MINUTES

MONTANA HOUSE OF REPRESENTATIVES
51st LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON GENERAL GOVERNMENT AND HIGHWAYS

Call to Order: By Chairman Quilici, on January 10, 1989, at 8:08 a.m.

ROLL CALL

Members Present: All members were present.

Members Excused: None.

Members Absent: None.

Staff Present: Clayton Schenck, LFA
Mary Liedle, secretary

Announcements/Discussion: Rep. Quilici announced we would open the hearing on the State Auditor's office. The State Auditor's office has four divisions; central management, audit, insurance and securities.

HEARING ON STATE AUDITOR'S OFFICE: CENTRAL MANAGEMENT DIVISION

Tape No. 6A

Presentation and Opening Statement: Clayton Schenck gave an overview of the agency. (See exhibit 1)

Rep. Quilici introduced State Auditor, Andy Bennett.

List of Testifying Proponents and What Group They Represent:

Andy Bennett, State Auditor

List of Testifying Opponents and What Group They Represent:

None.

Proponent Testimony: (6A 10.25) Andy Bennett, State Auditor: Andy presented opening remarks regarding her background and the background of the office.

Andy requested computer changes for the central administration division. (6A 46.13)

Andy presented a salary schedule comparing state auditor employees with similar employees in other states. She contends her executive staff is paid less than their counterparts in other states and less than employees in other Montana agencies. Andy requested an increase in salary of 25% for the 12 exempt employees. (See exhibit 2)

Four requests for modification to the budget were presented. (See exhibit 3)

Questions From Subcommittee Members: (6A 31.11) Rep. Quilici: Can you tell the committee what the P/P/P system is?

(6A 41.43) Rep. Quilici: You received this equipment in FY86 and paid for it in the FY87 budget; how did this work out?

(6A 42.43) Sen. Regan: You indicated that you felt your budget was unfairly handled, were you cut from the previous biennium or were you talking internal modifications that were not allowed.

HEARING ON STATE AUDITOR'S OFFICE: AUDIT DIVISION
Tape No. 6B

Presentation and Opening Statement: Clayton Schenck, LFA staff member, gave an overview of the agency. (See exhibit 4) This agency is comprised of two primary units, fiscal management division and payroll.

Flo Smith, executive budget office, explained the executive budget includes $110,000 each year for the computer system to be used in implementation of the warrant writing system. The executive budget recommends cutting 3 FTE.

List of Testifying Proponents and What Group They Represent:

Andy Bennett, State Auditor
Laurie Ekinger, State Auditor's Office
Mike Trevor, Administration Services Division
Terry Lazure, State Auditor's Office

List of Testifying Opponents and What Group They Represent:

None.

Proponent Testimony: (6B 16.41) Andy Bennett, State Auditor:

Andy explained the audit department is currently made up of two areas, payroll and fiscal management and control which is referred to as the warrant system. Due to confusion between the two, and the tendency of people to view them as interrelated, for the next biennium each will be treated separately.

Seven budget modifications were presented for this department. (See exhibit 5)

Andy presented the committee with an explanation of the warrant writing system. (See exhibit 6)

(6B 34.02) Laurie Ekinger, Personnel Division, State Auditor's Office: Laurie presented a plea for the on-line computer payroll system. She gave five reasons why this would be beneficial; the system can edit for errors, tax interrelatedness of everything that has to do with benefits and salary, under federal law insurance companies are required to do more reporting, the burden on payroll clerks has increased dramatically, the manual system holds claims up two weeks.

(6B 44.01) Terry Lazure, State Auditor's Office, explained the differences in the budgeted amount for the P/P/P on-line system and the modification request.

(6B 44.29) Mike Trevor, Administration Services Division: Mike explained that with the on-line system there could be a reduction in 2 FTE data entry operators.

Questions From Subcommittee Members: (6B 14.41) Rep. Swysgood: Clayton, you said that the warrant writing system was funded by the state special revenue, is it not the general fund?

(6B 41.04) Sen. Regan: Laurie, if we put this in place and you no longer have to do this manually, does that mean there'll be reductions in FTE?

(6B 41.48) Sen. Regan: What's the total bottom line if we go with this system?

(6B 43.20) Rep. Swysgood: The State Auditor shows converting the P/P/P system on-line at the cost of $204,090 and the modified request asks for $250,000 in both years, why is this?

(7A .09) Sen Stimatz: Various agencies that I've been in have mentioned networks; have we got several networks in the State Capitol or just one network?

(7A 3.12) Rep. Quilici: Mike, in the event that we converted this P/P/P system to on-line, would you say we could probably decrease your FTE by 2 in the data entry area?

(7A 5.19) Rep. Quilici: Is there an on-line tie between SBAS so that SBAS and the P/P/P system can be combined?

(7A 6.35) Sen. Stimatz: Who has developed faxnet and what will it do to postage and messenger costs?

(7A 8.08) Sen. Regan: Is this all going to be done in one year and how firm is that $204,000; is that max so there won't be a budget amendment?

HEARING ON STATE AUDITOR'S OFFICE: INSURANCE DIVISION
Tape No. 7A

Presentation and Opening Statement: Clayton Schenck, LFA staff member gave an overview of the agency. (See exhibit 7)

Flo Smith, executive budget office, emphasized the actuarial position that was authorized in the 1989 biennium is recommended for deletion and replacement with a $20,000 line item appropriation for actuarial services.

List of Testifying Proponents and What Group They Represent:

Andy Bennett, State Auditor
David Swenson, State Auditor's Office
Roger McGlenn, IIAM insurance division

List of Testifying Opponents and What Group They Represent:

None.

Proponent Testimony: (7A 16.44) Andy Bennett, State Auditor: Andy explained that during the last four years the services of this department have expanded. This department is divided into three areas; examinations, agent licensing an policy holder services. Andy explained each of these areas.

Andy proposed an increase of 9 additional FTE in this division. She explained the backlog and increasing number of claims demands this requested increase.

Six budget modifications were proposed. (See exhibit 8)

(7A 35.23) David Swenson, State Auditor's Office: Mr. Swenson expressed the need for an upgrade in the present computer system. He explained options and the costs related to the options available.

(7A 43.09) Roger McGlenn, Independent Insurance Agents Association of Montana: Mr. McGlenn spoke in support of adequate staffing and funding for the Montana Insurance Department. (See exhibit 9)

(7B 2.31) Pam Langley, Professional Insurance Agents: Pam spoke in favor of the State Auditor's budget requests for the insurance division. Pam described the qualifications for an actuary. She spoke of the need for an increased salary to fill the actuarial position. Pam provided the committee with a study of state insurance department operations to show salary ranges in other states. (See exhibit 10)

<u>Questions From Subcommittee Members:</u> (7A 34.09) Rep. Quilici: What are the duties of a hearings officer?

(7A 41.33) Rep. Swysgood: If you're going to switch equipment, what are you going to do with the Wang equipment?

(7A 42.27) Rep. Swysgood: Then your department wouldn't benefit from the sale of this equipment?

(7B 11.33) Rep. Swysgood: Does anybody know what the original cost of this Wang system was?

HEARING ON STATE AUDITOR'S OFFICE: SECURITIES DIVISION

Tape No. 7B

<u>Presentation and Opening Statement:</u> Clayton Schenck, LFA staff member, gave an overview of the agency. (See exhibit 11)

<u>List of Testifying Proponents and What Group They Represent:</u>

Andy Bennett, State Auditor

<u>List of Testifying Opponents and What Group They Represent:</u>

None.

Proponent Testimony: (7B 16.44) Andy Bennett, State Auditor: Andy gave a background of the securities division. This department is responsible for the administration and enforcement of the securities act of Montana. Andy explained the role of this department.

5 budget modifications were proposed for this division. (See exhibit 12)

Andy outlined the differences between the State Auditor's budget request and the OBPP proposed budget. There were four main areas of difference. (7B 22.17)

ADJOURNMENT

Adjournment At: 11:26 a.m.

Joe Quilici

JOE QUILICI, Chairman

JQ/ml

0822.min

DAILY ROLL CALL

GENERAL GOVERNMENT AND HIGHWAYS SUBCOMMITTEE

DATE 1/10/89

NAME	PRESENT	ABSENT	EXCUSED
Representative Joe Quilici, Chair	✓		
Representative Jerry Nisbet	✓		
Representative Chuck Swysgood	✓		
Senator Larry Tveit, Vice Chair	✓		
Senator Pat Regan	✓		
Senator Lawrence Stimatz	✓		

Form CS-30A
Rev. 1985

EXHIBIT 1 EXHIBIT 1
DATE 1-10-89
HB

3401.01 | 07:02 PM | 08-Jan-89

LEGISLATIVE ACTION

AGENCY: STATE AUDITOR'S OFFICE

PROGRAM: CENTRAL MANAGEMENT

BUDGET ITEM	FY 1988 Actual	Fiscal 1990 Executive	Fiscal 1990 LFA Curr Lvl	Fiscal 1990 Difference	Fiscal 1991 Executive	Fiscal 1991 LFA Curr Lvl	Fiscal 1991 Difference	FY 88-90 % Change
FTE	8.00	8.00	8.00	0.00	8.00	8.00	0.00	0.00%
Personal Services	$195,872	$200,206	$196,928	$3,278	$200,271	$196,991	$3,280	0.54%
Operating Expenses	33,075	20,168	21,100	(932)	16,683	17,608	(925)	-36.21%
Equipment	495	459	459	0	0	0	0	-7.27%
TOTAL EXPENSES	$229,442	$220,833	$218,487	$2,346	$216,954	$214,599	$2,355	-4.77%
FUNDING								
General Fund	$229,442	$220,833	$218,487	$2,346	$216,954	$214,599	$2,355	-4.77%
TOTAL FUNDING	$229,442	$220,833	$218,487	$2,346	$216,954	$214,599	$2,355	-4.77%

