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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 February 25, 1987 at 7:00 a.m. in Room 132 of the State Capitol.

ROLL CALL: All committee members were present. Also present were Flo Smith, Budget Analyst and Norm Rostocki, Budget Analyst from the Office of Budget & Program Planning (OBPP) and Taryn Purdy, Assistant Fiscal Analyst, Pam Joehler, Senior Fiscal Analyst, Clayton Schenck, Senior Fiscal Analyst and Jim Haubein, Principal Fiscal Analyst from the Office of the Legislative Fiscal Analyst. (LFA)

99A:0.00

MILITARY AFFAIRS

Emergency Management Development Program

Major Kenneth E. Cottrill referred to the primary difference in travel. (Major Cottrill is the Administrator of Centralized Services) The department requested additional money for 100 percent federally funded travel and the LFA took only the FY 86 base. The travel is based on what the division anticipates it will need and the contract is negotiated in October of each year with the Federal Emergency Management Agency. The division was also short two professionals during the FY 86 period resulting in a decrease in the amount of travel. Major Cottrill said they would like to take exception to vacancy savings being charged against the 100 percent federally funded programs. He also pointed out that on the 50-50 match programs, when vacancy savings is applied, federal money, as well as state money, is lost.

George DeWolf, Administrator of the Disaster and Emergency Services Division, referred to the .5 FTE deleted in the LFA current level. He said that two years ago he requested this 100 percent federally funded position. However, he did not receive enough funds for the position. He would still like to retain this half-time position and, if the federal money is not received, he will not fill the position.

Local Civil Defense Reimbursement Program

Major Cottrill said in 1986 the division actually spent \$1,800,000. This was federal money that passed through the

division and was disbursed throughout the state to local agencies. The division requested \$2,000,000 in authority. Mr. DeWolf said if the figure is held to \$1,000,000, he may have to come in for a budget amendment. In the event of major disasters, such as the two last year, by the time the money is disbursed to the local agencies and disaster money is brought into the state, and with the construction money, the \$1,000,000 does not suffice. The \$2,000,000 amount would be much more realistic.

Veteran's Affairs Program

Major Cottrill said the division actually spent \$1,500 in communications rather than the \$2,300 as reduced by the LFA for one-time expenditures for the telephone system in Missoula. The division would like that to be changed. He said although some expenses are referred to as one-time, these expenses do occur annually and the division would like the committee to consider leaving that money in the operating budget. The division also requested \$935 in travel for one person to attend the National-State Directors Meeting held in Washington, D.C. The division also requested a microfiche reader-printer to handle the 55,000 Powers of Attorney they have on file. The original request by the division included two small personal computers. One was funded through the use of vacancy savings in FY 86, and the request has been withdrawn.

Veteran's Cemetery - Modified

Major Cottrill said this modification would allow the division to receive federal money that would be used to open and close graves for the burial of veterans. The division is requesting authority to receive and spend the money. These would be Veterans' Administration Benefit Funds and the work would be contracted out. The \$25,000 authorized in FY 86 has been expended for the construction of the cemetery and the \$30,000 requested would be used for the actual operation of the cemetery.

Major Cottrill reviewed the department's modified requests:

1. Army Program - \$96,100 of which \$59,500 to support federal telephone communications systems and \$36,600 to support the federal share of repair and maintenance under the match program.

2. Design Engineer - 100 percent federally funded position. State FTE used to develop designs and specs for minor construction projects authorized by the National Guard Bureau.
3. Operation of Training Site - \$300,000. This has been an ongoing program for several years that has been supported by direct federal payment from the federal government. Now, the federal government wants the state to pay and they will reimburse the state. This will grant the authority for that program.
4. Army Program - Statewide Coordinator for Family Services.
5. Air National Guard Program - Crash-Fire Rescue. Requesting seventeen additional FTE directly related to the conversion of aircraft from F106 to F16. This is 100 percent federally funded.
6. Local Civil Defense Reimbursement - Pass-through local reimbursement money. The division is requesting an increase from \$1,000,000 to \$2,000,000.
7. Veteran's Cemetery - Authorizes the division to receive and spend federal money for the opening and closing of graves.

Major Cottrill reviewed the exhibits.

Exhibit No. 1 - Administration Program. This chart shows the operating costs for the department since FY 81. The department went from 100 percent state general fund support to one position being fifty percent federally funded.

Exhibit No. 2 - This chart reflects the amount of money the department's military division brings into the state each fiscal year. The \$50,000,000 figure represents the federal operating budget for FY 86. The state's share of this operating budget is the crucial part and the very foundation

for the organization of the National Guard. If the state does not contribute toward the operation of the National Guard Armory and the small state-match share of the operating expenses of the guard maintenance facilities, then the National Guard can reorganize the state and provide smaller and fewer units and the \$50,000,000 figure will be reduced substantially. There is a direct impact on approximately \$800,000 to \$1,000,000 in general fund monies the state puts up in regard to the total \$50,000,000 contributed by the guard to the state.

General Duffy, Adjutant General, told the committee they are presently looking into bringing more units into Montana. There are presently approximately 4,100 in the National Guard and plans are underway for an increase of approximately 600 personnel. The plans include areas for the recruitment of women. This will involve a slight increase in full-time FTE, 100 percent federally funded. However, the majority will be part-time soldiers.

(26.45)

Sen. Pat Regan, District 47, Yellowstone County, interrupted to offer an apology and to set the record straight regarding statistics taken from Mr. Rich Brown's paper. It appeared to her the drop in personnel was a federal drop. She had since learned that it was not federal, it was state, and she would not like the committee to act on erroneous information or to feel she had distorted the facts.

Major Cottrill continued his review of the exhibits.

Exhibit No. 3 - This chart reflects the operating expenses FY 81 through FY 86. The bottom chart shows the general fund-federal fund comparisons. Although there is an increase in general fund from FY 81 to FY 84-85, there was a decrease since that time to \$800,000 and that figure is representative for FY 88 and FY 89. The department is trying to increase the amount of federal money used in trying to, at least, hold the general fund portion at current level. During the past six years, the emphasis on the military organizations has increased on a national level and that,

in some cases, forces the National Guard to participate on a higher level.

Exhibit No. 4 - This chart reflects utility costs.

Exhibit No. 5 - This chart reflects repair and maintenance costs. The department feels the facilities are maintained on a fairly low cost basis considering size. (Approximately 450,000 square feet of floor space)

(33.25)

Major Cottrill explained the state's participation in a National Guard Unit. The federal government picks up all costs for drills with the exception of the utilities and repair and maintenance of the facilities, which is paid for by the state.

Major Cottrill continued with his review of the exhibits.

Exhibit No. 6 - Air National Guard. This chart reflects the operating expenses from FY 82 through FY 86.

The second chart reflects the general fund-federal fund comparisons from FY 82 through FY 89. The general fund portion has been almost flat since FY 82.

Exhibit No. 7 - Air National Guard. This chart reflects the utility costs for FY 82 through FY 86.

Exhibit No. 8 - Fact Sheet. Disaster and Emergency Services Division. The figures show the Department of Military Affairs brings in a tremendous amount of federal money each fiscal year.

Rich Brown, Administrator of Veteran's Affairs Division, addressed the committee (Exhibit No. 9) and handed out Exhibit No. 10, "Issues, Resources and Strategies to Assist Aging Veterans." This booklet was prepared in conjunction with the Montana Veteran's Affairs Division and the Department

of Gerontology at Montana State University in Bozeman. It is the first of its' kind study ever done in the United States. The booklet also contains the Aging Veteran's Study prepared by the American Legion of Montana.

Exhibit No. 11, Montana Veteran's Affairs Division Award Chart shows a 300 percent increase in awards for veterans in Montana in FY 86. In the first half of FY 87, there was an increase of fifty-eight percent over FY86. The bottom charts illustrates federal Veteran's Administration current expenditures in Montana of approximately \$95,000,000 per year. Of that, \$15,000,000 was put directly into the pockets of veterans in the state of Montana last year.

Exhibit No. 12 illustrates the kinds of compensation for veterans. Mr. Brown said it was important to note that under educational benefits in part, death benefits and death compensation, death pensions, insurance, burials and others, about half or more of their clients are spouses or dependents of veterans.

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99B:0.00

Mr. Brown continued. (Exhibit No. 13 is a map illustrating the Veteran Population - 1986 and the Veteran's Administration Expenditures - 1985)

Rep. Ron Miller, District No. 34, Cascade County, told the committee the World War II veterans and the Korean War veterans are rapidly approaching the age where they will be needing nursing home care and it is important to keep the Veteran's Affairs Division going as they are there to assist the aging veterans and/or spouses and dependents. He said this service was really needed.

(13.40)

General Duffy reminded the committee they do bring a lot of federal dollars into Montana, even over and above what is reflected in the charts. He mentioned areas other than those listed that are all 100 percent federally funded. There is an \$11,000,000 construction program relating directly to the aircraft conversion in the Air National Guard Division.

General Duffy discussed his opinions regarding the Montgomery Amendment which takes some power away from the Governors. The Governor is Commander-In-Chief during peace time only of the National Guard. It was his opinion that without the

passage of that amendment, in the next ten years or so the resources of the National Guard would be diverted to the Army Reserve. As the reserve units in Montana are not large, these duties would go out of state and there would be a deterioration of these duties. The governors are supposed to have this on their agenda at the National Governor's Conference and General Duffy is watching this closely.

Mr. Ralph DeCunzo, Director of Facilities Maintenance, listed other construction projects. All were 100 percent federally funded.

Chairman Rehberg opened the meeting for public comment.

Fred Olson, Senior Service Office for the Montana Veteran's Affairs Division, addressed the committee. (Exhibit No. 14)

Chairman Rehberg closed the meeting on Military Affairs.

100A:0.45

Clayton Schenck, LFA, handed the committee a list of wrap-up items that need either clarification or correction on action previously taken by the committee, or were overlooked. (Exhibit No. 15)

BOARD OF CRIME CONTROL

A. Exhibit No. 16 - Proposed Budget for Drug Enforcement and Drug Education/Prevention Programs. This represents an additional pass-through grant the division proposed to administer. Flo Smith from the OBPP explained the funding was split, fifty-five percent local (as a minimum) and forty-five percent state. This is a modified request.

EXECUTIVE ACTION

Rep. Quilici moved the committee grant the modified request in the amount of \$1,215,599 in FY 88 and \$1,251,651 in FY 89 to add the Drug Enforcement & Drug Education/Prevention Programs.

A voice vote was taken and the motion PASSED unanimously.

B. Exhibit No. 17 is the language that would allow the continued appropriation authority through the biennium for federal pass-through grants.

EXECUTIVE ACTION

Sen. Keating moved the committee adopt the language to allow continued appropriation authority for federal grant programs through the biennium and to also include the language as requested by the agency that all remaining 1987 biennium federal grant authority be authorized to continue into FY 88 and FY 89. (Exhibit No. 18)

A voice vote was taken and the motion PASSED unanimously.

Flo Smith from the OBPP told the committee the money for the Crime Victim's needed to be addressed. Marvin Dye, Financial Manager for the Board of Crime Control, told the committee the federal dollars to be received by the state for the Crime Victim's Compensation Program will amount to \$136,000 in FY 88 and \$129,000 in FY 89. Mr. Dye explained the purpose was to provide additional benefits to crime victims in Montana over and above what the state already pays. The state is given thirty-five percent of what is paid by the state in prior years. The catch is, if all the federal dollars are spent and the benefits do not increase, there will be less federal dollars received the following year. He said the federal dollars should be spent first and then the state dollars. They are requesting authorization to do this. This directly relates to HB 309.

Rep. Quilici requested Clayton get the language and work with Mr. Dye on this.

(12.43)

C. Funding for personal services-operating expenses resulting from the proposed transfer of the Crime Victim's Compensation Program from the Worker's Compensation Division to the Board of Crime Control.

EXECUTIVE ACTION

Sen. Keating moved the committee approve the funding for personal services-operating expenses resulting from the proposed transfer of the Crime Victim's Compensation Program as per the fiscal note.

A voice vote was taken and the motion PASSED unanimously.

Clayton was asked to flag this to make sure it comes out of Worker's Comp during full committee.

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COMMISSIONER OF POLITICAL PRACTICES

A. The committee needs to approve a funding plan. (Exhibit No. 15 reflects the LFA original proposal) The \$800 per year for the copy machine in state special revenue account represents an average amount collected over the past several years.

EXECUTIVE ACTION

Rep. Quilici moved the committee adopt the funding plan of \$100,989 in general fund and \$800 in state special revenue in FY 88 and \$102,989 in general fund and \$800 in state special revenue in FY 89; and to include the language regarding the charge of a fee for the Summary of Contributions/Expenditures for Candidates/Committees Booklet and the fees realized from the sale of said booklet to be used to offset the general fund to the extent of profit realized from said sales. (See Exhibit No. 17)

A voice vote was taken and the motion PASSED unanimously.

Chairman Rehberg said Ms. Colberg had expressed concern over the language regarding the attorney. Ms. Colberg wanted the ability to either contract for those services or share an FTE with another agency.

The committee decided Ms. Colberg could go to another agency and contract for an attorney up to \$15,000.

STATE AUDITOR

A. (See Exhibit No. 15) As a result of a "Do Pass" recommendation on HB 372 by the subcommittee, the committee has to decide if there should be additional FTE as shown on Exhibit No. 19, utilizing the funds generated by the increased insurance fees.

EXECUTIVE ACTION

Rep. Quilici moved the committee accept the modifieds to be funded from the net proceeds of HB 372 as follows: One Actuary in the amount of \$59,756 in FY 88 and \$58,416 in FY 89; one Field Investigator in the amount of \$39,222 in FY 88 and \$38,028 in FY 89; and, one Administrative Aide-Examinations Position in the amount of \$17,149 in FY 88 and \$15,998 in FY 89, for a total funding of \$116,127 in FY 88 and \$112,442 in FY 89.

A voice vote was taken and the motion PASSED unanimously.

Items No. 7B and No. 7C were presented for information only and show status. (See Exhibit No. 15)

JUDICIARY

A. For information only. (See Exhibit No. 15)

B. Water Courts Supervision (See Exhibit No. 15) The committee did not delete the .5 additional FTE. The original request of the agency was for fourteen FTE.

EXECUTIVE ACTION

Rep. Poulsen moved the committee reduce the Water Courts a .5 FTE.

A voice vote was taken and the motion PASSED unanimously.

Jim Oppedahl, Administrator of Court Administration, requested the committee take a look at the personal services category which they had calculated based on the fiscal 87 pay matrix and the OBPP took back to the 86 matrix. The salaries have been frozen throughout this fiscal year. He requested the committee to look at the salaries in this division as they are still on the 86 matrix. Chairman Rehberg said this will be addressed in full committee and perhaps the legislative staff will be moved back to the 86 matrix. The attempt of Chairman Rehberg to establish a uniform pay plan for the legislative agencies was scuttled in the House.

DEPARTMENT OF JUSTICE

A. Language to require the agency develop a cost allocation plan for the 1991 biennium for the regional dispatch centers.

EXECUTIVE ACTION

Sen. Keating moved the committee adopt the language as presented on Exhibit No. 20.

A voice vote was taken and the motion PASSED unanimously.

LEGISLATIVE AUDITOR

A. Language for the statewide audit to require assessment of \$.30 per \$1,000 on bonds to reimburse audit costs charged to the general fund.

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EXECUTIVE ACTION

Sen. Gage moved the committee adopt the language as presented in Exhibit No. 20.

A voice vote was taken and the motion PASSED, with Rep. Poulsen voting no.

DEPARTMENT OF HIGHWAYS

100B:0.00

A. Equipment Program - Jim Haubein, Principal Fiscal Analyst, told the committee with their intent to base the budget on the OBPP recommendations, in order to add back two positions, it would require an additional \$7,412 in FY 88 and an additional \$7,181 in FY 89. (See Exhibit No. 15)

EXECUTIVE ACTION

Rep. Quilici moved the committee add \$7,412 in FY 88 and \$7,181 in FY 89 to fund these two positions.

