

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 20, 1987 at 8:00 a.m. in Room 132 of the State Capitol.

ROLL CALL: All committee members were present. 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)

34A:1.15

DEPARTMENT OF ADMINISTRATION

Purchasing Division

Rep. Poulsen suggested the director consider the possibility of consolidating the functions of the two areas in the Purchasing Division under one administrator. Ms. Feaver, Director of the Department of Administration, stated perhaps the committee would better understand the ramifications of such a move after the other division made its presentation at tomorrow's meeting. Chairman Rehberg requested Ms. Feaver furnish information regarding possible proprietary funding and efficiency measures in this area.

State Tax Appeal Board

Flo Smith presented the budget for the OBPP. (Exhibit No. 1) The FTE level of 5.5 has remained constant over the 87 and 89 bienniums. The four percent vacancy savings was applied against personal services costs of the 2.5 FTE staff and not against the three appointed Board members. Equipment was included for filing cabinets. The total request of the agency was \$315,000 in general fund in FY 88 and \$314,000 in FY 89. There are two modifications included in the OBPP budget and are the same issues addressed in the supplementals. The agency requested \$163,000 in FY 88 and \$74,000 in FY 89 due to the increased workload associated with property reappraisal. They also requested \$33,750 for the biennium for the thirty-four percent issue. (Exhibits No. 2 and No. 3)

Pam Joehler presented the budget for the LFA. (Exhibit No. 4) The budget provided for a three percent increase in the 89 biennium. Funds were included in FY 88 to further automate the office. The two modifieds are not included. Vacancy savings was applied to the State Tax Appeal Board members.

(8.40)

Bob Raundal, Chairman of the State Tax Appeal Board, gave an overview of the Board. (Exhibit No. 5) He emphasized the number of appeals heard and to be heard as a result of the property reappraisal. He addressed the budget differences. (Exhibit No. 6) Sen. Gage suggested perhaps the Legislature should consider the increased workload to agencies before creating new laws.

34B:0.55

Personnel Division

Flo Smith presented the budget for the OBPP. (Exhibits No. 7, No. 8 and No. 9) The FTE level reflected the transfer of one position to the State Auditor's office. The difference in the .24 FTE is the State Labor Relations Chief. The OBPP reflected seventy-five percent of time charged to this division and twenty-five percent charged to the budget for Employee Benefits. Messenger service costs in deadhead mail have doubled for the division and the costs have been divided among three budgets. The division requested \$889,913 in general funds for each year of the biennium.

The FTE issue in Employee Benefits should be twenty-five percent. To cover the annual employee benefits audit, approximately \$24,700 was included in each year of the biennium. The division requested a biennial appropriation to be line-itemed in FY 88. \$2,500 was included for supplies and \$500 for communications in FY 89 for the biannual survey. Equipment amounted to \$900 for a microfiche reader and table. Funding amounted to \$32,000 in FY 88 and \$35,000 in FY 89 in general funds. Four percent vacancy savings was not applied to the positions supported by the general fund. Flo Smith will work with the agency to identify the FTE and an adjustment will be made. The program request amounted to \$263,000 each year in proprietary funds.

In training, the division requested three FTE, which was consistent. They requested one FTE be supported 100 percent by the general fund, resulting in personal services costs of approximately \$35,000 each year, less four percent vacancy savings. The OBPP reflected fiscal year actual for each year of the biennium for general funds, the difference to be covered by proprietary accounts. Basically, the proposal kept the general fund at the 86 level.

Pam Joehler presented the budget for the LFA. (Exhibit No. 10) The budget provided a 2.7 percent decrease from the 87 to the 89 biennium. Increases were provided for insurance, payroll, messenger and communication line charges for one personal computer and one terminal. The difference between the two budgets for FTE is shown under Issue I on pages A-235 and A-236 of Exhibit No. 9. The LFA budget is \$36,800 less, with over half the difference caused by the FTE transfer. The LFA budgeted the FTE in accordance with the 1985 Legislature. The OBPP recommended the division's request to transfer one-quarter time FTE from the Employees Benefit Program to the Personnel Program for a direct general fund impact of \$11,200 annually. Other differences were in operating expenses, contracted services and travel. The OBPP recommended higher printing costs and also \$2,500 per year to fund a student interin. The LFA did not include these. The LFA reduced funding for contracted secretarial services by \$1,100. The LFA left travel expenditures at the 86 level.

The LFA provided a fourteen percent increase in the Employee Benefit Program from the 87 to the 89 biennium. One FTE was moved from the Personnel Program to this program at an approximate cost of \$35,000 additional each year of the 89 biennium. This accounted for the majority of the increase. The general fund supported one FTE and operating expenses related to compensation and the biannual salary survey. The LFA provided for 6.5 FTE budgeted at the FY 87 salary matrix, with the four percent vacancy savings. Employee Benefit audit costs are included at \$20,000 each year of the biennium. Legislative audit costs are included at \$475 in FY 88 only. There was an adjustment for the salary survey in FY 89.

In training, the LFA provided a two percent increase from the 87 to the 89 biennium. Operating expenses increased almost four percent, funded from the proprietary account. The general fund supports one FTE. The OBPP recommended higher operating expenses. Other differences are in contracted services, supplies and travel.

(13.31)

Laurie Ekanger, Administrator of the State Personnel Division, gave a brief overview of the functions and responsibilities of this division. (Exhibit No. 11) She addressed the budget differences. (Exhibit No. 12)

Sen. Keating expressed his concerns regarding the comparable worth program. Ms. Ekanger said the language of the law reads that they shall work toward having comparable worth.

The matter of having a personnel officer within each division was discussed. Ms. Ekanger said the state personnel officer writes the policy and sets the over-all guidelines to make sure the state complies with federal laws and is consistent. The day to day problems and duties are handled by the agency personnel officer.

Because of the pay freeze, Ms. Ekanger said they anticipated an increase in appeals. She continued with her overview.

Ms. Ekanger said historically, sexual harassment increased when there was a pay freeze and that, as a result, a hostile environment in the work place could be created.

Ms. Ekanger said it was very important to train managers as it is very costly when they made a mistake. Since 1981, there have been forty-two lawsuits filed against the state for wrongful discharge. Eighteen have been settled, nine in favor of the state. The other nine have cost the state approximately \$250,000.

Ms. Ekanger referred to the Training Program (Exhibit No. 13) and the Employee Benefit Program. (Exhibit No. 14) Exhibit No. 15 shows claims paid since the state became self-insured for health and dental. Threats to this plan are increased costs and federal cost transfers. (COBRA - Exhibit No. 16)

35A:21.55

In the area of health promotion, the focus will be on those who are at the greatest risk. (Exhibit No. 17) This program has been restructured to include a voluntary health screen.

Rep. Quilici was excused.

The meeting recessed at 9:50 a.m.

The meeting reconvened at 10:00 a.m.

35B:0.45

Rep. Poulsen addressed the problem of comp time. Ms. Ekanger said for public employers such as the State of Montana, those who are covered under the Fair Labor Standards Act and have traditionally earned time and a half for overtime and could not be paid comp time, can now be paid comp time and a half in lieu of overtime under some conditions. Some of the comp time will have a cash liability in that there is a cap on the amount of comp time an employee can earn. If an employee quits, they are entitled to the cash equivalent of their comp time. For management, there is no dollar amount involved with comp time.

(8.05)

Information Services Division

Flo Smith presented the budget for the OBPP. (Exhibit No. 18) In the Resource Management/Adm. Program, the FTE level remained constant at 7. However, one position was eliminated due to the pay plan shortfall and a position was moved in within the division's reorganization. \$33,827 have been included in FY 88 for audit costs. Also included is \$15,000 in FY 88 for graphics art, type-setting and printing costs for an operations manual. \$8,000 was included in FY 89 for an information system plan as required by statute. The division requested replacement of chairs and some software for their personal computers. In FY 89, they requested some additional software and a personal computer for \$6,300. (There are some special additions on this computer). The division requested proprietary funding in the amount of \$334,000 in the first year and approximately \$300,000 for the second year.

In the Central Computer Operation Program, there was a reduction of two FTE, bringing their FTE level to 76.45. Two positions were eliminated due to the pay plan reductions. Within the supplies and materials category, the OBPP reflected increases of \$71,000 in FY 88 and \$111,000 in FY 89 for paper, microfilm and data processing supplies due to increased workload. Rental costs for software on the mainframe are anticipated to increase by approximately fifteen percent in FY 88 and thirty-two percent in FY 89. The division requested \$585,000 in FY 88 and \$672,000 in FY 89.

The computer and terminal maintenance cost for Central Computer Operations total \$489,000 in FY 88 and \$98,000 in FY 89. In addition, \$10,000 has been budgeted to establish an inventory of spare parts.

In equipment, the division requested replacement of some chairs and shelving for storage. They also requested \$9,500 in FY 89 to upgrade their rotary microfilm camera and \$3,500 in 89 for a singleuser computer. The total budget request is approximately \$5,500,000 in FY 88 and \$5,400,000 in FY 89 of proprietary funds. (Exhibit No. 19)

The budget for the Information Center included \$20,000 in FY 88 and \$16,000 in FY 89 for education supplies as an alternative to bringing in outside training. The division requested multiuser computer terminals and additional office equipment. The total request is \$517,000 in FY 88 and \$512,000 in FY 89 in proprietary funds.

In Systems Development, one FTE was transferred from this section to Resource Management/Adm. Program. The FTE level is twenty-three. Included under the rent category is \$178,000 each year for software. In equipment, the division requested an IBM colored terminal in FY 88 for \$1,750. In both years, \$600 was requested for personal computer tables and a laser printer was requested in FY 88. \$9,000 in each year is included for software. The total requested is approximately \$1,000,000 for each year of the biennium.

In Telecommunications, the FTE level is 16.14. (The .14 is the backup for the switchboard operator). The division requested \$50,000 in FY 88 and \$25,000 in FY 89 for contracted services. Savings of \$152,000 in FY 88 and \$139,000 in FY 89 in long distance charges are anticipated and are reflected in the budget. The total requested for operations is \$5,800,000 for each year of the biennium.

The funding for the Emergency 9-1-1 Program will be generated by a monthly \$.25 charge based upon telephone access to homeowners beginning January 1, 1987. The division is allowed seven percent, or actual expenses, whichever is less, for administrative costs. Estimated revenue for each year of the biennium is \$1,095,000. Seven percent of that would be \$76,671 and is the amount requested for the budget. The \$.25 fee is collected by the telephone company and deposited with the Department of Revenue. The Department of Revenue is allowed to take a token amount for administrative costs. The budget supports two FTE with a limited amount for operational costs.

(Exhibit No. 20 - A portion of Memo to Flo Smith, dated October 9, 1986)

(19.55)

Pam Joehler presented the budget for the LFA. (Exhibit No. 21) The agency proposed a new rate structure for services offered by the division to be effective in FY 88. Processing costs will be reduced while network charges and printing costs will increase. Fiscal impact has been estimated by the department and has been incorporated into each agency's current level budget. The overall savings is estimated to be \$104,000 in the 89 biennium.

In the Resource Management/Adm. Program, the LFA provided a five percent increase in total expenditures. Personal services increase about eleven percent as a result of the FTE transfers, one into the program for \$39,000 and one out of the program that had cost \$23,600. The total difference between the two budgets is approximately \$54,000, primarily in contracted services. (\$14,400 should be added to the LFA current level for FY 88 because of an audit expense). The LFA current level did not include \$15,000 in FY 88 for printing a user's manual.

The OBPP recommended that the \$1,200 each year for the lawyer costs allocated to IDS be paid from the telecommunications subprogram. The LFA included this in the subprogram. The OBPP recommended \$8,000 be included in FY 89 for the division to print the statewide data processing plan. This was not included in the LFA current level as it was not specifically requested. The OBPP recommended \$5,000 each year for unspecified contracted services.

In Central Computer Operations, the LFA current level budget provided almost a six percent decrease in the 89 biennium as equipment expenses are budgeted to decrease significantly. 76.45 FTE are funded from the 87 salary matrix with four percent vacancy savings. Major adjustments to the base expenditures included a reduction for a one time consulting contract and increase for paper and software costs. There is also an adjustment for rent. The increase in FY 88 and the decrease in FY 89 are interest costs on the lease purchase contracts. The difference between the two budgets is OBPP recommended almost \$300,000 more in total expenditures. These differences occur in four major categories:

1. Personal Services - The LFA is higher as they included overtime benefits and the vacancy savings was calculated in a different manner.
2. Contracted Services - The OBPP was \$42,000 higher in the 89 biennium. Most of this is explained by the OBPP recommendation to include funds for studies performed by consultants on behalf of ISD. The OBPP also recommended \$3,000 each year for the department to contract with sheltered workshops to shred confidential records and to operate the forklift. The LFA included only \$1,100 each year.
3. The OBPP included \$9,496 to contract with Vo Tech for the training of students through employment. This was \$1,900 more than included in the LFA. The division indicated an increase in the use of this program. However, there was no apparent offsetting decrease in other personnel costs to the division as a result of this program.

4. Supplies and Materials -
The major differences are in paper, microfilm and data processing. The agency requested major increases in these areas and the LFA used a small growth factor for paper and maintained the current level in the other two areas. The OBPP recommendation is an annual ten percent increase.

In repairs and maintenance, the OBPP recommended almost \$60,000 more in the 89 biennium. The differences occur in funds provided by the OBPP for a service contract. (They indicated \$19,000 had been expended, but the documentation submitted did not support that amount). The OBPP also recommended almost \$11,000 in FY 88 for replacement parts on equipment purchased in the current biennium and this was not included in the LFA. The OBPP also recommended approximately \$9,500 in FY 89 for increased computer maintenance costs above the LFA.

In the Information Center Program, the LFA current level increased two percent from the 87 to the 89 biennium. There was a large jump in personal services as the division transferred three FTE into this program. Operating expenses show almost a twenty-eight percent decrease between the bienniums as the agency transferred the purchasing of software to another agency. The biggest difference between the two budgets is in supplies and materials. The OBPP was higher in printing and educational supplies and training videos. The LFA included funds for videos in the base amount, but did not allow for an increase. There was a fairly significant difference in the funding for equipment. The LFA included funds to purchase three personal computer systems and software for each year of the biennium. The agency requested funds to purchase seven each year.

In the Systems Development Program, the LFA provided a .3 percent increase from the 87 to the 89 biennium. Personal services decreased somewhat between the bienniums because the four percent vacancy savings factor was applied rather than the two percent applied in the 87 biennium. Operating expenses increased 10.7 percent as the cost of purchasing productivity software was transferred to this subprogram in FY 86 and was budgeted from the subprogram in the 89 biennium.

(This does account for the major difference between the two budgets). The OBPP recommended \$178,000 each year, while the LFA maintained the FY 86 expenditure level of \$145,000. The LFA did not provide any funds for equipment in the 89 biennium.

36A:0.08

In the Telecommunications Program, the LFA provided almost a three percent decrease in the 89 biennium. Adjustments included \$10,000 added in FY 88 only for computer development of the agency's new billing system. Long distance communication costs were reduced \$152,000 in FY 88 and \$139,000 in FY 89. \$1,700 for each year is included for the lease purchase.

The two areas in which there are major differences are:

1. Contracted Services -
The OBPP recommended \$50,000 in FY 88 and \$25,000 in FY 89. These are not included in the LFA.
2. Communication Costs - The OBPP recommendation exceeds the LFA by \$51,000. The OBPP built in a growth factor and the LFA did not. (Ms. Joehler felt there was insufficient documentation to support this).

The LFA forgot to address the Emergency 9-1-1 Program in their analysis. Ms. Joehler said she did not feel there would be any differences between the two budgets.

(2.37)

Information Services Division

Mike Trevor, Administrator of the division, gave an overview. (Exhibit No. 22) This division provides computer and telecommunication services for state agencies. They also have a role spelled out by statute to coordinate data processing within state government, the exemptions being the University System and the Office of Public Instruction. The Emergency 9-1-1 Program is the only program funded with funds other than proprietary.

The division constitutes almost one-third of the Department of Administration. Mr. Trevor strongly emphasized growth as the main factor involved in justifying their budget requests. Although there has been growth, the FTE count has declined since 1982. Today, there are 136.59 FTE even though there have been two positions added to manage the new 9-1-1 subprogram. He stressed this has been accomplished through automation.

Mr. Trevor discussed the nature of the services provided by the division. At times of reduced budgets and staff, there is usually an increase in demand for their services. Again, he emphasized growth. He stated he would show that in the areas of computer service and telecommunications their budget is no more than the summation of all of the agencies budgets, relating to services they intend to pay for and this division will provide.

The total current level for all programs in the OBPP budget for FY 86 actual was \$15,433,323. The total recommended by the OBPP, including the new Emergency 9-1-1 Program, is \$14,950,795 in FY 88 and \$14,938,974 in FY 89, a \$500,000 decrease from the 86 actual.

Mr. Trevor referred to the chart showing machine cost versus programming (people) costs. (Exhibit No. 23) He said when the cash balance increases, they reduce rates. In the telecommunications area, they are able to offer long distance rates that average twenty-five percent to thirty-five percent less than AT&T or Mountain Bell.

