second meeting was called to order in room 202-A of the Capitol by Chairman Miller at 8:05 a.m. on January 8, 1987.

ROLL CALL: All members were present as were Keith Wolcott, Senior Analyst for the Legislative Fiscal Analyst (LFA), Alice Omang, Secretary, George Harris of the Governor's Office of Budget and Program Planning (OBPP) Carroll South, Director of the Department of Institutions, and various other representatives of the department.

GENERAL INFORMATION - Tape 2-1:A:020

Vacancy Savings Chairman Miller noted that there was some concern about vacancy savings and he distributed to the committee a study on vacancy savings. See exhibit 1.

Representative Gene Donaldson explained to the committee that for the past few years, vacancy savings have been used in some rather strange ways as a way to reduce the budget. He indicated that some states have used a pool for vacancy savings and draw out from that pool. He outlined some of the problems that have arisen due to vacancy savings and requested that this committee take two or three days to review this study and make some recommendations for the legislature.

(60)

Representative Miller acknowledged that they would accept this, but they do have supplementals coming up and they hope to do the supplementals on Monday of next week and they will try to use Tuesday, Wednesday and Thursday to look at the vacancy savings. He distributed a tentative schedule (exhibit 2) to the committee, but indicated that there will be a new one soon.

(130)

Keith Wolcott explained the levels in the budget and the inflation factors.

(225)

Chairman Miller commented that when they vote as to how they will fund the agencies, they will always use the LFA budget, even if they go with the Governor's budget, as this will facilitate the writing of the appropriation's bill using the LFA's system.

DEPARTMENT OF INSTITUTIONS:

Director's Office: (270)

Carroll South, Director of the Department of Institutions introduced Jim Currie, Administrator of the Management Services Division, who, in turn, introduced Bobbie Dixon, Administrative Bureau Chief; Gail Briese, who is responsible for the Management Services Budget; and Scott Simm, who is responsible for the Director's office budget.

Mr. Carroll South explained that he supervises the whole department, which includes ten institutions and several divisions and he detailed some of his duties. He contended that since 1981, relative to full-time employees in the central office, there is a net reduction of 35 employees from the initial 191, which is an 18.6% reduction.

In answer to a question from Senator Haffey, Mr. South responded that when the governor cut the budgets by 2% in fiscal 1987, he spared the institutions as he was probably convinced that they could not cut any more unless they wanted to reduce the population. He emphasized that the state has legal and moral responsibility.

There was an exchange between Representative Menahan and Mr. South concerning central office employees and personnel at the institutions, with Mr. South justifying the employees he has in the central office.

Tape 2-1-B:075

George Harris, Budget Analyst for the Office of Budget and Program Planning, explained to the committee the executive budget (exhibit 3), pages S-191 to S-193. He advised that the chart shows 169.5 full-time equivalent employees (FTE) in FY 87 and this drops down to 150.5 on page S-192 and he pointed out that a lot of those positions are transferred to the proposed Family Services Department, so they have not eliminated all of those positions.

(240)

Keith Wolcott, Senior Analyst for the Office of Legislative Fiscal Analyst (LFA), distributed to the committee exhibit 4, which is a comparison report and noted that there was a difference of \$196.00 in FY 88 and \$213.00 in FY 89 in personal services and this was caused by a minor difference in how they calculated vacancy savings. He noted that in operating expenses, that the executive budget includes \$596 less building rent in FY 88 and \$563 less rent in FY 89 than the LFA has in the current level and the LFA also has a figure of \$264 for photocopy equipment that the executive budget does not include.

Management Services Division (295)

George Harris gave an overview of the executive budget - see exhibit 5, page S-193 - Management Services Division.

(385)

Jim Currie, Administrator of the Management Services Division of the Department of Institutions, indicated that there is one adjustment that should be made in the debt services for the computers, as they anticipated that the lease would be paid off in FY 89 and, in fact, it will be paid off in FY 88. He explained that the amount that should be budgeted in FY 88 for the computers is \$46,816 or \$15,600 less than what is there; and in FY 89, it should be zero, so there is a net reduction of just over \$31,000.

He informed the committee that the division also has funds plugged into it for grounds maintenance for the Department of Fish, Wildlife and Parks, which is in the executive budget, and which is \$4,870 and this is not in the LFA budget.

(400)

Mr. Harrison responded that the 1989 figure is \$4,425 and 1988 is \$4,870. He explained that the Fish, Wildlife and Parks Department scrapes off the snow, mows the lawn, rakes the leaves, plants trees and flowers and takes care of the grounds in the capitol complex.

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(425)

Mr. Wolcott distributed exhibit 6, which is the comparison report showing the differences between the LFA and the executive budget.

Jim Gillett, Deputy Legislative Auditor, Financial/Compliance and Contract Audits, offered exhibit 7, entitled "Agency Audit" to the committee. He informed the committee that they believe that it may no longer be necessary or cost-justified to do a free-standing audit of every individual institution at this point. By doing the audits as recommended, he stated, there is a reduction in real dollars and this would provide a better audit program at less cost.

Tape 2-2:A (000)

There was considerable discussion on how the audits were done and what they entailed.

(120)

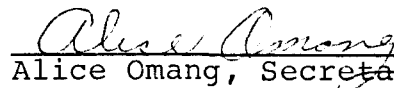
Mr. Wolcott noted that they still have a difference in the operating expenses of about \$6,000 a year and that results in issues 2, 3 and 4 (See exhibit 6).

There was considerable discussion on these issues.

ADJOURNMENT: (255) There being no further business, the meeting was adjourned at 9:48 a.m.



REPRESENTATIVE MILLER, Chairman



Alice Omang, Secretary

## VISITOR'S REGISTER

INSTITUTIONS AND CULTURAL ED.

SUBCOMMITTEE

AGENCY(S) Dept. of InstitutionsDATE January 8, 1987DEPARTMENT Director's Office

NAME	REPRESENTING	SUP- PORT	OP- POSE
Dave Depew	M P E N		
Bobbi Dixon	Inst		
Jim Currie	Inst		
Camell South	Inst		
Gail Briesie	Inst		
Scott Simon	Inst		

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT.  
IF YOU HAVE WRITTEN COMMENTS, PLEASE GIVE A COPY TO THE SECRETARY.





JUDY RIPPINGALE  
LEGISLATIVE FISCAL ANALYST

STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL  
HELENA, MONTANA 59620  
406/444-2986

EXHIBIT L  
DATE 1/8/87  
HB Rep Miller  
Vacancy Savings  
Meeting #2

September 4, 1986

TO: Legislative Finance Committee

FROM: Keith Wolcott, Senior Fiscal Analyst  
Jim Haubein, Principal Fiscal Analyst *[Signature]*

SUBJECT: Vacancy Savings Study

The 1985 legislature, through House Joint Resolution 43, requested the Legislative Finance Committee to study vacancy savings. House Joint Resolution 43 requires the committee to:

1. Study the use of vacancy savings in setting funding levels for government agencies.
2. Identify the advantages and disadvantages of using vacancy savings in the budgeting process.
3. Report its findings and recommendations to the 50th Legislature.

VACANCY SAVINGS DEFINITIONS

Vacancy savings is the difference in dollars between the full cost and the actual cost of all authorized positions for a budget period. Vacancy savings is utilized in budgeting to more accurately reflect the amount needed to support or fund staff. The aggregate amount of vacancy savings consists of the following factors:

1. Position Savings - The money saved as a result of having a position open at any time during the fiscal year. These savings occur in two ways:

#1

- a. Position vacancy during the normal time it takes to recruit a new employee. Also referred to as "natural" vacancy savings.
- b. Position vacancy during the period the position is held open by management to save funds to remain within the budget. Also referred to as "forced" vacancy savings.

"Forced" vacancy savings is the intentional creation of vacancy savings for the express purpose of saving financial resources. Vacancy savings may be "forced" in a number of ways for a variety of reasons. The following illustrates some of the methods used to "force" or create vacancy savings:

- i. Hold vacant positions open until the required dollars are saved.
- ii. Downgrade a position(s) to a lower grade.
- iii. Voluntary leave without pay to create the necessary savings.

It is impossible to determine to what degree vacancy savings is "forced" within agency budgets because there is no method of recording forced vacancy savings separately from natural vacancy savings in state records.

2. Turnover Savings - Results from filling a vacated position with a person whose pay is less than the salary of the employee who terminated.
3. Negative Turnover Savings - Results from filling a position with a person whose pay is higher than the salary of the person who terminated. This may occur as a result of promotions, hard recruiting situations, applicant experience, or union bid



contracts. A hard recruiting situation results when there are few or no qualified applicants for the job classification to be filled. This may also occur when the pay level for a particular job classification in state government falls below a comparable position outside of state government.

4. Termination Pay - Separation pay for those employees terminating. This separation pay is for:
  - a. Unused annual leave payable at 100 percent of the hourly wage at the time of termination.
  - b. Unused sick leave at 25 percent of the total accrued payable at the hourly wage at the time of termination.
5. Position Upgrades/Downgrades - All upgrades, either agency requested or classification upgrades approved by the personnel division through the appeal process, during an interim must be absorbed by the agency. Upgrades increase the cost of authorized positions. Downgrades increase the amount of vacancy savings.

### HISTORICAL BACKGROUND

Vacancy savings has been applied to agency budgets using various methods since it was first used statewide in the 1981 biennium. When first applied statewide, vacancy savings was primarily based on historical experience program by program. However in the last three bienniums a more global method has been used by the legislature to apply vacancy savings.

The 1979 legislature applied vacancy savings program by program for the 1981 biennium with individual rates varying from 0 to 10 percent. The vacancy savings factors were applied to the agency budgets in the subcommittees and were ultimately part of the individual appropriations. The

general exception to the application of vacancy savings was the university system. The faculty of the university systems did not have a vacancy savings factor applied although non-faculty staff did.

The 1981 legislature applied vacancy savings for the 1983 biennium by reducing budgets in the general appropriation bill approximately 1 percent. In addition, the appropriation to the Governor's Office for the pay plan was 96.5 percent of the amount required to fully fund the pay plan. The following excerpt from the Office of the Legislative Fiscal Analyst's "Appropriations Report" describes what occurred.

