

MINUTES OF THE MEETING
GENERAL GOVERNMENT AND HIGHWAYS SUBCOMMITTEE
50TH LEGISLATIVE SESSION
HOUSE OF REPRESENTATIVES

The meeting of the General Government and Highways Subcommittee was called to order by Chairman Rehberg on January 19, 1987 at 8:00 a.m. in Room 132 of the State Capitol.

ROLL CALL: All members were present except Sen. Stimatz, who was excused. Also present were Flo Smith, Budget Analyst, from the Office of Budget & Program Planning (OBPP) and Pam Joehler, Senior Fiscal Analyst, from the office of the Legislative Fiscal Analyst. (LFA)

Tape 31A:0.10

DEPARTMENT OF ADMINISTRATION

Flo Smith presented the budget for the OBPP. The four percent vacancy savings was applied to all positions within the department except the three State Tax Appeal Board members. The unfunded pay plan and sixty percent of the June 1986 Special Session five percent reductions are reflected in the 88 and 89 budgets. The department eliminated fourteen positions for an annual savings of \$303,000 and operational costs reductions are \$789,000. In total, this amounts to an annual reduction of \$1,092,000. The budgeting for building rent and grounds maintenance is consistent with the way it has been handled in other departments. The OBPP did not support a networking system that was installed within the department, referred to as DISOSS. They felt this was above negotiated agreements with ISD in regard to computer costs. The OBPP also felt that \$550 per personal computer for maintenance was high. They allowed \$250 per computer.

Director's Office - Exhibit No. 1

Ms. Smith continued her presentation. The eight FTE level remains constant from the 87 biennium. They requested approximately \$304,000 each year of the biennium, approximately \$255,000 is general fund and \$49,000 is proprietary. She told the committee there was an error on the comparison sheets. The four percent vacancy savings was not properly applied and the general fund is stated incorrectly. The proprietary fund supports the legal unit attached to the Director's Office. There is no equipment request.

Governor Elect - Exhibit No. 2

The request is for \$25,000 in general fund for FY 89 and is required under Section 2152215 of the Codes.

Pam Joehler presented the budget for the LFA. (Exhibit No. 3) The OBPP recommended three FTE and approximately \$4,000,000 more total funds in the 89 biennium than the LFA. This is attributable to eight modified recommendations and other adjustments which add seven FTE and \$7,000,000 which is offset by recommendations included in the LFA analysis which reduced FTE by four and total expenditures by \$3,000,000.

The modified requested by the agency and recommended by the OBPP is shown in Table A on page A-199. There are two general fund modifieds, one in the State Tax Appeal Board and the other in the Investment Division.

Ms. Joehler said another difference is attributed to the recommendation by the OBPP of higher operating costs, totaling approximately \$2,900,000. This is composed of almost \$600,000 for higher contracted services, \$1,350,000 for higher goods for resale and \$960,000 for other operating costs. In regard to the networking system, the LFA understood that the director required each division to have a personal computer to be hooked up to DISOSS. The computer maintenance costs were estimated for personal computers at \$500. The LFA provided a two percent increase in total expenditures in the 89 biennium for the Director's Office. Current level adjustments included \$2,156 for increased insurance, computer communication and maintenance contracts.

There are two major differences in the two budgets. The OBPP included \$1,300 for overtime in the 89 biennium and the LFA did not. The second difference is in the funding for the legislative members for the Capital Finance Advisory Council. The OBPP included \$1,388 each year for per diem and travel for two legislative members to attend four meetings each year. The LFA included \$390 for travel each year for two legislative members to attend two meetings each year. \$100 per year should be added to the LFA for per diem. With this correction, the LFA had \$1,796 less in the 89 biennium. With the OBPP correction on funding, there was very little difference in the two budgets. Ms. Joehler took vacancy savings on the legal staff which is supported from the proprietary fund. Ms. Smith had corrected that.

Ellen Feaver, Director of the Department of Administration, gave an overview of the department. (Exhibit No. 4) She outlined the goals of the department and highlighted changes or current projects that are cost effective and time saving. (Exhibit No. 5 shows the General Fund Full Time Equivalents within the department; Exhibit No. 6 shows the organizational structure of the department). Most of the department is funded with proprietary funds. (Exhibit No. 7 defines proprietary fund).

Two proposed changes within the department are to move the Tramway Advisory Council to the Department of Commerce and the proposed consolidation of the Board of Investments and the Montana Economic Development Board, transferring the functions to the Department of Commerce. Ms. Feaver requested the committee postpone final action on the Board of Investments as they are now trying to put together a budget for this combined board for the Department of Commerce.

The committee discussed the possibility of hearing the budget for the Department of Administration first in the future as it reflects on all other agency budgets.

Ms. Feaver addressed the modifications. She said the largest ones are in ISD for computer processing where they anticipate additional growth. In Central Mailing, they requested two FTE. Ms. Feaver said the savings in mailing is realized through volume and agencies considering withdrawal from Central Mail should look into the cost of personnel, equipment, etc. She said the larger agencies, such as the Department of Revenue, help to get the bulk rate for the smaller agencies. The \$50,000 requested by the Public Employees Retirement System will be used to rewrite software dealing with their contribution and refund systems. System Development requested authority to hire outside contractors, but not to include it in their current level. The department also requested additional spending authority for telephone equipment maintenance as pass-through.

In the coming biennium, there will be a change in the Social Security Program, which is a part of the Public Employees Retirement System. Beginning in 1987, the local governments will remit directly to IRS. The proposal provides funding of the Public Employees Retirement Program out of interest earned on contributions to the fund.

31B:22.30

Ms. Feaver addressed the budget for the Director's Office. Her biggest concern was the funding for the two legislators on the Capital Finance Advisory Council. She said this Council had played an important role in state finance in the past two years and the funding for two legislators to attend meetings was very important. She requested the \$200 per diem for four meetings and \$694 for travel costs for each year of the biennium be added to the LFA recommendation.

Centralized Services Division - Exhibit No. 8

Flo Smith presented the budget for the OBPP. The authorized FTE level was 15 for the 87 biennium. A .25 FTE was transferred to the Personnel Division and a .25 FTE was eliminated, bringing the total to 14.5 FTE for the 89 biennium. Audit fees amount to \$9,428 in FY 88. One position, plus operational costs associated with that position, are supported by the Investment Division through the proprietary account. There was an error made in trying to take all of the vacancy savings out of the general fund rather than the four percent against the one position funded from the Investment Division. General fund requested amounts to approximately \$418,000 in FY 88 and \$409,000 in FY 89. Approximately \$30,000 each year would come from the Investment Division proprietary account.

Pam Joehler presented the budget for the LFA. The current level provided a one percent decrease in the 89 biennium. The FTE level was reduced .5 to reflect the agency's reduction through the pay plan shortfall. Audit costs decreased significantly between bienniums while other operating cost increases offset the audit savings.

32A:0.13

Karen Munro, Administrator of Central Services Division, gave a brief overview of the operations and staff. (Exhibit No. 9) She addressed the budget differences. (Exhibit No. 10) She requested reconsideration of additional photocopying money in FY 89. These costs are in direct relationship to the legislative session.

There was discussion regarding the job share positions and the costs relating to full insurance benefits for these positions. Sen. Keating requested information be furnished the committee. (Flo Smith will make this information available to the committee).

Sen. Gage requested information regarding the grievances handled by this division in a year.

Chairman Rehberg requested a written job description of the two positions in the personnel office. (Exhibit No. 11)

Accounting Division - Exhibit No. 12

Flo Smith presented the budget for the OBPP. The FTE level authorized for the 87 biennium was 12.5. A .25 FTE was transferred to the Personnel Division. A .25 FTE accounting clerk position was eliminated. This position was used at year end as temporary help. The division will be implementing offsite printing for approximately fifteen agencies at an estimated savings of \$15,000 annually. The OBPP included an increase in supplies for agencies doing their own printing. The Department of Institutions rejected the proposal and requested the \$1,500 be added back to compensate for the difference. Audit costs for the biennium are included in FY 88. Equipment amounted to \$200. Funding is general fund in FY 88 amounting to \$835,000 and in FY 89, \$828,000.

Pam Joehler presented the budget for the LFA. The current level provided a 3.8 percent decrease in the 88-89 biennium. The agency deleted a .25 FTE. The LFA also eliminated the ISD SBAS Key verification contract. Ms. Joehler addressed the budget differences. The OBPP is \$87,500 higher in the biennium, with the majority being in contracted services. The OBPP recommended the budget reflect a nine percent annual increase for microfiche services due to growth. The LFA maintained this expenditure at the 86 base. The OBPP also recommended growth in computer processing costs. Again, the LFA maintained this expenditure, with the exception being the adjustment identified by ISD of \$4,000 a year. Other than that adjustment, growth was not budgeted in the LFA. The LFA also continued printing costs at the 86 level while the OBPP increased these costs in FY 88 only to purchase forms.

(26.43)

Kathy Fabiano, Administrator of the Accounting Division, gave an overview of the functions of the division. (Exhibit No. 13) She addressed the budget differences. (Exhibit No. 14)

32B:2.05

Ms. Fabiano said that every bill creating a new account increased their costs. Chairman Rehberg requested a breakdown of the printing costs of the hard copy. She told the committee that in the past the division got an inflation factor on the computer processing budget and never realized that inflation. So, in fact, the costs decreased and they were able to accommodate the growth without requesting an increase in their base. However, in the next biennium, this savings will not be realized as the ISD anticipated rate reductions are now built into the budget. (Exhibit No. 15 shows statistics reflecting the growth in state accounting activities from FY 84 through FY 86)

The committee recessed at 10:00 a.m.

The committee reconvened at 10:15 a.m.

Sen. Gage was excused to introduce a bill.

The committee discussed the exhibits.

Sen. Gage returned to the meeting.

Ms. Fabiano addressed the modification. The division requested an additional \$25,000 in FY 88. The division is responsible for the preparation of a statewide indirect cost allocation to be used when agencies negotiate an indirect cost rate for federal funds. These costs are included in their indirect cost plan and costs incurred to the general fund are recovered. In the last fiscal year, Montana recovered \$410,000 from the federal government and deposited this amount to the general fund as revenue. This \$25,000 will be used to hire a firm on a contingency basis and to prepare the Montana Statewide Cost Allocation Plan for FY 88. They will charge the \$25,000 only if Montana recovers an additional \$25,000 as a result of the re-vamping of the existing plan. This would be put out for bid, but the spending authority is necessary in order to sign a contract.

Purchasing Division - Exhibit No. 16

Flo Smith presented the budget for the OBPP. This division was authorized 16.5 FTE for the biennium.

33A:3.15

During FY 86, the division transferred a .25 FTE to the Architecture and Engineering Division, which was returned in FY 87. In FY 87, the division transferred a full position to Architecture and Engineering. They have also reduced a .5 FTE as part of the pay plan shortfall, which brings them to the 15 FTE level. Half of the division administrator's position is included in this budget. The other half is in the Property and Supply Division. The agency requested approximately \$467,000 in general funds for each year of the biennium.

Pam Joehler presented the budget for the LFA. The budget increased 2.3 percent from the 87 to the 89 biennium. The half-time management analyst position deleted in FY 87 was continued. The annual increases of approximately \$4,000 over the base year were provided for insurance, computer maintenance costs and computer charges. Overtime costs and health insurance costs included in the OBPP budget account for the difference in the personal services category. The LFA included \$519 less for vacancy savings. The OBPP is higher in contracted services and supplies as they allowed increased expenditures for education and training and increased microfilm services. The LFA left these expenditures at the 86 level. The OBPP is also higher in the communication category.

(7.11)

Mike Muszkiewicz, Administrator of the Purchasing Division, gave an overview of the division. (Exhibit No. 17)
He addressed the budget differences. (Exhibit No. 18)

Rep. Quilici questioned the over-expenditure in personal services due to upgrades. Mr. Muszkiewicz stated the only upgrade was in the position of a purchasing agent. There were two downgrades. When he transferred from another agency, he was at a higher step level and that accounted for part of that increase.

There was discussion regarding computer purchases, the delegation of workload to other agencies and the cost effectiveness of rules or statutes that pertain to purchasing. Mr. Muszkiewicz stated he felt the preference legislation cost the state money.

There was discussion regarding the elimination of mid-management positions and the problems involved.

When asked by Sen. Keating why they were funded with general funds, Mr. Muszkiewicz said they do this as a service to other agencies to decrease their costs. It would be difficult to pass those costs on to these agencies on a fee or percentage basis. Ms. Feaver stated she believed the purchasing function to be a compliance function and created a fair atmosphere for vendors. There are some state agencies not using this service at present.

Chairman Rehberg opened the meeting to the public.

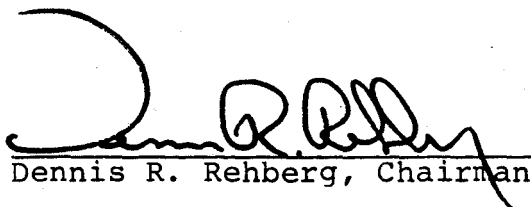
(19.55)

Mr. Terry Wahl, member of the Big Sky Public Purchasing Association, addressed the committee. (Exhibit No. 19) The purpose of the association is to support cooperative governmental purchasing in Montana. He stated they supported volume purchasing which would yield greater savings, thereby reducing the cost to everyone. He told the committee the association conducted a survey of various city, county and school officials in November and the response was good to this idea.

Mr. Muszkiewicz said the department would support this program, but they are not going to advocate it or ask for a modified to support it.

Mr. Wahl stated those responding to the survey had, for the most part, indicated they would support a fee. He felt the state would realize increased savings in purchasing as a result of the increase in volume from other governmental sources.

ADJOURNMENT: The meeting adjourned at 11:45 a.m.


Dennis R. Rehberg, Chairman

Attached and made a part of these minutes is Memorandum from Kathy Fabiano, Administrator, Accounting Division to Subcommittee members, dated January 21, 1987

Attached and made a part of these minutes is Statewide Information System Plans

DAILY ROLL CALL

GENERAL GOVERNMENT & HIGHWAYS

SUBCOMMITTEE

DATE January 19, 1987

NAME	PRESENT	ABSENT	EXCUSED
REPRESENTATIVE DENNIS REHBERG	✓		
SENATOR LARRY STIMATZ			
SENATOR DEL GAGE	✓		
SENATOR THOMAS KEATING	✓		
REPRESENTATIVE HAROLD POULSEN	✓		
REPRESENTATIVE JOE OUILICI	✓		

REPORT EBSR99
 DATE : 01/07/87
 TIME : 17/23/43

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

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
 PROGRAM : 01 DIRECTOR'S OFFICE
 CONTROL : 000000

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)	8.00	8.00	8.00	8.00		8.00	8.00	
1100	SALARIES	220,036.69	236,714	242,018	241,461	557	241,318	240,539	779
1300	OTHER COMPENSATION	100.00	500	200		200	200		200
1400	EMPLOYEE BENEFITS	40,380.40	34,848	35,903	35,904	-1	36,523	36,523	
1500	HEALTH INSURANCE		10,061	11,040	11,040		11,040	11,040	
1600	VACANCY SAVINGS		-10,926	-11,558	-11,489	-69	-11,555	-11,477	-78
1800		55							
1900	PERSONAL SERVICES-OTHER	2,613.00	1,453						
	TOTAL LEVEL	263,130.09	272,705	277,603	276,916	687	277,526	276,625	901
2021	CONTRACTED SERVICES-INFLATI			-25	-21	-4	-137	-41	-96
2023	COMMUNICATIONS-INFLATION			17	17		26	26	
2025	RENT-INFLATION			752	752	-752	5,886	1,044	-1,044
2100	CONTRACTED SERVICES	2,317.16	973	4,257	4,811	-554	1,884	5,440	446
2200	SUPPLIES & MATERIALS	3,148.48	5,734	2,552	1,776	776	5,288	1,776	108
2300	COMMUNICATIONS	5,373.38	6,061	5,288	5,294	-6	2,641	5,294	-6
2400	TRAVEL	1,968.49	1,818	2,641	1,947	694	8,379	1,947	694
2500	RENT	7,859.00	8,015	8,034	7,859	175	2,548	7,859	520
2700	REPAIR & MAINTENANCE	1,564.65	2,542	2,599	2,978	-379	2,978	2,978	-430
2800	OTHER EXPENSES	802.63	1,742	909	794	115	656	794	-138
	TOTAL LEVEL	23,033.79	26,965	26,272	26,207	65	27,171	27,117	54
3100	EQUIPMENT	10,961.24							
3400	INTANGIBLE ASSETS	620.00							
	TOTAL LEVEL	11,581.24							
	TOTAL PROGRAM	297,745.12	299,670	303,875	303,123	752	304,697	303,742	955
01100	GENERAL FUND	253,154.13	257,695	252,877	254,047	-1,170	254,089	255,053	-964
06504	LEGAL SERVICES	44,590.99	41,975	50,998	49,076	1,922	50,608	48,689	1,919
	TOTAL PROGRAM	297,745.12	299,670	303,875	303,123	752	304,697	303,742	955

DATE 1-17-87
 EXHIBIT 1
 I 955

REPORT ENR99
 DATE : 01/07/87
 TIME : 17/23/43

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

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

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	CURRENT LEVEL SERVICES ONLY		
							OBPP FY 89	LFA FY 89	DIFF FY 89
2100	CONTRACTED SERVICES			25,000	25,000		25,000	25,000	
	TOTAL LEVEL			25,000	25,000		25,000	25,000	
	TOTAL PROGRAM			25,000	25,000		25,000	25,000	
01100	GENERAL FUND			25,000	25,000		25,000	25,000	
	TOTAL PROGRAM			25,000	25,000		25,000	25,000	

EXHIBIT 2
 DATE 1-19-87
 HB _____

3
1-19-87

DEPARTMENT OF ADMINISTRATION
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE FY '89	Biennium General Fund	Total Funds
Executive Budget	413.09	\$8,115,066	\$74,051,451
LFA Current Level	410.09	7,509,699	69,983,278
Executive Over (Under) LFA	<u>3.00</u>	<u>\$ 605,367</u>	<u>\$ 4,068,173</u>

The executive recommends 3.0 FTE and \$4,068,173 more total funds for the Department of Administration in the 1989 biennium than is included in the LFA current level. This is attributable to 8 modified recommendations and other adjustments adding 7.0 FTE and \$7 million offset by recommendations which reduced FTE by 4.0 and the total expenditures by \$3 million.