A voice vote was taken and the motion PASSED unanimously.

B. Motor Pool - The motion previously made for the funding of equipment moved \$25,000 between the two years, which would total the original request. There was \$1,000 difference between the figures that had been in the equipment and the funding. In order to bring the funding up to match the \$25,000 change, there would have to be an additional \$1,000 in FY 89. (See Exhibit No. 15)

EXECUTIVE ACTION

Rep. Quilici moved the committee approve the additional \$1,000 in FY 89 to bring the funding up to match the \$25,000.

A voice vote was taken and the motion PASSED unanimously.

DEPARTMENT OF ADMINISTRATION

A. Pam Joehler, LFA, referred to language submitted by the Department of Administration. (Exhibit No. 21) Pam said the language for General Services and the second paragraph under Tort Claims are unnecessary. Both give the agency authority to come in for a budget amendment in the event their costs exceed their budgets. It is not necessary to include language to allow a budget amendment because statute provides for the

budget amendment process.

The first paragraph under Tort Claims is language included in HB 500 last time and it allows the Tort Claims Division to use any available self-insurance reserves to pay for property or liability commercial insurance premiums. Pam also pointed out the reminder in the last paragraph of Exhibit No. 21.

Pam referred to Exhibit No. 22. The language circled has been in HB 500 and, it was her understanding the cap on working capital for the General Services Division was also included in the 85 biennium General Appropriations Act and does include the budget amendment language requested by the agency. She said the Legislative Finance Committee and the Legislature had, in the past, made an effort to put a lid on the working capital that a division can carryover from biennium to biennium and that it was the intent of the Legislative Finance Committee to make sure this effort be continued into this biennium.

EXECUTIVE ACTION

Sen. Keating moved the committee adopt the language as outlined on Exhibit No. 22.

A voice vote was taken and the motion PASSED unanimously.

B. Sen. Keating referred to paragraph 1 under Tort Claims on Exhibit No. 21. He asked if the committee would, by approving the language, be making an additional appropriation. Pam said it would be and it was her understanding this would allow the department to come in for a budget amendment for the additional appropriation authority. They would have to prove the amount of money received in the form of charges back to other agencies had been insufficient to pay for the commercial insurance premiums and they would use the self-insurance reserves, if available.

EXECUTIVE ACTION

Sen. Gage moved the committee adopt the language in paragraph 1 under the Tort Claims on Exhibit No. 21.

A voice vote was taken and the motion PASSED unanimously.

Sen. Gage referred to the rent charges and asked if those figures were the ones used as a base in all of the budgets. Pam said they were not, and, if the full appropriations

committee adopted the budget recommended by the subcommittee for the General Services Division, that will become the rent charges and the adjustments will have to be made accordingly.

(8.34)

DEPARTMENT OF REVENUE

A. Language of RIT (Exhibit No. 23) as proposed by the OBPP rather than the dollar amount presented by the LFA.

EXECUTIVE ACTION

Sen. Keating moved the committee adopt the language as presented on Exhibit No. 23.

A voice vote was taken and the motion PASSED unanimously.

B. Property Assessment Division modified request approved by the subcommittee. Because the committee did not take the OBPP recommendation for current level, the cost of the modified had to be re-evaluated in light of what the committee had actually done. The bottom line is the modified will now cost \$1,070 in FY 88 and \$125,351 in FY 89, approximately \$50,000 more than the committee anticipated. The reasons are listed on Exhibit No. 24.

Norm Rostocki from the OBPP explained when the committee took the LFA budget, some of the cuts made by the OBPP were not included in the LFA budget to begin with and some of the savings evaporated when the committee approved the LFA current level and the OBPP modified. He reminded the committee this was the one dealing with the county computers and was a very important issue to the Department of Revenue. This will change the manner in which the property assessment is done depending upon the acceptance of the modified. Sen. Gage explained the biggest difference is the LFA did not include part of the modifieds in current level and the OBPP did.

EXECUTIVE ACTION

Rep. Quilici moved the committee adopt the corrections as submitted by the LFA, resulting in an additional cost of \$49,037 in FY 88 and \$48,187 in FY 89.

A voice vote was taken and the motion PASSED unanimously.

C. Pam said that Exhibit No. 25 relating to the video poker revenue was presented for information only as requested by the committee. She told the committee the Natural Resources Subcommittee included the licensing function in the budget for the Department of Commerce and this could be taken care of in full appropriations and the revenues adjusted at that time.

D. Income Tax Division Modified - Exhibit No. 26.
Pam said this was for the committee's information only as they had requested the dollar amount of savings realized from the reduction of the two FTE.

EXECUTIVE ACTION

Sen. Keating moved the committee accept the corrected figures for the revised modified in the amounts of \$262,795 in FY 88 and \$262,421 in FY 89.

A voice vote was taken and the motion PASSED unanimously.

DEPARTMENT OF JUSTICE

A. Law Enforcement Academy - Modifications not addressed.
These were presented by Susan Hansen, Administrative Officer.

1. First Responder-Emergency Vehicle Operation.
This would be totally funded by tuition paid for by the agencies sending students to the Law Enforcement Academy. The amounts are \$18,583 in FY 88 and \$24,778 in FY 89. (Exhibit No. 27)

EXECUTIVE ACTION

Rep. Quilici moved the committee grant the modified in the amounts of \$18,583 in FY 88 and \$24,778 in FY 89.

A voice vote was taken and the motion PASSED unanimously.

2. Executive Institute. This would be funded by tuition paid for by the law enforcement agencies sending students for training. The amounts are \$25,310 in FY 88 and \$25,310 in FY 89. (Exhibit No. 28)

EXECUTIVE ACTION

Sen. Keating moved the committee grant the modified in the amounts of \$25,310 in FY 88 and \$25,310 in FY 89.

A voice vote was taken and the motion PASSED unanimously.

3. Additional Basic Course. The funding would be an additional charge to the Motor Vehicle Account in FY 89 of \$9,234 and the balance funded by tuitions, for a total funding in FY 89 of \$15,984. (Exhibit No. 29)

EXECUTIVE ACTION

Sen. Gage moved the committee authorize the modified if HB 492 passes.

A voice vote was taken and the motion PASSED, with Chairman Rehberg and Sen. Keating voting no.

STATE AUDITOR

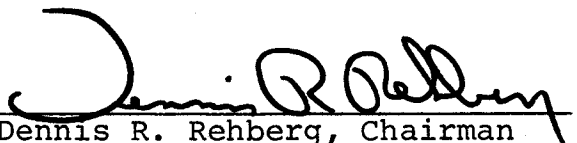
A. Terry Lazure, Administrator of Central Services Division, presented an additional budget request contingent upon HB 741 not passing. This request deals with health service corporations and the four-year market conduct exam as required by state law. The approximate cost to the 89 biennium would be \$40,000 in general fund. If HB 741 passes, the health service corporations themselves would be responsible for this cost. (Exhibit No. 30)

EXECUTIVE ACTION

Sen. Keating moved the committee allow a \$40,000 biennial appropriation in FY 88 for the inspection of the Blue Cross/Blue Shield examination if HB 741 does not pass.

A voice vote was taken and the motion PASSED unanimously.

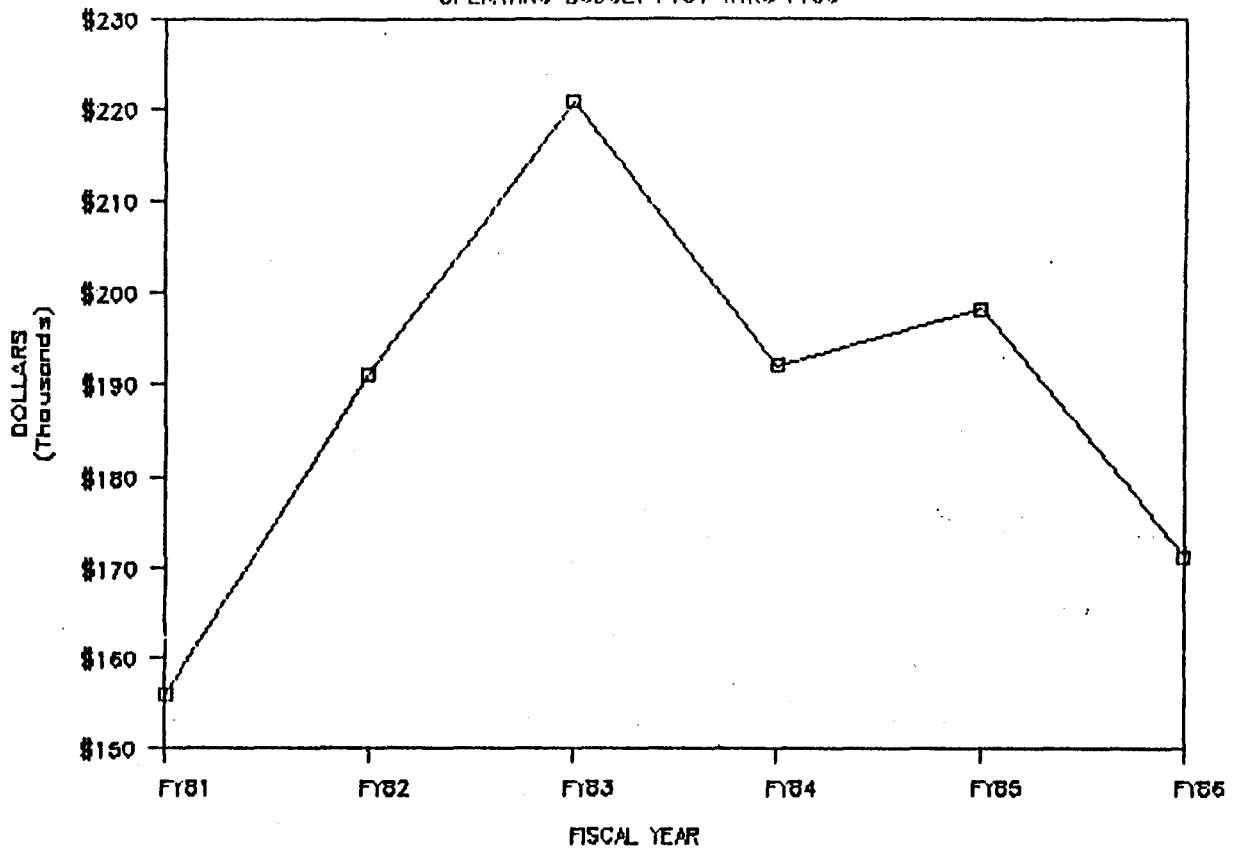
ADJOURNMENT: The meeting was adjourned at 9:30 a.m.