Mr. Trevor referred to the chart showing the growth in computer processing of approximately fifty percent from the 85 to the 87 biennium. (Exhibit No. 24) The projection for growth in the 89 biennium is eighteen percent. Today, they have approximately 1,700 communicating devices attached to the data network, a seventy percent increase in two years.

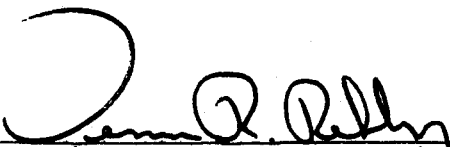
Since 1982, for the increased dollar spent, there has been a 212 percent increase in the amount of work processed through the center. (Exhibit No. 25) This chart shows that the computer system is cost effective.

Mr. Trevor reviewed the major accomplishments in the 87 biennium. He told the committee of a satellite computer system in the National Guard Armory to serve as a disaster recovery system. There was also consolidation of the data network.

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Another major accomplishment was the completion of the Telecommunications Network Transmission Project. They have adjusted the current level base in communications downward by \$152,000 in FY 88 and \$139,000 in FY 89. This project could save the state approximately \$5,600,000 over the next ten years.

ADJOURNMENT: The meeting was adjourned at 11:20 a.m.



Dennis R. Rehberg, Chairman

DAILY ROLL CALL

GENERAL GOVERNMENT & HIGHWAYS

SUBCOMMITTEE

DATE 1-20-87

[illegible]

REPORT ERSR99
DATE : 01/07/87
TIME : 17/23/43

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

PAGE 302

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 37 STATE TAX APPEAL BOARD
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)	5.50	5.50	5.50	5.50		5.50	5.50	
1100	SALARIES	132,485.99	130,663	134,108	134,058	50	133,803	133,753	50
1300	OTHER COMPENSATION	53,055.00	43,409	49,590	53,055	-3,465	49,590	53,055	-3,465
1400	EMPLOYEE BENEFITS	26,892.91	18,885	20,280	20,280		20,568	20,568	
1500	HEALTH INSURANCE		7,545	8,280	8,280		8,280	8,280	
1600	VACANCY SAVINGS		-2,215	-2,457	-6,417	4,020	-2,462	-6,468	4,006
	TOTAL LEVEL	212,433.90	198,287	209,801	209,196	605	209,779	209,188	591
2021	CONTRACTED SERVICES-INFLATI			-25	-37	-25	-50		-50
2022	SUPPLIES & MATERIALS-INFLAT			5	17	42	23		23
2023	COMMUNICATIONS-INFLATION			17	653	-653	26	26	
2025	RENT-INFLATION							907	-907
2100	CONTRACTED SERVICES	58,270.82	45,446	58,813	58,763	50	58,813	58,763	50
2200	SUPPLIES & MATERIALS	8,885.31	9,035	8,940	8,865	75	8,885	8,865	20
2300	COMMUNICATIONS	9,143.81	8,834	9,104	9,104		9,104	9,104	
2400	TRAVEL	14,988.36	16,588	14,989	14,989		14,989	14,989	
2500	RENT	6,804.00	7,136	6,952	6,804	148	7,251	6,804	447
2700	REPAIR & MAINTENANCE	1,467.95	1,260	2,149	1,684	465	2,104	1,309	795
2800	OTHER EXPENSES	2,727.60	1,484	2,696	2,727	-31	2,696	2,727	-31
	TOTAL LEVEL	102,287.85	89,783	103,640	103,569	71	103,841	103,494	347
3100	EQUIPMENT	5,615.75		1,896	1,400	496	496		496
	TOTAL LEVEL	5,615.75		1,896	1,400	496	496		496
	TOTAL PROGRAM	320,337.50	288,070	315,337	314,165	1,172	314,116	312,682	1,434
01100	GENERAL FUND	320,337.50	288,070	315,337	314,165	1,172	314,116	312,682	1,434
	TOTAL PROGRAM	320,337.50	288,070	315,337	314,165	1,172	314,116	312,682	1,434

EXHIBIT
DATE 1-20-87
HB

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

REPORT EBSR99
DATE : 01/07/87
TIME : 17/26/09

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 37 STATE TAX APPEAL BOARD
CONTROL : 03701 WORKLOAD INCREASE

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LTA FY 88	DIFF FY 88	OBPP FY 89	LTA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)			.50		.50			
1100	SALARIES			8,401		8,401			
1300	OTHER COMPENSATION			46,945		46,945			
1400	EMPLOYEE BENEFITS			1,240		1,240			
1600	VACANCY SAVINGS			-386		-386			
	TOTAL LEVEL		56,200			56,200	26,545		26,545
2100	CONTRACTED SERVICES			75,000		75,000	30,000		30,000
2200	SUPPLIES & MATERIALS			13,554		13,554	7,949		7,949
2300	COMMUNICATIONS			10,644		10,644	5,308		5,308
2400	TRAVEL			8,057		8,057	4,077		4,077
	TOTAL LEVEL		107,255			107,255	47,334		47,334
	TOTAL PROGRAM		163,455			163,455	73,879		73,879
01100	GENERAL FUND		163,455			163,455	73,879		73,879
	TOTAL PROGRAM		163,455			163,455	73,879		73,879

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1-20-87

REPORT EBSR99
DATE : 01/07/87
TIME : 17/26/09

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

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AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 37 STATE TAX APPEAL BOARD
CONTROL : 03702 34% ISSUE

MODIFIED LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LTA FY 88	DIFF FY 88	OBPP FY 89	LTA FY 89	DIFF FY 89
2100	CONTRACTED SERVICES			25,000		25,000			
2200	SUPPLIES & MATERIALS			8,750		8,750			
	TOTAL LEVEL			33,750		33,750			
	TOTAL PROGRAM			33,750		33,750			
01100	GENERAL FUND			33,750		33,750			
	TOTAL PROGRAM			33,750		33,750			

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1-20-87

because the agency expended only \$241 of a \$9,000 appropriation for legal fees for the veterans' preference lawsuit. Savings in supplies and materials occurred in photocopy supplies and office supplies purchased from non-state providers. The travel expense savings of \$27,000 was mentioned following the main table. The legislature provided a \$27,000 current level expansion for travel for fiscal 1986 and 1987. The agency underspent its travel allocation by \$27,000. Rent expenditures were underspent because the agency spent only \$593 of a \$12,000 appropriation for meeting rooms. The remainder of the savings was possible because the agency did not pay for photocopy machine rent as originally requested.

Equipment expenditures exceeded the appropriation by \$22,462 as the agency purchased personal computers neither requested nor approved by the 1985 legislature.

Current Level Adjustments

The current level budget provides for 8.0 FTE funded from the fiscal 1987 salary matrix with 4 percent vacancy savings. Twelve-thousand is provided each year for the court to contract with a court reporter. The state FTE position deleted from current level was a court reporter with an annual salary of \$20,000. Approximately \$3,200 is provided for hearings officer costs for matters before a district judge on cases where the workers' compensation judge is disqualified. The computer purchases required an additional \$2,162 each year for maintenance contracts.

STATE TAX APPEALS BOARD

<u>Budget Item</u>	Actual	Appropriated	- - Current Level - -		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	5.50	5.50	5.50	5.50	0.00
Personal Service	\$212,434	\$198,287	\$209,196	\$209,188	1.9
Operating Expense	102,288	89,783	103,569	103,494	7.8
Equipment	5,616	-0-	1,400	-0-	(75.1)
Total Expenditures	\$320,338 =====	\$288,070 =====	\$314,165 =====	\$312,682 =====	3.0 =====
<u>Fund Sources</u>					
General Fund	\$320,338 =====	\$288,070 =====	\$314,165 =====	\$312,682 =====	3.0 =====

The State Tax Appeals Board hears appeals resulting from decisions of county appeals boards and from taxation decisions of the Department of Revenue. Included in the board's authority are property taxes, corporate license taxes, income taxes, and liquor taxes. In addition to funding state board operations, the budget includes salaries and travel expenses for the county tax appeal boards.

The current level budget provides a 3 percent increase from the 1987 biennium to the 1989 biennium. Personal services increase 1.9 percent and operating expenses

increase 7.4 percent. The current level budget anticipates the appeal hearings activity will remain at the fiscal 1986 level throughout the 1989 biennium.

The State Tax Appeals Board is supported by 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.

Table 24 Comparison of the Appropriation to Actual Expenses Fiscal 1986			
Budget Item	Legislature	Actual	Difference
F.T.E.	5.50	5.50	0.00
Personal Service	\$204,001	\$212,434	\$(8,433)
Operating Expense	119,278	102,288	16,990
Equipment	3,000	5,616	(2,616)
Total Expenditures	\$326,279	\$320,338	\$ 5,941
Funding			
General Fund	\$326,279	\$320,338	\$ 5,941

Fiscal 1986 expenditures were \$5,941 less than the appropriation. Personal services exceeded the budget by \$8,433 because the per diem paid to county tax appeal board members was higher than expected and a 0.5 FTE position was worked full time during fiscal 1986. Operating expense savings was possible in contracted secretarial services. Equipment expenditures were \$2,616 higher than appropriated.

Current Level Adjustments

The current level budget provides personal services funding for 5.5 FTE at the fiscal 1987 salary matrix and four percent vacancy savings. The personal services allocation also includes \$53,055 each year for per diem for county tax appeal board members. Operating expense adjustments include an additional \$.20 each year for office automation subscription charges, a new fee assessed by the Information Services Division for personal computer users. In fiscal 1988 computer equipment to further automate the office function of the program is included at \$1,400.

EXHIBIT 5
DATE 1-30-87
PC

Mr. Chairman and Members of the Committee --

After the hearing on our supplemental, you are familiar with the extraordinary circumstances that face the State Tax Appeal Board. There are 2,371 appeals filed with the Board as of today. We will have heard 624 appeals by the end of this month. To further emphasize the problem, we had what I consider an extra heavy week last week, and heard 67 appeals in Columbus, Big Timber and Livingston (nearly eight Friday night). While we were gone last week, 93 more appeals were filed for the week, so we are still losing ground -- plus we won't finish writing these decisions before going to Havre next week.

I think we run a very tight ship, and I would like to brag a little bit about it because I have sat in your shoes and spent several years on the paying end in the ranching and feed lot business.

Up until now, we have had a 1/2 less F.T.E. than we had when I came on the Board in 1975. We have a first-class vehicle now, but we put 23,000 miles on a discard from the Motor Pool. I don't think there has been more than three or four times that I haven't been able to find a self-service gas station to pump our own gas. For three sessions you put the purchase of a copy machine in our appropriations, but it is only a year ago that we finally replaced the old one.

After missing our first estimate on the supplemental by almost \$100,000, I am now afraid that even with the extra \$163,455 that the Governor's budget has in it, we are going to be short. I talked this over with Mr. Hunter and the budget people, and they would not recommend an increase. It is difficult to quantify but looking at the \$402,000 supplemental -- mostly for county tax appeal board expenses -- I don't think this appropriation will be enough and I want to make you aware of it.

There is talk about settling the 34% issue in Great Falls. If that should happen, it might not take all of the \$33,750 to take care of the rest of the appeals. If you don't add any money, I would at least ask that you add to this line item that it could be used for county tax appeal board expenses or the 34% issue.

That is all on the budget, but I would like to say something about the concerns that you have on the differences in county tax appeal board expenses:

At our district meetings last spring, we lectured all of the county boards about the budget shortfall and urged them to save the taxpayers money any chance they get. I don't think there is a single one that isn't conscientiously trying to save money. In their defense, 3/4 are retired and can't stand a full day. Some of them take more time in the decision-making process, and some have jobs making it very difficult to put in full days.

It is the same with the part-time secretaries that the county boards hire. One board is fortunate enough to have a word processor and a typist instructor who must be a whiz as she puts out transcripts at probably 25 percent of what most transcripts cost.

Also for your information, S.B. 122, which would allow us to hire hearing officers, will have a fiscal note.

STATE TAX APPEAL BOARD

BUDGET DIFFERENCES

CURRENT LEVEL

PERSONAL SERVICES

Other Compensation

OBPP recommendation reflects \$3,465 reduction a year to comply with executive budget cuts. The LFA recommendation did not make this reduction.

Vacancy Savings

The LFA recommendation calculates 4% vacancy savings on all FTE. OBPP recommendation excludes the three board members from this calculation. This was also the practice adopted by the 1985 legislature. Difference is \$4,020 a year.

RENT, REPAIRS AND MAINTENANCE

OBPP recommendation includes square footage rate increases under Rent and Grounds Maintenance is recorded under Repairs. LFA recommendation includes increases in these two areas under rent-inflation. Total dollar amounts are similar.

EQUIPMENT

OBPP recommendation provides for purchase of filing cabinets each year. LFA recommendation excludes this request. Difference is \$496 a year.

MODIFIED REQUESTS

WORKLOAD INCREASE

The recently completed reappraisal cycle has resulted in a workload increase for the County Tax Appeal Boards and the State Tax Appeal Board. A .50 FTE ('88 only) and costs for the County Board expenses are requested. Total is \$163,455 in '88 and \$73,879 in '89.

34% ISSUE

A continuing appropriation of \$33,750 is requested for the manual disparity or 34% issue. This arose as a result of the last Department of Revenue reappraisal in 1978. The issue is in court and STAB has approximately 2,000 pending appeals, depending on the court's ruling. The ruling is expected at anytime.

STABDiff.km

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

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

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AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 23 STATE PERSONNEL DIVISION
CONTROL : 00000

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LIA FY 88	DIFF FY 88	OBPP FY 89	LIA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)	38.00	37.25						
1100	SALARIES		843,478						
1300	OTHER COMPENSATION		125,768						
1400	EMPLOYEE BENEFITS		47,188						
1500	HEALTH INSURANCE		-38,636						
1600	VACANCY SAVINGS		334						
1800									
	TOTAL LEVEL		978,682						
2100	CONTRACTED SERVICES		148,313						
2200	SUPPLIES & MATERIALS		43,039						
2300	COMMUNICATIONS		31,441						
2400	TRAVEL		22,787						
2500	RENT		38,816						
2700	REPAIR & MAINTENANCE		5,216						
2800	OTHER EXPENSES		12,718						
	TOTAL LEVEL		302,330						
3100	EQUIPMENT		1,051						
	TOTAL LEVEL		1,051						
	TOTAL PROGRAM		1,282,063						
01100	GENERAL FUND		967,288						
06012	GROUP BENEFIT ADMINISTRATION		215,797						
06525	INTERGOVERNMENTAL TRAINING		98,978						
	TOTAL PROGRAM		1,282,063						

REPORT EBSR99
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AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 23 STATE PERSONNEL DIVISION
CONTROL : 00230 PERSONNEL

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)			27.75	27.50	.25	27.75	27.50	.25
1100	SALARIES	622,837.89		651,634	642,118	9,516	649,407	639,927	9,480
1300	OTHER COMPENSATION	25.00		200		200	200		200
1400	EMPLOYEE BENEFITS	126,835.05		98,662	97,230	1,432	99,968	98,517	1,451
1500	HEALTH INSURANCE			39,675	39,330	345	39,675	39,330	345
1600	VACANCY SAVINGS			-31,599	-30,921	-678	-31,562	-30,875	-687
	TOTAL LEVEL	749,697.94		758,572	747,757	10,815	757,688	746,899	10,789
2021	CONTRACTED SERVICES-INFLATI			-315	-314	-1	-647	-609	-38
2023	COMMUNICATIONS-INFLATION			2	2		3	3	
2025	RENT-INFLATION				3,086	-3,086		4,285	-4,285
2100	CONTRACTED SERVICES	38,591.18		37,617	32,824	4,793	37,857	33,064	4,793
2200	SUPPLIES & MATERIALS	10,080.39		6,552	6,258	294	6,552	6,258	294
2300	COMMUNICATIONS	21,155.64		21,932	21,932		21,932	21,932	
2400	TRAVEL	12,427.62		14,374	12,430	1,944	14,374	12,430	1,944
2500	RENT	32,174.01		32,768	32,174	594	34,178	32,174	2,004
2700	REPAIR & MAINTENANCE	3,886.28		6,182	3,882	2,300	5,972	3,882	2,090
2800	OTHER EXPENSES	10,921.25		10,887	10,452	435	10,887	10,452	435
	TOTAL LEVEL	129,236.37		129,999	122,726	7,273	131,108	123,871	7,237
3100	EQUIPMENT	9,188.79				350	350		350
3400	INTANGIBLE ASSETS	1,789.90		350					
	TOTAL LEVEL	10,978.69		350		350	350		350
	TOTAL PROGRAM	889,913.00		888,921	870,483	18,438	889,146	870,770	18,376
01100	GENERAL FUND	889,003.81		888,921	870,483	18,438	889,146	870,770	18,376
06012	GROUP BENEFIT ADMINISTRATIO	909.19							
	TOTAL PROGRAM	889,913.00		888,921	870,483	18,438	889,146	870,770	18,376

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1-20-87

REPORT EBSR99
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AGENCY/PROGRAM/CONTROL -- BUDGET DETAIL COMPARISONS

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AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 23 STATE PERSONNEL DIVISION
CONTROL : 00270 EMPLOYEE BENEFITS

