

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

January, 9, 1987

The third meeting of the Institutions and Cultural Education Subcommittee was called to order in room 202-A of the state Capitol on January 9, 1987 at 8:03 a.m. by Chairman Miller.

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.

DEPARTMENT OF INSTITUTIONS:

EXECUTIVE SESSION: 3-1-A

Director's Office: (130) Keith Wolcott distributed exhibit 1 to the committee and in referring to exhibit 4 in the meeting of January 8, 1987, he stated that there was no real difference except in the way they calculated vacancy savings and in operating expenses, the differences were \$596 in FY 1988 and \$563 in FY 1989 for building rent. He continued that there was also some difference in repair and maintenance.

Senator Bengtson moved that the committee ACCEPT the executive budget on rent, which would be \$596 less in 1988 and \$563 less in 1989. The motion CARRIED unanimously.

(210) Mr. Wolcott noted that the second issue has to do with repair and maintenance costs for photocopy equipment. He explained that this \$264 was just overlooked in the executive budget.

Senator Bengtson moved that they ACCEPT the OBPP's totals for personal services of \$333,537 in FY 88 and \$333,872 in FY 89. The motion CARRIED unanimously.

Representative Bengtson moved that they ACCEPT the LFA's numbers of \$1,160 in FY 88 and \$1,160 in FY 89 for repair and maintenance. The motion CARRIED unanimously.

Institutions Subcommittee
January 9, 1987
Page Two

Senator Bengtson moved that the LFA adjust the totals to reflect those two motions and take the LFA's figures. The motion CARRIED unanimously.

(290) Mr. Wolcott handed exhibits 2 and 3 to the committee, stating that there was really no difference in personal services but there are four issues raised under operating expense. See exhibit 6 of January 8 meeting. He felt that the OBPP did not have any concerns in moving the audit fees to the central office.

Senator Bengtson moved that they move the audit costs to the central office. The motion CARRIED unanimously.

Senator Bengtson moved that in repair and maintenance, they ACCEPT the adjustment of \$4,870 in FY 88 and \$4,425 in FY 89, which should be added to the LFA's figures. The motion CARRIED unanimously.

Senator Bengtson moved that they ACCEPT the LFA's figures for supplies and materials and contracted services. The motion CARRIED unanimously.

Senator Bengtson moved that the totals reflect the previous motions regarding contracted services, supplies and materials, rent and repair and maintenance. The motion CARRIED unanimously.

(507) Mr. Wolcott indicated that the executive office has included \$1,050 each year for equipment and the current level does not include that, which is for the purchase of three typewriters each year.

Mr. Harris explained that they had four typewriters there that are over 13 years old, the rest over 11 years old and one is over 16 years old and he had it in his heart to allow this.

Senator Bengtson moved that they allow the \$1,050 each year for equipment and they can do what they like with it. The motion CARRIED unanimously.

(605) Mr. Wolcott noted under agency program control 9000 on exhibit 2, there is a figure of \$62,421 in 1988

Institutions Subcommittee
January 9, 1987
Page Three

and \$15,606 in 1989, and the department has indicated that they will have that debt service paid off by March of 1988. Tape 3-1-B.

Senator Bengtson moved that they adjust the numbers on debt service to record that. The motion CARRIED unanimously.

(005) Mr. Wolcott stated that the last thing was the consolidation of audit costs within the central office starting with agency program control 02034 and continuing on through. He explained that those differences amount to the charges to the different funding sources out in the institutions for the audit costs.

Senator Bengtson moved that they ACCEPT the totals of the OBPP for the adjustments for audit costs that have been removed from the different programs and placed in the central office. The motion CARRIED unanimously.

Alcohol and Drug Abuse Division: (33)

Mr. Harris (OBPP) informed the committee that Robert Anderson, Administrator of the Alcohol and Drug Abuse Division, has done more than his share to make the department efficient, i.e., in 1981, he had 16 employees in the division; and in the Governor's budget for 1988, he has 9. He gave an overview of the program as per exhibit 3, page S-193.

Mr. South gave an explanation of what the program consists and how it is budgeted.

(86) Chairman Miller distributed to the committee exhibit 3, which shows what each county gets from these funds.

(280) Mr. Wolcott distributed exhibit 5 to the committee, which explains the taxes that the state levies against alcohol and shows the Department of Institution's allocation.

Senator Bengtson asked if it were statutory that they (the state) fund alcohol treatment and could the counties take care of it.

Institutions Subcommittee
January 9, 1987
Page Four

Mr. South replied that they have to look at the costs per day, and if you look at Galen's cost per day and try to treat the same people anywhere else in the state, the cost would probably be twice as much.

Mr. Anderson clarified that most of the programs out in the counties are out-patient and their purpose primarily is to go out and identify people with problems and if they find that a patient needs in-patient care (28-day residential stay), then they transfer them to either a private program if they have the ability to pay or they transfer them to Galen if they cannot pay, because Galen is the only place in the state, that if you do not have insurance or you do not have money, where you can get this kind of treatment.

There was considerable questions and discussion concerning the alcohol programs and the drug abuse programs.

Tape 3-2-A Mr. Wolcott referred to exhibit 6, pages 9 through 11 from the budget book of the LFA and gave the committee an overview of it. He also distributed exhibits 7 and 8 to the committee and explained the material to the committee.

(250) Mr. South suggested that the committee should pick one of the two revenue estimates and hopefully not be too optimistic, because the counties will have too great an expectation and then they could be disappointed.

He also advised that they would like to have the committee just appropriate the amounts of the federal block grants that are shown on D-11 without reference as to where it has to go, so if a year from now they do not allocate it exactly as Mr. Wolcott has it in his book, the chairman of the Finance Committee won't beat him over the head with a heavy book. Mr. Wolcott noted that this could be voted on or reflected in the minutes.

Mr. South also noted that 55% of the new drug money is to be allocated by him, they do not have any idea as to what that will be now and he suggested that they write language in the appropriation bill that the department can come in for a budget amendment when the money becomes available.

Institutions Subcommittees
January 9, 1987
Page Five

There was considerable discussion on this matter and Chairman Miller suggested that they go ahead and put it in the bill. (435)

VACANCY SAVINGS: Tape 3-2-B

Mr. Wolcott gave an overview of vacancy savings, which is exhibit 9 and continued through page 9.

Senator Haffey asked what did the Finance Committee elect the LFA do in preparing this analysis.

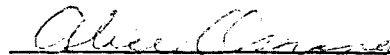
Mr. Wolcott responded that the Finance Committee selected option F, which is on pages 29 and 30 to recommend to the full legislature as a route to pursue. He advised that this was to apply vacancy savings to each agency budget at a rate of 2.5% to 4% (he thought it was 0% to 4%) and to establish a pool to receive reversion of any actual vacancy savings in excess of that budgeted - and he thought that was modified to have them look at the pool in concept whether it be pooling at the front end and distributing out to agencies in need or pooling at the back end, where they revert into the pool.

ADJOURNMENT: (100)

There being no further business, the meeting was adjourned at 10:25 a.m.



REPRESENTATIVE MILLER, Chairman



Alice Omang, Secretary

INSTITUTIONS AND CULTURAL EDUCATION SUB COMMITTEE

Date January 9, 1987

CS-30

VISITOR'S REGISTER

INSTITUTIONS AND CULTURAL EDUCATIONSUBCOMMITTEEAGENCY(S) Department of InstitutionsDATE Jan. 9, 1987DEPARTMENT Mangement Services

| NAME | REPRESENTING | SUP- PORT | OP- POSE |
|---------------|--------------|--------------|-------------|
| Scott Sim | D of I | | |
| Gail Biese | V | | |
| Jim Currie | | | |
| Carroll South | | | |
| Dave Depew | MPE A | | |
| Bobbie Dixon | D of I | | |
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IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT.
IF YOU HAVE WRITTEN COMMENTS, PLEASE GIVE A COPY TO THE SECRETARY.