Dennis R. Rehberg, Chairman

2-25-87

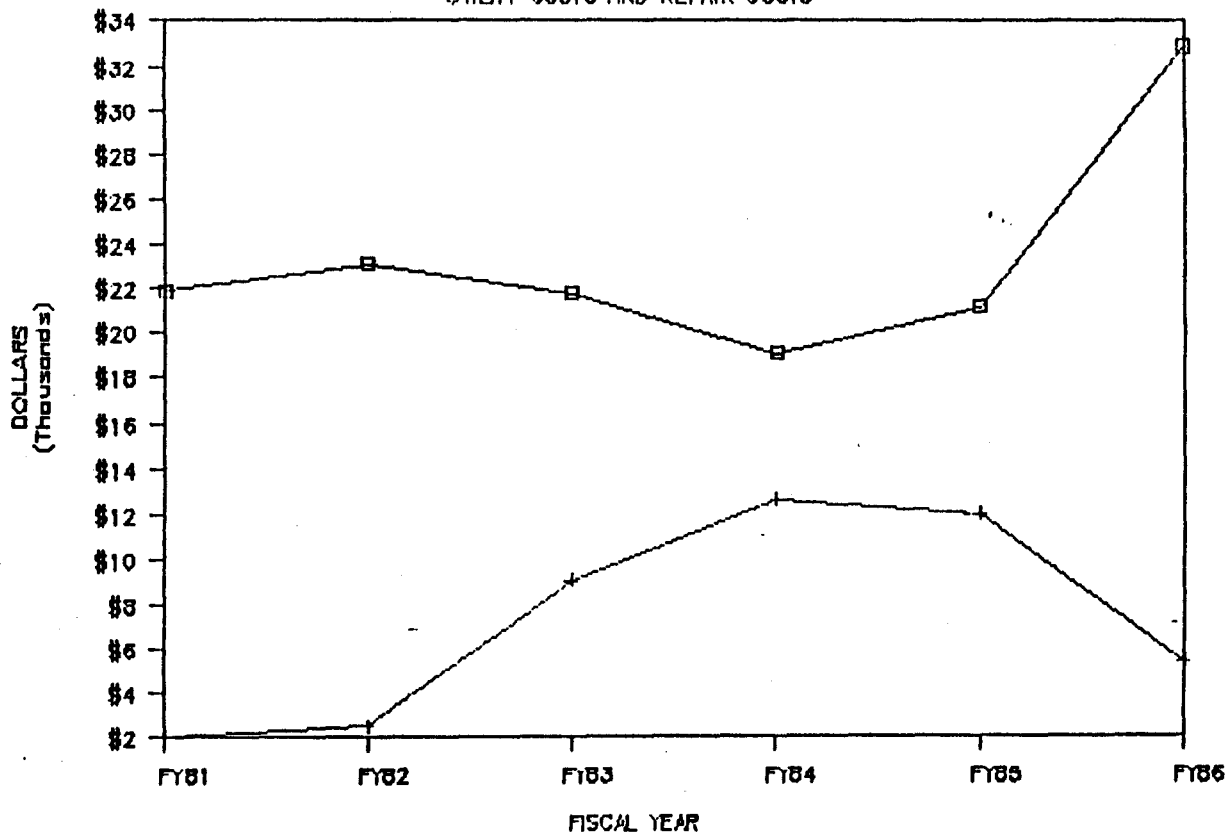
ADMINISTATION PROGRAM

OPERATING BUDGET FY81 THRU FY86

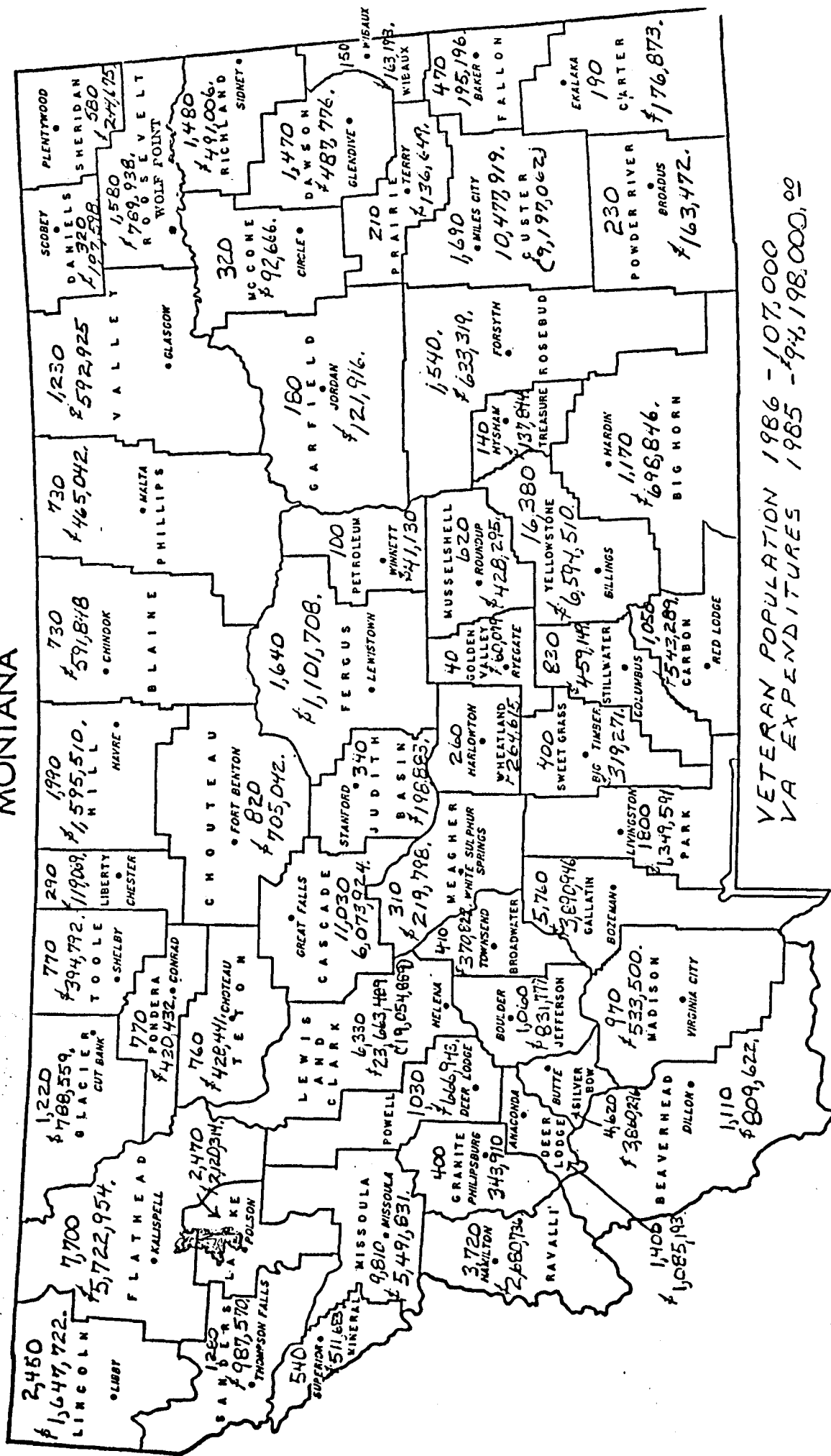


ADMINISTATION PROGRAM

UTILITY COSTS AND REPAIR COSTS



MONTANA



VETERAN POPULATION 1986 - 107,000
VA EXPENDITURES 1985 - \$4,198,000.00

DEPARTMENT OF MILITARY AFFAIRS

2
2-25-87



TED SCHWINDEN, GOVERNOR

P.O. BOX 4789

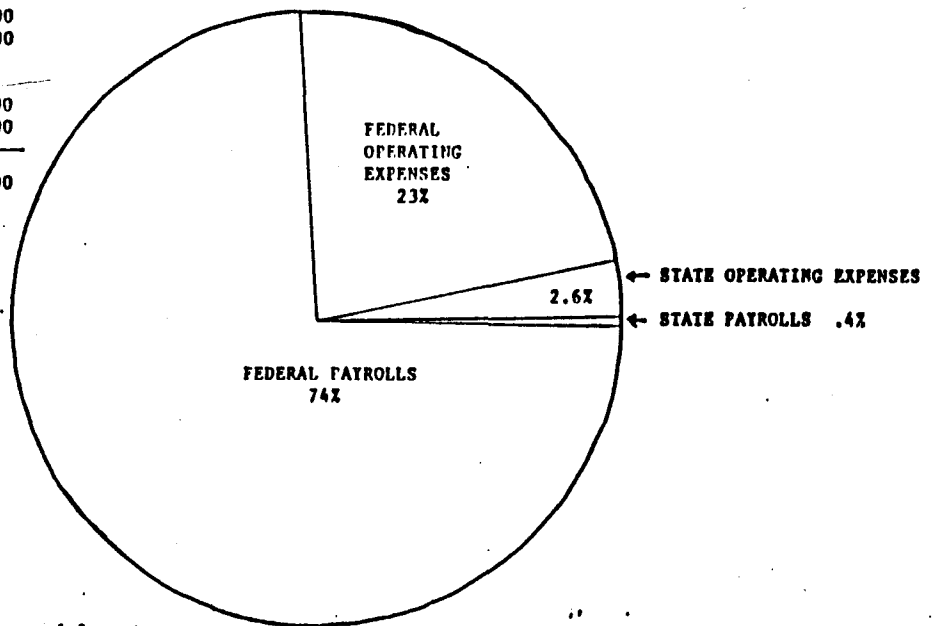
STATE OF MONTANA

OFFICE OF THE ADJUTANT GENERAL
(406) 444-6910

HELENA, MONTANA 59604-4789

FINANCIAL SUPPORT MONTANA NATIONAL GUARD (FISCAL YEAR - 1986)

FEDERAL SHARE	
PAYROLLS	\$ 37,160,700
OPERATING EXP	11,621,200
STATE SHARE	
OPERATING EXP	1,228,700
PAYROLL	198,000
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TOTAL	\$ 50,208,600



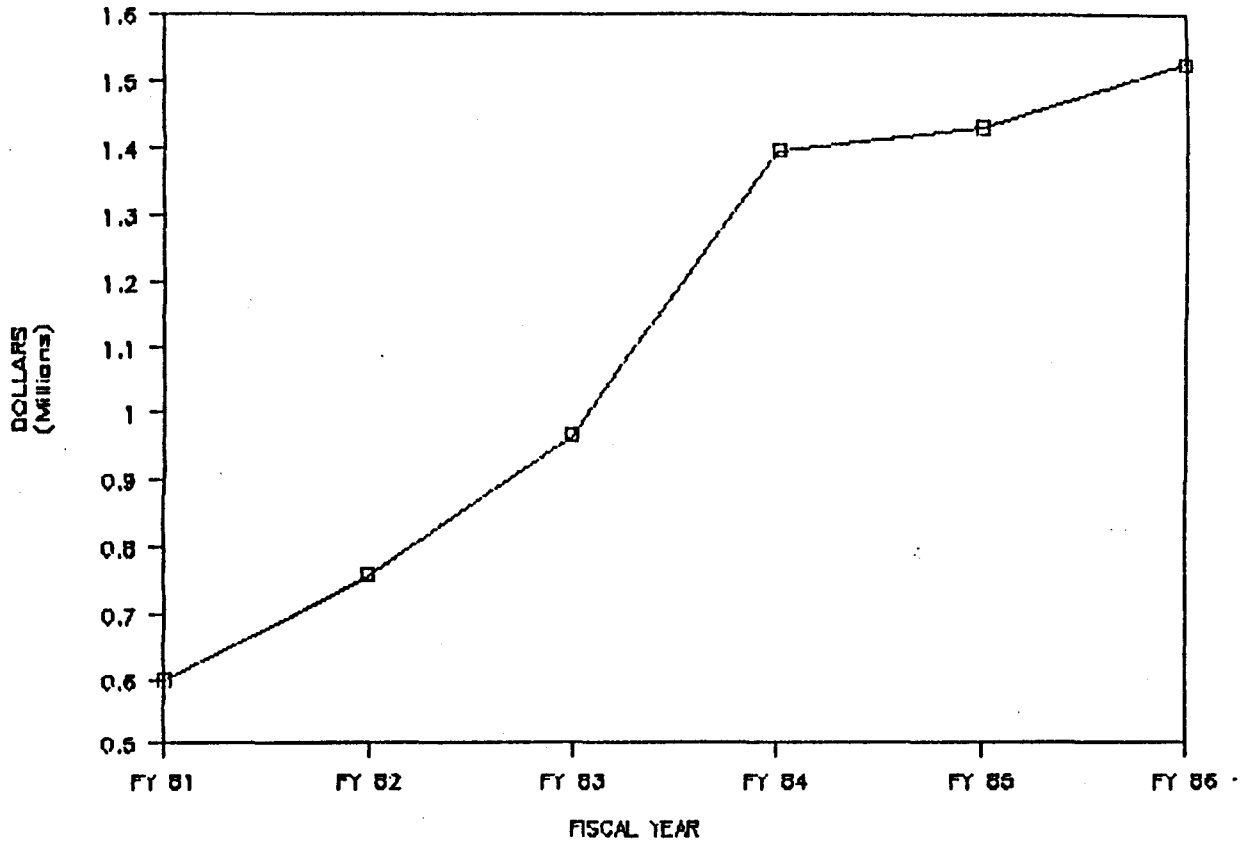
SOURCE: The Social, Economic, Personal Impact
of the Montana National Guard