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	ORPP FY 88	LFA FY 88	DIFF FY 88	ORPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)			6.25	6.50	-.25	6.25	6.50	-.25
1100	SALARIES	112,505.98		138,507	147,805	-9,298	138,157	147,418	-9,261
1400	EMPLOYEE BENEFITS	23,314.03		20,834	22,267	-1,433	21,118	22,570	-1,452
1500	HEALTH INSURANCE			8,625	8,970	-345	8,625	8,970	-345
1600	VACANCY SAVINGS			-6,719	-7,102	383	-6,716	-7,092	376
(1)1900	PERSONAL SERVICES-OTHER	1,324.00							
	TOTAL LEVEL	137,144.01		161,247	171,940	-10,693	161,184	171,866	-10,682
2021	CONTRACTED SERVICES-INFLATI			-630	-525	-105	-1,260	-1,017	-243
2022	SUPPLIES & MATERIALS-INFLAT				186	-3		5	-5
2025	RENT-INFLATION				75,695	-186		258	-258
(2)2100	CONTRACTED SERVICES	454,391.83		103,962	75,695	28,267	105,487	75,220	30,267
2200	SUPPLIES & MATERIALS	2,022.91		1,932	2,023	-91	4,432	4,023	409
(2)2300	COMMUNICATIONS	8,490.64		9,300	8,126	1,174	9,800	8,626	1,174
2400	TRAVEL	1,397.97		1,398	1,398		1,398	1,398	
2500	RENT	1,946.99		2,103	1,947	156	2,193	1,947	246
2700	REPAIR & MAINTENANCE	64.50		790	643	147	776	643	133
(1)2800	OTHER EXPENSES	16,482.68		14,107	1,353	12,754	14,107	1,353	12,754
	TOTAL LEVEL	484,797.52		132,962	90,849	42,113	136,933	92,456	44,477
(1)3100	EQUIPMENT	5,089.15		900	541	359			
	TOTAL LEVEL	5,089.15		900	541	359			
(2)7000	BENEFITS & CLAIMS	14,869,504.04							
	TOTAL LEVEL	14,869,504.04							
	TOTAL PROGRAM	15,496,534.72		295,109	263,330	31,779	298,117	264,322	33,795
01100	GENERAL FUND	30,515.22							
06012	GROUP BENEFIT ADMINISTRATIO	192,633.83		32,000	31,530	470	35,000	34,030	970
06017	GROUP BENEFITS CLAIMS A/C	15,273,385.67		263,109	231,800	31,309	263,117	230,292	32,825
	TOTAL PROGRAM	15,496,534.72		295,109	263,330	31,779	298,117	264,322	33,795

(1) Non-operating costs should be adjusted to FY'86 actuals:

Personal services-liability for accrued vacation and sick leave.
Other Expenses-depreciation of fixed assets.
Equipment

(\$ 1,324)
(\$ 672)
\$ 987

(2) Expenses paid by statutory appropriation for health insurance fund should be excluded from FY'86 actuals:
Contracted services.
Communications

(\$ 401,875)
(\$ 2,007)

1-20-87

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

REPORT EDSR99
DATE : 01/01/87
TIME : 17/23/43

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 23 STATE PERSONNEL DIVISION
CONTROL : 00280 TRAINING

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)			3.00	3.00		3.00	3.00	
1100	SALARIES	77,317.84		78,939	78,939		78,802	78,802	
1400	EMPLOYEE BENEFITS	15,216.59		12,006	12,006		12,191	12,191	
1500	HEALTH INSURANCE			4,140	4,140		4,140	4,140	
1600	VACANCY SAVINGS			-3,803	-3,764	-39	-3,805	-3,759	-46
(1)1900	PERSONAL SERVICES-OTHER	879.00							
	TOTAL LEVEL	93,413.43		91,282	91,321	-39	91,328	91,374	-46
2022	SUPPLIES & MATERIALS-INFLAT			3	3		5	5	
2023	COMMUNICATIONS-INFLATION			2	2		3	3	
2100	CONTRACTED SERVICES	40,569.16		40,635	34,828	5,807	40,310	34,503	5,807
2200	SUPPLIES & MATERIALS	6,390.17		5,472	6,372	-900	5,172	6,372	-1,200
2300	COMMUNICATIONS	3,904.36		4,680	4,680		4,680	4,680	
2400	TRAVEL	4,097.89		3,940	2,983	957	4,990	2,983	2,007
2500	RENT	6,976.15		5,273	5,273		5,273	5,273	
2700	REPAIR & MAINTENANCE	579.00		579	579		579	579	
(1)2800	OTHER EXPENSES	2,053.61		1,026	626	400	1,026	626	400
	TOTAL LEVEL	64,570.34		61,610	55,346	6,264	62,038	55,024	7,014
(1)3400	INTANGIBLE ASSETS			200	200		200	200	
	TOTAL LEVEL			200	200		200	200	
8000	TRANSFERS	30,564.77		30,646	34,066	-3,420	30,646	34,020	-3,374
	TOTAL LEVEL	30,564.77		30,646	34,066	-3,420	30,646	34,020	-3,374
	TOTAL PROGRAM	188,548.54		183,738	180,933	2,805	184,212	180,618	3,594
01100	GENERAL FUND	30,645.77		30,646	34,066	-3,420	30,646	34,020	-3,374
06525	INTERGOVERNMENTAL TRAINING	157,902.77		153,092	146,867	6,225	153,566	146,598	6,968
	TOTAL PROGRAM	188,548.54		183,738	180,933	2,805	184,212	180,618	3,594

(1) Non-operating costs should be adjusted to FY'86 actuals:

Personal services-liability for accrued vacation and sick leave. (\$ 879)

Other expenses-depreciation of fixed assets; bad debt writeoff. (\$ 1,234)

Equipment \$ 4,712

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1-20-87

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 17
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.	19.00	19.00	0.00
Personal Service	\$574,298	\$526,145	\$ 48,153
Operating Expense	233,913	283,475	(49,562)
Equipment	12,770	3,575	9,195
Total Operating Costs	\$820,981	\$813,195	\$ 7,786
Non-Operating Costs	-0-	7,021	(7,021)
Total Exp. and Funding	<u>\$820,981</u>	<u>\$820,216</u>	<u>\$ -----765--</u>

Fiscal 1986 total expenditures were \$765 less than the appropriation. Personal services were \$48,153 less than budgeted because two positions were vacant all year and one position was filled less than 50 percent. Operating expenditures were \$49,562 greater than the appropriation. Cost overruns were experienced in contracted services (computer charges and printing costs), communications, and repair and maintenance. Operating expense savings were possible in supplies and materials, travel, and rent. Equipment costs were \$9,195 less than appropriated primarily because the lease purchase commitment was appropriated as an equipment expenditure but recorded as a debt service expenditure.

Current Level Adjustments

The current level budget removed a 1.0 FTE security analyst because the position has been vacant all of fiscal years 1985, 1986 and was still vacant as of October 10, 1986. The 2.0 FTE removed by the agency to respond to the fiscal 1987 reductions were also deleted in the 1989 biennium. Legislative audit costs of \$72,000 were included in fiscal 1988 only. One-time expenditures for relocation and remodeling expenses totaling \$10,709 were removed from the fiscal 1986 base. Increases totaling \$1,651 were included for higher insurance, payroll, and maintenance costs. Equipment of \$3,500 in fiscal 1988 is for word processing equipment.

#10
1-20-87

PERSONNEL DIVISION -- PERSONNEL PROGRAM

Budget Item	Actual	Appropriated	-- Current Level --		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	9.50	29.00	27.50	27.50	(1.50)
Personal Service	\$749,698	\$758,629	\$747,757	\$746,899	(0.9)
Operating Expense	129,241	141,083	122,726	123,871	(8.8)
Equipment	10,979	-0-	-0-	-0-	(100.0)
Total Expenditures	<u>\$889,918</u>	<u>\$899,712</u>	<u>\$870,483</u>	<u>\$870,770</u>	<u>(2.7)</u>
<u>Fund Sources</u>					
General Fund	\$889,010	\$899,712	\$870,483	\$870,770	(2.7)
Other	<u>908</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$889,918</u>	<u>\$899,712</u>	<u>\$870,483</u>	<u>\$870,770</u>	<u>(2.7)</u>
<div style="display: flex; justify-content: space-between;"> ----- Fiscal 1988 ----- ----- Fiscal 1989 ----- </div>					
<u>ISSUES:</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>	
1. FTE Transfer	\$11,200	\$-0-	\$11,200	\$-0-	

The Personnel Program provides centralized personnel services to state agencies including classification, employee relations, labor relations, and development of personnel policy.

The current level budget provides a 2.7 percent decrease from the 1987 biennium to the 1989 biennium. Personal services decrease 0.9 percent and FTE show a net decrease of 1.5 from the fiscal 1987 level. The FTE changes include decreases of a 0.5 FTE personnel specialist III, a 1.0 FTE personnel tech II, and a 0.25 FTE secretary II. This 1.75 FTE decrease is offset by a 0.25 FTE increase for a personnel specialist III position.

Operating expenditures decrease 8.8 percent as base operating expenditures were reduced to reflect some one-time costs incurred in fiscal 1986.

This program is 100 percent general funded.

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 18
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	29.00	29.50	(0.50)
Personal Service	\$749,266	\$749,698	\$ (432)
Operating Expense	140,152	129,241	10,911
Equipment	-0-	10,979	(10,979)
Total Expenditures	<u>\$889,418</u>	<u>\$889,918</u>	<u>\$ (500)</u>
Funding			
General Fund	\$889,418	\$889,010	\$ 408
Proprietary Funds	-0-	908	(908)
Total Funds	<u>\$889,418</u>	<u>\$889,918</u>	<u>\$ (500)</u>

Fiscal 1986 expenditures exceed the appropriation by \$500 because the agency transferred \$908 proprietary fund authority into the program during the year to enable reimbursement of their legal staff from the tort claims division.

Operating expenditures were \$10,911 less than appropriated. Most of the savings occurred in supplies and materials and rent.

Equipment expenditures were \$10,979 more than appropriated. The agency used the operating expenditure savings to purchase computer hardware and software.

Current Level Adjustments

The current level budget funds 27.5 FTE from the fiscal 1987 salary matrix with a four percent vacancy savings adjustment. The State Labor Relations Bureau Chief position was funded 50 percent from this program and 50 percent from the employee benefits program. The agency had requested this position be funded 75 percent from this program. This is discussed in the current level issue section.

Current level increases were provided for increased insurance, payroll fees, messenger service, and communication line charges for one personal computer and one terminal. A \$1,172 decrease was applied to actual fiscal 1986 secretarial service expenditures as these expenditures have increased significantly in the last three years. Contracted services include \$2,600 each year for a classification consultant, \$200 each year for the services of the Professional Development Center for forms design and layout, and \$200 each year for independent legal assistance. This represents a \$9,495 base operating cost decrease.

ISSUE 1: FTE TRANSFER

The 1985 legislature budgeted the state labor relations chief's position one-half from the personnel program (general fund) and one-half from the employee benefits

program (proprietary fund). The agency actually paid the position 75 percent from the personnel program as there was sufficient savings from two position downgrades and employee turnover to fund the additional 0.25 FTE.

The agency is requesting the position be funded 0.75 from the personnel program and 0.25 from the group benefits program in the 1989 biennium. This impacts the general fund approximately \$11,200 each year of the 1989 biennium.

The LFA current level budget funds this position 0.5 from the personnel program and 0.5 from the employee benefits program.

Option A: Approve the request to fund this position 0.75 from the personnel program and 0.25 from the employee benefits program. This will increase general fund \$11,200 each year of the 1989 biennium over the LFA current level budget.

Option B: Accept the LFA current level personal services budget.

PERSONNEL DIVISION -- EMPLOYEE BENEFITS PROGRAM

Budget Item	Actual	Appropriated	-- Current Level --		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	5.50	5.50	6.50	6.50	1.00
Personal Service	\$135,821	\$132,447	\$171,940	\$171,866	28.2
Operating Expense	80,245	106,173	90,849	92,456	(1.7)
Equipment	6,077	500	541	-0-	(91.8)
Total Expenditures	\$222,143 =====	\$239,120 =====	\$263,330 =====	\$264,322 =====	14.4 =====
<u>Fund Sources</u>					
General Fund	\$ 30,515	\$ 35,823	\$ 31,530	\$ 34,030	(1.2)
Proprietary	191,628	203,297	231,800	230,292	17.0
Total Funds	\$222,143 =====	\$239,120 =====	\$263,330 =====	\$264,322 =====	14.4 =====

The Employee Benefits Program is responsible for administration of the state's health insurance and employee benefits program.

The current level budget provides a 14.4 percent increase from the 1987 biennium to the 1989 biennium. One FTE was moved from the personnel program to the employee benefits program at an approximate \$35,500 additional cost to this program each year of the 1989 biennium. This FTE transfer accounts for most of the 28.2 percent personal services increase in the 1989 biennium.

Operating expenditures decrease 1.7 percent from the 1987 biennium to the 1989 biennium due primarily to audit costs of \$17,950 not being recorded in fiscal 1986 while being included at \$20,000 each year of the 1989 biennium.

This program is funded from general fund and interest earnings from the self-insurance fund. General fund supports 1.0 FTE and operating expenses related to compensation and the biennial salary survey. General fund decreases 1.2 percent from the 1987 biennium to the 1989 biennium. The funding from interest earnings increases 17 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 19
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.	5.50	5.50	0.00
Personal Service	\$132,061	\$135,821	\$(3,760)
Operating Expense	111,864	80,245	31,619
Equipment	535	6,077	(5,542)
Total Expenditures	<u>\$244,460</u>	<u>\$222,143</u>	<u>\$22,317</u>
<u>Funding</u>			
General Fund	\$ 34,511	\$ 30,515	\$ 3,996
Proprietary Funds	<u>209,949</u>	<u>191,628</u>	<u>18,321</u>
Total Funds	<u>\$244,460</u>	<u>\$222,143</u>	<u>\$22,317</u>

Fiscal 1986 expenditures were \$22,317 less than appropriated. Personal services were \$3,760 higher than appropriated because of a position upgrade and the program experienced less vacancy savings than budgeted.

Operating expenses were \$31,619 less than appropriated. Major savings were possible in contracted services, supplies, travel, and repair and maintenance. Overages were experienced in communications, rent, and other costs. Other costs in fiscal 1986 included \$11,804 for the genetics program initiated by House Bill 430 of the 1985 legislature which requires 45 cents per state employee be transferred to the State Auditor's office.

Actual equipment expenditures exceeded the appropriation by \$5,542 because the agency purchased a personal computer in fiscal 1986 which was not anticipated by the 1985 legislature.

Current Level Adjustments

The current level budget provides for 6.5 FTE budgeted from the fiscal 1987 salary matrix, with a 4 percent vacancy savings adjustment. Employee benefit audit

costs are included at \$20,000 each year of the 1989 biennium. Legislative audit costs are included at \$475 in fiscal 1988 only.

The biennial salary survey prepared in odd numbered years was provided a \$2,500 adjustment to printing and postage costs.

New federal legislation impacting the state's responsibility regarding employee benefit plans is estimated to increase this program's data processing and communication expenses in the 1989 biennium. Base adjustments totaling \$3,220 were provided in the current level budget to respond to the new legislation.

PERSONNEL DIVISION -- TRAINING PROGRAM

Budget Item	Actual	Appropriated	-- Current Level --		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	3.00	3.00	3.00	3.00	0.00
Personal Service	\$ 92,534	\$ 87,606	\$ 91,321	\$ 91,374	1.4
Operating Expense	63,337	43,125	55,346	55,024	3.7
Equipment	4,712	-0-	200	200	(91.5)
Total Operating Costs	\$160,583	\$130,731	\$146,867	\$146,598	0.7
Non-Operating Costs	30,565	31,753	34,066	34,020	9.3
Total Expenditures	<u>\$191,148</u>	<u>\$162,484</u>	<u>\$180,933</u>	<u>\$180,618</u>	<u>2.2</u>
Fund Sources					
General Fund	\$ 30,647	\$ 31,753	\$ 34,066	\$ 34,020	9.1
Proprietary	160,501	130,731	146,867	146,598	0.8
Total Funds	<u>\$191,148</u>	<u>\$162,484</u>	<u>\$180,933</u>	<u>\$180,618</u>	<u>2.2</u>

The Training Program provides central coordination for general training activities throughout state government.

The current level budget provides a 2.2 percent increase from the 1987 biennium to the 1989 biennium. Personal services increase 1.4 percent. Operating expenses increase 3.7 percent due primarily to increases in the amount of funds allocated for outside training consultants. The increased operating expenses are funded from the proprietary fund.

Non-operating costs include the transfer of general fund into the proprietary fund. Generally accepted accounting principles have been interpreted to mean that all proprietary funded operations which receive non-proprietary fund support should transfer the non-proprietary fund into the proprietary fund and show all expenditures as coming from the proprietary fund. This has the effect of increasing the appropriation authority for the proprietary fund without any real increase in operating expenses.

The training program is funded from general fund and proprietary funds. General fund is used to support 1.0 FTE in the training program for the management training program. General fund increases 9.1 percent in the 1989 biennium because the salary the general fund pays is calculated from fiscal 1987 pay schedules for the 1989 biennium. General fund in the fiscal 1987 column reflects the fiscal 1986 pay matrix.

