

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON GENERAL GOVERNMENT & HIGHWAYS

Call to Order: By Chairman Quilici, on January 28, 1991, at 8:06 a.m.

ROLL CALL

Members Present:

Rep. Joe Quilici, Chairman (D)
Rep. Mary Lou Peterson (R)
Sen. Larry Tveit (R)
Rep. Tom Zook (R)

Members Excused: Sen. Stimatz and Sen. Fritz

Staff Present: Lois Steinbeck, Associate Fiscal Analyst (LFA)
Bill Mandeville, Budget Analyst (OBPP)
Arlene Carlson, Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Announcements/Discussion: Chairman Quilici stated that Sen. Stimatz and Sen. Fritz will be late, they are having trouble with the snow.

HEARING ON DEPARTMENT OF ADMINISTRATION

Tape No. 1

State Personnel Division

Lois Steinbeck, LFA, stated the division is responsible for the classification of employees. The state personnel division provides state agencies with a comprehensive program of personnel administration including; position classification, collective bargaining and labor relations, group benefits plans, etc. EXHIBITS 1 and 2 The 1993 biennium budget is 4.2 percent greater than the 1991 biennium. Personnel services costs increased due to vacancies in FY90 and full implementation of the FY91 pay plan in the 1993 biennium. Operating expenses increased due to adjustments for inflation.

Laurie Ekanger, Administrator, Personnel Division, presented a general overview of the division, specific programs and modifications. The purpose of the division is to provide fair and legal personnel management. Personal services are 21% of the total budget for the state of Montana--\$427 million. It's important that fair, legal personnel practices are provided. Public funds are used for public service. We try to be a model employer. Because we are the biggest employer in the state, we have a resource that many employers look to for technical assistance. She discussed the impact of the pay plan on the employees. The workload has increased with the pay problems.

Since July 1989, the department has had thirty out of thirty-eight positions vacant which leaves a 79% turnover of employees. She gave a brief summary as to the duties of her department and the problems that have been resolved in the turnover of employees and the vacancies in the office. She reviewed the three programs in detail: Personnel Administration; Employee Benefits Program; and the Training Program. Modifieds were discussed. EXHIBITS 3, 4, 5, 6 and 7

Tape 2

General Services Program

Debbie Kehr, Administrator, General Services, Department of Administration, introduced Sue Campbell, Accountant, and gave an overview on General Services. General Services provides for both the facility needs of governmental agencies and for the delivery of their mail. She reviewed the organizational chart. EXHIBIT 8 The main work under facilities management is as landlord of state agencies. Funding comes from four sources: a small allocation from the capitol building fund; money charged to agencies for remodeling; small amount 12% of general fund; and through proprietary rental rates charged to agencies for heat, light, repairs, janitorial, etc., (88%) at an extremely reasonable rate. In mail and distribution they serve the majority of Helena-based agencies, both incoming and outgoing. This is funded by proprietary money.

Ms. Steinbeck gave an overview of the issues for General Services Program. EXHIBITS 9 and 10 The authorized FTE level in FY90 was 45 and the FTE level in the budget proposal is 20 because of contracting for janitorial services and contracting for security. Issue 2 Utilities. \$34,563 is a 4% increase in utilization over FY90 actual expenditures plus a base increase of \$60,000 which represents the fact that the department believes the 1988-89 winter was a mild winter. She reviewed the other issues. Both budgets do fund replacement of the sound system, chairs, conference table, 2 PCs and software upgrades. Issue No. 7 needs to be addressed. She reviewed the funding issues and general appropriations language. She reviewed the funding for water irrigation wells which does impact the budget but are included in the long range planning bill.

Ms. Kehr reviewed the fluctuation in utility use. EXHIBITS 11 and 12 LFA travel only includes motor pool charges and no funds for travel for the facilities manager position. An agency contacts GSA and the manager travels to the site to establish if their request is within the guidelines, etc. He tries to coordinate needs of other agencies on the same trip. This position has only been in place four months but good results have been observed--\$91,000 savings in rental costs and \$109,000 in potential liability. She reviewed the other issues and funding issues. She discussed the distribution of mail.

Chuck Virag, Administrator, Accounting Division, stated they modified the language for the Long Range Management program for

the capitol complex acquisition program. Ms. Kehr stated the capitol acquisition project is a \$20,000 so the department will have the ability to make options on any land that becomes available around the complex until the Legislature decided if it were interested. **EXHIBIT 13**

Questions from the Committee: SEN. TVEIT asked about irrigating the grounds of the capitol complex and the cost. Ms. Kehr stated they are funded through the cash account and was a project initially included in the budget. Water is currently obtained from the city of Helena and she was not sure of cost but said she could get back with that information. The cost of the water is divided between the Department of Administration and the Department of Fish, Wildlife and Parks because FWP has the responsibility to water. Over half of the water is metered through the buildings and GSA pays building meter water bills. The division is looking at other conservation alternatives to watering.

SEN. TVEIT requested that before executive action was taken on the issue of irrigating the capitol complex by the FWP, he wanted FWP to appear before the committee.

Dave Ashley said the funding source that FWP uses to maintain the grounds is a proprietary fund and they charge on a square footage basis so it doesn't matter because the cost goes back to the tenants.

Mail and Distribution Bureau

Ms. Steinbeck gave an overview of the bureau which manages central mail service for state agencies. Both incoming US mail and interoffice mail are routed and delivered by this bureau. **EXHIBITS 14 AND 15** She reviewed the current level issues. Modifieds include a postage machine and additional authority to fund expanded mail services to Highways and DHES. She reviewed the language to be included in the general appropriations act.

Ms. Kehr said the increased workload warranting additional FTE in the mail room because of the addition of Highways and DHES (12.5% increase). The projected saving to the state because of this move is \$31,000 in postage and equipment after deducting FTE. Overtime comes from meeting peak demands like the legislative session. US mail is rapidly moving toward bar-coding and will eventually eliminate the current savings from first-class presort. The division anticipates it will be back next session for an appropriation to purchase equipment to bar-code. Travel is to attend seminars on equipment which are not available in Montana. She reviewed the modifications.

Public Employees Retirement Division (PERD)

Lois Steinbeck gave an overview of the division's budget. **EXHIBITS 16 and 17** The funding source is a non-expendable trust.

Linda King, Assistant Administrator, Public Employees Retirement, gave an overview of the division which administers the state's retirement system and the state/federal social security agreement. EXHIBIT 18 She reviewed the current level budget issues EXHIBIT 19 and the modified level budget requests. EXHIBIT 20

CHAIRMAN QUILICI asked why highway patrolmen cannot collect social security benefits. Ms. King stated that they are eligible for social security coverage if their employer contracts with the federal government for coverage. Besides firefighters, highway patrol officers and municipal police officers do not have a contract for social security coverage.

Ms. King said the department requested a full-time physician to help make the final decisions regarding disability determinations and work with the Disability Determination Bureau on disability cases of retirees. She discussed the lack of space to accommodate the public attendance at board meetings, etc. and the need to expand.

Tape 3

State Tax Appeal Board

Ms. Steinbeck gave an overview of STAB which provides a tax appeal system for all actions of the Department of Revenue and CTAB, the county tax appeal boards. The budget increases almost 27% between FY90 and FY92 because it includes per diem expenses formerly budgeted and paid in the CTAB program. EXHIBIT 21 There is a .5 FTE reduction in both budgets. FY91 showed a very high level of activity because of property tax appeals in 1988 which drives the base differences.

John McNaught, Chairman, Tax Appeal Board, gave an overview of the Tax Appeal Board system at both the county and state level. The appeal load is always influenced by taxation policies of the Department of Revenue. The number of appeals of property taxes increased as the result of the sales assessment ratio studies which provided the basis of HB 703 increases. STAB anticipated a large number of appeals in seven counties with the property tax increase. The numbers turned out to be surprisingly low. There were 1260 appeals from Cascade County in 1990, which was the highest number. When the Supreme Court issued this decision regarding the constitutionality of this bill, it was thought that those taxpayers who filed to appeal HB 703, were really the losers. Although the Court found 703 unconstitutional, the court also mandated that these taxpayers who had an appeal within the system, either at the county or state level, would regain their 1989 or pre-703 assessments. The taxpayers who did not file an appeal, were stuck with an increase in assessments until 1991. We anticipate an increase in appeals on this basis. They will file appeals just to protect themselves. People are upset with property tax increases as a result of the school equalization. More appeals will come from that. He requested adopting the

Governor's budget to cover these increased costs. If the LFA is adopted, STAB will have to request a supplemental if they fall short; shut down the CTAB activity; or postpone major or direct appeals into the next fiscal year.

Bill Mandeville, OBPP, said the agency requested OBPP, who concurred, to combine the appropriations for the State Tax Appeal Board and the County Tax Appeal Board into one appropriation. They explained that what can't be afforded at CTAB level has to be paid for by STAB, consequently, separation doesn't have much bearing.