PREPARED BY:
Comptroller Division
USPFO for Montana

ARMY NATIONAL GUARD

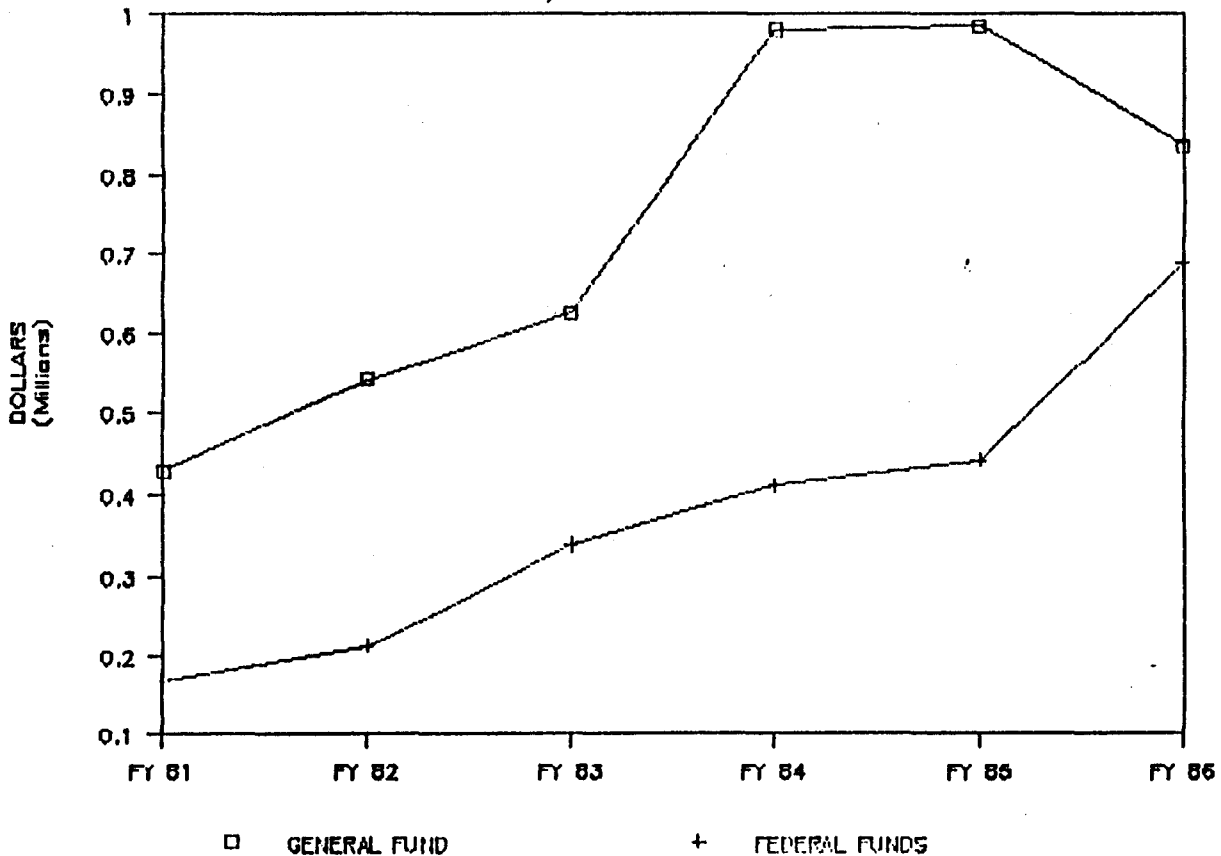
OPERATING EXPENSES FY81 THRU FY86

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2-25-87



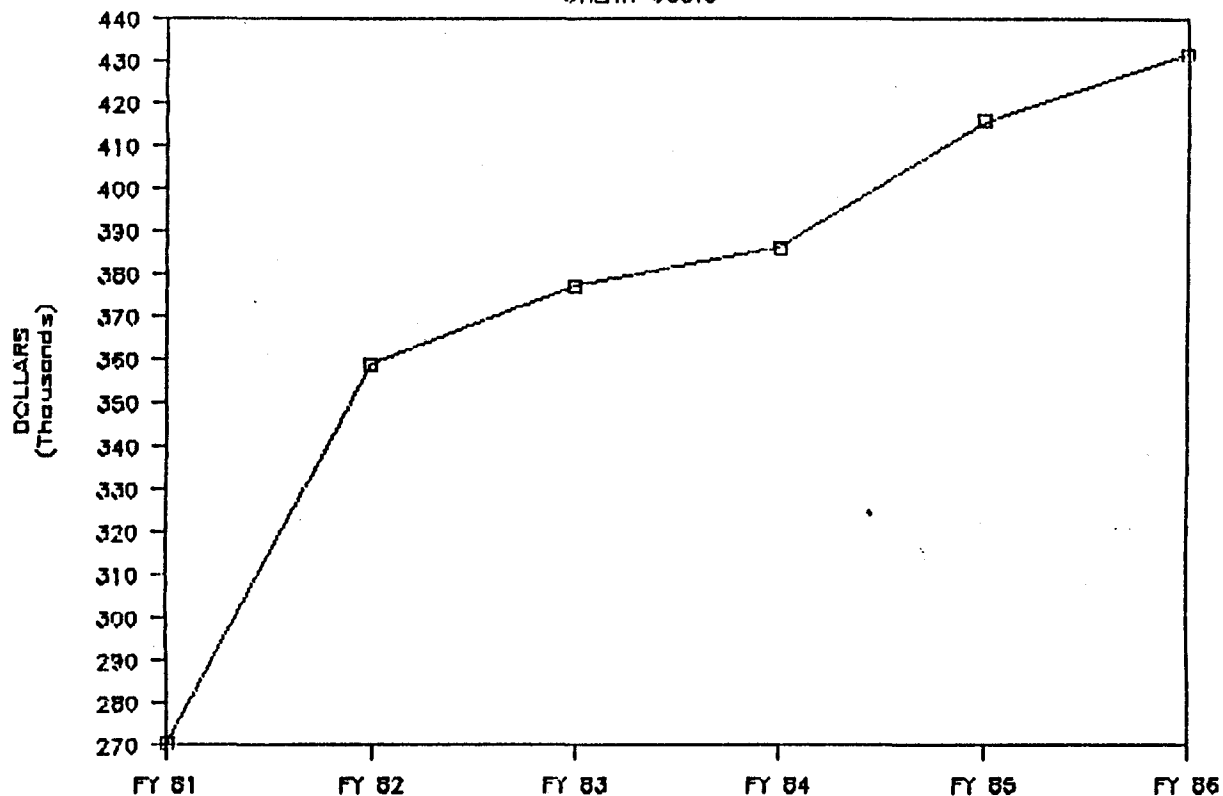
ARMY NATIONAL GUARD

GENERAL FUND/FEDERAL FUND COMPARISONS



ARMY GUARD PROGRAM

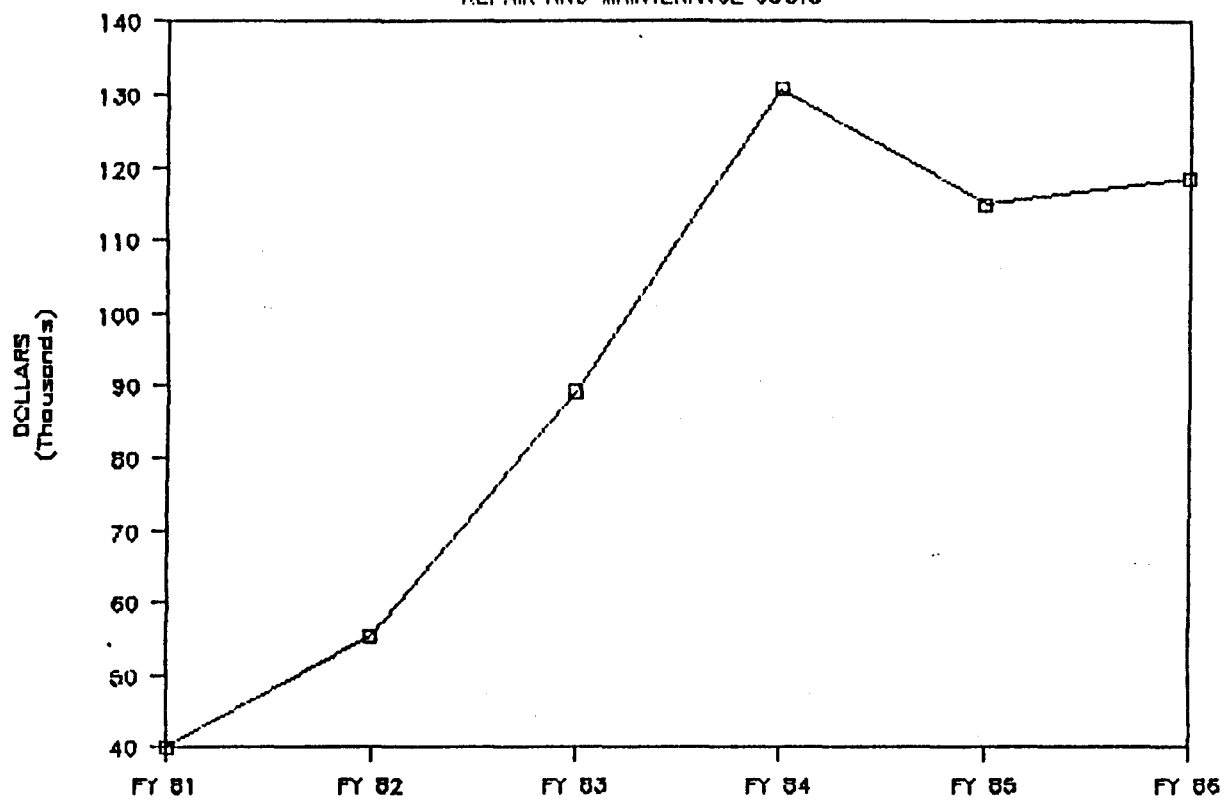
UTILITY COSTS



ARMY GUARD	1981	1982	1983	1984	1985	1986
ELECTRICITY CONSUMPTION	1863389	2331710	2286094	2311479	2874846	3198287
COST	\$79,795.85	\$82,016.45	\$90,861.19	\$112,980.33	\$113,600.35	\$135,190.58
NATURAL GAS CONSUMPTION	49642.8	61961.5	51779.5	52979.8	60926.7	56067.8
COST	\$180,595.77	\$276,445.97	\$237,804.99	\$219,208.02	\$257,556.53	\$226,680.88
\$ PER KWH	\$0.0428	\$0.0352	\$0.0397	\$0.0489	\$0.0395	\$0.0423
\$ PER MCF	\$3.6379	\$4.4616	\$4.5926	\$4.7038	\$4.2273	\$4.0430

ARMY GUARD PROGRAM

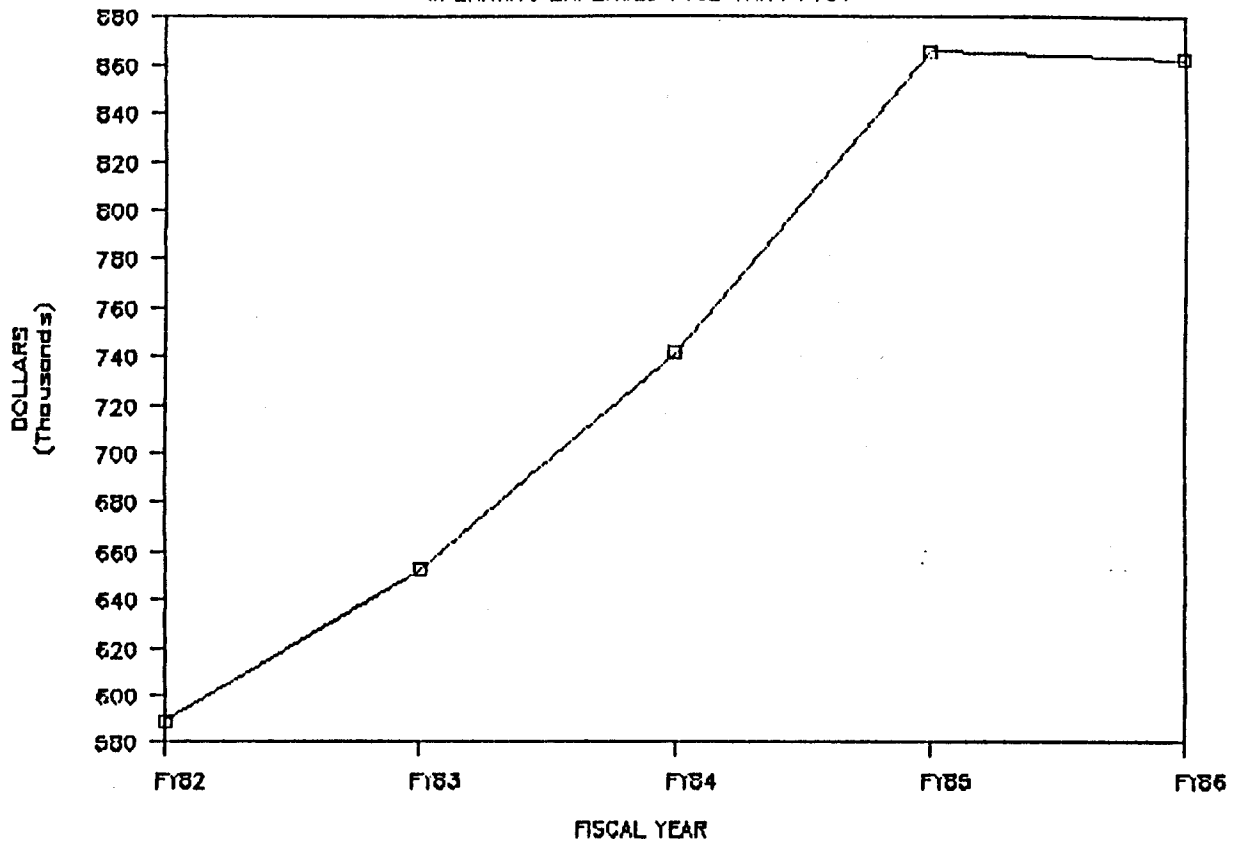
REPAIR AND MAINTENANCE COSTS



AIR NATIONAL GUARD

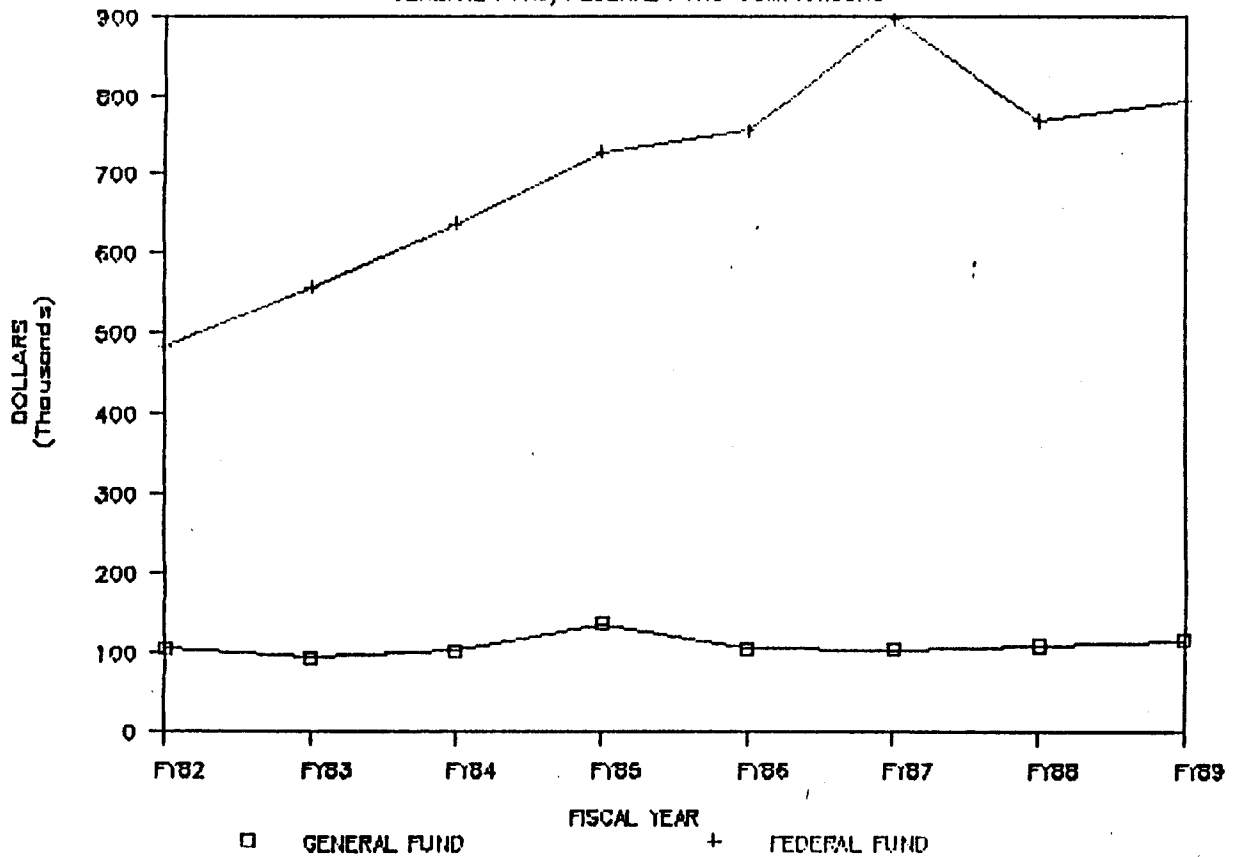
OPERATING EXPENSES FY82 THRU FY86

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AIR NATIONAL GUARD

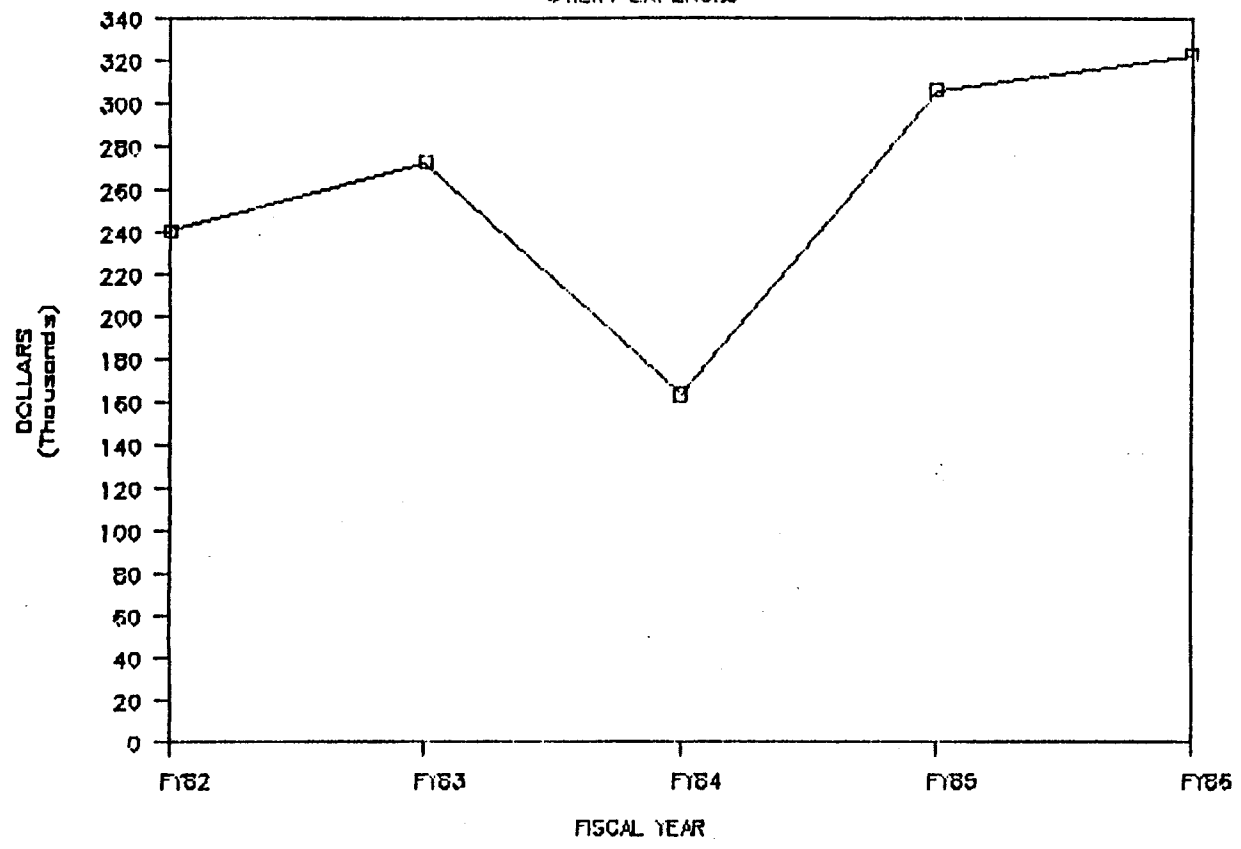
GENERAL FUND/FEDERAL FUND COMPARISONS



7
2-25-87

AIR NATIONAL GUARD

UTILITY EXPENSES



8/0

AIR GUARD	1984	1985	1986
ELECTRICITY CONSUMPTION	3509960	3677420	3667400
COST	883,230.10	8115,426.92	8135,527.27
NATURAL GAS CONSUMPTION	32557.5	35902.1	35240.8
COST	8164,262.50	8173,993.76	8162,065.61
\$ PER KWH	80.02371	80.03139	80.03695
\$ PER MCF	85.04531	84.84634	84.59881

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2-25-87

F A C T S H E E T

DISASTER AND EMERGENCY SERVICES DIVISION

<u>State Fiscal Year</u>	<u>General Funds Expended For Operations</u>	<u>Federal Funds Expended For Operations</u>	<u>Federal Funding Received For EOC Construction</u>	<u>Federal Funding Received in Support of Local Government</u>
1980	\$140,850	\$238,900	\$ - 0 -	\$196,200
1981	162,650	254,350	306,300	191,300
1982	183,300	316,150	149,900	184,100
1983	201,500	398,000	49,000	248,700
1984	216,000	447,800	859,400	442,000
1985	239,600	474,000	321,600	421,100
1986	221,350	491,250	- 0 -	378,400

FEDERAL DISASTER FUNDING RECEIVED

<u>Year</u>	<u>Federal Dollars Expended</u>
1975	\$2,070,550
1978	3,838,125
1981	4,339,100
1986	3,500,000 (Approximate)

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2-25-87

Chairman Rehberg and Members of the Committee:

My name is Rich Brown and I am the Administrator of the Veterans Affairs Division. On behalf of the Board of Veterans Affairs, I am happy to be with you today to answer two important questions which were raised during yesterday's brief hearing.

The first issue I would like to address was raised by Senator Keating which was "should the veterans pay directly for the Veterans Affairs Division?" The veterans of Montana have already paid twice for this service and a third assessment on us would be totally unreasonable.

