

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON HUMAN SERVICES

Call to Order: By Chairman Bradley, on January 9, 1989, at 8 a.m.

ROLL CALL

Members Present: All members were present.

Members Excused: None.

Members Absent: None.

Staff Present: Evan McKinney, LFA
John Huth, OBPP

Announcements/Discussion: Representative Bradley told the subcommittee the books would soon become familiar, and there is a special section on Workman's Compensation, volume 1, beginning on B-557-64. There are 4 parts in the agenda, Administration, State Insurance Fund, Insurance Compliance and Safety and Health. Eventually within each of the 4 categories we will work the personal service, operating expense, equipment and non-operating expenses and look at the difference between the Governor's and LFA budgets and finally look at where the funding comes from. We are looking at mostly special revenue and federal money, not much general fund money.

Representative Bradley also introduced Mike Micone, Commissioner of Labor who was in the confirmation meetings in the Senate during our orientation meeting.

HEARING ON WORKER'S COMPENSATION Tape 1:021

Presentation and Opening Statement by Sponsor: None

List of Testifying Proponents and What Group They Represent:

Bill Palmer, Assistant Administrator Workers'
Compensation

List of Testifying Opponents and What Group They Represent:

None.

Proponent Testimony:

(117) Evan McKinney, Fiscal Analyst, said in the binders are a series of comparative sheets with space on the bottom of each page for taking notes, comments, etc. The sheets point out the differences in current level and there is a sheet for each budget modification. The agency will describe in more detail what they are proposing. There are 7 modifications that propose to add about \$1.2 million to the budget.

Mr. McKinney gave handouts to the committee which have a comparison of the Executive and LFA budgets and the difference. (Exhibit 1) It also lists the pages in both the LFA and Executive budget books where the analysis is made. He then went through the sheets acquainting the committee members with the contents.

Senator Keating (329) asked about the computer development expenses and the shifting of funds. Senator Keating asked if the computer expense was a fixed figure in the beginning so they had some estimate of cost etc. If they threw that out of balance by taking it out of the pot for something else, then something should be reflected in the budget. Mr. McKinney said they have asked the Department to prepare a presentation summarizing their computer development efforts.

Senator Keating (424) asked, in regard to the additional personnel, if authorized last time and they did not fill the positions and utilized the money for some other program and are now asking for more FTE's, it should be looked into. Chairman Bradley suggested this question be directed to the Division.

Senator Keating asked if the modified request on additional staff hired through HB 373 which require continuation of staffing at that level was a temporary situation, and was told by the chairman that it was in effect until the House Bill was repealed, and that as yet there is no repealer.

John Huth, Office of Budget and Program Planning (OBPP) said the Executive would like to ask for some additions in the budget throughout. The first is in the state fund for \$1770 which is an oversight on their part.

Chairman Bradley said Mr. Huth had talked to her about this and asked if the committee wanted amendment copies, and she suggested the committee write in the amounts on their sheets so they did not have the multitude of copies to contend with.

John Huth said this would be on the State Insurance Fund, operating, and would be \$1770 per year for car insurance for cars that are already in the bureau. The figures would then be \$1,762,968 + 1770, and one other addition which is change in policy. Under the previous administration with the maintenance contracts we tried to cut down on costs and the original gave Worker's Comp \$20,000 sum to cover P C's and terminals. The new Governor's budget would put maintenance back into the budget. On Administration under operating expenses, we would reduce the Executive by \$4,231 each year. On page 10 for state funds there would be an addition of \$16,111 in '90 and \$16,251 in '91. In the Insurance Compliance area, operating expenses, there would be an addition the first year of \$5,978 and the second the addition would be \$6,098. The total difference for the biennium \$35,976.

(703) Representative Cody asked in regard to maintenance, are you talking about people versus machines? Mr. Huth answered, just the machines, the terminals themselves. Mrs. Cody said she had heard about 30 individuals were writing checks for claims. Mr. Huth said he would have to address this to the Department, he was not sure, but thought it was the medical department. Chairman Bradley said the question could be asked of the Department when they made their presentation.

Mr. Huth said in regard to Senator Keating's question on the expense for computer development, those costs that are budgeted in for the next biennium are costs that are not on-going. They are costs for new developments to up-date the system and get into areas of policy services, compliance of medical claims etc.

Senator Keating asked if this was software, and was told there was some.

(800) Bill Palmer, Assistant Administrator, Worker's Compensation said he has been acting Administrator for only a few days and had to scurry through the

budget to see what was done, and felt since being Assistant Administrator for a number of years he could probably answer most of the questions. On the suggestion of the Chairman he started with vacancy savings.

Mr. Palmer said vacancy savings will vary between programs, depending on the activity and claim positions. I don't know whether 2% or 4% will get the job done. I am not concerned with what percent so long as we are able to fill the positions and do not have to set positions aside in order to fund the vacancy savings. The 2% seems to make more sense since it allows us the funding to pay for terminations, annual and sick leave costs etc.

On operating expenses, Mr. Palmer said the first item, a) for \$60,000, the terminology might be misunderstood there. We approached the budget with funding to put together contracts with private investigators and presently they are trying to use the Department of Revenue people. They go out and investigate issues where Worker's Comp fraud is involved. We had the permission to do this last session, but no money. The investigations, up to a point are the Division's responsibility, after that point they are turned over to the County Attorney to prosecute. County Attorneys are pretty well loaded with work and it falls back on us. The budget office agreed to put \$30,000 in and see where we go from there.

Senator Keating asked if they were asking for contract services. Mr. Palmer said yes, we don't want people, we are asking for money to investigate and we have used Department of Revenue people in their off hours. We have 5 or 6 cases now with one about ready to go to trial. Senator Keating asked what was the source of spending for this type of expenditure. Mr. Palmer said it would be part of the operating costs. All our money except silicosis is from ear marked money. Assessments on state fund, private carriers and self insurers. The industry is paying for this type of work.

Rep. Cobb asked how many cases they are looking at. Mr. Palmer said their estimate is between 20 and 30 cases a year. With the public uproar about all the potential fraud the Legislature brought it to our attention and said, do something about it. In answer to a further question from Rep. Cobb (732) he said the effort would focus on people who were

abusing the system.

Rep. Grinde asked what kind of savings could be expected, and Mr. Palmer said he did not know, he did not feel there was as much out there as perceived, but felt it is time for people to know they can't get away with this. An average case in Worker's Comp is around \$23, 000. If you pursue 4 or 5 you would probably save that much money. In terms of a cost analysis, none had been done. We knew we had to do it, so we are asking the committee for the money.

Mr. Huth asked if this would not be a modified, rather than current level budget. Mr. Palmer said it would be, Mr. Huth said they had looked at it and it was the decision to include it rather than to add it to another modified. Senator Van Valkenburg said it might be current, but as it was explained it is not in current level. Mr. Huth said it is not in current level now. Senator Van Valkenburg said he felt there was an insufficient amount of planning put into the request to evaluate its effectiveness. He said as he understood the Executive budget, they had to examine it and determine if there was a real need for the money, to come up with an evaluation process so that after it is approved you can determine if it is worth the effort.

Mr. Huth said the reason it was included was because they have been doing it through the Department of Revenue, to go outside, the price was almost double.

Rep. Grinde asked, in regard to education, if when an employer came in we were letting them know about the penalties. Is there any forms or has there been any education done along these lines? Mr. Palmer said last year they have talked to over 4,000 people, we have publications, pamphlets, brochures, etc. Every investigation we do on uninsured reminds the employer of the fines and penalties. We have not had newspaper or T. V. advertising, but a lot of material has gone out.

Representative Bradley asked if they had proceeded far enough to have a record to show that one case won would save this amount of money. Mr. Palmer said they have 4 or 5 cases in various stages of conclusion and one is about ready to go to court. Others are coming in. One case now involves an

\$80,000 or \$90,000 settlement. I don't know how much of that we could recover as a fraudulent act, but \$24,000 I use as an average cost of a claim which includes medical and wage loss. It is so new he could not tell how much, but felt a start had to be made someplace.

Chairman Bradley asked if Mr. Palmer could provide some more detailed information before tomorrow so the committee would have it before taking executive action. Mr. Palmer said yes, he would.

Carla Smith said included in the current level expenditures for computer development on 2 areas, is the development of entirely new areas. We have included funds to maintain programs that are on-going. We also have a modified in that includes development in new areas. None of those new areas are included in the current level.

Senator Van Valkenburg said according to the figures in the LFA budget, the money was appropriated for completion. What did completion mean? Carla Smith answered they did complete a number of projects during the last biennium. She mentioned the accident coverage area, the medical payments area, which she said are running well now and they are presently working on our compensation payment system. The money we are asking for is changes, such as Supreme Court changes and family member coverage.

Chairman Bradley asked that Evan McKinney work with the department and get a better break out of current level maintenance and development of the computer system.

Representative Cobb suggested they also look at the problems mentioned in the Legislative Auditor's report, and that the old problems be resolved before they create new ones. He said unless the computer programming problems within the system were fixed, they would just create more.

Under Equipment (970) Mr. Palmer felt the major difference was between the list of equipment needed and the base from the prior session used by LFA and the Executive. He mentioned the payroll tax last time. The payroll tax was passed but the funding to implement it was not passed. The fiscal note said about \$80,000. We sort of ravaged our equipment money and whatever we could

find to implement it, so equipment.

Modified Requests (224) Mr. Palmer said the request for a legal secretary has been a modified for 3 or 4 years and has not been put in the base. This is the 3rd session to justify it. Mr. McKinney said the position was only approved last session, for the 1989 biennium.

Carla Smith explained the computer development modification request includes a number of areas, a proposal to do some automation in the uninsured employer and clear compliance area so in trying to determine coverage it will be easy to happen, it will hook some systems together that are presently in place but do not operate together. We are asking for funds to track subsequent injury place information, carrier expenditures tracking, our year end maintenance and purge of claims and employer information. She said they would also like money for management information statistical reports, computerizing our inventory system and 2 areas that came out of the major reform bill that passed last session. Funds for return to work system and for claims control system and for doing some automated reserving of claims, and we would also like to automate our medical bill reporting. We have asked for funds to do some automated medical profiling, our employer premium billing system needs work, and in-house experience rating and retro rating. Exhibit 2 was given the committee.

Senator Keating asked if this is for the purpose of changing forms and changing the process claims and make payment on claims? Mr. Palmer said, to change some of them, yes, like billing, a lot of hospitals have computers and they can submit material on magnetic tape. We feel if we can get the material on magnetic tape and let our computer talk to their computer we can process those claims a lot quicker with a lot less people involved in it.

Operating Expenses (250) Mr. Palmer said they had on board a medical doctor who came in on a contract basis and a chiropractor who came in on a contract basis. They reviewed cases if we thought excessive or improper treatment. We felt it more necessary to hire a physical therapist consultant for the same purpose, it was done in the interim and did not all get into the current budget. The

audit fees, we had an amount in the budget and when the Labor Department sets the amount that amount has to be put in the Work Comp budget. He said he thought the reason for higher travel was because of the extra people on board.

House Bill 373 (368) Mr. Palmer explained the modifications here, as explained in Exhibit 2. He said there were about 15 extra people put on board because of this bill, and they are asking to continue that process.

Medical Pay Workload (573), Mr. Palmer said during the session last time they were up to 100 days behind in processing these bills. He said they had implemented the medical pay system and as of December of this year 30% of the medical bills are paid within 14 days, 75% are paid within 29 days and 92% are paid within 44 days. In answer to a question from Representative Grinde, Mr. Palmer said they processed 18,000 to 19,000 new claims a year. Currently the open case file is about is about 10,000 wage loss claims but they only represent about 20% of the total claims. I would guess our files have over 100,000 claims in it. We would like to add a lower level staff of people who would handle only medical claims where no wage loss is involved.

(700) Mr. Palmer talked about the silicosis case load, and the offset benefits. He said this has been around a long time and is only a matter of funding it with general fund or with Resource Indemnity Fund (RIT) money.

Senator Van Valkenburg (786) said there is a \$500,000 difference between the Executive and LFA budget. Mr. Palmer said, it is a difference of whether you want to fund the Silicosis fund with the general fund money or RIT money.