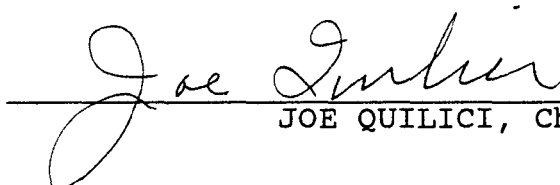
Tort Claims

Ms. Steinbeck gave an overview of the Tort Claims Division which provides for the investigation, defense, and payment of bodily injury and property damage claims incurred by all agencies, officers, and employees of the State of Montana. **EXHIBIT 22**

Brett Dahl, Administrator, Tort Claims, gave a brief overview of the Division and its organizational chart. **EXHIBIT 23** He spoke on the number of claims and lawsuits that have been filed with the division and the turnaround time. **EXHIBIT 24**

ADJOURNMENT

Adjournment: 11:59


JOE QUILICI, Chair

JQ/amc

HOUSE OF REPRESENTATIVE
GENERAL GOVERNMENT AND HIGHWAYS SUBCOMMITTEE

ROLL CALL

DATE Jan. 28, 1991

NAME	PRESENT	ABSENT	EXCUSED
REP. JOE QUILICI, CHAIRMAN	✓		
SEN. LARRY STIMATZ, VICE-CHAIRMAN			✓
REP. TOM ZOOK	✓		
SEN. LARRY TVEIT	✓		
REP. MARY LOU PETERSON	✓		
SEN. HARRY FRITZ			✓

HR:1991
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MAIL & DISTRIBUTION BUREAU

reductions would be necessary to fund the modified budget request (\$13,000 over the biennium), pay plan increases above 2 percent annually, and benefit increases. The ending cash balance in the central mail account is estimated to

be \$241,771 at the beginning of fiscal 1992. The legislature may want to review revenues, expenditures, and the estimated ending fund balance for this program.

Table 13
Comparison of Central Mails Revenue to Executive Budget Request
and LFA Current Level Budget

<u>Revenue and Budget</u>	<u>Actual FY90</u>	<u>Estimated FY92</u>	<u>Estimated FY93</u>	<u>Change from 1990 to 1992</u>
Executive Budget Request				
Revenue:				
Post Office Contact	\$ 38,999	\$ 38,976	\$ 38,976	-0.06%
Deadhead Mail	112,271	133,353	133,353	18.78%
Postage Cost	1,088,541	1,384,714	1,384,714	27.21%
Overhead (6%)	<u>69,481</u>	<u>83,083</u>	<u>83,083</u>	<u>19.58%</u>
Total Funds	<u>\$1,309,292</u>	<u>\$1,640,125</u>	<u>\$1,640,125</u>	<u>25.27%</u>
Executive Budget:		\$1,649,813	\$1,654,099	
Expenditures (Over) or Under Revenue		\$(9,688)	\$(13,974)	

Additional Services Not Included in Executive Budget

The cost of outgoing mail services, recently extended to the Departments of Highways and Health and Environmental Services, is not included in the Executive Budget or the LFA current level budget. The bureau estimated that about \$200,000 of increased authority is needed to cover costs of the service expansion. The legislature may wish to review department documentation as to

the revenues and costs incurred for this service expansion and offsetting cost savings in the two agencies.

Executive Budget Modifications

New Postage Machines

The department is requesting \$13,000 in proprietary funds over the biennium to replace postage machines. One replacement machine will be purchased each year.

EXHIBIT 1
 December 28, 1997
 Gen. Gov. Sec.

STATE PERSONNEL DIVISION

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	38.00	38.00	38.00	38.00	.00
Personal Services	1,009,895	1,123,234	1,120,856	1,120,033	5.05%
Operating Expenses	325,520	317,340	325,918	327,016	1.57%
Equipment	2,346	2,825	2,642	2,642	2.19%
Debt Service	1,807	0	0	0	-100.00%
Total Program	\$1,339,568	\$1,443,399	\$1,449,416	\$1,449,691	4.17%
<u>Fund Sources</u>					
General Fund	859,432	954,282	931,458	931,297	2.70%
Proprietary Fund	480,136	489,117	517,958	518,394	6.92%
Total Funds	\$1,339,568	\$1,443,399	\$1,449,416	\$1,449,691	4.17%

Program Description

The State Personnel Division provides state agencies with a comprehensive program of personnel administration including: position classification, collective bargaining and labor relations, group benefits plans, compensation plan and rules, deferred compensation, training, employee incentive awards, sick leave fund, equal employment and affirmative action, and health education. The division publishes state rules and policies relating to recruitment, selection, discipline, grievance, performance appraisal, leave, affirmative action, and other personnel matters.

vacancies in fiscal 1990 and full implementation of the fiscal 1991 pay plan in the 1993 biennium. Operating costs increase slightly due to adjustments for inflation, fixed costs, and increases in workloads. Equipment includes replacement chairs and films.

General fund supports Personnel Administration and some functions in the Employee Benefits program. Proprietary funds support two programs. The state health self-insurance premium fund supports most functions in the Employee Benefits program. Training fees and income support the Training program.

The following three tables (15, 16, and 17) present program budget detail for fiscal 1990, 1992, and 1993. Together the budgets for the three programs equal the amounts shown in the Personnel Division budget.

Current Level Budget

The 1993 biennium budget is 4.2 percent greater than the 1991 biennium. Personnel services costs increase due to

EXHIBIT 1DATE 1-28-91
Gen. Govt Sub

STATE PERSONNEL DIVISION

Table 14
Personnel Administration

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>----Current Level----</u> <u>Fiscal 1992</u>	<u>Fiscal 1993</u>	<u>Change 1990 to 1992</u>
FTE	27.0	27.0	27.0	0.0
Personal Services	\$726,884	\$796,090	\$795,619	9.52%
Operating Expenses	105,815	107,563	107,873	1.65%
Equipment	<u>216</u>	<u>625</u>	<u>625</u>	<u>189.35%</u>
Total Costs	\$832,915	\$904,278	\$904,117	8.55%
Funding Source				
General Fund	\$832,915	\$904,278	\$904,117	8.55%

Personnel Administration increases about 9 percent from fiscal 1990 to 1992. Most of the increase is in personal services due to vacancies in fiscal 1990 and full implementation of the 1991 pay

plan in the 1993 biennium. Operating costs increase slightly due to inflationary adjustments and fixed costs. Equipment includes replacement chairs.

Table 15
Employee Benefits Program

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>----Current Level----</u> <u>Fiscal 1992</u>	<u>Fiscal 1993</u>	<u>Change 1990 to 1992</u>
FTE	8.0	8.0	8.0	0.0
Personal Services	\$200,304	\$226,450	\$226,324	13.05%
Operating Expenses	144,696	122,445	122,509	-15.38%
Equipment	<u>113</u>	<u>0</u>	<u>0</u>	<u>-100.00%</u>
Total Costs	<u>\$345,113</u>	<u>\$348,895</u>	<u>\$348,833</u>	<u>1.10%</u>
Funding Sources				
General Fund	\$ 26,517	\$ 27,180	\$ 27,180	2.50%
Proprietary Funds	<u>318,596</u>	<u>321,715</u>	<u>321,653</u>	<u>0.98%</u>
Total Funds	<u>\$345,113</u>	<u>\$348,895</u>	<u>\$348,833</u>	<u>1.10%</u>

The current level budget for the Employee Benefits program remains about the same as fiscal 1990 actual expenditures. Personal services increase due to vacancies in fiscal 1990 and due to a reallocation of expenses.

A 0.5 FTE was transferred between this program and Personnel Administration to accurately reflect program supervision responsibilities. The position transferred to the Employee Benefits program is paid at a higher rate than

STATE PERSONNEL DIVISION

the 0.5 FTE transferred to Personnel Administration, accounting for about \$4,000 of the difference. Operating costs decrease due to removal of one-time expenditures for system development which offset increases in inflation and fixed costs.

The program is funded mostly from the group benefits administration account,

which receives revenue from investment earnings from the state health self-insurance fund. General fund supports administration of the state pay plan and salary survey activity and the employee incentive awards program, which provides cash bonuses to state employees whose money saving suggestions are implemented.

Table 16
Training Program

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>----Current Level----</u>		<u>Change 1990 to 1992</u>
		<u>Fiscal 1992</u>	<u>Fiscal 1993</u>	
FTE	3.0	3.0	3.0	0.0
Personal Services	\$ 82,707	\$ 98,316	\$ 98,090	18.87%
Operating Expenses	75,009	95,910	96,634	27.86%
Equipment	2,017	2,017	2,017	0.00%
Debt Service	<u>1,807</u>	<u>0</u>	<u>0</u>	<u>-100.00%</u>
Total Costs	\$161,540	\$196,243	\$196,741	21.48%
Funding Source				
Proprietary Funds	\$161,540	\$196,243	\$196,741	21.48%

The Training program budget increases 21.5 percent from fiscal 1991 to 1992. Personal services costs increase as one position was vacant for about four months in fiscal 1990. Operating costs increase to reflect higher expenses now that the program is fully staffed. Equipment includes training films. Debt-financed equipment purchases have been paid.

The program is funded from training fees charged to state agencies and other entities which send staff to classes. The increase in operating, equipment, and personal services costs will be recouped through additional revenue generated by the program.

Issue

State Health Insurance Funding

The state of Montana administers a self-insured group medical and dental insurance plan. The state pays a monthly contribution toward health insurance for: 1) permanent full and part-time employees working 20 or more hours per pay period; 2) seasonal employees working six months or more a year; and 3) part-time seasonal employees working 20 or more hours per week for six months or more each year.

The state does not pay a monthly contribution for other eligible members. A retired state employee and, under certain conditions, the surviving spouse and or children of a retired member may remain a member of the group health insurance plan. Provisions in the federal consolidated omnibus budget bill

STATE PERSONNEL DIVISION

Gen. Inv. Div.

of 1986 (COBRA) mandate that the state extend coverage to the former dependents of active employees or employees who leave state employment. For instance, divorced spouses of active employees may elect to remain in the state plan. COBRA eligibility is extended for up to 18 or 36 months depending on the circumstance mandating eligibility. Persons in this group pay the full premium for themselves and their dependents.