REPORT EBSR106
DATE : 01/07/87
TIME : 15/24/40

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

PAGE 352

AGENCY : 6401 DEPARTMENT OF INSTITUTIONS
PROGRAM : 11 DIRECTOR
CONTROL : 00000

| AE/OE | DESCRIPTION | OBPP FY 88 | LFA FY 88 | DIFF FY 88 | SUB-CMT FY 88 | OBPP FY 89 | LFA FY 89 | DIFF FY 89 | SUB-CMT FY 89 |
|-------|--------------------------------|---------------|--------------|---------------|------------------|---------------|--------------|---------------|------------------|
| 0000 | FULL TIME EQUIVALENT (FTE) | 9.00 | 9.00 | | | 9.00 | 9.00 | | |
| 1100 | SALARIES | 291,778 | 291,778 | | | 291,115 | 291,115 | | |
| 1400 | EMPLOYEE BENEFITS | 43,236 | 43,236 | | | 44,248 | 44,248 | | |
| 1500 | HEALTH INSURANCE | 12,420 | 12,420 | | | 12,420 | 12,420 | | |
| 1600 | VACANCY SAVINGS | -13,897 | -13,701 | -196 | | -13,911 | -13,698 | -213 | |
| | TOTAL SECOND LEVEL | 333,537 | 333,733 | -196 | | 333,872 | 334,085 | -213 | |
| 2022 | SUPPLIES & MATERIALS-INFLATION | 5 | -33 | 38 | | 21 | | 21 | |
| 2023 | COMMUNICATIONS-INFLATION | 9 | 9 | | | 14 | 14 | | |
| 2025 | RENT-INFLATION | | 927 | -927 | | | 1,287 | -1,287 | |
| 2100 | CONTRACTED SERVICES | 4,401 | 4,401 | | | 4,511 | 4,511 | | |
| 2200 | SUPPLIES & MATERIALS | 5,266 | 5,291 | -25 | | 5,266 | 5,291 | -25 | |
| 2300 | COMMUNICATIONS | 11,982 | 11,982 | | | 11,982 | 11,982 | | |
| 2400 | TRAVEL | 8,555 | 8,595 | -40 | | 8,555 | 8,595 | -40 | |
| 2500 | RENT | 9,992 | 9,661 | 331 | | 10,385 | 9,661 | 724 | |
| 2700 | REPAIR & MAINTENANCE | 803 | 1,162 | -359 | | 803 | 1,162 | -359 | |
| 2800 | OTHER EXPENSES | 1,460 | 1,465 | -5 | | 1,460 | 1,465 | -5 | |
| | TOTAL SECOND LEVEL | 42,473 | 43,460 | -987 | | 42,997 | 43,968 | -971 | |
| | TOTAL PROGRAM | 376,010 | 377,193 | -1,183 | | 376,869 | 378,053 | -1,184 | |
| 01100 | GENERAL FUND | 376,010 | 377,193 | -1,183 | | 376,869 | 378,053 | -1,184 | |
| | TOTAL PROGRAM | 376,010 | 377,193 | -1,183 | | 376,869 | 378,053 | -1,184 | |

EXHIBIT 1
DATE 1/9/87
~~Director's OFF~~
Keith Wolcott

K.W.

EXHIBIT 2
 DATE 4/9/87
 BY Director
K. Wolkoff

PAGE 353

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

REPORT EBSR106
 DATE : 01/07/87
 TIME : 15/24/40

AGENCY : 6401 DEPARTMENT OF INSTITUTIONS
 PROGRAM : 12 MANAGEMENT SERVICES DIVISION
 CONTROL : 00000

| AE/OE | DESCRIPTION | OBPP FY 88 | LFA FY 88 | DIFF FY 88 | SUB-CMT FY 88 | OBPP FY 89 | LFA FY 89 | DIFF FY 89 | SUB-CMT FY 89 |
|-------|-------------------------------|---------------|--------------|---------------|------------------|---------------|--------------|---------------|------------------|
| 0000 | FULL TIME EQUIVALENT (FTE) | 28.00 | 28.00 | | | 28.00 | 28.00 | | |
| 1100 | SALARIES | 580,423 | 580,454 | -31 | | 579,825 | 579,857 | -32 | |
| 1400 | EMPLOYEE BENEFITS | 86,826 | 86,831 | -5 | | 88,128 | 88,133 | -5 | |
| 1500 | HEALTH INSURANCE | 40,020 | 40,020 | | | 40,020 | 40,020 | | |
| 1600 | VACANCY SAVINGS | -28,291 | -27,988 | -303 | | -28,319 | -27,953 | -366 | |
| | TOTAL SECOND LEVEL | 678,978 | 679,317 | -339 | | 679,654 | 680,057 | -403 | |
| 2021 | CONTRACTED SERVICES-INFLATION | -296 | -260 | -36 | | -593 | -503 | -90 | |
| 2023 | COMMUNICATIONS-INFLATION | 42 | 42 | | | 64 | 65 | -1 | |
| 2025 | RENT-INFLATION | | 2,285 | -2,285 | | | 3,172 | -3,172 | |
| 2100 | CONTRACTED SERVICES | 48,285 | 173,197 | -124,912 | | 15,555 | 14,437 | 1,118 | |
| 2200 | SUPPLIES & MATERIALS | 18,289 | 16,854 | 1,435 | | 18,289 | 16,854 | 1,435 | |
| 2300 | COMMUNICATIONS | 37,884 | 37,884 | | | 37,884 | 37,884 | | |
| 2400 | TRAVEL | 7,955 | 7,149 | 806 | | 7,125 | 7,149 | -24 | |
| 2500 | RENT | 36,196 | 35,382 | 814 | | 37,253 | 35,382 | 1,871 | |
| 2700 | REPAIR & MAINTENANCE | 27,699 | 22,885 | 4,814 | | 27,254 | 22,885 | 4,369 | |
| 2800 | OTHER EXPENSES | 508 | 536 | -28 | | 508 | 536 | -28 | |
| | TOTAL SECOND LEVEL | 176,562 | 295,954 | -119,392 | | 143,339 | 137,861 | 5,478 | |
| 3100 | EQUIPMENT | 1,050 | | 1,050 | | 1,050 | | 1,050 | |
| 9000 | DEBT SERVICE | 62,421 | 62,421 | | | 15,606 | 15,606 | | |
| | TOTAL PROGRAM | 919,011 | 1,037,692 | -118,681 | | 839,619 | 833,524 | 6,125 | |
| 01100 | GENERAL FUND | 912,492 | 1,022,110 | -109,618 | | 839,649 | 833,524 | 6,125 | |
| 02034 | ALCOHOLISM TREATMENT-REHAB | 819 | 3,338 | -2,519 | | | | | |
| 02404 | MOTOR VEHICLE | | 168 | -168 | | | | | |