ISSUES:	---EXEC OVER (UNDER) LFA--- FY 90	FY 91
1. VACANCY SAVINGS - Executive applied 2% vacancy savings as compared to 4% in LFA current level.	$3,278	$3,279
2. OPERATING EXPENSES - The Executive made minor reductions in communications, travel, and repair and maintenance.	($932)	($925)
TOTAL ISSUES	$2,346	$2,354

Exhibit EXHIBIT 2
DATE 1-10-89
HB

SALARY ANALYSIS STATE AUDITOR'S EXECUTIVE STAFF
Page 1

		Other State Salary Comparisons				Other Montana Elected Officials				Other Comparable Montana State Government Positions
	Current Salary	ID	WY	ND	Avg. all states	Gov.	Attorney General	Supt. of Pub. Inst.	Sec. of State	
Commissioner of Insurance	33,342	54,500	48,000	45,000	56,887					41,140 - Administrator, Local Government Assistance Commerce
Commissioner of Securities	33,342	38,900	52,500	42,960	48,282	50,452	46,015	39,671	33,342	38,577 - Commerce Finance Director
Deputy Insurance Commissioner	28,000	42,000	40,000	40,815	47,742	50,500 all directors	Bureau chief salaries from 45,668 to 40,639	Deputy's salaries range from 49,714 to 39,901	Bureau Chief salaries range 36,000 to 17,168	38,916 - Bureau Chief, Insurance Compliance, Workers' Compensation Division 41,140 - Administrator, Local Government Assistance Commerce 38,577 - Commerce Finance Director 33,646 - Bureau Chief Safety and and Health, Workers' Compensation Division
Deputy Securities Commissioner	28,000	32,801	28,000	N/A	43,800	50,500	45,668 to 40,639	49,714 to 39,901	36,000 to 17,168	36,287 - Administrator, Business Assistance Division Commerce 38,577 - Commerce Finance Director
Administrator Central Administration	28,000	41,000	43,212 to 69,096	32,928		50,500	43,528	49,714 to 39,901	36,000 to 17,168	29,392 - Administrator Central Services Agriculture Department 32,735 - Administrator Central Services Administration Department

SALARY ANALYSIS STATE AUDITOR'S EXECUTIVE STAFF

	Current Salary	Other State Salary Comparisons				Other Montana Elected Officials				Other Comparable MT State Government Positions
		ID	WY	ND	Avg. all states	Gov.	Attorney General	Supt. of Pub. Inst.	Sec. of State	
Chief Legal Counsel	28,000	40,000	34,000	40,992	36,305	36,196	40,901	45,000	36,000	33,417 - Chief Counsel, Commerce Department 32,360 - Chief Counsel State Lands Department 34,738 - Legal Services Fish, Wildlife & Parks
Executive Assistant	28,000	31,000	41,136 to 55,760	32,928		50,500	35,932	43,501	35,000	N/A
Administrator Fiscal Management	28,000	34,000	20,568 to 32,904	32,928		50,500	45,668 to 40,639	49,714 to 39,901	36,000 to 17,168	N/A
Administrator State Payroll	28,000	45,000	32,088 to 51,372	33,336		50,500	45,668 to 40,639	49,714 to 39,901	36,000 to 17,168	N/A

N/A = Not applicable

*Salaries for elected officials are based on maximum compensation paid when the positions were filled by former officeholders from 1984 to 1988.

Salary information obtained from the following sources:
- National Association of Professional Insurance Agents Study of State Insurance Department Operations.
- North American Association of Securities Administrators and individual State Securities Departments.
- Wyoming Personnel Division.
- North Dakota Central Personnel Division.
- Idaho Personnel Commission.
- Montana State Payroll Division.

Exhibit 3

EXHIBIT 3
APPENDIX D
DATE 1-10-89
HB

GENERALIZED NARRATIVE

AGENCY NUMBER	3401	AGENCY NAME	State Auditor's Office
PROGRAM NUMBER	01	PROGRAM NAME	Central Management
CONTROL VARIABLE	92002	CONTROL VARIABLE NAME	SBAS Terminal
FISCAL YEAR	90		

Identify areas of impact of primary concerns:
A single narrative statement may impact accounting entity, agency, FTE, vacancy savings, program and revenues.

|XX| Accounting Entity |XX| Agency |__| FTE
|XX| Vacancy Savings |XX| Program |__| Revenue

Beginning July 1, 1989 all state agencies are required to submit all SBAS transactions via computer terminal. Our in-house computer can communicate with the IBM mainframe computer, however an additional terminal would be required for the person who currently types these documents and does not have a terminal.
[DETAIL: $2,300 approximate cost of terminal and wiring to install.]

FY 90	FY 91	
$ 2,300	0	Gen Fund

Modifications

APPENDIX D

GENERALIZED NARRATIVE

AGENCY NUMBER	3401	AGENCY NAME	State Auditor's Office
PROGRAM NUMBER	01	PROGRAM NAME	Central Management
CONTROL VARIABLE	92001	CONTROL VARIABLE NAME	Training
FISCAL YEAR	90-91		

Identify areas of impact of primary concerns:
A single narrative statement may impact accounting entity, agency, FTE, vacancy savings, program and revenues.

|XX| Accounting Entity |XX| Agency |__| FTE
|XX| Vacancy Savings |XX| Program |__| Revenue

The Central Management Division is responsible for both the accounting and personnel functions of the State Auditor's Office. To carry out accounting responsibilities, ongoing training is necessary to keep staff members abreast of the changes in SBAS and other budget procedures. During a time of revenue short fall it is especially important that the individuals responsible for the safe keeping of state funds are up to date on the financial regulations and procedures to avoid costly errors.

The personnel functions of the division is equally as important to the over all operation of the office. Topics such as Sexual Harassment and AIDS have changed personal policies and require training to update the Central Management Staff. In addition, it is imperative that the Division strive to hire the most competent employees while at the same time complying with all hiring requirements to avoid costly law suits.

A comprehensive agency wide training program requires funding at a level above that spent in Fiscal 1988. The estimated cost for training the Central Management Division would be $1,000.00 per person annually for Grade 10 and mid-management employees. The cost for all other employees would be $300.00 per person annually.

DETAIL: Five employees (Grade 10 plus) times $1000.00 plus three employees at $300.00 equals $5,900.00 per year of the biennium. Subtracting the current level (actually FY '88) expenditure of $1,511.00 which leaves $4,389.00 additional funding necessary each year.

FY 90 — 4,389 FY 91 — 4,389 General Fund

GENERALIZED NARRATIVE

AGENCY NUMBER	3401	AGENCY NAME	State Auditor's Office
PROGRAM NUMBER	01	PROGRAM NAME	Central Management
CONTROL VARIABLE	92003	CONTROL VARIABLE NAME	Audit Staff
FISCAL YEAR	90-91		

Identify areas of impact of primary concerns:
A single narrative statement may impact accounting entity, agency, FTE, vacancy savings, program and revenues.

XX	Accounting Entity	XX	Agency	XX	FTE
XX	Vacancy Savings	XX	Program		Revenue

The State Auditor is charged with superintending the fiscal concerns of the state, and with suggesting ways for improving the management of public monies as stipulated in Section 17-1-121, MCA. In order to effectively accomplish this, internal cash management audits are necessary to evaluate state agency operations and recommend changes to improve economy and efficiency. Potentially these recommendations could reduce the cost of providing government services. Internal auditing is an independent appraisal function established to examine and evaluate activities of state agencies as a service to these agencies. The objective of internal auditing is to assist agencies with improving day-to-day operations by providing analysis, appraisals, and recommendations for change.

It is anticipated that this internal audit function would compliment the external audit work currently conducted by the Legislative Auditor. This internal audit unit would provide in-depth detailed analysis to the Legislative Auditor to assist them with setting audit scope for their financial/compliance and performance audits. The internal audit unit would also assist agencies in implementing the recommendations contained in legislative audit reports.

[DETAIL: Salary for two Auditor II's, grade 12, $18,133 times two equals $36,226 per year. Printing of reports and surveys approximately $4,000 per year. Forms and other office supplies $500 times two equals $1,000 per year. Telephone equipment $26 times two equals $52 per year. Long distance phone charges of $100 times two equals $200 per year. Estimated travel in-state: motor pool $250 times two equals $500 per year, meals $87.50 times two equals $175 per year, lodging $125 times two equals $250 per year. Rent $3.47 sq. ft. times 150 square feet equals $520 times two equals $1,040 for 1990 and $1,044 for 1991 (includes inflation). Training of $1,000 each year times two. Office Equipment $414 per desk times two equals $828 plus $660 for two file cabinets (four-drawer), plus $320 for two calculators, and $850 for two executive-type chairs equals $2,658. Computer Terminals $2,300 times two equals $4,600.]

FY 90 $57,207 FY 91 $52,139 Gen Fund

APPENDIX D

GENERALIZED NARRATIVE

AGENCY NUMBER	3401	AGENCY NAME	State Auditor's Office
PROGRAM NUMBER	01	PROGRAM NAME	Central Management
CONTROL VARIABLE	92004	CONTROL VARIABLE NAME	Mailroom Furniture
FISCAL YEAR	90		

Identify areas of impact of primary concerns:
A single narrative statement may impact accounting entity, agency, FTE, vacancy savings, program and revenues.