Representative Bardanoue asked what has happened to the case load? Mr. Palmer said it is decreasing considerably. Carla Smith explained they have included the 151 claimants and 101 survivors which are the \$200 people. There are 146 claimants and 98 survivors.

On Safety (850), Mr. Palmer said there is a difference. Last time there was some safety incentives, and if viable we would put together a program where employers would get a reduction for safety

measures. I would guess this was an adjustment by the LFA on the base since these people would be on the road most of the time.

The Arcade Building Modification (950). Mr. Palmer said the bottom floor of the of the Arcade Building was purchased from the (then) Union Bank for \$1, and they moved the safety people over there. The only problem is they have to take care of common costs which run around \$30,000 a year. He said the money here is to allow them to hook the computers up between the Arcade Building and the Worker's Comp building. He said after about 3 years the rent they are paying will go toward the purchase of the building which they will then own. He said the modifications that were needed were in a contract, paid as rent.

Representative Bardanoue said this came up between sessions, Mr. Robinson called him, and it seemed to be a remarkable opportunity to get the 10,000 square feet or so for free and the only cost would be the modifications needed and the facilities. He said even though we have a relatively new building for Worker's Comp, the work load has soared since it was built.

QUESTIONS FROM THE COMMITTEE:

Rent: Rep. Grinde asked Mr. Palmer if he had said he leased some space, and where does the money go? Mr. Palmer said he would guess it went into the ear-marked account to offset any of our costs.

Insurance Compliance: Chairman Bradley said this is an area where Mr. Huth made a correction to the operating expense to reflect maintenance on terminals, and she asked for further explanation. She said she did not know what the total difference was in the sums of money, it looks like they had done the same thing but put it in different places. Mr. McKinney said they accepted the initial request for maintenance because it was equipment authorized by the Legislature. The budget office started off with \$20,000 and subsequently changed that. John Huth said the cost of maintenance in the state, especially on computers is increasing dramatically, and the original thought was to honor all maintenance contracts on the large pieces of equipment but on terminals and small P C equipment the plan was to

offer \$10,000 per year in a lump sum to Worker's Comp. The new Administration looked at it and said, let's go with the maintenance contract. So instead of the \$10,000 lump sum it totals \$35,000.

Modifieds: (Side 2) To make additional employees permanent into the base. Rep. Cobb asked if the time limit in the House Bill 373 was done, Mr. Palmer explained the time limits and said 60 or 70% of the cases they pay wage loss benefits within 21 days, and said the 14 days, which is payments every 14 days after accepting liability are very consistent.

Chairman Bradley (133) asked what would happen if 373 were repealed, and we build the FTE it has provided into your base? Mr. Palmer answered it would establish a level you could address as things happen, with the budget approval and letting the interim committees know. We have to maintain so many per hundred case load.

Chairman Bradley said she was concerned about the possibility of using this to achieve vacancy savings and then transferring money around. Other agencies did not have this ability. Mr. Palmer said, the only difference was that this was an insurance company which was more of a business than a government service. He explained how people could save money by denying payment for excessive treatment, etc.

Insurance Fund: (320) Representative Cobb said they had talked about getting rid of the vacancy savings and funding the positions. He asked Mr. Palmer if they had any that had been open longer than 6 months, and was told they had one that was just filled that had probably been open that long.

Modified Requests on Administration: Senator Keating said they had been talking about adding computer ability for processing claims and medical records which would mean less people. He asked if there was any reduction of force through this type of automation. Mr. Palmer said they might be talking about an FTE reduction if the work load dropped. We might use some of those people in another area rather than doing something with 373 in the modified. Senator Keating asked to what extent they could move people around in the department

and Mr. Palmer answered you can move them from one job to another temporarily, if any change in the duties there is a pay differential, and if a position becomes open it has to be posted and people can apply for it.

Representative Cobb asked, what is an open case? Mr. Palmer answered it is a case in which we are still paying medical, etc. We have life time medical on some cases and we can't close them if there is a possibility of trouble later that would refer back to that injury. In answer to the question of what is a policy count, he was told that is employers enrolled.

ADJOURNMENT

Adjournment At: 10:01 a.m.



REP. DOROTHY BRADLEY, Chairman

DB/sk

0223.min

DAILY ROLL CALL

HUMAN SERVICES

SUBCOMMITTEE

DATE 1-9-89

[illegible]

EXHIBIT 1
DATE 4/9
HB _____

DEPARTMENT OF LABOR & INDUSTRY
Workers' Compensation - Administration

<u>PERSONAL SERVICES</u>	<u>1990</u>	<u>1991</u>
Executive FTE	39.00	39.00
LFA Current Level FTE	39.00	39.00
Difference	0.00	0.00
 Executive	 941,249	 943,170
LFA Current Level	922,040	923,922
Difference	19,209	19,248

LFA budget - page B-58
Executive budget - page 329

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

1. The LFA budget is lower than the executive budget because the LFA applied a 4.0 vacancy savings rate while the executive used a 2.0 percent rate.

2. Committee Issues

Committee Action

OPERATING EXPENSES

1990

1991

Executive	697,872	668,485
LFA Current Level	590,312	548,108
Difference	107,560	120,377

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

1. The significant differences between the executive and LFA budgets are:

a) The executive budget includes biennial expenses of \$60,000 for implementation of a fraud investigation unit. This represents an added function and was not included in the LFA budget.

b) The executive budget includes biennial expenses of \$159,955 for computer development expenses that are not included in the LFA budget. These expenses are not included in the LFA budget because the 1987 Legislature approved a modified budget request for the Division for "completion" of the computer system.

2. Committee Issues

Committee Action

<u>EQUIPMENT</u>	<u>1990</u>	<u>1991</u>
Executive	32,803	29,569
LFA Current Level	65,886	30,369
Difference	(33,083)	(800)

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

1. The LFA budget represents the agency request, which is consistent with average equipment expenses in prior years. The executive budget reduces the agency request in fiscal 1990.

2. Committee Issues

Committee Action

NON-OPERATING EXPENSES

1990

1991

Executive

439,815

441,165

LFA Current Level

439,815

441,165

Difference

0

0

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

1. The non-operating expenses represent building payments on the Margaret Condon (Workers' Compensation) Building.

2. Committee Issues

Committee Action

<u>FUNDING</u>	1990		1991	
	<u>Exec</u>	<u>LFA</u>	<u>Exec</u>	<u>LFA</u>
St Special	2,086,751	1,984,829	2,057,493	1,910,326
Federal	24,988	33,224	24,896	33,238
Total	2,111,739	2,018,053	2,082,389	1,943,564

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

1. The state special revenue consists of premium income from the workers' compensation insurance fund and assessments paid by private insurers. Federal funds are grant money from the federal Occupational Safety and Health Administration.

Committee Issues

Committee Action

MODIFIED REQUEST
Workers' Compensation - Administration

1. Legal Secretary (92004)

This modification would fund the cost of a 1.00 FTE Legal Secretary for the Division's Legal Office. This modification was approved by the 1987 legislature, with the stipulation that it was only approved for the 1989 biennium.

	<u>1990</u>	<u>1991</u>
Expenditures		
Personal Services	18,097	18,109
Operating	0	0
Equipment	0	0
Total	18,097	18,109
Funding		
State Special	18,097	18,109

Committee Issues

Committee Action

MODIFIED REQUEST
Workers' Compensation - Administration

1. Payroll Tax Administration (92006)

This modification would add 1.50 FTE to process the quarterly returns on the 0.3 percent payroll tax imposed by the 1987 legislature.

	<u>1990</u>	<u>1991</u>
Expenditures		
Personal Services	22,041	22,056
Operating	62,912	61,896
Equipment	0	0
Total		
Funding		
State Special	62,912	61,896

Committee Issues

Committee Action

MODIFIED REQUEST
Workers' Compensation - Administration

1. Computer Development (92009)

This modification would fund 1.00 FTE (grade 14 programmer), equipment enhancement, and related operating expenses for computer development projects.

	<u>1990</u>	<u>1991</u>
Expenditures		
Personal Services	25,444	25,456
Operating	300,841	139,816
Equipment	117,850	0
Total	444,135	165,272
Funding		
State Special	444,135	165272

Committee Issues

Committee Action

DEPARTMENT OF LABOR & INDUSTRY
Workers' Compensation - State Insurance Fund

<u>PERSONAL SERVICES</u>	<u>1990</u>	<u>1991</u>
Executive FTE	98.00	98.00
LFA Current Level FTE	98.00	98.00
Difference	0.00	0.00
 Executive	 2,093,981	 2,098,509
LFA Current Level	2,072,738	2,077,201
Difference	21,243	21,308

LFA Budget - page B-59

Executive Budget - page 330

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

1. The variance between the LFA and executive budgets results from:
 - a) The LFA budget includes \$16,850 for overtime that is not included in the executive budget, and
 - b) The executive budget uses a 2.0 percent vacancy savings rate while the LFA budget uses a 3.4 percent rate, which causes the LFA budget to be \$59,401 lower than the executive.

2. Committee Issues

Committee Action

OPERATING EXPENSES

	<u>1990</u>	<u>1991</u>
Executive	1,762,968	1,829,382
LFA Current Level	1,735,762	1,816,475
Difference	27,206	12,907

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

1. The primary differences between the executive and LFA budgets are:

- a) The executive budget includes \$24,000 for a physical therapy consultant that was not included in the LFA budget because funding for a physical therapy consultant was added to base level budget by the 1987 legislature;
- b) The executive budget includes \$72,751 more in audit fees than are included in the LFA budget. This occurs because LFA budget reduced the Departmental audit budget;
- c) The LFA budget includes \$56,074 more for computer processing than is included in the executive budget;
- d) The executive budget includes \$32,468 more for travel than is included in the LFA budget; and
- e) The LFA budget includes \$32,362 more for maintenance contracts than is included in the executive budget.

2. Committee Issues

Committee Action

<u>EQUIPMENT</u>	<u>1990</u>	<u>1991</u>
Executive	55,338	43,771
LFA Current Level	47,152	43,771
Difference	8,186	0

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

1. The executive budget includes \$8,186 more for equipment than was included in the LFA budget. The LFA budget reduced the agency request for equipment to make the total Division request consistent with average equipment expenditures over the past three years.

2. Committee Issues

Committee Action

FUNDING

1990

1991

	<u>Exec</u>	<u>LFA</u>	<u>Exec</u>	<u>LFA</u>
St Special	3,912,287	3,855,652	3,971,662	3,937,447

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

1. All funding for the program is provided by the state workers' compensation insurance funds, which are derived from premiums, investment earnings, assessments on employers, and other income.

2. Committee Issues

Committee Action

**MODIFIED REQUEST
Workers' Compensation - State Fund**

1. HB 373 Extension (92003)

These modifications would fund the continuation of 15.00 of the FTE that have been added through the HB 373 process.

	<u>1990</u>	<u>1991</u>
Expenditures		
Personal Services	307,735	307,912
Operating	43,077	41,711
Equipment	4,400	0
Total	355,212	349,623
Funding		
State Special	355,212	349,623

Committee Issues

Committee Action

**MODIFIED REQUEST
Workers' Compensation - State Fund**

1. HB 373 Extension-Medical Pay (92005)

These modifications would fund the continuation of the 7.00 of the FTE that have been added through the HB 373 process to provide data entry for medical payments.

	<u>1990</u>	<u>1991</u>
Expenditures		
Personal Services	109,362	109,438
Operating	14,888	15,004
Equipment	0	0
Total	124,250	124,442

Funding
 State Special

Committee Issues

Committee Action

MODIFIED REQUEST
Workers' Compensation - State Fund

1. Medical Review Unit (92008)

This modification would fund the establishment of a unit responsible for reviewing claims that only involve medical benefits. This modification includes 5.00 FTE.