The self-insurance fund balance has been declining in recent years (see Table 17). Projections made in November 1990 by the actuary for the state group benefits plan show that the fund will have a cash deficit of \$5.8 million by the end of the 1993 biennium. Coupled with the required reserve, the unfunded liability in the account is projected to be \$16.8 million. By comparison, the

estimated ending fund balance would be \$1.7 million, with an unfunded liability of \$9.3 million, if the Executive Budget recommendation to increase the state insurance premium contribution by \$15 per employee per month in fiscal 1992 and \$30 in fiscal 1993 is approved.

The fund balance estimate assumes a 15 percent annual rate of medical inflation and utilization increase. The department is requesting that the actuary review the projection in order to determine if 15 percent is the correct inflation rate to use in estimating the fund balance. The University System is using a 19 percent inflation rate in estimating costs for its self-insured health plan in the 1993 biennium. The legislature may wish to review the updated fund balance estimates.

Table 17
Actual and Estimated Self-Insurance Health Insurance Fund Balance
(in millions)
Compared to the Fund Balance With the Executive Recommendation
Fiscal Year 1984 to Fiscal Year 1993

Year	Income	Claims	Excess or (Loss)	Reserve	Required Reserve	Unallocated or (Inadequate) Reserve
Current Level						
1984	\$14.965	\$11.967	\$2.998	\$10.138	\$4.884	\$5.254
1985	17.263	13.627	3.636	13.774	5.571	8.203
1986	17.600	14.668	2.932	16.706	5.974	10.732
1987	20.278	18.587	1.691	18.397	7.061	11.336
1988	20.579	21.654	(1.075)	17.322	8.212	9.110
1989	21.207	24.008	(2.801)	14.163	8.863	5.300
1990	23.554	27.137	(3.583)	10.580	7.531	3.049
1991	27.739	28.656	(0.917)	9.663	8.106	1.557
1992	28.011	33.116	(5.105)	4.558	9.448	(4.890)
1993	27.921	38.304	(10.383)	(5.826)	11.012	(16.838)
Balance with Executive Recommendation						
1991	27.739	28.656	(0.917)	9.663	8.106	1.557
1992	30.425	33.116	(2.691)	6.972	9.448	(2.476)
1993	33.042	38.304	(5.262)	1.710	11.012	(9.302)

Notes: The state insurance year is September 1 to August 31.

Income includes premiums and interest earnings.

The required reserve is the amount needed to pay incurred and unreported claims.

The unallocated reserve is the amount above the required reserved.

Inadequate reserves represent an unfunded liability.

STATE PERSONNEL DIVISION

There are several alternatives that could be considered to fund the self-insurance fund deficit including: increased state contributions; increased employee contributions; and benefit reductions. In order to make the plan financially sound, premium increases or cost-saving measures would have to be implemented equal to \$31 per employee per month in fiscal 1992 and \$62 in fiscal 1993.

Table 18 shows the state contribution, core plan premium, family premium, and out-of-pocket costs for family premiums from insurance year 1980 to 1991 (September 1 to August 31). From the 1982 to 1989 plan year, premium in-

creases were in the form of a fixed dollar addition to the existing premium for all types of coverage (individual, individual and spouse, individual and family, and individual and children) and for all sub-groups (active employees, COBRA, and retirees). The premium increase generally either equaled or was less than the increase in state contribution. As a result, active employees paid less in out-of-pocket costs for dependent coverage between 1984 and 1990 than in 1983. Retired employees and COBRA insureds paid all premium increases as the state does not provide premium payments for those groups.

Table 18
Monthly Health Premium and Employer Contribution History
Insurance Years 1980 to 1993

<u>Year</u>	<u>State Share</u>	<u>Core Plan Premium</u>	<u>Excess State Share</u>	<u>Additional Premium for Family Coverage</u>	<u>Employee Cost for Family Coverage*</u>
1980	\$50.00	\$45.00	\$5.00	\$33.76	\$28.76
1981	60.00	55.00	5.00	39.40	34.40
1982	70.00	65.00	5.00	47.84	42.84
1983	80.00	77.67	2.33	56.93	54.60
1984	90.00	83.70	6.30	57.00	50.70
1985	100.00	93.70	6.30	57.00	50.70
1986	105.00	96.20	8.80	57.00	48.20
1987	115.00	101.20	13.80	57.00	43.20
1988	115.00	101.20	13.80	57.00	43.20
1989	115.00	101.20	13.80	57.00	43.20
1990	130.00	116.20	13.80	57.00	43.20
1991	150.00	136.20	13.80	67.00	53.20

*Out-of-pocket costs.

The department increased all dependent premiums by \$30.00 per month (\$20.00 increase in state share and \$10.00 employee cost for dependent coverage) in fiscal 1991, one of several revenue enhancement and cost saving measures to address a projected unfunded liability in the self-insurance fund. The benefits advisory council, established by Section 2-15-1016, MCA, reviewed the health insurance plan and made recommendations to keep the plan financially sound. The department accepted each of the council's

recommendations, estimated to save \$12.55 per employee per month. The recommendations included: 1) increasing the annual deductible from \$150 to \$175 per person per year, with a family maximum of \$525 per year; 2) increasing the employee co-payment from 20 percent of approved claims to 25 percent; 3) eliminating coverage for some types of organ transplants; 4) increasing the premium for insurance for dependent coverage by \$10.00 per month; 5) eliminating the full payment for accident coverage and requiring a co-

STATE PERSONNEL DIVISION

payment for such coverage; and 6) eliminating the carry-over of credits toward the annual deductible from the last quarter of the previous year. In spite of these changes, the department found that the state plan is still competitive with those offered by surrounding states. For instance, in 8 of 12 states surveyed, premiums for dependent coverage were at least \$90.00 higher than the Montana state plan. Comparing the Montana state health plan to those 12 plans, all but one have higher deductible and co-payment maximums that employees must pay before the plan pays 100 percent.

Although premium increases for dependent coverage totalling \$30.00 per month were instituted in fiscal 1991, the premium increase was still inadequate to cover projected costs generated for some

groups (see Table 19). The premium charged for "individual only" coverage is higher than costs generated for such coverage in all subgroups. However, the premium charged for all other types of coverage listed in Table 19 is not adequate to fund projected average claims costs for such groups in fiscal 1991, although it is only \$1 below monthly estimated claims costs for "individual and spouse" coverage. Individual only coverage is the largest percentage of all insurance subgroups, allowing excess premium income for that group to subsidize losses in the other groups. The legislature may wish to ask the department to review statute and policy governing the establishment of health insurance premiums and present premium options that more closely reflect various subgroup claims experience.

Table 19
Average Monthly Medical Cost by Insured Subgroup Compared to 1991 Premium,
Average Cost 1987 to 1989, and Projected 1991 Cost

<u>Subgroup, Distribution, Cost, and Premium</u>	<u>Individual Only</u>	<u>Individual and Spouse</u>	<u>Individual and Family</u>	<u>Individual and Children</u>
ACTIVE EMPLOYEES				
Percent Distribution	44%	12%	27%	17%
Average Claims Cost 1987 to 1989	\$64.00	\$137.00	\$206.00	\$133.00
Projected 1991 Claims Cost	\$82.00	\$176.00	\$265.00	\$171.00
1991 Premium	120.00	175.00	187.00	151.00
Premium Over (Under) Projected Cost	\$38.00	(\$1.00)	(\$78.00)	(\$20.00)
MEDICARE ELIGIBLE RETIREES*				
Percent Distribution	50%	14%	2%	1%
Average 1987 to 1989	\$61.00	\$204.00	\$284.00	\$141.00
Projected 1991 Claims Cost	\$79.00	\$254.00	\$366.00	\$182.00
1991 Premium	120.00	175.00	187.00	151.00
Premium Over (Under) Projected Cost	\$41.00	(\$79.00)	(\$179.00)	(\$31.00)

*Two categories unique to this group are not included--medicare eligible spouse and medicare eligible family.

Table 20 compares the 1991 premium to the average claims cost from 1987 to

1989 for early retirees and COBRA insureds. Projected claims costs for

STATE PERSONNEL DIVISION

these two groups are not available. However, if 1991 claims costs for these groups increase commensurate with pro-

jected increases for the groups shown in Table 19, premiums collected in 1991 will be inadequate to cover claims costs.

Table 20
Average Monthly Medical Cost for Early Retirees and COBRA Insureds
Average Claims Cost 1987 to 1989 Compared to the 1991 Premium

<u>Subgroup, Distribution, Cost, and Premium</u>	<u>Individual Only</u>	<u>Individual and Spouse</u>	<u>Individual and Family</u>	<u>Individual and Children</u>
Early Retirees				
Percent Distribution	38%	45%	12%	4%
Average 1987 to 1989	\$174.00	\$309.00	\$353.00	\$218.00
1991 Premium	\$120.00	\$175.00	\$187.00	\$151.00
COBRA Insureds				
Percent Distribution	46%	9%	32%	13%
Average 1987 to 1989	\$127.00	\$158.00	\$328.00	\$297.00
1991 Premium	\$120.00	\$175.00	\$187.00	\$151.00

Executive Budget Modifications

Employee Newsletter

The Executive Budget includes \$16,000 in group benefit administration proprietary funds to publish a biannual newsletter that would be delivered to employees' homes.