ISSUE 1: MODIFIED REQUESTS

The executive has recommended approval of eight modified requests totaling \$3.8 million. The FTE and fiscal requirements of each modified request are summarized below in Table A. None of these modified requests are included in the LFA current level.

Table A
Modified Requests Recommended by the Executive
1989 Biennium

Division	FY 89 FTE	General Fund	Other Funds	Total Funds
1. Information Services Division Central Computer Operations	0.0	\$ -0-	\$ 971,000	\$ 971,000
2. Information Services Division System Development	0.0	-0-	250,000	250,000
3. Information Services Division Telecommunications	0.0	-0-	815,352	815,352
4. Mail and Management	2.0	-0-	831,898	831,898
5. Investment Division Portfolio Managers	2.0	-0-	133,668	133,668
6. Investment Division Link Deposit Program	0.0	\$500,000	-0-	500,000
7. State Tax Appeal Board	0.0	271,084	-0-	271,084
8. Public Employees' Retirement	0.0	-0-	50,000	50,000
Total Modified Recommendation	<u>4.0</u>	<u>\$771,084</u>	<u>\$3,051,918</u>	<u>\$3,823,002</u>

ISSUE 2: EXECUTIVE RECOMMENDS HIGHER OPERATING EXPENSES

The executive has recommended higher operating expenses than LFA current level in 14 of the department's programs. A total of approximately \$2.9 million is included in the executive recommendation for higher operating expenses. This is composed of approximately \$575,000 for higher contracted services, \$1.35 million for higher goods for resale, and \$960,000 for other operating expenses. The current level budget adjusted base year operating expenses only when the agency could justify or document the need for increased operating expenses in the 1989 biennium.

ISSUE 3: TRANSFER APPROPRIATION AUTHORITY

LFA current level includes \$2.6 million transfer appropriation authority in two programs, general services and tort claims, which is not included in the executive recommendation. In order to comply with generally accepted accounting principles, the department issued a management memo in fiscal 1986 directing agencies to transfer non-proprietary funds used to support proprietary fund operations into the proprietary fund so that all expenditures would appear on the accounting system as coming from the proprietary fund.

In order to comply with this management memo, the general services divisions and tort claims division sought and obtained a temporary appropriation through administrative appropriation authority. The current level budget includes the transfer authority while the executive budget does not have this transfer authority.

The Budget Analysis attempts to reflect the general operating procedures of the state as well as the policies of the legislature when presenting its current level budget.

ISSUE 4: EXECUTIVE DELETES SOCIAL SECURITY PROGRAM IN PUBLIC EMPLOYEES' RETIREMENT DIVISION

The executive has recommended four FTE and \$158,000 be deleted from the public employees' retirement division in the 1989 biennium as it expects the Social Security Administration to amend the existing federal/state agreement removing the responsibility of collecting state and local government social security contributions from the division.

The current level budget did not remove the FTE as the future of the social security program was uncertain at the time the analysis was compiled. The four FTE are in LFA current level funded from the investment earnings of the division.

DEPARTMENT OF ADMINISTRATION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	419.30	414.09	406.09	410.09	(4.00)
Personal Services	\$10,494,831	\$10,700,139	\$10,702,433	\$10,791,420	1.41
Operating Expenses	18,090,145	20,391,312	18,787,431	19,152,478	(1.41)
Equipment	1,828,450	1,944,391	1,336,533	1,126,483	(34.72)
Total Operating Costs	\$30,413,426	\$33,035,842	\$30,826,397	\$31,070,381	(2.45)
Non-Operating Costs	2,985,177	2,520,780	4,044,546	4,041,954	46.87
Total Expenditures	<u>\$33,398,603</u>	<u>\$35,556,622</u>	<u>\$34,870,943</u>	<u>\$35,112,335</u>	<u>1.49</u>
Fund Sources					
General Fund	\$ 3,706,889	\$ 3,710,456	\$ 3,750,838	\$ 3,758,861	1.25
State Special	843,128	895,448	842,269	843,342	(3.05)
Other	28,848,586	30,950,718	30,277,836	30,510,132	1.65
Total Fund	<u>\$33,398,603</u>	<u>\$35,556,622</u>	<u>\$34,870,943</u>	<u>\$35,112,335</u>	<u>1.49</u>

The primary goal of the department is to provide services to state agencies in the areas of accounting, financial reporting, insurance, communications, data processing, personnel management and labor relations, purchasing, printing, mail and messenger, and records management.

The department also administers the Long-Range Building Program, State Employee Group Benefits Program, and various state retirement programs.

Functions attached to the department for administrative purposes include the Board of Examiners, State Tax Appeals Board, Workers' Compensation Court, Board of Investments, Public Employees Retirement System, and Teachers' Retirement Division.

The current level budget provides an overall 1.5 percent increase in total expenditures from the 1987 biennium to the 1989 biennium. Overall FTE decreases a net 4.0 between fiscal 1987 and 1989. Decreases totaling 8.0 FTE appear in accounting (0.25), architecture and engineering (0.25), information services (1.25), general services (0.75), purchasing (0.50), centralized services (0.50), investments (2.5), personnel (1.5), and tort claims (0.50). Offsetting increases appear in information services (3.0) and personnel (1.0).

Personal services increase 1.4 percent as the 1989 biennium salaries are based on the fiscal 1987 pay matrix and fiscal 1986 vacancy savings exceeded budgeted vacancy savings by approximately \$197,000.

Non-operating costs include long-term lease purchase costs and accounting entity transfers to comply with generally accepted accounting principles. Lease purchase costs account for \$215,866 of the biennial \$2,580,543 increase; accounting entity transfers account for the remainder.

General fund increases 1.25 percent in the current level budget primarily because the common area allocation funded by general fund in the general services budget follows legislative intent in the current level budget rather than the actual expenditure pattern of the department. In fiscal 1986, the agency spent \$106,642 less general fund than authorized by the 1985 legislature. General fund also increases because \$25,000 is included in fiscal 1989 for the governor-elect program required by Section 2-15-221, MCA.

DIRECTOR'S OFFICE

Budget Item	Actual	Appropriated	- - Current Level - -		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	8.00	8.00	8.00	8.00	0.00
Personal Service	\$260,518	\$272,705	\$276,916	\$276,625	3.8
Operating Expense	23,037	26,965	26,207	27,117	6.6
Equipment	11,581	-0-	-0-	-0-	(100.0)
Total Expenditures	\$295,136 =====	\$299,670 =====	\$303,123 =====	\$303,742 =====	2.0 =====
Fund Sources					
General Fund	\$253,155	\$257,695	\$254,047	\$255,053	(0.3)
Proprietary	41,981	41,975	49,076	68,689	16.4
Total Funds	\$295,136 =====	\$299,670 =====	\$303,123 =====	\$303,742 =====	2.0 =====

The Director's Office supervises and coordinates the activities of the various divisions within the department and the administratively attached boards and agencies. Services provided by the staff include legal services, management reviews, assistance in special projects, and assistance to the Board of Examiners.

The current level budget provides a 2 percent increase in total expenditures from the 1987 biennium to the 1989 biennium. Personal services increase 3.8 percent as the current level budget reflects the fiscal 1987 salary matrix. Operating expenses increase 6.6 percent due to higher expenditures for insurance, computer communication charges, and computer maintenance costs.

The Director's Office is funded from general fund and from fees charged to various divisions for legal staff housed in the Director's Office. General fund decreases 0.3 percent while the proprietary fund supporting the legal function increases 16.4 percent.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

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

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	8.00	8.00	0.00
Personal Service	\$269,371	\$260,518	\$ 8,853
Operating Expense	26,103	23,037	3,066
Equipment	-0-	11,581	(11,581)
Total Expenditures	<u>\$295,474</u>	<u>\$295,136</u>	<u>\$-----338-</u>
<u>Funding</u>			
General Fund	\$253,422	\$253,155	\$ 267
Proprietary Funds	42,052	41,981	71
Total Funds	<u>\$295,474</u>	<u>\$295,136</u>	<u>\$-----338-</u>

Fiscal 1986 actual expenditures were \$338 less than authorized by the legislature. Personal services was \$8,853 less than authorized due to 1.0 FTE working three-fourth time in fiscal 1986. This savings in personal services, together with a cumulative \$3,066 savings in supplies, travel, repair, and other expenses, funded the purchase of office equipment and a personal computer and related software not requested by the agency nor authorized by the 1985 legislature.

Current Level Adjustments

The current level budget includes adjustments totaling \$2,156 for increases in insurance costs, computer communication charges, and maintenance contracts.

GOVERNOR ELECT

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	0.00	0.00	0.00	0.00	0.00
Operating Expenses	\$-0- =====	\$-0- =====	\$-0- =====	\$25,000 =====	--- =====
<u>Fund Sources</u>					
General Fund	\$-0- =====	\$-0- =====	\$-0- =====	\$25,000 =====	--- =====

Section 2-15-221, MCA provides that the Department of Administration shall provide the governor-elect and his necessary staff with suitable office space in the Capitol Building together with operating expenses for the period between the general election and the inauguration. The current level budget provides \$25,000 in fiscal 1989 for this purpose.

ACCOUNTING DIVISION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	12.25	12.25	12.00	12.00	(0.25)
Personal Service	\$316,110	\$319,516	\$323,583	\$323,562	1.8
Operating Expense	499,650	489,018	478,141	449,808	(6.1)
Equipment	12,982	-0-	-0-	-0-	(100.0)
Total Expenditures	\$828,742 =====	\$808,534 =====	\$801,724 =====	\$773,370 =====	(3.8) =====
<u>Fund Sources</u>					
General Fund	\$828,742 =====	\$808,534 =====	\$801,724 =====	\$773,370 =====	(3.8) =====

The Accounting Division operates the Statewide Budgeting and Accounting System (SBAS) and is responsible for processing and recording the state's financial transactions. The division also maintains the Property Accountability Management System which is the state's primary fixed asset accounting system. An annual financial report of all the state's financial activity is prepared after the close of each fiscal year by the division.

The current level budget provides a 3.8 percent decrease from the 1987 biennium to the 1989 biennium. Personal services increases 1.8 percent because the fiscal 1986 appropriation was underspent by \$2,970, the fiscal 1987 appropriated amount reflects

The deadhead fee or the overhead rate could be reduced significantly and still enable the program to operate at the current level. If the deadhead fee were reduced to the extent of the overcollection, the fee would drop by 95 percent in fiscal 1988 and be eliminated in fiscal 1989. If the overhead rate were reduced to the extent of the overcollection, the rate could be reduced from 17.5 percent in fiscal 1987 to 1.9 percent in fiscal 1988 and 2.1 percent in fiscal 1989.

The general fund impact of the revenue overcollection is approximately \$83,850 in the 1989 biennium.

Option A: Direct the Department of Administration to reduce either the proposed deadhead fee or overhead rate for the 1989 biennium so that the expected revenue collection equals the legislatively approved budget.

Option B: Take no action.

TREASURY CENTRAL SERVICES

Budget Item	Actual	Appropriated	-- Current Level --		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	14.75	15.00	14.50	14.50	(0.50)
Personal Service	\$373,003	\$380,133	\$386,160	\$386,206	2.6
Operating Expense	58,434	74,794	61,918	52,879	(13.8)
Equipment	9,638	123	-0-	-0-	(100.0)
Total Expenditures	<u>\$441,075</u>	<u>\$455,050</u>	<u>\$448,078</u>	<u>\$439,085</u>	<u>1.0</u>
<u>Fund Sources</u>					
General Fund	\$413,184	\$428,384	\$417,114	\$408,176	(1.9)
Proprietary Funds	27,891	26,666	30,964	30,909	13.4
Total Funds	<u>\$441,075</u>	<u>\$455,050</u>	<u>\$448,078</u>	<u>\$439,085</u>	<u>(1.0)</u>

The Treasury Central Services Division is divided into two functions. The central services function contains central budget and personnel functions for the department. The treasury function is the state's central bank. It receives and disburses funds and monitors the records of accounts for all approved commercial depositories throughout the state.

The current level budget provides a 1 percent total decrease from the 1987 biennium to the 1989 biennium. FTE was reduced 0.5 in the 1989 biennium to reflect the agency's reduction for the fiscal 1987 pay plan shortfall.

Personal services increase 2.6 percent from the 1987 biennium to the 1989 biennium due to several factors. Fiscal 1986 expenditures were \$6,510 less than budgeted after vacancy savings and the fiscal 1987 appropriation reflects the \$12,175

Eliminating this administrative charge from the mail program budget would save approximately \$14,000 of general fund in the 1989 biennium. This savings would come in the form of lower deadhead rates or a lower administrative overhead rate assessed on all outgoing U.S. mail.

The executive includes this administrative cost in its recommendation; the Legislative Fiscal Analyst excludes this cost.

- Option A: Approve the LFA current level budget and direct the agency to pass on the cost savings to agencies in the form of either lower deadhead rates or a lower administrative overhead rate.
- Option B: Keep the cost in the mail program budget but include this reimbursement to general services as a revenue in that program, thereby reducing the rental rate charged to agencies.
- Option C: Take no action.

ISSUE 2: REVENUE OVERCOLLECTION

The projected collections from the three revenue sources exceed LFA current level costs by \$142,615 in fiscal 1988 and \$155,894 in fiscal 1989. This is based on the anticipated revenue from "deadhead" fees, overhead rate collections from outgoing U.S. mail, and the U.S. Postal Service contract compared to the current level budget. This is detailed in Table 16.