	<u>1990</u>	<u>1991</u>
Expenditures		
Personal Services	97,781	97,847
Operating	5,133	4,043
Equipment	20,595	0
Total	123,509	101,890
Funding		
State Special	123,509	101,890

Committee Issues

Committee Action

DEPARTMENT OF LABOR & INDUSTRY
Workers' Compensation - Insurance Compliance

<u>PERSONAL SERVICES</u>	<u>1990</u>	<u>1991</u>
Executive FTE	41.75	41.75
LFA Current Level FTE	41.75	41.75
Difference	0.00	0.00
 Executive	 883,774	 885,491
LFA Current Level	865,738	867,069
Difference	18,036	18,422

LFA budget - page B-62
Executive budget - page 333

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

1. The LFA budget is lower than the executive budget because the LFA budget applied a 4.0 percent vacancy savings factor while the executive used a 2.0 percent rate.

2. Committee Issues

Committee Action

OPERATING EXPENSES

1990

1991

Executive	367,135	361,409
LFA Current Level	371,696	359,657
Difference	(4,561)	1,752

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

Committee Issues

Committee Action

EQUIPMENT

1990

1991

Executive

6,207

2,619

LFA Current Level

6,207

2,619

Difference

0

0

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

Committee Issues

Committee Action

NON-OPERATING

1990

1991

Executive	529,442	511,999
LFA Current Level	529,443	513,000
Difference	(1)	(1,001)

- - - - - Non-Operating Issues- - - - -

1. Non-operating expenses are for: 1) social security offset payments and
2) silicosis benefits paid to persons who contracted the disease on the job
prior to 1959 and to widows of silicotics.

Committee Issues

Committee Action

FUNDING

1990

1991

	<u>Exec</u>	<u>LFA</u>	<u>Exec</u>	<u>LFA</u>
Gen Fund	45,842	541,792	43,999	524,347
St Special	1,740,716	1,213,292	1,717,519	1,217,998

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

1. The LFA budget funds the payment of costs associated with the silicosis program with general funds while the executive budget funds these costs with resource indemnity trust fund interest.

2. Committee Issues

Committee Action

DEPARTMENT OF LABOR & INDUSTRY
Workers' Compensation - Safety & Health

<u>PERSONAL SERVICES</u>	<u>1990</u>	<u>1991</u>
Executive FTE	24.50	24.50
LFA Current Level FTE	24.50	24.50
Difference	0.00	0.00
 Executive	 648,508	 650,821
LFA Current Level	645,663	647,965
Difference	2,845	2,856

LFA budget - page B-63
Executive budget - page 335

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

1. The LFA budget is lower than the executive budget because the LFA budget applied a 2.4 percent vacancy rate while the executive used a 2.0 percent rate.

2. Committee Issues

Committee Action

OPERATING EXPENSES

	<u>1990</u>	<u>1991</u>
Executive	154,692	155,889
LFA Current Level	162,733	164,296
Difference	(8,041)	(8,407)

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

1. The primary differences between the executive and LFA budgets are:

a) The LFA budget includes \$8,646 more for travel than is included in the executive budget, and

b) The LFA budget includes \$5,456 more for maintenance contracts than is included in the executive budget.

2. Committee Issues

Committee Action

EQUIPMENT

1990

1991

Executive
LFA Current Level

58,868
59,424

49,825
36,669

Difference

-(556)

13,156

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

1. The executive budget includes \$12,600 more for equipment than was included in the LFA budget. The LFA budget reduced the agency request for equipment to make the total Division request consistent with average equipment expenditures over the past three years.

2. Committee Issues

Committee Action

FUNDING

1990

1991

	<u>Exec</u>	<u>LFA</u>	<u>Exec</u>	<u>LFA</u>
St Special	760,711	766,156	754,890	746,977
Federal	101,357	101,664	101,645	101,953

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

1. State Special revenue consists of premium income from the workers' compensation insurance fund and assessments paid by private insurers. Federal revenue is from mine safety grants.

Committee Issues

Committee Action

MODIFIED REQUEST
Workers' Compensation - Safety & Health

1. Office Relocation (92018)

To meet office space needs the Division rented additional space in a downtown office building (Arcade Building). This modification would fund the building rent, parking space rent, maintenance and equipment.

	<u>1990</u>	<u>1991</u>
Expenditures		
Personal Services	0	0
Operating	74,989	74,989
Equipment	24,700	0
Total	99,689	74,989
Funding		
State Special	99,689	74,989

Committee Issues

Committee Action

**DIVISION OF WORKERS' COMPENSATION
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL**

	<u>FTE</u> <u>Fiscal 1991</u>	- - - - - Biennium - - - - - <u>General Fund</u>	<u>Total Funds</u>
Executive Budget	233.75	\$ 89,841	\$43,325,563
LFA Current Level	<u>203.25</u>	<u>1,066,139</u>	<u>16,986,895</u>
Executive Over (Under) LFA	<u><u>30.50</u></u>	<u><u>\$ (976,298)</u></u>	<u><u>\$26,338,668</u></u>

The major differences between the LFA current level budget and the executive budget are: 1) the executive budget is \$136,666 greater because a lower vacancy savings factor was used in the executive budget; 2) the executive budget includes \$60,000 of legal and court costs that are not in the LFA current level budget; 3) the executive budget includes \$159,955 of computer system development costs that were excluded from LFA current level; 4) the executive budget includes \$23,856,782 for the payroll tax which is a statutory appropriation and is not included in LFA current level; 5) the executive budget funds the payment of \$976,298 of silicosis benefits with Resource Indemnity Trust funds while LFA current level funds them with general fund; and 6) the executive budget includes six budget modifications which add 30.50 FTE and \$2,124,025.

ISSUE 1: VACANCY SAVINGS

The executive has used a 2 percent vacancy savings factor in most programs compared to a 4 percent factor used in LFA current level. As a result, the executive budget is \$136,666 greater than LFA current level.

ISSUE 2: LEGAL FEES

The agency requested increased legal fees and court costs in the division's Administration Program to establish a fraud investigation unit. LFA current level for legal fees is set at the fiscal 1988 level of \$10,992 for fiscal 1990 and 1991. The executive budget includes \$40,992 for legal fees and court costs for fiscal 1990 and 1991. For the total 1991 biennium the executive budget costs exceed LFA current level by \$60,000.

ISSUE 3: COMPUTER SYSTEM DEVELOPMENT COSTS

The 1987 legislature approved a modified request to include \$181,000 in the fiscal 1988 budget for the division's Administration Program to complete development of the computer system. LFA current level for the 1991 biennium does not include any funding for further system development, while the executive budget includes \$159,955.

ISSUE 4: PAYROLL TAX

The executive budget includes \$23,856,782 for transfer of the 0.3 percent payroll tax paid by employers from September 30, 1987 to June 30, 1991. This transfer is statutorily appropriated and is therefore not included in LFA current level.

ISSUE 5: FUNDING OF SILICOSIS BENEFITS

The executive budget includes \$976,298 for the silicosis benefits program and funds this program with Resource Indemnity Trust interest. The LFA current level budget includes the same amount for this program, but funds it with general funds. See discussion under "Resource Indemnity Trust Interest Expenditures."

ISSUE 6: BUDGET MODIFICATIONS

The executive budget includes six budget modifications. These modifications would add 30.50 FTE and \$2,124,025 to the division budget. Table A summarizes the proposed modifications.

Table A
Workers' Compensation Budget Modifications

Modification	FTE	- - - Fiscal 1990 - - -		- - - Fiscal 1991 - - -	
		General Fund	Total	General Fund	Total
Legal Secretary	1.00	\$ -0-	\$ 18,097	\$ -0-	\$ 18,109
Payroll Tax Admin.	1.50	-0-	62,912	-0-	61,896
Computer Development	1.00	-0-	444,135	-0-	165,272
HB 373 Extension	22.00	-0-	479,462	-0-	474,065
Medical Review Unit	5.00	-0-	123,509	-0-	101,890
Office Relocation	0.00	-0-	99,689	-0-	74,989
Total Budget Mod.	<u>30.50</u>	<u>\$ -0-</u>	<u>\$1,227,804</u>	<u>\$ -0-</u>	<u>\$896,221</u>

The legal secretary modification will provide a legal secretary for the division's Legal Office.

The payroll tax FTE is requested to process the quarterly returns on the 0.3 percent payroll tax imposed by the 1987 legislature. These FTE would be for the 1991 biennium only.

The computer development modifications provide for continued development of data processing systems in the Administration Program.

The House Bill 373 modification recommends that the 22.00 FTE added through House Bill 373 be continued into the 1991 biennium.

The medical unit modification will establish a medical only unit responsible for reviewing and approving minor medical bills relating to an injury.

The office relocation modification provides for expenses associated with the rental of additional space.

DIVISION OF WORKERS' COMPENSATION

	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal	Fiscal	Fiscal	Fiscal	1989-91
<u>Budget Item</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>Biennium</u>
F.T.E.	213.82	204.25	203.25	203.25	(10.57)
Personal Services	\$4,696,473	\$4,589,308	\$4,506,179	\$4,516,157	(2.84)
Operating Expenses	2,991,422	2,937,285	2,860,503	2,888,536	(3.03)
Equipment	<u>304,161</u>	<u>127,540</u>	<u>178,669</u>	<u>113,428</u>	<u>(32.34)</u>
Total Operating Costs	\$7,992,056	\$7,654,133	\$7,545,351	\$7,518,121	(3.72)
Non-Operating Costs	<u>809,831</u>	<u>1,029,921</u>	<u>969,258</u>	<u>954,165</u>	<u>4.55</u>
Total Expenditures	<u>\$8,801,887</u>	<u>\$8,684,054</u>	<u>\$8,514,609</u>	<u>\$8,472,286</u>	<u>(2.85)</u>
<u>Fund Sources</u>					
General Fund	\$ 52,446	\$ 64,583	\$ 541,792	\$ 524,347	811.00
State Special	8,630,158	8,494,595	7,837,929	7,812,748	(8.61)
Federal Revenue	<u>119,283</u>	<u>124,876</u>	<u>134,888</u>	<u>135,191</u>	<u>10.62</u>
Total Funds	<u>\$8,801,887</u>	<u>\$8,684,054</u>	<u>\$8,514,609</u>	<u>\$8,472,286</u>	<u>(2.85)</u>

Program Description

The Division of Workers' Compensation is responsible for several laws relating to Montana's workers. The division administers the state workers' compensation insurance plan, monitors private workers' compensation insurance carriers and self-insured entities, assists businesses and individuals with information concerning the state workers' compensation statutes and claims, and conducts safety reviews. The division consists of four bureaus: 1) Administration, 2) State Insurance Fund, 3) Insurance Compliance, and 4) Safety and Health.

Budget

In general, the budget presented represents a continuation of the level of effort approved by the legislature for the 1989 biennium. A more detailed discussion of budget issues is included in the discussion of each bureau.

Funding

General fund supports the cost of social security offset and silicosis payments made by the Insurance Compliance Bureau. State special revenue consists of premium income from the workers' compensation insurance fund which funds most of the operational costs of the division. Federal funds consist of Occupational Safety and Health Administration support for on-site evaluation programs and coal mine safety.

ADMINISTRATION PROGRAM

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change 1989-91 Biennium
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	
F.T.E.	41.00	39.50	39.00	39.00	(2.00)
Personal Services	\$ 977,552	\$ 928,228	\$ 922,040	\$ 923,922	(3.14)
Operating Expenses	703,183	536,175	590,312	548,108	(8.14)
Equipment	26,228	42,393	65,886	30,369	40.27
Total Operating Costs	\$1,706,963	\$1,506,796	\$1,578,238	\$1,502,399	(4.14)
Non-Operating Costs	231,385	431,338	439,815	441,165	32.93
Total Expenditures	\$1,938,348 =====	\$1,938,134 =====	\$2,018,053 =====	\$1,943,564 =====	2.20 =====
<u>Fund Sources</u>					
State Special	\$1,909,824	\$1,905,065	\$1,984,829	\$1,910,326	2.10
Federal Revenue	28,524	33,069	33,224	33,238	7.91
Total Funds	\$1,938,348 =====	\$1,938,134 =====	\$2,018,053 =====	\$1,943,564 =====	2.20 =====

Program Description

The Administration Program is responsible for overall management and support services of the division.