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 20
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.	3.00	3.00	0.00
Personal Service	\$ 87,434	\$ 92,534	\$ (5,100)
Operating Expense	46,228	62,635	(16,407)
Equipment	-0-	4,712	(4,712)
Total Expenditures	<u>\$133,662</u>	<u>\$159,881</u>	<u>\$(26,219)</u>
<u>Funding</u>			
General Fund	\$ 31,556	\$ 30,647	\$ 909
Proprietary Funds	<u>102,106</u>	<u>129,234</u>	<u>(27,128)</u>
Total Funds	<u>\$133,662</u>	<u>\$159,881</u>	<u>\$(26,219)</u>
<u>Additions:</u>			
Budget Amendments	<u>\$ 31,306</u>	<u>\$ 31,267</u>	<u>\$ -----39--</u>

Fiscal 1986 actual expenditures were \$26,219 greater than the legislative appropriation. This was possible because the agency transferred \$28,000 of appropriation authority to this program from other programs.

Personal services exceeded the appropriation by \$5,100, with \$3,400 due to no vacancy savings. A balance of \$1,700 remains unexplained. Operating expenses were \$16,407 greater than the appropriation caused primarily from outside training consultant costs being higher than anticipated. Equipment expenditures exceeded the appropriation by \$4,712 because the agency purchased a personal computer which was not anticipated by the 1985 legislature.

There was a balance of \$909 general fund in this program in fiscal 1986. Proprietary funds were overexpended by \$27,128.

Current Level Adjustments

The current level budget funds 3.0 FTE based on the fiscal 1987 pay matrix with a 4 percent vacancy savings adjustment. As noted above, training consultant expenditures were much higher than authorized; therefore, the current level budget reduced the authorization for training consultants to \$18,000 each year.

Increases were provided for increased insurance costs, payroll fees, messenger services, and audit fees. Office automation subscription fees of \$480 each year was allowed.

Software purchases at \$200 each year were also provided in the current level budget.

TORT CLAIMS DIVISION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	8.50	9.00	8.50	8.50	(0.50)
Personal Service	\$238,404	\$ 289,935	\$ 266,025	\$ 265,662	0.6
Operating Expense	738,287	1,566,210	1,199,121	1,187,052	3.5
Equipment	8,889	1,450	-0-	-0-	(100.0)
Total Operating Costs	\$985,580	\$1,857,595	\$1,465,146	\$1,452,714	2.6
Non-Operating Costs	-0-	-0-	745,737	733,305	---
Total Expenditures	<u>\$985,580</u>	<u>\$1,857,595</u>	<u>\$2,210,883</u>	<u>\$2,186,019</u>	<u>54.6</u>
Fund Sources					
Proprietary Funds	<u>\$985,580</u>	<u>\$1,857,595</u>	<u>\$2,210,883</u>	<u>\$2,186,019</u>	<u>54.6</u>

The Tort Claims Division provides for the investigation, defense, and payment of bodily injury and property damage claims incurred by all agencies, officers and employees of the state of Montana under Article II, Section 18 of the Montana constitution, and the Montana Tort Claims Act. The division also assesses the fire, casualty, and bond risks of the state for all state-owned buildings, equipment, fixtures, boilers, aircraft, cash and securities, and provides either commercial or self-insurance protection for the financial loss of such property.

The current level budget provides a 54.6 percent increase from the 1987 biennium to the 1989 biennium because non-operating costs are included for legislative authorization in the 1989 biennium. These costs were added through administrative appropriation authority in the 1987 biennium and are a transfer of funds from the self-insurance account to the operating account which are used to pay for all operating costs except commercial insurance premiums.

Department of Administration
PERSONNEL DIVISION
OVERVIEW

EXHIBIT 11 12/86
DATE 1-20-87
HB _____

- A. LEGAL MANDATES: Montana Code Annotated Title 18, Chapter 2 Parts 1, 2, 3, 6, 7, 8, 10 and 11; Title 19 Chapter 2 Parts 1 and 2; Title 39 Chapter 31 Parts 1 thru 4; Title 39 Chapter 32 Part 1. Executive Order 12-81; Executive Order 24-81.
- B. ADVISORY COUNCILS/TASK FORCES
1. State Employee Group Benefits Advisory Council
 2. Management Development Council
 3. Incentive Awards Council
 4. Sick Leave Fund Council
 5. Personnel Network Task Force
 6. Reduction in Force Review Task Force
 7. Governor's Council on Employment of the Handicapped
 8. Job Classification Council
 9. Collective Bargaining Policy Task Force
- C. RESPONSIBILITIES
1. Classification of Jobs: All 13,500 positions in state government (except those specifically exempt by law) are defined, grouped into classes, and assigned grades for pay purposes. A small portion of this work is delegated to some agencies. Annually, approximately 2000 individual positions are reviewed. Twenty-five classes of positions are reviewed. Fifty class specifications (definitions) are updated and rewritten. Fifty formal appeals of our decisions are filed. Classification methodology is researched and revised to stay modern.
 2. Equal Employment Opportunity/Affirmative Action/Handicapped Programs: Recent court decisions have reaffirmed an employer's responsibility and liability for enforcement of these laws. Annually, approximately 80 training workshops are conducted. One thousand technical assistances inquiries are answered. Federally required statistics/analyses are collected and reported. Thirty-five agency affirmative action plans are reviewed and approved. Staff support is provided to the Governor's Council on Employment of the Disabled.
 3. Personnel/Payroll/Position Control Automated System: The support of the "position control" portion of this state system was transferred to the State Auditor (1 FTE). Support of the "personnel" portion of the system remains. Statistics and reports on workforce characteristics are generated.
 4. Collective Bargaining: We are designated as the State's representative in dealings with the state's ~~76~~ collective bargaining units. These units represent 5659 employees (57%) not including the University System. This means we conduct contract negotiations with each unit. We represent the State in approximately 50 administrative proceedings each year such as unit determinations, unit clarifications and grievance arbitrations.

5. Personnel Policy Setting: Statewide personnel policies must be adopted and implemented as rules in the Administrative Rules of Montana. These rules set minimum standards for the state as an employer in such areas as recruitment, selection, sick and annual leave use, discipline, grievance, reduction in force, etc. Rules implementing sick leave fund and veteran/handicapped employment preference establish specific state programs. Additionally, court decisions and federal laws must be tracked to insure the State's rules are in compliance (for example, recent court decisions on wrongful discharge, the recent federal Fair Labor Standards Amendments and the new federal Immigration Reform Act). Annually, there are 2500 technical assistance inquiries addressed. Four public rule hearings are held. Twenty rule drafts are prepared. One hundred agency-specific policies are reviewed and approved. Forty training presentations are conducted. Eighty written interpretations of rule, 12 newsletters, and 10 publications are issued.
6. Training: This program focuses on creating a better trained state workforce, that is current on rapidly changing laws and technology. Special emphasis is on training the state's managers. This is in response to recommendations by the Governor's Personnel Study Commission and Council on Management. Particular emphasis is placed on risk prevention classes in such areas as sexual harassment and wrongful discharge. Also, centralized training allows the state to take advantage of its volume to provide several agencies with the same training at lower cost than each pays on its own for the same thing. Annually, 125 classes are held with 2200 participants.
7. Pay Plan Administration: Rules are written and interpreted for administering the State's pay matrices (examples include calculating longevity, breaks in service, transfers, promotions, demotions, appeals, exceptions). We also write rules and operate the Incentive Award Program. Biennially, a salary survey is conducted. Annually, approximately 100 incentive award applications are received and reviewed.
8. Employee Benefits Administration: Deferred Compensation Plan (457) monies are invested for the state by Nationwide. Participants are enrolled by Montana Benefits. Four thousand five hundred total participants; \$33,443,180 account balance as of 9-30-86. We reconcile account balances monthly. Annually, approximately 90 hardship withdrawal requests are received and acted upon. Life Insurance Plan is underwritten by Northwest National for the state. Ten thousand five hundred total participants. For Health and Dental the state is self-insured since September 1981. Blue Cross/Blue Shield is under contract with the state to process claims for the state plan. Eleven thousand five hundred subscribers and 25,000 total participants are enrolled (see attached for claims experience). Annually, we process approximately 7600 changes in coverage. We act on 60 claims appeals. Twenty health promotion activities are sponsored. Federally, Congress is transferring costs to local plans by receding from Medicare coverage and by mandating coverage for plans like ours (COBRA).

EXHIBIT 12
DATE 1-20-87
HE _____

STATE PERSONNEL DIVISION

BUDGET DIFFERENCES

PERSONNEL - CONTROL VARIABLE 230

PERSONAL SERVICES

FTE

OBPP recommendation reflects agency request for .25 of the Labor Relations Chief's position to be funded by this control variable. LFA recommendation has this portion of the FTE in Employee Benefits (Control 270). Difference is .25 FTE and costs of approximately \$10,600 a year.

Other Compensation

OBPP recommendation includes \$200 a year for per diem for one member of the Governor's Council on Employment of the Handicapped and two members of the Job Classification Advisory Council. LFA recommendation excludes this cost.

CONTRACTED SERVICES

OBPP recommendation has \$2,500 a year for a student internship for the MSU M.P.A. program. LFA recommendation does not include this cost.

OBPP recommendation has current level request for secretarial services to handle transcriptions of classification hearings and depositions. LFA recommendation reduces this request by \$1,000 a year.

OBPP recommendation provides an increase in printing costs for the publication and updates to classification manuals. The base year did not reflect a normal year's activity. LFA recommendation does not provide for this increase. Difference is \$1,270 a year.

TRAVEL

OBPP recommendation provides increase for in-state travel to carry out class reviews needed to maintain the classification system. Difference from LFA recommendation is \$1,944 a year.

RENT, REPAIRS AND MAINTENANCE

OBPP recommendation includes square footage rate increases under Rent, and Grounds Maintenance under Repairs. LFA recommendation includes increases in these two areas under Rent-Inflation. Total dollar amounts are similar.

EQUIPMENT

OBPP recommendation includes \$350 a year to purchase single user software. LFA recommendation does not include this request.

PersDiff.KM

TRAINING - CONTROL 280

EXHIBIT 13

DATE 1-20-87

HE _____

CONTRACTED SERVICES

OBPP recommendation provides consultant costs for specialized training that can't be provided by existing state trainers. LFA recommendation has a reduced level for these costs. Difference is \$6,120 a year.

SUPPLIES

LFA recommendation includes printing for special projects. OBPP recommendation does not include these costs. Difference is \$900 in '88 and \$1,200 in '89.

TRAVEL

OBPP recommendation provides for travel costs to seminar sites outside of Helena (staff teach the seminar). It also provides for out-of-state training for staff. LFA recommendation shows these costs at a reduced level. Difference is \$957 in '88 and \$2,007 in '89.

OTHER EXPENSES

OBPP recommendation provides expenses for staff training. LFA recommendation shows these expenses at a reduced level. Difference is \$400 a year.

TRANSFERS AND FUNDING

One position is funded by the general fund. This cost (after vacancy savings) should be \$34,572 in '88 and \$34,544 in '89. These figures should be in both the transfers category and the general fund line.

LFA recommendation forgot to add longevity of \$528 in '88 and \$546 in '89. These figures should be added to the transfers category and the general fund line. OBPP recommendation has vacancy savings for more than 1 FTE in the general fund. This number also needs to be adjusted.

Trng.KM

EMPLOYEE BENEFITS - CONTROL 270

FTE

See explanation of FTE and related salary costs difference under Control 230 - Personnel.

CONTRACTED SERVICES

OBPP recommendation reflects agency request for consulting and professional services for health promotion and for actuarial consulting services. LFA recommendation is at a reduced level. Difference is \$22,934 in '88 and \$24,934 in '89.

OBPP recommendation reflects agency request for increases in data processing and printing costs. These increases are due to changes in the administrative requirements (for the state's health insurance program) mandated by new federal legislation. LFA recommendation shows a reduced level for these costs. Difference is \$4,650 a year.

OBPP recommendation provides higher audit costs than the LFA recommendation. An annual audit of Employee Benefits claims is required by statute. Difference in the two budgets is \$893 a year.

SUPPLIES

OBPP recommendation reflects increase for the preparation of the salary survey for '89 only. LFA recommendation is at a reduced level. Difference is \$500 in '89.

COMMUNICATIONS

OBPP recommendations reflects costs for increased required mailings in the Employee Benefits area due to recent federal legislation. LFA recommendation does not include this cost of \$1,000 a year.

RENT, REPAIRS AND MAINTENANCE

OBPP recommendation includes square footage rate increases under Rent, and Grounds Maintenance under Repairs. LFA recommendation includes increases in these two areas under Rent-Inflation. Total dollar amounts are similar.

OTHER EXPENSES

LFA recommendation deletes expenses for the genetics program that is scheduled to terminate 6/30/87. OBPP recommendation includes these costs. Difference is \$11,804 a year. A bill is in the session to extend this program.

OBPP recommendation reflects current level for staff training. LFA recommendation has at a reduced level. Difference is \$600 a year.

EmpBen.KM

STATE OF MONTANA
GROUP INSURANCE PROGRAM
PAID CLAIMS DATA

EXHIBIT 15
DATE 1-20-87
HB

Month	Paid Claims	Premiums	Loss Ratio	Interest/ Excess	Adminis/ trative Expense	Total Income	Total Expense	Total Loss Ratio	Unallocated Reserve
SEP 81	\$470,000	\$903,000	0.52	\$56,000	\$67,800	\$959,000	\$537,800	0.56	
OCT 81	\$336,000	\$899,000	0.37	\$56,000	\$67,800	\$955,000	\$403,800	0.42	
NOV 81	\$687,000	\$887,000	0.77	\$56,000	\$67,800	\$943,000	\$754,800	0.80	
DEC 81	\$563,000	\$896,000	0.63	\$56,000	\$75,900	\$952,000	\$638,900	0.67	
JAN 82	\$629,000	\$891,000	0.71	\$56,000	\$75,900	\$947,000	\$704,900	0.74	
FEB 82	\$859,000	\$899,000	0.96	\$56,000	\$75,900	\$955,000	\$934,900	0.98	
MAR 82	\$1,008,000	\$892,000	1.15	\$56,000	\$90,700	\$948,000	\$1,118,700	1.18	
APR 82	\$793,000	\$900,000	0.88	\$56,000	\$90,700	\$956,000	\$883,700	0.92	
MAY 82	\$755,000	\$913,000	0.83	\$56,000	\$90,700	\$969,000	\$845,700	0.87	
JUN 82	\$1,264,000	\$901,000	1.40	\$56,000	\$90,700	\$957,000	\$1,354,700	1.42	
JUL 82	\$796,000	\$904,000	0.88	\$65,600	\$90,700	\$969,600	\$886,700	0.91	
AUG 82	\$816,000	\$998,000	0.84	\$65,600	\$90,700	\$1,063,600	\$926,700	0.87	
TOTAL	\$9,016,000	\$10,883,000	0.83	\$691,200	\$975,300	\$11,574,200	\$9,991,300	0.86	
SEP 82	\$724,000	\$1,001,000	0.72	\$65,600	\$107,700	\$1,066,600	\$831,700	0.78	
OCT 82	\$821,000	\$1,005,000	0.82	\$65,600	\$107,800	\$1,070,600	\$928,800	0.87	
NOV 82	\$900,000	\$1,002,000	0.98	\$65,600	\$107,400	\$1,067,600	\$1,087,400	1.02	
DEC 82	\$1,108,000	\$998,000	0.56	\$65,600	\$106,800	\$1,063,600	\$664,800	0.63	
JAN 83	\$957,000	\$993,000	0.96	\$65,600	\$107,700	\$1,058,600	\$1,064,700	1.01	
FEB 83	\$1,004,000	\$1,005,000	0.99	\$65,600	\$107,700	\$1,070,600	\$1,101,700	1.03	
MAR 83	\$1,001,000	\$989,000	1.01	\$65,600	\$107,700	\$1,054,600	\$1,108,700	1.05	
APR 83	\$912,000	\$995,000	0.83	\$65,600	\$108,300	\$1,060,600	\$930,300	0.88	
MAY 83	\$947,000	\$989,000	1.00	\$65,600	\$108,300	\$1,054,600	\$1,095,300	1.04	
JUN 83	\$1,009,000	\$995,000	1.08	\$65,600	\$108,300	\$1,060,600	\$1,187,300	1.12	
JUL 83	\$804,000	\$993,000	0.81	\$83,200	\$111,800	\$1,076,200	\$915,800	0.85	
AUG 83	\$1,002,000	\$995,000	1.01	\$83,200	\$111,900	\$1,078,200	\$1,113,900	1.03	
TOTAL	\$10,729,000	\$11,960,000	0.90	\$822,400	\$1,301,400	\$12,782,400	\$12,030,400	0.94	
SEP 83	\$853,000	\$1,147,000	0.74	\$83,200	\$47,000	\$1,230,200	\$900,000	0.73	
OCT 83	\$818,000	\$1,142,000	0.72	\$83,200	\$46,900	\$1,225,200	\$864,900	0.71	
NOV 83	\$435,000	\$1,146,000	0.38	\$83,200	\$47,100	\$1,229,200	\$482,100	0.39	
DEC 83	\$603,000	\$1,150,000	0.58	\$83,200	\$47,000	\$1,233,200	\$710,000	0.58	
JAN 84	\$977,000	\$1,150,000	0.87	\$83,200	\$47,100	\$1,233,200	\$1,044,100	0.85	
FEB 84	\$670,000	\$1,150,000	0.76	\$83,200	\$47,300	\$1,233,200	\$917,300	0.74	
MAR 84	\$1,267,000	\$1,155,000	1.10	\$83,200	\$47,400	\$1,238,200	\$1,314,400	1.06	
APR 84	\$1,177,000	\$1,160,000	1.01	\$83,200	\$47,600	\$1,243,200	\$1,224,600	0.99	
MAY 84	\$1,200,000	\$1,164,000	1.06	\$83,200	\$47,700	\$1,247,200	\$1,277,700	1.02	
JUN 84	\$1,038,000	\$1,170,000	0.89	\$83,200	\$47,800	\$1,253,200	\$1,085,800	0.87	
JUL 84	\$921,000	\$1,170,000	0.79	\$126,800	\$48,100	\$1,296,800	\$969,100	0.75	
AUG 84	\$1,178,000	\$1,175,000	0.96	\$126,800	\$48,700	\$1,301,800	\$1,176,700	0.90	
TOTAL	\$11,007,000	\$13,879,000	0.82	\$1,085,600	\$409,700	\$14,964,600	\$11,966,700	0.80	
SEP 84	\$754,000	\$1,290,000	0.61	\$126,800	\$40,800	\$1,416,800	\$824,800	0.58	
OCT 84	\$1,102,000	\$1,288,000	0.86	\$126,800	\$40,700	\$1,414,800	\$1,146,700	0.81	