Table 16
Calculation of Excess Revenue in Mail Program
1989 Biennium

	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>
Estimated Postage	\$ 805,222	\$ 893,796	\$ 992,114
UPS	<u>20,774</u>	<u>20,774</u>	<u>20,774</u>
Total Communications Revenue	\$ 825,996	\$ 914,570	\$1,012,888
Overhead (17.5%)	144,549	160,050	177,255
Messenger	149,352	149,352	149,352
USPS Contract	<u>38,976</u>	<u>38,976</u>	<u>38,976</u>
Total Est. Revenue	\$1,158,873	\$1,262,948	\$1,378,471
LFA Current Level Cost	\$1,097,894	\$1,120,333	\$1,222,577
Excess Revenue Over Costs	<u>\$ 60,979</u>	<u>\$ 142,615</u>	<u>\$ 155,894</u>

The revenue from the U.S. Postal Service is from a fixed contract so the agency does not need to collect this from the deadhead fee or overhead rate. However, the deadhead fee and the overhead rate proposed by the agency collect \$298,509 more revenue in the 1989 biennium than necessary to operate the program.

pay plan shortfall. The 1989 biennium expenditures reflect 14.5 FTE funded from the fiscal 1987 pay matrix. Additionally, the 0.5 FTE reduction between fiscal 1987 authorized and the 1989 biennium produced only a \$10,000 savings. Finally, the agency made a 1.0 FTE into two 0.5 FTE positions, each receiving health insurance benefits. This added \$2,760 to the personal services cost in the 1989 biennium.

Current level operating expenses decrease 13.8 percent from the 1987 biennium to the 1989 biennium primarily as audit costs will decrease from \$36,800 in the 1987 biennium to \$9,428 in the 1989 biennium. This \$27,372 savings is offset approximately \$6,500 for increased costs for insurance, maintenance contracts, and computer communication costs.

This program is funded from general fund and investment division proprietary funds. General fund decreases 1.9 percent. The proprietary fund increases 13.4 percent.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

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

Table 16
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	15.00	14.75	0.25
Personal Service	\$379,513	\$373,003	\$ 6,510
Operating Expense	85,746	58,434	27,312
Equipment	2,823	9,638	(6,815)
Total Expenditures	<u>\$468,082</u>	<u>\$441,075</u>	<u>\$27,007</u>
Funding			
General Fund	\$440,156	\$413,184	\$26,972
Proprietary Funds	27,926	27,891	35
Total Funds	<u>\$468,082</u>	<u>\$441,075</u>	<u>\$27,007</u>

Fiscal 1986 expenditures were \$27,007 less than the appropriation. Personal services were \$6,510 less than appropriated primarily due to an accounting tech II position, originally budgeted at 1.0 FTE, being reduced to 0.75 FTE via a program transfer, and the remaining 0.75 FTE being filled only one-half the time.

Operating expenses were \$27,312 less than appropriated with the greatest savings coming in audit fees. The agency spent only \$12,567 of a \$36,800 audit appropriation.

Equipment expenditures exceeded the fiscal 1986 appropriation by \$6,815 due to the agency purchasing a personal computer and related software not specifically authorized by the legislature.

Current Level Adjustments

The current level budget applies a four percent vacancy savings factor to personal services for 14.5 FTE. Legislative Auditor fees of \$9,428 are included in fiscal 1988 only. Insurance fees paid to the department's tort claims division increase \$3,729 because the vault insurance policy is now paid annually, rather than on a three-year contract which was last paid in fiscal 1985. Additional fees for computer charges, totaling \$1,560 each year, were added to the current level budget.

BOARD OF INVESTMENTS

Budget Item	Actual	Appropriated	-- Current Level --		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	19.00	18.50	16.00	16.00	(2.50)
Personal Service	\$526,145	\$552,477	\$522,289	\$522,307	(3.2)
Operating Expense	283,475	217,872	301,530	227,363	5.5
Equipment	3,575	7,200	3,500	-0-	(67.5)
Total Operating Costs	\$813,195	\$777,549	\$827,319	\$749,670	(0.9)
Non-Operating Costs	7,021	-0-	9,190	3,924	86.8
Total Expenditures	\$820,216	\$777,549	\$836,509	\$753,594	(0.5)
	=====	=====	=====	=====	=====
<u>Fund Sources</u>					
Proprietary Funds	\$820,216	\$777,549	\$836,509	\$753,594	(0.5)
	=====	=====	=====	=====	=====

The Board of Investments has the authority to invest state funds in accordance with Article VII, Section 13 of the Montana Constitution and Section 17-6-201, MCA. The investment staff initiates the investment process for board approval and accounts for those investments.

The current level budget provides a 0.4 percent decrease from the 1987 biennium to the 1989 biennium. Full-time equivalent positions decrease by 2.5 FTE. Personal services decreases 3.2 percent while operating expenditures are budgeted to increase 5.5 percent. The relatively large operating expense increase is due primarily to fiscal 1988 audit costs being \$42,500 higher than the fiscal 1986 audit expenditure. Equipment expenditures decrease 67.5 percent. Non-operating costs include lease purchase payments for the board's telephone system and computer equipment. This program is funded from investment earnings.

GOVERNOR ELECT

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	0.00	0.00	0.00	0.00	0.00
Operating Expenses	\$-0- ====	\$-0- ====	\$-0- ====	\$25,000 =====	--- ----
<u>Fund Sources</u>					
General Fund	\$-0- ====	\$-0- ====	\$-0- ====	\$25,000 =====	--- ----

Section 2-15-221, MCA provides that the Department of Administration shall provide the governor-elect and his necessary staff with suitable office space in the Capitol Building together with operating expenses for the period between the general election and the inauguration. The current level budget provides \$25,000 in fiscal 1989 for this purpose.

ACCOUNTING DIVISION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	12.25	12.25	12.00	12.00	(0.25)
Personal Service	\$316,110	\$319,516	\$323,583	\$323,562	1.8
Operating Expense	499,650	489,018	478,141	449,808	(6.1)
Equipment	12,982	-0-	-0-	-0-	(100.0)
Total Expenditures	\$828,742 =====	\$808,534 =====	\$801,724 =====	\$773,370 =====	(3.8) =====
<u>Fund Sources</u>					
General Fund	\$828,742 =====	\$808,534 =====	\$801,724 =====	\$773,370 =====	(3.8) =====

The Accounting Division operates the Statewide Budgeting and Accounting System (SBAS) and is responsible for processing and recording the state's financial transactions. The division also maintains the Property Accountability Management System which is the state's primary fixed asset accounting system. An annual financial report of all the state's financial activity is prepared after the close of each fiscal year by the division.

The current level budget provides a 3.8 percent decrease from the 1987 biennium to the 1989 biennium. Personal services increases 1.8 percent because the fiscal 1986 appropriation was underspent by \$2,970, the fiscal 1987 appropriated amount reflects

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

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

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F. T. E.	8.00	8.00	0.00
Personal Service	\$269,371	\$260,518	\$ 8,853
Operating Expense	26,103	23,037	3,066
Equipment	-0-	11,581	(11,581)
Total Expenditures	<u>\$295,474</u>	<u>\$295,136</u>	<u>\$ 338</u>
<u>Funding</u>			
General Fund	\$253,422	\$253,155	\$ 267
Proprietary Funds	42,052	41,981	71
Total Funds	<u>\$295,474</u>	<u>\$295,136</u>	<u>\$ 338</u>

Fiscal 1986 actual expenditures were \$338 less than authorized by the legislature. Personal services was \$8,853 less than authorized due to 1.0 FTE working three-fourth time in fiscal 1986. This savings in personal services, together with a cumulative \$3,066 savings in supplies, travel, repair, and other expenses, funded the purchase of office equipment and a personal computer and related software not requested by the agency nor authorized by the 1985 legislature.

Current Level Adjustments

The current level budget includes adjustments totaling \$2,156 for increases in insurance costs, computer communication charges, and maintenance contracts.

gether in the same building, the information indicated there were two buildings which contained sufficient space to accommodate this space requirement.

ISSUE 2: SHOULD THE LEGISLATURE INCLUDE THE VACANT SPACE IN THE CALCULATION OF RENTAL RATE ASSESSED STATE AGENCIES?

Option A: Change the rent calculation methodology to include vacant space in total square footage for a general fund savings of \$142,684.

Option B: Maintain the status quo.

PURCHASING DIVISION -- PURCHASING PROGRAM

Budget Item	Actual	Appropriated	-- Current Level --		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	16.25	15.50	15.00	15.00	(0.50)
Personal Service	\$409,059	\$356,976	\$373,342	\$372,902	(2.6)
Operating Expense	83,677	98,980	89,127	89,931	(2.0)
Equipment	2,082	850	-0-	-0-	(100.0)
Total Expenditures	\$494,818 =====	\$456,806 =====	\$462,469 =====	\$462,833 =====	(2.3) =====
Fund Sources					
General Fund	\$494,818 =====	\$456,806 =====	\$462,469 =====	\$462,833 =====	(2.3) =====

The Purchasing Division includes the Purchasing Bureau and the Property and Supply Bureau. Each bureau is presented separately in the Budget Analysis.

The Purchasing Bureau investigates possible sources for products, determines alternate product possibilities, prepares specifications, and enforces the terms and conditions outlined in purchase orders issued. The bureau ensures compliance with purchasing law and rule for agencies with delegated purchasing authority and provides technical assistance on agency purchases.

The current level budget results in a 2.3 percent decrease from the 1987 biennium to the 1989 biennium. A 0.5 FTE management analyst deleted by the agency to address the fiscal 1987 reductions was also deleted from current level in the 1989 biennium. Personal services decrease 2.6 percent and operating expenses decrease 2 percent. The purchasing bureau is funded from the general fund.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

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

ISSUE 2: VACANT SPACE

In the 1985 session, the legislature did not include vacant office and warehouse space in the calculation of the rental rate per square foot assessed each state agency in the capitol complex. The rate proposed by OBPP also does not include vacant space in its calculation. The rationale for this approach is that general services still has to provide some services to unoccupied space, such as heat; therefore, the cost of unoccupied space has to be borne by occupied space.

There are two fiscal impacts resulting from this method of calculating the rental rate. These are discussed in this issue.

The first impact is that the rate per square foot assessed state agencies increases when vacant space is not included. This is a function of the formula: Total Costs : Square Footage = Rate Per Square Foot.

Assuming total costs remain the same, increasing the square footage will reduce the calculated rate and the total general fund used to fund the estimated costs. Conversely, decreasing the square footage will increase the calculated rate and the total general fund used to fund the estimated costs. The fiscal impact in the 1989 biennium of not including the vacant space in the square footage is shown below in Table 11.

Table 11
Rate and General Fund Change Resulting from Vacant Space
Inclusion/Exclusion in Rate Calculation
1989 Biennium*

	Vacant Space Included	Vacant Space Excluded
Fiscal 1988 Rate	\$2.59	\$2.79
Fiscal 1989 Rate	\$2.67	\$2.89
General Fund Impact to LFA Current Level Budget	<u>\$(142,684)</u>	<u>\$-0-</u>

*Rate and general fund impact calculated with LFA current level budget.

The second impact is that the department of administration has no incentive to fill the vacant space because all costs of vacant space are recovered through the rate assessed state agencies. The cost of this lost incentive appears in higher rent paid to private owners.

For example, in the 1987 biennium Information Services Division moved its data entry personnel into private space owned by the Teacher's Retirement System. The rental rate in this space is \$7.00 per square foot and the space occupied is 2,285 square feet. The additional cost to the state in the 1989 biennium will be \$17,891 using OBPP rates. The department of administration provided information during the budget development process which indicates there is 25,120 square feet of vacant office space within the capitol complex. Although not all this space is grouped to-

Table 13
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	16.50	16.25	0.25
Personal Service	\$396,736	\$409,059	\$(12,323)
Operating Expense	112,645	83,677	28,968
Equipment	850	2,082	(1,232)
Total Exp. and Gen. Fund	<u>\$510,231</u>	<u>\$494,818</u>	<u>\$ 15,413</u>

The fiscal 1986 expenditures were \$15,413 less than the appropriation. Personal services expenditures were \$12,323 more than appropriated, due primarily to position upgrades. Operating expenditures were \$28,968 less than appropriated with the major cost savings in contracted secretarial services, computer processing and system development fees, microfilm services, and education and training fees. Supplies and communication expenses were less than anticipated while travel and repair costs were higher than expected.

Current Level Adjustments

The current level budget allowed the following major adjustments: (1) \$178 each year for increased insurance costs; (2) \$1,485 each year for increased maintenance costs on computer equipment; and (3) \$2,400 in fiscal 1988 and \$2,640 in fiscal 1989 for office automation subscription fees, a new fee assessed by the Information Services Division for agencies which have personal computers. The fee will be used to support the Information Center in the Information Services Division.

PURCHASING DIVISION -- PROPERTY AND SUPPLY BUREAU

Budget Item	Actual	Appropriated	-- Current Level --		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	16.00	16.00	16.00	16.00	0.00
Personal Service	\$ 343,848	\$ 378,202	\$ 364,150	\$ 364,099	0.9
Operating Expense	2,315,468	2,998,961	2,529,601	2,523,713	(4.9)
Equipment	85,469	60,000	-0-	-0-	(100.0)
Total Expenditures	<u>\$2,744,785</u>	<u>\$3,437,163</u>	<u>\$2,893,751</u>	<u>\$2,887,812</u>	<u>(6.5)</u>
Fund Sources					
Proprietary Funds	<u>\$2,744,785</u>	<u>\$3,437,163</u>	<u>\$2,893,751</u>	<u>\$2,887,812</u>	<u>(6.5)</u>

The Property and Supply Bureau provides centralized purchasing and distribution of office and janitorial supplies for state agencies. The bureau is responsible for the Surplus Property Program which disposes of property no longer needed by an agency.

The current level budget provides a 6.5 percent decrease from the 1987 biennium to the 1989 biennium. Personal services increase 0.9 percent while operating expenditures are budgeted to decrease 4.9 percent.

The Property and Supply Bureau is funded from proprietary funds.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

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

Table 14
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	16.00	16.00	0.00
Personal Service	\$ 361,467	\$ 343,848	\$ 17,619
Operating Expense	3,145,161	2,315,468	829,693
Equipment	42,000	85,469	(43,469)
Total Exp. and Funding	<u>\$3,548,628</u>	<u>\$2,744,785</u>	<u>\$803,843</u>

The fiscal 1986 expenditures were \$803,843 less than the appropriation. The agency expended \$17,619 less for personal services than budgeted. This was caused by two position downgrades and vacancy savings. Operating expenses were \$829,693 less than budgeted with the difference occurring primarily in goods for resale. The agency was budgeted \$50,000 in fiscal 1986 to purchase a truck as requested by the agency because its vehicle was claimed by the agency to be unsafe. The agency actually expended \$85,469 on computer and office equipment. The agency spent \$4,500 to repair its truck and continues to use the vehicle for its operation.

Current Level Adjustments

The current level budget reduces a 1.0 FTE warehouse worker from the original appropriation of 17.0 FTE as the agency had deleted this position in fiscal 1987 to compensate for fiscal 1987 reductions.

Operating expense increases were provided for higher insurance costs, payroll service fees, utility expenses for heating a building used for surplus sales, and computer maintenance costs. In addition, the cost of hooking-up one personal computer to the mainframe in order to utilize the state mainframe network system was added to base year expenditures. The current level budget allows for 10 percent growth in goods for resale. The agency withdrew its request for equipment.

4
1-19-87
OUTLINE

FY '88-89 BUDGET OVERVIEW

INTRODUCTION

- I. Mission and Goals of the Department
- II. Size of Department
 - A) Number of Divisions (handout organization chart)
 - B) Budget
 - 1) Total
 - 2) General Fund
 - C) FTE's (handout)
 - D) Comparison with Other Agencies
- III. Comparison of General Funded Activities and Proprietary Funded Activities (handout)
 - A) Proprietary Accounts are Demand Sensitive
 - B) Spending Authority and FTE's Fluctuate as Demand Changes
 - C) Spending Authority is Used Only if Other Agencies Demand Service
- IV. Reorganization
- V. Cuts
 - A) Dollars and FTE
 - B) Office Automation
 - C) Rate Reductions
- VI. Modifieds
- VII. Department Highlights
 - A) 9-1-1 Program
 - B) Telecommunications Project
 - C) Executive Budget Typeset
 - D) Treasury Window
 - E) Social Security

The purpose of my talk is to acquaint the Committee with the Department and to answer any general questions you might have. Our division administrators will make presentations on each of their budgets and they will be prepared to answer specific questions. Each administration has handouts which show the difference between the Executive and LFA Budgets. I would like to discuss the Department's mission and goals, and to highlight the changes made in the Department since the Legislature last met.