[XX] Accounting Entity	[XX] Agency	[ ] FTE
[ ] Vacancy Savings	[XX] Program	[ ] Revenue

Our mailroom processes well over one million pieces of mail each year. This combination of furniture and equipment will allow our current mailroom staff to process the steadily increasing volume of mail for our office, without adding staff. Most of the work in this area is done while standing. Therefore, included in this proposal is rubber matting to ease the pain and fatigue associated with standing for hours. This equipment not only will allow more to be done in less floor space, but should speed up the process by incorporating design features specifically for processing mail. The additional floor space is needed for the new warrant system.

[DETAILS: Wrapping table $1,250, Sorting station $1,700, Rubber matting for work stations $310, total $3,260.]

FY [illegible] / [illegible]   [illegible] / -0-   Gen Fund

Exhibit 4

EXHIBIT 4
DATE 1-10-89
HB

3401 02 00000 | LEGISLATIVE ACTION | 12:33 AM 09-Jan-89

AGENCY: STATE AUDITOR'S OFFICE

PROGRAM: AUDIT DIVISION

BUDGET ITEM	FY 1988 Actual	Fiscal 1990 Executive	Fiscal 1990 LFA Curr Lvl	Fiscal 1990 Difference	Fiscal 1991 Executive	Fiscal 1991 LFA Curr Lvl	Fiscal 1991 Difference	FY 88-90 % Change
FTE	19.50	16.50	19.50	-3.00	16.50	19.50	-3.00	0.00%
Personal Services	$415,423	$370,732	$409,912	($39,180)	$371,170	$410,480	($39,310)	-1.33%
Operating Expenses	592,435	742,433	640,780	101,653	649,665	573,124	76,541	8.16%
Equipment	5,234	654	654	0	0	0	0	-87.50%
TOTAL EXPENSES	$1,013,092	$1,113,819	$1,051,346	$62,473	$1,020,835	$983,604	$37,231	3.78%
FUNDING								
General Fund	$580,355	$728,376	$650,253	$78,123	$627,680	$590,449	$37,231	12.04%
State Special Rev	432,737	385,443	401,093	(15,650)	393,155	393,155	0	-7.31%
TOTAL FUNDING	$1,013,092	$1,113,819	$1,051,346	$62,473	$1,020,835	$983,604	$37,231	3.78%

ISSUES:	---EXEC OVER (UNDER) LFA--- FY 90	FY 91
1. VACANCY SAVINGS - Executive applied 2% vacancy savings as compared to 4% in LFA current level.	$9,514	$9,528
2. STAFF REDUCTION - The Executive deleted 3.0 FTE from the program in anticipation of savings from the installation of a new warrarnt writing system. LFA current level is at 1989 biennium appropriated levels.	($48,694)	($48,838)
3. BASE REDUCTIONS: OVER-ACCRUALS - LFA current level reduced base year expenditures due to an accrued expenditure that did not materialize. The executive budget did not remove this expenditure from the base.	$14,052	$14,052
4. WARRANT SYSTEM PROCESSING COSTS - The Executive includes estimated increased processing costs for the new warrant system, including computer processing, system development, and supplies. LFA current level expenditures for the warrant system are at fiscal 1988 base levels.	$86,278	$62,074
5. The Executive includes less for maintenance contracts for office equipment. LFA current level is as the agency requested, and includes contracts for the new warrant system.	($2,599)	($6,001)
6. POSTAGE AND MAILING - The Executive includes more than LFA current level for postage. LFA current level is as the agency requested, and is based on an actual piece count.	$5,078	$7,587
7. FUNDING - The Executive uses less state special revenue than LFA current level. The difference occurs because LFA current level utilizes an existing fund balance ($15,630) in the central payroll account in place of general fund.	--	--
TOTAL ISSUES	$63,629	$38,402

Exhibit 5

EXHIBIT 5
DATE 6-10-89
HB

GENERALIZED NARRATIVE

AGENCY NUMBER	3401	AGENCY NAME	State Auditor's Office
PROGRAM NUMBER	02	PROGRAM NAME	Audit Division
CONTROL VARIABLE	[illegible]	CONTROL VARIABLE NAME	Office Remodeling
FISCAL YEAR	90-91		

Identify areas of impact of primary concerns:
A single narrative statement may impact accounting entity, agency, FTE, vacancy savings, program and revenues.

|XX| Accounting Entity |XX| Agency |__| FTE

|XX| Vacancy Savings |XX| Program |__| Revenue

This project is for the removal of some permanent walls and installation of partitions to better utilize the state payroll area. Currently this area does not have separate work areas for the employees. Our inhouse data processing person also needs an area for his work. Better productivity and less errors will result because of this project. Errors in payroll can be costly because of the substantial penalties that can be imposed, not to mention the possibility of lawsuits if an employee is improperly paid. Partitions are the best alternative because they can be moved and altered and are less costly than permanent walls.

FY 90	FY 91	
2800	0	Gen Fund
2,200	0	Central Payroll Operating SSR
5000	0	

APPENDIX D

GENERALIZED NARRATIVE

AGENCY NUMBER	3401	AGENCY NAME	State Auditor's Office
PROGRAM NUMBER	02	PROGRAM NAME	Audit Division
CONTROL VARIABLE	92005	CONTROL VARIABLE NAME	Training
FISCAL YEAR	90-91		

Identify areas of impact of primary concerns:
A single narrative statement may impact accounting entity, agency, FTE, vacancy savings, program and revenues.

[XX] Accounting Entity [XX] Agency [ ] FTE
[ ] Vacancy Savings [XX] Program [ ] Revenue

Training and education is important for State Payroll. Constantly changing Internal Revenue Service Codes and Social Security Regulations are just two reasons this area requires an adequate training budget. Training is also needed to avoid expensive fines that could be imposed for not complying with new regulations.

The new warrant system, also requires continuing education for staff members. In addition to adapting to new machinery, employees need to learn new computer applications.

A comprehensive agency-wide training program requires funding at a level above that spent in Fiscal 1988. The estimated cost for such a program would include $1,000 per person annually for all grade ten and above employees (mid-management) as well as $300 per person annually for all other employees.

[DETAIL: Ten employees (Grade 10 or above) times $1,000 plus 9.5 employees times $300 equals $12,850. Subtract from that the $874 (current level) actually spent in Fiscal '88 and there remains $11,976 additional funding needed.]

FY 91
6,707
5,263 Central Payroll Operating
$11,970

GENERALIZED NARRATIVE

AGENCY NUMBER	3401	AGENCY NAME	State Auditor's Office
PROGRAM NUMBER	02	PROGRAM NAME	Audit Division
CONTROL VARIABLE	92006	CONTROL VARIABLE NAME	Administrative Clerk I
FISCAL YEAR	90-91		

Identify areas of impact of primary concerns:
A single narrative statement may impact accounting entity, agency, FTE, vacancy savings, program and revenues.

[XX] Accounting Entity	[XX] Agency	[XX] FTE
[XX] Vacancy Savings	[XX] Program	[ ] Revenue

This administrative clerk position was lost due to action taken during the last legislative session. In listening to the tapes from the subcommittee hearing we feel it was not the intent of the subcommittee to delete this position, but rather to transfer the position and then eliminate it entirely from the Department of Administration.

The warrant function of our office is very antiquated and labor intensive. Because of this lost position other areas of the office are called on to help out periodically in order to meet deadlines in the area. Also some of the custodial duties in the warrant area have been delayed.

[DETAIL: Administrative Clerk I, classification code 219006, Grade 6, Step 2. Office supplies of $200 per year. Training of $300 per year.]

FY 90
[illegible]

FY91
$14,869 Gen fund

APPENDIX D

GENERALIZED NARRATIVE

AGENCY NUMBER	3401	AGENCY NAME	State Auditor's Office
PROGRAM NUMBER	02	PROGRAM NAME	Audit Division
CONTROL VARIABLE	92007	CONTROL VARIABLE NAME	Remodeling Warrant System
FISCAL YEAR	90-91		

Identify areas of impact of primary concerns:
A single narrative statement may impact accounting entity, agency, FTE, vacancy savings, program and revenues.

[XX] Accounting Entity	[XX] Agency	[ ] FTE
[ ] Vacancy Savings	[XX] Program	[ ] Revenue

The equipment and the processes involved with the new system will require removing some existing walls and other changes to the area. Included in this project is equipment for filing, sorting and processing of warrants. The most expensive portion of this project is $50,000 to aircondition the machine room. The new equipment will not operate above 100 degrees. This last summer the temperature in a work area without machines reached 92 degrees. Add to that the extra heat produced by the new equipment and we could end up causing severe damage to the new equipment. This is equipment and changes that were not contemplated in the study done by the Information Services Division, Department of Administration for the new system.

[DETAIL: Handyman Charges of $5,000 for General Services to remove two walls and construct new ones (also includes moving electrical utilities and other necessary alterations). Office equipment of $69229 broken down as follows: Panel partitions $10,000 (includes installation), binder bins $1,000 (overhead storage of numerous new computer reports), task lights mounted into panels for work areas away from the windows $366, desk top and book shelf $750 (to replace current desk which takes up too much space), two four drawer letter size file cabinets $660 (for storing documentation of the issue of duplicate, forged, cancelled and staledated warrants), bookcase $133 (for procedure manuals, forms, and other supplies), filing system $1,310 (to allow quick and easy retrieval of information regarding the warrant system), electric warrant signer for the new system $1,500, microfilm cabinets $3,610 (to protect required three years of records from moisture present in the Capitol basement storage area), airconditioning $50,000 (estimated maintenance contract $1,000/year)]

Gen Fund

GENERALIZED NARRATIVE

AGENCY NUMBER	3401	AGENCY NAME	State Auditor's Office
PROGRAM NUMBER	02	PROGRAM NAME	Audit Division
CONTROL VARIABLE	92008	CONTROL VARIABLE NAME	University System Payroll Processing
FISCAL YEAR	90-91		

Identify areas of impact of primary concerns:
A single narrative statement may impact accounting entity, agency, FTE, vacancy savings, program and revenues.