First, we have paid this State and Nation through service. I would remind the Senator that almost 90,000 Montana wartime veterans have served in every part of this world from the Argonne Forrest, to the Anzio Beaches, to the Chosen Reservoir to the jungles of Vietnam, so that we can continue using this democratic republic. They have paid with their lives, limbs and blood. We are funded to insure they and their surviving families receive what they have earned.

Secondly, 18 cents of every dollar raised by this State comes from its veteran population. You therefore should consider the annual operating budget of this Division as a very small return compared to the vast amount of dollars received from our veteran population.

~~Third~~, I might also point out, the veterans are not sitting idly by, expecting a handout from the State. The American Legion Post in your city, Senator Keating, is now raising \$31,000.00 to cover the transportation needs resulting from Federal cutbacks.

The Disabled American Veterans of Montana are attempting to raise \$92,000.00 to cover these transportation losses Statewide.

We, the veterans of Montana are asking your permission to fund our own cemetery and to sign our own highway. We are committing tens of thousand of dollars and thousands of volunteer hours to our Veterans Administration facilities.

We are simply asking you for a small return of what we continue to pay this State. It is a fair and reasonable request.

In answer to Senator Regan's comments yesterday, let me begin by informing those of you that are new on this Committee, that Senator Regan has raised this question every year that I can remember and every year the Legislature has overwhelmingly overturned her request. The Legislature has done so not because they fear the veteran votes or because the veteran is deserving of these benefits, but because what the Senator has suggested to you does not make good economic sense. This Division returns, in direct payments, 32 dollars for every dollar you spend. In addition this Division is your only outlet to offset spiralling costs for welfare and medicaid. It is much easier for a veteran or veteran's spouse to receive general welfare assistance or medicaid than it is to produce military records that are 40 or 60 years old and complete complex forms filing required to receive these benefits. We make these veterans benefits possible. We offset these State funded expenses.

Members of the committee, 11% of this Nation's gross National product goes directly for the payment of medical needs. Your Veterans Affairs Division is the only offset you have for

medicaid costs which, if left uncontrolled, will do severe economic harm to this State.

All of these medical payments and direct payments to veterans, spouses and dependents are only a portion of our Division's workload. Other benefits derived through this Division include, almost two million in educational benefits, millions of dollars in home loans or early release of prisoners from Montana State Prison.

But please allow me the opportunity to set the record straight on what Senator Regan specifically told you yesterday.

First, are we a duplication of services? The answer is of course, no! We could tell you we are not, but that would constitute blowing our own horn. I therefore have supplied you with a letter from the Veterans Administration indicating we are not. And even Mr. Huber, the researcher for the Senator could find no duplication. 56,422 people for whom we hold power of attorney and represent will tell you we are not. Hundreds of cards and letters sent to you, will tell you we are not. But the only real test is for you to return this weekend to Cut Bank, Billings, Butte or Great Falls and you will find out we are not a duplication of services for yourself. We are a unique service for the veterans, spouses and dependents of this State.

The new facilities the Senator referred to in Missoula, Billings and Great Falls are respectively a Vets Center, a Veterans Administration Outpatient Clinic and an active duty Air Force Base. The Missoula Vets Center, a professional counseling service, refers veterans in need of assistance with the Veterans

Administration to our Missoula office, the Billings Outpatient clinic is the work place for our Billings Service Officer, and the Great Falls Air Base has regular scheduled visits from our Great Falls service officer. None of these facilities provide service work; all of these facilities rely on our Division.

The Senator referred to the National Veterans Administration only having 74 employees and our Division needing 18 for Montana only. I am fairly certain the Senator is referring to a letter we provided her last year, indicating the Veterans Administration at Fort Harrison, not the entire Federal Veterans Administration, has been cut from 81 to 74 F.T.E.'s. A copy of this letter and a second letter also supplied the Senator have been provided to you.

The Senator told you the Governor's Council on Management made a recommendation for elimination of this Division. They did. What the Senator did not tell you was that for the economic reasons mentioned earlier, this recommendation was overwhelmingly rejected by your predecessors.

The Senator told you the L.F.A. has a problem with this Division. If you review this Division's budget before you, you will note the L.F.A. has recommended continued funding for this Division. If there is a problem with the L.F.A., it did not surface during our hearings.

Last and certainly most importantly, the Senator suggested we could do with much less. Your predecessors have already answered this question. This Division has been cut from 50 employees to our current level of 17 and from 23 offices to 8.

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You have trimmed the fat, the muscle and are now working on the bone marrow of this Division.

Further cuts to this Division will not only result in severe economic losses to the veterans, spouses and dependents of this State, but will be offset many times over in increased welfare and medicaid costs.

This Division has made every effort possible through management techniques and internal changes to insure you are receiving the best possible service at the least cost.

We have and will continue to review additional means of saving dollars while at the same time providing more service to more veterans. We are doing the best job possible.

Thank you for allowing me this time. I know your time is short, so I will close and be available for any questions you might want to ask.

EXHIBIT 10
DATE 2-25-87
HB

Proceedings of the 1986 Regional Symposium
on

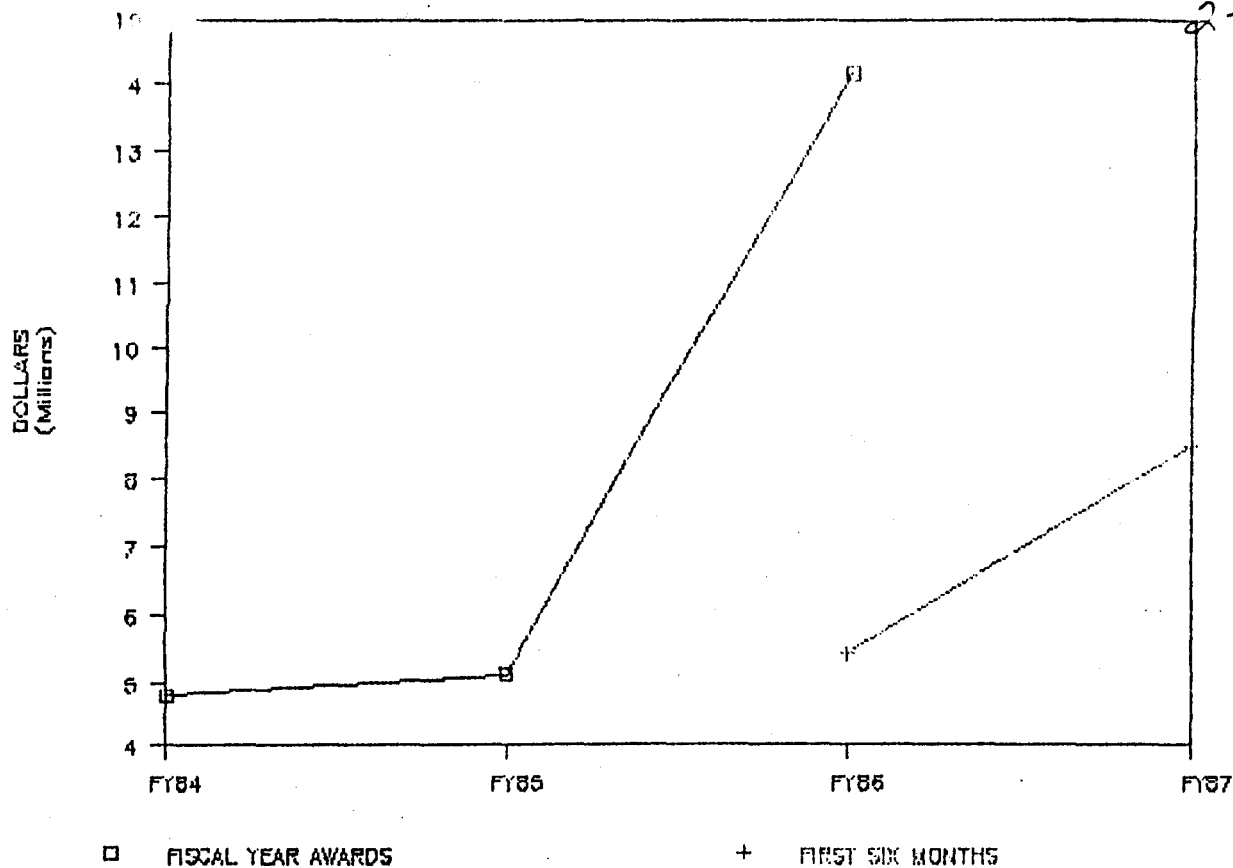
*"Issues, Resources, and Strategies
To Assist Aging Veterans"*

Friday, September 19, 1986
Billings, Montana

MONTANA VETERANS AFFAIRS DIVISION AWARD

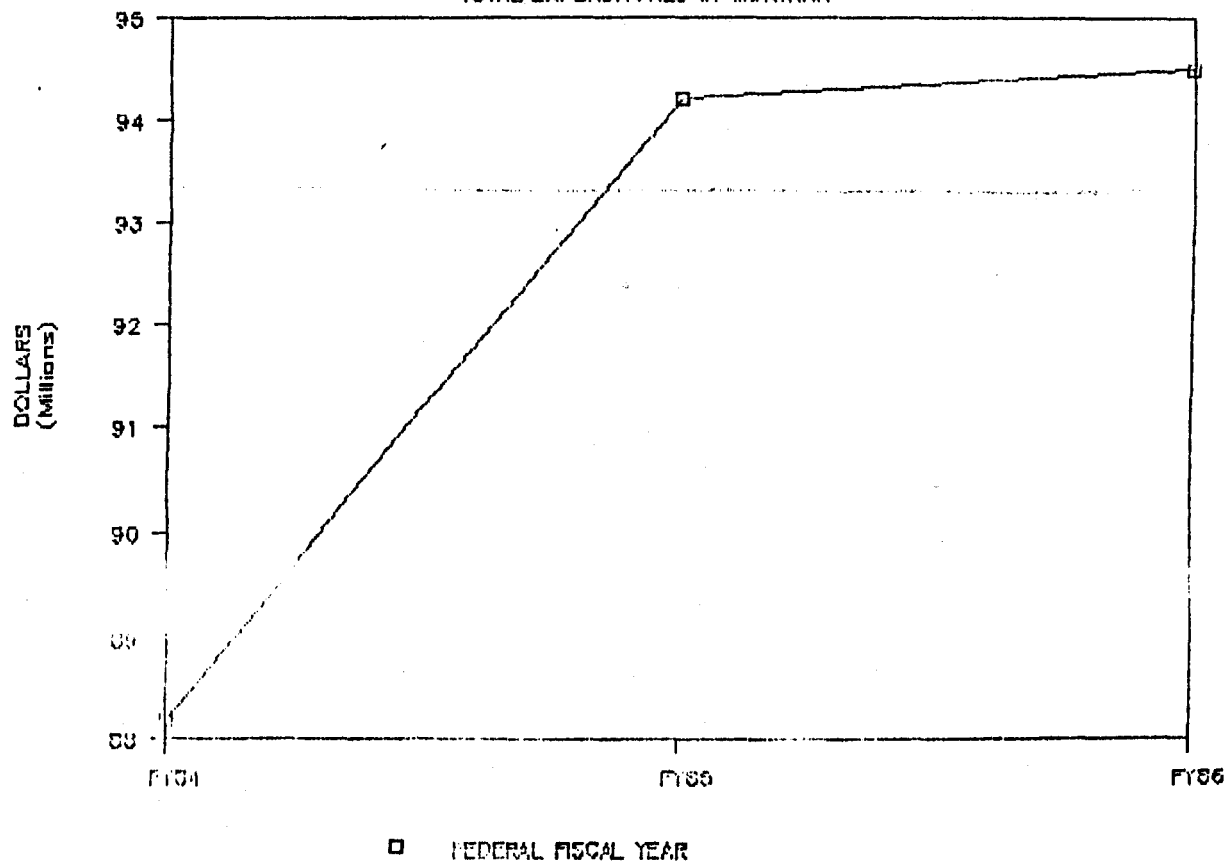
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FEDERAL VETERANS ADMINISTRATION

TOTAL EXPENDITURES IN MONTANA



ETERNAL AIRS DIVISION TOTALS
FISCAL YEAR 1986

	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	FY 86 TOTALS
NEW SERVICE CONNECTION	22470.00	25552.95	33352.01	85749.31	35102.92	31925.00	49026.04	40874.08	71045.51	52301.00	18214.00	22493.59	487907.42
COMP. INCR.	95261.62	125892.95	133446.53	68506.69	43643.54	43623.94	38782.70	45040.89	250554.24	43871.42	82810.00	39384.00	1011816.52
COMP. MAINT	182463.00	135542.53	297248.92	207282.40	80077.69	125296.00	43403.08	154330.77	230809.14	345373.93	181448.35	159475.50	2032751.37
PENSION	140353.99	102562.43	108989.25	162779.58	57004.82	51742.59	150226.61	260657.09	118702.71	234610.00	145552.03	146865.94	1681349.10
PENSION MAINTAINED	44169.00	14590.00	31034.00	49489.00	88249.35	126744.00	131458.00	261522.23	635750.96	520267.93	358406.60	863252.68	3135333.75
EDUCATION BENEFITS	83544.52	15545.52	219449.60	364760.10	236557.67	200406.99	190756.13	105466.30	156284.11	125950.76	61383.97	108274.16	1917391.89
MISC.	9547.74	1266.50	5030.48	23671.83	3767.35	21151.89	17669.77	4229.04	57324.70	16963.90	21052.74	6075.78	189991.72
DEATH COMP.	37715.00	16415.08	33576.04	28852.53	27104.52	55122.05	23289.68	32461.40	41582.48	36424.04	25273.00	10397.24	377211.06
DEATH PENSION	95769.57	42558.20	55627.05	54546.84	116126.57	78548.39	125516.57	255544.52	248795.75	247084.34	109078.04	331248.31	1722644.31
INSURANCE	165817.60	115305.95	65222.94	132402.89	82775.52	115391.28	155246.67	60331.56	118332.41	75834.68	138469.77	133604.30	1362736.90
BURIAL ALLOWANCES	17623.00	20657.50	17140.00	25396.40	17301.00	17527.50	22170.00	20479.08	18952.00	23420.25	23164.00	25192.00	251022.23
TOTALS	895735.04	755333.29	920116.88	1204735.57	787651.01	875579.63	862577.45	1195937.02	1945134.01	1723142.45	1173852.50	1947263.50	14190052.35
TRANSMITTAL PREPARED	673.00	676.00	769.00	753.00	753.00	655.00	913.00	687.00	816.00	903.00	845.00	692.00	9129.00
MEETINGS ADDRESSED	18.00	10.00	34.00	30.00	21.00	14.00	23.00	20.00	26.00	33.00	25.00	17.00	271.00
NUMBER IN ATTENDANCE	305.00	282.00	1060.00	1119.00	609.00	331.00	712.00	458.00	911.00	1201.00	767.00	407.00	8162.00

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MONTEANA

1986 - 107,000
1985 - 94,198,000,00

VETERAN POPULATION 1986 - 107,000
VA EXPENDITURES 1985 - 94,198,000,00

	1986	1985
VETERAN POPULATION	107,000	194,198,000,00
VA EXPENDITURES		

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Chairman Kenberg and Members of the Committee:

My name is Fred Olson and I am the Senior Service Officer for the Montana Veterans Affairs Division. I would like to thank you for this opportunity to present to you a clear discription of the services our Division provides the veterans and consituants of your communities. The typical service officer of our Division is a very dedicated, hard working, concerned individual with a desire to help people. Our people are paid by the State of Montana for 40 hours of work per week. If indeed they were paid for the true hours spent discussing veterans benefits, it would certainly, by far, exceed 40 hours. These people do not turn it off at 5:00 o'clock, where ever they may be. Evenings, weekends, grocery stores, gas stations, bowling alleys, there is undoubtly someone with a question as to veterans benefits. There are many benefits available to our veterans which they may never receive because they do not know what they are. Such as, free nursing home care, free medication, free doctors visits, free outpatient care, free use of wheelchairs, hospital beds, crutches, free transportation, reimbursement of travel expenses to V.A. facilities and other monetary benefits.