REPORT EBSR106
DATE : 01/07/87
TIME : 15/24/40

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

PAGE 354

AGENCY : 6401 DEPARTMENT OF INSTITUTIONS
PROGRAM : 12 MANAGEMENT SERVICES DIVISION
CONTROL : 00000

| AE/OE | DESCRIPTION | OBPP FY 88 | LFA FY 88 | DIFF FY 88 | SUB-CMT FY 88 | OBPP FY 89 | LFA FY 89 | DIFF FY 89 | SUB-CMT FY 89 |
|-------|---------------------------------|---------------|--------------|---------------|------------------|---------------|--------------|---------------|------------------|
| 02917 | MSP CANTEEN | | 292 | -292 | --- | | | | --- |
| 03080 | ALCOHOL DRUGS, MENTAL HEALTH | 5,700 | 5,569 | 131 | --- | | | | --- |
| 03111 | MSP - BOARDER REIMBURSEMENT | | 921 | -921 | --- | | | | --- |
| 06533 | PRISON RANCH | | 1,959 | -1,959 | --- | | | | --- |
| 06534 | MSP INSTITUTIONAL INDUSTRIES | | 2,965 | -2,965 | --- | | | | --- |
| 06545 | PRISON INDUST. TRAINING PROGRAM | | 370 | -370 | --- | | | | --- |
| | TOTAL PROGRAM | 919,011 | 1,037,692 | -118,681 | --- | 839,649 | 833,524 | 6,125 | --- |

EXHIBIT 2
DATE 1/9/87
HB Director's Office
K. Wolcott

DEPARTMENT OF INSTITUTIONS

EXHIBIT 3
 DATE 1/9/87
 MB ADAD

S-193

MANAGEMENT SERVICES DIVISION
 Budget Detail Summary

| | Actual FY 1986 | Budgeted FY 1987 | Recommendation FY 1988 FY 1989 | |
|--------------------------------|---------------------|---------------------|--|------------------|
| | | | <i>Geo Harris</i> | |
| 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 |
| Total Program Costs | \$879,131.07 | \$855,954 | \$919,011 | \$839,649 |
| 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 |
| Total Funding Costs | \$879,131.07 | \$855,954 | \$919,011 | \$839,649 |
| Current Level Services | 879,131.07 | 855,954 | 919,011 | 839,649 |
| Total Service Costs | \$879,131.07 | \$855,954 | \$919,011 | \$839,649 |

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 |
| Total Program Costs | \$3,185,615.80 | \$1,624,210 | \$1,497,768 | \$1,482,884 |
| 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 |
| Total Funding Costs | \$3,185,615.80 | \$1,624,210 | \$1,497,768 | \$1,482,884 |
| Current Level Services | 3,185,615.80 | 1,624,210 | 1,497,768 | 1,482,884 |
| Total Service Costs | \$3,185,615.80 | \$1,624,210 | \$1,497,768 | \$1,482,884 |

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 the 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;

Ensure the greatest utilization of funds by discouraging duplication of services and encouraging efficiency of services; and cooperating with the Board of Pardons in establishing and conducting programs to provide treatment for chemically dependent and intoxicated persons in or on parole from penal institutions.

Budget Issues

In order to make necessary budget reductions, an Administrative Officer (1.00 FTE) was eliminated from this program. The position was funded from state special revenue funds and cost \$26,000 per year.

The majority of the state community approved programs are funded by the alcohol earmarked tax and federal block grant

funds. The earmarked alcohol tax is tied directly to the volume of alcoholic beverages sold in the state and is distributed to the counties based on 85% county population and 15% county land area in comparison to the total state population and area. Federal block grant funds are awarded to local programs on a competitive contract basis. It is possible that additional block grant funds will be available. These additional funds will be presented to the legislature as official notification is received.

The reduction in state special revenue from FY86 actual and requested FY88 and FY89 is the amount of alcohol funds which are statutorily appropriated for the counties.

CORRECTIONS Budget Detail Summary

| | Actual FY 1986 | Budgeted FY 1987 | Recommendation FY 1988 | FY 1989 |
|--------------------------------|-----------------------|---------------------|---------------------------|--------------------|
| Full Time Equivalent Employees | 91.50 | 91.50 | 75.50 | 75.50 |
| Personal Services | 2,103,007.10 | 2,037,162 | 1,859,053 | 1,859,669 |
| Operating Expenses | 1,747,896.67 | 760,090 | 1,768,575 | 1,780,399 |
| Equipment | 10,555.80 | 0 | 22,000 | 23,000 |
| Grants | 0.00 | 1,120,000 | 0 | 0 |
| Debt Service | 2,727.28 | 0 | 2,965 | 1,541 |
| Total Program Costs | \$3,864,186.85 | \$3,917,252 | \$3,652,593 | \$3,664,609 |
| General Fund | 3,860,797.96 | 3,914,303 | 3,648,793 | 3,660,809 |
| State Special Revenue Fund | 174.97 | 250 | 1,000 | 1,000 |
| Federal & Other Spec Rev Fund | 3,213.92 | 2,699 | 2,800 | 2,800 |
| Total Funding Costs | \$3,864,186.85 | \$3,917,252 | \$3,652,593 | \$3,664,609 |
| Current Level Services | 3,864,186.85 | 3,917,252 | 3,652,593 | 3,664,609 |
| Total Service Costs | \$3,864,186.85 | \$3,917,252 | \$3,652,593 | \$3,664,609 |

Program Description

The Corrections Division exists to develop and administer an integrated corrections program for adults and youths. Special emphasis is placed upon community supervision whenever possible and providing individualized treatment for each offender requiring institutionalization. For those incarcerated, adequate security must be maintained to protect the offender and prevent further transgressions against the public. The program staff provide leadership, direction and support for both line and staff operations. They assist in developing a continuum of correctional programs which place the individual in the least restrictive setting consistent with good judgment. Specific programs within the Corrections Division include the following:

Pre Release Centers - The Department operated facilities in Billings and Missoula which provide pre-release alternatives to prison for male and female offenders. These centers provide educational and work opportunities while also providing close supervision of the offenders. The Billings program houses up to 12 female offenders while the Missoula program can accommodate 24 male offenders.

The Corrections Division also contracts with non-profit corporations for pre-release services for male and female offenders. Centers are currently operational in Billings, Butte and Great Falls.

Women's Correctional Facilities - The Warm Springs facility provides for 40 female offenders.

Probation and Parole - The program staff supervise and counsel adult felons upon leaving prison and adults sentenced to probation.

Budget Issues

Three clerical positions were reduced from this budget. The 3.00 FTE cost \$50,500.

13.00 FTE and the corresponding personal services costs have been reduced from this budget and placed in the proposed Department of Family Services. This accounts for the decline of FTE from 91.50 to 75.50 from the 1987 biennium to the proposed 1989 biennium budget. A 4% vacancy savings factor is recommended for this division.

There are over \$25,000 in operational base adjustments to cover unfunded pay increases and budget reductions. The grants shown in FY87 are for the contracted pre-release centers. These amounts will be shown in contracted services when FY87 actual expenditures are recorded.

The proposed Department of Family Services contains the operational expenses for the youth After-care Program and the Youth Evaluation Program. The budgets for FY88 and FY89 reflect a transfer of \$275,000 each year to the Department of Family Services for these operational expenses.