[XX] Accounting Entity	[XX] Agency	[ ] FTE	
[ ] Vacancy Savings	[XX] Program	[ ] Revenue	

If State Payroll were to process the University System's payroll, the impact on the Audit Division's budget is estimated to be an additional $11,773 for postage and $1,413 for warrants. It should be noted that this does not include computer programming changes or on-going computer support for this change.

[DETAIL: $11,773 for postage and mailing, $1,413 for non-publications and graphics printing for a total of $13,186 per year.]

FY91
$13,285 Gen. Fund

GENERALIZED NARRATIVE

AGENCY NUMBER	3401	AGENCY NAME	State Auditor's Office
PROGRAM NUMBER	02	PROGRAM NAME	Audit Division
CONTROL VARIABLE	92009	CONTROL VARIABLE NAME	P/P/P On-Line
FISCAL YEAR	90-91		

Identify areas of impact of primary concerns:
A single narrative statement may impact accounting entity, agency, FTE, vacancy savings, program and revenues.

[XX] Accounting Entity	[XX] Agency	[ ] FTE
[XX] Vacancy Savings	[XX] Program	[ ] Revenue

This project is to convert the Payroll/Personnel/Position Central System from a manual process to an on-line function. Currently the Information Services Division of the Department of Administration is working on the logistics of the project and possible cost savings. Until that study is completed the possible cost savings are only very rough estimates. After the on-line system is fully implemented there is a good possibility that 2.5 positions in state payroll would no longer be needed. In 1988, that would amount to savings of approximately $48,000 per year. Presently the bi-weekly payroll is (for most agencies) submitted to state payroll on paper must be keypunched into the computer system. Eliminating this practice would provide substantial savings and do away with the approximately $60,000 annual keypunching budget. At this time, it is contemplated that the conversion would occur in stages. The payroll function would be first, and then gradually all P/P/P forms would be entered on-line instead of keypunched. This would eventually eliminate all keypunching costs. The entire $60,000 cannot be counted as a cost savings, because there will be offsetting computer processing expenses for the new process. Some of the benefits of this project are not easy to attach exact dollar figures. For instance the elimination of the keypunching eliminates the chance for keypunch error. In other words, the agency payroll clerk could catch and correct an error before it even reaches our state payroll. Currently, error correction is a manual process by our people, who spend considerable time working with agencies to correct problems. The individual agencies would also experience some time savings for their payroll clerks. The computer would total things by program and would do the other necessary calculations automatically, this would save considerable time and effort. The estimated costs to implement this project will be revised when the ISD study is completed.
[DETAIL: Computer processing $225,000; System development $25,000; estimated total $250,000.]

FY 76
250,000 Gen Fund

GENERALIZED NARRATIVE

AGENCY NUMBER	3401	AGENCY NAME	State Auditor's Office
PROGRAM NUMBER	02	PROGRAM NAME	Audit Division
CONTROL VARIABLE	92010	CONTROL VARIABLE NAME	
FISCAL YEAR	90-91		

Identify areas of impact of primary concerns:
A single narrative statement may impact accounting entity, agency, FTE, vacancy savings, program and revenues.

[XX] Accounting Entity	[XX] Agency	[ ] FTE
[XX] Vacancy Savings	[XX] Program	[ ] Revenue

Position 54 is an exempt personal staff position and the salary of $19,999 (current level) is before the completion of the probationary period. Before Fiscal 1990 the person in this position will have completed their probationary period and will be paid at a rate equal to $21,008 per year.

[illegible]	FY91	
1,[illegible]	1,009	Gen Fund

STATE AUDITOR
STATE OF MONTANA

Exhibit 6

EXHIBIT 6
DATE 1-10-89
HB

Andrea "Andy" Bennett
STATE AUDITOR

COMMISSIONER OF INSURANCE
COMMISSIONER OF SECURITIES

January 10, 1989

State Auditor's Warrant Writing System

The State Auditor's Office is responsible for the overall control and operation of warrant processing for all claims made on the State Treasury. The system currently in place is based on 1950's technology and includes the use of keypunch cards. This system is so antiquated that there is only one vendor left from which we can purchase the necessary forms. We have even had to call an IBM technician out of retirement to work on the system. The warrant program has virtually not been updated in the past 20 years.

During the 1985 legislative session, funds were appropriated to study the State Auditor's warrant writing system. The study was completed and presented to the 1987 Legislature. After reviewing the study, the Legislature then made the decision to redesign the present warrant system and purchase new equipment which cost $199,250.

In the past two years, the State Auditor's Office has worked on developing the new warrant writing system and taking the steps to purchase the necessary equipment. If all goes as planned, we hope to be up and running by July 1, 1989. As can be expected, we have encountered some problems along the way in the area of design and installation and it is therefore necessary to make a modified budget request to help us complete the system. One of the larger problems was the purchase of the document processor. We were appropriated $62,800 for this piece of equipment but all bids which came in were well over this amount. The bids were as follows:

IBM	$200,000
Habersham	$193,000
Unisys	$ 82,000

The decision was made to go with the Unisys bid. It is therefore necessary for us to request a supplemental to cover the difference in cost in what we were appropriated and what the piece of equipment actually cost.

(3763)

Sam W. Mitchell Building/P.O. Box 4009/Helena, Montana 59604/Telephone: (406) 444-2040/Toll Free 1-800-332-6148

Exhibit 7 DATE 1-10-89
HB

3401 03 00000 — 12:05 AM 09-Jan-89

LEGISLATIVE ACTION

AGENCY: STATE AUDITOR'S OFFICE — PROGRAM: INSURANCE DIVISION

BUDGET ITEM	FY 1988 Actual	Fiscal 1990 Executive	Fiscal 1990 LFA Curr Lvl	Fiscal 1990 Difference	Fiscal 1991 Executive	Fiscal 1991 LFA Curr Lvl	Fiscal 1991 Difference	FY 88-90 % Change
FTE	25.00	24.00	25.00	-1.00	24.00	25.00	-1.00	0.00%
Personal Services	$547,800	$569,835	$605,136	($35,301)	$570,454	$605,894	($35,440)	10.47%
Operating Expenses	171,080	169,143	140,473	28,670	140,544	131,575	8,969	-18.27%
Equipment	7,143	2,029	2,029	0	0	0	0	-71.59%
Non-Operating	425,000	0	0	0	0	0	0	-100.00%
TOTAL EXPENSES	$1,151,823	$741,007	$747,638	($6,631)	$710,998	$737,469	($26,471)	-35.09%
FUNDING								
State Special Rev	$1,151,823	$741,007	$747,638	($6,631)	$710,998	$737,469	($26,471)	-35.09%
TOTAL FUNDING	$1,151,823	$741,007	$747,638	($6,631)	$710,998	$737,469	($26,471)	-35.09%

ISSUES:	---EXEC OVER (UNDER) LFA--- FY 90	FY 91
1. VACANCY SAVINGS - Executive applied 2% vacancy savings as compared to 4% in LFA current level.	$13,585	$13,604
2. FTE REDUCTION - The Executive eliminates a 1.0 FTE actuary position that was vacant all of fiscal 1988. The position is included in LFA current level as it was added by the 1987 legislature, and was vacant due to recruiting problems.	($48,886)	($49,044)
3. CONTRACT ACTUARIAL SERVICES - The executive budget includes a biennial allowance for contract actuarial services, in place of the actuary position deleted as discussed above. This allowance is not included in LFA current level.	$20,000	$0
4. EQUIPMENT RENTAL - The Executive includes an allowance for the lease of room partitions for the word processing section. This increase over base is not included in LFA current level.	$3,000	$3,000
5. OTHER EXPENSES - The executive budget includes more than LFA current level for miscellaneous operating expenses including dues and training fees. The Executive allowance is at fiscal 1988 base while LFA current level is at fiscal 1988 appropriated levels.	$6,167	$6,167
TOTAL ISSUES	($6,134)	($26,273)

EXHIBIT 8
DATE 1-10-89
HB
Exhibit 8

APPENDIX D

GENERALIZED NARRATIVE

AGENCY NUMBER	3401	AGENCY NAME	State Auditor's Office
PROGRAM NUMBER	03	PROGRAM NAME	Insurance
CONTROL VARIABLE	92011	CONTROL VARIABLE NAME	Administrative Clerk III
FISCAL YEAR	90-91		

Identify areas of impact of primary concerns:
A single narrative statement may impact accounting entity, agency, FTE, vacancy savings, program and revenues.

[XX] Accounting Entity	[XX] Agency	[XX] FTE
[XX] Vacancy Savings	[XX] Program	[ ] Revenue

This administrative clerk position was given to our office with the passage of House Bill 880: Quarterly Collection of Insurance Premium Taxes. This bill quadrupled the amount of premium tax paperwork handled in the Examiner's area of the Insurance Department. The need for this position will not diminish as time goes on. Without this position, our office will not be able to continue to collect the roughly $25 million in premium taxes on a quarterly basis. That would mean the loss of about $1 million in investment income for the state each fiscal year.

FTE	FY 90	FY 91	
1.0	16,964	16,960	State Spec Rev.