Agency budgets in House Bill 500, the general appropriations act of 1981, contained funds for the base level personal services before pay raises. Only about 1 percent vacancy savings had been taken out of the personal services appropriations in House Bill 500. The legislature took a 3 percent vacancy savings as a normal average for the state and another  $\frac{1}{2}$  percent which could be accommodated by Governor Schwinden's 2 percent cutback of state employees. Therefore, part of the pay plan cost was already funded in House Bill 500.

The executive concurred that they could fund the state pay plan as presented in House Bill 840 for non-legislative agencies and would not present any supplemental appropriation request to the legislature based on pay plan factors. An additional \$1.6 million was appropriated to the Office of Budget and Program Planning for teaching faculty at the six universities and college units. This is a contingency appropriation to be disbursed to the university units only if and to the extent  $3\frac{1}{2}$  percent vacancy savings is not realized.

With 1 percent vacancy savings applied to personal service budgets and the 3.5 percent reduction to the pay plan, the net vacancy savings factor applied to the 1983 biennium appropriations is 4.4 percent for fiscal 1982 and 4.3 percent for fiscal 1983 for all agencies except the university system who had just the 3.5 percent applied in the pay plan. However, \$1.6 million was appropriated in the pay plan as a contingency for the university faculty. The vocational-technical centers and community colleges were funded entirely, including pay raises, within the general appropriations act with no vacancy savings applied. Table 1 illustrates an

example of the vacancy savings applied to a regular state employee using a single position at grade 12.

Table 1  
Calculation of Vacancy Savings Rate for the 1983 Biennium

<u>Year</u>	<u>Grade/Step</u>	<u>Salary</u>	<u>Percent Change</u>	
1981 Pay Matrix	12/6	\$16,240	0.0	
1982 Pay Matrix	12/7	18,140	11.7	
1983 Pay Matrix	12/8	20,244	11.6	
----- Fiscal 1982 -----				
1982 Pay Matrix	\$18,140			
1981 Pay Matrix	<u>16,240</u>			
Pay Matrix Increase	\$ 1,900 - (18,140 X .035) =	\$ 1,265	Pay Plan Bill	
1981 Pay Matrix	\$16,240 X .99 =	<u>16,078</u>	Approp. Bill	
Total Salary Funded for Fiscal 1982		<u>\$17,343</u>		
----- Fiscal 1983 -----				
1983 Pay Matrix	\$20,244			
1982 Pay Matrix	<u>16,240</u>			
Pay Matrix Increase	\$ 4,004 - (20,244 X .035) =	\$ 3,296	Pay Plan Bill	
1981 Pay Matrix	\$	<u>16,078</u>	Approp. Bill	
Total Salary Funded Fiscal 1983		<u>\$19,374</u>		
-----				
<u>Comparison of Salary Funded to Pay Plan</u>				
<u>Fiscal Year</u>	<u>Salary Funded</u>	<u>Pay Matrix</u>	<u>Percent Funded</u>	<u>Vacancy Savings Rate</u>
1982	\$17,343	\$18,140	95.61	4.4
1983	19,374	20,244	95.70	4.3

This method of applying vacancy savings on a statewide basis is the first time the legislature used a global method of applying vacancy savings. It is global in the sense that through the pay plan all agencies,

regardless of size or actual experience, who were under the statewide pay plan had the same vacancy savings rate applied.

The 1983 legislature authorized current level personal services at 100 percent of the approved FTE levels in the General Appropriations Act for the 1985 biennium. The pay increases were authorized at an average of 4 percent each year of the biennium but only \$9.7 million of pay plan funding was appropriated for the biennium. The balance needed for the pay plan had to be achieved through vacancy savings generated by the agencies.

The following excerpt from the Office of the Legislative Fiscal Analyst's "Appropriations Report" explains the process used for the 1985 biennium.

Contained within individual agency budgets is the majority of funds appropriated for personal services costs during the 1985 biennium. House Bill 902 appropriates an additional \$9.7 million of general fund to implement the pay schedules contained in that bill. The Governor's Office has authority to allocate funds in that appropriation with the provision that no vacancy savings be required in instructional contract faculty within the Montana University System.

The appropriations for personal services costs in House Bill 447, the general appropriations bill, and House Bill 902 are not sufficient to fully fund all authorized FTE's during the 1985 biennium. Recognizing this problem the legislature incorporated two types of flexibility in the appropriation bills.

1. House Bill 447 allows agencies to make program transfers up to 5 percent of the total agency budget unless specifically prohibited by other language or statutes.
2. House Bill 902 authorizes the transfer of unexpended agency appropriation balances in the first year of the biennium to the second year to offset the cost of the pay plan increases.

In the April 28, 1983 memo, the budget director outlined his plans for allocating the \$9.7 million appropriated to his office for the purposes of implementing the statewide pay plan. Because approximately \$3.5 million will be required to fully fund contracted faculty at the university system units, \$6.2 million is available to be distributed among other state agencies and university staff other than faculty. The budget director anticipates

the need for \$600,000 to assist small agencies where vacancy savings and other cost cutting measures do not offset the cost of pay plan increases. The remaining \$5.6 million in the appropriation has tentatively been allocated by the Governor's budget director to agencies based on the budget cuts each experienced with the reduction in inflation factors for utilities and for overall operational expenses of general fund agencies. To reduce pay plan costs, the budget director encouraged agencies to hold vacant positions open at least four weeks beyond any sick leave or vacation pay out.

The 1985 legislature applied at least a 4 percent vacancy savings factor to most state agencies with more than 20 full-time equivalent employees (FTE) in House Bill 500, the 1987 biennium general appropriations bill. The notable exceptions for the 1987 biennium were instructional contract faculty of the university system and security guard positions at the prison which had no vacancy savings applied. Not applying vacancy savings to the prison security guards is a departure from past practice. This departure results primarily because even though turnover occurs in prison guards, no vacancy savings is realized. Prison posting of the on-duty guards requires that all posts are covered. If a vacancy occurs, a substitute must occupy that post out of the existing workforce which usually involves the payment of overtime. Therefore, the vacancy has to be filled as soon as possible to avoid paying overtime.

#### SURVEY

To help determine how vacancy savings is used in government and the advantages and disadvantages of its use, two separate surveys were conducted. One survey was sent to the other 49 states to determine how other states deal with vacancy savings. The other survey was sent to 32 agencies within Montana.

## OUT-OF-STATE SURVEY

Of the 49 states surveyed, 34 responded. The out-of-state survey asked each state:

- 1) Do you apply vacancy savings;
- 2) if not, describe how you budget personal services;
- 3) if so, describe the method used to apply vacancy savings; and
- 4) list the advantages and disadvantages of your state's method.

The responses to these questions are discussed below.

### 1. DOES YOUR STATE ACCOUNT FOR VACANCY SAVINGS IN THE BUDGETING/APPROPRIATION PROCESS?

#### Do Not Apply

Arkansas  
Indiana  
Michigan  
Missouri  
North Carolina  
North Dakota  
Ohio  
Oregon  
South Dakota  
West Virginia  
Wyoming

#### Apply

Alaska  
Arizona  
Florida  
Hawaii  
Kansas  
Louisiana  
Maryland  
Minnesota  
Mississippi  
Nevada  
New Hampshire  
New Jersey  
New Mexico  
Oklahoma  
Rhode Island  
South Carolina  
Texas  
Vermont

#### Inconclusive

Idaho  
Kentucky  
Nebraska  
New York  
Tennessee

Eighteen or 53 percent of the respondents do apply vacancy savings in the budgeting/appropriation process while 11 or 32 percent do not. The remaining 5 respondents had inconclusive responses.

### 2. IF YOUR STATE DOES NOT ACCOUNT FOR VACANCY SAVINGS IN THE BUDGETING/APPROPRIATION PROCESS, PLEASE DESCRIBE YOUR STATE'S PROCESS OF BUDGETING FOR PERSONAL SERVICES.

The 11 states that do not account for vacancy savings in their budgeting/appropriations process basically begin their personal services bud-

getting with a budget base-year using all authorized positions to which a legislatively determined increase factor is applied to cover pay increases. Position additions or deletions to the authorized levels are considered separately.

- (a) Nine of these states then line item personal services in the appropriation act with unexpended balances automatically reverting or lapsing at the end of the appropriation period.
- (b) Indiana, in addition to the above, maintains a contingency fund for valid problems experienced by the agencies.
- (c) Michigan appropriates personal services as part of the total agency appropriations; therefore, the actual vacancy saving realized either becomes part of the reversion or is used for other expenditures.

3. PLEASE DESCRIBE THE PROCESS USED TO APPLY THE AFFECT OF VACANCY SAVINGS IN YOUR BUDGETING/APPROPRIATION PROCESS.

The responses to item 3 may be grouped into the four basic categories:

- 1) Vacancy savings is applied based on historical experience with adjustments for unusual circumstances;
- 2) vacancy savings is applied in increments based on the size of the agency workforce adjusted for actual experience;
- 3) full funding is appropriated for personal services with periodic reversions of the actual vacancy savings experienced to a central pool; and
- 4) the respondent's methodology was either unclear or the description did not specifically address a policy or process.

Each one of the categories, 1 through 3, includes a list of advantages and disadvantages.

### Category 1: Historical Experience

There are 12 respondent states; Arizona, Florida, Hawaii, Kansas, Louisiana, Maryland, Minnesota, Mississippi, New Jersey, Rhode Island, Texas, and Vermont, who apply vacancy savings using a historical analysis with subjective application of adjustments for unusual circumstances. In four of these states the Governor's budget office or the agencies are required to submit budget requests with vacancy savings factors applied. The legislature then will make any adjustments they determine appropriate. The remaining eight states in this category apply vacancy savings rates to the agency budgets during the appropriation process using historical experience. Adjustments to the experienced factors are made up or down for unusual circumstances such as classification upgrades, hard to recruit positions, high turnover in low salaried positions, or previous vacancy savings reductions which have caused abnormally high vacancies to be maintained.