Combined Campaign

The department coordinates a combined giving campaign in which charities meeting specified criteria can solicit contributions from state employees. The charities pay a fee to the department for printing, postage, and other operating expenses to distribute informational materials and pledge cards. The cost to operate the combined campaign included in the Executive Budget is \$20,000 in state special revenue over the biennium. The department coordinated the printing with private vendors in fiscal 1991 with charities directly reimbursing these vendors.

Group Insurance Benefits

The 1989 legislature approved a modified budget request to integrate employee benefit information into the computerized central payroll system. The data processing and system development costs included in the Executive Budget to continue system development and operate that portion of the system during the next biennium are \$53,000 in proprietary funds. Most of the expenditure (\$34,000) would occur in fiscal 1992 as final system modifications are implemented. Complete integration of employee benefit information into central payroll will help accurately track employee eligibility for benefits.

Professional Development Center

Fees collected by the Professional Development Center, which provides and coordinates management and organizational training, are projected to grow 5 percent annually over the coming biennium. The Executive Budget includes \$27,792 in proprietary authority to cover the cost of workload growth.

EXHIBIT

DATE January 28, 1991
HB Don. L. Bontecave

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	LFA Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	LFA Fiscal 1993	Difference Fiscal 1993
FTE	.00	8.00	8.00	.00	8.00	8.00	.00
Personal Services	200,304	227,556	226,450	1,106	227,428	226,324	1,104
Operating Expenses	144,696	119,922	122,445	2,523-	120,316	122,509	2,193-
Equipment	113	0	0	0	0	0	0
Total Expend.	\$345,113	\$347,478	\$348,895	\$1,417-	\$347,744	\$348,833	\$1,089-
Fund Sources							
General Fund	26,517	33,063	27,180	5,883	33,063	27,180	5,883
Proprietary Fund	318,596	314,415	321,715	7,300-	314,681	321,653	6,972-
Total Funds	\$345,113	\$347,478	\$348,895	\$1,417-	\$347,744	\$348,833	\$1,089-

Executive Over (Under) LFA

FTE	FY92	FY93
----	----	----
	\$400	\$400
	706	704
	(2,855)	(2,539)
	(1,454)	(1,440)
	30	30
	1,756	1,756
	(21)	(361)
	-----	-----
	(\$1,417)	(\$1,089)
	=====	=====

CURRENT LEVEL ISSUES

- PERSONAL SERVICES. The Executive Budget includes overtime expenditures of \$400 per year, while the LFA does not. Actual fiscal 1990 overtime costs were \$354. POTENTIAL TECHNICAL ADJUSTMENT: The LFA current level does not include longevity costs of \$607 in FY92 and \$604 in FY93. There is also a difference in benefits of \$99 in FY92 and \$100 in FY93.
- TECHNICAL ADJUSTMENT. The LFA current level continues assessments for the Shodair genetics program which "sunsets" at fiscal year end 1991.
- BASE, INFLATION, AND NETWORK FEE DIFFERENCES.
Inflation.
Audit fees.
Network fees.
Base differences.

TOTAL CURRENT LEVEL DIFFERENCES

FUNDING ISSUE

- GENERAL FUND. The Executive Budget continues the general fund fiscal 1991 appropriation, while the LFA funds the program near the fiscal 1990 actual level of \$26,517. General fund supports part of the cost of two FTE which "turned over" during the biennium, resulting in lower personal services and general fund cost.

\$5,883

\$5,883

6101 DEPARTMENT OF ADMINISTRATION
23 STATE PERSONNEL DIVISION
00230 PERSONNEL

DATE : 01/26/91
TIME : 10/34/05
CURRENT LEVEL COMPARISONS

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	LFA Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	LFA Fiscal 1993	Difference Fiscal 1993
FTE	.00	27.00	27.00	.00	27.00	27.00	.00
Personal Services	726,884	798,090	796,090	2,000	797,619	795,619	2,000
Operating Expenses	105,815	116,700	107,563	11,137	119,533	107,873	11,660
Equipment	216	5,625	625	5,000	3,125	625	2,500
Total Expend.	\$832,915	\$922,415	\$904,278	\$18,137	\$920,277	\$904,117	\$16,160
Fund Sources							
General Fund	832,915	922,415	904,278	18,137	920,277	904,117	16,160
Total Funds	\$832,915	\$922,415	\$904,278	\$18,137	\$920,277	\$904,117	\$16,160

CURRENT LEVEL ISSUES

- PERSONAL SERVICES. The Executive Budget includes overtime expenditures while the LFA current level does not. Actual expenditures in FY90 were \$2,037.
- CONSULTING AND PROFESSIONAL SERVICES. The LFA current level continues FY90 contracted services costs (\$705) while the Executive Budget \$3,120 for contracts for assistance in reviewing classification of an entire group (called a class review--i.e. nurses; hydrologists).
- TRAVEL. The Executive Budget includes a higher amount for travel. The LFA current level continues FY90 actual travel.
- EQUIPMENT. The LFA funds purchase of minor office equipment each year (\$625) while the Executive Budget includes replacement of two computers in fiscal 1992 and one in fiscal 1993.
- BASE, INFLATION, AND NETWORK FEE DIFFERENCES. Inflation. Network fees.

TOTAL CURRENT LEVEL DIFFERENCES

Executive Over (Under) LFA	
FTE	---
FY92	---
FY93	---
	\$2,000
	\$2,000
	3,145
	2,694
	2,500
	(1,585)
	7,120
	(1,299)

	\$18,137

	\$16,160
	=====

EXHIBIT

DATE

2
1-28-91
Dr. [Signature]

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	LFA Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	LFA Fiscal 1993	Difference Fiscal 1993
FTE	.00	3.00	3.00	.00	3.00	3.00	.00
Personal Services	82,707	98,316	98,316	0	98,090	98,090	0
Operating Expenses	75,009	92,087	95,910	3,823-	92,741	96,634	3,893-
Equipment	2,017	2,200	2,017	183	2,200	2,017	183
Debt Service	1,807	0	0	0	0	0	0
Total Expend.	\$161,540	\$192,603	\$196,243	\$3,640-	\$193,031	\$196,741	\$3,710-
Fund Sources							
Proprietary Fund	161,540	192,603	196,243	3,640-	193,031	196,741	3,710-
Total Funds	\$161,540	\$192,603	\$196,243	\$3,640-	\$193,031	\$196,741	\$3,710-

Executive Over (Under) LFA

FTE ---
FY92 ---
FY93 ---

1. OPERATING COSTS. The LFA current level includes an increase in operating costs to allow for the effect of a staff vacancy during fiscal 1990.

2. EQUIPMENT. The LFA current level includes replacement films. The Executive includes additional funds for the same equipment.

3. BASE, INFLATION, AND NETWORK FEE DIFFERENCES.
Inflation. (362)
Audit fees. 16

TOTAL CURRENT LEVEL DIFFERENCES (332)

EXECUTIVE BUDGET MODIFICATIONS 16

(332)

183

183

(\$3,893)

=====

6101 DEPARTMENT OF ADMINISTRATION
23 STATE PERSONNEL DIVISION
00000

DATE : 01/08/91
TIME : 21/29/24
CURRENT LEVEL COMPARISONS

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	LFA Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	LFA Fiscal 1993	Difference Fiscal 1993
FTE	38.00	38.00	38.00	.00	38.00	38.00	.00
Personal Services	1,009,895	1,123,962	1,120,856	3,106	1,123,137	1,120,033	3,104
Operating Expenses	325,520	330,709	325,918	4,791	332,590	327,016	5,574
Equipment	2,346	7,825	2,642	5,183	5,325	2,642	2,683
Debt Service	1,807	0	0	0	0	0	0
Total Expend	\$1,339,568	\$1,462,496	\$1,449,416	\$13,080	\$1,461,052	\$1,449,691	\$11,361
Fund Sources							
General Fund	859,432	955,478	931,458	24,020	953,340	931,297	22,043
Proprietary Fund	480,136	507,018	517,958	10,940-	507,712	518,394	10,682-
Total Funds	\$1,339,568	\$1,462,496	\$1,449,416	\$13,080	\$1,461,052	\$1,449,691	\$11,361

EXHIBIT 3
DATE Nov. 28, 1991
HB Gen. Govt. Serv.

EQUIPMENT REQUEST FY 92, 93

AGENCY 6101, DEPARTMENT OF ADMINISTRATION
PROGRAM 23, STATE PERSONNEL DIVISION

ITEMS: 3 Personal Computer workstations and related software per year.

COST/FUNDING SOURCE: FY92 \$5,000 general fund (CV230)
\$2,500 Benefits (CV270)
FY93 \$2,500 general fund (CV230)
\$2,500 Benefits (CV270)
\$2,500 Training (CV280)

JUSTIFICATION:

The State Personnel Division has 29 PC workstations on a token ring network. These workstations were purchased between 1985 and 1989. Most of the machines are old technology (8088, 640k RAM limit). We request that funds be appropriated to begin a replacement program for these workstations. Machines will need to be replaced as they grow old and wear out and will need to be replaced because of outdated technology. \$8171 in FY92 and \$8285 in FY93 has been added into Division operating costs to enhance the ISD statewide networking system (this is over 7% of the Division's FY91 total operating budget). However, without an equipment replacement program to replace and upgrade our own workstations, the Personnel Division will be left behind the statewide network system because future software applications will not be able to run on the older machines and the worn out machines simply won't work at all.

MODIFIED -- EMPLOYEE NEWSLETTER CV270 EMPLOYEE BENEFITS

This modified is for printing and postage costs involved in preparing and mailing an employee newsletter to 13,000 members of the Employee Benefit Plan. At least two issues will be distributed annually.