GENERALIZED NARRATIVE

AGENCY NUMBER	3401	AGENCY NAME	State Auditor's Office
PROGRAM NUMBER	03	PROGRAM NAME	Insurance
CONTROL VARIABLE	92012	CONTROL VARIABLE NAME	Regulatory Staff
FISCAL YEAR	90-91		

Identify areas of impact of primary concerns:
A single narrative statement may impact accounting entity, agency, FTE, vacancy savings, program and revenues.

|XX| Accounting Entity |XX| Agency |XX| FTE
|XX| Vacancy Savings |XX| Program |__| Revenue

4 Investigators

At a recent meeting, it was revealed that over 70 cases are under investigation by the insurance department. With this kind of caseload and the size of our state, there is no way our single investigator can keep up. Our proposed staff would include two investigators for the western part of the state and two investigators for the eastern part of the state. The new positions would consist of two criminal investigators to handle the increasing number of cases that have the potential to end up in court and two investigator IV's, to do the bulk of the investigative field work. We were given our current investigator last session to conduct rate review examinations. This requires field work to make certain the rates filed with our department are the rates actually used. Currently we have two such cases open, but which were prompted by tips from the industry itself. With current staff, we are not able to conduct the unexpected field audit that are required to adequately review insurance rates. More criminal prosecutions through county attorney offices, could be accomplished if we were given the criminal investigators. The real benefactors of the investigators would be the insurance consumers of Montana.

2 Financial Examiners

The examination bureau is not able to keep up with its mandated duties. Areas that the new examiners would be especially helpful include the examination of farm mutual companies and the examination of other domestic insurance companies. In order to adequately oversee the financial status of the over 1,300 insurers doing business in Montana we need at least two more examiners. These examiners are our first line of defense against a problem such as Glacier General or Life of Montana. The quicker the department identifies a financially troubled company means action can be taken to lessen any economic damage to Montana insurance consumers.

2 Attorneys

We have a considerable backlog and a growing number of insurance administrative actions. At least two full-time attorneys are needed to keep up with the current and future caseload.

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APPENDIX D

GENERALIZED NARRATIVE

AGENCY NUMBER	3401	AGENCY NAME	State Auditor's Office
PROGRAM NUMBER	03	PROGRAM NAME	Insurance
CONTROL VARIABLE	92012	CONTROL VARIABLE NAME	Regulatory Staff
FISCAL YEAR	90-91		

Identify areas of impact of primary concerns:
A single narrative statement may impact accounting entity, agency, FTE, vacancy savings, program and revenues.

[XX] Accounting Entity	[XX] Agency	[XX] FTE
[XX] Vacancy Savings	[XX] Program	[ ] Revenue

Administrative Assistant

This position is required to assist the deputy commissioner of insurance with administrative duties such as planning, organizing, directing and coordinating department operations. This assistant would play a major role in policies, procedures, and manual materials in addition the individual would answer the increasing amount of correspondence and phone calls regarding departmental functions and policies. This person could also act in the absence of the deputy on specific decisions.

[DETAILS: Two investigation IV's, Grade 15, step 2, positions 85 and 86, Classification Code 168025; two criminal investigators, Grade 16, step 2, Position 87 and 88, classification code 375026; two financial investigator/examiners, grade 14, step 2, no classification code currently, Position 89 and 90; Two exempt staff attorneys at $21,213 per year, positions 91 and 92; one administrative assistant III, Grade 11, step 2, Position 93, classification code 169009; office supplies $500 per year times nine people (2236); phone equipment $26 times nine (2370); long distance phone calls $200 per year times nine (2385); in-state motor pool for investigators, the examiners and the attorneys, 8 times $500 per year (2404); in-state meals for the same eight positions, 8 times $250 per year (2407); in-state lodging, 8 times $500 per year (2408); office rent at $3.19 per square foot times 150 square feet times nine positions (2427); office equipment 9 desks at $414, 9 chairs at $425, 9 calculators at $160 and 9 four-drawer file cabinets at $330, for a total of $11,961 in Fiscal '90 (3112); computer terminals for the new positions 9 times $2,300 for a total of $20,700 in Fiscal '90 (3106)]

FTE	FY 90	FY 91	
9.00	72,637	250,463	State Spec. Rev.

GENERALIZED NARRATIVE

AGENCY NUMBER	3401	AGENCY NAME	State Auditor's Office
PROGRAM NUMBER	03	PROGRAM NAME	Insurance
CONTROL VARIABLE	92013	CONTROL VARIABLE NAME	Training
FISCAL YEAR	90-91		

Identify areas of impact of primary concerns:
A single narrative statement may impact accounting entity, agency, FTE, vacancy savings, program and revenues.

[XX] Accounting Entity [XX] Agency [ ] FTE
[ ] Vacancy Savings [XX] Program [ ] Revenue

Insurance is a multi-billion dollar a year industry which touches everyone's lives and is regulated almost entirely by the individual states. Because of the complex nature of the insurance industry, it is of utmost importance to keep our staff up to date on the changing atmosphere of the insurance industry. The staff attorneys as well as the financial examiners have continuing education requirements that are necessary for us to fund. Professional as well as technical training is an absolute must if we are to protect the insurance consumers in Montana.

A comprehensive agency-wide training program requires funding at a level above that spent in Fiscal 1988. The estimated cost for such a program would include $1,000 per person annually for grade ten and above employees (mid-management) as well as $300 per person annually for all other employees.

[DETAIL: 19 employees (grade 10 or above) times $1,000 plus 7 employees times $300 equals $21,100. Subtract actual 88 expenditures of $2,328 and that leaves an additional $18,772 of funding needed for Fiscal '90 and '91.]

FY90 $18,772 FY91 $18,772 State Spec. Rev.

GENERALIZED NARRATIVE

AGENCY NUMBER	3401	AGENCY NAME	State Auditor's Office
PROGRAM NUMBER	03	PROGRAM NAME	Insurance
CONTROL VARIABLE	92014	CONTROL VARIABLE NAME	Upgrade Computer System
FISCAL YEAR	90-91		

Identify areas of impact of primary concerns:
A single narrative statement may impact accounting entity, agency, FTE, vacancy savings, program and revenues.

[XX] Accounting Entity [XX] Agency [ ] FTE
[ ] Vacancy Savings [XX] Program [ ] Revenue

Our office was given funding in the '87 biennium of $150,000 for general office automation and short-term help for the insurance division.

Through careful use of these very limited funds, we have introduced an office-wide word processing system. In addition, most of the records in the insurance division have been automated, as well as many of those in the securities division.

However, the computer hardware and software have been pushed to the limits of their capabilities. The result has been a dramatic decrease in the speed of the processing system. No further EDP terminals (CRT screens) can be added without an upgrading of the entire system.

The automation in insurance and securities has created significant time savings. Time formerly spent on repetitive, labor-intensive jobs can now be used much more productively. Within the past two years, the National Association of Insurance Commissioners has developed a program whereby insurers file their annual statements on diskettes (or floppy disks). These diskettes do not replace the paper annual statements, but they do enable regulators to extract, summarize and analyze data far more quickly by computer than it could ever be done manually. A system upgrade would enable Montana to reap the benefits of this new technology.

[DETAIL: Central processing unit upgrade - needed additional memory for the "brain" of the system. This will increase the system's response time to what it should be and allow addition of more terminals and printers. We cannot add anything to our current system. Cost $62,550.

Increase storage capacity of system - upgrade current disk drive capacity and purchase additional disk drive. This is needed to store the additional data required by both the insurance and the securities areas. Cost $22,760.

Add a cartridge tape drive - cheaper method of doing backups. We currently use removable disk packs that are more expensive. With the expansion anticipated, purchasing the new tape drive will be less expensive than the additional disk packs that will be required in the near future. Cost $2,850.

Add two more printers - our current printers were designed for office automation, producing letters and other single page documents. We need a high speed laser printer for the letter-type forms that are being developed. We also need a band-type printer for multi-part license-type forms and the routine printing that does not need to be letter quality. Cost $31,840. Total cost in Fiscal '90 $120,000 and $8,000 in Fiscal '91 (increased

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APPENDIX D

GENERALIZED NARRATIVE

AGENCY NUMBER	3401	AGENCY NAME	State Auditor's Office
PROGRAM NUMBER	03	PROGRAM NAME	Insurance
CONTROL VARIABLE	92014	CONTROL VARIABLE NAME	Upgrade Computer System
FISCAL YEAR	90-91		

Identify areas of impact of primary concerns:
A single narrative statement may impact accounting entity, agency, FTE, vacancy savings, program and revenues.

[XX] Accounting Entity	[XX] Agency	[ ] FTE
[ ] Vacancy Savings	[XX] Program	[ ] Revenue

maintenance contract of $8,000 in Fiscal '91 only because the first year of new equipment is free). Cost split between insurance and securities $60,000 each for object 3106 (Computer Equipment) in Fiscal '90 and $4,000 each for object 2750 (Maintenance Contracts) in Fiscal '91.]

FY90	FY91	
$60,000	$4,000	State Spec Rev.

Exhibit 9

Roger McGlenn
EXHIBIT 9
DATE 1-10-89
HB

Historically the Independent Insurance Agents' Association of Montana has strongly supported adequate staffing and funding for the Montana Insurance Department. The fees charged agents and companies is intended to fund the regulation of insurance in Montana.

The following are the fees collected over the last three years and the department's operating budget:

1986		
fees:	$1,170,584.00	
budget:	$704,665.00	
to general fund:	$465,919.00	(about 40%)
1987		
fees:	$1,150,182.00	
budget:	$709,952.00	($684,705.00)
to general fund:	$440,230.00	($465,477.00)
		(about 38% or 40%)
1988		
fees:	$1,346,575.00	
budget:	$839,182.00	
to general fund:	$507,393.00	(about 38%)

In the 1987 session HB-372 increased the fees collected by the insurance commissioner. Our association supported these increased fees if they were appropriated to the insurance department to provide an actuary and infield investigating for the department. To the legislatures credit these appropriations were made, however, in the governor's cuts much of this was lost and agents and companies still pay the increased fees.