The advantages listed by these respondents are:

1. The dollars saved can be used to fund other priority programs which might otherwise be unfunded.
2. Salaries are kept more in line with legislative intent.
3. The flexibility allows the legislature and the state's administrators to apply both objective and subjective criteria on establishing and adjusting vacancy savings factors.
4. Personal services appropriations are reduced to a level that reflects actual costs.
5. Diversion of savings in salaries to other objects of expenditure are limited.

The disadvantages listed by the respondents are:

1. No disadvantages.



2. With termination pay as an unfunded liability, when budget entities experience a large number of terminations or large single payouts, the entities must then force more vacancy savings to cover the cost.
3. An overestimation of vacancy savings may cause undue hardship on the agencies' appropriation.
4. Vacancy savings is subject to manipulation by the agencies, the budget analysts, and the committees to reach desired results.
5. An agency's ability to accomplish its goals may be impaired if their budget is reduced too much for vacancy savings.
6. Relies heavily on historical data which must be reliably accurate or requires more subjective adjustments.
7. The historical vacancy savings rate may not continue thereby either overappropriating or underappropriating for the personal service needs of the agencies.

#### Category 2: Incremental Vacancy Savings

Three of the responding states apply vacancy savings incrementally based on the size of the workforce, (FTE), and the agencies' actual vacancy savings experience. These three states are Alaska, New Mexico, and Oklahoma.

In Alaska, the Governor submits the budget based on standard rates:

<u>FTE</u>	<u>Percent</u>
Less than 10	0
11-20	1
21-30	2
31-50	3
51 and over	4

The Alaska legislature, in its review of the budgets, may adjust these rates up or down based on their review and judgement. New Mexico applies a similar method; however, using the following criteria: historic rates,

subjective analysis, and the application of vacancy savings for any year should not exceed 50 percent of the historic trend for agencies with 10 to 50 employees or 75 percent for larger agencies.

For example, if an agency employing 40 people experienced a 4 percent vacancy savings in the base budget year, and the historic trend was also 4 percent, the maximum vacancy savings that could be applied would be 2 percent. For an agency with more than 50 employees and the same rate experience, the maximum vacancy savings that could be applied is 3 percent.

While Alaska uses five FTE levels to categorize vacancy savings rates and New Mexico uses two, Oklahoma only applies vacancy savings to large agency budgets such as their Department of Corrections with nearly 3,500 authorized positions.

The advantages listed by these states are;

1. Vacancy savings rates take into account the difficulty of small agencies to force savings when they do not have turnover and need all of their employees.
2. Basing vacancy savings on historical trends, does not limit the flexibility to consider unique circumstances in setting the rates.
3. It is easy to explain, compute, and get the agencies to accept.

The disadvantages listed are:

1. Standardized rates based on the number of employees does not necessarily reflect historical reality.
2. There is no guarantee that the historical trends are an accurate predictor of future experience.
3. Oklahoma felt their method was too limited in its application of applying vacancy savings only to large agencies and not applying vacancy savings to small agencies who also experience vacancy savings.

### Category 3: Periodic Reversion or Distribution Using a Pool

Under this method authorized positions are fully funded with some variation on a central pool to either allocate personal services funding based on actual experience or collect vacancy savings as it occurs. Three of the responding states, Nevada, New Hampshire, and South Carolina use some form of pooling to deal with vacancy savings.

Nevada appropriates 100 percent of all position costs to each state agency before authorized salary increases. State general fund dollars are appropriated at a percentage of the total required for approved salary increases to a central pool to be distributed on an as needed basis. For the 1987 biennium, salary increases were appropriated at 80 percent of the need resulting in an overall vacancy savings rate of 2.2 percent.

South Carolina allocates employee compensation on a quarterly basis and only for actual requirements in addition to what other vacancy savings rates that may be applied.

New Hampshire uses a somewhat different approach. Personal services are divided into three categories; permanent employees, temporary employees, and additional federally funded positions. Permanent personnel are appropriated by FTE and salary for each agency at 100 percent. Any excesses or shortages in personal service appropriations are adjusted through a salary adjustment fund. Transfers, other than those from the salary adjustment fund, can be made into, (but not out-of), permanent personnel. Temporary personnel are line-itemed in the operating budgets. These positions are restricted only by the dollar amount appropriated or available within the agency budget for transfer to fund temporary personnel positions for periods not exceeding one year. Additional federally funded positions from new or expanded grants are authorized by the Legislative Fiscal Committee for periods not exceeding the grant

period. The following are excerpts from New Hampshire statutes providing for quarterly reversions of the vacancy savings generated and making the funds available ~~for~~ transfer to agencies where it is deemed necessary.

99:4 SALARY ADJUSTMENT FUND Whereas the appropriations for personal services in state departments and institutions include an annual increment for each position, and whereas upon occasion due to vacancies and personnel turnover, salaries, increment increases and longevity as provided by the appropriations are not needed for said positions, each quarter the department of administration and control shall transfer said amount from the departmental or institutional appropriation to a special account to be known as the salary adjustment fund. This fund shall lapse at the end of each fiscal year and revert to the appropriate fund. Under no circumstances will this fund be used for temporary positions or new positions. Upon the certification of the director of personnel, subject to the approval of governor and council, the salary adjustment fund shall be available for transfer to departments and institutions in amounts that are deemed necessary to comply with RSA 98<sup>1</sup>.

9:17-c EMPLOYEE BENEFIT ADJUSTMENT ACCOUNT Whereas the appropriations for employee benefits in state departments and institutions may upon occasion not be totally needed for each position due to vacancies and personnel turnover, the department of administration services shall transfer said amount quarterly from the departmental or institutional appropriations to a special account to be known as the employee benefit adjustment account. This fund shall lapse at the end of each fiscal year and revert to the appropriate fund. Upon the certification of the commissioner of administrative services, subject to the approval of governor and council, the employee benefit account shall be available for transfer to departments and institutions in amounts that are deemed necessary to pay the state's required proportionate share of any legally authorized employee benefit. Notwithstanding the provisions of RSA 9:16 and 9:17<sup>2</sup>, no transfer shall be made from any appropriation for employee benefits to any other appropriation for any other use or purpose except as provided in this section.

These states list the advantages of pooling vacancy savings as:

1. It is unnecessary to compute a savings figure for each budget.
2. Distribution to agencies from the pool is done near the end of the fiscal year when actual data is known.

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<sup>1</sup>RSA 98 is New Hampshire's statute covering personnel compensation, (pay matrices). . .

<sup>2</sup>RSA 9:16 and 9:17 are statutes outlining New Hampshire's limits on transfers and appropriations.

3. The cost of legislatively approved pay raises is controlled to the level of actual cost only.
4. The salary dollar pool is controlled centrally, not in the agencies.
5. There have been substantial reversions to the general fund from the pooled appropriations.
6. When applied without exemptions, it is "nondiscriminatory" in that all agencies share the burden or responsibility for savings equally.
7. Quarterly reviews and adjustments to the salary adjustment fund facilitate flexibility and cash flow.
8. Procedures for new federally funded personnel allow the state to take advantage of new federal grants while maintaining control of personnel positions.
9. Provisions in the biennial budgets (see below) provide for the elimination of vacant permanent personnel positions which is an additional means of controlling expenditures.

406:12 Personal Services Limitation (Chapter 406:12 (II))

I. Other provisions of law notwithstanding, the total number of permanent classified positions for any department or agency for the biennium ending June 30, 1987, shall be limited to the number of full-time and permanent classified positions authorized as of June 30, 1985, reduced according to paragraph II, plus such new positions as are authorized by the general court.

II. The total number of positions authorized shall be reduced by the number of positions which have been vacant for the entire period of the 60 days immediately preceding:

- (a) June 30, 1985, for all agencies and departments except as provided in subparagraph (b); or
- (b) May 31, 1985, for instructional personnel at the technical institute and the vocational-technical colleges.

III. For the purposes of this section, the term "vacant" shall not include the position of any person on approved leave, paid or unpaid.

IV. The executive head of the department or agency shall determine which positions shall be filled within the limitations of the appropriations for the department or agency, and the personnel classifications as authorized in this act, and the numerical limitations imposed by this section.

V. With respect to agencies having an authorized complement of 5 permanent classified positions or less, the authorized number of positions shall not be reduced under this section. The provisions of this section shall not apply to the veterans' home, or to the New Hampshire hospital.

The disadvantages as listed in these three states are:

1. The potential danger of not appropriating sufficient funds to the pool.
2. It potentially penalizes those agencies that are "lean and mean," and their staffing requirements are minimally met.

#### Category 4: No Specific Policy

There are five respondent states who either do not have a specific statewide policy or whose response was unclear or not specifically described. They are, therefore, unuseable for the purposes of this report.

#### IN-STATE SURVEY

The second survey conducted was of 32 agencies within Montana's system. This survey was used primarily to corroborate the historical background presented earlier in this report and to seek ideas and comments on the current use of vacancy savings and alternative methods if the system were to change. Of the 32 surveys sent out, all but two were returned.

In order to obtain a cross section of agency opinion on the use of budgeting vacancy savings the following questions were made a part of the survey:

1. WHAT DO YOU PERCEIVE AS THE OVERALL EFFECT OF VACANCY SAVINGS AS APPLIED TO YOUR BUDGET? DOES IT HAVE ADVANTAGES? DOES IT HAVE DISADVANTAGES?

Of the 30 respondents, only four cited any advantages while one, who had no vacancy savings applied, cited no vacancy savings applied provided flexibility. The advantages listed are:

- (a) Vacancy savings provides a budget balancing mechanism during legislative sessions. (It was not clear from this response if this is only for the legislature or if the agencies can also use this.)
- (b) Properly applied vacancy savings allows expected services to be delivered without excess appropriations being made.
- (c) Vacancy savings can serve as a source to fund the pay plan.