NOV 84	\$1,280,000	\$1,292,000	0.76	\$126,800	\$49,500	\$1,418,800	\$1,020,500	0.72	
DEC 84	\$1,298,000	\$1,296,000	0.69	\$126,800	\$43,400	\$1,422,800	\$941,400	0.66	
JAN 85	\$1,338,000	\$1,309,000	0.64	\$126,800	\$60,000	\$1,435,800	\$878,000	0.61	
FEB 85	\$1,178,000	\$1,315,000	0.90	\$126,800	\$52,100	\$1,441,800	\$1,230,100	0.85	
MAR 85	\$1,004,000	\$1,312,000	0.77	\$126,800	\$49,000	\$1,438,800	\$1,053,000	0.73	
APR 85	\$1,059,000	\$1,315,000	0.81	\$126,800	\$51,300	\$1,441,800	\$1,110,300	0.77	
MAY 85	\$1,116,000	\$1,321,000	1.07	\$126,800	\$56,300	\$1,447,800	\$1,472,300	1.02	
JUN 85	\$1,304,000	\$1,333,000	0.98	\$126,800	\$52,600	\$1,455,800	\$1,356,600	0.93	
JUL 85	\$1,162,000	\$1,333,860	0.87	\$126,800	\$48,200	\$1,460,660	\$1,210,200	0.83	
AUG 85	\$1,331,000	\$1,341,000	0.99	\$126,800	\$51,800	\$1,467,800	\$1,382,800	0.94	
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TOTAL	\$13,956,000	\$15,741,860	0.83	\$1,521,600	\$470,700	\$17,263,460	\$13,626,700	0.79	
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SEP 85	\$1,019,000	\$1,360,000	0.75	\$103,000	\$53,000	\$1,463,000	\$1,072,000	0.73	
OCT 85	\$1,051,000	\$1,358,000	0.77	\$104,000	\$54,000	\$1,462,000	\$1,105,000	0.76	
NOV 85	\$920,000	\$1,362,000	0.68	\$99,000	\$46,000	\$1,461,000	\$966,000	0.66	
DEC 85	\$969,000	\$1,363,000	0.71	\$98,000	\$49,000	\$1,461,000	\$1,018,000	0.70	
JAN 86	\$1,195,000	\$1,364,000	0.88	\$100,000	\$53,000	\$1,464,000	\$1,248,000	0.85	
FEB 86	\$1,060,000	\$1,361,000	0.78	\$99,000	\$50,000	\$1,460,000	\$1,110,000	0.76	
MAR 86	\$1,142,000	\$1,362,000	0.84	\$97,000	\$56,000	\$1,459,000	\$1,198,000	0.82	\$8,901,899
APR 86	\$1,250,000	\$1,365,000	0.92	\$97,000	\$58,000	\$1,462,000	\$1,308,000	0.89	\$3,055,899
MAY 86	\$1,590,000	\$1,374,000	1.15	\$95,000	\$58,000	\$1,469,000	\$1,638,000	1.12	\$8,886,899
JUN 86	\$1,216,068	\$1,380,000	0.88	\$98,000	\$59,000	\$1,478,000	\$1,275,068	0.86	\$9,089,831
JUL 86	\$1,263,464	\$1,382,402	0.91	\$96,000	\$56,000	\$1,478,402	\$1,319,464	0.89	\$9,248,769
AUG 86	\$1,352,812	\$1,384,846	0.98	\$98,000	\$58,000	\$1,482,846	\$1,410,812	0.95	\$9,320,803
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TOTAL	\$14,018,344	\$16,416,248	0.85	\$1,184,000	\$450,000	\$17,600,248	\$14,668,344	0.83	
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SEP 86	\$1,560,020	\$1,372,232	1.14	\$156,000	\$64,000	\$1,528,232	\$1,624,020	1.06	\$9,225,015
OCT 86	\$1,299,000	\$1,363,587	.95	\$137,000	\$61,000	\$1,500,587	\$1,360,000	.91	\$9,365,602
NOV 86	\$1,009,000	\$1,410,322	.72	\$114,000	\$51,000	\$1,524,322	\$1,060,000	.70	\$9,829,924

EMPLOYEE BENEFITS

EXHIBIT# 16

DATE 1-20-87

HB

JUSTIFICATION FOR 88-89 REQUESTED BUDGET LEVELS
TO ADMINISTER A NEW FEDERAL LAW - COBRA

Funding Source:

The Group Insurance administration is funded by interest earnings from the self-insurance reserve fund. No General Fund support is involved.

Amount of Request:

The Department of Administration and the Office of Budget and Program Planning are requesting approximately \$7,000 per year over the base year levels (contracted services and communications).

Reason for Request:

Passage of a new Federal law - The Consolidated Omnibus Reconciliation Act (COBRA) (Public Law No. 99-272). This law was effective on September 1, 1986, for the State Health Plan.

Requirements of COBRA:

COBRA requires the State to continue providing medical and dental insurance to most individuals who become ineligible including:

1. Employees that voluntarily terminate employment with the State.
2. Employees that are terminated by the State (except for gross misconduct).
3. Employees laid off by the State.
4. Dependent children reaching age 23.
5. Spouses that are divorced from an employee.

Impact of COBRA:

COBRA has, in essence, forced the State to become an insurance company. We have to develop systems and absorb the costs associated with:

1. Verifying eligibility requirements.
2. Direct mailings to the home to advise employees of their rights, and later, notification of qualifying events.
3. Billing systems (premiums can no longer be deducted from payroll, so all COBRA participants must be billed on individual accounts).

Justification for Requested '88-89 Budget Level HB
for the State Group Benefits Health Promotion Program

The Department of Administration requested \$50,000 for 1988 and \$52,000 for 1989 for contracted services (actuarial consulting and health promotion services) for the State Employee Group Benefits program.

The LFA budget proposes approximately \$27,000 for both years.

Although the FY86 actual amount was \$27,179. This was artificially low because six thousand dollars of expenses incurred in '86 and paid in '87 were not properly rolled up into '86 actuals, and \$16,000 of the \$30,000 budgeted for Health Promotion was not used in FY86 because the program was being restructured. Use of the FY86 actual expenditure to determine future funding levels will essentially wipe out the health promotion program at a time when it has just been restructured to be an effective weapon against rising costs to the State Employee Health Care Plan.

FUNDING SOURCE: Interest on the State Employee Group Benefit (insurance) reserve fund (a proprietary fund), not general funds.

NEED FOR HEALTH PROMOTION:

- Health insurance claims against the State Employee Group Health Plan were \$15,117,000 in 1986 up from \$13,251,000 in 1985. This is a 14.1% rise in just one year. Cost containment measures are imperative.
- The Governor's Health Care Cost Containment Advisory Council, like similar bodies across the country, has recommended health promotion as one of an arsenal of weapons needed to combat rising health care costs.
- Organizations with health promotion programs have found that they more than pay for themselves. Pillsbury realized a \$3.63 return in savings for every \$1.00 invested. New York Telephone reported \$2.7 million of savings from a pilot study and estimated savings of \$24 million annually when their company wide program is implemented. General Motors reported a 60% drop in sickness and accident benefits in the first year of its program.
- Thirty thousand dollars is less than $\frac{1}{4}$ of a percent of the State's annual employee health insurance costs and one of the few expenditures that will produce savings. Prevention of just one stroke or one major heart attack in a year will save the plan \$30,000.

HEALTH PROMOTION HISTORY - In 1983 the Legislature approved \$30,000 for health promotion to create a healthier state group and reduce costs to the insurance plan. This \$30,000 was used primarily for health education and exercise programs.

In 1986 the program was restructured to more efficiently reach employees at risk. The intent was to add a health screening benefit to the employee health plan (to identify health risks) and use budgeted health promotion funds for follow-up risk reduction programs. These programs are designed to help those employees with the most serious and correctable risks (high blood pressure, elevated cholesterol, smoking, etc.) reduce or control their risks through lifestyle changes.

Studies show that health screening will be of limited value without the follow-up the Health Promotion funds were intended to provide.

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

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 07 INFORMATION SERVICES DIVISION
CONTROL : 00073 RESOURCE MGT/ADMIN

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)			1.00	1.00		1.00	1.00	
1100	SALARIES	179,860.71		206,238	206,238		205,865	205,865	
1400	EMPLOYEE BENEFITS	33,635.52		30,635	30,636	-1	31,241	31,241	
1500	HEALTH INSURANCE			9,660	9,660		9,660	9,660	
1600	VACANCY SAVINGS			-9,861	-9,701	-160	-9,871	-9,694	-177
	TOTAL LEVEL	213,496.23		236,672	236,633	-161	236,895	237,072	-177
2022	SUPPLIES & MATERIALS-INITIAL			3	3		5	5	
2025	RENT-INFLATION			65,186	823	-823	24,288	1,143	-1,143
2100	CONTRACTED SERVICES	39,562.95		4,058	31,486	33,700	4,058	12,810	11,478
2200	SUPPLIES & MATERIALS	5,012.20		5,152	4,072	-14	5,152	4,072	-14
2300	COMMUNICATIONS	4,683.47		4,102	5,152	20	4,102	5,152	20
2400	TRAVEL	4,081.04		8,346	4,082	-233	8,716	4,082	137
2500	RENT	7,023.49		4,232	8,579	477	4,188	3,755	433
2700	REPAIR & MAINTENANCE	3,755.24		4,457	4,457		4,457	4,457	
2800	OTHER EXPENSES	7,026.89		95,536	62,409	33,127	54,966	44,055	10,911
	TOTAL LEVEL	71,145.28		550		550	6,270	6,270	6,270
3100	EQUIPMENT	1,435.55		1,650		1,650	1,465	1,465	1,465
3400	INTANGIBLE ASSETS	1,780.50		2,200		2,200	7,735	7,735	7,735
	TOTAL LEVEL	3,216.05							
4000	CAPITAL OUTLAY	264.88							
	TOTAL LEVEL	264.88							
	TOTAL PROGRAM	288,122.44		334,408	299,242	35,166	299,596	281,127	18,469
06522	CENTRAL DATA PROCESSING	288,122.44		334,408	299,242	35,166	299,596	281,127	18,469
	TOTAL PROGRAM	288,122.44		334,408	299,242	35,166	299,596	281,127	18,469

(1) Non-operating costs need to be excluded from FY'86 actuals:
Other expenses - depreciation. (\$2,570)

EXHIBIT 18
DATE 1-20-87

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

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

PAGE 280

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 07 INFORMATION SERVICES DIVISION
CONTROL : 00000

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)	137.59	136.84						
1100	SALARIES		3,077,397						
1400	EMPLOYEE BENEFITS		439,590						
1500	HEALTH INSURANCE		167,256						
1600	VACANCY SAVINGS		-71,255						
1800			7,169						
	TOTAL LEVEL		3,620,157						
2100	CONTRACTED SERVICES		159,012						
2200	SUPPLIES & MATERIALS		474,368						
2300	COMMUNICATIONS	4,030.67	5,751,638						
2400	TRAVEL		60,743						
2500	RENT		1,195,470						
2700	REPAIR & MAINTENANCE		544,396						
2800	OTHER EXPENSES		93,229						
2900	GOODS PURCHASED FOR RESALE		6,935						
	TOTAL LEVEL	4,030.67	8,285,791						
3100	EQUIPMENT		1,291,923						
3400	INTANGIBLE ASSETS		17,500						
	TOTAL LEVEL		1,309,423						
9000	DEBT SERVICE		1,797,236						
	TOTAL LEVEL		1,797,236						
	TOTAL PROGRAM	4,030.67	15,012,607						
06522	CENTRAL DATA PROCESSING		7,223,220						
06526	COMMUNICATIONS	4,030.67	5,992,151						
06544	LEASE PARTICIPATION CERT.		1,797,236						
	TOTAL PROGRAM	4,030.67	15,012,607						

REPORT EBSK99
DATE : 01/07/87
TIME : 17/23/43

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

PAGE 282

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 07 INFORMATION SERVICES DIVISION
CONTROL : 00074 CENTRAL COMPUTER OPERATIONS

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)			76,445	76,445		76,445	76,445	
1100	SALARIES	1,590,618.66		1,663,669	1,663,668	1	1,659,685	1,659,662	23
1200	HOURLY WAGES	209.85							
1400	EMPLOYEE BENEFITS	320,016.23		231,750	231,750		234,602	234,602	
1500	HEALTH INSURANCE			103,086	103,086		103,086	103,086	
1600	VACANCY SAVINGS			-79,940	-76,220	-3,720	-79,894	-76,094	-3,800
1800					10,075	-10,075		10,037	-10,037
1900	PERSONAL SERVICES-OTHER	-556.00							
	TOTAL LEVEL	1,910,288.74	1,932,359	1,918,565		-13,794	1,917,479	1,931,293	-13,814
2022	SUPPLIES & MATERIALS-REPLAT			5	-25	30	21	1	20
2023	COMMUNICATIONS-INFLATION			5,180	5,082	98	8,161	7,854	307
2025	RENT-INFLATION				7,149	-7,149		9,926	-9,926
2100	CONTRACTED SERVICES	73,176.84		34,495	19,169	15,326	46,305	19,169	27,136
2200	SUPPLIES & MATERIALS	341,454.29		408,059	355,390	52,669	448,326	363,052	85,274
2300	COMMUNICATIONS	270,530.21		273,693	270,276	3,417	278,085	270,276	7,809
2400	TRAVEL	21,070.28		21,071	21,071		21,071	21,071	
2500	RENT	666,114.21		681,460	676,494	4,966	771,523	763,039	8,484
2600	UTILITIES	668.52		800	800		800	800	
2700	REPAIR & MAINTENANCE	470,242.72		525,020	494,917	30,103	524,526	494,917	29,609
2800	OTHER EXPENSES	1,635,219.44		141,499	141,809	-350	72,445	72,795	-350
2900	GOODS PURCHASED FOR RESALE	208,131.72		212,953	208,132	4,821	262,721	208,132	54,589
	TOTAL LEVEL	3,686,608.23	2,200,304	2,304,235		103,931	2,433,984	2,231,032	202,952
3100	EQUIPMENT	313,321.58		1,263,092	1,256,960	6,132	1,088,595	1,078,963	9,632
3400	INTANGIBLE ASSETS	6,074.70							
	TOTAL LEVEL	319,396.28	1,263,092	1,263,092	1,256,960	6,132	1,088,595	1,078,963	9,632
4000	CAPITAL OUTLAY	119,562.76							
	TOTAL LEVEL	119,562.76							
	TOTAL PROGRAM	6,035,856.01	5,389,623	5,485,892	5,389,623	96,269	5,440,058	5,241,288	198,770
06522	CENTRAL DATA PROCESSING	6,035,856.01	5,389,623	5,485,892	5,389,623	96,269	5,440,058	5,241,288	198,770
	TOTAL PROGRAM	6,035,856.01	5,389,623	5,485,892	5,389,623	96,269	5,440,058	5,241,288	198,770

(1) Non-operating costs need to be excluded from FY'86 actuals:

Personal Services - liability for accrued vacation/sick leave.

Other Expenses - depreciation.

Equipment - FY'86 actual should be \$1,428,409.