The Independent Insurance Agents' Association of Montana continue to support increased staffing and funding for the Montana Insurance Department. However, we are concerned that almost forty percent of the fees collected for the purpose of regulating the insurance industry go to the general fund and become a form of double or discriminatory taxation.

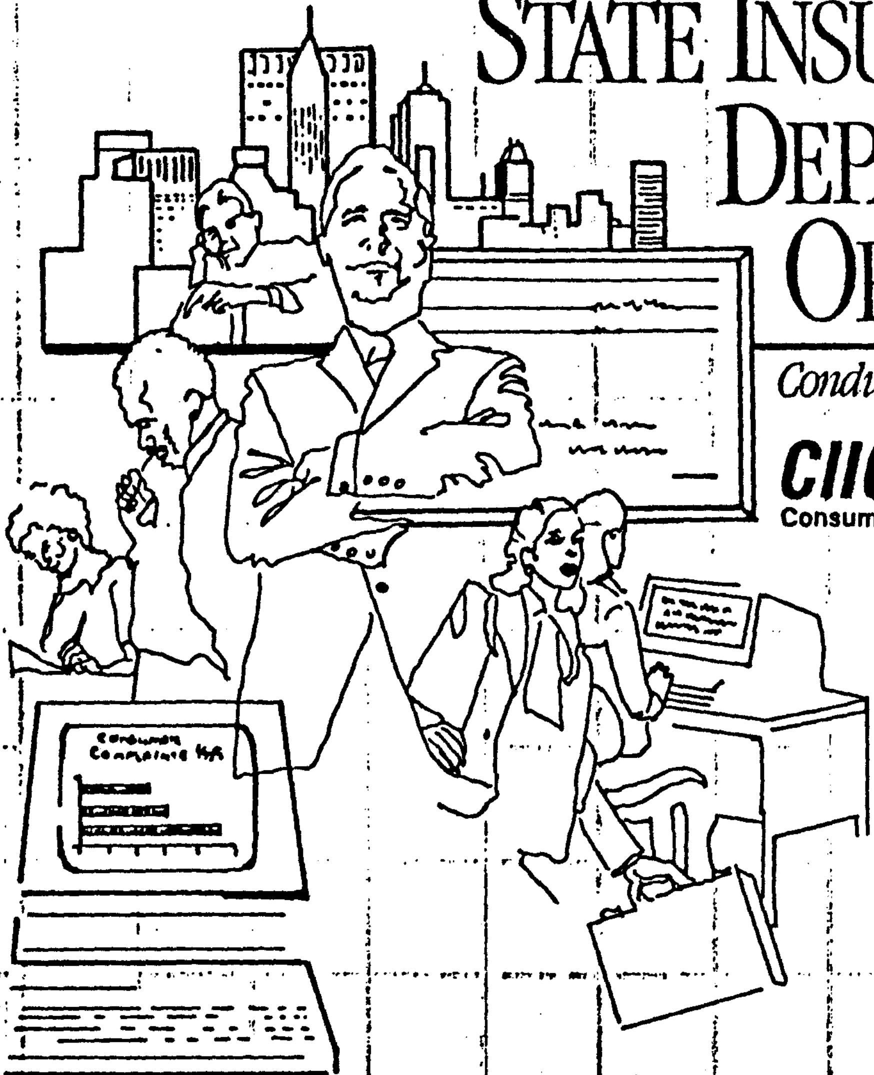
Respectfully submitted by:
Roger Mcglenn, IIAM Executive Director/lobbyist
1/10/89

Pam Langley

Exhibit 10

EXHIBIT 10
DATE 1-10-89
HB

A Study of State Insurance Department Operations



Conducted by

CIIG
Consumer Insurance Interest Group

National Association of
PROFESSIONAL
INSURANCE
AGENTS

April 1988

A Study of State Insurance Department Operations

	Alabama	Alaska	Arizona	California	Colorado	Connecticut	D.C.	Florida	Georgia	Hawaii
Annual Budget	$2,293,000	$1,076,200	$2,064,000	$26,300,000	$2,494,000	$2,380,333	$1,066,000	$27,072,000	$8,791,000	$1,334,000
Salary										
Commissioner	$52,848	$62,508	$55,000	$82,117	$60,000	$70,000	$62,654	$85,656	$64,470	$61,000
Dep. Comm.	$35,628	$50,952	$46,000	$70,116	$57,204	$57,000	n/a	$65,000	$49,000	n/r
Chief examiner										
Range: from	$30,576	$47,448	$49,000	$56,076	$41,556	$45,545	$40,111	$42,000	$40,105	n/a
to	$46,618	$47,448	$49,000	$56,076	$41,556	$55,906	$52,135	$67,000	$40,105	n/a
average	$38,597	$47,448	$49,000	$56,076	$41,556	$50,726	$46,123	$54,500	$40,105	
Actuary										
Range: from	n/r	n/a	$37,000	$46,152	$32,556	$55,000	$40,111	$47,628	$50,000	n/a
to	n/r	n/a	$56,000	$61,380	$54,480	$65,000	$61,617	$97,826	$60,000	n/a
average	-	-	$46,500	$53,766	$43,518	$60,000	$50,864	$72,727	$55,000	-
Attorney										
Range: from	$22,672	n/a	$38,000	$29,580	n/a	$47,000	$28,149	$20,000	$20,000	n/a
to	$48,906	n/a	$51,000	$54,516	n/a	$58,000	$43,840	$67,000	$40,000	n/a
average	$35,789	-	$44,500	$42,048	-	$52,500	$35,995	$43,500	$30,000	-
Examiner										
Range: from	$16,968	$34,740	n/a	$31,692	$23,784	$19,204	$23,255	$19,233	n/a	$21,900
to	$40,118	$62,196	n/a	$46,152	$43,632	$42,414	$52,135	$38,575	n/a	$43,296
average	$28,543	$48,468	-	$38,922	$33,708	$30,809	$37,695	$28,904	-	$32,598
Consumer										
Range: from	$16,151	$28,236	$18,000	$22,464	$23,148	$19,204	$19,008	$13,677	$20,000	$19,356
to	$28,366	$38,712	$25,000	$39,192	$35,892	$38,663	$52,135	$67,000	$30,000	$39,492
average	$22,259	$33,474	$21,500	$30,828	$29,520	$28,934	$35,572	$40,339	$25,000	$29,424
No. of companies										
Domiciled	88	14	876	547	285	128	18	180	73	19
Admitted	1,360	1,008	1,584	1,771	1,500	946	1,241	1,347	1,338	752
Non-admitted	n/a	200	140	0	200	54	155	186	160	0
Total	1,360	1,208	1,724	1,771	1,700	1,000	1,396	1,533	1,498	752

	Illinois	Idaho	Indiana	Iowa	Kansas	Kentucky	Louisiana	Maine	Michigan	Minnesota
Annual Budget	$9,520,000	$1,729,600	$1,654,000	$3,207,000	$4,029,000	$4,176,000	$4,260,099	$2,150,000	$6,504,000	$3,431,000
Salary										
Commissioner	$60,349	$54,500	$52,000	$48,152	$52,530	$59,043	$60,169	$48,817	$60,000	$62,765
Dep. Comm.	$64,020	$42,000	$36,998	$43,535	$47,664	$48,924	$43,619	$42,161	$63,490	$50,362
Chief examiner										
Range: from	$44,340	$40,000	$35,048	$50,024	$32,004	$45,720	$36,240	$38,854	$54,351	$39,296
to	$47,340	$40,000	$35,048	$50,024	$32,004	$45,720	$36,240	$38,854	$54,351	$39,296
average	$45,840	$40,000	$35,048	$50,024	$32,004	$45,720	$36,240	$38,854	$54,351	$39,296
Actuary										
Range: from	$26,820	$35,000	$33,592	$31,324	n/a	$33,000	n/a	$43,763	$24,075	$38,336
to	$68,964	$45,000	$52,286	$39,582	n/a	$80,000	n/a	$61,089	$63,495	$63,246
average	$47,892	$40,000	$42,939	$35,453	-	$56,500	-	$52,426	$43,785	$50,791
Attorney										
Range: from	$24,072	$23,000	$24,700	$25,147	$26,448	$27,072	$22,048	$23,899	$38,691	$28,814
to	$59,796	$40,000	$36,868	$32,115	$49,872	$43,368	$54,780	$32,801	$62,222	$38,336
average	$41,934	$31,500	$30,784	$28,631	$38,160	$35,220	$38,414	$28,350	$50,457	$33,575
Examiner										
Range: from	$19,836	$35,000	$19,370	$18,075	$20,800	$67,000	$16,800	$17,805	$20,796	$20,609
to	$45,612	$45,000	$28,652	$39,582	$40,300	$72,750	$27,852	$24,065	$41,322	$26,914
average	$32,724	$40,000	$24,011	$28,829	$30,550	$69,875	$22,326	$20,935	$31,059	$23,762
Consumer										
Range: from	$19,836	$35,000	$19,370	n/a	$23,988	$16,608	$15,708	$19,364	$21,047	$20,609
to	$40,428	$45,000	$28,652	n/a	$33,756	$21,600	$26,026	$26,603	$39,400	$26,914
average	$30,132	$40,000	$24,011	-	$28,872	$19,104	$20,867	$22,984	$30,224	$23,762
No. of companies										
Domiciled	464	21	187	251	51	71	15	28	97	220
Admitted	1,270	1,425	1,679	1,510	1,368	1,297	220	728	1,350	1,131
Non-admitted	61	102	125	58	319	0	125	49	61	144
Total	1,331	1,527	1,804	1,568	1,687	1,297	345	777	1,411	1,275