While there was limited response on advantages there was an abundance of responses citing the disadvantages of applying vacancy savings to the budgets. The following are consolidated disadvantages as cited by the agencies:

- (a) The application of vacancy savings reduces flexibility and makes it difficult to accomplish agency goals.
- (b) Positions left vacant to meet budgeted vacancy savings are subject to elimination.
- (c) When vacancy savings cannot be produced from personal service budgets then operating or equipment budgets must be used which has the affect of reducing overall budgets.
- (d) Applied to federally funded programs, vacancy savings reduces federal financial participation and/or may reduce federally funded jobs in Montana.
- (e) Forcing vacancy savings does not allow overlap in filling positions so the incumbent can train their replacement.

- (f) In small agencies, the application of vacancy savings in excess of actual experience persistently erodes the base budget.
- (g) In programs delivering services directly to the public or where workloads are already backlogged, forced vacancy savings hurts services and the image of state government.

The above responses were not entirely unexpected so a companion question was included in the survey immediately after the above question.

2. HOW WOULD YOUR AGENCY LIKE TO HAVE VACANCY SAVINGS HANDLED BY THE LEGISLATURE?

The responses to this question can be consolidated into the nine categories listed below.

- (a) Do not apply vacancy savings to the budgets.
- (b) Apply vacancy savings based on actual experience. Suggestions for an appropriate historical base ranged from using the previous three years experience to the previous five years of actual experience.
- (c) Appropriate personal services at 100 percent and line item personal services in the appropriations act. With no allowable transfers into or out-of personal services, any balances remaining at fiscal year-end would revert to the appropriate funds. There were suggestions to also line-item the FTE levels in the appropriations act.
- (d) If the legislature is required to make cuts do not use vacancy savings, instead identify specific program cuts to be made.
- (e) Do not apply vacancy savings to non-general fund programs and/or small programs.
- (f) Apply vacancy savings rates based on the size of the personal services budget. Example provided:



Personal Services Budget

Vacancy Savings Rate

Less than \$500,000	0.5%
\$ 500,000 - \$1,000,000	1.0%
\$1,000,000 - \$2,000,000	2.0%
\$2,000,000 - \$3,000,000	3.0%
\$3,000,000 and up	4.0% and up

- (g) Appropriate a statewide vacancy savings amount to a central pool managed by The Office of Budget and Program Planning. Agencies could then apply to the pool through some justification process for aid if they cannot meet the vacancy savings applied to their budget.
- (h) Appropriate 100 percent of the personal services budget required to fund all authorized positions. Then establish a central pool to which unused personal service appropriations are refunded each pay period. The pool could then be used in the manner set out in option (g) above for agencies who encounter problems in their personal services budget. The pool balance would revert at year-end.
- (i) When positions are left vacant to force vacancy savings, do not subsequently delete those positions.

SUMMARY OF SURVEYS

Many of the agency responses parallel those from other states. The data from these surveys will be used in the analysis section later in this report.

The out-of-state survey shows that the states who do not apply vacancy savings in the budgeting/appropriations process, line item personal services within the appropriation and the appropriation balance due to vacancy savings, revert. Therefore, each of these states must appropriate more for personal services and limit overall budget flexibility in the agencies by using a line item personal services appropriation.

The states that do apply vacancy savings in the budgeting/appropriations process basically use one of two methods; 1) after calculating vacancy savings using either a historical basis or an incremental basis, the personal services appropriation has been decreased for vacancy savings; or 2) personal services funds are distributed to agencies

from a central pool based on actual need or vacancy savings is reverted to a central pool as it is incurred.

The common advantages listed for applying vacancy savings were:

1. The dollars saved by applying vacancy savings can be used to fund other priority programs or reduce the overall revenue required to fund government.
2. The application of vacancy savings reduces personal services appropriations to a level that reflects actual costs.
3. The application of vacancy savings limits the diversion of savings in salaries to other objects of expenditure.

The common disadvantages of applying vacancy savings were:

1. An overestimation of vacancy savings may cause undue hardship on an agency's appropriation.
2. Vacancy savings is subject to manipulation by the agencies, the budget analysts, and the committees to reach desired results.
3. Vacancy savings may impair an agency's ability or flexibility to accomplish its goals if their budget is reduced too much.

The results of the in-state survey generally echoes the responses of the out of state survey. It seems clear, however, from the in-state survey that the agencies would prefer that:

1. Vacancy savings not be applied to their budgets in the appropriations process, or
2. if the application of vacancy savings in the appropriations is not eliminated, then a different method should be used to apply vacancy savings.

#### ANALYSIS

The earlier sections of this report have: 1) defined vacancy savings, 2) reviewed historically how Montana has applied vacancy savings, 3)

illustrated methods used by other states concerning the application of vacancy savings, and 4) summarized responses by state agencies to a questionnaire concerning the application, effect, and method of applying vacancy savings. This analysis will provide some perspective to the meaning of vacancy savings in the state budget and define some of the problems encountered when calculating, projecting, and applying vacancy savings.

#### BUDGET IMPACT OF VACANCY SAVINGS

The 1987 biennium application of vacancy savings reduced overall appropriation levels by approximately \$21.7 million for the biennium, \$11 million of general fund and \$10.7 million of other funds. Article VIII, section 9 of the Montana Constitution requires that appropriation by the Legislature shall not exceed anticipated revenue. Therefore, had the legislature not applied vacancy savings, \$11.0 million of additional general fund revenues or program reductions would have been needed to balance the budget.

Table 2 shows the dollar amounts of vacancy savings calculated using percentages ranging from 2 to 5 percent as well as the appropriated level of vacancy savings for the 1987 biennium. A comparison between the vacancy savings calculated at 4 percent of the total personal services and the appropriated fiscal 1987 vacancy savings, shows the appropriated is \$9 million lower than the 4 percent that was recommended in the executive budget for the 1987 biennium. This difference results from not applying vacancy savings to university contract faculty, Vo-Tech centers, prison security guards, and agencies with fewer than 20 FTE. Had the legislature applied a 4 percent vacancy savings factor to the university faculty, an additional \$6.6 million of general fund would have been saved in the 1987 biennium.

Table 2  
Comparison of Vacancy Savings Rates

	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>	<u>Total</u>
Total Personal Services	\$376,194,188	\$390,371,302	\$766,565,490
<hr/>			
<u>Vacancy Savings</u>			
2.0 Percent	7,523,884	7,807,426	15,331,310
2.8 Percent (Appropriated)	10,692,360	10,991,179	21,683,534
3.0 Percent	11,285,826	11,711,139	22,996,965
4.0 Percent	15,047,767	15,614,852	30,662,619
5.0 Percent	18,809,709	19,518,565	38,328,274

#### CALCULATION OF VACANCY SAVINGS

Although Montana's Statewide Budgeting and Accounting System, (SBAS) and Payroll, Personnel, and Position Control System, (PPP) provide a tremendous amount of detailed information, neither system currently provides a consistent, comprehensive accounting of vacancy savings.

The attributes required to calculate vacancy savings by program are:

- 1) the total amount required to pay for all legislatively authorized FTE including authorized pay increases,
- 2) the total dollar amount of vacancy savings applied to the total personal services budget,
- 3) the actual cost of personal services by object of expenditure,
- 4) the cost of grade changes in authorized positions, and
- 5) the cost of unauthorized positions filled.

The Statewide Budgeting and Accounting System, (SBAS) has the capabilities to provide a consistent comprehensive and accurate accounting of attributes 1, 2, and 3 above. However, current operational procedures do not mandate that agencies use the capabilities offered by SBAS

particularly in allocating attributes 1 and 2 above by program. For an example of the problems of operational plan control and budget allocations on SBAS, see the attached Operational Plan Control report presented to the Legislative Finance Committee in January 1986.

The Payroll, Personnel, and Position Control System, (PPP) also has the capabilities to provide an accounting of attributes 1, 2, 4, and 5. Although the cost of position upgrades, attribute 4, may take more than a little effort to identify and calculate, especially in large programs. Again, as with SBAS, current operational procedures do not mandate that agencies use the capabilities offered by the PPP system. In addition, there is no systematic monitoring of the two systems to ensure that the detail in PPP ties to SBAS and is kept updated.

#### ACCURATE AND CONSISTENT INFORMATION

Inconsistent recording of actual expenditures can have considerable impact in projecting future vacancy savings rates. One such inconsistency was discovered when reviewing the results of the in-state survey. It was discovered that not all state agencies are recording terminating vacation pay the same way. The following example illustrates the inconsistent recording of terminating pay and points out an area in which the state's accounting records are inconsistent.

Example: Two employees give two week notification to their employer of their intent to terminate on the same day. Assume both employees have 90 hours of accrued vacation leave credits and 150 days of sick leave credits on that day.

Scenario 1: The employer agrees to allow one employee to take two weeks (80 hours) of vacation and extend the effective date of termination another two weeks. Therefore, when the employee leaves, he is kept on

the payroll for the two additional weeks as vacation and then paid the balance of his vacation credits (ten hours) plus his additional vacation accrued (4.62 hours) for the two weeks and 25 percent of his sick leave credits in a lump sum. The agency, in turn, codes the extended two weeks of the terminating employee's salary to vacation pay on SBAS and the lump sum payments to terminating sick leave and terminating vacation.

Scenario 2: The other employee terminates with the 90 hours vacation credits and 150 hours of sick leave credits. The employer pays a lump sum payment to the terminating employee coding the entire amounts to terminating sick pay and terminating vacation.

There are two major differences in Scenario 1 and Scenario 2. (1) The employee in scenario 1 received an additional accrual of 4.62 hours of vacation pay and 3.69 hours of sick leave because of the extended termination date, and (2) although both employees terminated at the same time, SBAS reflects considerably different figures for terminating vacation pay. The employee in Scenario 1 would reflect terminating vacation for only ten hours plus the 4.62 hours accrued during his two week vacation period while the employee in Scenario 2 reflects terminating vacation for 90 hours. The following table compares the difference based on grade 12, step 6 employees.