Because of the increased prison population and the additional bed space available in the Great Falls, Billings, and Butte contracted pre-release centers, a current level adjustment is recommended in this program to house an additional twenty inmates. This would increase the bed capacity from 25 at each of these centers to 30 in Great Falls, 35 in

DATE 1/9/87

FY 86 Actual & FY87 Estimated Distribution by County of
Alcohol Earmarked Tax and Supplemental Block Grant Funds.C. Allen
Mullen

FY 86 ADAD

| | Earmarked Tax | FY 86 Block Grant | FY 86 Ear- marked & BG Total | FY 87 Earmarked Estimated | FY 87 BG Est | FY 87 Earmarked & BG Total | 3% recu- tion fr 86 Lev |
|---------------------|---------------|----------------------|------------------------------------|---------------------------------|--------------------|----------------------------------|-------------------------------|
| <i>O. A. Miller</i> | Actual | Actual | | | | | |
| Overhead | 22,957 | 3,302 | 26,259 | 22,927 | 2,527 | 25,454 | 805 |
| Big Horn | 27,051 | 3,891 | 30,942 | 27,016 | 2,978 | 29,994 | 948 |
| Blaine | 18,873 | 2,713 | 21,586 | 18,837 | 2,077 | 20,914 | 672 |
| Broadwater | 7,495 | 1,078 | 8,573 | 7,490 | 826 | 8,316 | 257 |
| Carbon | 17,139 | 2,466 | 19,605 | 17,121 | 1,888 | 19,009 | 596 |
| Carter | 8,450 | 1,215 | 9,665 | 8,436 | 930 | 9,366 | 299 |
| Cascade | 141,676 | 20,378 | 162,054 | 141,489 | 15,601 | 157,090 | 4,964 |
| Chouteau | 16,749 | 2,410 | 19,159 | 16,730 | 1,845 | 18,575 | 584 |
| Custer | 28,418 | 4,088 | 32,506 | 28,380 | 3,129 | 31,509 | 997 |
| Daniels | 7,167 | 1,032 | 8,199 | 7,161 | 790 | 7,951 | 248 |
| Dawson | 23,945 | 3,444 | 27,389 | 23,914 | 2,637 | 26,551 | 831 |
| Deer Lodge | 22,507 | 3,238 | 25,745 | 22,480 | 2,479 | 24,959 | 761 |
| Fallon | 9,057 | 1,303 | 10,360 | 9,047 | 998 | 10,045 | 311 |
| Fergus | 29,149 | 4,193 | 33,342 | 29,113 | 3,210 | 32,323 | 1,011 |
| Flathead | 96,799 | 13,923 | 110,722 | 96,672 | 10,659 | 107,331 | 3,399 |
| Gallatin | 77,048 | 11,082 | 88,130 | 76,949 | 8,484 | 85,433 | 2,699 |
| Garfield | 10,056 | 1,447 | 11,503 | 10,047 | 1,108 | 11,155 | 344 |
| Glacier | 22,906 | 3,295 | 26,201 | 22,877 | 2,522 | 25,399 | 800 |
| Golden Valley | 3,660 | 526 | 4,186 | 3,653 | 403 | 4,056 | 133 |
| Granite | 7,421 | 1,066 | 8,487 | 7,403 | 816 | 8,219 | 266 |
| Hill | 35,368 | 5,087 | 40,455 | 35,323 | 3,895 | 39,218 | 1,239 |
| Jefferson | 14,651 | 2,107 | 16,758 | 14,630 | 1,613 | 16,243 | 511 |
| Judith Basin | 7,557 | 1,087 | 8,644 | 7,550 | 832 | 8,382 | 266 |
| Lake | 34,863 | 5,014 | 39,877 | 34,817 | 3,839 | 38,656 | 1,222 |
| Lewis & Clark | 78,909 | 11,350 | 90,259 | 78,802 | 8,689 | 87,491 | 2,766 |
| Liberty | 6,303 | 907 | 7,210 | 6,295 | 694 | 6,989 | 222 |
| Lincoln | 36,252 | 5,214 | 41,466 | 36,204 | 3,992 | 40,196 | 1,272 |
| Madison | 8,833 | 1,271 | 10,104 | 8,825 | 973 | 9,798 | 300 |
| McCone | 15,010 | 2,159 | 17,169 | 14,988 | 1,653 | 16,641 | 521 |
| Meagher | 7,495 | 1,078 | 8,573 | 7,483 | 825 | 8,308 | 266 |
| Mineral | 8,246 | 1,186 | 9,432 | 8,231 | 907 | 9,138 | 299 |
| Missoula | 133,627 | 19,221 | 152,848 | 133,454 | 14,715 | 148,169 | 4,674 |
| Musselshell | 10,601 | 1,525 | 12,126 | 10,590 | 1,168 | 11,758 | 361 |
| Park | 25,817 | 3,714 | 29,531 | 25,783 | 2,843 | 28,626 | 900 |
| Petroleum | 3,804 | 547 | 4,351 | 3,800 | 419 | 4,219 | 133 |
| Phillips | 17,611 | 2,533 | 20,144 | 17,585 | 1,939 | 19,524 | 621 |
| Pondera | 14,126 | 2,032 | 16,158 | 14,112 | 1,556 | 15,668 | 499 |
| Powder River | 9,633 | 1,385 | 11,018 | 9,621 | 1,061 | 10,682 | 333 |
| Powell | 15,639 | 2,250 | 17,889 | 15,619 | 1,722 | 17,341 | 551 |
| Prairie | 5,933 | 854 | 6,787 | 5,929 | 654 | 6,583 | 222 |
| Ravalli | 42,154 | 6,064 | 48,218 | 42,101 | 4,642 | 46,743 | 1,444 |
| Richland | 24,213 | 3,483 | 27,696 | 24,186 | 2,667 | 26,853 | 811 |
| Roosevelt | 21,694 | 3,120 | 24,814 | 21,664 | 2,389 | 24,053 | 744 |
| Rosebud | 25,035 | 3,601 | 28,636 | 25,003 | 2,757 | 27,760 | 844 |
| Sanders | 19,277 | 2,773 | 22,050 | 19,255 | 2,123 | 21,378 | 644 |
| Sheridan | 11,968 | 1,722 | 13,690 | 11,953 | 1,318 | 13,271 | 411 |
| Silver Bow | 65,995 | 9,493 | 75,488 | 65,910 | 7,267 | 73,177 | 2,300 |
| Stillwater | 12,440 | 1,789 | 14,229 | 12,428 | 1,370 | 13,798 | 411 |
| Sweetgrass | 8,461 | 1,217 | 9,678 | 8,453 | 932 | 9,385 | 299 |
| Teton | 14,775 | 2,126 | 16,901 | 14,757 | 1,627 | 16,384 | 511 |
| Toole | 12,635 | 1,817 | 14,452 | 12,615 | 1,391 | 14,006 | 411 |
| Treasure | 3,270 | 471 | 3,741 | 3,266 | 360 | 3,626 | 111 |
| Valley | 25,529 | 3,672 | 29,201 | 25,498 | 2,811 | 28,309 | 844 |
| Wheatland | 6,323 | 909 | 7,232 | 6,315 | 696 | 7,011 | 222 |
| Wibaux | 3,959 | 570 | 4,529 | 3,954 | 436 | 4,390 | 111 |
| Yellowstone | 188,179 | 27,067 | 215,246 | 187,930 | 20,721 | 208,651 | 6,574 |
| TOTAL | 1,574,708 | 226,505 | 1,801,213 | 1,572,671 | 173,403 | 1,746,074 | 55,111 |

DATE 1/9/87BY K. Walker

(4) - K.W.

B4. ALCOHOL REVENUE

The taxation of alcoholic beverages in the state of Montana consists of: 1) a liquor excise tax, 2) a license tax on liquor, 3) a beer tax, and 4) a table wine tax. The Department of Revenue is authorized in Title 16 Chapter 1 to charge, receive, and collect taxes on the sale of alcoholic beverages. The following describes each tax and its distribution.