Our staff of service officers are very professional in the process of picking up on these issues during the initial interview. These are just a few of the services that are very important to our clients. They are also benefits which cannot be detected over the telephone or in a letter.

One very important aspect of our Division is that we bring our service to the communities on a monthly schedule. We provide

service on a individual basis in applying for benefits in the field offices as well as going to the veterans or widows home.

As noted by our Administrator, Rich Brown, the average age of our World War 11 veterans is 65 years. Now, more than ever, these veterans and widows need our help in obtaining their earned benefits. To eliminate or reduce our budget would be devastating to our veterans and widows in the form of lost benefits from the Veterans Administration.

We feel the budget required to support our Division will be returned to the State of Montana many times over in the form of tax free Federal dollars.

MR. CHAIRMAN, AND MEMBERS OF THIS MOST IMPORTANT COMMITTEE
BEFORE VOTING YOUR VOTE, PLEASE KEEP IN MIND THE
VETERANS, AND WIDOWS IN YOUR COMMUNITIES ARE COUNTING
ON YOU TO ASSURE THEM OF CONTINUATION OF THEIR
MOST NEEDED SERVICE.

APPROVED BY
[Signature]
[Signature]
[Signature]

WRAP UP ITEMS FOR CONSIDERATION BY THE
GENERAL GOVERNMENT AND HIGHWAYS SUBCOMMITTEE
FEBRUARY 24, 1987

15
2-25-87

AGENCY/DESCRIPTION	CHANGES FROM SUBCOMMITTEE ACTION	
	FY 88	FY 89

1. DEPARTMENT OF HIGHWAYS		
A. Equipment Program - A motion to add 1.0 FTE machinist mechanic and 1.0 FTE service combination was for \$43,555 in FY 88 and \$43,902 in FY 89. To add these back with 4 percent vacancy savings requires an additional amount each year.	\$7,412	\$7,181
B. Motor Pool - Motion for funding the Motor Pool needs to add \$1,000 in FY 89 increasing it to \$701,709 to reflect the expenditures approved by the subcommittee.	\$0	\$1,000
2. DEPARTMENT OF ADMINISTRATION		
See handout from the Department	LANGUAGE ONLY	
3. DEPARTMENT OF REVENUE		
A. Language for RIT transfers-If the subcommittee accepts language, the transfer amounts in Centralized Services Division will be eliminated.	LANGUAGE ONLY--OBPP to provide handout	
B. Property Assessment Division Modified	\$49,037	\$48,187
C. Video Poker Revenues	INFORMATION ONLY	
D. Income Tax Division Modified	(\$46,470)	(\$46,416)
5. BOARD OF CRIME CONTROL		
A. Consideration of a modified proposal by the agency to add the Drug Enforcement Grant Proposal. See agency handouts.	\$1,215,599	\$1,251,651
B. Language to add wording to allow continued appropriation authority through the biennium for federal pass-through grants. See handout.	LANGUAGE ONLY	
C. Consideration of funding for personal services/operating expenses resulting from the proposed transfer of the Crime Victim's Compensation Program from the Workers' Compensation Division to the Board of Crime Control. See fiscal note for HB 309.	\$437,795	\$435,936
6. COMMISSIONER OF POLITICAL PRACTICES		
A. The revised agency budget approved by the subcommittee made no reference to funding method. The subcommittee needs to make a motion to adopt a funding plan.		
LFA proposal: General fund	\$100,989	\$102,989
State special revenue	\$800	\$800
B. Language to establish the procedure to charge a fee for the Summary of Contributions/Expenditures for Candidates/Committees book. See handout.	LANGUAGE ONLY	
7. STATE AUDITOR		
A. Insurance Division - As a result of a "Do Pass" recommendation by the subcommittee on HB 372, does the subcommittee wish to consider adding FTE requested by the State Auditor as modified?	\$116,127	\$112,442
B. Audit Division - Funding for the Central Payroll Bureau. The subcommittee approved LFA current level, and asked LFA and Budget		

WRAP UP ITEMS FOR CONSIDERATION BY THE
GENERAL GOVERNMENT AND HIGHWAYS SUBCOMMITTEE
FEBRUARY 24, 1987

AGENCY/DESCRIPTION	CHANGES FROM SUBCOMMITTEE ACTION	
	FY 88	FY 89
Office to work out funding if there are concerns about LFA funding. No concerns were raised. Funding will be as approved.		INFORMATION ONLY
c. Audit Division - The subcommittee approved funding for the warrant writing system from the general fund contingent upon availability of funding using a state anticipatory note. Research indicates anticipatory notes not feasible for such a small amount.		INFORMATION ONLY
8. JUDICIARY		
A. Supreme Court Operations - The subcommittee approved the added funding for the upgrade of two secretary positions. The funding for the upgrades was already included in the budget approved by the subcommittee. No adjustment.		INFORMATION ONLY
B. Water Courts Supervision - The budget as approved by the subcommittee includes 14.5 FTE, .5 FTE more than desired by the agency. Need a motion to delete a net .5 FTE position.	(\$13,401)	(\$13,770)
9. DEPARTMENT OF JUSTICE		
Highway Patrol Division - Language to require that the agency develop a cost allocation plan for the 1991 biennium for the regional dispatch centers. See handout.		LANGUAGE ONLY
10. LEGISLATIVE AUDITOR		
Language for the statewide audit, to require assessment of \$30 per \$1,000 on bonds, to reimburse audit costs charged to general fund. See handout.		LANGUAGE ONLY

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Proposed Budget for Drug Enforcement &
Drug Education/Prevention Programs

	<u>FY 88</u>	<u>FY 89</u>
FTE's	2.0	2.0
Personal Services	45,036	45,036
Operating Expense	20,100	20,100
Equipment	-0-	4,500
Total Operating	<u>65,136</u>	<u>69,636</u>
 Local Enforcement Grants	 561,202	 561,202
State Enforcement Grants	350,610	382,162
Drug Education/Prevention Grants	238,651	238,651
Total Program	<u>1,215,599</u> =====	<u>1,251,651</u> =====

	<u>FY88</u>	<u>FY 89</u>
<u>Personal Services</u>		
FTE's	2.0	2.0
Salaries	36,922	36,922
Benefits	8,114	8,114
	<u>45,036</u>	<u>45,036</u>
 <u>Operating</u>		
Contractual	3,100	3,100
Supplies & Materials	700	700
Communications	2,600	2,600
Travel	10,200	10,200
Rent	1,200	1,200
Utilities	-0-	-0-
Repair & Maint.	800	800
Other	1,500	1,500
	<u>20,100</u>	<u>20,100</u>
Total	20,100	20,100
 Equipment	-0-	4,500
	<u>65,136</u>	<u>69,636</u>
Total Program	=====	=====

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BOARD OF CRIME CONTROL

Language to allow continued appropriation authority for federal grant programs through the biennium.

- x. Juvenile Justice Pass-Through Grants
- x. Bureau of Justice Assistance Pass-Through Grants
- x. Victim Assistance Pass-Through Grants
- x. Drug Enforcement Pass-Through Grants
- x. Drug Education/Prevention Pass-Through Grants

Items (x) through (x) are biennial appropriations.

COMMISSIONER OF POLITICAL PRACTICES

Language to establish the procedures to charge a fee for the Summary of Contributions/Expenditures for Candidates/Committees booklet.

The Commissioner of Political Practices is to charge a fee for the Summary of Contributions/Expenditures for Candidates/Committees booklet which is sufficient to recover the costs of printing and distribution of the booklet. The proceeds from the sale of the booklet as well as the expenditures for the printing and distribution of the book shall be accounted for in the state special revenue account already established for the purpose of collecting fees for reimbursement of copier charges. The amount appropriated for the cost of the booklet is \$4,000 in fiscal 1989 only.

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All remaining 1987 biennium federal grant authority is authorized to continue into FY 88 and FY 89.

MODIFIED BUDGET REQUESTS VS HOUSE BILL 372

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2-25-87

Modifieds Funded From Net Proceeds H.B. 372

Current H.B. 372 Net Proceeds = \$ 117,497/year

	<u>FY88</u>	<u>FY89</u>
(1) Actuary	\$59,756	\$58,416
(1) Field Investigator	39,222	38,028
(1) Admin. Aide-Examinations	<u>17,149</u>	<u>15,998</u>
	<u>\$116,127</u>	<u>\$112,442</u>

DEPARTMENT OF JUSTICE

Language to require that the agency develop a cost allocation plan for the 1991 biennium for the regional dispatch centers.

The portion of the appropriation in item (x) from the state special highway revenue account for the purpose of operating the regional dispatch centers is provided for the 1989 biennium only. The Department of Justice shall develop a cost allocation plan for the purpose of recovering the cost of operation of regional dispatch centers from all user agencies on an equitable basis, and shall submit the funding plan to the 51st Legislature within the Department's 1991 biennium budget request. It is the intent that the state special highway revenue account be reimbursed for services provided to user agencies that are not funded by the state special highway revenue account.

LEGISLATIVE AUDITOR

Language to require an assessment on bond issuing agencies, to reimburse statewide audit costs charged to the general fund.

Fee for issuance of bonds. Except for issuers of general obligation bonds which are payable solely by general fund revenues, each state bond issuer shall, upon issuance of the bonds, pay 30 cents per thousand of bonds to be deposited in the state general fund for the purpose of funding a portion of the comprehensive annual financial report audit.

Submitted by DOA

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2-25-87

PROPOSED LANGUAGE FOR HB2 - APPROPRIATIONS BILL
DEPARTMENT OF ADMINISTRATION

GENERAL SERVICES

During the 1989 biennium, if utility costs exceed the budgeted amount, the Department may submit a budget amendment to cover the increase in utility costs.

TORT CLAIMS

The Department may expend available self-insurance reserves and revenues to pay any deficit that may be incurred for property or liability insurance premiums due and payable through June 30, 1989.

During the 1989 biennium, if miscellaneous defense costs for defending tort claims filed against the State of Montana, exceed the budgeted amounts, the Department may submit a budget amendment to cover the increase.

FOR DISCUSSION AT HOUSE APPROPRIATIONS

A reminder that the subcommittee decided to discuss at House Appropriations the addition of 2 FTE for Mail & Messenger Bureau. The FTE and postage costs are for processing out-going mail for agencies that are anticipated to join central mail in the next biennium. This was a modified request included in the executive budget.

lang.km

Fiscal 1986Fiscal 1987

	<u>Fiscal 1986</u>		<u>Fiscal 1987</u>		
	<u>State</u>	<u>Federal</u>	<u>State</u>	<u>Federal</u>	
	<u>General</u>	<u>Special</u>	<u>General</u>	<u>Special</u>	
	<u>Fund</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Total</u>
36,800					36,800
<u>Total</u>	3,902,063	884,635	29,983,936	34,770,634	3,849,255
					896,319
					3,656,792
					882,821
					29,585,852
					34,125,465

36,800

Total

3,902,063 884,635 29,983,936 34,770,634 3,849,255 896,319

3,656,792 882,821 29,585,852 34,125,465

The appropriation in item 3a in the Proprietary column is appropriated from the capital projects fund.

The appropriation in item 4a in the Proprietary column includes \$55,356 in fiscal 1986 and \$58,801 in fiscal 1987 from the capital projects fund.

Item 8c may be used only in the event the Investment Bureau moves from its existing facilities to more expensive facilities.

Item 9b is a biennial appropriation to hire consultants for a long-term telecommunications proposal.

Item 18b is a biennial appropriation for the "34 percent cases" and appeals resulting from property reappraisals.

Item 16b is for the purchase of copier pool equipment.

Item 16c is to be used only for hiring one FLE to monitor vendor contracts with the state and to pay all vendor printing claims for the state.

Items 6b, 7b, 15b, and 15c are line item appropriations for each year of the biennium

In item 4, the Department may charge a maximum of ~~52.98~~ ^{2.97} per square foot in fiscal ~~1987~~ ¹⁹⁸⁸ and ~~53.10~~ ^{3.08} per square foot in fiscal ~~1987~~ ¹⁹⁸⁹. At the end of fiscal ~~1987~~ ¹⁹⁸⁸, the maximum cash the Department may carry over is \$320,000. During the ~~1987~~ ¹⁹⁸⁹ biennium if utility costs exceed the budgeted amounts, the Department may submit a budget amendment to cover the increase in utility costs.

The Department may expend available self-insurance reserves and revenues to pay any deficit that may be incurred

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Proposed Language for Revenue-Central Services

Funds for Resource Indemnity Trust projects approved by the 50th Legislature in other state agencies are appropriated for transfer purposes to the extent that these funds are available.

REVISED NET COST OF ON-LINE DATA SYSTEM MODIFICATION
DEPARTMENT OF REVENUE -- PROPERTY ASSESSMENT DIVISION

ITEM	FISCAL 1988			FISCAL 1989		
	MODIFIED EXPEND	SAVINGS IN SUBCHTE CL	NET COST OF MOD	MODIFIED EXPEND	SAVINGS IN SUBCHTE CL	NET COST OF MOD
FTE	1.00	0.00	1.00	1.00	1.00	0.00
PERSONAL SERVICES	\$25,061	\$0	\$25,061	\$25,019	\$16,373	\$8,646
OPERATING EXPENSES						
2172-Comp Chgs (SB 19)	\$0	\$82,963	(\$82,963)	\$0	\$79,440	(\$79,440)
2172-County Computer Chgs	\$0	\$10,000	(\$10,000)	\$0	\$60,000	(\$60,000)
2172-Comp Chgs Other	\$45,972	\$0	\$45,972	\$83,873	\$0	\$83,873
2183-Data Entry	\$0	\$0	\$0	\$0	\$0	\$0
2299-Supplies	\$0	\$500	(\$500)	\$0	\$3,752	(\$3,752)
2304-Postage	\$0	\$0	\$0	\$0	\$2,456	(\$2,456)
2399-Communications	\$1,020	\$0	\$1,020	\$19,560	\$0	\$19,560
2743-Computer Maint	\$2,880	\$0	\$2,880	\$22,320	\$0	\$22,320
3106-Computer Terminals	\$19,600	\$0	\$19,600	\$136,600	\$0	\$136,600
TOTAL REVISED NET MOD COST	\$94,533	\$93,463	\$1,070	\$287,372	\$162,021	\$125,351
TOTAL ORIGINAL NET MOD COST			(\$47,967)			\$77,164
ADDITIONAL COST			\$49,037			\$48,187

CAUSES OF ADDITIONAL COST:

1. The original modification assumed the cost of Senate Bill 19 in current level would be \$100,000; instead, the subcommittee approved \$82,963 in FY88 and \$79,440 in FY89. This current level cost will not be necessary with the modification, however, the savings to the overall modification cost is reduced.
2. The original modification assumed the approved current level budget would include its request for data entry and indicated the modification would eliminate the need for \$5,000 in FY88 and \$17,000 in FY89 for current level data entry costs. The subcommittee did not approve the agency's request, therefore, the overall savings is reduced.
3. The original modification requested computer equipment expenditures totaling \$19,600 in FY88 and \$136,600 in FY89. Because the original modification assumed the approved current level budget would INCLUDE the executive's recommendation for an annual computer equipment expenditure of \$27,000, the modification was presented as reducing current level computer equipment expenditures in FY88 by \$7,400 and adding \$109,600 for computer equipment expenditures in FY89. The subcommittee DID NOT approve the executive request for computer equipment. Therefore, not only is the savings to the overall modification reduced by \$7,400 in FY88 and by \$27,000 in FY89, but the FY88 equipment category in the modification would need to be increased \$19,600 to match the original request.
4. The original modification request did not include the current level savings in personnel in FY89.