Table 3  
Comparison of Terminating Vacation Pay For Scenario 1 and 2

Scenario	Hourly Rate	Vacation Hours	Sick Leave Hours	Vacation Pay	Term. Vac. Pay	Term Sick (25%)	Total
1. 2 Week Vacation	\$9.346	80	-0-	\$747.68	\$ -0-	\$ -0-	\$ 747.68
1. Lump Sum	9.346	14.62	153.69		136.64	359.10	495.74
Total 1		94.62	153.69	\$747.68	\$ 136.64	\$359.10	\$1243.42
2. Lump Sum	\$9.346	90	150	\$ -0-	\$ 841.14	\$350.48	\$1191.62
Difference		4.62	3.69	\$747.68	(\$704.50)	\$ 8.62	\$ 51.80

Although the total dollar effect of Scenario 1 over Scenario 2 is only \$51.80, there is a significant difference, \$704.50 or 42 percent, in the amount reflected in the state's accounting records for terminating vacation pay. Since termination pay is not appropriated, any termination pay decreases the available appropriation after vacancy savings is applied. The extent that individual agencies are inconsistent could have considerable impact on determining the amount of actual terminating vacation pay and thus the vacancy savings calculations. Since the state accounting records are inconsistent, the effect of termination pay on vacancy savings cannot be accurately calculated.

#### TERMINATION PAY

Table 4 shows the statewide actual amount paid for terminating sick pay and vacation pay for fiscal years 1981 through 1985 as recorded in SBAS. There was a considerable increase shown in SBAS between fiscal 1982 and 1983. Since fiscal 1983, termination pay recorded in SBAS has averaged about \$2.4 million a year.

Table 4  
Statewide Terminating Sick Pay and Vacation Pay.

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Term. Sick Leave	\$ 701,196	\$ 500,793	\$ 668,827	\$ 872,265	\$1,009,17
Term. Vacation Pay	<u>1,085,072</u>	<u>1,075,995</u>	<u>1,663,143</u>	<u>1,745,166</u>	<u>1,467,12</u>
Total	<u>\$1,786,268</u>	<u>\$1,576,788</u>	<u>\$2,331,970</u>	<u>\$2,617,431</u>	<u>\$2,476,295</u>

Note: These figures do not include benefits.

In both fiscal 1984 and 1985 termination pay, an unbudgeted expenditure, accounted for approximately 0.7 percent of the total personal services budgets. Therefore, when a vacancy savings rate of 4 percent is applied, the actual vacancy saving rate is 4.7 percent because of not budgeting termination pay.

#### POOLING

Some states, as reflected in our survey, have established a central pool that an agency may turn to for help when faced with a large termination pay out. A good example of how a pool would have saved an agency budget was when the new state auditor assumed office in January 1985. Six individuals terminated with a combined leave accrual of \$73,154, or 5.6 percent of their fiscal 1985 personal services budget. The state auditors office ultimately received a \$26,029 general fund supplemental with the balance of the accrual being paid out of the fiscal 1985 general fund appropriation which already included a vacancy savings factor of approximately 3.5 percent. The termination pay plus the vacancy savings amounts to 9.1 percent of the personal services budget with 7.1 percent being absorbed by the fiscal 1985 appropriation and the balance through the supplemental appropriation.



Small agencies are particularly vulnerable to termination pay, especially when the termination occurs within the last month of the fiscal year. In the first year of the biennium if the appropriation is insufficient to pay the termination costs the agency may seek a supplemental. However, should a termination occur in the last month of the second year of the biennium and the agency appropriation is insufficient, the agency simply cannot meet its obligation. Section 17-8-202, paragraph (2) of the Montana Codes Annotated, prohibits the Department of Administration from charging any appropriation unless the balance of the appropriation is available and adequate. If no appropriation is available for the payment of a claim, the department shall audit it and, if it is a valid claim, transmit it to the Governor for presentation to the legislature. The terminating employee has the right, according to Section 39-3-305, paragraphs (1) and (2), MCA, to receive all unpaid wages within three days unless he would otherwise receive the wages on the next regular payday for the pay period during which he terminated. These two laws obviously create a delima for a manager who is unfortunate enough to have an employee terminate in the last month of the second year of the biennium and insufficient appropriation available to pay the termination costs.

A statewide pool for such contingencies is an alternative to supplementals, special appropriations, and varying vacancy savings rates by agency.

#### SUMMARY

It is clear that vacancy savings exists within state government. Montana's legislature not only recognizes this fact, but has moved since the 1979 legislature, to use vacancy savings as an important budgeting tool. This is evidenced by the move from individual agency vacancy

savings allocations by subcommittees in the 1979 legislative session to the application of "across the board" vacancy savings in the 1985 legislative session. Montana is among the majority states who recognize and deal with vacancy savings in the budgeting/appropriations process. Although the methods of applying vacancy savings vary from state to state, the underlying purpose for doing so is common to all. That is, to recognize the existence of vacancy savings and to account for and manage its effect on government resources.

The legislature is aware of some problems that result from the application of vacancy savings. This is evidenced by the passage of House Joint Resolution 43. The in-state survey responses indicated that agencies would prefer that no vacancy savings be applied or that a different method be developed for application in the budgeting process. However, as shown in the analysis, the problems surrounding vacancy savings are not limited to the legislature's application of vacancy savings to agency budgets. The state's accounting systems have capabilities beyond current operational mandates. If utilized fully, these systems could provide the information necessary to track and project vacancy savings. Also pointed out, are inconsistencies in recording information in SBAS which further compound the problems of accurately analyzing and projecting vacancy savings. The following issues and options may not end the debate surrounding the application of vacancy savings; however, action by the legislature on these issues will provide a clear direction for the future application of vacancy savings.

### ISSUES

Issue 1: Should vacancy savings continue to be applied in the budgeting/appropriation process?

Option A: Continue to apply vacancy savings in the budgeting/appropriation process.

Option B: Do not apply vacancy savings in the budgeting/appropriations process.

Issue 2: If vacancy savings is to be applied, what method should be used to apply vacancy savings in the appropriation process?

Option A: Line item personal services and FTE levels in the appropriation and require a reversion of the unexpended balances. This reversion could be made at the end of each pay period, monthly, quarterly, or at the end of the fiscal year.

Option B: Apply vacancy savings to each agency budget based on historic experience with adjustments for unusual circumstances.

Option C: Apply vacancy savings to each agency budget based on an incremental method which scales the vacancy savings rate to the number of FTE in each agency. Under this method smaller agencies would have less vacancy savings applied than larger agencies.

Option D: Apply vacancy savings to each agency budget based on the global method as in the current biennium.

Option E: Adopt a method similar to the one used in New Hampshire, where personal services are fully funded within the appropriations act for all authorized FTE. Establish a central pool to which all vacancy savings realized would revert each pay period. Establish procedures to enable agencies with valid personal services problems to apply to the central pool for relief. The balance remaining in the pool at year end would revert to the appropriate fund.

Option F: Apply vacancy savings to each agency budget at a rate of 2.5 percent to 4 percent and establish a pool to receive reversion of any actual vacancy savings in excess of that budgeted. Allow agencies with valid personal service problems, (large termination

payouts, less than anticipated vacancy savings, etc.,) to apply to for relief from funds in the pool. All or part of the balance remaining in the pool could revert to the appropriate fund at fiscal year-end.

Issue 3: Should a pool be established for termination pay?

Option A: Establish a central pool to pay terminating sick leave and vacation pay.

Option B: Take no action.

Issue 4: If vacancy savings is applied, should there be a way to accurately identify and track the vacancy savings that corresponds to the method of application?

Option A: Require the Office of Budget and Program Planning and the Department of Administration to develop specific vacancy savings recording procedures on the Statewide Budgeting and Accounting System, (SBAS) and the Payroll, Personnel, and Position Control System, (PPP) which correspond with approved operational plans. These specific procedures should include: the five information elements defined in the analysis section on page 22.

Option B: Take no action.



JUDY RIPPINGALE  
LEGISLATIVE FISCAL ANALYST

STATE OF MONTANA

*Office of the Legislative Fiscal Analyst*

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January 8, 1986

TO: Legislative Finance Committee

FROM: Jim Haubein  
Principal Analyst

A handwritten signature in dark ink, appearing to read "Jim Haubein", written over the printed name.

SUBJECT: Operational Plan Control

INTRODUCTION

This report examines the state's budgeting controls and procedures which are to insure that expenditures are made in accordance with approved operational plans as required in House Bill 500.

BACKGROUND

Article VIII, Section 12 of the Montana Constitution requires the legislature to insure strict accountability in law of all funds spent by the state. Three sections of the law to control state spending and restrict it to the legislatively appropriated levels are relevant to fiscal control problems in this report.

Section 7 of House Bill 500 requires spending to be in accordance to approved operational plans. Section 7 reads as follows:

Section 7. Operating budgets. Expenditures may be made only in accordance with operating budgets approved by the approving authority. The respective appropriations are contingent upon approval of the operating budget by July 1 of each fiscal year. Each operating budget shall include expenditures for each agency program detailed at least by personal services, operating expenses, equipment, benefits and claims, transfers, and local assistance. However, if any agency allocates its appropriations to the second expenditure level in the state accounting system, separate operation plans need not be submitted to the approving authority.

Section 8 of House Bill 500 allows program transfers within an agency, but these transfers must be for justifiable reasons and are limited to 5 percent of the total agency budget. Section 8 reads as follows:

Section 8. Program transfers. The approving authority may approve agency requests for program transfers, within each fiscal year, not to exceed 5% of the total agency budget unless such a transfer is specifically prohibited by this act or by statute. A request for a transfer accompanied by a justification explaining the reason for the transfer must be submitted by the requesting agency to the approving authority and the Legislative Fiscal Analyst. Upon approval of the transfer, the approving authority shall inform the fiscal analyst of the approved transfer and the justification for the transfer.

Sections 17-7-401 to 17-7-405, MCA, allow the executive to approve a budget amendment if certain criteria and procedures are met. Section 17-7-404(4), MCA, which requires the legislative fiscal analyst to review each budget amendment, reads as follows:

(4) The legislative fiscal analyst shall review each proposed budget amendment that has been certified by the approving authority for compliance with statutory budget amendment requirements and standards and shall present a written report of this review to the legislative finance committee. Within 10 days after the meeting of the legislative finance committee that considered the budget amendment, the legislative fiscal analyst shall submit the committee's report to the approving authority.