1) LIQUOR EXCISE TAX The Department is authorized to collect a 16 percent tax on the retail selling price of all liquor sold and delivered in the state for any company who has sold more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of this tax. The Department is authorized to levy a tax of 13.8 percent of the retail selling price of all liquor sold and delivered in the state by a company who has sold no more than 200,000 proof gallons of liquor nationwide. The revenue from the excise tax is deposited in the general fund.

2) LICENSE TAX ON LIQUOR The Department is authorized to collect, in addition to the excise tax, a license tax of 10 percent of the retail selling price on all liquor sold and delivered in the state for all companies who have sales in excess of 200,000 proof gallons nationwide in the calendar year preceding imposition of this tax. The tax for companies with less than 200,000 proof gallons per year nationwide is 8.6 percent of the retail selling price.

The proceeds of the license tax are kept in a separate account from the excise tax. Thirty percent of these revenues are appropriated statutorily to the Department for allocation to the counties according to the amount of liquor purchased in each county which are in turn allocated to the incorporated cities and towns in the county based on the amount of liquor sold in each city or town. Four and one-half percent of the total license tax proceeds are allocated to the counties based on the amount of liquor sold in the county and are retained by the county. The remainder, 65.5 percent, is deposited in the state special revenue account to the credit of the Department of Institutions for the treatment, rehabilitation, and prevention of alcoholism. The legislature may appropriate a portion of the license tax proceeds to support alcohol programs with 85 percent of the remainder to be distributed to the counties based on the proportion of the county's population to the state's population. The remaining 15 percent is distributed to the counties based on the county's land area to the state's land area. These funds may only be used for purposes pertaining to the problems of alcoholism.

3) BEER TAX A tax of \$3 per barrel is imposed for every 31 gallon barrel of beer brewed or sold in the state. These funds are statutorily appropriated to the department for distribution to incorporated cities and towns based on population. There is an additional tax of \$1.30 per barrel. One dollar of this tax is deposited to the credit of the Department of Institutions for the treatment, rehabilitation, and prevention of alcoholism. The remaining 30 cents of this additional tax is deposited to the general fund.

4) TABLE WINE TAX A tax of 27 cents per liter is imposed on table wine imported by any distributor or the Department. Sixteen cents of the tax is deposited to the general fund, 8.34 cents is deposited to the state special revenue account to the credit of the Department of Institutions for the treatment, rehabilitation, and prevention of alcoholism, and one and one-third cents each is statutorily appropriated to the counties and cities and towns based on population.

DEPARTMENT OF INSTITUTIONS ALLOCATION

The allocation of the alcohol funds available to the Department of Institutions for treatment, rehabilitation, and prevention of alcoholism occurs as shown in table 1 below.

| Table 1 Alcohol Earmarked Revenue and Expenditures and County Distribution | | | |
|---|------------------------|------------------------|------------------------|
| | <u>Fiscal 1986</u> | <u>Fiscal 1988</u> | <u>Fiscal 1989</u> |
| <u>Revenues</u> | | | |
| 65.5 % Liquor License Tax | \$2,387,928 | \$2,486,380 | \$2,546,640 |
| Beer Tax | 727,022 | 683,000 | 683,000 |
| Wine Tax | 454,744 | 558,000 | 558,000 |
| Galen Reimbursement | 180,138 | 200,448 | 202,056 |
| Change-Fund Balance | <u>(33,552)</u> | <u>-0-</u> | <u>-0-</u> |
| Total Revenues | \$3,716,280 | \$3,927,828 | \$3,989,696 |
| <u>Expenses</u> | | | |
| ADAD Admin | \$ 310,528 | \$ 368,701 | \$ 353,761 |
| Galen | 1,595,609 | 1,687,657 | 1,694,394 |
| Forensic Lab | 129,556 | 143,835 | 143,232 |
| Counselors | <u>104,879</u> | <u>137,940</u> | <u>139,102</u> |
| Total State Expense | <u>\$2,141,572</u> | <u>\$2,338,133</u> | <u>\$2,330,489</u> |
| County Distribution | <u>\$1,574,708</u> | <u>\$1,589,695</u> | <u>\$1,659,207</u> |
| <u>Total County Distribution</u> | | | |
| Alcohol Earmarked | \$1,574,708 | \$1,589,695 | \$1,659,207 |
| Federal Block Grant | <u>226,504</u> | <u>156,854</u> | <u>156,854</u> |
| Total | <u>\$1,801,212</u> | <u>\$1,746,549</u> | <u>\$1,816,061</u> |

The license tax, beer tax, and wine tax are combined with insurance and third party reimbursement from patients at the Alcohol Treatment Center at the Galen campus of Montana State Hospital to form a pool of funds with which to fund various alcohol related programs. These funds are estimated to total \$3,927,828 in fiscal 1988 and \$3,989,696 in fiscal 1989. Before the funds can be distributed to the counties using the "85/15" allocation, certain program expenses are appropriated. The administrative costs of \$368,701 in fiscal 1988 and \$353,761 in fiscal 1989 associated with the Alcohol and Drug Abuse Division central office are funded using the alcohol funds. Alcohol counselors at the Department's men's correctional facilities costing \$137,940 in fiscal 1988 and \$139,102 in fiscal 1989 are also funded with these alcohol funds. The largest single expense is the inpatient alcohol treatment center at Galen which is estimated at \$1,687,657 in fiscal 1988 and \$1,694,394 in fiscal 1989. The Forensic Lab in Missoula receives Approximately \$143,000 of these funds each year of the biennium. The balance of the alcohol funds are then distributed to the counties using the "85/15" formula in Section 53-24-206, MCA.

During the last two bienniums the available alcohol funds have been insufficient to maintain the county distribution at current level, therefore, carryover funds from the federal Alcohol, Drug Abuse and Mental Health Services (ADMS) block grant have been used to maintain current level services. As shown in the table, available county distribution funds decline even when combined with available federal funds in fiscal 1988 but increase in fiscal 1989.

EXHIBIT 6
DATE 1/9/86
~~RE~~ ADAD
K. Wolcott

ALCOHOL AND DRUG ABUSE DIVISION

| Budget Item | Actual | Appropriated | - - Current Level - - | | % Change 1987-89 Biennium |
|-----------------------|----------------------|----------------------|-----------------------|----------------------|---------------------------------|
| | Fiscal 1986 | Fiscal 1987 | Fiscal 1988 | Fiscal 1989 | |
| F.T.E. | 10.00 | 10.00 | 10.00 | 10.00 | 0.00 |
| Personal Service | \$ 261,586 | \$ 264,748 | \$ 282,111 | \$ 282,431 | 7.3 |
| Operating Expense | 106,047 | 95,290 | 106,079 | 90,819 | (2.2) |
| Equipment | 3,563 | 2,863 | 3,000 | 3,000 | (6.6) |
| Total Operating Costs | \$ 371,196 | \$ 392,901 | \$ 391,190 | \$ 376,250 | 4.5 |
| Non-Operating Costs | 1,239,715 | 1,261,309 | 1,294,565 | 1,294,565 | 3.5 |
| Total Expenditures | \$1,610,911 ===== | \$1,624,210 ===== | \$1,685,755 ===== | \$1,670,815 ===== | 3.8 ===== |
| Fund Sources | | | | | |
| General Fund | \$ 215,200 | \$ 208,612 | \$ 215,200 | \$ 215,200 | 1.6 |
| State Special | 310,530 | 331,347 | 368,701 | 353,761 | 12.6 |
| Federal Revenue | 1,085,181 | 1,084,251 | 1,101,854 | 1,101,854 | 1.6 |
| Total Funds | \$1,610,911 ===== | \$1,624,210 ===== | \$1,685,755 ===== | \$1,670,815 ===== | 3.8 ===== |

The Alcohol and Drug Abuse Division's (ADAD) role is to administer chemical dependency programs and distribute state funds to certified community programs. The division approves treatment facilities and programs, certifies and establishes standards for chemical dependency counselors, plans and provides training for approved programs, and prepares a long-term state chemical dependency plan. Funding for the division consists of general fund for drug contracts, 42.63 percent of the federal Alcohol, Drug Abuse, and Mental Health Services Block Grant, and state liquor tax.