Department Goals and Mission

The Department's primary function is to provide services to the state's other departments. This function is central to each of the divisions in the Department. For example:

Accounting Division operates the state's Statewide Budget-
ing & Accounting system.

Architecture & Engineering Division provides design and architectural services so that agencies' capital construction programs can be implemented.

Centralized Services Division provides treasury services for state agencies.

Information Services Division maintains 36 buildings in the capitol area and also distributes mail to state agencies.

Tort Claims Division defends state agencies in tort actions and insures state assets.

Personnel Division assists agencies with labor relations, training, and pay and benefit administration.

Publication and Graphics provides printing and typesetting services to state agencies.

Purchasing Division consolidates and groups agencies' purchases to achieve lower per unit costs.

Teachers' Retirement Division and Public Employees' Retirement Division administer retirement benefits for our employees.

Investment Division invests all state funds.

The Department's mission is made complex in two respects. First, most of the services performed by the Department can be undertaken at the agency level. For example, although major purchases are completed through the Purchasing Division, agencies can make small dollar purchases without the Purchasing Division's involvement. Similarly, although the Information Services Division operates the mainframe computer, a good deal of data processing is unique to a particular agency and does not involve the Department of Administration. It is often difficult to tell where these services should be performed. Often economics of scale dictate that the function be done in the Department of Administration. Sometimes, agencies' need dictate that the services be done on an agency by agency basis.

The Department's role is also made more complex by virtue of the fact that many of the services it provides can also be provided by the private sector. Departmental services including typesetting and printing, purchasing and warehousing of office supplies and telecommunications can be provided to state agencies by the private sector as well. We look to the Legislature each

biennium to provide guidelines which determine the Department's service role vis-a-vis other state agencies and the private sector.

Department Size

As an orientation to the Department, it is helpful to qualify the size of the Department using some different criteria.

- 1) Divisions - The Department consists of 14 divisions, four of which are attached to the Department for administrative purposes only.
- 2) Budget - The total departmental budget requested for '88 and '89 is about 36 million a year. Of that request, approximately \$4 million is for general funds.
- 3) FTEs - The executive budget requests 382 FTE for FY 1988 and 385 FTE for FY 1989. General Fund FTE for FY '88 is 84.875 and '89 is 84.375.

Director's Office	6.625
Accounting Division	12.5
Purchasing.	17
General Services.	2
Centralized Service	15
Personnel	34.75
State Tax Appeal Board.	5.5

This reduction continues a trend of the last few years. In FY '82, for example, the Department had 136.7 general fund FTE's. In FY' 83, that figure was reduced to 131.45 FTE's.

In summary, the Department is neither the largest nor the smallest in state government. When measured by budgetary authority, the Department is about 16% the size of Highways, but almost twice as large as the Department of State Lands. When measured by FTE's, the Department of Administration is approximately one-half the size of the Department of Revenue, but is four and one-half times as large as the Department of Agriculture.

General Fund & Proprietary Funds

I indicated earlier that the Department provides services to other state agencies. For most of these services, the Department charges a fee very similar to a private business. For example, when state agencies order a publication printed, the Department bills the requesting agency. Proprietary activities, which used to be called revolving funds, comprise the bulk of the Department's budget -- approximately 88%. As such, the budgeting of these activities is important to us.

I want to leave the Committee with a few observations about the Department's proprietary activities which I believe will be helpful in your budgetary review.

First, our proprietary activities are demand sensitive. The resources required by those activities are determined by the service demands of other customer agencies. For example, if agencies' demand for data processing services increases, the spending authority of the central computer operation will need to increase to meet that demand.

Second, proprietary accounts do not expend general fund monies. Instead, they bill user agencies and generate revenue

that way. Nevertheless, it is true that many of our customers pay their bills with general fund monies. We estimate that an average of 43% of proprietary fund revenue comes from general fund agencies.

Finally, in budgeting proprietary accounts, you are establishing spending authority limits for that activity. You are not giving that agency cash resources. Instead, they must earn the money they spend.

Reorganization

Only one reorganization affecting the Department is being proposed this year. We propose moving the Tramway Inspection Program to the Business Regulation Division in the Department of Commerce.

The goal of this program (safety inspection and regulation of ski lifts) parallels one of the goals of the Department of Commerce - business regulation. The budget for this program has been included in the Department of Commerce and will be considered by Representative Swift's Natural Resources Committee.

Cuts

The Department has participated in the Governor's three across-the-board cuts this biennium, absorbing the unfunded pay plan for FY '87 without any additional funding. These cuts resulted in a \$418,626 reduction in general funds as well as approximately \$2.1 million in proprietary fund spending authority reductions.

Fourteen FTE's have been reduced from the Department's base as a result of these cuts. We were able to achieve these reductions by eliminating vacant positions, transferring employees

within the Department and in some cases, working reduced hours. In each case, I have reviewed the cuts proposed by the divisions to assure that essential services would continue.

At the same time that we have reduced jobs in the Department, I have stressed office automation as a means of increasing employee productivity. Personal computers are becoming as essential as the telephone to the workplace. Advantages include reduced keying of documents as workers learn to compose on their PC's. And "telephone tag" is reduced.

Many of the Department's proprietary rates were reduced during the current biennium partially to offset the impacts of these across-the-board budget cuts. For example:

- although the General Services Division was authorized \$3.10/sq. ft. maintenance fee in FY '87, we are only charging \$2.92. Services have been reduced, however. We are no longer providing the services agencies once expected for free;
- telecommunications rates were reduced 4 - 7%;
- computer processing rates decreased over 9% in FY '87. For the first time, we are projecting a negative inflation rate for computer processing for a coming biennium;
- Unfortunately, not all rates decreased. The insurance premiums the Department bills to other state agencies were not reduced this biennium. And we are recommending a 25% increase in rates for the coming biennium.

Modifieds

Let me briefly outline the modifieds proposed in the Executive Budget:

ISD - additional growth in the use of the central computer necessitates expenditures designed to increase the capacity of the existing hardware. We are requesting about \$500,000 per year for this growth. We project 18% growth in mainframe processing this coming biennium. The week of January 4 was the busiest ever for the mainframe.

Central Mail - We have requested two FTE and approximately \$400,000 in proprietary spending authority each year to assume mail responsibilities for some agencies. Central Mail is a cost effective program and as agencies have looked at ways of saving money, they have turned to Central Mail. This modified "pays for itself" and should be approved.

PERD - We are proposing a one time \$50,000 expenditure in PERD to rewrite contributions and refund software for PERS. The rewrite will allow more timely information for the 26,000 active member accounts tracked on the system and it will cut the time necessary to process refunds of terminating members' contributions from 30 days to 15 days.

System Development - Similarly to last biennium, we are requesting \$125,000 in proprietary spending authority for contracting for systems development work. We have found this to be a successful approach this biennium and we ask you to continue it. Rather than hiring staff for workload peaks, we have contracted with programmers for the work.

Telephone Equipment Maintenance. We are requesting approximately \$400,000 each year to centralize the costs of telephone equipment maintenance. These costs are being incurred now by agencies. Approval of this modified will allow us to aggregate equipment maintenance and save money by purchasing one maintenance contract instead of several.

Department Highlights

I want to leave the committee with a brief status report on some of the projects in the Department that you will probably be interested in.

- Last session this Committee authorized the Department to spend \$200,000 to hire a consultant to recommend improvements to the state's telephone network. Representative Quilici chaired the Telecommunications Advisory Committee which oversaw that project. I am happy to report back to this Committee that that investment will allow us to save \$291,000 during the coming biennium for telephone services. This project will result in at least \$6 million of savings during the next ten years at the same time that higher quality voice and data circuits are provided to agencies.
- The 9-1-1 program authorized by the last session is proceeding smoothly. For the first time, your January phone bill will reflect the 25 cent fee which supports the program. A program manager has been hired, an advisory council created and rules written. We are aware of several communities already working on their plans.

- The Treasury window in the Mitchell Building is no longer open for employees' personal business. The cumulative 10% cuts prompted a review of the necessity for this service. Closing the window allowed a 1/4 FTE reduction in the Treasury Bureau.
- Beginning January 1, Congress determined that all political subdivisions would remit social security payments directly to the federal government. Until now, political subdivisions sent their payments to the state and the state forwarded those payments (approximately \$110 million per year) to the Internal Revenue Service. Our budget will reflect a phase out of this program. We are also providing training seminars at five locations around the state to assist cities, counties and school districts with the transition.
- You may have noticed that the Executive Budget looked different this year. The budget was typeset before being printed. The result is a shorter, more readable document at less cost. I believe more state agencies will be taking advantage of this service in the future.

One final note, in comparing the LFA and OBPP budgets, we have discovered that the cost of capitol grounds maintenance has been budgeted under different line items. LFA has this cost under "rent inflation" and OBPP has it under "repairs and maintenance." Similarly, the General Services maintenance fee is budgeted in "rent inflation" by the LFA and under "rent" by

OBPP. The figures agree and I do not anticipate a problem. However, if the Committee decides to reduce the inflation factors, I ask that these costs be treated separately.

Accounting Division Budget Modification

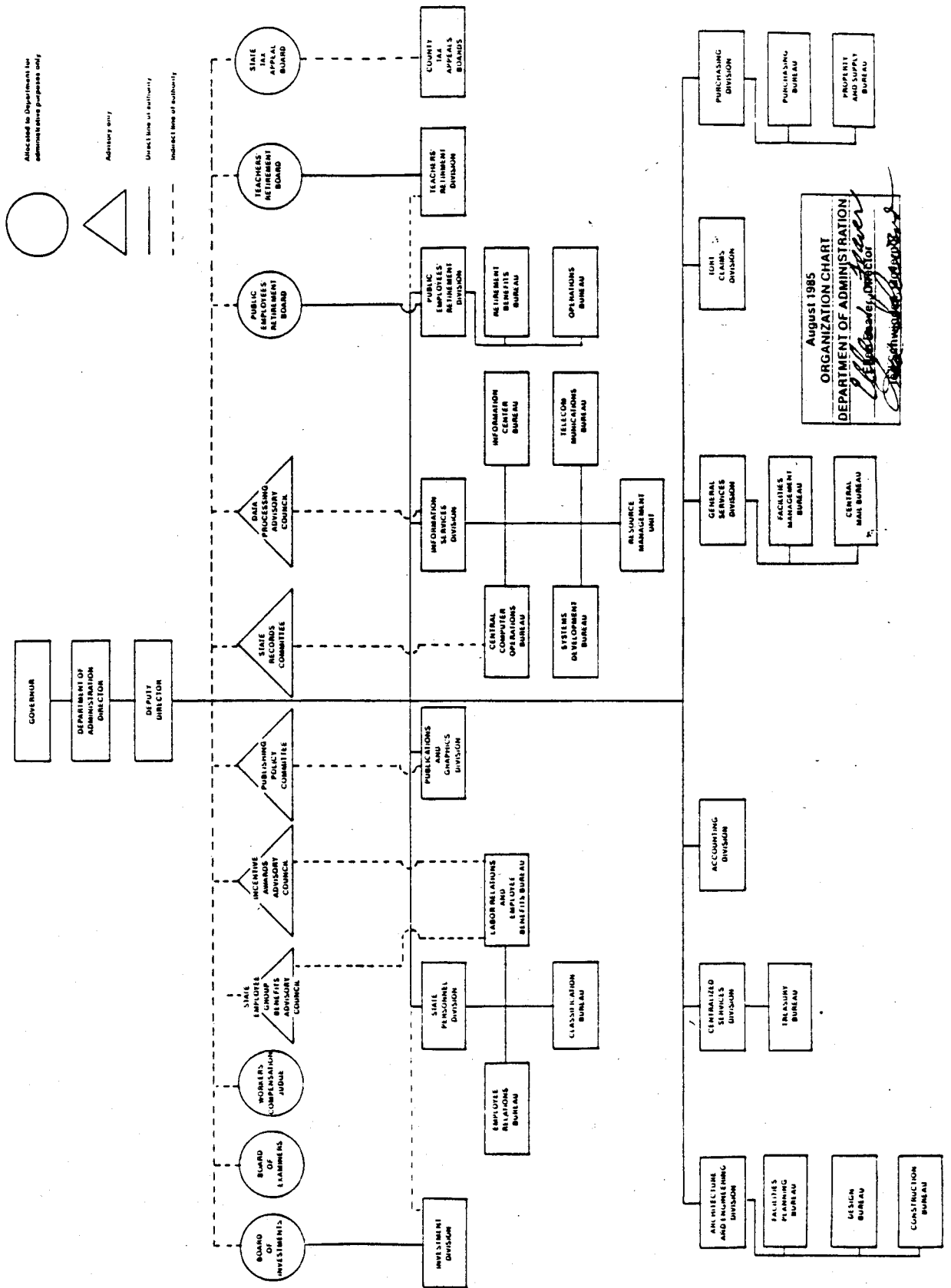
We will be asking the committee to consider a request for one budget modification that was submitted to the Governor's Office too late to be included in the Executive Budget book. If funded, this modification to the Accounting Division's budget will allow us to contract with an outside consulting firm on a contingent fee basis for help in preparing the State's Indirect Cost Allocation Plan. The cost allocation plan is used by agencies in their negotiations with the Federal government and allows the General Fund to recover some of the costs it incurs solely because of federally funded programs. By hiring an outside firm experienced in preparing indirect cost plans we can increase the General Fund's recoveries of these costs, and by hiring them on a contingent fee basis we can guarantee this increase in General Fund recoveries will more than cover the cost of their services. Kathy Fabiano will provide more information about this modification request in her presentation of the Accounting Division's budget.

General Fund Full Time Equivalents
 Department of Administration

	1988				1989	
	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>OBPP</u>	<u>LFA</u>
Director's Office	8.00	8.00	6.75	6.76	6.625	6.625
Accounting Division	12.50	12.50	12.25	12.00	12.000	12.000
Purchasing Division	17.00	17.00	15.50	15.00	15.000	15.000
General Services	2.00	2.00	2.00	2.00	2.000	2.000
Centralized Services	15.00	15.00	13.75	13.50	13.500	13.500
Personnel Division	34.75	34.75	29.75	29.75	29.750	29.750
STAR	5.50	5.50	5.50	5.50	5.500	5.500
TOTALS	<u>94.75</u>	<u>94.75</u>	<u>85.50</u>	<u>84.50</u>	<u>84.875</u>	<u>84.375</u>

EXHIBIT 5
 DATE 1-19-89
 HB _____

DEC86/307



"WHAT IS A PROPRIETARY FUND"

A proprietary fund is a term used to describe an accounting entity in governmental operations which charges intergovernmental or intra-governmental users for services or products.

With recent accounting pronouncements, the term "revolving fund" has become obsolete. The new terminology incorporates general business references and titles these operations as proprietary funds.

Proprietary funds are divided into two groups, enterprise funds and internal service funds.

Enterprise funds represent governmental business operations which, for a fee, provide services to the general public. The Department of Administration only has one enterprise fund which is the State Employee Group Benefit Program.

Internal service funds represent governmental business operations which, again for a fee, provide services or products to other internal governmental units. Examples include Central Stores, Information Services, and Publications & Graphics.

As a proprietary fund, operations are conducted in a manner similar to a private business concern:

1. A person desires to purchase the product or service offered by the business entity.
2. The business entity incurs costs to provide the service and charges the person an amount of money to recover the cost of services.
3. Costs of the business operations can be identified as fixed, variable, and semi-variable.
 - A) Fixed costs are defined as those costs which will be incurred if not one dollar of revenue is generated and tend to remain constant throughout a budgetary period. Examples of fixed costs include depreciation and insurance.
 - B) Variable costs are defined as those costs which go up or down as demand for services increase and decrease. Examples of variable costs include inventory, supplies, repairs and maintenance.
 - C) Semi-variable costs have elements of both fixed and variable costs and many expenses such as utilities, salaries, and pensions are examples. The fixed portion of these expenses equate to the minimum cost needed to operate at minimum level. The variable portion occurs when volume increases. An example of semi-variable cost calculation is:

Production of one unit of service, the minimum level of operation, requires one square foot of space. The cost of one square foot of space is a fixed cost. To rise above the

minimum level and produce two units of service, the enterprise needs another square foot of space. The additional cost of one square foot is variable, or as production rises over the state minimum so do costs.