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AGENCY: DEPARTMENT OF REVENUE

LEGISLATIVE ACTION

PROGRAM: INVESTIGATIONS AND ENFORCEMENT -
INVESTIGATIONS PROGRAM

BUDGET ITEM	FY 1986 Actual	Executive Level	Fiscal 1988 Current Level	Subcommittee	Executive Level	Fiscal 1989 Current Level	Subcommittee	FY 86-88 % Change
FTE	13.50	14.50	17.00	14.50	14.50	17.00	14.50	1.00
Personal Services	\$336,589	\$355,503	\$414,338	\$359,127	\$355,203	\$414,059	\$358,919	6.70%
Operating Expenses	\$90,250	\$82,731	\$83,456	\$84,239	\$81,694	\$84,220	\$85,030	-6.66%
Equipment	\$21,167	\$8,652	\$10,000	\$10,000	\$9,000	\$10,000	\$10,000	-52.76%
Non-Operating	\$0	\$0	\$20,000	\$20,000	\$0	\$20,000	\$20,000	
TOTAL EXPENSES	\$448,006	\$446,886	\$527,794	\$473,366	\$445,897	\$528,279	\$473,949	5.66%
FUNDING								
General Fund	\$52,648	\$49,430	\$93,102	\$31,509	\$41,237	\$93,470	\$25,460	-40.15%
State Special Rev	\$28,719	\$61,535	\$76,500	\$12,950	\$69,155	\$76,400	\$19,200	-54.91%
Federal Revenue	\$70,288	\$125,885	\$129,685	\$129,685	\$125,933	\$129,683	\$129,683	84.51%
Other Revenue	\$296,351	\$210,036	\$228,507	\$299,222	\$209,572	\$228,726	\$299,606	0.97%
TOTAL FUNDING	\$448,006	\$446,886	\$527,794	\$473,366	\$445,897	\$528,279	\$473,949	5.66%

VIDEO POKER REVENUE:

	FY88	FY89
ESTIMATED \$ MACHINES	3300	3450
ESTIMATED TOTAL REVENUE	\$4,702,500	\$4,916,250
EST ADMIN ALLOCATION (3%)	\$141,075	\$147,488

ADMIN COSTS IN DEPT OF REVENUE:

Video Poker Program	\$128,125	\$128,288
Investigations Program	\$12,950	\$19,200

13-Feb-87

REVISED COST OF ASSESSMENT/COLLECTION STAFF MODIFICATION
DEPARTMENT OF REVENUE -- INCOME TAX DIVISION
SUBCOMMITTEE ACTION OF 2-6-87

-----FISCAL 1988-----				-----FISCAL 1989-----			
ITEM	ORIGINAL MOD	REDUCTION 2.5 FTE	REVISED MOD	ORIGINAL MOD	REDUCTION 2.5 FTE	REVISED MOD	
FTE	15.50	2.50	13.00	15.50	2.50	13.00	
PERSONAL SERVICES							
Salaries	\$242,957	\$38,459	\$204,498	\$242,120	\$38,311	\$203,809	
Employee Benefits	\$36,253	\$5,807	\$30,446	\$36,685	\$5,899	\$30,786	
Health Insurance	\$20,838	\$4,140	\$16,698	\$20,868	\$4,140	\$16,728	
Vacancy Savings	(\$12,002)	(\$1,936)	(\$10,066)	(\$11,986)	(\$1,934)	(\$10,052)	
Total Personal Services	\$288,046	\$46,470	\$241,576	\$287,687	\$46,416	\$241,271	
OPERATING EXPENSES							
Contracted Services	\$2,413		\$2,413	\$2,325		\$2,325	
Supplies & Materials	\$3,706		\$3,706	\$3,725		\$3,725	
Communications	\$6,500		\$6,500	\$6,500		\$6,500	
Travel	\$6,800		\$6,800	\$6,800		\$6,800	
Repair and Maintenance	\$400		\$400	\$400		\$400	
Other Expenses	\$1,400		\$1,400	\$1,400		\$1,400	
Total Operating Exp	\$21,219	\$0	\$21,219	\$21,150	\$0	\$21,150	
TOTAL MOD COSTS	\$309,265	\$46,470	\$262,795	\$308,837	\$46,416	\$262,421	
FUNDING							
General Fund	\$309,265	\$46,470	\$262,795	\$308,837	\$46,416	\$262,421	
TOTAL FUNDING	\$309,265	\$46,470	\$262,795	\$308,837	\$46,416	\$262,421	

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2-25-87

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2-25-87

BUDGET MODIFICATION

Department of Justice
1988-89 Biennium

Program: Law Enforcement Academy -22

TITLE: First Responder/Emergency Vehicle Operation

REQUEST: The Department requests authority to spend tuition State Special Funds to provide certified medical training in lifesavings skills (and emergency vehicle driving skills) to entry level officers in the Law Enforcement Academy.

JUSTIFICATION: The First Responder component of this modification will provide certified emergency medical training in lifesaving skills to entry level officers in the Basic Course. The Emergency Medical Services Bureau will coordinate the 48 hours of instruction for this component. The Emergency Vehicle Operation component will provide 26 hours of training to improve basic driving skills and provide training for participation in high speed pursuits. All funds for this modification will be provided by tuition paid by agencies sending students to basic training.

<u>FISCAL DATA:</u>	<u>FY 1988</u>	<u>FY 1989</u>
<u>F. T. E. s</u>	-0-	-0-
<u>Personal Services</u>	-0-	-0-
<u>Operating Expenses:</u>		
Contracted Services	7,800	10,400
Supplies & Materials	4,401	5,868
Communications	-0-	-0-
Travel	6,382	8,510
Rent	-0-	-0-
Utilities	-0-	-0-
Repair & Maintenance	-0-	-0-
Other Expenses	-0-	-0-
Subtotal	<u>18,583</u>	<u>24,778</u>
<u>Equipment</u>	-0-	-0-
<u>Total Request</u>	<u>18,583</u>	<u>24,778</u>
<u>Funding:</u>		
Tuition State Special	<u>18,583</u>	<u>24,778</u>
<u>Total Funds</u>	<u>18,583</u>	<u>24,778</u>

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2-25-87

BUDGET MODIFICATION

Department of Justice Program: Law Enforcement Academy - 22
1988-89 Biennium

TITLE: Executive Institute

REQUEST: The Department requests authority to spend Tuition State Special Funds to provide a series of six executive level seminars each year which address contemporary issues of concern to criminal justice administrators.

JUSTIFICATION: This modification will provide for a series of six executive level seminars for criminal justice administrators. The training will address contemporary issues of concern to chiefs of police, sheriffs and other law enforcement administrators. The Law Enforcement Academy does not currently provide any training for managers. The Institute will be totally funded by tuition fees charged to participants.

<u>FISCAL DATA:</u>	<u>FY 1988</u>	<u>FY 1989</u>
<u>F. T. E. s</u>	-0-	-0-
<u>Personal Services</u>	-0-	-0-
<u>Operating Expenses:</u>		
Contracted Services	13,630	13,630
Supplies & Materials	2,760	2,760
Communications	240	240
Travel	6,880	6,880
Rent	1,800	1,800
Utilities	-0-	-0-
Repair & Maintenance	-0-	-0-
Other Expenses	-0-	-0-
Subtotal	<u>25,310</u>	<u>25,310</u>
<u>Equipment</u>	-0-	-0-
<u>Total Request</u>	<u>25,310</u>	<u>25,310</u>
<u>Funding:</u>		
Tuition State Special	<u>25,310</u>	<u>25,310</u>
<u>Total Funds</u>	<u>25,310</u>	<u>25,310</u>

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2-25-87

BUDGET MODIFICATION

Department of Justice
1988-89 Biennium

Program: Law Enforcement Academy - 22

TITLE: Additional Basic Course

REQUEST: The Department requests authority to spend State Special Funds to conduct one additional Basic Course annually.

JUSTIFICATION: This modification will allow the Law Enforcement Academy to conduct one additional Basic Course annually to provide a total of four Basic Courses per year. With only three Basic Courses per year the class size of this statutorily mandated training has grown to an unmanageable level. The additional Basic Course will allow the MLEA to limit class size to 30 students, which will ensure high quality training for Montana's Law Enforcement officers.

<u>FISCAL DATA:</u>	<u>FY 1988</u>	<u>FY 1989</u>
<u>F. T. E. s</u>	-0-	-0-
<u>Personal Services</u>	-0-	-0-
<u>Operating Expenses:</u>		
Contracted Services	-0-	12,287
Supplies & Materials	-0-	1,488
Communications	-0-	-0-
Travel	-0-	2,084
Rent	-0-	125
Utilities	-0-	-0-
Repair & Maintenance	-0-	-0-
Other Expenses	-0-	-0-
Subtotal	-0-	15,984
<u>Equipment</u>	-0-	-0-
<u>Total Request</u>	-0-	15,984
<u>Funding:</u>		
State Special		
Motor Vehicle Account	-0-	9,234
Tuition Account	-0-	6,750
<u>Total Funds</u>	-0-	15,984

(3) "Membership contract" means any agreement, contract, or certificate by which a health service corporation describes the health services or benefits provided to its members or beneficiaries.

History: En. 40-5901 by Sec. 1, Ch. 319, L. 1975; R.C.M. 1947, 40-5901(1) thru (3); and, Sec. 14, Ch. 544, L. 1983.

Compiler's Comments

1983 Amendment: In (2), after "nursing services" inserted "licensed social worker or psychologist".

Cross-References

Board of social work examiners, 2-15-1854.
Nonprofit corporations, Title 35, ch. 2.
Licensing — medical professions, Title 37.
Qualifications and licensing of social workers, Title 37, ch. 22.

33-30-102. Application of this chapter — construction of other related laws. (1) All health service corporations heretofore or hereafter organized are subject to the provisions of this chapter.

(2) A law of this state other than the provisions of this chapter applicable to health service corporations shall be construed in accordance with the fundamental nature of a health service corporation, and in the event of a conflict between that law and the provisions of this chapter, the latter shall prevail.

History: En. 40-5902 by Sec. 2, Ch. 319, L. 1975; R.C.M. 1947, 40-5902.

Cross-References

Insurance Code — exception for health service corporations, 33-1-102.
Administrator — definition and applicability, 33-17-601.
Applicable provisions of Insurance Code:
Administrative penalty for failure to pay promptly, 33-18-233.
Insurance information and privacy protection, 33-19-104.
Medicare Supplement Insurance Minimum Standards, 33-22-903.

33-30-103. Purposes of health service corporation. A health service corporation may be organized for the purposes of:

- (1) (a) establishing and operating a voluntary, nonprofit plan or plans under which health services, or reimbursement therefor, are furnished to persons who become members or beneficiaries; or
- (b) acting as agent or intermediary for other health service corporations, for governmental body or agency, or for other corporations, associations, partnerships, or individuals in the field of health care and services; and
- (2) research, education, or related activity to further objects within the purview of this chapter.

History: En. 40-5903 by Sec. 3, Ch. 319, L. 1975; R.C.M. 1947, 40-5903.

33-30-104. No profit organization may be a health service corporation. No group, association, or organization created for or engaged in business or activity for profit, provision for the incorporation of which is made by any of the corporation laws of this state, may be organized or operated directly or indirectly, as a health service corporation under this chapter.

History: En. 40-5904 by Sec. 4, Ch. 319, L. 1975; R.C.M. 1947, 40-5904.

Cross-References

Nonprofit corporations, Title 35, ch. 2.

33-30-105. Examination of a health service corporation. (1) If the commissioner believes a health service corporation is unable or potentially unable to fulfill its contractual obligations to its members, the commissioner may conduct an examination of that corporation.

(2) In addition to the examination authorized in subsection (1), at least once every 4 years, the commissioner shall conduct an examination of each health service corporation to determine if the corporation is fulfilling its contractual obligations by prompt satisfaction of claims at the highest monetary level consistent with reasonable dues or fees, and that the corporation's management exercises appropriate fiscal controls, operations, and personnel policies to assure that efficient and economic administration restrains overhead costs for the benefit of its members.

(3) Each health service corporation examined, its officers, employees, and agents, shall produce and make available to the commissioner or his examiners the accounts, records, documents, files, information, assets, and matters in its possession or control relating to the subject of the examination.

(4) The commissioner or his examiner shall make a verified report of the examination.

(5) The report shall comprise only facts appearing from the books, papers, records, or documents of the corporation examined or ascertained from the testimony, under oath, of individuals concerning its affairs and conclusions and recommendations as warranted by those facts.

(6) The commissioner shall furnish a copy of the proposed report to the corporation examined not less than 20 days prior to its filing in his office. If the corporation requests a hearing, in writing, within the 20-day period, the commissioner shall grant one with respect to the report and shall not file the report until after the hearing and after modifications, if any, the commissioner deems proper.

History: En. 40-5912 by Sec. 12, Ch. 319, L. 1975; R.C.M. 1947, 40-5912; and, Sec. 3, Ch. 452, L. 1981.

Compiler's Comments

1981 Amendment: Inserted subsection (2).

Cross-References

Contested cases — administrative hearings, 2-4-102; Title 2, ch. 4, part 6.

33-30-106. Montana Administrative Procedure Act applicable. All final administrative actions or decisions of the commissioner under this chapter are subject to judicial review under and in accordance with the Montana Administrative Procedure Act.

History: En. 40-5916 by Sec. 16, Ch. 319, L. 1975; R.C.M. 1947, 40-5916.

Cross-References

Montana Administrative Procedure Act, Title 2, ch. 4.

33-30-107. Annual statement. Every health service corporation shall file an annual statement on a form containing substantially the same information as that contained in form No. 13 N.A.I.C. with the commissioner of insurance.

History: En. Sec. 1, Ch. 657, L. 1979.

33-30-108 through 33-30-110 reserved.

33-30-111. Notice of violation — conference. If the commissioner shall for any reason have cause to believe that violation of this chapter, except 33-30-1012, has occurred or is threatened, the commissioner may give written notice to the health service corporation and to the representatives or

93-25-872

STATE OF MONTANA

DEPARTMENT OF INSURANCE

MARKET CONDUCT EXAMINATION

OF THE

MONTANA PHYSICIANS' SERVICE
(BLUE SHIELD PLAN)

HELENA, MONTANA

AS OF

DECEMBER 31, 1982

MARKET CONDUCT EXAMINATION

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STATE OF MONTANA
DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION
OF
BLUE CROSS OF MONTANA
GREAT FALLS, MONTANA

AS OF
DECEMBER 31, 1983



Peat, Marwick, Mitchell & Co.
Certified Public Accountants
800 Granite Tower
Billings, Montana 59101

December 12, 1984

Honorable E. V. "Sonny" Omholt
Commissioner of Insurance
State of Montana
Mitchell Building
Helena, Montana 59604

Sir:

In accordance with your authorization and pursuant to the provisions of Section 33-30-105(2), MCA and the resolutions adopted by the National Association of Insurance Commissioners (N.A.I.C.), a statutory examination of the market conduct activities of the

Blue Cross of Montana
3360 10th Avenue South
Great Falls, Montana 59405

hereinafter referred to as the Company, has been made at its Home Office located in Great Falls, Montana. The report of examination is herein respectfully submitted.

INTRODUCTION

This is the first Market Conduct Examination by the Montana Insurance Department of the Company which hereafter shall be conducted at least once every four years.

The Company was incorporated under the laws of the State of Montana as a non-profit corporation on September 9, 1940 as Hospital Service Association of Montana and commenced business on that date. On September 17, 1964 the Company name was changed to Blue Cross of Montana. Health benefits are provided under contract to subscribers or beneficiaries through doctors, hospitals, dentists, podiatrists, optometrists and pharmacies and providers of other therapeutic services and supplies.