#### PROBLEM

The problem which led to this report was our need to evaluate the programmatic impact of changes being made on the operational plan/budget amendment form (B212). An example of the B212 form is shown in Illustration 1.

**Illustration 1**  
**Copy of Operational Plan/Budget Amendment Form B212**

STATE OF MONTANA OFFICE OF BUDGET AND PROGRAM PLANNING OPERATIONAL PLAN/BUDGET AMENDMENT		FORM CODE B212						
AGENCY REQUEST NO.		PAGE						
DOCUMENT NUMBER		1						
FOR FISCAL YEAR _____ REQUEST APPROVAL FOR (check one) <input type="checkbox"/> Budget Transfer (check one) or increase or decrease in existing activity <input type="checkbox"/> Supplemental Plan <input type="checkbox"/> Admin. Approval <input type="checkbox"/> Program Transfer <input type="checkbox"/> Supplemental <input type="checkbox"/> Other								
AGENCY CODE	AGENCY NAME	PROGRAM NAME						
EXPLANATION AND/OR JUSTIFICATION FOR THIS ACTION SET FORTH ON ATTACHED JUSTIFICATION FORMS								
EXPENDITURE DETAIL	1. FULL TIME EQUIVALENT EMPLOYEES (FTE)	CURRENT	INCREASE (DECREASE)	REVISED				
	1100 Salaries							
	1200 Hourly Wages							
	1300 Other Compensation							
	1400 Employee Benefits							
	TOTAL PERSONNEL SERVICES							
	2100 Contracted Services							
	2200 Supplies and Materials							
	2300 Communications and Transportation							
	2400 Travel							
	2500 Rent							
	2600 Utilities							
	2700 Repair and Maintenance							
	2800 Other Expenses							
	2900 Goods Purchased for Resale							
TOTAL OPERATING EXPENSES								
3100 Equipment								
TOTAL EQUIPMENT								
TOTAL OPERATING COSTS								
TOTAL PROGRAM COSTS								
FINANCING	APPROPRIATION NAME (Limit to 30 Characters)							
	TOTAL FINANCING							
D. P. ENCODING	Agency No.	Ed. Number	Auth. Source	Recommendation	Expend. Method	Expend. Date	Cost	Transaction Description (Limit to 30 Characters)
I certify that this request complies with appropriation law and authorized activity.								
Agency Representative _____ Date _____								
DISTRIBUTION MADE BY OBP								
REMARKS								
REVIEWED BY _____ Budget Analyst _____ Date _____								
<input type="checkbox"/> APPROVE <input type="checkbox"/> DISAPPROVE								
Number _____ Date _____								
Legal Authority _____								
<input type="checkbox"/> DISAPPROVE THIS REQUEST.								

The B212 form is reviewed to determine if the operational plans are in compliance with legislative action, to monitor the agency program transfers as allowed in House Bill 500, and to review budget amendments as required by Section 17-7-404(4), MCA. During these reviews, the analysts have

**Illustration 2**  
**Department of Fish, Wildlife and Parks B212 - Program Transfer #29**

Illustration 2 shows the Department of Fish, Wildlife and Parks' program transfer request of \$3,695. The analyst is not able to tell from this form the allocation of the current or revised spending authority.



To determine the current spending level, the analyst can: (1) find the original approved operational plan and adjust it for all B212's processed to date; or (2) look up the budget allocation in the Statewide Budgeting and Accounting System (SBAS). With the current level authorized spending level allocation determined, the analyst should theoretically be able to add the new change to the present current level and obtain the revised authorized allocation of the spending authority. However, when attempting to determine the current spending level for the B212 in Illustration 2, the two methods did not result in the same answer. As neither the agency or the budget office (the approving authority) has indicated its representation of the current level spending authority on the B212, the analyst is unable to determine the final result of the B212 change.

Table 1 illustrates how the answers varied between the approved operational plan method and the operational plan allocation in the Statewide Budgeting and Accounting System (SBAS). The approved operational plan, which is required by House Bill 500 and ties to the legislative appropriations, is brought up to date by adjusting it for all approved B212's. The example in Table 1 is for the Department of Fish, Wildlife and Parks centralized services program as was Illustration 2.

Table 1  
Department of Fish, Wildlife and Parks - Centralized Services  
Comparison of Approved Operational Plan to SBAS

Object of Expenditure	Initial Approved Op. Plan	Program Transfer Doc #29	Op. Plan Changes Doc #92	Revised Op. Plan	December SBAS	Differences SBAS versus Op. Plan
Personal Svs.	\$1,034,477	\$15,000	\$16,524	\$1,066,001	\$1,092,934	\$ (26,933)
Operating Exp.	2,078,460	(11,305)	(16,524)	2,050,631	2,213,134	(162,503)
Equipment	546,936	-0-	-0-	546,936	532,500	14,436
Fed. Grants	40,000	-0-	-0-	40,000	-0-	40,000
Transfers	235,000	-0-	-0-	235,000	100,000	135,000
Total	<u>\$3,034,873</u>	<u>\$ 3,695</u>	<u>\$ -0-</u>	<u>\$3,938,568</u>	<u>\$3,938,568</u>	<u>\$ -0-</u>

Note the revised approved operational plan budget allocations do not equal the operational budget allocations in SBAS even though the totals agree. There has been a shift in the budget from equipment, grants, and transfer categories to personal services and operating expense categories.

SBAS was designed to be a budgeting system as well as an accounting system. If the budget allocations do not tie to the approved operational plans, then the capabilities of SBAS are not being utilized. SBAS, the official state accounting system, is utilized by program managers to monitor their program expenditures as compared to their budgets. It is also the permanent state financial record used as a base for budgets analysis and financial reports.

It is important that SBAS reflect the approved operational plans, as: (1) there is not always a readily available record of the approved operational plan available, even to managers who deal directly with the fiscal operations of an agency; (2) program managers are relying on SBAS records to monitor program expenditures; and (3) SBAS is the only permanent record of budget allocations.

To further illustrate the problem in determining the "real" operational plan and to show that significant dollar amounts and policy questions are also involved, Table 2 was prepared. This table shows the operational plan differences for the Department of Highways' Construction Program as they appear in the difference source documents for the month of November.

**Table 2**  
**Department of Highways' Construction Program**  
**Comparison of Operational Plans-November 1985**

	November SBAS	Oper. Plan Change DOH Doc # 15	Dept. of Highways Budget Status Report November
FTE	N/A	650.40	650.40
Personal Services	\$ 17,759,276	\$ 16,558,740	\$ 17,759,276
Operating Expenses	192,405,912	193,367,189	192,405,912
Equipment	217,976	217,976	217,976
Total	<u>\$210,383,164</u>	<u>\$210,143,905</u>	<u>\$210,383,164</u>

Table 2 shows that there is \$1.2 million more allocated to the personal services budgets in SBAS and the department's internal budget status report than was approved by the approving authority as shown on the department's operational plan change in November. These additional funds were allocated by the department from operating expense to personal services without going through the approving authority. This unapproved allocation to personal services was discovered by our office when answering a legislative request about vacant positions in the highway department. During this review, the highway department represented that the internal budget allocation, equivalent to SBAS, was the spending plan being pursued by the department, not the approved operational plan.

Moving the \$1.2 million from operating expenses to personal services involved policy decisions of importance to the legislature. Some implications of these policy decisions are:

1. Although no more FTE are being added to the highway department, the department budgeted \$1.2 million more in personal services than it requested and received from the legislature. This increase is due to hiring staff at higher salaries. Despite the higher personal services bud-

get, 8 percent of positions in the program are vacant in fiscal 1986 to date.

2. The budget on SBAS establishes a higher on-going personal services base, even if not all employees are retained. Those who are may be at a higher level than represented to and funded by the legislature, and

3. The increased personal services was budgeted by removing contractor payments for actual road construction costs. This change reduces the amount of public services (specifically roads) provided by the department. To maintain its construction program in the future, the department may request additional spending authority in contracted services from the 1987 legislature. Thus, both the personal services and contracted services components of the expenditure base may be increased from legislative intent.

### CONCLUSION

The law clearly states that expenditures may only be made in accordance with approved operating budgets. Operational plan forms are not always complete and thus there is sometimes no current record of the approved operational plan. The program allocations recorded in SBAS do not always conform to the approved operating budgets. In some cases, there is agency representation that the approved operating budget does not meet its intended expenditure plan. This lack of control on the approved operational plan and the underutilization of SBAS capabilities makes it extremely difficult to ensure the law is being met. It also becomes time consuming to review these records when trying to sort out fiscal problems. And the only permanent state record of budget allocations does not necessarily represent the approved operational plan which makes research into prior years' records unreliable.

## ISSUES

Issue 1. Should the official state SBAS records tie to the approved operational budgets which are required in House Bill 500?

Option A. Recommend that the budget office ensure that the operating budgets in SBAS are the same as the approved operating budgets.

Option B. Take no action.

Issue 2. Should the B212 forms be fully completed showing the current spending levels, increases and decreases, and revised spending levels which tie to the approved operational plan?

Option A. Recommend that the budget office direct state agencies to fully complete the B212 forms.

Option B. Take no action.

Issue 3. Does the committee wish to clarify the boiler plate language in House Bill 500, Section 7 and require that the budget allocations in SBAS tie to the approved operational plan?

Option A. Amend Section 7 to read as Follows:

### Section 7. Operating budgets.

Expenditures may be made only in accordance with operating budgets approved by the approving authority. The respective appropriations are contingent upon approval of the operating budget by July 1 of each fiscal year. Each operating budget shall include expenditures for each agency program detailed at least by personal services, operating expenses, equipment, benefits and claims, transfers, and local assistance. ~~However, if any agency allocates its appropriations to the second expenditure level in the state accounting system, separate operation plans need not be submitted to the approving authority.~~ These approved operating budgets will be recorded in SBAS and can only be amended by the approving authority.

Option 2. Do not amend the general appropriation act boiler plate language.