The basic difference between a governmental enterprise and private enterprise occurs only in the budgetary arena. All other aspects, such as accounting, cash flow, depreciation, debt service, profitability and financial viability, are the same.

An enterprise operation is dynamic in that it must continually recycle its financial resources into further production of services or products. Historically, proprietary accounts have been budgeted and appropriated in an amount expected to meet the demands for their products or services. Occasionally, however, demand is greater or not as much as was originally anticipated. If demand falls short, expenditure also fall short of the appropriation. If demand exceeds expectations, expenditures typically exceed the appropriation. Recognizing this relationship between demand and expenditures, statute allows for budget amendments for proprietary accounts.

The following divisions have proprietary funds:

- Publications & Graphics
- Information Services (2 funds)
 - 1) Central data processing
 - 2) Telecommunications
- General Services (2 funds)
 - 1) Rent and Maintenance
 - 2) Mail and Distribution
- Purchasing (2 funds)
 - 1) Central Stores
 - 2) Surplus Property
- Investments
- Personnel (3 funds)
 - 1) Training
 - 2) Group Benefit Program
 - 3) Group Benefit Claims
- Insurance & Legal (8 funds related to insurance liabilities)

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

REPORT EBSR99
 DATE : 01/07/87
 TIME : 17/23/43

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
 PROGRAM : 17 CENTRALIZED SERVICES DIVISION
 CONTROL : 00000

CURRENT LEVEL SERVICES ONLY

AC/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)	14.75	15.00	14.50	14.50		14.50	14.50	
1100	SALARIES	310,707.06	328,377	331,139	311,139		330,484	330,484	
1400	EMPLOYEE BENEFITS	62,293.79	48,504	49,562	49,563	-1	50,241	50,241	690
1500	HEALTH INSURANCE		18,863	22,080	21,390	690	22,080	21,390	-203
1600	VACANCY SAVINGS		-15,542	-16,111	-15,932	-179	-16,112	-15,909	
1800			-69						
	TOTAL LEVEL	373,000.85	380,133	386,670	386,160	510	386,693	386,206	487
2021	CONTRACTED SERVICES-INFLATI			-110	-116	-64	-222	-89	-133
2025	RETI-INFLATION				1,111	-1,111		1,543	-1,543
2100	CONTRACTED SERVICES	28,787.31	13,187	30,808	30,310	498	21,987	20,882	1,105
2200	SUPPLIES & MATERIALS	3,941.66	9,493	3,235	3,835	-600	3,235	3,835	-600
2300	COMMUNICATIONS	9,700.81	9,825	9,560	9,560		9,560	9,560	
2400	TRAVEL	258.58	353	353	259	94	353	259	94
2500	RENT	11,581.00	12,146	11,833	11,581	252	12,342	11,581	761
2700	REPAIR & MAINTENANCE	2,969.59	4,163	3,834	4,142	-308	3,758	4,142	-384
2800	OTHER EXPENSES	1,519.76	1,742	1,266	1,166	100	1,266	1,166	100
	TOTAL LEVEL	58,758.71	50,561	60,779	61,918	-1,139	52,279	52,879	-600
3100	EQUIPMENT	7,739.27	123						
3400	INTANGIBLE ASSETS	1,898.65							
	TOTAL LEVEL	9,637.92	123						
	TOTAL PROGRAM	441,397.48	430,817	447,449	448,078	-629	438,972	439,085	-113
01100	GENERAL FUND	413,506.56	404,151	416,485	417,114	-629	408,063	408,176	-113
06527	INVESTMENT DIVISION	27,890.92	26,666	30,964	30,964		30,909	30,909	
	TOTAL PROGRAM	441,397.48	430,817	447,449	448,078	-629	438,972	439,085	-113

EXHIBIT 8
 DATE 1-19-87
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CENTRAL SERVICES DIVISION
DEPARTMENT OF ADMINISTRATION

The Central Services Division has a total staff of 14.5 employees. The division performs three main functions: central services, treasury, and personnel.

First, the centralized services function provides accounting and budgeting services for all divisions of the department. Briefly, these services include:

- Monitor, analyze and coordinate preparation of the department's biennium budget, and fiscal notes.
- Liaison with the Office of Budget and Program Planning, Legislative Fiscal Analyst, and Legislative Auditor on financial decisions and operating policies relating to the department.
- Payment of claims for general fund divisions. Preparation of dept's payroll and insurance.
- Responsibility for recording all fixed assets of the dept. on the state's accounting system.

The Central Service's function is staffed by 5.5 employees.

The second function is the treasury bureau. This is the state's central bank and is the custodian of all monies and securities of the state. The bureau's main objectives are:

- To receive and account for all money deposited by state agencies.
- Redeem all state warrants presented for payment by the state's concentration bank.
- Custodian for securities and certain deposits held in trust.
- Coordinate collateral and bond redemption activities for the state.
- Monitor the records of accounts for all approved financial depositories throughout the state.

The bureau is staffed by 7 employees.

The third function of the division is responsibility for the personnel functions of the department. This unit provides a variety of direct professional services to managers and employees of divisions and "attached to" agencies in the Dept. These services include:

- Developing departmental personnel policies.
- Provide assistance and consultation during recruitment and selection.
- Assistance in discipline and grievance procedures.
- Consultation with employees and managers on various personnel matters.

The personnel office is staffed with 2 FTE.

EXHIBIT 10
DATE 1-19-87
HB _____

CENTRAL SERVICES
BUDGET DIFFERENCES

SALARIES

OBPP recommendation includes health insurance for all FTE. LFA recommendation is short by \$690 a year.

CONTRACTED SERVICES

OBPP recommendation includes \$567 in '89 only to handle increased costs of photocopies for the legislative session. The LFA recommendation does not include this cost.

SUPPLIES

OBPP recommendation reflects \$600 reduction made to comply with executive budget cuts. The LFA recommendation does not make this reduction.

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1-19-87

QUESTIONS AND ANSWERS RELATED TO THE
DEPARTMENT OF ADMINISTRATION CENTRALIZED SERVICES DIVISION
PERSONNEL OFFICE

Q: Why does the department need a personnel office?

A: The Department of Administration (DOA) maintains a 2 FTE payroll/personnel office in the Centralized Services Division. Its primary purposes are to insure the timely processing of payroll for the DOA and the Governor's Office, and to minimize legal liability stemming from failure to follow federal and state laws, rules and regulations. Wrongful discharge cases, for example, can easily cost \$100,000 or more if improperly handled. The office also provides personnel services to the Office of the Governor. In all, the office coordinates activities under seven different union agreements, and nine other separate sets of personnel rules used by the DOA, the Governor's Office and the "attached to" agencies the office serves.

Q: What is the relationship of DOA personnel to the State Personnel Division?

A: The relationship of the personnel office to the State Personnel Division is the same as the relationship between the central Accounting Division and agency accountants, the OBPP and agency budget officers, and the central office and plant management of most large private firms. The State Personnel Division advises agency personnel officers, Coordinates statewide policy and collective bargaining but does not become directly involved in day-to-day personnel matters nor does it process payroll.

Q: Is the DOA personnel office over-staffed?

A: The DOA personnel office is one of the more efficient in state government providing a wider range of services with fewer FTE. The personnel office serves 193.4 FTE per staff member compared with Highway's ratio of 105; Labor's, 132; Institution's, 42.5; Justice's, 74.7; DNRC's, 135; Montana State Hospital's, 78; Land's, 146; and Revenue's, 186. (data as of 9/86)

Q: What are the duties of the personnel office?

A: Administers seven collective bargaining agreements, including representing DOA management at negotiations, coordinating management's response to grievances, investigating alleged violations, and recommending appropriate corrective action.

- Processes bi-weekly payroll and insurance forms for 400 DOA employees and 65 Governor's Office employees; resolves employee's insurance and benefits problems; ensures compliance with the insurance related requirements of the federal Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1986. Coordinates sick leave fund transactions.

- Assists managers in the non-organized divisions with day-to-day employee problems that occur in their work units. Handles five - six disciplinary actions/informal grievances per month. Each action requires from four hours to several days of work to independently investigate the alleged violation and ensuring proper procedures are followed to avoid charges of discrimination, wrongful discharge, or unfair labor practices. (Since the establishment of the personnel office, the DOA has never been successfully challenged on a discipline action taken by management).

- Coordinates reduction-in-force actions between divisions to avoid legal challenges or labor contract violations.

- Designs or reviews all selection procedures used in the DOA, including the vacancy announcements, oral interview questions, performance tests, and application screening plans; participates as a selection board member in approximately 50 of the approximately 150 competitive hiring procedures that occur in the DOA in an average year. Conducts recruitment for vacant positions; coordinates responses to requests for information from applicants, screens applications for completeness, qualifications, and preference eligibility.

- Reviews personnel actions for compliance with wage and hour, veteran's preference, immigration, discrimination and various state personnel laws, as well as compliance with rules promulgated by the federal government and the state personnel division; develop department policies and procedures to ensure effective and lawful implementation of the same.

- Monitors department position control system and personal services expenditures, develops budget by position projections.

Q: Why does the DOA do payroll and personnel for the Governor's Office?

A: An agreement was entered into beginning in FY85 when the Governor's Office eliminated two accounting tech positions. The DOA assumed the payroll and associated personnel responsibilities from the Governor's Office in exchange for \$1000 per year in operating expenses. No FTE were added or transferred to the DOA. The Governor's Office payroll/personnel responsibilities were assumed by the 2 FTE in the DOA personnel office.

STATE OF MONTANA
DEPARTMENT OF ADMINISTRATION
PERSONNEL DIVISION

POSITION
DESCRIPTION

*** PART 1: To be completed by employee or supervisor***

	<u>Title</u>	<u>Class Code</u>	<u>Grade</u>	<u>Pos.#</u>
1. <u>Classification</u> Current:				
	Proposed: Personnel Specialist	166057	12	13013

	<u>Department</u>	<u>Division</u>	
2. <u>Agency</u>	Administration	Treasury/Central Services	
	<u>Bureau</u>	<u>Section</u>	<u>Unit</u>

	<u>Address</u>	<u>City</u>	<u>Bldg. & St.</u>	<u>Rm. No.</u>	<u>Bus. Telephone</u>
3.		Helena	Mitchell	107	444-4612

4. Prepared by: x Employee Name of Employee: Barb Kain
 Supervisor/Management

5. Activity, function, product or service of the office or work unit.

The Central Services Division directs and coordinates the functions of divisions engaged in providing central services to state government, as well as for administrative purposes, including Office of the Governor.

6. Duties and Responsibilities of Position:

Provide technical assistance and advice to administrators, supervisors, employees, and the public, in areas relating to personnel.

I. Recruitment and Selection

A. Determine most effective method/scope of recruitment advertising and make recommendation to hiring authority. 25

B. Review of vacancy announcements, newspaper advertisements, application supplements for compliance with agency policy and good personnel practice.

C. Act as liaison with Job Service Offices around state to

answer questions related to job duties, qualifications and application procedures.

- D. Receive application materials on behalf of hiring authority. Review applications for preference eligibility and completeness; may screen for qualifications.
- E. Represents department at Job Fairs or other specific recruitment outreach efforts to promote potential applicants information regarding opportunities and procedures.
- F. Analyze applicant characteristics using P/P/P system to determine need to modify recruitment technics.
- G. Counsel applicants looking for employment in the department and state government regarding opportunities and procedures.
- H. Enters applicant information into P/P/P system.
- I. Assist supervisors in developing and administering selection devices, participates as interview panelist as requested.

II. Classification/Pay Exceptions/Position Control

15%

- A. Counsel administrators, supervisors, or employees regarding classification training assignments and pay exception procedures.
- B. Conduct classification audits/reviews and makes recommendations on actions to Director and Personnel Division under classification delegation authority.
- C. Complete and process Position Detail forms, including calculating budget adjustments.
- D. Develop and maintain logging, and reporting system for classification actions.
- E. Monitor position control and make corrections.
- F. Acts as liaison with the Personnel Division and Budget Office regarding Position Control.
- G. Prepare statistical reports for Personnel Officer.
- H. Completes P/P/P budget documents to set up Personal Services budget.

III. Training

10%

- A. Monitor training needs for the Department by analyzing training needs assessment forms.
- B. Assist in development and administration of annual departmental training plan.
- C. Provide information regarding training resources; inform department of training opportunities.
- D. Arrange, develop and/or conduct training classes as identified in needs assessment.
- E. Enrolls employees in training courses by contacting sponsoring organization.
- F. Input information into P/P/P training system.

IV. Affirmative Action/Equal Employment Opportunity

3%

- A. Provide information to hiring officials and inform them of AA commitments; encourage hiring of women, minorities and the handicapped.
- B. Reviews and updates, as necessary, the department's Affirmative Action plan under general direction of Personnel Officer.

V. Payroll

5%

- A. Administer delegation of payroll processing by divisions; provide training to divisions on payroll procedures and changes to procedures.
- B. Acts as liaison with Central Payroll.
- C. Keep payroll personnel informed of changes and problems by updating departmental payroll manual.
- D. Certify payroll documents.

VI. Benefits

2%

- A. Provide information regarding benefits to administrators, employees and payroll personnel.
- B. Keep payroll personnel informed of changes in benefits.

- C. Processes unemployment of Worker's Compensation Claims and employee reports.

VII. Performance Appraisal 5%

- A. Monitor compliance with department performance appraisal policy regarding annual P.A.'s and informing agencies of late performance appraisals.
- B. Provide consultation regarding the writing of performance appraisal tasks and standards.

VIII. Record Keeping 2%

- A. Develop and implement department record keeping/filing and retention policy and procedures.
- B. Ensure compliance with laws related to employee confidentiality and the public's right to know.

IX. Committee Service 3%

- A. Represent the department or the Personnel Office by participating deliberations of the following committees: Personnel Policy Network, ACCW, Training Network, and Incentive Awards Committee. Serve on AD Hoc committees as assigned by Personnel Office.
- B. Support Department Incentive Awards Committee by distributing suggestions to appropriate divisions for review and comment.

X. Policy Administration 15%

Advises departmental managers and employees on state and departmental policies in the areas of compensatory time and overtime leave administration, employee record keeping, pay exceptions, training assignments, salary administration, performance appraisal, education and training policies, recruitment and selection, and alternate work schedules. Monitors compliance with policies and advises affected persons as to necessary corrective actions.

- XI. Participates in collective bargaining negotiations for smaller units as a representative of Personnel Office/Director's Office.

- XII. Assists managers/supervisors in the investigation and resolution of grievances.

XIII. Writes articles for department newsletter, edits weekly legislative review during legislative session. Serves as source for information related to legislative activity.

XIV. Assist Personnel Officer in preparing surveys of employee opinions on various topics, such as smoking, performance appraisal.

7. Supervision Exercised: List the position number and title of positions directly supervised.

Position No.	Title	Position No.	Title
None			

8. Equipment or Machinery Used: Indicate the percent of total work time.

Type	%	Type	%
Cannon CP 1000 Calculator	1%		
Copy Machine	2%		
Micro Fiche Reader	1%		
Telephone	10%		
IBM PC XT/3270 Terminal	10%		

9. Personal Contacts:

PROFESSIONAL - to provide information, to make arrangements, to gather information, to advise. DAILY
MANAGEMENT - to provide information, to make arrangements, to gather information to advise. DAILY
CLERICAL - to provide information, to gather information, to advise. DAILY
OTHER PERSONNEL OFFICERS - to provide information, to gather information, to make arrangements, to advise. WEEKLY
OTHER PAYROLL CLERKS IN OTHER DEPARTMENTS - to give assistance. MONTHLY
PRIVATE BUSINESS - to provide information, to make arrangements, to gather information. WEEKLY

10. Decisions and Commitments: Scope and Effect

Decisions are made interpreting personnel procedures and policies to administrators, supervisors, employees, and the public, by examining the facts surrounding the situation, weighing possible solutions and determining the appropriate action to be taken

Improper decision making could cause personnel conflicts, strife and poor public relations. Legal actions, commonly up to 100's of

thousands of dollars, could occur if improper information was given. Have to be completely familiar with all policies and procedures of the department and statewide for questions asked on personnel, payroll and contracts.