\$ 556

(\$1,509,849)

\$1,109,014

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

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

PAGE 283

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 07 INFORMATION SERVICES DIVISION
CONTROL : 000/5 INFORMATION CENTER

CURRENT LEVEL SERVICES ONLY

AF/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	CHPP FY 88	LFA FY 88	DIFF FY 88	CHPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)			12.00	12.00		12.00	12.00	
1100	SALARIES	276,000.99		288,482	288,482		288,044	288,044	
1400	EMPLOYEE BENEFITS	53,665.21		43,195	43,195		43,806	43,806	
1500	HEALTH INSURANCE			16,560	16,560		16,560	16,560	
1600	VACANCY SAVINGS			-13,929	-13,833	-96	-13,936	-13,814	-122
	TOTAL LEVEL	329,666.20		334,308	334,404	-96	334,474	334,596	-122
2025	RENT-INITIATION				821	-821		1,140	-1,140
2100	CONTRACTED SERVICES	37,980.58		32,481	30,784	1,697	32,481	30,784	1,697
2200	SUPPLIES & MATERIALS	10,280.39		27,958	18,263	9,695	23,458	18,263	5,195
2300	COMMUNICATIONS	6,442.20		5,776	5,130	646	5,776	5,130	646
2400	TRAVEL	3,516.12		3,517	3,517		3,517	3,517	
2500	RENT	8,708.60		8,324	8,556	-232	8,692	8,556	136
2700	REPAIR & MAINTENANCE	4,506.45		5,732	4,506	1,226	5,688	4,506	1,182
2800	OTHER EXPENSES	30,748.28		5,477	5,477		5,477	5,477	
2900	GOODS PURCHASED FOR RESALE	49,690.97							
	TOTAL LEVEL	151,881.59		89,265	77,054	12,211	85,089	77,373	7,716
3100	EQUIPMENT	5,068.59		65,254	25,000	40,254	63,654	25,000	38,654
3400	INTANGIBLE ASSETS	12,048.79		28,500	11,000	17,500	29,100	11,000	18,100
	TOTAL LEVEL	17,117.38		93,754	36,000	57,754	92,754	36,000	56,754
4000	CAPITAL OUTLAY	1,591.18							
	TOTAL LEVEL	1,591.18							
	TOTAL PROGRAM	500,256.35		517,327	447,458	69,869	512,317	447,969	64,348
06522	CENTRAL DATA PROCESSING	500,256.35		517,327	447,458	69,869	512,317	447,969	64,348
	TOTAL PROGRAM	500,256.35		517,327	447,458	69,869	512,317	447,969	64,348

(1) Non-operating costs need to be excluded from FY'86 actuals:

Other expenses - depreciation.

(\$25,272)

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

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

PAGE 284

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 07 INFORMATION SERVICES DIVISION
CONTROL : 00078 SYSTEMS DEVELOPMENT

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)			23.00	23.00		23.00	23.00	
1100	SALARIES	628,363.32		640,985	640,985		638,926	638,926	
1400	EMPLOYEE BENEFITS	119,016.99		95,485	95,485		96,627	96,627	
1500	HEALTH INSURANCE			31,740	31,740		31,740	31,740	
1600	VACANCY SAVINGS			-30,728	-30,392	-336	-30,692	-30,341	-351
	TOTAL LEVEL	747,380.31		737,482	737,818	-336	736,601	736,952	-351
2025	RENT-INFLATION				1,624	-1,624		2,255	-2,255
2100	CONTRACTED SERVICES	41,532.93		7,149	5,846	1,303	7,149	5,846	1,303
2200	SUPPLIES & MATERIALS	16,685.18		12,072	12,072		12,072	12,072	
2300	COMMUNICATIONS	10,666.81		10,142	10,668	-526	10,142	10,668	-526
2400	TRAVEL	12,513.43		11,614	11,702	-88	11,614	11,702	-88
2500	RENT	159,196.00		194,474	162,384	32,090	195,204	162,384	32,820
2700	REPAIR & MAINTENANCE	5,735.71		9,481	9,683	-202	9,784	10,072	-288
2800	OTHER EXPENSES	24,796.00		5,880	5,116	764	5,880	5,116	764
2900	GOODS PURCHASED FOR RESALE			3,000	3,000		3,000	3,000	
	TOTAL LEVEL	271,126.06		253,812	222,095	31,717	254,845	223,115	31,730
3100	EQUIPMENT	4,281.15		16,380		16,380	8,630		8,630
3400	INTANGIBLE ASSETS	2,137.00		9,000		9,000	9,000		9,000
	TOTAL LEVEL	6,418.15		25,380		25,380	17,630		17,630
	TOTAL PROGRAM	1,024,924.52		1,016,674	959,913	56,761	1,009,076	960,067	49,009
06522	CENTRAL DATA PROCESSING	1,024,924.52		1,016,674	959,913	56,761	1,009,076	960,067	49,009
	TOTAL PROGRAM	1,024,924.52		1,016,674	959,913	56,761	1,009,076	960,067	49,009

(1) Non-operating costs need to be excluded from FY'86 actuals:

Other expenses - depreciation. (\$19,680)

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

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

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 07 INFORMATION SERVICES DIVISION
CONTROL : 00200 TELECOMMUNICATIONS

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 (111)			16.14	16.14		16.14	16.14	
1100	SALARIES	395,492.59		418,248	418,248		417,504	417,504	
1400	EMPLOYEE BENEFITS	76,674.28		62,479	62,479		63,334	63,334	
1500	HEALTH INSURANCE			22,080	22,080		22,080	22,080	
1600	VACANCY SAVINGS			-20,112	-20,006	-106	-20,117	-19,977	-140
1900	PERSONAL SERVICES-OTHER	4,521.00							
	TOTAL LEVEL	476,687.87		482,695	482,801	-106	482,801	482,941	-140
2021	CONTRACTED SERVICES-INFLATI			-262	-210	-52	-525	-407	-118
2022	SUPPLIES & MATERIALS-INFLAT			8	4	4	13	6	7
2023	COMMUNICATIONS-INFLATION			175,530	175,384	146	279,259	279,065	194
2025	RENT-INFLATION			126,210	1,591	-1,591	77,541	2,209	-2,209
2100	CONTRACTED SERVICES	185,502.32		8,967	80,102	46,108	8,967	55,433	22,108
2200	SUPPLIES & MATERIALS	9,027.50		4,926,625	9,027	-60	4,956,051	9,027	-60
2300	COMMUNICATIONS	5,057,765.61		15,328	4,909,330	17,295	15,328	15,328	33,721
2400	TRAVEL	15,327.12		17,523	17,055	468	18,264	17,055	1,209
2500	RENT	16,105.00		3,514	2,410	1,104	3,410	2,410	1,000
2700	REPAIR & MAINTENANCE	2,409.31		5,449	5,799	-350	5,449	5,799	-350
2800	OTHER EXPENSES	880,053.00							
	TOTAL LEVEL	6,166,189.86		5,278,892	5,215,820	63,072	5,363,757	5,308,255	55,502
3100	EQUIPMENT	12,007.81							
3400	INTANGIBLE ASSETS	575.00							
	TOTAL LEVEL	12,582.81							
9000	DEBT SERVICE	924,673.00		1,758,236	1,758,236		1,754,698	1,754,398	300
	TOTAL LEVEL	924,673.00		1,758,236	1,758,236		1,754,698	1,754,398	300
	TOTAL PROGRAM	7,580,133.54		7,519,823	7,456,857	62,966	7,601,256	7,545,594	55,662
06526	COMMUNICATIONS	5,786,088.54		5,761,587	5,698,621	62,966	5,846,858	5,791,196	55,662
06544	LEASE PARTICIPATION CERT.	1,794,045.00		1,758,236	1,758,236		1,754,398	1,754,398	
	TOTAL PROGRAM	7,580,133.54		7,519,823	7,456,857	62,966	7,601,256	7,545,594	55,662

(1) Non-operating costs need to be excluded from FY'86 actuals:

Personal services - liability for accrued vacation/sick leave.

Other Expenses - depreciation.

Equipment - FY'86 actual should be \$58,219

(\$ 4,521)

(\$874,254)

\$ 45,636

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 : 07 INFORMATION SERVICES DIVISION
CONTROL : 02019 EMERGENCY 911

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)			2.00		2.00	2.00		2.00
1100	SALARIES			54,550		54,550	54,342		54,342
1400	EMPLOYEE BENEFITS			8,297		8,297	8,407		8,407
1500	HEALTH INSURANCE			2,760		2,760	2,760		2,760
1600	VACANCY SAVINGS			-2,624		-2,624	-2,620		-2,620
	TOTAL LEVEL			62,983		62,983	62,889		62,889
2100	CONTRACTED SERVICES			5,712		5,712	5,710		5,710
2300	COMMUNICATIONS			1,500		1,500	1,500		1,500
2400	TRAVEL			6,476		6,476	6,572		6,572
	TOTAL LEVEL			13,688		13,688	13,782		13,782
	TOTAL PROGRAM			76,671		76,671	76,671		76,671
06526	COMMUNICATIONS			76,671		76,671	76,671		76,671
	TOTAL PROGRAM			76,671		76,671	76,671		76,671

REPORT EBSR99
DATE : 01/07/87
TIME : 17/26/09

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

PAGE 121

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 07 INFORMATION SERVICES DIVISION
CONTROL : 70200 GENIZ. ADD. TELEP. VENDOR COST

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
2023	COMMUNICATIONS-INFLATION			4,592		4,592	9,678		9,678
2300	COMMUNICATIONS			399,041		399,041	402,041		402,041
	TOTAL LEVEL			403,633		403,633	411,719		411,719
	TOTAL PROGRAM			403,633		403,633	411,719		411,719
06526	COMMUNICATIONS			403,633		403,633	411,719		411,719
	TOTAL PROGRAM			403,633		403,633	411,719		411,719

REPORT EBSR99
DATE : 01/07/87
TIME : 17/26/09

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

PAGE 123

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 07 INFORMATION SERVICES DIVISION
CONTROL : 78001 CONTRACT PROGRAMMING

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
2100	CONTRACTED SERVICES			125,000		125,000	125,000		125,000
	TOTAL LEVEL			125,000		125,000	125,000		125,000
	TOTAL PROGRAM			125,000		125,000	125,000		125,000
06522	CENTRAL DATA PROCESSING			125,000		125,000	125,000		125,000
	TOTAL PROGRAM			125,000		125,000	125,000		125,000

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

REPORT EBSR99
DATE : 01/07/87
TIME : 17/26/09

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 07 INFORMATION SERVICES DIVISION
CONTROL : 74001 EXPANDED CENTRAL COMPUTER OP.

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
2500	RENT			100,000		100,000	100,000		100,000
	TOTAL LEVEL			100,000		100,000	100,000		100,000
3100	EQUIPMENT			389,000		389,000	382,000		382,000
	TOTAL LEVEL			389,000		389,000	382,000		382,000
	TOTAL PROGRAM			489,000		489,000	482,000		482,000
06522	CENTRAL DATA PROCESSING			489,000		489,000	482,000		482,000
	TOTAL PROGRAM			489,000		489,000	482,000		482,000

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1-20-87

DEPARTMENT OF ADMINISTRATION
INFORMATION SERVICES DIVISION



FRED SCHWINDEN GOVERNOR

ROOM 22, MITCHELL BUILDING

STATE OF MONTANA

(406) 444-2700

HELENA, MONTANA 59620

RECEIVED

OCT 31 1986

TO: Flo Smith, Budget Analyst
Office of Budget and Program Planning

OBBP

FROM: James F. Christnacht, Assistant Administrator
Information Services Division

DATE: October 30, 1986

SUBJECT: Biennium Budget Correction

In attempting to correct our original budget submission for Central Computer Operations Bureau (0074), the revised figures furnished you were correct. However, they may have added to the confusion. Hopefully the following should help clarify the problems.

<u>Expenditure</u>	<u>Year</u>	<u>Original</u>	<u>Corrected</u>	<u>Difference</u>
2806-Interest	FY88	\$ 117,323	\$ 126,060	\$ 8,737
	FY89	\$ 53,245	\$ 57,006	\$ 3,761
3106-Multi-User Computers				
Instl. Purc.	FY88	\$ 812,818	\$ 861,610	\$48,792
Cash Purchase	FY88	\$ 383,350	\$ 383,350	\$ 0
Total	FY88	\$1,196,168	\$1,244,960	\$48,792
3106-Multi User Computers				
Instl. Purc.	FY89	\$ 722,457	\$ 727,613	\$ 5,156
Cash Purchase	FY89	\$ 348,850	\$ 348,850	\$ 0
Total		\$1,071,307	\$1,076,463	\$ 5,156

The equipment cost (3106) includes the cost of the existing installment purchase contracts and any planned cash purchases. I had neglected to include all of the installment purchase contracts. Attached is a complete listing of the installment purchase contracts included in the above figures.—

Please disregard my memo of October 29, 1986.

Attachment

cc Mike Trevor
Karen Munro

STATE OF MONTANA
AGENCY BASE INFORMATION FORM

AGENCY NUMBER	6101	AGENCY NAME	Department of Administration
PROGRAM NUMBER	07	PROGRAM NAME	Information Services Division
CONTROL VARIABLE	00074	CONTROL VARIABLE NAME	Central Computer Operations Bureau

Item Number	Object of Expend. 3rd Level	JUSTIFY CURRENT LEVEL SERVICE EXPENDITURES	FY 86 Actual Amount	REQUESTED 1989 BIENNium		(OBPP Use Only) RECOMMENDED 1989 BIENNium	
				1988	1989	1988	1989
3106 (Continued)		Existing installment purchases Additional direct access storage devices to assure the ISD user community of adequate on-line storage for expanding and new applications.		861,610	727,613	per 10-30-86 letter	
				812,818	722,457		
		Additional hardware for performance enhancement to assure the current computer system can meet the increasing demand for computer services.	75,000	80,000	80,000		
					75,000		
		Total Mainframe Total Network Sub total		1,016,610	882,613		
				967,818	877,457		
				198,350	163,850		
		Equipment Pool The Division plans to acquire a quantity of commonly used data processing equipment items and make them available to user agencies on a short-term basis, or to agencies who do not wish to purchase them. Anticipate to continue expenditure at same level as FY 86.		1,166,169	1,041,307		
				1,214,960	1,046,463		
		GRAND TOTAL	1,410,819	30,000	30,000		
				1,196,169	1,071,307		
				1,244,960	1,076,463		

Flo Smith
October 9, 1986
Page 5

Additional funds amounting to \$7,070 are requested to accomplish a major operating system upgrade to extended architecture (MVS to XA) for FY88 only.

XA Operating System - 4 Seminars
XA Teleprocessing Support - 2 Seminars

Records Management Section

Equipment Purchases - 1 Seminar
Maintenance Training - 2 Seminars
Federal Microfilm Standards - 1 Seminar

FY88 registration fees are \$1,629 less than appropriated for FY87. This is due to the education credits earned through Cullinet software purchases.

Actual FY86 registration fee costs were \$2,686 less than available funds. This was due to two major projects (3081 install, 4381 Armory install) which required the resources of the entire Technical, Operations, and Network Control sections.

5. Information Center Bureau - 0075

Expenditure ID 3106 - Multi-User Computer and Terminals

For the Information Center Bureau to be in position to demonstrate leadership in recommending new technology (hardware/software) to state agencies, a variety of new equipment must be continually acquired.

- a. A new generation of microprocessors (80286, 80386), operating systems, networking applications and new software resource requirements will require the Information Center Bureau (ICB) to steadily roll over its existing inventory of Microcomputers. ICB needs to acquire this additional equipment to provide support and be able to demonstrate features of new equipment to state agencies. The following is a tentative list of equipment to be acquired:

Three 80386 micros for office automation support for a total of \$24,000 in FY88 and FY89.

A five station Token-Ring network will be required for a cost of \$4,000 in FY88.

Peripheral add-on boards for voice/communication will cost \$5,000 for FY88 and FY89.

Networking and new software will require memory upgrades for a cost of \$4,000 in FY89.

It is anticipated that two new microcomputers will be added to the term contract which will be purchased and evaluated at a cost of \$6,000 in FY88 and FY89.

- b. The microcomputers used in the ICB training program must remain current with technology to adequately provide state agency employees with up-to-date training on the hardware/software they will be acquiring.

Each year two new microcomputers will replace outdated equipment in the training center for a total of \$16,000 in FY88 and FY89.

New peripherals for graphics and communications classes will be added for a total of \$2,500 in FY88 and \$3,000 in FY89.

- c. The ICB will be supporting and evaluating micro/main-frame computer graphics. Resource requirements will include high resolution graphics monitors for a total of \$2,500 in FY88 and \$2,500 in FY89.

Miscellaneous hardware requirements for the ICB include new modems for public access support and memory upgrades to meet networking and software requirements. These supplies will total \$1,100 in FY88 and \$500 in FY89.

Total requirements in FY88 will be \$61,000 and in FY89 \$61,000.

Please let me know if you require any additional information at this time. I hope we have not confused you with the information we have provided.

Attachment

cc Karen Munro

Table 4
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.	27.00	27.00	0.00
Personal Service	\$ 627,795	\$ 616,850	\$ 10,945
Operating Expense	2,977,287	2,246,033	731,254
Equipment	<u>348,473</u>	<u>56,569</u>	<u>291,904</u>
Total Operating Costs	\$3,953,555	\$2,919,452	\$1,034,103
Non-Operating Costs	<u>-0-</u>	<u>375,553</u>	<u>(375,553)</u>
Total Costs and Funding	<u>\$3,953,555</u>	<u>\$3,295,005</u>	<u>\$ 658,550</u>

Fiscal 1986 expenditures were \$658,550 less than authorized by the 1985 legislature. Personal services were \$10,945 less because the agency spent less on overtime and longevity than budgeted by the 1985 legislature.