A Study of State Insurance Department Operations

	Mississippi	Missouri	Montana	Nebraska	New Hamp.	New Mex.	New York	N. Carolina	N. Dakota	Ohio
Annual Budget	$2,000,000	$1,704,000	$704,655	$2,205,000	$1,634,000	$1,490,000	$40,917,000	$11,210,000	$749,900	$6,937,000
Salary										
Commissioner	n/r	$46,105	$33,342	$51,492	$60,708	$42,720	$83,179	$64,092	$45,000	$59,010
Dep. Comm.	n/r	$39,000	$28,000	$48,828	$38,855	$35,196	$80,096	$66,156	$40,815	$49,969
Chief examiner										
Range: from	n/r	$27,272	$33,534	$48,828	$47,766	$24,384	$56,227	$65,340	$34,575	$45,511
to	n/r	$40,908	$33,534	$48,828	$47,766	$24,384	$85,233	$65,340	$34,575	$45,511
average	-	$34,090	$33,534	$48,828	$47,766	$24,384	$70,730	$65,340	$34,575	$45,511
Actuary										
Range: from	n/a	n/a	$38,000	$28,743	$41,746	$42,000	$21,070	$51,576	n/a	$19,760
to	n/a	n/a	$43,200	$43,259	$50,274	$60,000	$78,493	$85,020	n/a	$35,859
average	-	-	$40,600	$36,001	$46,010	$51,000	$49,782	$68,298	-	$27,810
Attorney										
Range: from	n/r	$22,436	$21,000	$21,524	n/a	$29,580	$27,806	$33,960	$27,456	$19,760
to	$38,000	$33,654	$29,000	$49,990	n/a	$47,376	$78,493	$55,392	$40,992	$48,942
average	-	$28,045	$25,000	$35,757	-	$38,478	$53,150	$44,676	$34,224	$34,351
Examiner										
Range: from	n/r	$18,980	$16,750	$18,625	$24,482	$22,908	$21,070	$29,580	$19,525	$19,760
to	$35,000	$44,200	$21,700	$40,240	$45,722	$39,012	$85,233	$48,108	$24,276	$25,688
average	-	$31,590	$19,225	$29,433	$35,102	$30,960	$53,152	$38,844	$21,901	$22,724
Consumer										
Range: from	n/r	$15,945	$16,750	$18,625	$23,483	$16,356	$21,070	$21,732	$13,932	n/r
to	$22,000	$23,599	$24,700	$46,502	$33,280	$35,400	$78,493	$34,776	$21,108	n/r
average	-	$19,722	$20,725	$32,564	$28,382	$25,878	$49,782	$28,254	$17,520	-
No. of companies										
Domiciled	67	199	7	144	45	32	396	108	66	286
Admitted	1,475	1,574	1,322	1,375	771	1,500	1,158	1,107	1,255	1,592
Non-admitted	193	95	180	n/a	24	172	n/a	147	211	91
Total	1,668	1,669	1,502	1,375	795	1,672	1,158	1,254	1,466	1,683

A Study of State Insurance Department Operations

	Oklahoma	Oregon	Penn.	PuertoRico	Rhode Is.	S.Carolina	S. Dakota	Tennessee	Texas	Utah
Annual Budget	$3,061,000	$2,500,000	$8,674,000	$1,837,000	$1,201,000	$4,547,000	$362,000	$2,902,000	$39,824,000	$1,816,000
Salary										
Commissioner	$50,000	$47,118	$58,000	$47,500	$63,850	$74,039	$34,500	$57,400	$60,873	$50,342
Dep. Comm.	$44,000	$42,729	$47,500	$23,328	$59,521	$59,322	$25,100	$50,000	$51,500	$37,500
Chief examiner										
Range: from	$44,000	$35,716	$42,015	$28,692	$52,016	$30,862	$32,800	$38,928	$49,543	$42,282
to	$44,000	$45,618	$42,015	$28,692	$52,016	$43,742	$32,800	$38,928	$49,543	$42,282
average	$44,000	$40,667	$42,015	$28,692	$52,016	$37,302	$32,800	$38,928	$49,543	$42,282
Actuary										
Range: from	$36,000	$36,805	$27,990	$15,180	n/a	$43,926	n/a	$18,420	$31,776	$46,270
to	$44,000	$63,228	$61,555	$20,496	n/a	$72,838	n/a	$28,608	$45,648	$67,505
average	$40,000	$50,017	$44,773	$17,838	-	$58,382	-	$23,514	$38,712	$56,888
Attorney										
Range: from	$21,500	n/a	$23,805	$18,120	$30,023	$29,673	$24,585	$15,444	$26,928	$26,643
to	$38,600	n/a	$49,741	$23,556	$33,985	$55,798	$36,857	$32,640	$45,648	$38,837
average	$30,050	-	$36,773	$20,838	$32,004	$42,736	$30,721	$24,042	$36,288	$32,740
Examiner										
Range: from	n/a	$22,852	$20,812	$13,308	$22,215	$23,450	n/a	$14,784	$19,404	$21,569
to	n/a	$39,425	$38,670	$16,056	$42,316	$43,742	n/a	$35,640	$42,732	$45,310
average	-	$31,139	$29,741	$14,682	$32,266	$33,596	-	$25,212	$31,068	$33,440
Consumer										
Range: from	$21,500	$22,852	$18,504	n/a	n/r	$22,548	$16,016	$14,148	$19,404	$21,569
to	$36,225	$29,008	$26,739	n/a	n/r	$31,961	$24,044	$22,968	$49,543	$31,466
average	$28,863	$25,930	$22,622	-	-	$27,255	$20,030	$18,558	$34,474	$26,518
No. of companies										
Domiciled	149	89	358	34	39	64	64	101	798	48
Admitted	1,435	1,353	1,091	238	831	1,256	1,184	1,338	1,497	1,484
Non-admitted	195	n/a	101	47	41	88	n/a	118	340	n/r
Total	1,630	1,353	1,192	285	872	1,344	1,184	1,456	1,837	1,484

	Vermont	Virgin Is.	Virginia	Washington	W.Virginia	Wisconsin	Wyoming
Annual Budget	$1,300,000	$324,000	$6,264,100	$4,200,000	$1,352,000	$4,271,000	$1,000,000
Salary							
Commissioner	$48,000	$57,000	$61,233	$53,700	$35,000	$70,000	$48,000
Dep. Comm.	$40,000	$43,000	$55,233	$46,572	$34,758	$60,000	$40,000
Chief examiner							
Range: from	$39,000	$33,000	$39,067	$44,868	$28,912	n/a	$40,000
to	$39,000	$33,000	$53,363	$44,868	$28,912	n/a	$40,000
average	$39,000	$33,000	$46,215	$44,868	$28,912	-	$40,000
Actuary							
Range: from	n/a	n/a	$42,705	$43,740	n/r	$30,396	n/a
to	n/a	n/a	$58,343	$58,824	$23,952	$40,844	n/a
average	-	-	$50,524	$51,282	-	$35,620	-
Attorney							
Range: from	$28,000	n/a	$42,705	$31,728	n/r	$31,899	$27,000
to	$35,000	n/a	$58,343	$55,680	$34,758	$45,026	$34,000
average	$31,500	-	$50,524	$43,704	-	$38,463	$30,500
Examiner							
Range: from	$22,000	$19,003	$22,887	$18,144	$33,280	$24,614	$31,000
to	$37,000	$32,992	$31,261	$44,832	$42,900	$39,491	$36,000
average	$29,500	$25,998	$27,074	$31,488	$38,090	$32,053	$33,500
Consumer							
Range: from	$22,000	$15,997	$22,887	$26,040	$19,920	$24,614	$22,000
to	$30,000	$28,574	$31,261	$31,728	$33,183	$39,491	$24,000
average	$26,000	$22,286	$27,074	$28,884	$26,552	$32,053	$23,000
No. of companies							
Domiciled	144	2	97	95	23	332	7
Admitted	800	172	1,256	1,353	1,117	1,245	1,100
Non-admitted	125	14	157	n/a	n/a	94	n/a
Total	925	186	1,413	1,353	1,117	1,339	1,100

Exhibit

EXHIBIT 11

DATE 1-10-89

HB

3401 04 00000 | 12:20 AM | 09-Jan-89

LEGISLATIVE ACTION

AGENCY: STATE AUDITOR'S OFFICE

PROGRAM: SECURITIES DIVISION

BUDGET ITEM	FY 1988 Actual	Fiscal 1990 Executive	Fiscal 1990 LFA Curr Lvl	Fiscal 1990 Difference	Fiscal 1991 Executive	Fiscal 1991 LFA Curr Lvl	Fiscal 1991 Difference	FY 88-90 % Change
FTE	9.00	9.00	9.00	0.00	9.00	9.00	0.00	0.00%
Personal Services	$226,129	$224,107	$221,221	$2,886	$224,436	$221,544	$2,892	-2.17%
Operating Expenses	49,597	46,716	44,017	2,699	43,635	40,896	2,739	-11.25%
Equipment	5,453	1,450	1,450	0	0	0	0	-73.41%
Non-Operating	1,730,000	0	0	0	0	0	0	-100.00%
TOTAL EXPENSES	$2,011,179	$272,273	$266,688	$5,585	$268,071	$262,440	$5,631	-86.74%
FUNDING								
State Special Rev	$2,011,179	$272,273	$266,688	$5,585	$268,071	$262,440	$5,631	-86.74%
TOTAL FUNDING	$2,011,179	$272,273	$266,688	$5,585	$268,071	$262,440	$5,631	-86.74%