11. To the best of my knowledge, the duties & responsibilities described herein are accurate and complete.

Employee

Signature: Paul Klein

Date: 12-23-85

*** PART II: To be completed by supervisor ***

12. Immediate Supervisor: Name: _____ Title: _____

13. Additional Comments or Incorrect Items:

14. Supervision Received

Works under general guidance and direction for technical responsibilities; general supervision for professional duties, such as classification, performance appraisal standard writing, policy administration, with Personnel Officer checking final work.

Determines work methods and procedures for many areas of responsibility; provides effective input into programs, policies and procedures developed with or by Personnel Officer; implements policies and procedures for departmental personnel functions. Refers directly to State and departmental Policy/Procedure manuals, P/P/P manual, statutes (M.C.A.'s) to provide interpretation.

15. Knowledges, Skills and Abilities

Working knowledge of the principles, practices, and techniques of personnel management, with emphasis in recruitment and selection, policy interpretation and application, affirmative action and equal employment opportunity, classification and compensation administration, payroll and benefits administration, performance appraisal, computerized personnel data systems.

Which of the above can be used to distinguish superior performance?

Knowledge of public personnel practices and Montana Employment Law; ability to apply theory, policies and principles to departmental personnel matters; to perform research and analysis; to establish and maintain effective working relationships with employees, division supervisors and administrators, the director's office, the Personnel Division and the Job Service; to communicate effectively orally and in writing.

16. Education and Experience

A combination of education, experience and training equivalent to a bachelor's degree in Personnel Administration, Business Administration, Public Administration or a closely related field, and one year of experience in personnel administration.

17. Physical Demands and Working Conditions

High pressure situation with strict timelines; much simultaneous processing; requests for information; carrying out personnel procedures; solving immediate problems; irregular work hours caused by training schedules, negotiations.

18. To the best of my knowledge, the statements are accurate and complete.

Supervisor's
Signature _____
Date: _____

*** PART III: Approval ***

Administrative Review and Approval: Agency option except number 3

Comment: _____ Additional comments attached

Signature: Karen Murray Title Administrator Date 12/15/85

Comment: _____ Additional comments attached

Signature _____ Title _____ Date _____

Comment: _____ Additional comments attached

Signature: J. M. [Signature] Title Personnel Date 12/23/85

STATE OF MONTANA
DEPARTMENT OF ADMINISTRATION
PERSONNEL DIVISION

POSITION
DESCRIPTION

*** PART 1: To be completed by employee or supervisor***

	<u>Title</u>	<u>Class Code</u>	<u>Grade</u>	<u>Pos.#</u>
1. <u>Classification</u> Current:	Personnel			
Proposed:	Officer II	166064	15	12007

<u>Agency</u>	<u>Department</u>	<u>Division</u>	
	Administration	Centralized Services	
	<u>Bureau</u>	<u>Section</u>	<u>Unit</u>

<u>Address</u>	<u>City</u>	<u>Bldg. & St.</u>	<u>Rm. No.</u>	<u>Bus. Telephone</u>
	Helena	Mitchell Bldg.		

4. Prepared by: Employee Name of Employee _____
 Supervisor/Management

5. Activity, function, product or service of the office or work unit.

Work unit is responsible for the proper administration of all personnel related matters within the Department. The work unit represents the Director on matters relating to personnel administration with other agencies of state government, Department employees and/or their representatives.

6. Duties and Responsibilities of Position:

Advises and trains department managers and supervisors on personnel management and supervisory practices. Advises department managers on problem areas in personnel and employee relations including: Disciplinary Actions, Selection, Grievance Handling, Classification and Pay, Promotion, Performance Appraisal, Discrimination and Sexual Harassment, affirmative action, training and collective bargaining. Provides programs, guidance and training to prevent personnel and management problems. Administers established personnel policies and systems, modifying where necessary. Designs and implements personnel systems or policy for specific areas where none exists creating a fully operational Personnel function within the Department of Administration which will include all personnel functions as listed below:

1. Recruitment - Supervises recruitment for agency vacancies; establishes recruitment policy and program to meet EEO require-

ments and attract qualified applicants; plans for manpower needs and develops special recruitment plans for hard to fill positions.

2. Selection - Recommends appropriate selection devices and practices such as structured interviews, application supplements or performance tests; trains managers and supervisors on proper selection techniques; prepares selection criteria in consultation with managers; may rate applicants and make necessary selection decisions or do preliminary screening for minimum qualifications or best qualified. ^{10%}
3. EEO - Reviews agency staffing and operations to determine areas of non-compliance; identifies affirmative action steps and assists in their implementation; interprets EEO rules and advises management of EEO related problems; conducts investigations into discrimination complaints to determine validity and recommends course of action; appraises managers and employees of the rights and responsibilities in EEO matters; prepares department responses to EEO complaints or charges. ³
4. Collective Bargaining - Assists department managers with administration of contracts and advises them on interpretation of contracts; identifies problem areas and prepares plans for contract negotiations; represents the department in negotiations, grievance proceedings, unfair labor practice hearings and elections; may prepare departments' case in grievance hearings or arbitrations; is liaison with State Labor Relation Bureau. ¹¹
5. Grievance Handling - Designs and implements an internal grievance procedure for the Department that complies with accepted grievance processes, existing labor contracts and state personnel policies; assists in the resolution of grievances at the earliest possible stage; advises management on grievance handling; assists in preparation for hearings; counsels employees on their grievance privileges and alternatives. ¹⁰
6. Classification - Advises and trains department managers on the application of classification methodology; monitors the classification of department positions; oversees the preparation of job descriptions and classification requests; makes effective recommendations to establish the classification of new positions or adjust existing positions; initiates reviews of position classifications; represents the Department in classification appeal hearings. ²⁵
7. Organizational Development - Works with Department managers to determine what staffing patterns would best utilize employees skills in reaching program objectives while establishing career ladders for employee development and retention using techniques such as job design and redesign. ⁵
8. Training/Staff Development - Analyzes training needs of Department staff in conference with Department managers, and determines ¹⁰

the most effective means to meet those needs including the use of internal department resources for on-the-job training, skills practice and self-study.

9. Performance Appraisal - Implements and maintains department performance appraisal system; conduct training for supervisors and employees on how to use the performance appraisal system; assist in preparation of performance standards, objectives and work plans; counsel employees on performance problems and advise managers of techniques for motivating and improving performance and handling performance problems.
10. Salary Administration - Resolve salary administration questions and initiate agency action to obtain exceptions to pay plan rules when special circumstances arise.
11. Personnel Policy and Procedure - Coordinate department review of proposed statewide policies; represent the Department to the State Personnel Division and initiate action; rewrite policy content and obtain State Personnel Division approval on statewide policies which are modified to better meet Department of Administration's needs. Interpret policies and resolve related questions

7. Supervision Exercised: List the position number and title of positions directly supervised.

Position No.	Title	Position No.	Title
	Personnel Specialist; Gr. 12		

Full supervision over above position including hiring, training, work assignments and performance appraisal.

8. Equipment or Machinery Used: Indicate the percent of total work time.

Type	%	Type	%

9. Personal Contacts:
Employees of all levels daily to explain policy, investigate policy violations, train general public to respond to questions, complaints, conduct interviews, management.

Labor representative to negotiate labor contracts, attorneys to respond to grievance, serve on grievance panels, respond to complaints, explain actions.

10. Decisions and Commitments: Scope and Effect

Errors in judgment could have the direct effect of Unfair Labor Practice charges, employee grievances, classification appeals, wrongful discharge actions, etc., the Department being unable to classify and fill positions in a timely manner, and errors in judgment in addition could produce the indirect effects of loss of morale for department staff and adverse effects on employee/management relations.

Wrongful discharge/good faith lawsuits costing tens to hundreds of thousands of dollars could result from bad advice given on disciplinary actions.

11. To the best of my knowledge, the duties & responsibilities described herein are accurate and complete.

Employee Signature: *James A. Papp*
Date: 12/9/85

*** PART II: To be completed by supervisor ***

12. Immediate Supervisor: Name: *Karen Munro* Title: *Administrator*

13. Additional Comments or Incorrect Items:

14. Supervision Received

Many work assignments result from situations that arise during the daily operation of the department. In addition the incumbent is expected to decide what personnel policies need to be designed and implemented within the department but would undertake such design and implementation only with the concurrence of the department director, the department's policies and procedures, the MOM and existing union contracts.

15. Knowledges, Skills and Abilities

1. Thorough knowledge of personnel management and administration and the ability to apply this knowledge to develop and maintain effective personnel practices.
2. Ability to advise and persuade management on personnel matters.
3. Strong inter-personal skills including the ability to communicate effectively orally and in writing.
4. Working knowledge of supervision techniques.

Strong knowledge of Personnel management and administration together with persuasive ability.

16. Education and Experience

Subject should possess Bachelor's degree in Public or Business Administration with emphasis on Personnel Administration and four years progressively responsible experience in Personnel Administration.

17. Physical Demands and Working Conditions

18. To the best of my knowledge, the statements are accurate and complete.

Supervisor's

Signature

Date:

Ray Munro

12/15/85

*** PART III: Approval ***

Administrative Review and Approval: Agency option except number 3

Comment: _____ Additional comments attached _____

Signature: _____ Title _____ Date _____

Comment: _____ Additional comments attached _____

Signature _____ Title _____ Date _____

Comment: _____ Additional comments attached _____

Signature Joe A. [Signature] Title Personnel officer Date 12.23.85

REPORT FR899
 DATE : 01/07/87
 TIME : 11/23/43

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

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
 PROGRAM : 03 ACCOUNTING PROGRAM
 CONTROL : 00000

AL/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)	12.25	12.50	12.00	12.00		12.00	12.00	
1100	SALARIES	261,892.24	276,919	277,619	277,619		277,030	277,030	
1400	EMPLOYEE BENEFITS	54,217.40	40,409	41,417	41,417		41,965	41,965	
1500	HEALTH INSURANCE		15,091	17,940	17,940		17,940	17,940	
1600	VACANCY SAVINGS		-12,978	-13,479	-13,393	-86	-13,477	-13,373	-104
1800			75						
	TOTAL LEVEL	316,109.64	319,516	323,497	323,583	-86	323,458	323,562	-104
2021	CONTRACTED SERVICES-INFLATI			-6,636	-6,222	-414	-13,971	-12,055	-1,916
2025	REPI-INFLATION			487,913	457,012	30,901	488,610	434,217	54,393
2100	CONTRACTED SERVICES	471,155.38	456,368	2,746	2,603	143	2,746	2,603	143
2200	SUPPLIES & MATERIALS	2,746.73	4,276	12,366	10,207	2,159	12,366	10,207	2,159
2300	COMMUNICATIONS	12,658.51	8,305	8,091	7,915	176	8,439	7,915	524
2500	REPI	7,915.00	3,689	4,682	4,304	378	4,630	4,304	326
2700	REPAIR & MAINTENANCE	3,613.80	2,004	1,706	1,563	143	1,706	1,563	143
2800	OTHER EXPENSES	1,562.70							
	TOTAL LEVEL	499,652.12	489,018	510,868	478,141	32,727	504,526	449,808	54,718
3100	EQUIPMENT	11,706.90		200		200	100		100
3400	INTANGIBLE ASSETS	1,274.50							
	TOTAL LEVEL	12,981.40		200		200	100		100
	TOTAL PROGRAM	828,743.16	808,534	834,565	801,724	32,841	828,084	773,370	54,714
01100	GENERAL FUND	828,743.16	808,534	834,565	801,724	32,841	828,084	773,370	54,714
	TOTAL PROGRAM	828,743.16	808,534	834,565	801,724	32,841	828,084	773,370	54,714

EXHIBIT 12
 DATE 1-19-87
 HB _____

DEPARTMENT OF ADMINISTRATION, ACCOUNTING DIVISION

BUDGET SUBCOMMITTEE HEARINGS
January 19, 1987

I. Overview of division's operations

A. Operate and maintain SBAS and PAMS

- system is used by all state agencies and universities
- 100% General Funded

B. Divided into three units

1. Daily operations- 4FTE

- receive, log in all accounting documents from agencies, to ISD for keypunching
- perform all balancing and reconciling of the system, correct transactions errors, file all documents
- receive daily and month-end reports from ISD and distribute back to agencies

2. SBAS Support Unit- 3 FTE

- identify problems with the systems
- work with ISD system programmers to correct the problems and make improvements to the system
- coordinate all procedures necessary to close the old fiscal year and open the new year

3. Financial Reporting Unit- 3 FTE

- write state accounting policies
- prepare the state annual financial report and supplemental schedules
- prepare the Statewide Indirect Cost Allocation Plan

4. All units

- provide assistance to agencies on request
- involved in presenting a series of classes through PDC on SBAS and state accounting policy

II. Budget issues

A. Contracted Services

1. Volume growth of 5% a year
2. ISD rate restructuring
3. Remote Printing
4. Continuous transmittals
5. SBAS maintenance

B. Communications

1. Postage and mailing

III. Budget Modification

ACCOUNTING DIVISION

BUDGET DIFFERENCES

CONTRACTED SERVICES

The following adjustments need to be made to the LFA recommendation:

	<u>FY 88</u>	<u>FY 89</u>
SBAS, PAMS, & ICC Growth	\$38,068	\$54,257
Off-site printing of SBAS reports	-16,083	-16,083
ISD Rate Restructuring	5,455	22,000
Continuous Transmittals for RJE	2,640	
SBAS Maintenance		- 5,920
Net of other miscellaneous differences	<u>821</u>	<u>139</u>
Total	<u>\$30,901</u>	<u>\$54,393</u>

Growth - The Accounting Division pays the Information Services Division for the keypunching and processing of agencies' accounting transactions, printing of all SBAS and PAMS reports, and the storage of all state accounting documents. The Accounting Division's expenses for these services increase approximately 5% each year because the number of agency accounting transactions submitted and the number of management reports printed are continually increasing.

Off-site printing - There are several state agencies, including all the university units, that have the capability to print their own SBAS and PAMS reports.

ISD rates - ISD's restructuring of their rates will increase the Accounting Divisions's costs by \$10,250 in FY 88 and by \$22,000 in FY 89. The LFA funded \$4,795 of the FY 88 increase and \$0 of the FY 89 increase.

Continuous transmittals - The division's last purchase of these forms was in FY 85, thus the expense is not in our base. The forms are purchased in bulk to keep the unit cost as low as possible. The forms provide the name and address for mailing state warrants, where the authorizing agency uses Remote Job Entry (RJE).

SBAS maintenance - The Accounting Division contracts with the Information Systems Division for system programming services necessary to correct problems and make improvements in the state's accounting system.