It will:

1. communicate complex group benefit information -- issues, changes, and options -- to plan members in a systematic way and decrease misconceptions and poor benefit choices.
2. potentially improve employee satisfaction with the benefit plan by providing more information on the rationale for benefit changes (particularly cost containment changes) and how the State plan compares to others.
3. potentially improve employees' motivation and ability to be prudent consumers of health care, helping to stretch Plan dollars farther.

FUNDING SOURCE: Interest earnings from the proprietary employee benefits reserve fund.

Object of Expenditure	Nature of Request	Request	
		1992	1993
2100	Printing costs for newsletter	3,600	3,600
2300	Postage for 2 mailings to over 13,000 members at \$0.167 per item bulk rate.	4,000	4,400

EXHIBIT 5
DATE Jan. 28, 1991
HB Sen. Bob A. New

MODIFIED -- STATE EMPLOYEE COMBINED CAMPAIGN

This special revenue authority is necessary to support the Annual State Employee Combined Campaign. Recent court cases have prohibited public employers from allowing single charitable federations from conducting charitable drives while excluding others. Rather than allow the disruption of numerous separate charitable drives, it has become necessary for public employers to coordinate one combined campaign. The federal government and most other state governments coordinate such campaigns.

The State of Montana began its State Employee Combined Campaign (SECC) in 1989. The State Personnel Division supports the campaign by providing a staff coordinator to the Employee Steering Committee and a small amount of operating expenses supporting the activities of the staff coordinator. The major expenses of campaign promotion are supported by funds from the participating charitable federations. This special revenue authority is necessary to effectively account for and disburse these funds in future campaigns.

FUNDING SOURCE: Money contributed by private non-profit charitable federations eligible to participate in the combined campaign.

	FY 1992	FY 1993
2100 Contracted Services	1,200	1,200
2200 Supplies & Materials	7,300	7,300
2300 Communications	700	700
2400 Travel	700	700
2500 Rent	100	100
Total Second Level	\$10,000	\$10,000

DATE 6
HB January 28, 1991
Ben Port SW

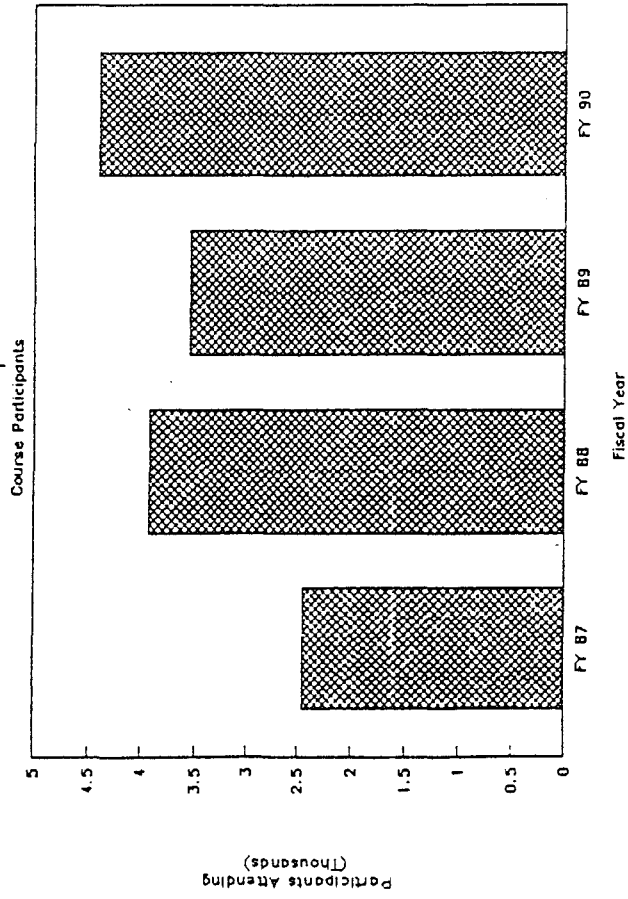
MODIFIED --
PROFESSIONAL DEVELOPMENT CENTER

This increased proprietary fund authority is necessary to support increased activity in the Professional Development Center (PDC). The PDC provides training classes and seminars to state employees. The program is fully supported by fees for training. The PDC has experienced significant growth in the number of courses produced and in the number of participants (see the attached graphs) with no increase in FTE. The growth in activity is expected to continue through FY 92 and FY 93 by 10 percent per year.

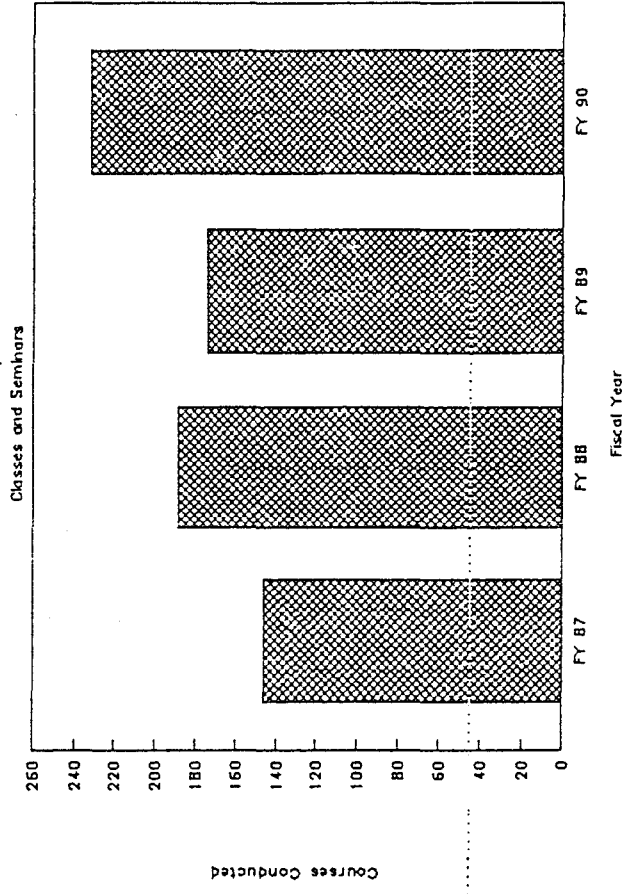
FUNDING SOURCE: Proprietary revenue from fees charged to participants in training classes.

	FY 1992	FY 1993
2100 Contracted Services	4,375	8,716
2200 Supplies & Materials	1,155	2,310
2300 Communications	1,342	2,684
2400 Travel	900	1,800
2500 Rent	508	1,016
2600 Repair & Maintenance	156	312
2700 Other Expenses	74	148
Total Second Level	8,492	16,986
3100 Equipment	620	1,694
Total Program	9,112	18,680

Professional Development Center



Professional Development Center



7
EXHIBIT

DATE

1-28-91

Don Hart + Sub

1/91

PROGRAM 23 - STATE PERSONNEL DIVISION

TURNOVER: July 1, 1989, through December 31, 1990

FTE 38.0

30 POSITIONS TURNED OVER 79%

18 PEOPLE LEFT DIVISION 48%

9 left state government

9 went to other state agencies

12 PEOPLE TRANSFERRED W/IN DIVISION 32%

CONSULTANT SERVICES AND TRAVEL: Classification Bureau

	Consultant Services	Travel
FY	2102	2400
89 actual	\$3,126	\$2,231
83-89 average	\$3,399	\$3,078

Consultant Services is used to hire consultants to provide technical expertise in the classification process. Expenditures in FY 89 & 90 were for a consultant to assist in the review of data processing classes.

Travel money is used when we conduct class reviews and investigate appeals. In the latter part of FY 89, all of 90 and so far in 91 we had problems with staff turnover, causing travel to decrease. Turnover caused us to reduce the number of class reviews and other tasks that take us to outlying state agency locations. Since July of 1988 ten people have been hired as classification analysts. The Bureau has eight classification analyst positions.