Operating expenses were \$731,254 less than authorized with the majority of the savings coming in goods for resale where savings totaled \$762,571. Equipment expenditures were \$291,904 less than budgeted; however, non-operating costs which include equipment lease purchase payments were \$375,553 higher than authorized. Overall, equipment expenditures were \$83,648 higher than authorized. This was caused by the large number of users joining the photocopy pool for which machines were obtained to respond to the increased demand.

Current Level Adjustments

The current level budget continued the agency's 1.25 FTE reduction caused by the pay plan shortfall in fiscal 1987. The budget does provide for 26.5 FTE in fiscal 1988 and 30.5 FTE in fiscal 1989 funded from the 1987 pay matrix with an adjustment for 4 percent vacancy savings.

Operating expenses totaling \$237,971 were added to fiscal 1989 only for the 1989 legislative session. These costs included overtime, photocopy equipment rental, photocopy and printer maintenance, supplies, paper, and other miscellaneous costs.

Funds totaling \$375,553 were also included for equipment lease purchase contracts each year of the 1989 biennium.

INFORMATION SERVICES DIVISION

The Information Services Division is comprised of five subprograms: resource management and administration, central computer operations, information services, systems development, and telecommunications. These subprograms are presented separately in the budget analysis.

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The agency has proposed a new rate structure for the services offered by the division to be effective in fiscal 1988. Processing costs will be reduced while network charges and printing costs will increase. New rates for services not previously billed include a subscription fee assessed for each personal computer an agency owns which will pay for support services offered by the information center, network installation and tape mounts. The fiscal impact has been estimated by the department and has been incorporated into each agency's current level budget. The overall savings is estimated to be \$104,054 in the 1989 biennium.

INFORMATION SERVICES DIVISION--RESOURCE MANAGEMENT AND ADMINISTRATION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	7.00	7.00	7.00	7.00	0.00
Personal Service	\$213,497	\$214,119	\$236,833	\$237,072	10.8
Operating Expense	68,577	50,677	62,409	44,055	(10.7)
Equipment	3,217	1,000	-0-	-0-	(100.0)
Total Operating Costs	\$285,291	\$265,796	\$299,242	\$281,127	5.3
Non-Operating Costs	265	-0-	-0-	-0-	(100.0)
Total Expenditures	\$285,556	\$265,796	\$299,242	\$281,127	5.3
<u>Fund Sources</u>					
Proprietary Funds	\$285,556	\$265,796	\$299,252	\$281,127	5.3

The Resource Management/Administration program administers the ISD division and controls, coordinates, and plans for statewide data processing and information services.

The current level budget provides a 5.3 percent increase in total expenditures from the 1987 to the 1989 biennium. The cause of this increase is the 10.8 percent personal services increase. Personal services increases significantly while FTE remain constant because a 1.0 FTE was transferred into the program at an estimated annual \$39,000 cost while another 1.0 FTE was deleted at an estimated annual savings of \$23,600.

Operating expenses are budgeted to decrease 10.7 percent in the 1989 biennium because a one-time consulting contract for \$23,625 was removed from the base expenditures and approximately \$9,800 per year was added for the division's share of the department lawyers. Operating expense decreases between fiscal 1988 and 1989 because \$18,605 is included in the fiscal 1988 budget for audit costs.

This program is funded from the central data processing proprietary 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.

Table 5
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.	7.00	7.00	0.00
Person Service	\$223,475	\$213,497	\$ 9,978
Operating Expense	70,814	68,577	2,237
Equipment	5,000	3,217	1,783
Other Expenses	-0-	265	(265)
Total Exp. and Funding	<u>\$299,289</u>	<u>\$285,556</u>	<u>\$13,733</u>

Fiscal 1986 expenditures were \$13,733 less than the amount authorized by the 1985 legislature. Personal services were \$9,978 less than authorized because vacancy savings exceeded the budgeted amount. Operating expenses were \$2,237 less than authorized. Savings was possible in supplies, communications, travel, and other expenses. Cost overruns were seen in contracted services, rent, and repair and maintenance.

INFORMATION SERVICES DIVISION - CENTRAL COMPUTER OPERATIONS

<u>Budget Item</u>	<u>Actual Fiscal 1986</u>	<u>Appropriated Fiscal 1987</u>	<u>- - Current Level - -</u>		<u>% Change 1987-89 Biennium</u>
			<u>Fiscal 1988</u>	<u>Fiscal 1989</u>	
F.T.E.	78.45	77.45	76.45	76.45	(1.00)
Personal Service	\$1,910,847	\$1,931,628	\$1,932,359	\$1,931,293	0.6
Operating Expense	2,176,760	2,268,505	2,200,304	2,231,032	(0.3)
Equipment	1,428,410	1,445,108	1,256,960	1,078,963	(18.7)
Total Operating Costs	\$5,516,017	\$5,645,241	\$5,389,623	\$5,241,288	(4.8)
Non-Operating Costs	119,563	-0-	-0-	-0-	(100.0)
Total Expenditures	<u>\$5,635,580</u>	<u>\$5,645,241</u>	<u>\$5,389,623</u>	<u>\$5,241,288</u>	<u>(5.8)</u>
<u>Fund Sources</u>					
Proprietary Funds	<u>\$5,635,580</u>	<u>\$5,645,241</u>	<u>\$5,389,623</u>	<u>\$5,241,288</u>	<u>(5.8)</u>

The Central Computer Operations Program provides mainframe computer processing 24 hours a day, 7 days a week. Other services include data network control and management, data entry and word processing, problem resolution, technical support, and records management.

The current level budget provides a 5.8 percent decrease in the 1989 biennium from the 1987 biennium. The major cause of the decrease is equipment expenditures are budgeted to decrease 18.7 percent in the 1989 biennium.

This program is funded from the central data processing proprietary 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.

Table 6
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.	81.45	78.45	3.00
Personal Service	\$1,894,004	\$1,910,847	\$ (16,843)
Operating Expense	2,093,505	2,176,760	(83,255)
Equipment	1,776,067	1,428,410	347,657
Total Operating Costs	\$5,763,576	\$5,516,017	\$ 247,559
Non-Operating Costs	-0-	119,563	(119,563)
Total Exp. and Funding	<u>\$5,763,576</u>	<u>\$5,635,580</u>	<u>\$ 127,996</u>

Fiscal 1986 expenditures were \$127,996 less than appropriated. Personal services expenditures were \$16,843 greater than appropriated as the agency experienced higher overtime than budgeted. Operating expenses were \$83,255 higher than budgeted due primarily to purchasing mainframe-related software for resale which was higher than anticipated by the 1985 legislature. Equipment purchases were \$347,657 less than budgeted due primarily to the availability of mainframe equipment at a cost lower than estimated during the 1985 session.

Non-operating costs include capital outlay for the installation of an electrical power conditioning system. These costs were not budgeted by the 1985 legislature.

Current Level Adjustments

The current level budget provides for 76.45 FTE funded from the 1987 salary pay matrix with an adjustment for 4 percent vacancy savings. This is a reduction of

2.0 FTE from the fiscal 1986 actual level. Overtime was included at approximately \$78,000 each year.

Major adjustments to operating expenses included:

1. A reduction of \$51,000 for one-time consulting contracts;
2. An increase of \$14,517 in fiscal 1988 and \$22,179 in fiscal 1989 for increased paper costs;
3. An increase of \$22,071 in fiscal 1988 and \$108,616 in fiscal 1989 for increased software costs;
4. A fiscal 1988 \$8,186 decrease and fiscal 1989 \$5,409 decrease for Department of Administration rent offset by a \$11,019 increase for non-Department of Administration rent.
5. A \$16,479 increase in fiscal 1988 for interest costs on lease purchased equipment and a \$52,575 decrease in fiscal 1989.

INFORMATION SERVICES DIVISION - INFORMATION CENTER

Budget Item	Actual	Appropriated	- - Current Level - -		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	12.00	9.00	12.00	12.00	3.00
Personal Service	\$329,668	\$249,179	\$334,404	\$334,596	15.6
Operating Expense	126,612	87,445	77,054	77,373	(27.9)
Equipment	17,117	65,620	36,000	36,000	(13.0)
Total Operating Costs	\$473,397	\$402,244	\$447,458	\$447,969	2.3
Non-Operating Costs	1,591	-0-	-0-	-0-	(100.0)
Total Expenditures	\$474,988	\$402,244	\$447,458	\$447,969	2.1
Fund Sources					
Proprietary Funds	\$474,988	\$402,244	\$447,458	\$447,969	2.1

The Information Center Bureau of the Information Services Division provides user assistance, trains users on mainframe and microcomputer products, provides technical support for microcomputers and word processing systems, and provides consultation on office automation needs, system selection, and implementation planning.

The current level budget increases 2.1 percent from the 1987 biennium to the 1989 biennium. Personal services increase 15.6 percent as 3.0 FTE are transferred to this bureau from other agency divisions.

Operating expenses decrease 27.9 percent between bienniums because the agency transferred the function of purchasing software for resale from this bureau to Central Stores in fiscal 1987.

Equipment purchases are budgeted to decrease 13 percent in the 1989 biennium.

This bureau is funded from the central data processing proprietary 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.

Table 7
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.	9.00	12.00	(3.00)
Personal Service	\$262,706	\$329,668	\$(66,962)
Operating Expense	113,402	126,612	(13,210)
Equipment	80,970	17,117	63,853
Total Operating Costs	\$457,078	\$473,397	\$(16,319)
Non-Operating Costs	-0-	1,591	(1,591)
Total Exp. and Funding	<u>\$457,078</u>	<u>\$474,988</u>	<u>\$(17,910)</u>
<u>Funding</u>			
Proprietary Funds	<u>\$457,078</u>	<u>\$474,988</u>	<u>\$(17,910)</u>

Fiscal 1986 expenditures were \$17,910 higher than authorized by the 1985 legislature. Personal services were \$66,962 higher than authorized because the bureau transferred in 3 FTE without adding appropriation authority to pay for the positions. In addition, three positions were upgraded in the bureau in fiscal 1986.

Operating expenses exceeded the legislative authorization by \$13,210. Approximately \$12,000 was saved in supplies and materials while goods for resale, software programs, was overspent by nearly \$25,000.

Equipment expenditures were \$63,853 less than authorized by the 1985 legislature as the agency recorded equipment expenditures for this bureau in the Central Computer Operations Bureau.

Current Level Adjustments

The 1989 biennium current level budget includes funding for 12.0 FTE, with salaries based on the fiscal 1987 pay matrix and a 4 percent vacancy savings adjust-

ment. Rent was adjusted \$1,702 to pay for increased square footage occupied by the bureau in the Mitchell building. Computer hardware and software purchases are included at \$36,000 each year of the 1989 biennium.

INFORMATION SERVICES DIVISION - SYSTEMS DEVELOPMENT

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	24.00	23.00	23.00	23.00	0.00
Personal Service	\$ 747,380	\$753,508	\$737,818	\$736,952	(1.7)
Operating Expense	251,445	150,725	222,095	223,115	10.7
Equipment	6,418	5,706	-0-	-0-	(100.0)
Total Expenditures	<u>\$1,005,243</u>	<u>\$909,939</u>	<u>\$959,913</u>	<u>\$960,067</u>	<u>0.3</u>
Fund Sources					
Proprietary Funds	<u>\$1,005,243</u>	<u>\$909,939</u>	<u>\$959,913</u>	<u>\$960,067</u>	<u>0.3</u>

The Systems Development Bureau of the Information Services Division is responsible for planning, designing, developing and supporting application systems for state agencies.

The current level budget provides a 0.3 percent increase from the 1987 biennium to the 1989 biennium. Personal services decrease 1.7 percent between bienniums because the 1989 biennium personal services includes 4 percent vacancy savings rather than the 2 percent applied in the 1987 biennium.

Operating expenses increase 10.7 percent because the costs of purchasing productivity software was transferred to this subprogram in fiscal 1986 and is budgeted from this subprogram in the 1989 biennium.

The program is funded from the central data processing proprietary 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.

Table 8
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.	23.00	24.00	(1.00)
Personal Service	\$763,416	\$ 747,380	\$ 16,036
Operating Expense	146,938	251,445	(104,507)
Equipment	13,096	6,418	6,678
Total Exp. and Funding	<u>\$923,450</u>	<u>\$1,005,243</u>	<u>\$ (81,793)</u>

Fiscal 1986 expenditures exceeded the appropriation by \$81,793. FTE increased 1.0 due to a transfer from other programs within the department. Personal services were \$16,036 less than the appropriation because actual vacancy savings exceeded the budgeted amount and because one position was downgraded. The savings generated by the vacancy savings and downgrade, approximately \$43,000, was offset approximately \$29,200 by four position upgrades and one termination payout.

Operating expenses exceeded the appropriation by \$104,507. The major cause of this was the systems development bureau taking responsibility for productivity software purchases in fiscal 1986 which had formerly been handled by the central computer operations bureau.

Equipment expenditures were \$6,678 less than appropriated.

Current Level Adjustments

The current level budget funds 23.0 FTE from the fiscal 1987 pay matrix with an adjustment for 4 percent vacancy savings. The agency spent \$38,078 of its \$99,840 contracted services appropriation for contract programming. In accordance with the general appropriations act of the Forty-Ninth Legislature, the \$38,078 was removed from the current level budget in the 1989 biennium.

INFORMATION SERVICES DIVISION - TELECOMMUNICATIONS

Budget Item	Actual	Appropriated	- - Current Level - -		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	16.14	16.39	16.14	16.14	(0.25)
Personal Service	\$ 472,167	\$ 471,723	\$ 482,801	\$ 482,941	2.3
Operating Expense	5,295,968	5,586,564	5,215,820	5,308,255	(3.3)
Equipment	58,220	-0-	-0-	-0-	(100.0)
Total Operating Costs	\$5,826,355	\$6,058,287	\$5,698,621	\$5,791,196	(3.4)
Non-Operating Costs	1,764,673	1,797,236	1,758,236	1,754,398	(1.4)
Total Expenditures	<u>\$7,591,028</u>	<u>\$7,855,523</u>	<u>\$7,456,857</u>	<u>\$7,545,594</u>	<u>(2.9)</u>
Fund Sources					
Proprietary Funds	<u>\$7,591,028</u>	<u>\$7,855,523</u>	<u>\$7,456,857</u>	<u>\$7,545,594</u>	<u>(2.9)</u>

The Telecommunications Program of the Information Services Division is responsible for the operation of the state telephone system, designing and developing telecommunication systems, technical service and support, and planning and coordinating statewide telecommunications in general.

The current level budget provides a 2.9 percent decrease in the 1989 biennium from the 1987 biennium. Full-time equivalent positions decrease 0.25 FTE from fiscal 1987 to the 1989 biennium. Personal services are budgeted to increase 2.3 percent because the salaries are based on the fiscal 1987 pay matrix and because two positions were upgraded during fiscal 1986 and are reflected in the 1989 biennium costs. Operating expenses decrease 3.3 percent as one-time expenditures are not carried forward to the 1989 biennium and because long distance communication costs are expected to decrease slightly.

Non-operating costs decrease 1.4 percent. These costs are the lease purchase costs for the 10 year lease on the state's telephone system.

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 8
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.	16.39	16.14	0.25
Personal Service	\$ 471,090	\$ 472,167	\$ (1,077)
Operating Expense	5,516,574	5,295,968	220,606
Equipment	-0-	58,220	(58,220)
Total Operating Costs	\$5,987,664	\$5,826,355	\$161,309
Non-Operating Costs	1,789,736	1,764,673	25,063
Total Exp. and Funding	<u>\$7,777,400</u>	<u>\$7,591,028</u>	<u>\$186,372</u>

Fiscal 1986 expenditures were \$186,372 less than the appropriation. Personal services expenditures exceeded the appropriation even though FTE decreased 0.25 FTE because of two position upgrades and termination payout on an employee. Operating expenses were \$220,606 less than authorized. Savings came in the contracted services and communications cost categories. Most of the contracted services savings was the result of spending \$133,864 of the \$200,000 biennial appropriation for the long term transmission project. The agency spent \$159,214 less on communication costs than authorized.

Equipment expenditures were \$58,220 greater than authorized. Approximately two-thirds of this overexpenditure was spent on computer hardware and software not specifically authorized by the 1985 legislature.

Current Level Adjustments

The current level budget funds 16.14 FTE from the fiscal 1987 salary matrix with an adjustment for 4 percent vacancy savings. Legislative audit fees are included in fiscal 1988 at \$14,669. Ten thousand dollars was added in fiscal 1988 only for computer development on the agency's new billing system. Long distance communication costs were reduced \$152,000 in fiscal 1988 and \$139,000 in fiscal 1989 as the agency expects costs to decrease under the digital network configuration. Funds for the lease purchase are included at \$1,758,236 in fiscal 1988 and \$1,754,398 in fiscal 1989.

DEPARTMENT OF ADMINISTRATION
INFORMATION SERVICES DIVISION

Information for Budget Hearing on Tuesday, January 20, 1987

The attached packet of information contains material to be presented to the Joint Appropriations Subcommittee for General Government and Highways. The information in this handout is organized as follows:

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DEPARTMENT OF ADMINISTRATION
INFORMATION SERVICES DIVISION

GENERAL INFORMATION

The Information Services Division (ISD) provides computer and telecommunication services for state agencies. The division also has certain planning and control responsibilities in each of those areas. Funding is almost entirely from two proprietary accounts. The only exception being that the 9-1-1 emergency telephone program is funded by a special revenue source.