COMMUNICATIONS

Postage and Mailing - The LFA budget for Postage and Mailing is the division's average charges for FY 84 and FY 85. In FY 84 and FY 85, only UPS and bus charges were coded to Postage and Mailing. All other first class mail charges were coded to Messenger Service. This was corrected in FY 86. Therefore, in order to compare the division's expenses for mailing during the last three fiscal years, the two categories must be added together, as follows:

	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>
Postage and Mail	\$2,710	\$2,192	\$4,943
Messenger	<u>4,762</u>	<u>4,742</u>	<u>1,890</u>
Totals	<u>\$7,472</u>	<u>\$6,934</u>	<u>\$6,833</u>

AcctDiff.KM

EXHIBIT 15
 DATE 1-19-87
 HB _____

VARIOUS STATISTICS SHOWING
 THE GROWTH IN STATE ACCOUNTING ACTIVITIES
 FROM FISCAL YEAR 1984 THROUGH 1986

	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>
Keypunched Transactions	1,952,869	2,067,095	2,190,683
Percentage increase from the prior year		5.8%	5.9%
Responsibility Center Reports	27,329	31,364	34,384
Percentage increase from the prior year		14.8%	9.6%
Reporting Center Reports	15,074	19,121	22,989
Percentage increase from the prior year		26.8%	20.2%
Nongeneral fund revenues (in thousands, excludes universities)	\$1,269,057	\$1,420,907	\$1,477,322
Percentage increase from the prior year		12.0%	4.0%

REPORT EBSR99
 DATE : 01/07/87
 TIME : 17/23/43

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

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
 PROGRAM : 10 PURCHASING PROGRAM
 CONTROL : 00000

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)	16.25	15.50	15.00	15.00		15.00	15.00	
1100	SALARIES	339,683.70	308,034	321,258	320,338	920	320,225	319,306	919
1400	EMPLOYEE BENEFITS	69,373.86	43,101	47,660	47,660		48,226	48,227	-1
1500	HEALTH INSURANCE		20,750	21,390	20,700	690	21,390	20,700	690
1600	VACANCY SAVINGS		-15,180	-15,612	-15,356	-256	-15,594	-15,331	-263
1800		271							
	TOTAL LEVEL	409,057.56	356,976	374,696	373,342	1,354	374,247	372,902	1,345
2021	CONTRACTED SERVICES-INFLATI			-84		-84	-185		-185
2025	RENT-INFLATION				1,451	-1,451		2,015	-2,015
2100	CONTRACTED SERVICES	29,028.70	10,249	35,251	30,591	4,660	35,491	30,831	4,660
2200	SUPPLIES & MATERIALS	5,744.41	8,501	3,515	6,697	-3,182	3,515	6,697	-3,182
2300	COMMUNICATIONS	22,418.51	28,110	24,695	22,418	2,277	24,695	22,418	2,277
2400	TRAVEL	4,097.84	2,908	4,783	4,099	684	4,783	4,099	684
2500	RENT	15,127.00	15,869	15,459	15,127	332	16,125	15,127	998
2700	REPAIR & MAINTENANCE	6,155.12	638	7,240	7,640	-400	7,141	7,640	-499
2800	OTHER EXPENSES	1,103.50	2,705	1,070	1,104	-34	1,070	1,104	-34
	TOTAL LEVEL	83,675.08	98,980	91,929	89,127	2,802	92,635	89,931	2,704
3100	EQUIPMENT	2,081.72	850						
	TOTAL LEVEL	2,081.72	850						
01100	GENERAL FUND	494,814.36	456,806	466,625	462,469	4,156	466,882	462,833	4,049
	TOTAL PROGRAM	494,814.36	456,806	466,625	462,469	4,156	466,882	462,833	4,049
	TOTAL PROGRAM	494,814.36	456,806	466,625	462,469	4,156	466,882	462,833	4,049

EXHIBIT 16
 DATE 1-19-87
 HB _____

EXHIBIT 17
DATE 1-19-87
H2 _____

PURCHASING DIVISION

Department of Administration

State of Montana

PURPOSE:

To ensure fair, broad-based competition on State purchases. To save money for the State through purchasing practices and disposition of surplus property.

ORGANIZATION:

The Purchasing Division has 31 FTE, organized into two Bureaus:

- Purchasing Bureau -- General Fund; oversees all supply and service purchases not received centrally.
- Property and Supply Bureau -- proprietary fund; purchases, warehouses and distributes all centrally received supplies; accounts for and disposes of surplus property.

METHOD:

Competitive bids or proposals are obtained for all purchases. Common use items are "controlled" and purchased only by the Purchasing Division to get the best value by:

- combining agency needs to take advantage of the State's purchasing volume;
- standardizing specifications to consolidate the State's requirements;
- providing for central receiving of some items to reduce costs.

DEPARTMENT OF ADMINISTRATION

PURCHASING DIVISION

**PURCHASING
BUREAU**

- Centralized purchasing
- Purchasing delegation
- Vendor listing
- Preference application
- Technical assistance

**PROPERTY & SUPPLY
BUREAU**

- Central Stores
- State surplus
- Federal surplus

PURCHASING BUREAU

ROLE:

The Purchasing Bureau's role was simply described in a recent news article: agencies tell the Bureau what they need, the Bureau finds the best buy, the agencies pay the bill.

The Purchasing Bureau specializes in "shopping" for the State.

STAFF:

The Purchasing Bureau currently employs seven (7) purchasing agents and six (6) clerical staff. One-half of the administrator's salary and expenses are also allocated to the Bureau. Within FY 87 a management analyst and receptionist were laid off in order to meet budget cuts and vacancy savings requirements. In addition, all purchasing agents and the administrator are on reduced hours.

VOLUME:

Over \$80 million worth of goods and services are procured annually through activities of the Purchasing Bureau.

Over 4800 items grouped into 72 different commodity categories are assigned to each of the six purchasing agents.

Over 5,300 businesses (1800 from Montana) have filed with the Bureau to bid for the State's purchasing transactions.

PROCEDURES:

Given the amount of State business and competition for that business, standard procedures are necessary to ensure the highest level of public confidence in the fairness of each transaction. The price of this confidence is the occasional criticism of being cumbersome or inflexible.

Each major purchase involves four steps:

- A requisition which originates at the user agency and specifies what is needed.
- An invitation for bids (IFB) sent to a sufficient number of vendors to ensure competitive offers.
- A bid opening and contract award to the lowest responsible bidder who meets the specifications required in the IFB.
- Delivery of the goods or services purchased and payment by the user agency.

DELEGATION:

During this last biennium a program of controlled decentralized purchasing became fully implemented. Rather than make all purchases, no matter how small or unique to an agency, the Purchasing Bureau now delegates some purchasing authority. A requesting agency which demonstrates that it can exercise this authority within existing laws and rules can enter a delegation agreement with the Bureau.

The typical delegated purchasing limit is \$2000, although two agencies have limits up to \$25,000 (Legislative Council and the University of Montana).

Some of the effects of delegation include:

- Purchasing Bureau processing requisitions mainly of larger dollar amounts, smaller purchases being made by agencies.
- reduced processing time on agency requisitions;
- need for compliance "audits" of agencies with delegated authority;
- some increases in purchasing staff at the agency level.

EXHIBIT 18
DATE 1-19-87
HB _____

PURCHASING DIVISION
BUDGET DIFFERENCES

PERSONAL SERVICES

Salaries

OBPP recommendation reflects carry forward of current level for overtime costs to process the purchasing requests from agencies. LFA recommendation excludes these costs of \$920 a year.

Health Insurance

LFA recommendation does not include enough health insurance for current level FTE. Shortfall is \$690 a year.

CONTRACTED SERVICES

OBPP recommendation includes \$460 a year to adjust for training credits issued to the division for classes taught by the Purchasing staff. The credits had reduced the base year expenses for education and training. These credits are not an ongoing occurrence. LFA recommendation does not include this cost.

OBPP recommendation provides for additional \$953 a year to microfilm vendor records as required by statute. The base year does not reflect a normal year's activity. LFA recommendation does not include this cost.

OBPP recommendation reflects current level of \$3,182 a year for Photocopy Pool Services. LFA recommendation includes these costs under the category of Supplies. Per state accounting policy, this expense should be under Contracted Services.

SUPPLIES

See explanation above relating to Photocopy Pool Services in Contracted Services.

COMMUNICATIONS

OBPP recommendation provides increased costs of postage and mailing for bid invitations and purchase orders to vendors. LFA recommendation does not include these costs. Difference is \$2,277 a year.

TRAVEL

OBPP recommendation provides increases for in-state travel. This travel is for on-site visitations to state agencies for training in purchasing procedures and compliance audits of delegated purchasing authority. LFA recommendation does not include these costs. Difference is \$684 a year.

RENT

OBPP recommendation has new square footage rates. LFA recommendation includes these costs under rent-inflation. Dollar amounts are similar.

REPAIR AND MAINTENANCE

OBPP recommendation includes grounds maintenance. LFA recommendation includes this cost under rent-inflation. Dollar amounts are similar.

LFA recommendation reflects actual maintenance costs for computer equipment. OBPP recommendation is at a reduced level. Difference is \$1,485 a year.

PurDiff.KM



EXHIBIT. 19
DATE 1-19-89
HD _____

SUBJECT: Cooperative Governmental Purchasing in Montana; a fact sheet

PREPARED BY: Big Sky Public Purchasing, Montana Chapter of the National Institute of Governmental Purchasing (N.I.G.P.)

CONTACT PERSON: Mr. Terry Wahl
Legislative Committee Chairperson
406/721-5700 (ext. 282)
Missoula, Montana

POSITION: Big Sky Public Purchasing, an independent Montana organization of purchasing professionals, endorses implementation of cooperative governmental purchasing in Montana as described under the Montana Codes Annotated (MCA) Title 18-4-401 through 407 (attached).

Big Sky Public Purchasing recognizes the Montana Department of Administration as the governmental entity legally authorized to sponsor, conduct or administer a statewide cooperative purchasing program and, therefore, requests that spending authority be made available to the Montana Department of Administration to implement a cooperative program under Title 18 authority.

Actual dollars are not requested; funding will be established under a proprietary account and only spending authority will be necessary for a cooperative purchasing program to become operational statewide.

BENEFITS: The Great Falls Public School System's School Lunch Program realized an 18% savings through participation in the Fall '86 160 School Cooperative (O.P.I.) Division of Food Service Food Bid.

Great Falls' School Food Services states: "Our participation in the Co-operative Bid has been an important factor in controlling our food costs."

Passage of Initiative 105 and Montana's current economic conditions mandate that all levels of government find similar ways of controlling costs.

Cooperative governmental purchasing will control costs through (1) volume discounts realized by effectively harnessing statewide buying power, and (2) by providing an option to all levels of government for centralized purchase of universally used commodities, thus eliminating duplication of efforts.

SURVEY RESULTS: During November 1986, Big Sky Public Purchasing conducted an independent survey of Montana's school districts, cities and counties to determine to what extent cooperative govern-

mental purchasing would be used across the state. Ninety-five percent of the surveys returned expressed interest in at least one aspect of cooperative purchasing as defined under Title 18. Specifically, they are:

- Central Stores; 32 positive responses.
- Requisition Time Schedule; 19 positive responses.
- State term contracts; 12 positive responses.
- Purchasing in general; 10 positive responses.

FISCAL NOTES:

The Department of Administration's Purchasing Division will prepare a projected budget of needs associated with implementation of a cooperative purchasing program if requested to do so by the legislature.

DFL:ml:1/cc

DEPARTMENT OF ADMINISTRATION

ACCOUNTING DIVISION

TED SCHWINDEN, GOVERNOR

ROOM 255, MITCHELL BUILDING

STATE OF MONTANA

(406) 444-3092

HELENA, MONTANA 59620-0102



MEMORANDUM

TO: Highways and General Government Committee Members
and Secretary

FROM: Kathy Fabiano, Administrator *KF*
Accounting Division

DATE: January 21, 1987

Attached is the additional information requested by the committee during the Department of Administration's Accounting Division budget hearings. The attachments include -

1. A comparison of the number of transaction lines input to SBAS during FY84 through FY86, by agency;
2. A comparison of the number of responsibility and reporting center pages printed during FY84 through FY86, by agency;
3. The Accounting Division's budget request for FY88 and FY89 to accommodate SBAS growth since FY86; and
4. A copy of the letter to the Governor describing the division's modified request for \$25,000 in FY88 and the Governor's response.

cc: Karen Munro, Administrator
Central Services Division
Department of Administration

Flo Smith
Office of Budget and Program Planning

Pam Johler
Legislative Fiscal Analyst's Office

Attachments (5)

DEPARTMENT OF ADMINISTRATION, ACCOUNTING DIVISION
 SBAS Transaction Count by Agency
 Fiscal Years 1984, 1985 and 1986

AGENCY	Number of Transaction Lines			Biennium Increase Or Decrease
	FY84	FY85	FY86	
LEGISLATIVE AUDITOR	5,165	5,359	4,751	-8%
LEGISLATIVE FISCAL ANALYST	361	754	969	16%
LEGISLATIVE COUNCIL	4,229	4,088	4,991	18%
LEGISLATURE- SENATE	261	760	357	37%
LEGISLATURE- HOUSE	294	593	533	88%
ENVIRONMENTAL QUALITY COUNCIL	725	639	359	18%
CONSUMER COUNSEL	701	629	394	-1%
JUDICIARY	9,189	9,736	9,592	4%
GOVERNORS OFFICE	6,002	6,695	8,011	33%
SECRETARY OF STATE	3,239	3,372	4,017	24%
COMMISSIONER OF POLITICAL PRAC.	368	392	361	-2%
STATE TREASURERS OFFICE	70,520	71,662	71,558	1%
STATE AUDITORS OFFICE	19,196	20,247	21,528	12%
OFFICE OF PUBLIC INSTRUCTION	65,279	69,400	69,515	6%
BILLINGS VO-TECH	6,437	5,914	5,249	-3%
BUTTE VO-TECH	3,736	4,570	4,276	13%
GREAT FALLS VO-TECH	7,541	8,672	7,455	-2%
HELENA VO-TECH	8,322	9,334	8,520	-3%
MISSOULA VO-TECH	13,706	13,214	13,889	1%
CRIME CONTROL DIVISION	2,926	3,355	3,922	24%
HIGHWAY TRAFFIC SAFETY	1,808	2,394	2,204	22%
DEPARTMENT OF JUSTICE	35,428	34,211	40,734	12%
PUBLIC SERVICE REGULATION	3,606	4,570	4,498	25%
BOARD OF PUBLIC EDUCATION	717	755	658	-8%
COMMISSIONER OF HIGHER ED	4,399	4,560	3,951	-10%
UNIVERSITY OF MONTANA	422,316	411,435	434,447	3%
MONTANA STATE UNIVERSITY	378,377	381,711	391,445	3%
MONTANA TECH	33,210	40,940	40,159	4%
EASTERN MONTANA COLLEGE	111,211	118,195	123,663	11%
NORTHERN MONTANA COLLEGE	50,635	50,220	52,123	3%
WESTERN MONTANA COLLEGE	16,971	13,727	21,041	24%
AGRICULTURAL EXPER STATION	39,926	40,792	40,739	5%
COOPERATIVE EXTENSION SERVICE	20,774	20,360	20,641	-1%
FORESTRY & CONS EXPER STATION	2,324	2,057	2,035	-12%
DEAF & BLIND SCHOOL	8,399	8,057	9,650	15%
ARTS COUNCIL	5,253	5,632	6,025	15%
LIBRARY COMMISSION	6,561	11,211	11,504	75%
COUNCIL ON VOCATIONAL ED.	852	706	820	-4%
HISTORICAL SOCIETY	11,888	13,141	14,902	25%
BOARD OF REGENTS	362	348	333	-7%
FIRE SERVICES TRAINING SCHOOL	982	1,202	1,146	17%
FISH, WILDLIFE AND PARKS	162,544	238,459	272,426	67%
HEALTH	72,932	75,648	86,149	18%
HIGHWAYS	162,806	161,505	157,263	-3%
STATE LANDS	54,020	69,793	59,942	11%
LIVESTOCK	24,042	24,361	23,685	-1%
NATURAL RESOURCES & CONS.	50,377	51,555	59,105	37%
REVENUE	174,001	173,009	175,679	2%

DEPARTMENT OF ADMINISTRATION, ACCOUNTING DIVISION
 SBAS Transaction Count by Agency (cont.)
 Fiscal Years 1984, 1985 and 1986