GENERAL SERVICE DIVISION

ADMINISTRATIVE SERVICES
BUDGETING & ACCOUNTING
PAYROLL PROCESSING
WORK ORDER CONTROL
CLERICAL SUPPORT

CENTRAL MAIL BUREAU

U.S. MAIL
INTER AGENCY MAIL
DISTRIBUTION
U.S. SERVICE
CAPITOL POST OFFICE

FACILITIES MANAGEMENT

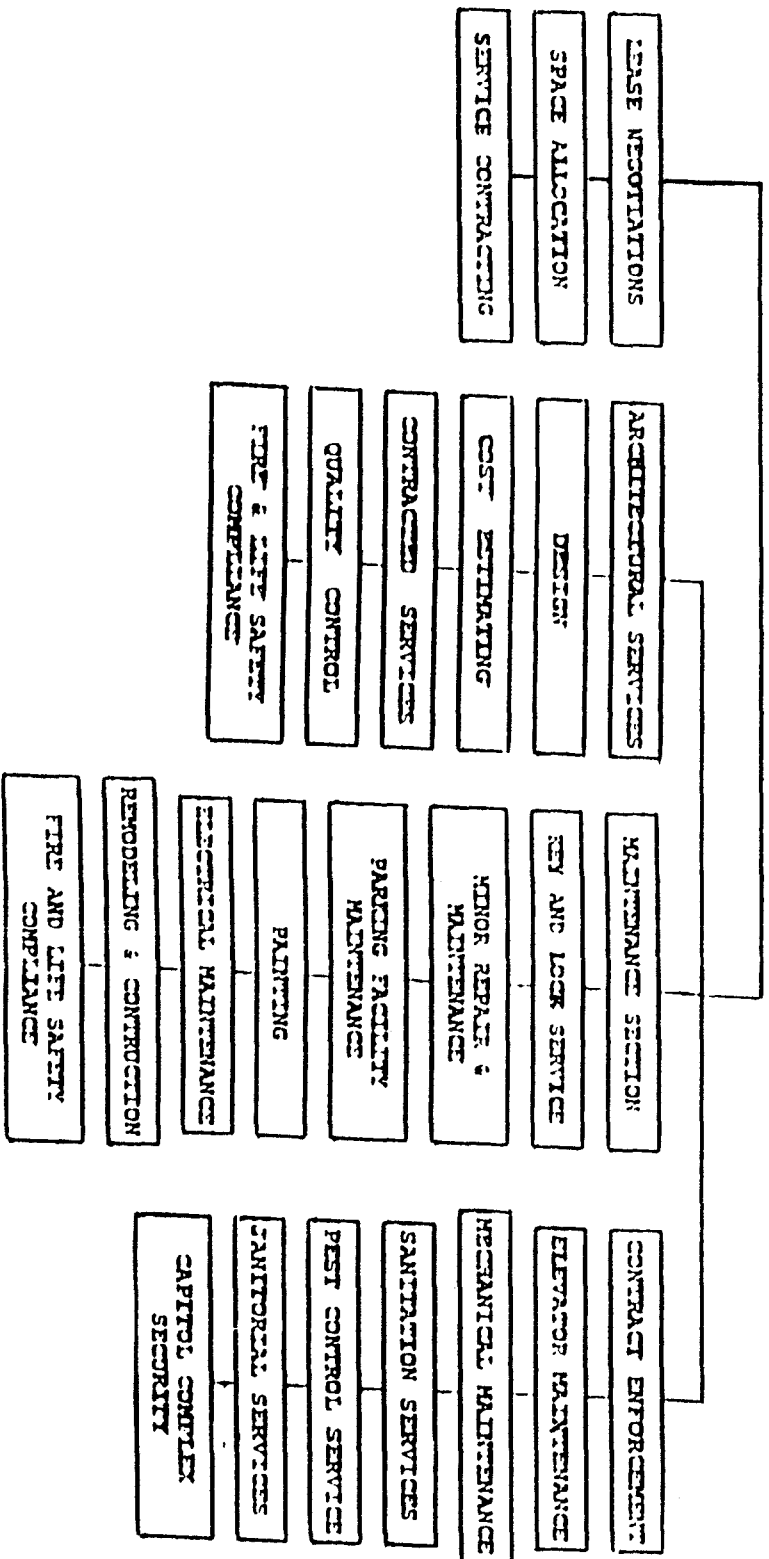


EXHIBIT 8
DATE 1-28-91
Jen Bert Ave

6101 08 00000

GENERAL SERVICES PROGRAM

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	45.00	45.00	20.00	20.00	-25.00
Personal Services	720,738	1,071,537	614,340	616,723	-31.31%
Operating Expenses	2,657,388	2,672,626	2,986,408	3,000,333	12.32%
Equipment	7,174	6,000	6,000	5,184	-15.11%
Capital Outlay	1,538	0	0	0	-100.00%
Transfers	58,769	58,801	58,801	58,801	.03%
Total Program	\$3,445,607	\$3,808,964	\$3,665,549	\$3,681,041	1.27%
<u>Fund Sources</u>					
General Fund	255,915	391,175	374,780	376,440	16.09%
Capital Projects Fund	58,769	58,801	58,801	58,801	.03%
Proprietary Fund	3,130,923	3,358,988	3,231,968	3,245,800	-.19%
Total Funds	\$3,445,607	\$3,808,964	\$3,665,549	\$3,681,041	1.27%

Program Description

The General Services Division manages repair and maintenance services for state agencies in the capitol complex and several state-owned buildings in the Helena area (Section 2-17-111, MCA). The program also provides locksmith services, painting, remodeling, and construction services. The program supervises contracts for services for state-owned buildings, including mechanical maintenance, pest control, janitorial services, elevator repair, security, maintenance, and garbage collection.

Current Level Budget

The LFA current level budget is nearly the same as the 1991 biennium appropriation. Personal services costs are a smaller portion of the total budget while operating costs comprise a larger share due to contracting for services formerly provided by state employees. Beginning in fiscal 1990, the division reduced 15.0 FTE and contracted with vendors to provide janitorial services in the capitol complex. In early fiscal 1991, the division eliminated 10.0 FTE and contracted for the provision of security services in the capitol complex. These changes were authorized by section 7 of

House Bill 100 which allows agencies to move personal services funds to contracted services if the same functions can be provided at a lower cost. Cost savings realized from contracting these services are estimated to be \$302,492 over the 1993 biennium (see the agency narrative).

Two operating costs account for the majority of increase between fiscal 1990 actual expenditures and the current level. The contract for capitol security adds \$147,493 each year, and inflation and rate increases in utilities add \$116,439 in fiscal 1992 and \$135,462 in fiscal 1993. There is also a small increase (\$18,512) to provide authority for up to \$50,000 in special projects that agencies may request the division to perform.

Equipment includes a sound system, replacement chairs and a conference table, two PC's, and software upgrades.

Program funding is a combination of general fund, capitol projects funds, and proprietary funds. Authority from the capitol building account (\$58,801) in the capital projects fund is appropriated to the division in lieu of charging agencies for services. These funds are used to fund capitol building maintenance projects, prioritized and approved by the department director. In fiscal 1990, the cost of such

GENERAL SERVICES PROGRAM

maintenance projects was less than the \$58,801 appropriation.

The second funding source is direct reimbursement from agencies for special projects, apart from routine maintenance. If special project costs are not incurred, the revenue will not be received. The LFA current level continues the special projects funding at the \$50,000 level authorized by the 1989 legislature.

General fund is appropriated to the division in lieu of charging agencies for the "common areas" in the capitol complex such as legislative space in the capitol, museum space in the Historical Society, and the Governor's executive residence. The general fund amount is calculated at 12 percent of operating costs after deducting the operating transfer for capitol land grant funds, the expenditure authority for the capitol land grant funds, and expenditure authority for the special projects, but not including any proposed pay plan increases.

General fund is transferred to the proprietary account as rental expense, which is done to comply with generally accepted accounting principles. The general fund expenditure was \$255,915 in fiscal 1990, \$127,990 or 33 percent less than appropriated. The underexpenditure was due primarily to utilities costs that were lower than budgeted.

The final funding source is rental income from state agencies, deposited to the proprietary account. The rental rate is assessed against the square footage of space occupied by each agency. The rate is based on the operating costs of the division (before

pay plan), less the other funding sources. The remaining operating costs are then divided by the occupied square footage in the capitol complex (848,440 square feet) to determine the rate per square foot.

The Executive Budget is supported by rental rates for warehouse space of \$2.22 per square foot each year of the 1993 biennium. Rates for office space are \$3.28 per square foot in fiscal 1992 and \$3.34 in fiscal 1993. The LFA current level budget also uses these rental rates. The rates include a 2 percent pay plan increase each year of the biennium.

Issues

Irrigation Wells Funded from Rental Account

In fiscal 1990, the Long Range Building program funded, from the proprietary rental account, development of two wells (\$25,000 each year) for irrigating the capitol grounds. Additionally, \$10,000 was spent in contracted services in General Services to evaluate the feasibility of such projects. These costs would be more accurately reflected in grounds maintenance fees included in agency budgets. Grounds maintenance functions were transferred from General Services to the Department of Fish, Wildlife, and Parks. While the wells will lower the cost of watering capitol grounds, the reduced costs will not accrue to the proprietary rental account which pays for the projects. According to program estimates, funding well development from the rental account will draw down the cash balance (\$26,785) to a level that will support division operations for three days using an annual budget at the fiscal 1993 level.

6101 DEPARTMENT OF ADMINISTRATION
08 GENERAL SERVICES PROGRAM
00000

DATE : 01/08/91
TIME : 21/29/24
CURRENT LEVEL COMPARISONS

EXHIBIT

DATE: Jan. 28, 1991

HB 4014

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	LFA Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	LFA Fiscal 1993	Difference Fiscal 1993
FTE	45.00	20.00	20.00	.00	20.00	20.00	.00
Personal Services	720,738	614,788	614,340	448	617,185	616,723	462
Operating Expenses	2,657,388	3,108,910	2,986,408	122,502	3,203,385	3,000,333	203,052
Equipment	7,174	6,000	6,000	0	6,000	5,184	816
Capital Outlay	1,538	0	0	0	0	0	0
Transfers	58,769	58,801	58,801	0	58,801	58,801	0
Total Expend.	\$3,445,607	\$3,788,499	\$3,665,549	\$122,950	\$3,885,371	\$3,681,041	\$204,330
Fund Sources							
General Fund	255,915	386,330	374,780	11,550	397,165	376,440	20,725
Capital Projects Fund	58,769	58,801	58,801	0	58,801	58,801	0
Proprietary Fund	3,130,923	3,343,368	3,231,968	111,400	3,429,405	3,245,800	183,605
Total Funds	\$3,445,607	\$3,788,499	\$3,665,549	\$122,950	\$3,885,371	\$3,681,041	\$204,330

Executive Over (Under) LFA

FTE	FY92	FY93
---	---	---
	\$448	\$462

CURRENT LEVEL ISSUES

1. PERSONAL SERVICES. There is a difference between the Executive Budget and LFA current level in longevity calculations.