Subprograms and Funding Sources

The division is organized into four bureaus and two staff units. Their associated subprogram responsibilities and corresponding funding sources are as follows:

<u>organization unit</u>	<u>subprogram</u>	<u>funding</u>
Telecommunications Bureau	00200	telecomm proprietary account
	02019	911 special revenue
Computer and Network Operations Bureau	00074	computer services proprietary acct.
Systems Development Bureau	00078	computer services proprietary acct.
Information Center Bureau	00075	computer services proprietary acct.
Resource Management and Division Administration Staff	00073	computer services proprietary acct.

Income paid to ISD by the agencies for services received is comprised of the following original funding sources:

	Telecomm Acct.	Computer Ser. Acct.
General Fund	31%	38%
State Special Revenue	19%	27%
Federal funds	16%	18%
Other (proprietary, Pension trust, Univ., etc)	34%	17%

Source: LFA Report dated 6/30/86

Cost Effectiveness of Services

The use of computers and telecommunications is a cost effective way for state agencies to get the job done in times of reduced budgets and minimum staff. Price performance of computer and telecommunications equipment continues to improve. What this means to users of ISD's services is a greater quantity of work processed for each dollar spent.

Graph number 1 on page 4 shows how the processing rate has decreased over the years for computer processing on the central mainframe. By comparison, the rate for labor intensive services has steadily increased. A computer run processed on the central mainframe which cost \$100 in 1976 would only cost \$45 today. The cost of people has approximately doubled in that same period of time. This relationship between the downward sloping automation curve and the upward sloping people cost curve provides the primary justification for the use of and investment in automation. The divergent trend will continue.

Computer processing rates have been reduced three times during the 1987 biennium. Additional reductions are planned for July 1987 and July 1988. Negative inflation factors of -3.5% and -7% from the FY'86 base have been applied against agencies' budgets for computer processing in FY'88 and FY'89 respectively.

Telecommunication services also play an important role in making today's state government dollar go farther. As budgets are squeezed and cut agencies typically reduce their travel. They make more long distant telephone calls. The long distant rates charged for the use of ISD's telephone network average 25% to 35% less than Mountain Bell and AT&T rates. Several measures have been taken recently to insure this type of cost effectiveness in the future.

Growth

Graph number 2 on page 5 shows the steady growth in central mainframe processing. The unit of measure is the MUH (Machine Unit Hour) which serves as a measure of usage of all the components of the central system. In FY'86 the Department of Justice was moved off of the central mainframe in the Mitchell Building on to the processor located in the sub-basement of the National Guard Armory. Even without Justice on the central system, the growth in processing between the 1985-biennium and the 1987-biennium was 17.3%. When Justice is included in the comparison the growth over the period exceeded 40% that was estimated in our 1985 budget hearing.

Central computer processing for the coming biennium is anticipated to be 18% more than in the 1987-biennium. Processing in FY'88 is projected to be 20.8% greater than in The FY'86 base year and FY'89 workload should be 32.8% greater than in FY'86.

Growth in computer processing on the central mainframe also affects the data network which has had to accommodate the significant increase in terminals in the last 10-years. The total number of communicating devices attached to the data network have increased from 1000 in early 1985 to 1700 in 1987. This is an 70% increase in two years. In 1976 there were approximately 125 terminals on the network.

Graph number 3 on page 6 shows the growth in central mainframe processing as a percentage increase from FY'82. The percentage increase in the Computer Services budget is shown in order to demonstrate that the increase in work processed far exceeds the increases in spending.

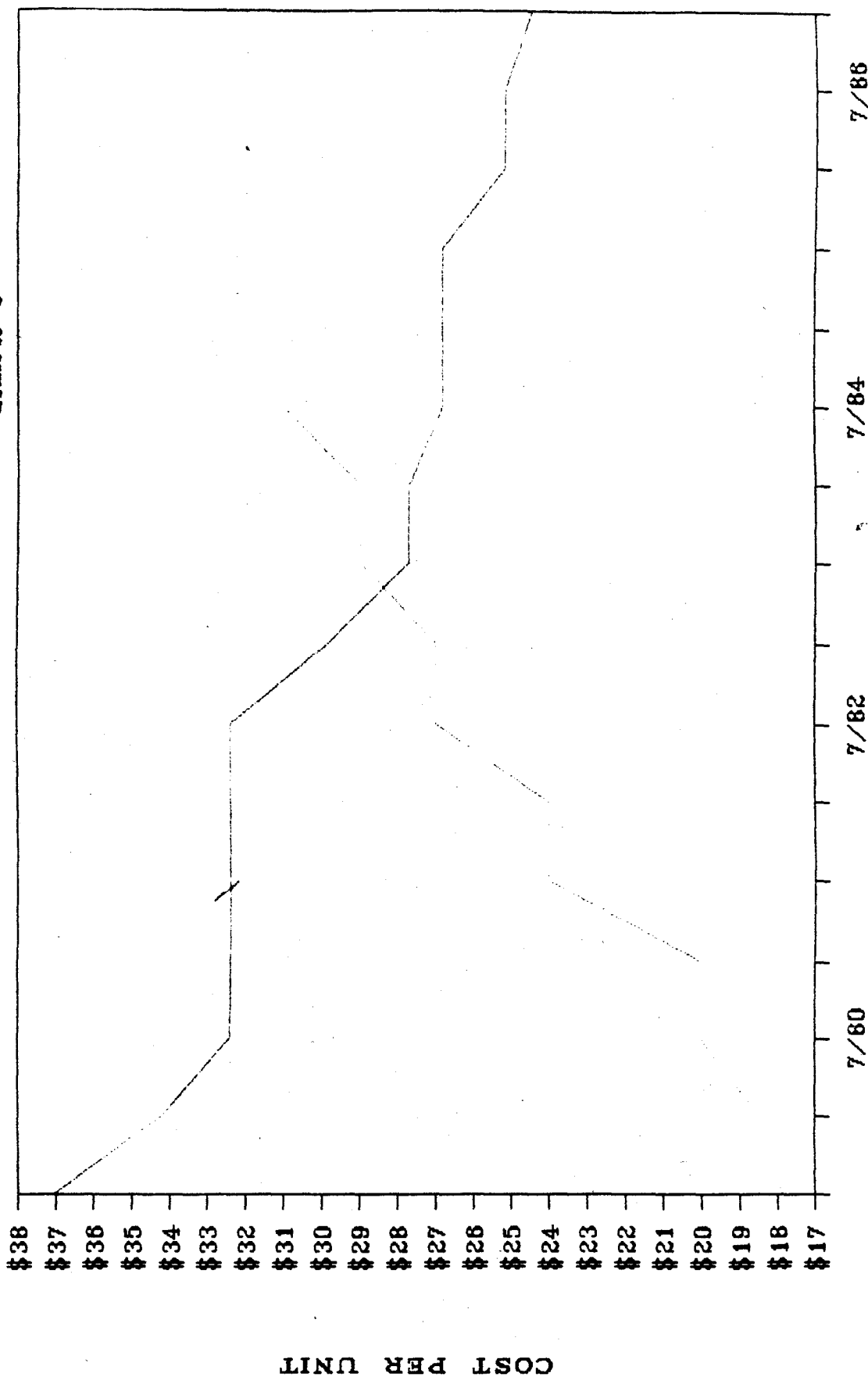
Conclusion: Growth is a significant factor to consider when analyzing the budget needs of the Information Services Division. The growth in the agencies budgets for services provided by ISD should be considered before cuts are made to ISD's budget. If this isn't done there will be a risk that ISD's budgetary limitations may constrain agencies from getting a job done which had been fully funded. Refer to the Summary of Agency Budgets on page 7 which shows that the Executive budget for computer services is nearly equal to the aggregate of agencies' budgets for ISD provided services.

Major Accomplishments in the 1987-biennium

1. Completion of the Department of Justice Project which involved the consolidation of the LETS network with the central system data network, the establishment of a satellite computer system in the National Guard Armory to run Justice applications including the CJIN and serve as a disaster recovery system for critical applications on the central system.
2. Completion of the Telecommunications Network Transmission Project which will be implemented in FY'87 and FY'88. This project involved hiring a consultant to assist in assessing the needs of state and local government, designing a cost effective transmission solution that will stabilize the cost of long distant circuits and handle the growth in data communications and the completion of a formal RFP process to acquire the needed services. The resultant products will save the state approximately 6-million dollars over the next ten years. AS a result the FY'88 budget for communications has been reduced by \$152,000 and FY'89 by \$139,000.
3. Overhaul of the computer services cost recovery system which resulted in a reasonably "cost based" system and provided for planned reduction of the central processing rate beginning in FY'88. Negative inflation factors provide for computer processing budget reductions in the agencies in the 1989-biennium resulting in a net savings of \$104,054.

MACHINE COST V.S. PROGRAMMING COST

GRAPH 1

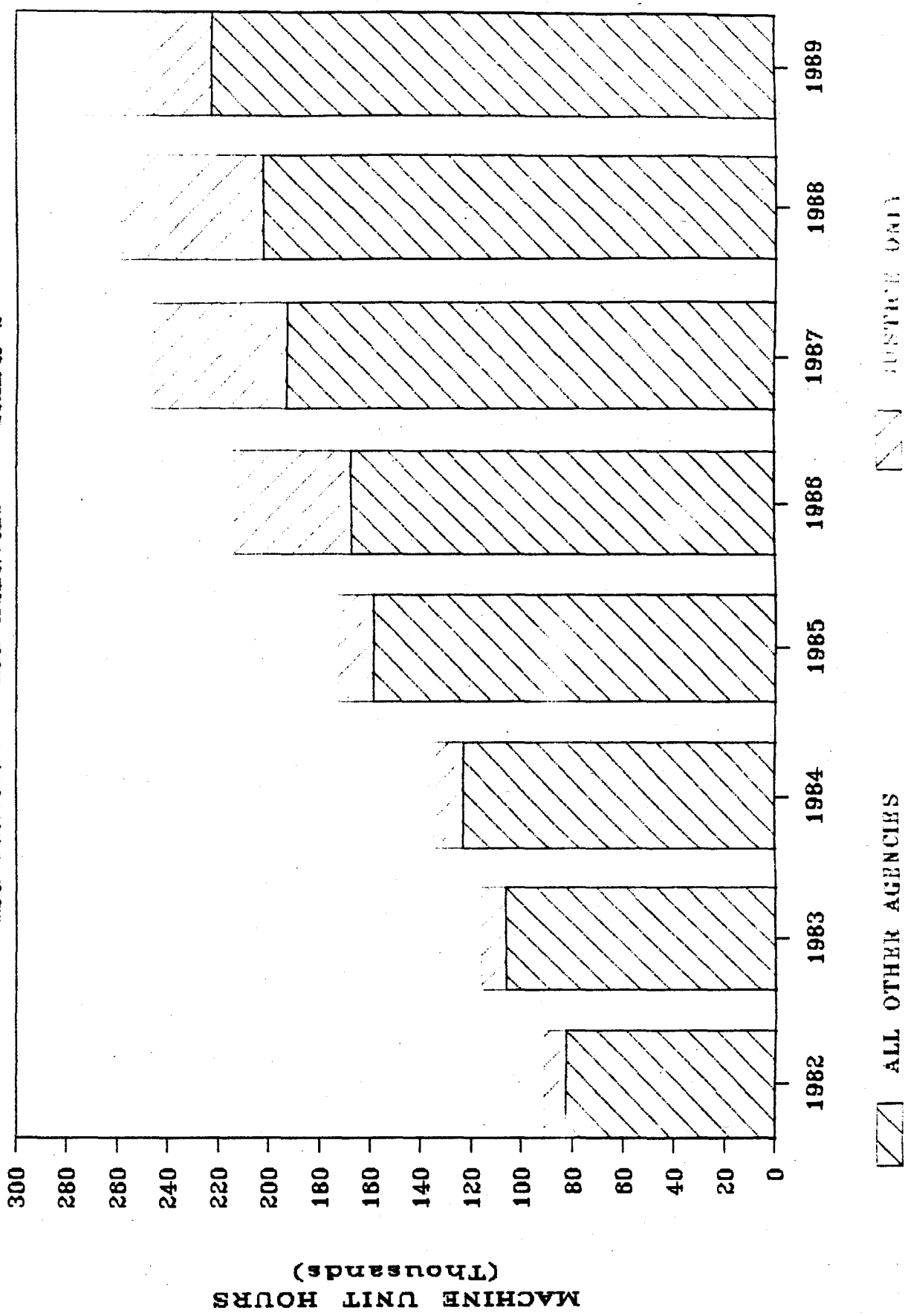


MACHINE COST/MUH

PROGRAMMING COST

COMPUTER PROCESSING

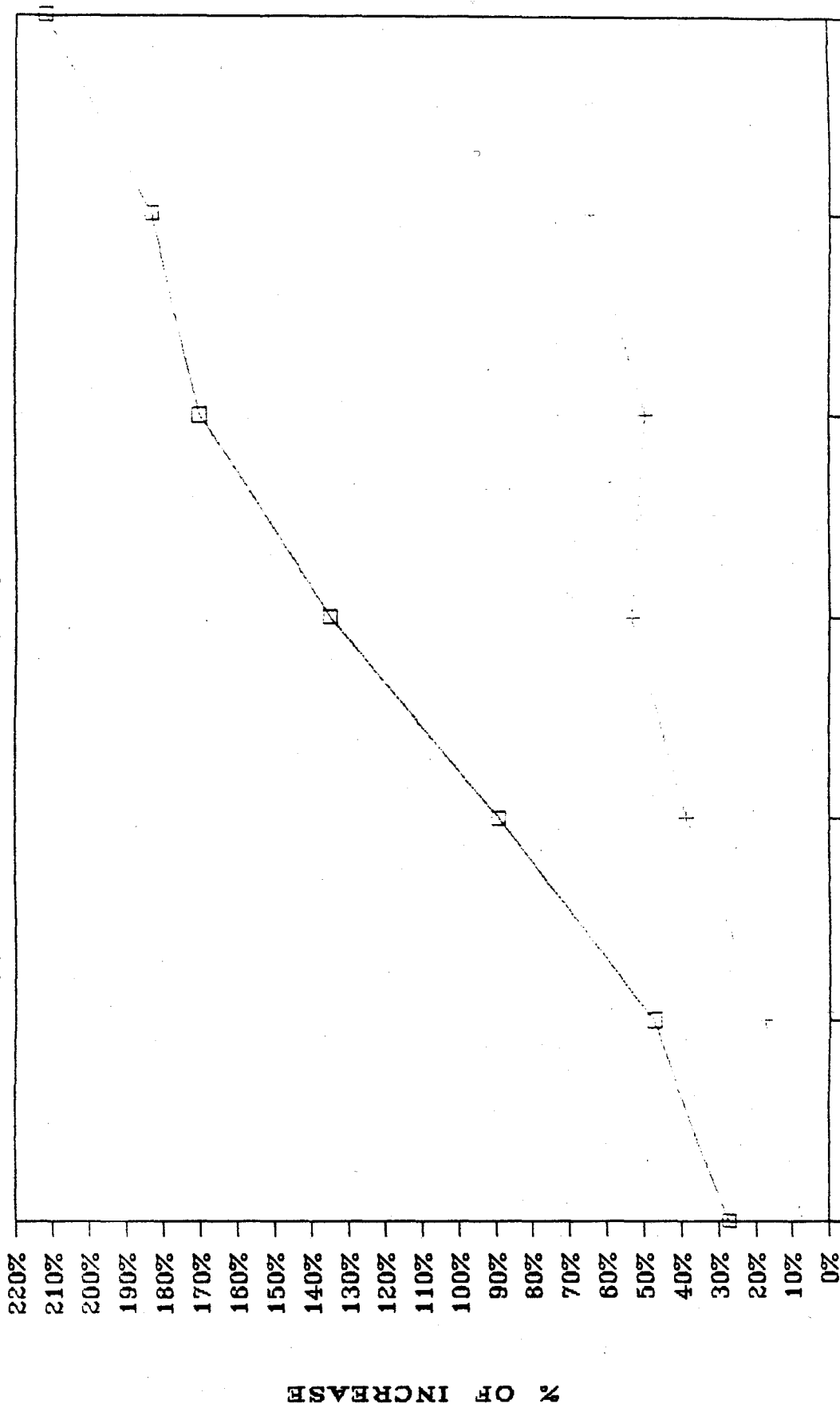
ALL SERVICES - ALL AGENCIES GRAPH 2



24
1-20-87

COMPUTER UTILIZATION VS BUDGET

PERCENT INCREASE SINCE FY82 GRAPH 3



25
1-20-87

BUDGET

UTILIZATION

VISITORS' REGISTER

GENERAL GOVERNMENT & HIGHWAYS COMMITTEE

BILL NO. _____

DATE 1-20-87

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Ken Sundsted	St. Personnel Division		
Mark Gress	St. Personnel Div		
Dave Ashby	Dot A		
Mike Trevor	Dot A - ISD		
Tony Herbert	Dot A - ISD		
Dave Marshall	Dot A - ISD		
Jeff Brandt	Dot A - ISD		
Amy Palmer	Dot A - ISD		
PAUL RYLANDER	Dot A - ISD		

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PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.