Budget

The personal services budget represents a decrease of 0.5 FTE from the level approved by the legislature for the 1989 biennium. A 0.5 FTE is transferred from the division's Safety and Health Bureau and 1.0 FTE that was approved for the 1989 biennium only is eliminated. The 41.0 FTE in the fiscal 1988 actual also includes the 0.5 FTE transferred from the Safety and Health Bureau and 1.0 FTE that was transferred to the Administration Program from the State Fund for the 1989 biennium only. The personal services budget includes a 4 percent vacancy savings allowance.

Fiscal 1988 operating expenses include \$174,125 of one-time system development costs. The increase in the fiscal year 1990 operating expenses budget is the net result of: 1) a \$15,446 increase in janitorial services which resulted from an increase in the janitorial contract for the Workers' Compensation building; 2) a \$29,813 increase in legislative audit fees as only \$11,429 of the biennial audit appropriation was expended in fiscal 1988 (the remaining \$30,156 of the biennial audit appropriation will be carried forward to fiscal 1989); 3) a \$12,635 reduction in printing costs; 4) a \$10,283 reduction in postage costs; 5) a \$5,854 increase in photocopy equipment which represents the additional cost of renting a copy machine large enough to handle the current volume of work; 6) a \$23,349 increase in maintenance contracts for equipment which represents the additional costs associated with recently purchased data processing equipment;

DIVISION OF WORKERS' COMPENSATION
Page 3

and 7) a \$10,397 increase in administrative charges paid to the Centralized Services Division of the Department of Labor. The reduction from fiscal 1990 to 1991 is the result of the \$41,242 for legislative audit which is included in fiscal 1990 only.

Non-operating expenses consist of debt service payments for the workers' compensation building. Prior to fiscal 1989, part of the building payment was made with interest earned from the building account.

Equipment expenses consist primarily of data processing equipment.

Funding

State special revenue consists of premium income from the workers' compensation insurance fund. Federal revenue is grant money from the federal Occupational Safety and Health Administration.

STATE INSURANCE FUND

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change 1989-91 Biennium
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	
F.T.E.	106.57	98.00	98.00	98.00	(8.57)
Personal Services	\$2,198,452	\$2,094,781	\$2,072,738	\$2,077,201	(3.34)
Operating Expenses	1,767,396	1,803,665	1,735,762	1,816,475	(0.53)
Equipment	196,175	56,550	47,152	43,771	(64.02)
Total Expenditures	<u>\$4,162,023</u>	<u>\$3,954,996</u>	<u>\$3,855,652</u>	<u>\$3,937,447</u>	<u>(3.99)</u>

Fund Sources

State Special	<u>\$4,162,023</u>	<u>\$3,954,996</u>	<u>\$3,855,652</u>	<u>\$3,937,447</u>	<u>(3.99)</u>
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ISSUES	- - - - Fiscal 1990 - - - -		- - - - Fiscal 1991 - - - -	
	General Fund	Other Funds	General Fund	Other Funds
1. House Bill 373	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Program Description

The State Fund administers the state workers' compensation insurance fund. It enrolls employers requesting coverage and pays wage loss and medical benefits according to state law.

Budget

In 1987 the legislature passed House Bill 373 which provided that the staffing level of certain functions would be determined by the actual workload.

Based on workload increases in fiscal 1988, operating plans were approved to increase authorized FTE by 8.57, personal service spending authority by \$230,403, and related operating expense spending authority by \$51,724. There were delays in filling some of the added positions, and \$73,000 in unused personnel costs were transferred to operating expenses. Actual fiscal 1988 expenses related to House Bill 373 authorizations were \$140,774 in personal service expenses and \$114,678 in operating expenses. These expenses are not included as part of the current level base.

The personal services budget represents a continuation of the same staffing level approved by the legislature for the 1989 biennium. The personal services budget includes a 3.4 percent vacancy savings allowance, which is supported by actual vacancies experienced in fiscal 1988.

Fiscal 1988 operating expense includes \$113,611 of costs not related to base level operations, leaving an adjusted base of \$1,654,735. The operating expenses budget for fiscal 1990 includes the following increases: 1) \$86,904 in consultant and professional services, which represents anticipated increases in the cost of professional insurance rating services; 2) \$42,851 in insurance and bonds, which represents increases in premiums for the current level of catastrophic insurance coverage; 3) \$15,565 in audit fees, which represents increases in the cost of Department of Labor's audit bureau; 4) \$7,969 in postage, which results from increased postage rates; and 5) \$5,147 in equipment maintenance, which represents the additional costs associated with recently purchased equipment. These increases were offset by a \$78,087 decrease in the cost of providing base level data processing services.

Equipment expenses consist of automobiles, data processing equipment, and office equipment. The agency's request was reduced by \$36,591 to be consistent with the division's average equipment expenses in fiscal years 1986 through 1988.

Funding

Funding is provided by the state workers' compensation insurance funds, which are derived from premiums, investment earnings, assessments on employers, and other income.

ISSUE 1: HOUSE BILL 373

In 1987 the legislature passed House Bill 373 authorizing the Division of Workers' Compensation to employ necessary staff to ensure processing of all claims for compensation within 14 days after initial acceptance of liability for a claim. This law provided that the division should implement staffing patterns that are supported by the following workload indicators:

- 1) the number of open claims per examiner may not be less than 300;
- 2) there may not be more than two support staff for each claims examiner; and
- 3) there may not be more than 1.4 FTE for administrative and underwriting staff per 1,000 policyholders.

To implement the provisions of this law, whenever increases or decreases of staff are necessary the division administrator must submit a revised operational plan to the budget office for review and approval and to the Legislative Finance Committee for review. In fiscal 1988, two revised operational plans were submitted under the provisions of this law. The additional spending authority is summarized in Table 1.

Table 1
Increases in Fiscal 1988 Spending Authority Approved in
Accordance with the Provisions of House Bill 373

<u>Budget Item</u>	<u>11/25/87</u>	<u>4/27/88</u>	<u>Total</u>
Personal Services	\$174,207	\$ 56,196	\$230,403
Operating Expenses	27,788	23,936	51,724
Equipment	64,050	23,700	87,750
Total	<u>\$266,045</u>	<u>\$103,832</u>	<u>\$369,877</u>

The increased spending authority in operating expenses and equipment categories relates to expenses to support the increased staffing levels.

In June 1988, the division submitted a revised operational plan to move \$73,000 from personal services to contracted services to cover excess computer costs. The division stated that delays in filling the positions authorized under House Bill 373 operating plans resulted in personal services expenditures being less than originally budgeted.

Spending authority granted under provisions of House Bill 373 was used to pay excess computer development expenses even though House Bill 373 only provides for increases in staffing when needed to meet claims processing goals.

The legislature may wish to increase legislative control over the Division of Workers' Compensation interim funding changes.

Option A: Repeal House Bill 373.

Option B: Include language in the General Appropriations Act which specifies that any increases in workers' compensation spending authority granted under the provisions of House Bill 373 be limited to those expenses directly related to increases in workload.

Option C: Take no action.

INSURANCE COMPLIANCE

<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - -</u>		<u>% Change 1989-91 Biennium</u>
			<u>Fiscal 1990</u>	<u>Fiscal 1991</u>	
F.T.E.	41.75	41.75	41.75	41.75	0.00
Personal Services	\$ 846,700	\$ 883,395	\$ 865,738	\$ 867,069	0.16
Operating Expenses	362,107	414,608	371,696	359,657	(5.84)
Equipment	58,210	4,100	6,207	2,619	(85.84)
Total Operating Costs	\$1,267,017	\$1,302,103	\$1,243,641	\$1,229,345	(3.74)
Non-Operating Costs	578,446	598,583	529,443	513,000	(11.43)
Total Expenditures	<u>\$1,845,463</u>	<u>\$1,900,686</u>	<u>\$1,773,084</u>	<u>\$1,742,345</u>	<u>(6.16)</u>
<u>Fund Sources</u>					
General Fund	\$ 52,446	\$ 64,583	\$ 541,792	\$ 524,347	811.00
State Special	1,793,017	1,836,103	1,231,292	1,217,998	(32.51)
Total Funds	<u>\$1,845,463</u>	<u>\$1,900,686</u>	<u>\$1,773,084</u>	<u>\$1,742,345</u>	<u>(6.16)</u>

Program Description

Insurance Compliance assists claimants, insurance adjusters and carriers, employers, attorneys, and medical providers in interpreting and complying with the workers' compensation and occupational disease acts. The division monitors the adequacy of coverage and payment to injured workers by private insurers.

Budget

The personal services budget represents a continuation of the same staffing level approved by the legislature for the 1989 biennium and includes a 4 percent vacancy savings allowance.

Operating expenses increased slightly over the fiscal 1988 level. The most significant increases are: 1) \$15,130 for Department of Labor audit fees; 2) \$6,525 for printing routinely used forms; 3) \$8,040 for adding a third WATS line; and 4) \$3,067 for maintenance contracts which represents the additional cost associated with recently purchased equipment. These increases were offset by a \$20,693 decrease in the cost of providing base level data processing services.

Non-operating expenses are for: 1) social security offset payments and 2) silicosis benefits paid to those persons who contracted the disease on the job prior to 1959 and to widows of silicotics. The social security offset payments are made to those persons adversely affected by a 1974 law offsetting payments from the division for any social security payments received for the same purpose. The following table summarizes the level of payments in these programs.

2
1/9 89
POSITIONS ACQUIRED THROUGH HOUSE BILL 373

Claims Unit:

The additional FTE's in the Claims Unit consist of four claims examiner II's, grade 13, two word processing operators, grade 6, and two receptionists, grade 7. These were all originally authorized through HB 373. As of June 30, 1987, the claims examiners' workload was about 532 claims per examiner. Since that time we have hired two claims examiner I's, which reduced their workload to about 100 claims per examiner. The addition of the four claims examiner II's will reduce the claims examiners II and III's to about 375 claims per examiner. More recent data shows our open claims file has increased, but we will be in a better position to reflect more accurate numbers after the reserve analyst completes her review of the open claims. With the additional staff, we are well above the statutory requirements and considerably above the actual or standards used by other state funds or the insurance industry.

The two word processing operators, along with the staff increases in other units, still keep us well below the statutory guidelines. The word processing operators will support the four Claims Units.

The telephone problems are known to all who deal with Workers' Compensation. We hope to disperse calls relating to claims to the two major Claims Units with a receptionist in each unit. This will require us to obtain new equipment, new lines, publish new numbers, etc.

File Unit:

The claims examiners have had an ongoing problem of obtaining files on a timely basis to handle problems in regard to injuries. The current file room staff is unable to insert information in the file, pull files for compensation, pull files for medical payments, pull files for priority mail and still pull the files for routine requests. We plan to assign one file clerk to each major Claims Unit to work exclusively in assisting examiners to locate, pull and deliver the files.

Administration & Operations Unit:

The additional FTE's in these units consist of a reserve analyst and administrative officer which were authorized through HB 373. The accuracy of our reserves affects rate-making as well as the financial condition of the Fund. The visibility of these reserves demand they be maintained on a current basis.

One reserve analyst simply cannot review and evaluate 8,000 to 9,000 open claims on a timely basis. In addition, the actuary recommended other tasks and procedures which could be implemented if we had adequate staff.

Positions Acquired through House Bill 373

Page 2

The administrative officer will serve in a staff position to assist the Bureau Chief. Presently, all SCIF staff have direct operational and line responsibility. The new reform legislation will require SCIF to monitor rehabilitation, rehabilitation and impairment panels, as well as Health Care Systems, and the new data base computer system. This position will be responsible for establishing and implementing plans and procedures to accomplish the responsibilities mentioned above. In addition, the position is needed to plan and implement performance appraisals, research on various matters, reviewing and recommending needed legislation, etc.

Department of Labor and Industry	Executive Planning Process 1991 Biennium	Proposed Additions
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Complete one form for each proposed addition to your current level budget(s). Number the additions in priority order. Number One is considered top priority for your Division.

Division: Workers' Compensation Addition No.: 2

Prepared by: Carla Smith Date: 2/11/88

Answer Question #1 OR #2 AND #3.