Personal services increase 7.3 percent due to vacancy savings in fiscal 1986 and cuts from Special Session III. Operating expenses decrease 2.2 percent as one time charges of \$421 for moving telephone equipment are removed from the base, payroll service fees are reduced \$743 and the division's share of the building rent decreases \$1,733. Expenses in the other expense category have been reduced \$795 to fiscal 1986 authorized level.

The general fund increases 1.6 percent into the 1989 biennium after the Governor's 2 percent cut of \$4,392 in fiscal 1986 and the 5 percent cut of \$10,980 from Special Session III in fiscal 1987. State special alcohol funds increase 12.6 percent as federal funds used in the administration of the division decrease. The federal block grant funds increase 1.6 percent as all the carry over funds are exhausted in the 1987 biennium, but are replaced with one-time grants for drug programs in the 1989 biennium.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 4
Comparison of Actual Expenses to Appropriated Expenses

| <u>Budget Item</u> | <u>Legislature</u> | <u>Actual</u> | <u>Difference</u> |
|---------------------------|--------------------|--------------------|-------------------|
| F.T.E | 10.00 | 10.00 | 0.00 |
| Personal Service | \$ 277,318 | \$ 261,586 | \$15,732 |
| Operating Expense | 116,988 | 106,047 | 10,941 |
| Equipment | 3,000 | 3,563 | (563) |
| Total Operating Costs | \$ 397,306 | \$ 371,196 | \$26,110 |
| Non Operating Costs | | | |
| State Sources | 215,200 | 215,200 | -0- |
| Federal Sources | 1,052,710 | 1,024,515 | 28,195 |
| Total Non Operating Costs | 1,267,910 | 1,239,715 | 28,195 |
| Total Operating Expense | <u>\$1,665,216</u> | <u>\$1,610,911</u> | <u>\$54,305</u> |
| <u>Funding</u> | | | |
| General Fund | \$ 215,200 | \$ 215,200 | \$ -0- |
| State Special | 334,235 | 310,530 | 23,705 |
| Federal | 1,115,781 | 1,085,181 | 30,600 |
| Total Funding | <u>\$1,665,216</u> | <u>\$1,610,911</u> | <u>\$54,305</u> |

The division realized \$15,732 in personal service savings in addition to \$11,240 of budgeted vacancy savings. An administrative officer IV and a project evaluator were vacant two and one-half months, an administrative officer II was vacant four months and the receptionist position was vacant in June 1986.

Operating costs were \$10,941 less than authorized due to contracted Department of Administration data processing systems development costs that were budgeted but not expended. The division spent \$3,563 on equipment which is \$563 more than was authorized.

The non-operating costs were \$28,195 less than authorized. The general fund portion which supports grants to community drug abuse programs was fully expended after the Governor's 2 percent cut of \$4,392. The grants from federal sources, ADMS block grant, were \$28,195 less than authorized.

Current Level Adjustments

Audit fees of \$15,600 are included in fiscal 1988 to allow the division to contract for independent audits of community programs receiving federal block grant funds. Insurance costs increase \$457 based on quotes from the Tort Claims Division of the Department of Administration. Honorariums have been increased a total of \$125 for seven regular advisory council meetings per year. In-state travel has been increased \$1,332 to allow travel required to conduct evaluations when fully staffed. Payroll service fees have been decreased \$743 based on the State Auditor's quote while the division's share of building rent decreases \$1,733. Expenses in the other expense category have been reduced \$795 to the fiscal 1986 authorized level.

Equipment includes \$3,000 in each fiscal year to purchase alcohol and drug treatment and prevention films to add to the film library. This will add six films each year to the library. Treatment programs as well as schools, churches, civic organizations, and the general public have access to these films.

As Table 5 shows, the non-operating expenses are comprised of three programs: the distribution of liquor tax earmarked for counties, the general fund portion of the discretionary drug grants to state approved programs, and the federal block grant portion of both alcohol and drug discretionary grants, as well as federal block grant used for the liquor tax shortfall.

Table 5
Alcohol and Drug Abuse Non-Operating Costs

| Grants | Fiscal 1988 | | | | Fiscal 1989 | | | |
|-------------------|------------------|--------------------|--------------------|--------------------|------------------|--------------------|--------------------|--------------------|
| | General Fund | Alcohol | Block Grant | Total | General Fund | Alcohol | Block Grant | Total |
| County Payments | \$ -0- | \$1,589,695 | \$ 156,854 | \$1,746,549 | \$ -0- | \$1,659,207 | \$ 156,854 | \$1,816,061 |
| Discretionary | -0- | -0- | 392,126 | 392,126 | -0- | -0- | 392,126 | 392,126 |
| Non-Discretionary | -0- | -0- | 124,500 | 124,500 | -0- | -0- | 124,500 | 124,500 |
| Drug Programs | 215,200 | -0- | 405,885 | 621,085 | 215,200 | -0- | 405,885 | 621,085 |
| Total | <u>\$215,200</u> | <u>\$1,589,695</u> | <u>\$1,079,365</u> | <u>\$2,884,260</u> | <u>\$215,200</u> | <u>\$1,659,207</u> | <u>\$1,079,365</u> | <u>\$2,953,772</u> |

Only two programs, the general fund portion of the discretionary drug grants and the federal block grant funds, are reflected in the main table and comparison table. The liquor tax earmarked for counties is appropriated in statute, Section 53-24-206, MCA. The table below shows the estimated funds available to fund alcohol and drug programs in the state with general funds, federal block grant funds and the alcohol earmarked pass through funds.

Table 6
Alcohol and Drug Abuse Division Non-Operating Expenses

| Program | Fiscal 1986 | Fiscal 1988 | Fiscal 1989 | % Change FY86-FY88 |
|-----------------------|--------------------|--------------------|--------------------|-----------------------|
| Drug Program | \$ 621,085 | \$ 745,585 | \$ 745,585 | 20.0 |
| Alcohol Program | 2,193,338 | 2,138,675 | 2,208,187 | 2.5 |
| Total Program Costs | <u>\$2,814,423</u> | <u>\$2,884,260</u> | <u>\$2,953,772</u> | <u>2.5</u> |
| Funding | | | | |
| General Fund | \$ 215,200 | \$ 215,200 | \$ 215,200 | 0.0 |
| Alcohol Tax | 1,574,708 | 1,589,695 | 1,659,207 | 1.0 |
| Block Grant | <u>1,024,515</u> | <u>1,079,365</u> | <u>1,079,365</u> | <u>5.4</u> |
| Total Program Funding | <u>\$2,814,423</u> | <u>\$2,884,260</u> | <u>\$2,953,772</u> | <u>2.5</u> |

The drug program increases 20 percent from fiscal 1986 to fiscal 1988 as a result of a one-time grant of \$249,000 from the federal government for drug treatment. Only \$124,500 is included each year of the 1989 biennium since the program has two years to spend the money. These funds were appropriated by congress in separate legislation from the block grant but are to be distributed through the block grant to the states. The general fund in the drug program remains at the fiscal 1986 expended level of \$215,200 through the biennium as does the regular block grant funds of \$405,885.