2. UTILITIES. The Executive Budget is higher in the utilities expenditure category than the LFA current level for two reasons. The Executive includes a 4% utilization increase between fiscal 1990 and 1992. The Executive also allows for an increase as the department believes that the 1989-90 winter was mild and actual utility expenditures are below normal.

3. TRAVEL. The Executive Budget is higher than the LFA current level in order to allow the facility manager to make statewide contacts for lease negotiations. - for facility manager in FY90 (only in place for 4 months)

4. EQUIPMENT. The Executive Budget includes replacement of software the second year of the biennium. LFA, 1990 - cost savings - 816
\$100,000 - potential liability reduction

5. TECHNICAL ADJUSTMENT. The LFA current level does not include the correct amount for the janitorial services contract in the second year of the biennium. 75,138

6. BASE, INFLATION, AND NETWORK FEE DIFFERENCES.
Utility inflation. (82,168)
Other inflation. (1,004)
Network fees. (32)
Audit. 745
Base. 298
142,155

34,563
59,619

34,563
60,375

- temperature fluctuation

GENERAL SERVICES DIVISION CONTINUED

7. HOUSE KEEPING DETAIL--GENERAL FUND RENT TRANSFER. General fund supports rental costs for the common areas of the capitol building, the Governor's residence, and museum space. Generally accepted accounting principles require the transfer of general fund into this proprietarily funded program. This general fund rent transfer should reflect the difference in general fund between the Executive and LFA.

TOTAL CURRENT LEVEL DIFFERENCES

-----	-----
\$122,950	\$204,330
=====	=====

FUNDING ISSUES

1. GENERAL FUND. The Executive Budget includes a higher level of general fund than the LFA current level. The difference is due to a higher expenditure level included in the Executive Budget.
2. SPECIAL PROJECTS FUNDS. This funding source represents direct reimbursements for special projects requested by agencies. The Executive contains \$10,000 more for such projects while the LFA maintains the FY90 appropriated amount. *100,000 - demand for*
3. RENTAL INCOME. The Executive includes a higher funding level for agency rental payments than the LFA.
4. CAPITOL PROJECTS FUNDS. The legislature has appropriated \$58,801 in capital projects funds to this program over the past several biennia. The funds pay for special capital improvement projects recommended by the division and prioritized by the director. There is no difference between the Executive and LFA for this funding source.

TOTAL FUNDING DIFFERENCES

-----	-----
\$122,950	\$204,330
=====	=====

LANGUAGE IN THE GENERAL APPROPRIATIONS ACT

- The following language, pertinent to this program, was included by the subcommittee in the general appropriations act (11/1/91):
1. The appropriation in item in the proprietary column includes \$58,801 in fiscal 1990 (1992) and \$58,801 in fiscal 1991 and \$58,801 in fiscal 1993 from the capital projects fund.
 2. In item in, the department may charge a maximum of \$3.17 (\$3.28) per square foot in fiscal 1990 (1992), and \$3.19 (\$3.34) in fiscal 1991 (1993). At the end of fiscal 1991 (1993), the maximum working capital the department may carry over is \$320,000.
 3. Funds remaining in the capitol land grant account of the capital projects fund, after the appropriation has been met for the general services division of the department of administration, are appropriated to the long-range building debt service fund for the payment of principal and interest on bonds issued for public buildings at the capitol for executive, legislative, and judicial purposes, as outlined in section 12 of the Enabling Act. This appropriation is for the biennium ending June 30, 1991 (1993), and is not to exceed the annual debt service required on these bonds.

NOTE OF INTEREST

1. FUNDING FOR WATER IRRIGATION WELLS. The Executive proposes to fund construction of two wells to irrigate capitol grounds from the general services proprietary account cash balance. These projects are included in the long range building bill.

\$25,000	\$25,000	proprietary funds
----------	----------	-------------------

↓
pay of cash → funds don't have cash balance
expended w/ project
will cost \$120,000

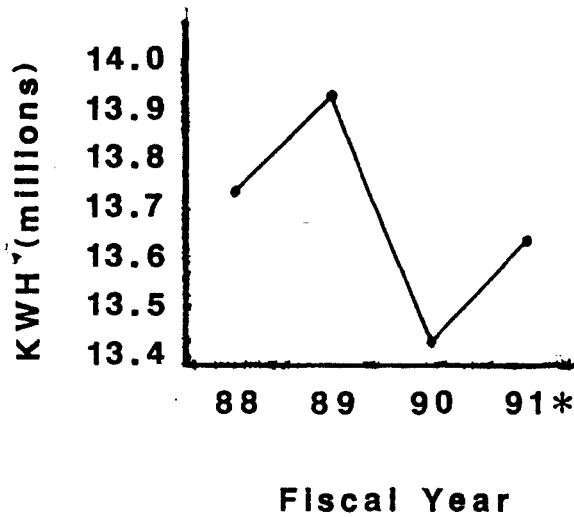
- if we have cash balance - completed CPL
and we can get money for present work balance

HISTORICAL UTILITY USE

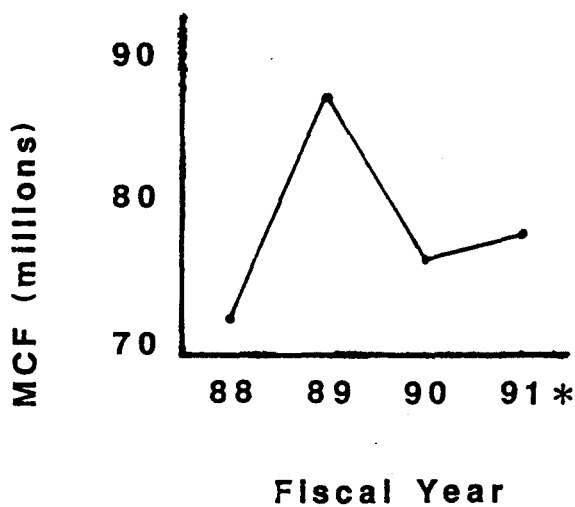
EXHIBIT 11

DATE 1-28-91

Gen Govt Sec



ELECTRICITY



NATURAL GAS

* Projected

COMBINATION THAT CREATES CENTRAL MAIL FTE
IN THE EXECUTIVE BUDGET

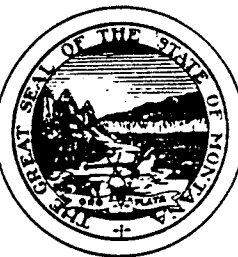
Program	FTE	Vacant All of FY90	Funding
Accounting and Management Support	0.25	No	General Fund
Architecture and Engineering	0.25	Yes	State Special
State Tax Appeal Board	<u>0.50</u>	Yes	General Fund
Total	1.00		Proprietary

ACTUAL UTILITIES COSTS FOR GENERAL SERVICES DIVISION
FISCAL 1986 TO 1990

Utility and Rate of Change	1986	1987	1988	1989	1990
<u>Natural Gas</u>	\$326,204	\$259,594	\$242,173	\$298,615	\$263,719
Annual Rate of Change		(20.42)	(6.71)	23.31	(11.69)
Annual Rate of Change FY86 to FY90					(5.20)
Inflation Factor FY90 to FY92					6.59
Inflation Factor FY92 to FY93					11.39
<u>Electricity</u>	449,917	495,101	561,091	605,923	600,362
Annual Rate of Change		10.04	13.33	7.99	(0.92)
Annual Rate of Change FY86 to FY90					7.48
Inflation Factor FY90 to FY92					6.43
Inflation Factor FY92 to FY93					7.49
<u>Total</u>	776,121	754,695	803,264	904,538	864,081
Annual Rate of Change		(2.76)	6.44	12.61	(4.47)
Annual Rate of Change FY86 to FY90					2.72

DEPARTMENT OF ADMINISTRATION
ACCOUNTING AND MANAGEMENT SUPPORT DIVISION

REC-
DEC 10 1990
OBPP



STAN STEPHENS, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

Accounting Bureau
Rm. 255 (406) 444-3092

Management Support Bureau
Rm. 176 (406) 444-4644

Helena, Montana
59620-0102

TO: Rod Sunsted, Director
Office of Budget and Program Planning

FROM: Chuck Virag
Administrator

CV

DATE: December 10, 1990

SUBJECT: General Appropriations Act Language Request

EXHIBIT 13
DATE Jan. 28 1991
HB Don Port Sun

This memorandum is to confirm the Department of Administration's request for language in the general appropriations act for the 1992-1993 biennium, addressing the use of funds in the Capitol Land Grant account. We suggest including language similar to that contained in the General Appropriations Act of 1989 (HB 100) as follows:

"Funds remaining in the capitol land grant account of the capital projects fund, after the appropriations are met for the general services division of the department of administration and the capitol complex property acquisition and development project provided for in the capital projects appropriation act, are appropriated to the long-range building debt service fund for the payment of principal and interest on bonds issued for public buildings at the capitol for executive, legislative, and judicial purposes, as outlined in section 12 of The Enabling Act. This appropriation is for the biennium ending June 30, 1993, and is not to exceed the annual debt service required on these bonds."