1. Describe workload increases related to the services currently provided by your Division: (Attach additional pages as necessary.) The 1985 Legislature added two attorneys and one secretary to the State Insurance Fund. At that time, the Division Legal Office had one grade 11 para-legal assistant. The Division's para-legal assistant was transferred to the State Fund, with the new secretarial position being transferred to the Legal Office. This secretarial position is the only clerical support for the Legal Office. However since the positions added in 1985 have been continued for only two years at a time, this sole clerical support has had to be re-justified each biennium.

2. Describe new programs or services your agency would like to provide in the 1991 Biennium (FY90 and FY91):

3. Estimate cost of additions on attached budget sheet(s).

MED PAY WORKLOAD & FTE REQUIREMENTS

Daily Workload:

Vendor invoices to be processed

- a) Heavy Day - 1100
- b) Light Day - 700

Requirements:

Prepared invoices (documents) for payment.

- a) Sort Items into Units
 - i) 39's Physician Report & Bill
 - ii) Hospital Bills
 - iii) General Medical
 - iv) Priority Items
 - v) File Room Reports
 - vi) Other--including Drug Bills
- b) Batch similar items (eg., Hospital Bills) into groups of 25.
 - i) Highlight various items on invoice that need capturing by data entry.
 - ii) Run adding machine tapes and attach to each batch.
- c) Key batches on data entry terminal.
 - i) Enter highlighted information.
 - ii) Note payment on each document.

Additional Unit Duties

- d) Assign new provider codes.
- e) Return incomplete mail.
- f) Other processing.

Production--Daily:

- | | | |
|----|------------------------------------|-----------------------|
| a) | Sort Items into Units | 5.0 work hours |
| b) | Batch Items for Data Entry | |
| | 5/6 hour per batch | |
| | i) 1100--unacceptables 100 = 1,000 | |
| | 1000 \div 25 = 40 X 5/6 = | 33.3 work hours |
| | ii) 700--50 unacceptables 50 = 650 | |
| | 650 \div 25 = 26 X 5/6 = | 21.6 work hours |
| c) | Key batches to computer | |
| | i) 40 batches @ 1 hour per = | 40.0 work hours |
| | ii) 26 batches @ 1 hour per = | 26.0 work hours |
| d) | Assign new codes | 5.0 work hours |
| e) | Return mail | 5.0 work hours |
| f) | Other | <u>5.0 work hours</u> |

Work Hour Requirements

- a) Heavy Day - 93.3 hours
- b) Light Day - 67.6 hours

4. FTE Requirements:

1 FTE = 6.75 production hours daily

a) Heavy Day - 93.3 ./ 6.75 = 13.80 FTE

b) Light Day - 67.6 ./ 6.75 = 10.00 FTE

5. Current Authorized Staff:

a) Medical Data Entry Supervisor	
Grade 9, Position 195	1.00
b) Medical Data Entry Operator III	<u>4.00</u>
Grade 7, Positions 136,143,194,1115	
	5.00

6. Staff Requirements:

a) Supervisor	1.00
b) Production	<u>10.00</u>
Light Days Total	<u>11.00</u>
c) Production	<u>14.00</u>
Heavy Days Total	<u>15.00</u>

7. Staffing Request - Additional FTE:

- 1) 7 - Medical Data Entry Operation III, Grade 7.
- 2) Contracted Services Funds for additional help during peak workloads.

PAYROLL TAX

The last Legislature passed a .3% payroll tax to be imposed on all employers subject to the workers' compensation laws. The tax is due quarterly.

Reporting forms are sent to 35,000 employers once a year, with the employers returning the appropriate quarter's form within one month of the end of the quarter. When the returns are received, they are date stamped, validated, batched, and entered to the computer system. The following delineates the time required to accomplish the process:

Mail Operation:

Mail out forms:

Initial 35,000 each year	26 hours
First delinquency notice - 10 hrs/qtr	40
Second delinquency notice - 5 hrs/qtr	20

Receipt forms:

Initial returns - 125 hrs/qtr	500
First delinquency notice - 31 hrs/qtr	126
Second delinquency notice - 16 hrs/qtr	64

Accounting

Endorse, validate, batch, photocopy changes - 175 hrs/qtr	700
Run tapes, log batches - 2 hrs/day for 1 mo/qtr - 44 hrs/qtr	176
Respond to telephone calls - 2 hrs/day for 1 mo/qtr	176
Update employer information - 1 hr/day	260
Review daily updates and record on SBAS - 1 hr/day	260
Reconcile computer system to SBAS - 6 hrs/mo	72

Data Entry:

Enter returns - 150 hrs/qtr	600
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Total Hours/Year	3,016
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1.5 FTE

Payroll Tax Proposal
Page 2

BUDGET

Personal Services:

Salaries - 1.5 FTE, grade 6, step 1 - 3,120 hrs	
@ \$5.248	\$16,374
Employee Benefits @ 11%	<u>1,801</u>
	<u>\$18,175</u>

Operating Expenses:

Contracted Services:

Data Processing Operational Costs -	
\$1,600/mo	\$19,200

Printing:

Initial Forms	\$ 8,500	
Delinquency Notices	400	
Logs	<u>25</u>	8,925

Supplies:

Envelopes:

First Delinquency Notice:		
28,000 @ 1¢	\$ 280	
Second Delinquency Notice:		
14,000 @ 1¢	<u>140</u>	420

Communications:

Long Distance - \$85/mo	\$ 1,020
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Postage:

Initial Forms:

28,700 @ 18¢	5,166
6,300 @ 22¢	1,386

First Delinquency Notice:

21,000 @ 18¢	3,780
7,000 @ 22¢	1,540

Second Delinquency Notice:

10,500 @ 18¢	1,890	
3,500 @ 22¢	<u>770</u>	<u>15,552</u>

TOTAL BUDGET REQUEST

\$62,272

Department of Labor and Industry	Executive Planning Process 1991 Biennium	Proposed Additions
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Complete one form for each proposed addition to your current level budget(s). Number the additions in priority order. Number One is considered top priority for your Division.

Division: Workers' Compensation Addition No.: 6

Prepared by: John King Date: 2/11/88

Answer Question #1 OR #2 AND #3.

1. Describe workload increases related to the services currently provided by your Division:—(Attach additional pages as necessary.)
In addition to the open claim file workload, our regular claims examiners are responsible for reviewing and approving medical bills on claim files with no lost time. SCIF receives about 16,000 accident reports a year, of which about 3,500 are lost time. This means 11,000 to 12,000 files must also be reviewed by the claims examiners to approve generally minor medical bills relating to the injury. We believe a more cost-effective way to handle this workload is to follow the example of other state funds by establishing a medical only unit to approve these payments. This would allow the regular examiners more time to successfully manage the more serious claims, even though their claims load exceeds the actual workload of other funds and insurance industry standards. Rather than require grade 12 through 14 examiners to perform these functions, we could establish a unit of four medical examiners at grade 11 to review and approve medical only claims. This unit could also serve as a career ladder for claims examiners.
2. Describe new programs or services your agency would like to provide in the 1991 Biennium (FY90 and FY91):
3. Estimate cost of additions on attached budget sheet(s).

COMPUTER DEVELOPMENT/PROGRAMMER

The Administrative Support Bureau is responsible for all computer operations, programming and equipment maintenance. This includes, but is not necessarily limited to, all in-house special processing support such as Word Processing, Office, Data Entry programs, systems disaster and recovery, security, consultation on all development, I/O control services, Division Data Entry, and all Division programming.

There are currently six FTE's carrying out these tasks: Two Data Entry Operators, one I/O Controller, one Computer Operator/Programmer, one Programmer Analyst, and one Data Management Specialist. In the current biennium the in-house computer service has grown from one WANG VS100 with 96 users to two VS100s with 133 users, and is continuing to grow, not only in size but also in complexity. The result of this growth is that current staff are not able to maintain the level of service necessary to keep the Division's computer systems operational and complete more than just a minimum number of new programs.

With the addition of a remote location in Helena, as well as installation of satellite offices in two locations, the Division must have adequate technical support to ensure that all public services are available on a daily basis. With current staffing, we cannot support these diverse systems adequately, and the Division will risk significant down-time. With the proposed Systems Administrator/Programmer on staff, adequate personnel will be available to service both in-house and remote locations, and a number of the reports associated with the 1990-91 new development could also be completed in-house, saving approximately \$130,000 in Systems Development Bureau (D of A) costs during the next biennium. This savings more than offsets the personnel costs associated with the additional FTE.

COMPUTER DEVELOPMENT:

A number of development projects will be required in the 1990-91 biennium. Following is a description of each of these projects and two estimates of the amount of money it will take to complete them: One estimate if SDB completes all programming development, and another estimate if SDB completes only the editing and updating and DWC completes the report writing portions of the development (contingent upon the additional programmer).

Uninsured Employers' and Employer Compliance System

Currently employer coverages under Plans I and II are tracked on two systems linked by an interfacing process. When there are lapses in coverage, the user is forced to guess whether the

employer was with the State Fund, Uninsured, out of business, or had no employees. This results in many hours spent researching coverages that could be readily identified. In addition, there is not adequate tracking of payments made on Uninsured claims or on fines collected. This system would allow for development of a universal "employer", under which all coverages and lapses of coverage could be identified and appropriately tagged. Uninsured claims could be assigned to the employer's uninsured periods, with fines recorded and payments tracked.

Subsequent Injury Tracking System

Only manual records are kept on individuals that have applied for Subsequent Injury Fund benefits. Often notice that a claim is becoming eligible is not identified until just before benefits are to be paid. This results in an inability to manage the Fund by anticipating expenditures. All payments are made and tracked through the SBAS system, making flexible reporting and subsequent analysis a manual process. This proposed system would allow for identifying potential Subsequent Injury claimants in the DWC system so that timely review of claims can be accomplished. In addition, recording of payment information will allow for adequate analysis and projections for management of the Fund.

Carrier Expenditures Tracking

Insurance Carriers report their wage loss expenditures to the Division monthly. The current system requires the Department of Administration to data enter these monthly forms. Then a series of reports are generated to indicate the information that was updated. The system is very prone to error and difficult to manage. The proposed system would incorporate the tracking of expenditures for assessment with the carrier information maintained in the main system, consolidating all carrier information into one easy-to-manage system.

Year-end Maintenance and Purge of Claims and Compliance Employer Information

The only annual clean-up and maintenance that is performed is on the Plan III employer files. Old records that should be deleted or transferred to permanent storage are not purged resulting in an environment of constant growth, slow processing and increased processing costs. The proposed purge process would go through all the files, purging unnecessary or duplicate information and storing for historical purposes all old claim information, payment information, and Compliance employer information that is no longer required for daily operation.

Management Information and Statistical System

The computer systems that have been implemented over the last four years have included only those reports that were necessary to conduct day-to-day business and support actuarial reporting. Although there is a wealth of information captured, there are few or no reports that provide management information to assist in directing Division resources or to report to the Legislature, and only limited reports to support actuarial and ratemaking activities. This project would allow for the development of regular reporting from the data base, as there are limited Division resources to count documents, manually calculate lag in payments and premiums received, to survey employers and claimants or manually collect information already captured in the computer information base.

Inventory System

This system would allow for capture of information relating to the Division's inventory of forms, supplies, and computer equipment. It would allow for a computerized archived records system. Currently we keep manual records on these items which are slow to research and maintain. A computer system would greatly improve the maintenance and stock room staff's ability to search and order stock and retrieve records.

Return-to-Work System

When the last legislative session passed the workers' compensation reform legislation, little money was allocated to provide computer system support for monitoring and tracking the return-to-work programs. This system will allow for computer capture and subsequent reporting of information regarding the programs instituted for evaluating, retraining, and/or rehabilitating claimants. It will allow for more extensive payment identification of wage supplements, vocational rehabilitation payments, and partial rehabilitation benefits. It will track the vocational rehabilitation period, identifying the rehabilitation provider assignment, and provide information on rehabilitation evaluations. This information is manually tracked now making it prone to error and omissions, as well as making collection of good management information virtually impossible.