EXHIBIT 2

DATE 1/8/89

Rep. Miller

50TH LEGISLATIVE SESSION  
INSTITUTIONS SUBCOMMITTEE SCHEDULE

WEEK #	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
1							
8:00	5	6 Sub-committee orientation	7 Tour Mental Health Center	8 Hearing-- Director's Office	9 Executive Action-- Director's Office Management Services	10 Travel Day	11 Day Off
9:00		Tour Central Office			Hearing-- Alcohol and Drug		
10:00				Management Services			
11:00							

WEEK #	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
2							
8:00	12 Executive Action-- Alcohol and Drug	13 Executive Action-- Corrections Div.	14 Executive Action-- Womens' Prison Corrections Medical	15 Executive Action-- Mental Health Div.	16 Hearing-- Prison	17 Day Off	18 Day Off
9:00	Hearing-- Corrections Div.	Hearing-- Womens' Prison	Mental Health Div.	Hearing-- Prison			
10:00		Corrections Medical Hearing--					
11:00					Executive Action-- Prison		

WEEK #	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
3							
8:00	19 Hearing-- Swan River Forest Camp	20 Hearing-- Supplementals	21 Hearing-- Joint Committee	22 Hearing-- Joint Committee	23 Hearing-- Joint Committee	24 Day Off	25 Day Off
9:00							
10:00	Executive Action-- Swan River Forest						
11:00							

50TH LEGISLATIVE SESSION  
INSTITUTIONS SUBCOMMITTEE SCHEDULE

WEEK #	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
4							
8:00	Hearing-- Vacancy Savings	26 Hearing-- Mt Develop. Center	27 Executive Action-- Mt Develop. Center	28 Executive Action-- Eastmont	29 Executive Action-- Eastmont	30 Executive Action-- Center For The Aged	31 Day Off
9:00			Hearing-- Eastmont	Hearing-- Center for the Aged	Cleanup		
10:00							
11:00							

WEEK #	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
5							
8:00	Hearing-- Mt State Hosp.	1 Executive Action-- Mt State Hosp.	2 Executive Action-- Veterans' Home	3 Executive Action-- Arts Council	4 Executive Action-- Arts Council	5 Executive Action-- State Library	6 Executive Action-- State Library
9:00		Hearing-- Veterans' Home	Hearing-- Arts Council	Hearing-- State Library	Cleanup		
10:00							
11:00							

WEEK #	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
6							
8:00	Hearing-- Historical Society	9 Executive Action-- Historical Society	10 Executive Action-- Historical Society	11 Executive Action-- Historical Society	12 Executive Action-- Historical Society	13 Executive Action-- Historical Society	14 Executive Action-- Historical Society
9:00		Cleanup					
10:00							
11:00							

DATE 1/8/87

Director's Office  
George Hannis S-191

These programs provide agricultural loans to low income rural Montanans, collect and publish statistics relating to the production and marketing of crops and livestock, assist producers and industries in finding means to market their products, provide peer counseling, financial consulting and mediation services, and provide beginning farmers loans.

#### Budget Issues

The Budget reflects a decrease of .70 FTE from FY86 to FY87. However, the program requests an increase of .97 FTE in FY88 and in FY89 from the FY86 level.

The recommended budget for FY89 includes an increase of \$6,437 for costs associated with attendance at the National Association of State Departments of Agriculture Trade Show, and with hosting the National Association of Marketing Officials Conference.

The work study contracts are requested to increase \$1,500 in FY88 and \$3,900 in FY89 from FY86 level. This increase is due to the large workload associated with rural development portfolio loans.

The recommended budget requests that language be included in the appropriations bill to allow agriculture loan authority in the amount of \$197,294 for the biennium.

#### Modification Requests

**Agricultural Assistance** - This program would fund the continuation of the Agricultural Assistance Program, established at the June 1986 Special Session. General Fund is utilized to add 3.00 FTE and program expenses.

FY88 = \$292,697

FY89 = \$292,597

#### DEPARTMENT OF INSTITUTIONS YEARLY AVERAGE DAILY POPULATION TRENDS

AGENCY/PROGRAM	FIVE YEAR TREND					FY87 BUDGETED AND FY88-FY89 RECOMMENDED		
						FY87 BUD.	FY88 REC.	FY89 REC.
CORRECTIONS DIV	FY82	FY83	FY84	FY85	FY86	FY87 BUD.	FY88 REC.	FY89 REC.
MT.STATE PRISON	698	744	740	802	907	800	968	990
PINE HILLS SCHOOL	91	99	88	99	120	88	130	130
MOUNTAIN VIEW SCH.	34	36	39	48	56	45	70	70
WOMEN'S CORR. CENTER	2	20	17	25	30	25	40	40
SWAN RIVER FOR. CAMP	50	52	49	47	51	49	51	51
MENTAL HEALTH DIV.	FY82	FY83	FY84	FY85	FY86	FY87 BUD.	FY88 REC.	FY89 REC.
MT.VETERAN'S HOME	114	116	118	126	125	136	125	125
EASTMONT HUM.SERVS.	53	51	54	53	53	55	53	53
CENTER FOR AGED	186	181	176	175	171	171	171	171
MT.DEVELOPMENTAL CTR	218	223	202	203	202	204	202	202
MT. STATE HOSPITAL	558	687	574	501	473	493	473	473

Because of the increases of population, the department has had little or no flexibility within their operational budgets to cover unfunded pay plan or budget reductions. Consequently, the department had to meet most of these fiscal constraints in the personal services area - either by holding positions vacant for longer periods or by eliminating posi-

The Department of Institutions consists of the Director's Office, four divisions in the Central Office, and the various institutions located throughout the state. The Director's program, the Management Services Division, the Alcohol and Drug Abuse Division, the Corrections Division, and the Mental Health and Residential Services Division are all headquartered in Helena and are presented separately in this budget recommendation.

The Executive Budget recommends continuation of the language in the General Appropriations Act adopted by the 49th Legislature which authorizes program transfers in excess of 5% between the various agencies within the Corrections Division and the Mental Health Division. The department has experienced the challenge of trying to operate the institutions effectively in spite of rising average daily populations. The ability to transfer funds has proven invaluable in these efforts.

Increases in average daily population have been experienced primarily by the agencies included within the Corrections Division. The Executive Budget includes current level adjustments for the costs associated with providing essential services to the increased population. The following table shows a five-year trend of populations at these facilities. It also includes the budgeted population for FY87 and the projected populations for the 1989 biennium. The only increase in the Mental Health Division was in the Montana Veterans' Home due to the opening on a new wing of the facility in the latter part of FY84.

tions. Higher worker compensation rates have further compounded the problem. Therefore, many of the current level budget requests show increased personal services cost in the 1989 biennium, even though fewer positions are actually recommended.



Agency Summary Budget Detail Summary	Actual FY 1986	Budgeted FY 1987	Recommendation FY 1988      FY 1989	
Full Time Equivalent Employees	170.50	169.50	150.50	150.50
Personal Services	4,041,994.37	4,129,706	3,856,807	3,860,974
Operating Expenses	3,132,464.33	1,981,348	3,285,107	3,269,879
Equipment	16,081.56	4,753	29,268	28,510
Local Assistance	1,574,708.00	0	0	0
Grants	6,452,725.06	7,576,027	6,175,202	6,175,202
Debt Service	65,938.72	0	65,386	17,147
<b>Total Agency Costs</b>	<b>\$15,283,912.04</b>	<b>\$13,691,834</b>	<b>\$13,411,770</b>	<b>\$13,351,712</b>
General Fund	10,960,489.01	11,038,111	10,883,707	10,845,052
State Special Revenue Fund	1,885,453.63	331,597	344,074	328,371
Federal & Other Spec Rev Fund	2,437,969.40	2,322,126	2,183,989	2,178,289
<b>Total Funding Costs</b>	<b>\$15,283,912.04</b>	<b>\$13,691,834</b>	<b>\$13,411,770</b>	<b>\$13,351,712</b>
Current Level Services	15,283,912.04	13,691,834	13,411,770	13,351,712
<b>Total Service Costs</b>	<b>\$15,283,912.04</b>	<b>\$13,691,834</b>	<b>\$13,411,770</b>	<b>\$13,351,712</b>

**Agency Description**

The Department of Institutions is provided for in section 2-15 2301, MCA. Section 53-1-201 defines its purpose:

"The department of institutions shall utilize at maximum efficiency the resources of state government in a coordinated effort to restore the physically or mentally disabled, to rehabilitate the violators of laws, to sustain the vigor and dignity of the aged, to train children of limited mental capacity to their best potential, to rededicate the resources of the state to the productive independence of its now dependent citizens, and to coordinate and apply the principles of modern institutional administration to the institutions of the state."

In carrying out these purposes, the department staff seek to provide care and treatment services of a quality that will guarantee the rights of residents, comply with state and federal standards, and when possible, return residents of the institutions to a normal life in the community. The objectives are to improve the coordination of services provided by institutions through the development of new management techniques and to make management information readily available to the institutions.

The following institutions are in the department: Montana Developmental Center, Center for the Aged, Eastmont Human Services Center, Montana State Prison, Swan River Forest Camp, Montana Veterans' Home, Montana State Hospital and the Women's Correctional Center.

DIRECTOR Budget Detail Summary	Actual FY 1986	Budgeted FY 1987	Recommendation FY 1988      FY 1989	
Full Time Equivalent Employees	10.00	10.00	9.00	9.00
Personal Services	339,722.21	525,722	333,537	333,872
Operating Expenses	41,292.02	37,396	42,473	42,997
Equipment	766.20	0	0	0
<b>Total Program Costs</b>	<b>\$381,780.43</b>	<b>\$563,118</b>	<b>\$376,010</b>	<b>\$376,869</b>
General Fund	381,780.43	563,118	376,010	376,869
<b>Total Funding Costs</b>	<b>\$381,780.43</b>	<b>\$563,118</b>	<b>\$376,010</b>	<b>\$376,869</b>
Current Level Services	381,780.43	563,118	376,010	376,869
<b>Total Service Costs</b>	<b>\$381,780.43</b>	<b>\$563,118</b>	<b>\$376,010</b>	<b>\$376,869</b>

**Program Description**

The Director's Program staff are responsible for the effective management and planning of the programs of the department's four divisions (Alcohol and Drug Abuse Division, Corrections Division, Management Services Division, and Mental Health and Residential Services Division) and their respective institutions. They also provide administrative support for the Board of Pardons, as well as legal, personnel and labor relations support services for the central office and the institutions.