The alcohol program increases 2.5 percent from fiscal 1986 to fiscal 1988. The alcohol tax increases 1.0 percent from fiscal 1986 to fiscal 1988 while federal block grant discretionary funds remain the same. The federal block grant funds that have been used to supplement the declining alcohol tax funds have decreased from \$226,504 in fiscal 1986 to \$156,854 available for this purpose in fiscal 1988 and fiscal 1989. Although the division's discretionary grant funds remain at the fiscal 1986 level the total amount available for distribution to the counties in fiscal 1988 decreases \$54,663 then increases \$69,412 in fiscal 1989 to \$1,816,061 as shown below in Table 7. Table 7 also shows the fiscal 1986 actual alcohol earmarked revenues and expenditures and the anticipated fiscal 1988 and 1989 revenue and expenditures.

Table 7
Alcohol Earmarked Revenue and Expenditures and County Distribution

| | <u>Fiscal 1986</u> | <u>Fiscal 1988</u> | <u>Fiscal 1989</u> |
|---|------------------------|------------------------|------------------------|
| Revenues | \$3,716,280 | \$3,927,828 | \$3,989,696 |
| Expenses | | | |
| ADAD Admin | \$ 310,528 | \$ 368,701 | \$ 353,761 |
| Galen | 1,595,609 | 1,687,657 | 1,694,394 |
| Forensic Lab | 129,556 | 143,835 | 143,232 |
| Counselors | 105,879 | 137,940 | 139,102 |
| Total State Expense | <u>\$2,141,572</u> | <u>\$2,338,133</u> | <u>\$2,330,489</u> |
| Remaining for County Distrib. | <u>\$1,574,708</u> | <u>\$1,589,695</u> | <u>\$1,659,207</u> |
| - - - - - County Distribution - - - - - | | | |
| Alcohol Earmarked | \$1,574,708 | \$1,589,695 | \$1,659,207 |
| Federal Block Grant | 226,504 | 156,854 | 156,854 |
| Total County Distribution | <u>\$1,801,212</u> | <u>\$1,746,549</u> | <u>\$1,816,061</u> |

The Department uses the earmarked revenues to fund a portion of ADAD administration, the Alcohol Treatment Program at Montana State Hospital, DUI tests at the forensic lab in Missoula, and alcohol counselors for Pine Hills, the prison, and Swan River Forest Camp. The balance is distributed to the counties using the 85/15 formula defined in Section 53-24-206, MCA. The 85 percent is allocated according to the county's population in proportion to the state population and 15 percent is allocated based on the county's land area in proportion to the state total land area.

CORRECTIONS DIVISION

| Budget Item | Actual | Appropriated | - - Current Level - - | | % Change 1987-89 Biennium |
|-----------------------|--------------------|--------------------|-----------------------|--------------------|---------------------------------|
| | Fiscal 1986 | Fiscal 1987 | Fiscal 1988 | Fiscal 1989 | |
| F.T.E. | 91.50 | 91.50 | 88.50 | 88.50 | (3.00) |
| Personal Service | \$2,103,010 | \$2,037,162 | \$2,150,919 | \$2,151,584 | 3.9 |
| Operating Expense | 1,747,906 | 1,880,090 | 1,804,514 | 1,820,318 | (0.1) |
| Equipment | 10,556 | 81,967 | 34,608 | -0- | (62.6) |
| Total Operating Costs | \$3,861,472 | \$3,999,219 | \$3,990,041 | \$3,971,902 | 1.3 |
| Non-Operating Costs | 2,727 | -0- | 2,965 | 1,541 | 65.2 |
| Total Expenditures | <u>\$3,864,199</u> | <u>\$3,999,219</u> | <u>\$3,993,006</u> | <u>\$3,973,443</u> | <u>1.3</u> |
| <u>Fund Sources</u> | | | | | |
| General Fund | \$3,860,810 | \$3,996,270 | \$3,989,206 | \$3,969,643 | 1.3 |
| State Special | 175 | 250 | 1,000 | 1,000 | 370.6 |
| Federal Revenue | 3,214 | 2,699 | 2,800 | 2,800 | (5.3) |
| Total Funds | <u>\$3,864,199</u> | <u>\$3,999,219</u> | <u>\$3,993,006</u> | <u>\$3,973,443</u> | <u>1.3</u> |

The Corrections Division Administration provides coordination, supervision, and support to the correctional programs of the state. These programs include Montana State Prison, Swan River Forest Camp, Pine Hills School, Mountain View School, Women's Correctional Facility, pre-release centers in Billings, Missoula, Great Falls, and Butte, Juvenile Aftercare, Parole and Probation and the Corrections Medical Program.

The main table above includes the Administration Program, Community Corrections Program and Men's Pre-release Program. The Women's Corrections and Corrections Medical Program are discussed separately later in this section.

A 1.0 FTE word processor operator and 2.0 FTE administrative clerk II's in the Administration Program have been deleted after the program used these positions to meet the budget cuts required by Special Session III. Operating expenses remain at the same overall level for the 1989 biennium that they were for the 1987 biennium. Equipment is at a level that is 62.6 percent less than in the 1987 biennium.

The Corrections Division is almost entirely funded with general fund which increases 1.3 percent from the 1987 biennium to the 1989 biennium. The other funds in the division include \$1,000 each year for donations and \$2,800 each year for interest and income.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

EXHIBIT 7
 DATE 1/9/87
 BY X Woleath

09-Jan-87 ALCOHOL, DRUG ABUSE AND MENTAL HEALTH BLOCK GRANT

ANNUAL GRANT AWARD \$2,153,000
 ONE-TIME FY87 6% \$51,000
 DRUG TREATMENT GRANT \$249,000

ADAD (42.63%)

| REVENUE | Fiscal 1984 | Fiscal 1985 | Fiscal 1986 | Fiscal 1987 | Fiscal 1988 | Fiscal 1989 |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Unexpended Balance Carry Forward | \$695,004 | \$544,211 | \$332,093 | \$187,227 | \$52,341 | \$161,541 |
| State Fiscal Year Block Grant | \$906,527 | \$917,824 | \$917,824 | \$917,824 | \$917,824 | \$917,824 |
| One-time 6% adm grant | | | | | \$21,741 | |
| One-time drug treatment (adad only) | | | | | \$249,000 | |
| Total Block Grant Available | \$1,601,531 | \$1,462,035 | \$1,249,917 | \$1,105,051 | \$1,240,906 | \$1,079,365 |

EXPENDITURES

| | | | | | | |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Operating | \$53,552 | \$36,788 | \$38,175 | \$0 | \$0 | \$0 |
| Non-Operating | \$1,003,768 | \$1,093,154 | \$1,024,515 | \$1,052,710 | \$1,079,365 | \$1,079,365 |
| Total Expenditures | \$1,057,320 | \$1,129,942 | \$1,062,690 | \$1,052,710 | \$1,079,365 | \$1,079,365 |
| Unexpended Balance to Carry Forward | \$544,211 | \$332,093 | \$187,227 | \$52,341 | \$161,541 | \$0 |