AGENCY	Number of Transaction Lines			Biennium Increase Or Decrease
	FY84	FY85	FY86	
ADMINISTRATION	370,746	378,381	391,501	6%
PUBLIC EMPLOYEES RETIREMENT	10,385	11,261	11,742	8%
TEACHERS RETIREMENT	4,516	4,933	5,407	20%
LONG RANGE BUILDING PROG	5,829	5,501	5,341	13%
AGRICULTURE	30,063	29,291	30,460	1%
INSTITUTIONS	28,489	26,179	24,834	-13%
MT DEVELOPMENT CENTER	27,181	25,787	26,519	-2%
CENTER FOR THE AGED	8,590	9,142	8,740	-2%
EASTMONT TRAINING CENTER	5,830	4,751	4,578	-21%
MOUNTAIN VIEW SCHOOL	4,795	5,117	4,913	2%
PINE HILLS SCHOOL	6,432	7,706	7,695	-3%
PRISON	60,652	54,512	50,851	-15%
SWAN RIVER YOUTH FOREST CAMP	3,255	3,114	2,411	5%
VETERANS HOME	5,637	6,058	6,509	15%
MT STATE HOSPITAL	60,397	54,455	55,422	7%
BOARD OF PARDONS	719	724	744	3%
YOUTH TREATMENT CENTER	1	950	7,309	100%
COMMERCE	75,393	83,568	79,353	5%
LABOR AND INDUSTRY	5,211	5,273	5,741	10%
L & I EMPLOYMENT SERVICES	19,492	44,234	57,216	230%
L & I WORKERS COMP	23,059	21,874	26,285	14%
MILITARY AFFAIRS	12,241	14,036	16,502	35%
BOARD OF VETERAN'S AFFAIRS	967	1,082	9	-99%
SOCIAL & REHAB SERVICES	283,842	286,472	257,421	-9%
Post-closing transactions, agency detail not available	8,558			-100%
TOTAL TRANSACTIONS	3,155,488	3,291,284	3,449,352	9%
Remote Job Entry				
Universities (all documents)	(1,020,394)	(1,084,537)	(1,126,383)	4%
Highways (Claims only)	(96,636)	(97,922)	(97,897)	1%
SRS (Claims only)	(38,599)	(39,559)	(34,769)	-10%
TOTAL KEYFUNCHED TRANSACTIONS	1,952,869	2,067,096	2,190,663	12%

DEPARTMENT OF ADMINISTRATION, ACCOUNTING DIVISION
NUMBER OF RESPONSIBILITY AND REPORTING CENTER PAGES
FISCAL YEARS 1984 THROUGH 1985

RESPONSIBILITY CENTER REPORT

REPORTING CENTER REPORT

AGENCY NAME	BIENNIUM INCREASE/DECREASE				BIENNIUM INCREASE/DECREASE			
	FY84	FY85	FY86		FY84	FY85	FY86	
LEGISLATIVE BRANCH								
Legislative Auditor	17	24	28	65%	5	6	7	40%
Legislative Fiscal Analyst	6	5	6	0%	3	3	4	33%
Legislative Council	66	75	79	20%	16	20	14	-13%
Senate	9	16	20	122%	7	10	12	71%
House	9	17	21	133%	7	10	12	71%
Environmental Quality Council	4	4	6	50%				
Consumer Counsel	4	4	4	0%				
JUDICIAL BRANCH, Judiciary	70	77	81	16%	25	27	29	12%
ELECTED OFFICIALS								
Governor's Office	57	58	58	54%	37	41	51	38%
Secretary of State	17	16	21	24%	14	13	14	0%
Commissioner of Political Practices	6	6	7	17%				
State Auditor	29	30	36	23%	12	12	17	42%
Superintendent of Public Instruction	4487	5934	6078	37%	1525	1929	2007	27%
Billings Vo-Tech	92	112	115	25%	35	38	53	47%
Butte Vo-Tech	82	87	107	30%	33	27	30	7%
Great Falls Vo-Tech	114	130	124	9%	32	24	41	28%
Helena Vo-Tech	175	184	179	2%	32	40	41	2%
Missoula Vo-Tech	205	194	194	-5%	87	95	121	35%
JUSTICE, Department of								
Crime Control Commission	43	45	53	35%	45	34	58	21%
Highway Traffic Safety	25	30	30	20%	14	15	15	7%
Department of Justice	188	185	215	14%	110	66	85	-22%
PUBLIC SERVICE REGULATION, Department of								
EDUCATION	25	30	25	0%	7	7	8	14%
Board of Public Education								
Board of Public Education	5	6	5	0%	4	3	4	0%
Commissioner of Higher Education	66	58	51	-23%	15	16	11	-27%
University of Montana	2804	4155	2657	-4%	2448	2591	2634	8%
Montana State University	1997	2030	2155	9%	725	723	718	-1%
Montana College Mineral Science & Tech	715	727	922	15%	405	436	426	5%
Eastern Montana College	352	309	336	3%	400	457	446	12%
Northern Montana College	686	670	671	-5%	355	359	357	3%
Western Montana College	251	257	329	26%	124	123	147	19%
Agricultural Experiment Station	638	671	678	5%	583	913	595	1%
Cooperative Extension Service	245	294	275	12%	182	175	183	3%
Forestry Conservation Experimental Station	10	10	8	-20%				
School for the Deaf and Blind	77	76	99	29%	21	34	50	138%
Montana Arts Council	177	179	251	42%	3	0	0	-100%
State Library	95	113	117	23%	30	85	104	30%
Advisory Council for Vocational Education	6	6	5	-17%				
Historical Society	94	141	140	49%	10	73	67	306%
Board of Regents of Higher Education	3	4	3	0%				
Fire Services	7	21	23	457%	4	10	10	150%

(cont)

DEPARTMENT OF ADMINISTRATION, ACCOUNTING DIVISION
 NUMBER OF RESPONSIBILITY AND REPORTING CENTER PAGES (cont.)
 FISCAL YEARS 1984 THROUGH 1985

AGENCY NAME	RESPONSIBILITY CENTER REPORT				REPORTING CENTER REPORT			
	FY84	FY85	FY86	BIENNIMUM INCREASE/ DECREASE	FY84	FY85	FY86	BIENNIMUM INCREASE/ DECREASE
FISH, WILDLIFE, AND PARKS, Department of	1490	2833	3396	128%	1569	4377	5194	231%
HEALTH & ENVIRONMENTAL SCIENCE, Department	337	373	429	27%	190	234	248	31%
HIGHWAYS, Department of	745	727	695	-7%	259	266	269	4%
STATE LANDS, Department of	708	1076	973	37%	370	524	468	26%
LIVESTOCK, Department of	155	148	149	-4%	51	49	53	4%
NATURAL RESOURCES AND CONSERVATION, Depart	364	357	722	26%	300	315	399	33%
REVENUE, Department of	948	904	951	3%	555	357	506	43%
ADMINISTRATION, Department of								
Administration	366	353	402	20%	152	202	256	63%
FERD	51	65	70	15%	27	27	27	0%
TRD	18	19	21	17%	11	13	14	27%
Long Range Building	419	454	480	15%	135	155	209	13%
AGRICULTURE, Department of	138	156	199	44%	95	105	120	26%
INSTITUTIONS, Department of								
Central Office	251	244	312	24%	199	193	206	4%
Montana Developmental Center	285	216	220	-2%	126	128	132	5%
Center for the Aged	76	77	73	-4%	68	65	51	-10%
Eastmont Training Center	32	33	32	-1%	12	17	17	-6%
Mountain View School	42	44	44	5%	31	32	37	24%
Pine Hills School	62	66	64	3%	46	46	44	-4%
Montana State Prison	669	781	868	30%	466	564	636	36%
Swan River Youth Forest Camp	28	26	29	4%	12	12	13	8%
Veterans' Home	69	70	65	-5%	81	60	78	-4%
Montana State Hospital	729	751	715	-2%	263	272	263	-1%
Board of Pardons	5	4	6	20%	0	0	4	100%
Montana Youth Treatment Center	0	12	71	100%	0	5	50	100%
COMMERCE, Department of	1150	1114	1050	-9%	661	701	725	10%
LABOR & INDUSTRY, Department of								
Labor Standards Division	44	44	48	9%	14	25	34	143%
Employment Security Division	302	293	1200	311%	93	103	967	940%
Workers' Compensation Division	115	119	137	19%	57	54	59	4%
MILITARY AFFAIRS, Department of								
Adjutant General	109	112	122	27%	30	33	35	23%
Disaster and Emergency Services	47	43	0	-100%	20	31	0	-100%
Board of Veterans Affairs	5	4	0	-100%				
SOCIAL & REHABILITATION SERVICES, Department	2016	2015	2924	45%	941	1053	2491	165%
TOTAL	37329	31364	34334	26%	15074	19121	22959	53%

DEPARTMENT OF ADMINISTRATION, ACCOUNTING DIVISION
Budget Request for SBAS Growth Since Base Year FY86
Fiscal Years 1988 and 1989

	<u>FY88</u>	<u>FY89</u>
Processing and Report Printing	\$ 13,818	\$ 16,729
Microfiche Copies	2,509	3,946
Keypunching of Transactions	21,741	33,582
	<u> </u>	<u> </u>
Total Budget Request for Growth	\$ 38,068	\$ 54,257

DEPARTMENT OF ADMINISTRATION

DIRECTOR'S OFFICE



TED SCHWINDEN, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

(406) 444-2032

HELENA, MONTANA 59620

January 8, 1987

The Honorable Ted Schwinden
Governor, State of Montana
State Capitol
Helena, MT 59620

Dear Governor Schwinden:

The Department of Administration is responsible for preparing the Statewide Cost Allocation Plan (SWCAP). The plan is used by State agencies to negotiate an indirect cost rate for their federally funded programs. Costs recovered through SWCAP are deposited in the General Fund. Montana recovered about \$410,000 in General Fund indirect costs from the Federal government in Fiscal Year 1986 and, if allowed to add a modified request to our budget for next biennium, we may be able to increase the amount that would otherwise be recovered in Fiscal Year 1988 by as much as 50 to 100%. We would be asking for an additional \$25,000 in spending authority.

A representative of the Federal government was here in November to negotiate Montana's SWCAP for Fiscal Year 1987 and questioned several of the costs currently charged to federal programs through SWCAP and our internal service type operations. We were at a disadvantage during those negotiations because we have no staff with expertise in this area. Fortunately, a consulting firm, hired by the Information Services Division on another matter but very experienced in indirect cost plans, was here at the time and assisted us in reducing the amount of questioned costs from more than \$1 million down to \$7,000.

Evidently this firm saw enough of our indirect cost plan during those negotiations to conclude that it needs some work because they later presented us a proposal to prepare our 1988 SWCAP at, in effect, no cost to the state. They are so sure they can increase Montana's indirect cost recoveries that they are willing to sign a service contract on a contingent fee basis. They will guarantee to increase General Fund revenues from indirect cost recoveries by at least the amount of their fee, which will not exceed \$25,000, or we pay them nothing. To get some idea of what we might realize in added General Fund revenues, we contacted three other states that use this firm. These three states said their cost recoveries have increased as much as 50 to 100%. Of course we would have to request proposals from other firms willing to do the work on the same contingent fee basis, should there be any.

The Honorable Ted Schwinden
January 8, 1987
Page Two

I regret we were not aware these services were available before our budget for next year was submitted to your office, but because the General Fund stands to gain as much as \$400,000 and can lose nothing from this proposal, we can't afford to wait another two years to request the funding. I would like your concurrence to our submitting this modified request for \$25,000 to our budget subcommittee.

Sincerely,



Ellen Feaver
Director

EF/kf

State of Montana
Office of the Governor
Helena, Montana 59620
406-444-3111

RECEIVED

JAN 15 REC'D

DEPT. OF ADMINISTRATION
DIRECTORS OFFICE

TED SCHWINDEN
GOVERNOR

January 15, 1987

Ms. Ellen Feaver, Director
Department of Administration
Sam W. Mitchell Building
Helena, MT 59620

Dear Ellen:

Given that the proposal to improve the state's indirect cost plan promises to substantially increase revenues without any financial risks, it makes good sense to me to ask the legislature for the necessary \$25,000 fee. I have a hunch the possibility of up to a 1600% return on the initial investment will be as appealing to legislators as it is to me.

Sincerely,



TED SCHWINDEN
Governor

DEPARTMENT OF ADMINISTRATION
DIRECTOR'S OFFICE



ROBERT SCHWINDEN, GOVERNOR

MITCHELL BUILDING


STATE OF MONTANA

(406) 444 2032

HELENA, MONTANA 59620

DATE: January 9, 1987

TO: Representative Rehberg, Chairman
General Government and Highways
Appropriations Joint Subcommittee

FROM: Ellen Feaver, Director 
Department of Administration

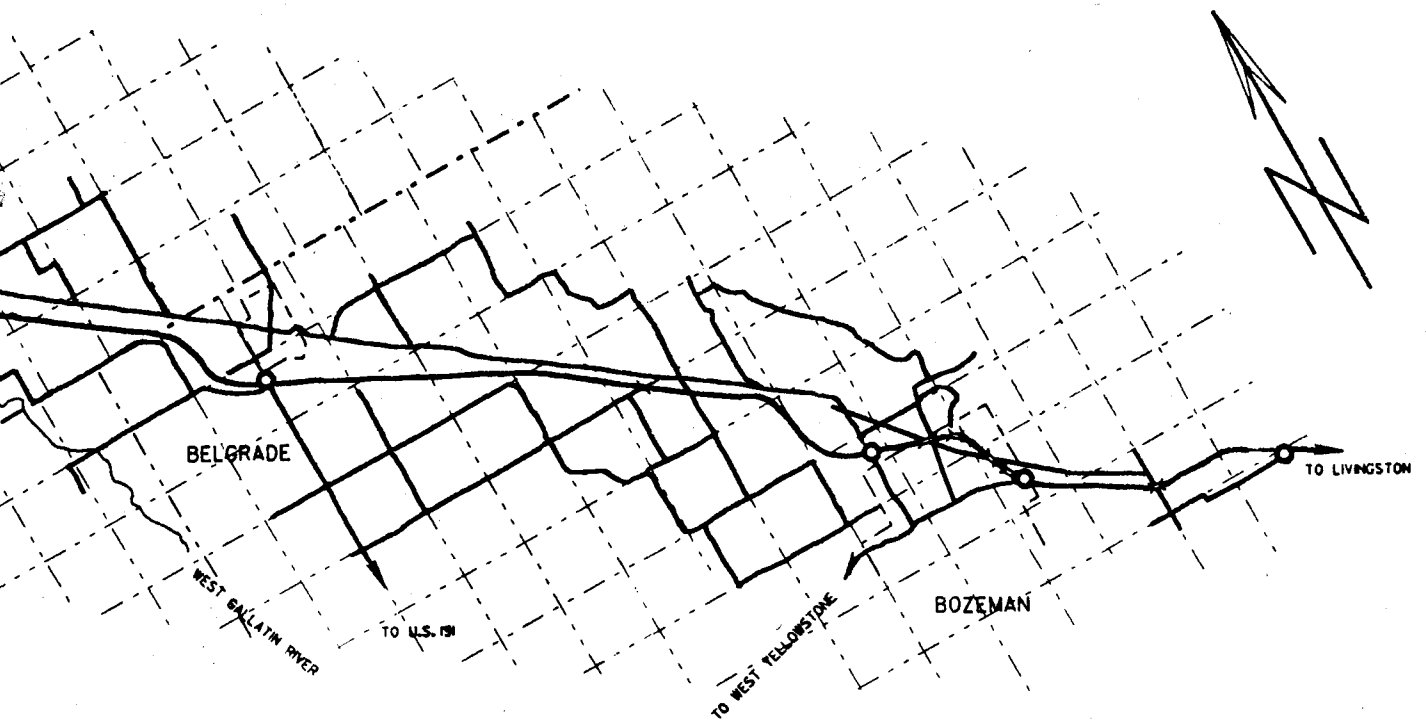
SUBJECT: Statewide Information System Plans

For your information and reference, the Department of Administration is pleased to provide you and your subcommittee with copies of A Report on Statewide Information System Plans for Fiscal Years 1988 & 1989.

Mike Trevor, Administrator of Information Services Division can be reached at 444-2700, if you wish to discuss any issue pertaining to state information systems or obtain additional copies of the report.

INFORMATION TECHNOLOGY IN MONTANA STATE GOVERNMENT

**A Report on Statewide
Information System Plans
for Fiscal Years 1988 & 1989**



VISITORS' REGISTER
GENERAL GOVERNMENT & HIGHWAYS COMMITTEE

BILL NO. _____

DATE January 19, 1987

SPONSOR _____

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
AKEN MUNRO	HELENA	✓ P/A	
Mike Trewer	Helena DCH/ISD		
Ellen Trewer	Helena P/A		
Kathy Karpman	Helena DCH/Horty		
John Trewer	Helena D/A		
Bob Rzewski	STAB		
John Trewer	STAB		
TERRY WAHL	(BIG SKY) MISSOULA (PUBLIC PURCHASING ASSN)		
Mike Muskrzewicz	HELENA		
EARL FRED	HELENA P. PURCHASING		
Derry Howell			

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.