ISSUES:	---EXEC OVER (UNDER) LFA--- FY 90	FY 91
1. VACANCY SAVINGS - Executive applied 2% vacancy savings as compared to 4% in LFA current level.	$4,644	$4,651
2. SALARIES - The Executive is lower than LFA current level for salaries due to removal of an allowance for a salary increase at completion of a probationary period for one employee.	($1,758)	($1,759)
3. The Executive includes an allowance over base for the rent of room partitions for the word processing section. The increase is not included in LFA current level.	$3,000	$3,000
TOTAL ISSUES	$5,886	$5,892

EXHIBIT 12
DATE 1-10-89
HB

APPENDIX D

GENERALIZED NARRATIVE

AGENCY NUMBER	3401	AGENCY NAME	State Auditor's Office
PROGRAM NUMBER	04	PROGRAM NAME	Securities
CONTROL VARIABLE	92015	CONTROL VARIABLE NAME	Training
FISCAL YEAR	90-91		

Identify areas of impact of primary concerns:
A single narrative statement may impact accounting entity, agency, FTE, vacancy savings, program and revenues.

[XX] Accounting Entity	[XX] Agency	[ ] FTE
[ ] Vacancy Savings	[XX] Program	[ ] Revenue

For employees of the Securities Department to protect Montana investors, they must remain current as to the trends and problems of the securities industry. This is done through educational seminars, including those sponsored by the North American Securities Administrators Association.
A comprehensive agency-wide training program requires funding at a level above that spent in Fiscal '88. The estimated cost for such a program would include $1,000 per person annually for each grade ten and above employees (mid-management) as well as $300 per person annually for all other employees.

[DETAIL: Eight employees times $1,000 per year plus 1 employee at $300 per year equals $8,300 per year. Subtract from that the $1,552 actually spent in Fiscal '88 and there remains $6,748 additional funding needed for each year of the biennium.]

FY90	FY91	
$ [illegible]	$6,748	State Spec. Rev.

APPENDIX D

GENERALIZED NARRATIVE

AGENCY NUMBER	3401	AGENCY NAME	State Auditor's Office
PROGRAM NUMBER	04	PROGRAM NAME	Securities
CONTROL VARIABLE	92016	CONTROL VARIABLE NAME	Upgrade Computer System
FISCAL YEAR	90-91		

Identify areas of impact of primary concerns:
A single narrative statement may impact accounting entity, agency, FTE, vacancy savings, program and revenues.

[xx] Accounting Entity [xx] Agency [ ] FTE
[ ] Vacancy Savings [xx] Program [ ] Revenue

Despite not receiving additional funding in the '89 biennium, we have automated the majority of insurance and securities departments. However, the hardware is now at the fringe of its performance capabilities with a significant decrease in our system's speed. We are not able to expand for more terminals or more automation in either insurance or securities without an upgrade to our basic system.

The automation in insurance and securities has resulted in substantial time savings, that personnel have used for important functions like consumer protections. One of the difficult problems for our office historically has been the storage of basic information. Eventually the insurance industry will be as fully automated as the securities industry and we will not need to store the hard copies of financial statements for 1,300 insurers in our office because they will be available electronically from a central computer system. The only way to protect Montana's insurance and securities customers is to keep up with the most effective and least costly regulatory techniques available.

[DETAIL: Central processing unit upgrade - needed additional memory for the "brain" of the system. This will increase the system's response and allow for the addition of more terminals and printers. We cannot add anything to our current system. Cost $62,550.

Increase storage capacity of system - upgrade current disk drive capacity and purchase additional disk drive to store the additional data required by both the insurance and the securities areas. Cost $22,760.

Add a cartridge tape drive to decrease cost of doing backups. We currently use removable disk packs which are more expensive. Then a cartridge tape drive with the expansion anticipated, purchasing the new tape drive will be less expensive than purchasing additional disk packs. Cost $2,850.

Add two more printers - our current printers were designed for office automation, producing letters and other single page documents. We need a high speed laser printer for the letter-type forms that are being developed. We also need a bond-type printer to print the multi-part license-type forms and the routine printing that does not need to be letter quality, cost $31,840. Total cost $120,000, in Fiscal '90 and $8,000 in Fiscal '91 (increased maintenance contract of $8,000 in Fiscal '91 only because maintenance for the first year of new equipment is free). Cost split between insurance and securities $60,000 each for object 3106 (Computer Equipment) in Fiscal '90 and $4,000 each for object 2750 (Maintenance Contracts) in Fiscal '91.]

FY90	FY91	
$60,000	$4,000	State Spec Rev.

APPENDIX D

GENERALIZED NARRATIVE

AGENCY NUMBER	3401	AGENCY NAME	State Auditor's Office
PROGRAM NUMBER	04	PROGRAM NAME	Securities
CONTROL VARIABLE	92017	CONTROL VARIABLE NAME	Office Equipment
FISCAL YEAR	90-91		

Identify areas of impact of primary concerns:
A single narrative statement may impact accounting entity, agency, FTE, vacancy savings, program and revenues.

[xx] Accounting Entity	[xx] Agency	[ ] FTE
[ ] Vacancy Savings	[xx] Program	[ ] Revenue

We are required by law to keep secure all investigative files of the Securities Department. Because of space considerations, many of the older files are kept in a secure area within the Warrant area of the office. We need to purchase ten, four-drawer locking file cabinets, these files could be kept in the Securities Area and would still remain secure. With the increased need for space by the new warrant system, the current storage area in the Warrant Area will not be available for storing securities records indefinitely.

Also requested is a portable personal copier. Investigation of many securities cases requires going to another location and gathering information. The department must also visit consumers at their homes and make copies of their records. These records are copied commercially, at a cost which exceeds that which would be incurred through the use of a portable copier. Not only are we charged up to fifty cents per copy, but on one occasion paid $10 an hour for the person making the copies. It is estimated that machine could pay for itself in cost savings in one year.

[DETAIL: Ten file cabinets at $330 each equals $3,300 plus $1,000 for a personal copier totals $4,300 (3112) for Fiscal '90.]

FY 90	FY 91	
$4,300	-0-	State Spec. Rev.

GENERALIZED NARRATIVE

AGENCY NUMBER	3401	AGENCY NAME	State Auditor's Office
PROGRAM NUMBER	04	PROGRAM NAME	Securities
CONTROL VARIABLE	92018	CONTROL VARIABLE NAME	Computer Terminal
FISCAL YEAR	90-91		

Identify areas of impact of primary concerns:
A single narrative statement may impact accounting entity, agency, FTE, vacancy savings, program and revenues.

[xx]	Accounting Entity	[xx]	Agency	[ ]	FTE
[ ]	Vacancy Savings	[xx]	Program	[ ]	Revenue

To gather registration information in securities investigations, it is necessary to access a computer database called the Central Registration Depository. This will tell you if someone is registered in any of the fifty states. We need an additional terminal to keep up with the demand for this information. If it is not possible we could utilize the current, proprietary terminals in the Securities Department to access CRD. In order to do so, a personal computer terminal is necessary. Obtaining this equipment will provide the added benefit of permitting the department to access files of federal and state law enforcement agencies. This will allow us to share information and better protect consumers.

[DETAIL: Rent of $175 per month times 12 equals $2,100 per year (2504)]

FY 91 — 2,100   FY 92 — 2,100   State Spec Rev.

APPENDIX D

GENERALIZED NARRATIVE

AGENCY NUMBER	3401	AGENCY NAME	State Auditor's Office
PROGRAM NUMBER	04	PROGRAM NAME	Securities
CONTROL VARIABLE	92019	CONTROL VARIABLE NAME	WATTS Line
FISCAL YEAR	90-91		

Identify areas of impact of primary concerns:
A single narrative statement may impact accounting **entity, agency,** FTE, vacancy savings, program and revenues.

- [xx] Accounting Entity
- [ ] Vacancy Savings
- [xx] Agency
- [xx] Program
- [ ] FTE
- [ ] Revenue

The Securities Department has requested an additional toll-free line be added to the office because it receives numerous complaints and our current line is frequently busy. The $15,000 requested is based on the last two billings for our current line of $1,250 per month. A toll-free line is vital for both receiving and providing information to the public.

[DETAIL: $1,250 times 12 months equals $15,000 per year.]

FY90 FY91
$15,000 $15,000 State Spec Rev.

WITNESS STATEMENT

NAME State Auditor - Derry Lazerd BILL NO. ____

ADDRESS rm. 270 Mitchell Bldg. DATE ____

WHOM DO YOU REPRESENT? State Auditor

SUPPORT X OPPOSE ____ AMEND ____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

VISITOR'S REGISTER

_______________ SUBCOMMITTEE

AGENCY(S) State Auditor DATE 1/ /89

DEPARTMENT _______________

NAME	REPRESENTING	SUPPORT	OPPOSE
Perry Lagrue	State Auditor	X	
Donna Warner	State Auditor	X	
Wilhelm VanVlief	"	X	
Tom Irigoin	"	X	
Stuart Doggett	"	X	
Pam Langley	PIA	X	
DAVID SWENSON	State Auditor's	X	
KATHY IRIGOIN	State Auditor's	X	
ROGER McGLENN	IIAM Ins. Dept	X	

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

FORM CS-33A
Rev. 1985