The Certificate of Authority on file in the Home Office was reviewed and found to be current. The Company is operating in compliance with its Certificate of Authority. The Company is licensed to transact business only in the State of Montana.

This Report of Examination is primarily confined to comments on matters involving departures from laws, regulations, or rules, and other matters deemed to require special explanation or description. If no comment is made on an item, no exceptions were noted.

SCOPE OF EXAMINATION

This Market Conduct Examination was conducted in accordance with the statutory requirements of the State of Montana. The guidelines promulgated by the Market Conduct Examination Task Force of the N.A.I.C. were also utilized in the examination. The examination was not performed in accordance with generally accepted auditing standards and is not intended to present a determination of financial condition. Internal and external records were examined to the extent deemed appropriate and necessary. Sampling techniques were utilized where practical.

This examination of the Company covered a general survey of the Company's business policies and practices, a review of its corporate records and test checks of transactions for the period January 1, 1980 through December 31, 1983.

The purpose of this examination was to determine that the Company's marketing practices and claims transactions are in compliance with the appropriate statutes and regulations of the State of Montana. This included but was not limited to the following areas of the Company's operations:

- Management and Internal Controls
- Fidelity Bonds
- Policy Forms and Underwriting
- Claim Procedures and Practices
- Comparison of Marketplace Rates and Benefits
- Advertising
- Personnel Policies
- Operations
- Sales and Marketing
- Annual Statement - Financial
- Abandoned Property

MANAGEMENT AND CONTROL

Consideration was given to the internal and external audit functions utilized by the Company in determining the extent of audit detail to be covered by the examination. The Company contracts with an independent certified public accounting firm to conduct annual audits of its financial statements. These audits are performed in accordance with generally accepted auditing standards and include the required level of review of the Company's internal control over accounting functions and transactions. We have utilized these financial reports for the period under review and test checked only certain financial items.

As a contractor under the Medicare, Part A program, the Company disburses Federal funds to hospitals and others on the basis of incurred claims for medical services performed. The remittance amounts received and the corresponding charges for claims paid under this program are not reflected in the Company's financial statements. These transactions are recorded in a separate system of accounts and records. The amounts due for administering this program are based on cost computations and are recorded as income and receivables by the Company. The records of claims and allowable administrative cost reimbursement are audited by Federal governmental agencies and serve as another control measure over the accounting transactions. The Company's latest Annual Contractor Evaluation Report prepared by these agencies reported the following:

<u>Area of review</u>	<u>Governmental agency standard</u>	<u>Actual company performance</u>	<u>Area score</u>
<u>Unit Cost of Bill Processing</u>			110
1. Adjusted unit cost	\$ 3.30	\$ 3.10	
<u>Timeliness of Bill Processing</u>			74
1. Inpatient - % processed in 30 days	80.0%	98.9%	
2. Outpatient - % processed in 30 days	80.0%	94.7%	
3. Skilled Nursing Facility - - % processed in 30 days	74.5%	98.0%	
4. Home Health Agency - % processed in 30 days	77.0%	24.6%	

The low percentage of Home Health Agency bills processed in 30 days or less is attributable to difficulties in transmitting tape-to-tape Home Health Agency bill processing information between the intermediary and Baltimore HCFA during the months of December 1982 and January and February 1983. Even though bills were paid, the information was not accepted because it was edited out by consistency screens. The failure of the system to accept the information over a three month period caused the bills to be tabulated as though they were processed in excess of 30 days. The system design problem has been corrected.

Internal Control

In view of the size of the Company, its present programs and the tremendous volume of financial transactions, the Company is in the process of implementing a separate internal control division.

The objective of this department should be to carry out a program of in-depth tests of the financial transactions of the Company to ensure that the accounting controls are operating effectively. The internal auditor should perform: (1) procedural audits to review, evaluate and report on accounting procedures, financial data, and the extent of compliance with management policies; and (2) operational audits to evaluate the efficiency of operations and to report on means to contain cost. In addition, we would recommend the following:

1. The scope of internal audit work should cover all areas of operations.
2. The internal auditor should be completely independent of the accounting department.
3. The internal auditor should work from written audit programs, and to the extent possible, his work should be documented and supported by formal working papers.

4. The internal auditor should have direct access to the Executive Committee of the Board of Trustees and he should prepare written reports, which are available to the Board at their request.

FIDELITY BONDS

As of December 31, 1983 the Company was protected under fidelity bond coverage for \$1,000,000. The suggested minimum fidelity bond coverage according to the N.A.I.C. guidelines is \$450,000 to \$500,000.

POLICY FORMS AND UNDERWRITING

All group and individual agreements currently being used were reviewed for compliance with applicable regulations. They were checked for inclusion of mandatory statutory provisions per Section 33-30-301 et seq. MCA and for provisions contrary to law and public policy.

The Company's underwriting procedures and practices were reviewed and found to be consistently applied and non-discriminatory.

The following discrepancies from the applicable section of the MCA were noted during the review.

1. Contracts available prior to January 1, 1984 limited outpatient benefit coverage for mental illness, alcoholism, and drug addiction to \$500. Section 33-22-703(2)(b) as in effect prior to January 1, 1984, required that insurers and health service corporations make available at least \$1,000 of such coverage. The Company did not have an approved form for such coverage because they had contacted each policyholder inquiring of their interest in the \$1,000 coverage and none of the policyholders requested more than the \$500 coverage. As of January 1, 1984 the contracts reviewed were in compliance with Section 33-22-703(2)(b) as now amended.
2. The conversion policy form (Form 8400) contains a preexisting condition clause that is not in compliance with Section 33-30-1008. The clause states that the waiting period for preexisting conditions is 365 days reduced by the number of months that the insured was covered under the group contract. The statute states that the conversion policy may not exclude, as a preexisting condition, any conditions covered by the group contract. Individuals covered for a period of less than 365 days under a group contract with no preexisting condition clause would not be eligible for reimbursement of charges related to preexisting conditions as provided in the conversion policy form.
3. All policy forms reviewed state that payment for services rendered in a Government institution will not be covered if a subscriber is not otherwise required to make payment. Section 33-30-1002 makes it unlawful for the Company to exclude from coverage in a membership contract services rendered the insured while a resident in a Montana

state institution, provided the services to the insured would be covered by the membership contract if rendered to him outside a Montana state institution. In practice, the Company is paying covered charges for services provided in Montana state institutions on the same basis as if the services were provided in other institutions.

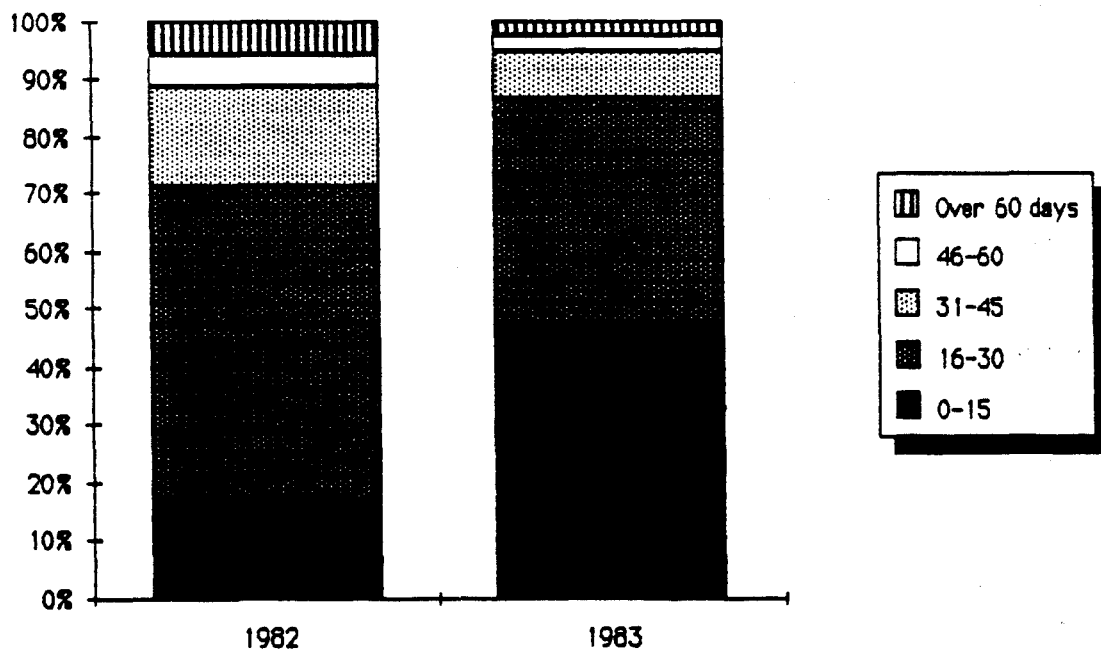
4. It was noted during our review that some policy forms had not been filed with the State Insurance Commissioner on a timely basis as required by Section 33-30-301, but approval for late filing was granted by the Commissioner. Policy forms filed subsequent to December 31, 1983 have been filed on a timely basis or the proper extensions have been granted.
5. Hospitals in the state of Montana have the option of being a member hospital of Blue Cross of Montana. All hospitals within the state except for one are member hospitals. Certain contracts that were reviewed state that payment of covered charges to non-member hospitals will be made at eighty percent. Company management has represented to us and testwork performed during the examination indicates that payments for services rendered in non-member hospitals are being made at one hundred percent.

Member hospitals may elect to participate in a voluntary rate review system. The member hospital agreement states that those hospitals not participating in the voluntary rate review system will be reimbursed at ninety-five percent of covered charges and may not recover the difference from the contract subscriber.

CLAIMS PROCEDURES AND PRACTICES

Cycle Time

The following chart shows the average time from the day claims are received until the claims are paid by using the inventory of claims at the end of each month for the calendar years 1982 and 1983:



REVIEW OF BENEFITS AND RATES

An actuarial review was conducted in connection with this examination. The review included a determination of the adequacy of claim reserves and an analysis of the reasonableness of premiums, benefits, and expenses for the health benefits offered.

Expenses

One general measure of the cost efficiency of a health service corporation is the ratio of expenses to total subscription revenue earned in a year. Applicable expenses would include those for claim adjustment, general administration and soliciting new business. To develop a measure of the relative position of Blue Cross of Montana versus other similar corporations, we obtained the expense ratios for Plans offering hospital, surgical and medical coverage for the most recent year for which data was available (1983). We have summarized the results in the following table.

<u>Company</u>	<u>Expense Ratio</u>
Blue Cross of Montana	11.6%
Montana Physicians' Service	11.6%
Average of 9 similar plans	9.0%

Expense ratios are influenced by a number of factors which can vary significantly from one Plan to another. Included are: size; type of marketing; amount of traditional business versus administrative services only and cost plus; timing of rate increases; mix of benefits provided; types of subscribers (large corporations versus bank depositors, for example); extraordinary expense items (systems conversion); and, others. In the comparative sample chosen, revenues ranged from \$16.4 million to \$109.6 million, with expense ratios as low as 6.8% and as high as 16.4%.

We also reviewed the Company's historical expense trend.

	<u>Expense Ratio</u>
1980	12.4%
1981	12.5%
1982	11.3%
1983	11.6%

The increase in the 1981 expense ratio resulted from the development and installation of a new automated claim system. Ratios in following years returned to a more normal level.

We did not compare overall expenses of Blue Cross to commercial insurance companies since commercial insurance companies can have a considerably different mix of business, including disability and life insurance products in addition to health coverages.

Comparison of Insurance Coverage

Blue Cross of Montana offers a variety of health benefit plans. Because benefits and premiums for group contracts are generally based upon actual experience of individual employer groups or pools, we have not provided comparisons of those contracts.

Our comparison focused on two main categories of plans - individual health plans and Medicare-coordinated plans (for individuals over age 65). For the individual coverage comparisons we used the bank depositor program which represents approximately one-third of the Company's total business. The Medicare Complementary II contract was analyzed for the other category. Blue Cross of Montana cannot use the "Medicare Supplement" name since its coverage is not designed to completely comply with Federal requirements for such policies.

Because the policy benefits vary, we used actuarial adjustment tables to calculate actuarial equivalence factors and applied them to the premium rates. The following table summarizes the comparison of benefit plans and rates.

<u>Company</u>	<u>Adjusted Comparative Premium For \$1 of Benefits</u>
A	\$ 1.04
B	\$ 1.10
C	\$ 1.07
Blue Cross of Montana	\$ 1.00

Since premium rates are based on projected morbidity experience, expense ratios, profit or surplus objectives and competitive factors, there is always a range of charges for an equivalent product. The Blue Cross of Montana policy rate compares very favorably with other similar policies and premium rates. Actual premium rates presented to a policyholder will vary because of benefit differences.

The Blue Cross Medicare Complementary II policy was compared to three Medicare supplement-type policies offered in Montana. The following summarizes a comparison of these policies:

<u>Company</u>	<u>Adjusted Comparative Premium For \$1 of Benefits</u>
A	\$ 1.03
B	\$ 1.30
D	\$ 1.13
Blue Cross of Montana	\$ 1.00

A separate category of individual coverage is maintained for group conversions. This category provides continued coverage for individuals who terminate membership in an employer sponsored group plan and wish to retain health coverage. Our review determined that Blue Cross is calculating rates in compliance with amended Section 33-30-1007, MCA. This section requires that rates for conversion policies be not greater than 150% of the insurer's highest group rate for a policy with the same benefits.

FINANCIALReserves

The Company has occasionally been below the minimum reserve requirements as set forth in Section 33-30-201. However, the Commissioner after discussion with company officials each time, has waived the minimum reserve requirements pursuant to his discretionary authority under Section 33-30-201(5), as being in the best interests of the members and policy holders. The Company's unaudited interim financial statements as of December 31, 1983 indicated the Company was in compliance with the minimum reserve requirements of Section 33-30-201 as of that date.

MONTANA HEALTH INSURANCE PREMIUM DISTRIBUTION

The following schedule summarizes the premiums earned and claims incurred for accident and health insurance transacted during 1983 by all licensed companies in the state of Montana. The information was compiled by the Insurance Commissioner's office.

<u>Company Name</u>	<u>Premium earned</u>	<u>Market share</u>	<u>Claims incurred</u>	<u>Loss ratio</u>
Blue Cross of Montana	\$ 49,598,629	21.9%	\$ 44,841,793	90.4%
Montana Physicians Service	51,214,029	22.5%	43,449,074	84.8%
Ten largest other companies	60,652,000	26.7%	43,301,000	71.4%
Balance-other companies	<u>65,480,000</u>	<u>28.9%</u>	<u>41,759,000</u>	<u>63.8%</u>
Totals	\$ <u>226,944,658</u>	<u>100.0%</u>	\$ <u>173,350,867</u>	<u>76.4%</u>

CONCLUSION

The customary market conduct examination practices and procedures as promulgated by the National Association of Insurance Commissioners have been followed in ascertaining the market conduct condition of Blue Cross of Montana as of December 31, 1983, with due regard to Section 33-30-105(2) MCA.

Paul Marshall Mitchell & Co.

VISITOR'S REGISTER

GENERAL GOVERNMENT & HIGHWAYS

SUBCOMMITTEE

AGENCY(S) _____

DATE Feb. 25, 1987

DEPARTMENT OF MILITARY AFFAIRS

NAME	REPRESENTING	SUP- PORT	OP- POSE
FRED OLSON	MT. VETERANS AFFAIRS	✓	
Rich Brown	" " "	✓	
Mr. Kenneth E. Githell	Military Affairs	✓	
George DeWalt	Disaster Emergency Services	✓	
Mr. Tim DUFFY	MILITARY AFFAIRS	✓	
Jerry Collins	Mont. Vets Affairs	✓	
John L. Gallagher	Mont. Board of Veterans Affairs	✓	
Rich Brown	Adm. Vet Affairs Div		

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