ANNUAL GRANT AWARD \$2,153,000
 ONE-TIME FY87 6% \$51,000
 DRUG TREATMENT GRANT \$249,000

MENTAL HEALTH (57.37%)

| REVENUE | Fiscal 1984 | Fiscal 1985 | Fiscal 1986 | Fiscal 1987 | Fiscal 1988 | Fiscal 1989 |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Unexpended Balance Carry Forward | \$640,452 | \$408,746 | \$114,017 | \$2,772 | \$2,772 | \$16,016 |
| State Fiscal Year Block Grant | \$1,219,973 | \$1,235,176 | \$1,235,176 | \$1,235,176 | \$1,235,176 | \$1,235,176 |
| One-time 6% adm grant | | | | | \$29,259 | |
| One-time drug treatment (adad only) | | | | | | |
| Total Block Grant Available | \$1,860,425 | \$1,643,922 | \$1,349,193 | \$1,237,948 | \$1,267,207 | \$1,251,192 |

EXPENDITURES

| | | | | | | |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Operating | \$179,133 | \$198,573 | \$0 | \$0 | \$0 | \$0 |
| Non-Operating | \$1,272,546 | \$1,331,332 | \$1,346,421 | \$1,235,176 | \$1,251,191 | \$1,251,192 |
| Total Expenditures | \$1,451,679 | \$1,529,905 | \$1,346,421 | \$1,235,176 | \$1,251,191 | \$1,251,192 |
| Unexpended Balance to Carry Forward | \$408,746 | \$114,017 | \$2,772 | \$2,772 | \$16,016 | \$0 |

EXHIBIT 8
 DATE 1/9/87
 BY K. Welcott

DEPARTMENT OF INSTITUTIONS - ALCOHOL AND DRUG ABUSE DIVISION

PERSONAL SERVICES

| | <u>1988</u> | <u>1989</u> |
|-----------------------|-------------------|-------------------|
| Executive FTE | 9.00 | 9.00 |
| LFA Current Level FTE | <u>10.00</u> | <u>10.00</u> |
| Difference | <u>(1.00)</u> | <u>(1.00)</u> |
| Executive | \$256,906 | \$257,235 |
| LFA Current Level | <u>282,111</u> | <u>282,431</u> |
| Difference | <u>\$(25,205)</u> | <u>\$(25,196)</u> |

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

1. The Executive budget deletes a 1.0 FTE administrative officer position that remains in the LFA current level costing \$26,166 in fiscal 1988 and \$26,130 in fiscal 1989.
2. Committee Issues

Committee Action

OPERATING EXPENSES

| | <u>1988</u> | <u>1989</u> |
|-------------------|------------------|------------------|
| Executive | \$104,838 | \$89,625 |
| LFA Current Level | <u>106,079</u> | <u>90,819</u> |
| Difference | <u>\$(1,241)</u> | <u>\$(1,194)</u> |

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

1. The primary difference in operating costs results from \$1,364 more travel in each year of the biennium included in the LFA current level than in the Executive Budget.

2. Committee Issues

Committee Action

| <u>EQUIPMENT</u> | <u>1988</u> | <u>1989</u> |
|-------------------|---------------|---------------|
| Executive | \$3,000 | \$3,000 |
| LFA Current Level | <u>3,000</u> | <u>3,000</u> |
| Difference | <u>\$ -0-</u> | <u>\$ -0-</u> |

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

1. N/A

2. Committee Issues

Committee Action

| <u>GRANTS</u> | <u>1988</u> | <u>1989</u> |
|-------------------|---------------------|---------------------|
| Executive | \$1,133,024 | \$1,133,024 |
| LFA Current Level | <u>1,294,565</u> | <u>1,294,565</u> |
| Difference | <u>\$ (161,541)</u> | <u>\$ (161,541)</u> |

-----Grants Issues-----

1. The Executive budget is \$161,541 under the LFA current level each year of the biennium. This difference results from: 1) an additional one-time grant of \$21,741; 2) a one-time federal grant of \$249,000; and 3) an unexpended balance carry forward of previous federal grant awards of \$52,341 at the end of fiscal 1987. (See attached table)

2. Committee Issues

Committee Action

| <u>FUNDING</u> | <u>----- 1988 -----</u> | | <u>----- 1989 -----</u> | |
|----------------|-------------------------|--------------------|-------------------------|--------------------|
| | <u>Executive</u> | <u>LFA</u> | <u>Executive</u> | <u>LFA</u> |
| General Fund | \$ 215,200 | \$ 215,200 | \$ 215,200 | \$ 215,200 |
| Alcohol | 342,255 | 368,701 | 327,371 | 353,761 |
| Federal SSI | 22,489 | 22,489 | 22,489 | 22,489 |
| Federal Block | <u>917,824</u> | <u>1,079,365</u> | <u>917,824</u> | <u>1,079,365</u> |
| Total | <u>\$1,497,768</u> | <u>\$1,685,755</u> | <u>\$1,482,884</u> | <u>\$1,670,815</u> |

- - - - - Funding Issues - - - - -

1. As explained in the issue under grants above, the Executive budget includes less federal block grant than LFA current level.

2. Committee Issues

Committee Action



JUDY RIPPINGALE
LEGISLATIVE FISCAL ANALYST

STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/444-2986

EXHIBIT 9
DATE 1/9/87
K Wolcott
Vacancy Savings

September 4, 1986

TO: Legislative Finance Committee

FROM: Keith Wolcott, Senior Fiscal Analyst
Jim Haubein, Principal Fiscal Analyst

SUBJECT: Vacancy Savings Study

A handwritten signature, likely of Keith Wolcott, written in dark ink.

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:

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

avings for the 1983 biennium.
tion bill approximately 1 percent.
overnor's Office for the pay plan
ed to fully fund the pay plan. The
the Legislative Fiscal Analyst's "Ap-
occurred.

Bill 500, the general appropria-
funds for the base level personal
Only about 1 percent vacancy
out of the personal services
Bill 500. The legislature took a 3
a normal average for the state and
could be accommodated by Governor
atback of state employees. Therefore,
was already funded in House Bill 500.

urred that they could fund the state pay
ouse Bill 840 for non-legislative agencies
any supplemental appropriation request to
on pay plan factors. An additional \$1.6
ted to the Office of Budget and Program
faculty at the six universities and college
ingency appropriation to be disbursed to the
y if and to the extent 3½ percent vacancy
ed.

vacancy savings applied to personal service budgets
duction to the pay plan, the net vacancy savings
1983 biennium appropriations is 4.4 percent for fiscal
for fiscal 1983 for all agencies except the university
the 3.5 percent applied in the pay plan. However,
ropriated in the pay plan as a contingency for the

The vocational-technical centers and community
d entirely, including pay raises, within the general
with no vacancy savings applied. Table 1 illustrates an

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 98.5 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 540 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 31 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> | |

Comparison of Salary Funded to Pay Plan

| <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?

| <u>Do Not Apply</u> | <u>Apply</u> | <u>Inconclusive</u> |
|---------------------|----------------|---------------------|
| Arkansas | Alaska | Idaho |
| Indiana | Arizona | Kentucky |
| Michigan | Florida | Nebraska |
| Missouri | Hawaii | New York |
| North Carolina | Kansas | Tennessee |
| North Dakota | Louisiana | |
| Ohio | Maryland | |
| Oregon | Minnesota | |
| South Dakota | Mississippi | |
| West Virginia | Nevada | |
| Wyoming | New Hampshire | |
| | New Jersey | |
| | New Mexico | |
| | Oklahoma | |
| | Rhode Island | |
| | South Carolina | |
| | Texas | |
| | Vermont | |

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/APPPROPRIATION 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.