Claims Control System

This system will capture and retrieve claims information needed to manage benefits on a daily basis. This information is

available now only through retrieval of the paper file, resulting in an environment where proper claims management cannot take place without the original (and only) paper claim file. This system will support Claims, Field, Reserving, and management who all need the paper file to conduct claims business. Information regarding claims mediation and subsequent litigation, impairment evaluations, social security involvement, payment of advances and awards, and a comprehensive system to support the Early Contact and Field Evaluation activities will be available.

Automated Initial Reserving

The Reserve Analyst assigns initial reserves (based on a schedule of initial reserves that are provided annually by the State Fund actuaries) to each new claim as wage loss benefits are initiated. The proposed system would allow for automatic assignment of the initial reserve value upon payment of the first compensation check and for flagging the claim for review six months later. This system would greatly reduce file handling and transaction processing by the Reserve Analyst on new claims. This system was recommended in the last Division Legislative Audit.

Automated Medical Bill Reporting

All medical bills are submitted to the Division by medical providers on hard copy (paper). The State Fund must review the bill for completeness, batch, total and enter the values to the computer system for update and payment. This system would allow medical providers to submit billings for payment on computer tape, diskette, or through telephone lines. This process would eliminate the need for the State Fund to handle the paper, audit or enter the information, resulting in improvement in medical payment lag. In addition, this capability will improve accuracy and will provide significant manpower savings to the provider, who will no longer need to hand-type bills to the State Fund. This type of system would also reduce the space required to maintain accident files.

Automated Medical Profiling

The addition of a medical profile to a claim is the media that will allow or disallow payment of medical bills. Each profile attribute must be manually updated to a claim by a claims examiner or a medical profiler. The proposed system will allow for generation of "basic" profiles developed from experience. These profiles will be applied based on a simple indication of the nature of injury and part of body injured. Thus, new claims

and changes to claims can have full profiles assigned through application of a set of basic identifiers. This capability will be a significant systems improvement for the claims examiners and profilers daily by minimizing their need to memorize and apply the complex codes required to operate the payments process. It will maximize the ability to make payments to providers without having to make exception review.

Employer-Premium Billing System

The State Fund employer billing system needs more flexibility in order to be more responsive to the needs of the insured. The current system cannot provide billing in advance, automated estimated billing, billing based on policy period, monthly billing or interest on past due premium. The billing format does not include payroll reported which is confusing to employers and allows no avenue for verifying that the billing is accurate. The billing form must be revised during the next biennium.

Inhouse Experience Rating Plan

Experience ratings are calculated based on State Fund information provided to the National Council on Compensation Insurance, who is paid to calculate the ratings. This system would allow the State Fund to calculate these ratings without NCCI intervention, saving the service costs, expediting the calculation and providing for more flexibility in the use of the experience rating concept.

Retrospective Rating Plan

If retrospective rating is made available to employers through their State Fund coverage, this system will allow for identifying those employers, analyzing their experience, and for special billing. It will also allow the State Fund to obtain profitable accounts that currently insure with a private carrier.

<u>BUDGET:</u>	<u>Biennial Cost</u>	
	<u>SDB ONLY</u>	<u>SDB/DWC PROGRAMMER</u>
Uninsured/Compliance	\$ 75,000	\$ 50,000
Subsequent Injury	25,000	15,000
Carrier Assessment	25,000	10,000
Year End Maintenance	45,000	45,000
Management Information	45,000	5,000
Inventory	10,000	3,000
Return to Work	85,000	65,000
Claims Control	85,000	65,000

Computer Development/Programmer Proposal
Page 6

<u>BUDGET:</u>	<u>SDB ONLY</u>	<u>Biennial Cost</u> <u>SDB/DWC PROGRAMMER</u>
Initial Reserving	\$ 15,000	\$ 10,000
Automated Medical Billing	5,000	1,000
Automated Medical Profiling	60,000	45,000
Employer Premium Billing	75,000	70,000
Experience Rating	25,000	5,000
Retrospective Rating	25,000	15,000
Cost of Programmer Position	<u>-0-</u>	<u>65,720</u>
 TOTAL BUDGET REQUEST	 <u>\$600,000</u>	 <u>\$469,720</u>

COMPUTER EQUIPMENT PROPOSAL

The DWC computer system is very nearly full in its current configuration. It is anticipated that the system will need significant expansion by the end of the 1990-91 biennium. This expansion will be driven by three factors: the Darko legislation, other new employees of the Division and the increasing utilization of the computer system by existing personnel. The following equipment is required to support the anticipated demand:

A. Input/Output processors 3 @ \$3,500 for a total of \$10,500.
These processors are required to attach 48 more terminals or other devices to the computer.

B. Communication equipment 2 @ \$2,500 for a total of \$5,000.
Required to allow access to the database on the state computer system for the additional terminals.

C. Tape drive \$15,000.
A single tape drive is presently shared by two computer systems. A second drive would provide a backup in the event of equipment failure, would alleviate some operational problems and would shorten the down time due to daily system backups. Without a systematic program of backups, all data entered to the computer is at risk of loss or corruption. These daily tapes are the only means of restoring in the case of equipment failure or damage.

D. Memory \$60,000.
In order for the computers to run effectively at higher loading, it will be necessary to increase the memory. Inadequate memory will cause all users to experience significant response time delays in whatever they are doing on the WANG computer.

E. Disk storage \$22,000.
The B system will need additional disk capacity to support the numbers of users and applications on a fully loaded system. Insufficient disk storage will create limits on: the number of users who can log on, the ability of the users to create and store information, the ability of the system to support new software, and in general will slow down the system response time for all users.

The total cost of expansion of the two computers is estimated at \$112,500.

The regional office concept and the field staff portable computer concept require equipment and software at the central site for communications with remote devices. Some of the equipment is already available. Additional phone lines and modems would be required. The estimated cost of software is \$6,250.

FACILITY REQUIREMENTS

Room construction \$3,000.

The computer room is too small for the equipment configuration. There is insufficient space for proper maintenance access. The crowded conditions also compound the cooling problem. We propose to remove the south wall of the present room to expand into the small storage room. The air conditioning system will need relocation and additional electrical wiring will be required.

B. Auxiliary cooling \$1,000.

The computer room has a dedicated air conditioning system. Failure of the cooling system forces both of the computers to be shut down to avoid permanent damage. This would cause all computer users in the Division to be shut down. The proposal is to add a simple ducting and fan system to allow the computer equipment to remain operating until the air conditioner can be repaired.

ARCADE BUILDING MODIFICATION

During Fiscal Year 1989, the Safety Bureau moved to the Arcade Building. This modification includes ongoing costs of that building, as well as additional costs if it becomes necessary to move more staff.

	<u>1990</u>	<u>1991</u>
Janitorial services	\$ 8,290	\$ 8,290
Data line to hook up computer system	4,200	4,200
Data processing supplies	1,670	1,670
Building rent and common space costs	52,800	52,800
Parking spaces	5,301	5,301
Maintenance contracts for Safety data processing equipment	2,728	2,728
Equipment required to hook up computer system	<u>24,700</u>	<u> </u>
TOTAL COST	<u>\$99,689</u>	<u>\$74,989</u>

DEPARTMENT OF LABOR & INDUSTRY
Employment Services - Job Service

<u>PERSONAL SERVICES - Job Service</u>	<u>1990</u>	<u>1991</u>
Executive FTE	309.60	307.85
LFA Current Level FTE	328.70	328.70
Difference	(19.10)	(20.85)
Executive	7,681,325	7,660,326
LFA Current Level	7,838,781	7,854,264
Difference	(157,456)	(193,938)

LFA budget - page B-42
Executive budget - page 320

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

1. The executive budget varies from the LFA budget as a result of the following:

a) The executive budget eliminates 14.00 vacant FTE and the positions associated with the federal work incentive program (5.10 FTE in fiscal 1990 and 6.85 in fiscal 1991). Elimination of these positions reduces the personal services budget by \$327,053 in fiscal 1990 and \$364,608 in fiscal 1991.

b) The executive budget uses a 2.0 percent vacancy savings rate while the LFA budget uses a 4.0 percent rate. The higher rate reduces the personal services budget by \$169,597 in fiscal 1990 and \$170,670 in fiscal 1991.

2. Executive Issues

3. Committee Issues

Committee Action

<u>OPERATING EXPENSES</u> - Job Service	<u>1990</u>	<u>1991</u>
Executive	2,913,589	2,876,753
LFA Current Level	2,931,489	2,900,280
Difference	(17,900)	(23,527)

LFA budget - page B-42
Executive budget - page 320

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

1. Executive Issues

2. Committee Issues

Committee Action

EQUIPMENT - Job Service

1990

1991

Executive	158,065	103,764
LFA Current Level	159,478	104,970
Difference	(1,413)	(1,206)

LFA budget - page B-42

Executive budget - page 320

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

1. Executive Issues

2. Committee Issues

Committee Action

<u>NON-OPERATING - Job Service</u>	<u>1990</u>	<u>1991</u>
Executive	22,000	0
LFA Current Level	190,600	221,000
Difference	(168,600)	(221,000)

LFA budget - page B-42
Executive budget - page 320

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

1. The non-operating expenses represent capital projects for Job Service offices, and are included in the long-range building plan.

2. Executive Issues

3. Committee Issues

Committee Action

FUNDING - Job Service 1988

1989

	<u>Exec</u>	<u>LFA</u>	<u>Exec</u>	<u>LFA</u>
St Special	84,649	85,000	84,637	85,000
Federal	10,690,330	11,035,348	10,556,206	10,995,514

LFA budget - page B-42

Executive budget - page 320

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

1. Executive Issues

2. Committee Issues

Committee Action

DEPARTMENT OF LABOR AND INDUSTRY
Employment Services - Unemployment Insurance

<u>PERSONAL SERVICES - Unemployment Ins</u>	<u>1990</u>	<u>1991</u>
Executive FTE	84.90	84.90
LFA Current Level FTE	88.90	88.90
Difference	(4.00)	(4.00)
Executive	1,906,394	1,911,327
LFA Current Level	1,922,894	1,927,754
Difference	(16,500)	(16,427)

LFA budget - page B-43

Executive Budget - page 321

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

1. The executive budget varies from the LFA budget as a result of the following:

a) The executive budget eliminates 4.0 vacant FTE which reduces the budget by \$57,643 in fiscal 1990 and \$57,674 in fiscal 1991.

b) The executive budget uses a 2.0 percent vacancy savings rate while the LFA budget uses a 4.0 percent rate. The higher rate reduces the budget by \$41,145 in fiscal 1990 and \$41,247 in fiscal 1991.

2. Executive Issues

3. Committee Issues

Committee Action

<u>OPERATING EXPENSES</u> - Unemployment Ins	<u>1990</u>	<u>1991</u>
Executive	1,299,126	1,277,119
LFA Current Level	1,196,420	1,164,047
Difference	102,706	113,072

LFA budget - page B-43
Executive Budget - page 321

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

1. The primary differences between the executive and LFA budgets are:
 - a) The LFA budget for contracted services is \$185,440 lower than the executive budget. The difference relates to computer processing charges.
 - b) The LFA budget for indirect assessments is \$32,124 lower than the executive budget.

2. Executive Issues

3. Committee Issues

Committee Action

<u>EQUIPMENT</u> - Unemployment Ins	<u>1990</u>	<u>1991</u>
Executive	65,000	45,000
LFA Current Level	65,000	45,000
Difference	0	0

LFA budget - page B-43
Executive Budget - page 321

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

1. Executive Issues

2. Committee Issues

Committee Action

FUNDING - Unemp Ins 1990

1991

	<u>Exec</u>	<u>LFA</u>	<u>Exec</u>	<u>LFA</u>
Federal	3,270,520	3,184,314	3,233,446	3,136,801

LFA budget - page B-43

Executive Budget - page 321

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

1. This program is funded entirely from federal unemployment insurance funds.

2. Executive Issues

3. Committee Issues

Committee Action

DEPARTMENT OF LABOR & INDUSTRY
Employment Services - Centralized Services

<u>PERSONAL SERVICES - Cent Services</u>	<u>1990</u>	<u>1991</u>
Executive FTE	68.00	68.00
LFA Current Level FTE	69.00	69.00
Difference	(1.00)	(1.00)
Executive	1,786,989	1,790,887
LFA Current Level	1,691,396	1,695,068
Difference	95,593	95,819

LFA budget - page B-44

Executive budget - page 322

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

1. The executive budget varies from the LFA budget as a result of the following:

a) The executive eliminated 2.00 vacant FTE and the LFA eliminated 1.00 vacant FTE. As a result the executive budget is \$14,870 lower in fiscal 1990 and \$14,883 lower in fiscal 1991.

b) The executive uses a 2.0 percent vacancy savings rate while the LFA used a 8.0 percent rate. The higher rate reduces the budget by 110,463 in fiscal 1990 and \$110,702 in fiscal 1991.