**Budget Issues**

The 49th Legislature authorized an Auditor III position in the director's program to review all departmental fiscal contracts, policies, reimbursements, information systems and revolving operations. This position was not filled throughout the biennium because of difficult fiscal conditions. This position has been deleted in an effort to meet necessary budget reductions within the director's office. The cost of this position would have been \$24,074 in FY88 and \$24,041 in FY89.

A 4% vacancy savings factor has been applied to this program. There are no modified requests proposed in the director's office.

EXHIBIT \_\_\_\_\_  
DATE 1/8/87  
HB Director's Office  
Keith Wolcott

DEPARTMENT OF INSTITUTIONS--DIRECTOR'S OFFICE

<u>PERSONAL SERVICES</u>	<u>1988</u>	<u>1989</u>
Executive FTE	9.00	9.00
LFA Current Level FTE	<u>9.00</u>	<u>9.00</u>
Difference	0.00	0.00

Executive	\$333,537	\$333,872
LFA Current Level	<u>333,733</u>	<u>334,085</u>
Difference	\$( 196)	\$( 213)

- - - - - Personal Services Issues - - - - -

1. N/A

2. Committee Issues

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Committee Action

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<u>OPERATING EXPENSES</u>	<u>1988</u>	<u>1989</u>
Executive	\$42,473	\$42,997
LFA Current Level	<u>43,360</u>	<u>43,968</u>
Difference	\$( 887)	\$( 971)

- - - - - Operating Expenses Issues - - - - -

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Agency Summary Budget Detail Summary	Actual FY 1986	Budgeted FY 1987	Recommendation FY 1988	FY 1989
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Equipment	16,081.56	4,753	29,268	28,510
Local Assistance	1,574,708.00	0	0	0
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General Fund	381,780.43	563,118	376,010	376,869
<b>Total Funding Costs</b>	<b>\$381,780.43</b>	<b>\$563,118</b>	<b>\$376,010</b>	<b>\$376,869</b>
Current Level Services	381,780.43	563,118	376,010	376,869
<b>Total Service Costs</b>	<b>\$381,780.43</b>	<b>\$563,118</b>	<b>\$376,010</b>	<b>\$376,869</b>

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A 4% vacancy savings factor has been applied to this program. There are no modified requests proposed in the director's office.

## DEPARTMENT OF INSTITUTIONS

DATE 1/8/87

George H. Harris

S-193

MANAGEMENT SERVICES DIVISION  
Budget Detail Summary

	Actual FY 1986	Budgeted FY 1987	Recommendation FY 1988	FY 1989
Full Time Equivalent Employees	30.00	29.00	28.00	28.00
Personal Services	675,302.42	658,861	678,978	679,654
Operating Expenses	140,686.87	195,885	176,562	143,339
Equipment	721.14	1,208	1,050	1,050
Debt Service	62,420.64	0	62,421	15,606
<b>Total Program Costs</b>	<b>\$879,131.07</b>	<b>\$855,954</b>	<b>\$919,011</b>	<b>\$839,649</b>
General Fund	875,932.83	855,954	912,492	839,649
State Special Revenue Fund	42.15	0	819	0
Federal & Other Spec Rev Fund	3,156.09	0	5,700	0
<b>Total Funding Costs</b>	<b>\$879,131.07</b>	<b>\$855,954</b>	<b>\$919,011</b>	<b>\$839,649</b>
Current Level Services	879,131.07	855,954	919,011	839,649
<b>Total Service Costs</b>	<b>\$879,131.07</b>	<b>\$855,954</b>	<b>\$919,011</b>	<b>\$839,649</b>

## Program Description

The staff of the Management Services Division is responsible for the department's budgeting and accounting services, reimbursement services and data processing services. The division also provides technical assistance to all institutions in budgeting, accounting, and other management areas. The division bills and collect the various types of revenue generated by the department, to include Medicaid, Medicare, Insurance, private and VA. In addition, the division operates its own computer main frame, with remote locations at all institutions and P&P offices.

position from their base budget. These 2.00 FTE are not requested in the 1989 biennium. The combined annual costs of these positions is \$46,955.

Additional audit and insurance costs have increased the contracted services portion of this budget. The associated costs of installing a new telephone system accounts for increased costs in communications.

The Accounting Division of the Department of Administration has requested the Management Services Division to account for the purchase of its computer mainframe system under debt services. This system will be paid for in the 1989 biennium.

## Budget Issues

In order to meet necessary budget reductions, the agency deleted a Trust Officer position and a Financial Investigator

ALCOHOL & DRUG ABUSE DIVISION  
Budget Detail Summary

	Actual FY 1986	Budgeted FY 1987	Recommendation FY 1988	FY 1989
Full Time Equivalent Employees	10.00	10.00	9.00	9.00
Personal Services	261,584.47	264,748	256,906	257,235
Operating Expenses	106,046.11	95,290	104,838	89,625
Equipment	3,562.22	2,863	3,000	3,000
Local Assistance	1,574,708.00	0	0	0
Grants	1,239,715.00	1,261,309	1,133,024	1,133,024
<b>Total Program Costs</b>	<b>\$3,185,615.80</b>	<b>\$1,624,210</b>	<b>\$1,497,768</b>	<b>\$1,482,884</b>
General Fund	215,200.00	208,612	215,200	215,200
State Special Revenue Fund	1,885,236.51	331,347	342,255	327,371
Federal & Other Spec Rev Fund	1,085,179.29	1,084,251	940,313	940,313
<b>Total Funding Costs</b>	<b>\$3,185,615.80</b>	<b>\$1,624,210</b>	<b>\$1,497,768</b>	<b>\$1,482,884</b>
Current Level Services	3,185,615.80	1,624,210	1,497,768	1,482,884
<b>Total Service Costs</b>	<b>\$3,185,615.80</b>	<b>\$1,624,210</b>	<b>\$1,497,768</b>	<b>\$1,482,884</b>

## Program Description

Under the authority delegated from the Director and described in Title 53, Chapter 24, MCA, the Alcohol and Drug Abuse Division is responsible to ensure that the appropriate resources of this State are focused fully and effectively upon problems of chemical dependency and utilized in implementing programs for the control, prevention and treatment of these problems. The Division's specific duties include: evaluating and approving chemical dependency treatment

and education programs; Preparing long-term Comprehensive Chemical Dependency State Plans and Updates; Reviewing and approving County Chemical Dependency Plans; Distributing State and federal funds in accordance with 53-24-206 MCA; Establishing standards for the certification of chemical dependency counselors and educators; provide for the training of program personnel delivering services to chemical dependent persons; Establishing criteria for the development of new chemical dependency programs;

1. The Executive budget includes \$596 less building rent in fiscal 1988 and \$563 less rent in fiscal 1989 than in the LFA current level.

2. The executive budget does not include increased photocopy equipment maintenance costs for the Director's office that is included in the LFA current level costing \$264 each year of the biennium.

3. Committee Issues

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Committee Action

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DEPARTMENT OF INSTITUTIONS--MANAGEMENT SERVICES DIVISION

<u>PERSONAL SERVICES</u>	<u>1988</u>	<u>1989</u>
Executive FTE	28.00	28.00
LFA Current Level FTE	<u>28.00</u>	<u>28.00</u>
Difference	0.00	0.00

Executive	\$678,978	\$679,654
LFA Current Level	<u>679,317</u>	<u>680,057</u>
Difference	\$ ( 339 )	\$ ( 403 )

- - - - - Personal Services Issues - - - - -

1. N/A

2. Committee Issues

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Committee Action

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<u>OPERATING EXPENSES</u>	<u>1988</u>	<u>1989</u>
Executive	\$176,562	\$143,339
LFA Current Level	<u>295,954</u>	<u>137,861</u>
Difference	\$(119,392)	\$ 5,478

- - - - - Operating Expenses Issues - - - - -

O.O.  
H2/

1. The LFA current level includes \$126,000 of audit costs in fiscal 1988 than the Executive budget as a result of a request by the Legislative Auditor to consolidate all the institutions' audit fees in the central office.
2. The Executive budget includes \$4,814 in fiscal 1988 and \$4,369 in fiscal 1989 more for repair and maintenance than the LFA current level.
3. The Executive includes approximately \$1,030 more each year in contracted services than the LFA and \$1,435 more each year for supplies and materials.
4. The executive budget includes building rent at \$1,471 less in fiscal 1988 and \$1,301 less in fiscal 1989 than the LFA current level.

2. Committee Issues

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Committee Action

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<u>EQUIPMENT</u>	<u>1988</u>	<u>1989</u>
Executive	\$1,050	\$1,050
LFA Current Level	<u>-0-</u>	<u>-0-</u>
Difference	\$1,050	\$1,050

- - - - -Equipment Issues - - - - -

1. The Executive includes \$1,050 each year for equipment that is not included in the LFA current level.

2. Committee Issues

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**Committee Action**

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EXHIBIT

DATE 1/8/87

MR Gillette

Agency Audit

INSTITUTIONS  
BIENNIIUM APPROPRIATIONS

	1985-87 Approp Amount	Recommended 1988-89 Audit Appropriation
=====	=====	=====
Institutions	\$35,000	\$168,000
-MT Development Center	20,000	-0-
-Center for the Aged	10,000	-0-
-Eastmont	10,000	-0-
-Mountain View	10,000	-0-
-Board of Pardons	2,520	-0-
-Pine Hills	13,000	-0-
-State Prison	24,750	-0-
-Swan River Youth	8,000	-0-
-Veterans' Home	8,000	-0-
-State Hospital	29,400	-0-
-Youth Treatment	10,000	-0-
	<hr/> \$180,670	<hr/> \$168,000