2. Executive Issues

3. Committee Issues

Committee Action

<u>OPERATING EXPENSES</u> - Cent Services	<u>1990</u>	<u>1991</u>
Executive	809,437	789,152
LFA Current Level	786,410	726,802
Difference	23,027	62,350

LFA budget - page B-44
Executive budget - page 322

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

1. The primary difference between the executive and LFA budgets are:
 - a) The LFA budget for data network services is \$24,000 lower than the executive budget. This occurs because the LFA budget is set at the fiscal 1988 actual level, while the executive includes data network services not utilized in fiscal 1988.
 - b) The LFA budget for information services is \$17,878 lower than the executive budget because the LFA budget does not include subscription fees which cover the cost of on-going technical assistance from the Department of Administration.
 - c) The LFA budget for indirect assessments is \$8,276 lower than the executive budget.

2. Executive Issues

3. Committee Issues

Committee Action

EQUIPMENT - Cent Services

	<u>1990</u>	<u>1991</u>
Executive	43,939	41,650
LFA Current Level	24,981	24,360
Difference	18,958	17,290

LFA budget - page B-44

Executive budget - page 322

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

1. The LFA budget is \$36,248 lower than the executive budget. The LFA budget is set at the level appropriated for the 1989 biennium.

2. Executive Issues

3. Committee Issues

Committee Action

FUNDING - Cent Svc 1990

1991

	<u>Exec</u>	<u>LFA</u>	<u>Exec</u>	<u>LFA</u>
St Special	0	2,502,787	0	2,446,230
Federal	2,640,365	0	2,621,689	0

LFA budget - page B-44

Executive budget - page 322

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

1. This program is funded by assessments charged against other programs which use the services provided. The LFA budget classified the funds received through the assessments as state special revenue while the executive budget classifies them as federal funds.

2. Executive Issues

3. Committee Issues

Committee Action

DEPARTMENT OF LABOR & INDUSTRY
Employment Services - Employment Relations

<u>PERSONAL SERVICES</u> - Emp Relations	<u>1990</u>	<u>1991</u>
Executive FTE	53.50	53.50
LFA Current Level FTE	53.50	53.50
Difference	0.00	0.00
Executive	1,460,075	1,461,833
LFA Current Level	1,433,738	1,435,460
Difference	26,337	26,373

LFA budget - page B-45
Executive budget - page 323

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

1. The executive budget uses a 2.0 percent vacancy savings rate while the LFA budget uses a 4.0 percent rate. The higher rate reduces the budget by \$52,710.

2. Executive Issues

3. Committee Issues

Committee Action

<u>OPERATING EXPENSES - Emp Relations</u>	<u>1990</u>	<u>1991</u>
Executive	552,974	548,259
LFA Current Level	539,583	530,067
Difference	13,291	18,192

LFA budget - page B-45
Executive budget - page 323

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

1. The significant differences between the executive and LFA budgets are:

- a) The executive budget for rent is \$19,330 lower than the LFA budget because included rent expenses for the Workers' Compensation Mediation Panel which was created by the 1987 legislature.
- b) The executive budget includes \$20,000 for computer maintenance contracts. The LFA budget does not include the funding for purchase of the computers so the maintenance contract expenses were also eliminated
- c) The LFA budget for indirect assessments is \$34,226 lower than the executive budget.

2. Executive Issues

3. Committee Issues

Committee Action

<u>EQUIPMENT - Emp Relations</u>	<u>1990</u>	<u>1991</u>
Executive	41,759	25,600
LFA Current Level	6,000	6,000
Difference	35,759	19,600

LFA budget - page B-45
Executive budget - page 323

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

1. The LFA budget is \$55,359 lower than the executive budget. The LFA budget is set at the level appropriated for the 1989 biennium.

2. Executive Issues

3. Committee Issues

Committee Action

FUNDING - Emp Rel 1990

1991

	<u>Exec</u>	<u>LFA</u>	<u>Exec</u>	<u>LFA</u>
Gen Fund	0	577,565	0	586,869
St Special	221,542	229,407	221,300	228,915
Federal	1,863,278	1,168,849	1,844,384	1,152,243
Proprietary	3,500	3,500	3,500	3,500
Total	2,088,320	1,979,321	2,069,184	1,971,527

LFA budget - page B-45

Executive budget - page 323

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

1. The major funding difference is that the executive replaces general fund support with Unemployment Insurance Admin Tax receipts while the LFA budget continues to use general funds.

2. Executive Issues

3. Committee Issues

Committee Action

MODIFIED REQUEST
Labor & Industry - Employment Relations

1. Prevailing Wage-Enforcement Officer (92013)

This modification would fund the cost of a 1.00 FTE (Enforcement Officer) for work related to an Attorney General opinion which expanded the application prevailing wage laws.

	<u>1990</u>	<u>1991</u>
Expenditures		
Personal Services	25,082	25,090
Operating	5,430	5,402
Equipment	0	0
Total	30,512	30,492
Funding		
Unemployment Admin Tax	30,512	30,512

Committee Issues

Committee Action

MODIFIED REQUEST
Labor & Industry - Employment Relations

1. Citizen Board (92016)

This modification would fund the cost of a citizen board to review all hearing examiner decisions relating to prevailing wage and wage payment acts.

	<u>1990</u>	<u>1991</u>
Expenditures		
Personal Services	3,000	3,000
Operating	0	0
Equipment	0	0
Total	3,000	3,000
Funding		
Unemployment Admin Tax	3,000	3,000

Committee Issues

Committee Action

DEPARTMENT OF LABOR & INDUSTRY
Employment Services - Employment Policy

<u>PERSONAL SERVICES - Emp Policy</u>	<u>1990</u>	<u>1991</u>
Executive FTE	44.50	44.50
LFA Current Level FTE	41.00	41.00
Difference	3.50	3.50
Executive	1,218,606	1,222,668
LFA Current Level	1,163,286	1,167,230
Difference	55,320	55,438

LFA budget - page B-47

Executive budget - page 324

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

1. The executive budget varies from the LFA budget as a result of the following:

a) The LFA budget eliminates 3.50 FTE that were transferred to the division from Job Service during the 1989 biennium, which reduces the budget by \$49,851 in fiscal 1990 and \$49,997 in fiscal 1991.

b) The executive uses a 2.0 percent vacancy savings rate while the LFA uses a 2.4 percent rate. The higher rate reduces the budget by \$5,469 in fiscal 1990 and \$5,441 in fiscal 1991.

2. Executive Issues

3. Committee Issues

Committee Action

<u>OPERATING EXPENSES - Emp Policy</u>	<u>1990</u>	<u>1991</u>
Executive	1,147,422	1,236,994
LFA Current Level	844,984	848,693
Difference	302,438	388,301

LFA budget - page B-47
Executive budget - page 324

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

1. The significant differences between the executive and LFA budgets are:

- a) The executive budget includes \$622,047 in consulting fees for special studies and projects that are not included in the LFA budget.
- b) The executive budget includes \$38,295 in data processing services and \$25,050 in data processing supplies that are not included in the LFA budget.
- c) The LFA budget includes \$27,814 more for travel than in included in the executive budget.
- d) The executive budget for indirect assessments is \$58,861 higher than the LFA budget.

2. Executive Issues

3. Committee Issues

Committee Action

<u>EQUIPMENT - Emp Policy</u>	<u>1990</u>	<u>1991</u>
Executive	182,155	197,805
LFA Current Level	42,570	42,570
Difference	139,585	155,235

LFA budget - page B-47
Executive budget - page 324

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

1. The LFA budget for equipment is \$294,820 lower than the executive budget. The LFA budget is set at the level appropriated for the 1989 biennium.

2. Executive Issues

3. Committee Issues

Committee Action

FUNDING - Emp Policy 1990

1991

	<u>Exec</u>	<u>LFA</u>	<u>Exec</u>	<u>LFA</u>
Federal	2,548,183	2,050,840	2,657,467	2,058,493

LFA budget - page B-47
Executive budget - page 324

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

1. **Executive Issues**

2. **Committee Issues**

Committee Action

MODIFIED REQUEST
Labor & Industry - Employment Policy

1. Prevailing Wage (92014)

This modification would fund 0.50 FTE in fiscal 1990 and 1.50 FTE in fiscal 1991 for work related to an Attorney General opinion which expanded the application prevailing wage laws.

	<u>1990</u>	<u>1991</u>
Expenditures		
Personal Services	14,181	37,572
Operating	6,318	2,600
Equipment	0	0
Total	20,499	40,172
Funding		
Unemployment Admin Tax	20,499	40,172

Committee Issues

Committee Action

DEPARTMENT OF LABOR & INDUSTRY
Employment Services - Human Rights

<u>PERSONAL SERVICES - Human Rights</u>	<u>1990</u>	<u>1991</u>
Executive FTE	9.00	9.00
LFA Current Level FTE	9.00	9.00
Difference	0.00	0.00
Executive	242,134	242,375
LFA Current Level	237,408	237,533
Difference	4,726	4,842

LFA budget - page B-49
Executive budget - page 325

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

1. The executive budget is \$9,568 higher than the LFA budget because the executive uses a 2.0 vacancy savings rate while the LFA uses a 4.0 percent rate.

2. Executive Issues

3. Committee Issues

Committee Action

<u>OPERATING EXPENSES</u> - Human Rights	<u>1990</u>	<u>1991</u>
Executive	89,690	88,668
LFA Current Level	88,789	87,498
Difference	901	1,170

LFA budget - page B-49
Executive budget - page 325

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

1. Executive Issues

2. Committee Issues

Committee Action

EQUIPMENT - Human Rights

	<u>1990</u>	<u>1991</u>
Executive	11,225	0
LFA Current Level	556	0
Difference	10,669	0

LFA budget - page B-49

Executive budget - page 325

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

1. The executive budget includes funding \$10,669 for single user computers that were not included in the LFA budget.

2. Executive Issues

3. Committee Issues

Committee Action

FUNDING - Human Rights 1990

1991

	<u>Exec</u>	<u>LFA</u>	<u>Exec</u>	<u>LFA</u>	
Gen Fund	0	224,960	0		221,989
Federal	343,049	96,000	331,043		96,000

LFA budget - page B-49

Executive budget - page 325

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

1. The executive budget replaces general fund support with Unemployment Insurance Admin Tax receipts while the LFA budget continues to use general fund.

2. Executive Issues

3. Committee Issues

Committee Action

MODIFIED REQUEST
Labor & Industry - Human Rights

1. Fair Housing Grant (92011)

This modification would authorize the Human Rights Division to use the remaining balance of a Fair Housing Grant received in September of 1988. The grant allows the division to assist individuals with complaints about housing discrimination.

	<u>1990</u>	<u>1991</u>
Expenditures		
Personal Services	0	0
Operating	44,969	0
Equipment	0	0
Total	44,969	0
Funding		
Federal	44,969	0

Committee Issues

Committee Action

MODIFIED REQUEST
Labor & Industry - Human Rights

1. Outreach (92015)

This modification would fund an outreach program to assist Montana employers, landlords, and others regarding their rights and responsibilities under the Montana Human Rights Act.

	<u>1990</u>	<u>1991</u>
Expenditures		
Personal Services	0	0
Operating	5,000	5,000
Equipment	0	0
Total	5,000	5,000
Funding		
General Fund	5,000	5,000

Committee Issues

Committee Action

DEPARTMENT OF LABOR & INDUSTRY
Employment Services - JTPA

<u>GRANTS</u>	<u>1990</u>	<u>1991</u>
Executive	8,157,660	8,106,099
LFA Current Level	10,285,778	11,285,550
Difference	(2,128,118)	(3,290,189)

LFA budget - page B-50
Executive budget - page 327

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

1. The grant authority relates entirely to federal Job Training Partnership Act grants. The LFA budget accepts the Department's request, which is based on their estimate of available federal funding. The executive budget reduces this request by \$5.4 million.

2. Executive Issues

3. Committee Issues

Committee Action

FUNDING - JTPA

1990

1991

	<u>Exec</u>	<u>LFA</u>	<u>Exec</u>	<u>LFA</u>
Gen Fund	275,738	165,000	275,738	165,000
Fed & Other	<u>7,881,922</u>	<u>10,120,778</u>	<u>7,830,361</u>	<u>11,120,550</u>
Total	8,157,660	10,285,778	8,106,099	11,285,550

LFA budget - page B-50

Executive budget - page 327

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

1. The general fund supports the Displaced Homemakers and New Horizons programs. A portion of marriage dissolution fees goes to the general fund to support these programs, and the LFA budget sets the general fund authority at a level approximating the amount of revenue received in fiscal 1988.

2. Executive Issues

3. Committee Issues

Committee Action

**MODIFIED REQUEST
Labor & Industry - JTPA**

1. Outreach (92002)

This modification would fund development of an AFDC model project relating to the federal welfare reform, and includes 3.00 FTE.

	<u>1990</u>	<u>1991</u>
Expenditures		
Personal Services	76,674	76,811
Operating	56,007	67,147
Equipment	3,500	0
Grants	1,051,062	2,455,251
Total	1,187,243	2,599,209
Funding		
General Fund	0	343,447
Federal	1,187,243	2,255,762

Committee Issues

Committee Action

MODIFIED REQUEST
Labor & Industry - JTPA

1. JTPA Increase (92010)

This modification would provide additional federal funding authority for the JTPA program.

	<u>1990</u>	<u>1991</u>
Expenditures		
Personal Services	0	0
Operating	0	0
Equipment	0	0
Grants	914,000	1,896,000
Total	914,000	1,896,000
Funding		
Federal	914,000	1,896,000

Committee Issues

Committee Action

DEPARTMENT OF LABOR & INDUSTRY
Employment Services - General Assistance Training

<u>PERSONAL SERVICES</u>	<u>1990</u>	<u>1991</u>
Executive FTE	25.30	25.30
LFA Current Level FTE	25.30	25.30
 Difference	 0.00	 0.00
 Executive	 528,147	 528,851
LFA Current Level	517,419	518,109
 Difference	 10,728	 10,742

LFA budget - page B-51
Executive budget - page 328

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

1. The executive budget uses a 2.0 vacancy savings rate while the LFA budget uses a 4.0 percent rate. The higher rate reduces the budget by \$10,728 in fiscal 1990 and \$10,742 in fiscal 1991.

2. Executive Issues

3. Committee Issues

Committee Action

<u>OPERATING EXPENSES</u> - Gen Asst Trng	<u>1990</u>	<u>1991</u>
Executive	205,105	203,109
LFA Current Level	206,230	205,748
Difference	(1,125)	(2,639)

LFA budget - page B-51
Executive budget - page 328

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

1. Executive Issues

2.

Committee Issues

Committee Action

GRANTS - Gen Asst Trng

1990

1991

Executive	1,505,871	1,505,988
LFA Current Level	858,200	858,200
Difference	647,671	647,788

LFA budget - page B-51

Executive budget - page 328

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

1. The LFA budget sets grant authority at the level used in fiscal 1988, while the executive uses an expanded grant level.

2. Executive Issues

3. Committee Issues

Committee Action

FUNDING - G.A. Trng 1990

1991

	<u>Exec</u>	<u>LFA</u>	<u>Exec</u>	<u>LFA</u>
Gen Fund	788,676	790,925	788,676	791,029
Federal	1,450,447	790,924	1,449,272	791,028

LFA budget - page B-51

Executive budget - page 328

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

1. The LFA budget funds the program at current level and divides the funding authority between general fund authority and federal authority based on the anticipated federal reimbursement level.

2. Executive Issues

2. Committee Issues

Committee Action

INTRODUCTION

The Department of Labor & Industry consists of seven divisions.
Commissioner - Mike Micone

Job Service Division (JSD): Provides a wide range of federally funded employment and training programs. Includes the following services:

- Labor exchange - Brings together job seekers and employers that have job openings
- Counseling
- Testing
- Labor market information
- Unemployment Compensation - takes initial claim from those out of work, registers them for work and refers them to job openings
- Job Training Partnership Act - JSD operates some JTPA programs for youth and unskilled adults.
- Work Incentive Program - JSD assists people receiving AFDC with the transition from welfare to work.

Administrator is Gary Curtis.

Unemployment Insurance Division: Collects unemployment taxes and provides unemployment insurance benefits to unemployed persons in accordance with state and federal laws.

Administrator is Chuck Hunter.

Centralized Services Division: Provides accounting, budgeting, data processing, personnel and general services for the various functions of the department.

Administrator is Rod Sager.

Employment Relations Division: Consists of two Boards and four operating units as follows:

- Board of Personnel Appeals, which administers Montana's Collective Bargaining Act, hears classification appeals for state government employees and hears grievances for employees of the Department of Highways and Department of Fish, Wildlife & Parks.
- Board of Labor Appeals hears appeals concerning the administration of Montana's unemployment insurance laws.

- The Audit Bureau performs audit services for the Unemployment Insurance Division and the Workers' Compensation Division.
- The Appeals Bureau provides mediation, fact finding & arbitration services and conducts hearings on the "wage payment act", classification appeals, employee grievances, unemployment insurance benefits or tax appeals.
- The Investigations Bureau administers and enforces the state laws on wages, hours, working conditions, child labor, contractor's bonds and restaurant & tavern bonds.
- The Workers' Compensation Mediation Unit provides a forum for early resolution of workers' compensation disputes.

Administrator is Bob Jensen.

Employment Policy Division: Provides planning and administrative functions for employment and training activities in the Department of Labor and Industry. The Division operations are organized into the Research & Analysis Bureau and the Apprenticeship & Training Bureau.

- The Research & Analysis Bureau develops data and statistics, conducts surveys and studies, charts and forecasts trends, and publishes information regarding the characteristics of employment in Montana.
- The Apprenticeship & Training Bureau administers several employment and training programs, including: apprenticeship, startup training, displaced homemakers, the Project Work program, and the Job Training Partnership Act. The Bureau also serves as staff for: the State Job Training Coordinating Council; the Concentrated Employment Programs Council of Commissioners and Private Industry Council; and the Balance of State's Joint Council.

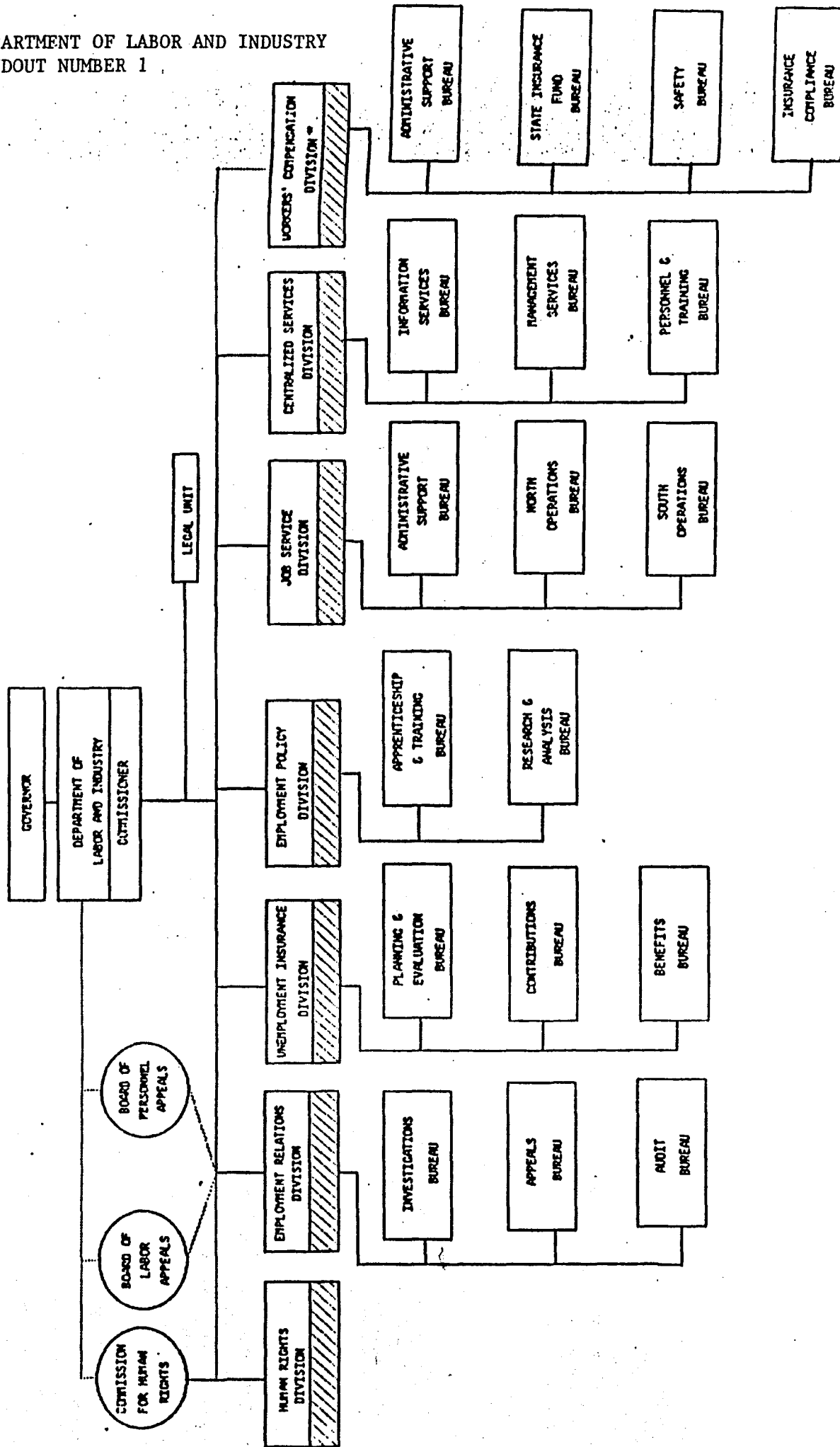
Administrator is Sue Mohr.

Human Rights Division: The Human Rights Commission is attached to the Department of Labor & Industry for administrative purposes. The Commission is charged with enforcing the Montana Human Rights Act and the Governmental Code of Fair Practices. These laws prohibit discrimination in the areas of employment, public accommodations, housing, financial and credit transactions, insurance, education and government services.

Administrator is Anne MacIntyre.

Workers' Compensation Division: (Discussed previously) Assigned to Department of Labor & Industry for administrative purposes only.

ONE OTHER THING I SHOULD MENTION -- THE DEPARTMENT RESPONSES TO THE BUDGET ISSUES WILL BE HANDLED BY OUR BUDGET OFFICER, BRIAN McCULLOUGH.



DEPARTMENT OF LABOR AND INDUSTRY
JUNE 1986
Edward J. Fendley COMMISSIONER
Robert J. ... GOVERNOR

VISITORS' REGISTER

Human Services subcommittee

BILL NO. _____

DATE _____

SPONSOR _____

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
ROD SAGER	DEPT. OF LABOR + INDUSTRY		
MICHAEL MICONE	✓ - -		
BRIAN McCullough	- - -		
CARLA SMITH	✓ ✓ -		
Bill Palmer	- - -		
Ajin Smith	HPDE / MAR		
Cris Volinkey	DD		
Beverly Barabart			
Gerald Mueller	1420 Highland		
Harold Ude	CIEVEX		
Ally Hubbell	Cons. of Fresno		
Karen Lander's m.d.	Mcmeit		

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.