If you have any questions regarding this request, please call me at 444-3093.

cc: Jane Hamman, Lead Budget Analyst
Office of Budget and Program Planning

Tom O'Connell, Administrator
Architecture and Engineering Division

Dave Ashley, Acting Director
Department of Administration

Bob Marks, Deputy Director
Department of Administration

EXHIBIT 14DATE 1-28-91
Gen Hart Del

MAIL & DISTRIBUTION BUREAU

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	9.75	9.75	10.25	10.25	.50
Personal Services	188,461	201,014	205,034	205,336	5.36%
Operating Expenses	1,117,254	1,193,333	1,339,371	1,336,234	15.80%
Equipment	530	0	0	0	-100.00%
Total Program	\$1,306,245	\$1,394,347	\$1,544,405	\$1,541,570	14.27%
Fund Sources					
Proprietary Fund	<u>1,306,245</u>	<u>1,394,347</u>	<u>1,544,405</u>	<u>1,541,570</u>	<u>14.27%</u>
Total Funds	\$1,306,245	\$1,394,347	\$1,544,405	\$1,541,570	14.27%

Program Description

The Central Mail Bureau manages central mail service for state agencies (Section 2-17-301, MCA). Both incoming U.S. mail and inter-office mail are routed and delivered by this bureau, which also picks up and processes outgoing mail for user agencies. The program manages the post office in the capitol building.

Current Level Budget

The current level 1993 biennium budget increases 14.3 percent over the 1991 biennium. Inflation in postage costs accounts for almost all of the increase in operating costs (\$216,522 annually). Printing of deadhead envelopes adds \$3,500 in fiscal 1992. Personal services costs increase due to a transfer of 0.5 FTE from the Accounting and Management Support Division, vacancy savings in fiscal 1990, and full implementation of the fiscal 1991 pay plan.

The program is funded by proprietary funds from four sources. The first source--deadhead mail--is recovered from a fee assessed each state agency for internal mail sorting and delivery. The fee is based on the number of pieces of mail generated by the agency and the number of stops bureau personnel must make within each agency. Volume is determined by a piece count done each biennium. The bureau revenue estimate for deadhead mail is \$133,353 per year.

The second funding source is a contract with the U.S. Postal Service for \$38,976 annually to cover the cost of operating the capitol post office and other services provided for the U.S. Postal Service.

Actual postage and shipping costs, the third revenue source, are recovered from agencies and deposited to proprietary account. This revenue source should equal expenses recorded in postage costs.

The fourth source of revenue is the overhead cost recovered on postage services for outgoing U.S. mail and is limited to 6 percent in fiscal 1991 by House Bill 100. Overhead is the "mark-up" cost that the bureau adds to the cost of mailing a presorted letter.

Table 13 shows the estimated amount of each of these sources of revenue in the Executive Budget. The overhead cost included in Table 13 is calculated at 6 percent of budgeted postage costs. (The actual overhead rate recovered in fiscal 1990 was 6.7 percent compared to the 7 percent rate limit imposed by the legislature.)

Issues

Central mail expenditures are higher than revenues in the Executive Budget, if overhead is held to 6 percent. The central mail account balance would be reduced by \$23,662 to fund the executive current level budget. Further

MAIL & DISTRIBUTION BUREAU

reductions would be necessary to fund the modified budget request (\$13,000 over the biennium), pay plan increases above 2 percent annually, and benefit increases. The ending cash balance in the central mail account is estimated to

be \$241,771 at the beginning of fiscal 1992. The legislature may want to review revenues, expenditures, and the estimated ending fund balance for this program.

Table 13
Comparison of Central Mails Revenue to Executive Budget Request
and LFA Current Level Budget

<u>Revenue and Budget</u>	<u>Actual FY90</u>	<u>Estimated FY92</u>	<u>Estimated FY93</u>	<u>Change from 1990 to 1992</u>
Executive Budget Request				
Revenue:				
Post Office Contact	\$ 38,999	\$ 38,976	\$ 38,976	-0.06%
Deadhead Mail	112,271	133,353	133,353	18.78%
Postage Cost	1,088,541	1,384,714	1,384,714	27.21%
Overhead (6%)	<u>69,481</u>	<u>83,083</u>	<u>83,083</u>	<u>19.58%</u>
Total Funds	<u>\$1,309,292</u>	<u>\$1,640,125</u>	<u>\$1,640,125</u>	<u>25.27%</u>
Executive Budget:		\$1,649,813	\$1,654,099	
Expenditures (Over) or Under Revenue		\$(9,688)	\$(13,974)	

Additional Services Not Included in Executive Budget

The cost of outgoing mail services, recently extended to the Departments of Highways and Health and Environmental Services, is not included in the Executive Budget or the LFA current level budget. The bureau estimated that about \$200,000 of increased authority is needed to cover costs of the service expansion. The legislature may wish to review department documentation as to

the revenues and costs incurred for this service expansion and offsetting cost savings in the two agencies.

Executive Budget Modifications

New Postage Machines

The department is requesting \$13,000 in proprietary funds over the biennium to replace postage machines. One replacement machine will be purchased each year.

6101 DEPARTMENT OF ADMINISTRATION
13 MAIL & DISTRIBUTION BUREAU
00000

DATE : 01/08/91
TIME : 21/29/24
CURRENT LEVEL COMPARISONS

EXHIBIT 15
DATE 1-28-91
Don Hart Ave

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	LFA Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	LFA Fiscal 1993	Difference Fiscal 1993
FTE	9.75	11.25	10.25	1.00	11.25	10.25	1.00
Personal Services	188,461	223,254	205,034	18,220	227,241	205,336	21,905
Operating Expenses	1,117,254	1,426,559	1,339,371	87,188	1,426,858	1,336,234	90,624
Equipment	530	0	0	0	0	0	0
Total Expend.	\$1,306,245	\$1,649,813	\$1,544,405	\$105,408	\$1,654,099	\$1,541,570	\$112,529
Fund Sources							
Proprietary Fund	1,306,245	1,649,813	1,544,405	105,408	1,654,099	1,541,570	112,529
Total Funds	\$1,306,245	\$1,649,813	\$1,544,405	\$105,408	\$1,654,099	\$1,541,570	\$112,529

Executive Over (Under) LFA

CURRENT LEVEL ISSUES

1. PERSONAL SERVICES. The Executive Budget includes 1.00 FTE more than the LFA current level. The Executive Budget transfers a current level .25 FTE from Accounting and Management Support Division. The Executive combines that .25 FTE with two other partial FTE to make 1.0 FTE. The partial FTE used by the Executive were positions that were vacant all of fiscal 1990 and the first quarter of fiscal 1991. The LFA current level removed those vacant partial FTE. The positions not continued in the LFA are: .50 clerical FTE in the State Tax Appeal Board and .25 clerical FTE in Architecture and Engineering Division.

FTE	FY92	FY93
1.00	\$17,449	\$17,448
2. OVERTIME. The Executive Budget includes overtime expenditures not included in the LFA current level. The second year of the biennium is higher to reflect increased services due to the legislative session.

771	4,457
-----	-------
3. POSTAGE. The Executive Budget includes a higher level of expenditures for postage (before inflation) than the LFA current level, based on the level of postage expense contained in the fiscal 1991 appropriation.

69,600	69,600
--------	--------
4. TRAVEL. The Executive Budget is higher than the LFA current level to allow staff to investigate the new bar coding technology that will be instituted by the U.S. Postal Service.

1,975	3,564
-------	-------
5. MAINTENANCE CONTRACTS. The Executive Budget allows for 13% inflation in maintenance contracts.

2,113	3,128
-------	-------
6. BASE, INFLATION, AND NETWORK FEE DIFFERENCES.

13,564	14,081
136	136
(200)	115
\$105,408	\$112,529

TOTAL CURRENT LEVEL DIFFERENCES

Administration
Program 13: Central Mail Services

EXECUTIVE BUDGET MODIFICATIONS

1. POSTAGE MACHINES. Funds are included to purchase one postage machine each year of the biennium.	\$6,500	\$6,500	proprietary funds
2. EXPANDED SERVICES. The Executive Budget is requesting additional authority to fund expanded mail services to two departments--Highways and Health and Environmental Sciences. The annual cost of these services is not reflected in the Executive Budget request. - 12 1/2 hrs. in volume -	174,087	174,087	proprietary funds
TOTAL MODIFIED BUDGET REQUESTS - <i>considered quantity for purchase of in 1989 + Highways</i>	----- \$180,587 =====	----- \$180,587 =====	

LANGUAGE IN THE GENERAL APPROPRIATIONS ACT

The following language, applicable to this program, was included in the general appropriations act by the subcommittee in the 1989 session.

1. In item ___, the department may charge a maximum overhead rate of 7% in fiscal 1990 and 6% in fiscal 1991.

COMPARISON OF EXECUTIVE AND LFA CURRENT LEVELS

PUBLIC EMPLOYEES RETIREMENT DIVISION

Budget Item	Executive Current Level		LFA Current Level		Executive Over(Under) LFA
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993	
FTE	20.00	20.00	20.00	20.00	0.00
Personal Services	518,860	517,936	513,760	512,836	10,200
Operating Expenses	322,764	301,472	321,286	309,366	(6,416)
Equipment	1,566	1,704	0	0	3,270
Total Agency	\$843,190	\$821,112	\$835,046	\$822,202	\$7,054
<u>Fund Sources</u>					
Non-expendable Trust	843,190	821,112	835,046	822,202	7,054
Total Funds	\$843,190	\$821,112	\$835,046	\$822,202	\$7,054

Executive Budget Comparison

The Executive Budget current level is \$7,054 higher than the LFA current level budget over the 1993 biennium. The largest difference is in personal services, where the Executive Budget made changes to FTE steps and benefit rates after the "snapshot" of the payroll, personnel, and position report was taken. These changes added \$10,200 to personal services costs.

Operating costs are higher in the LFA current level largely due to higher

rates of inflation for utilities and lower deflation rates for mainframe processing.

The Executive Budget includes a multi-user computer terminal and software.

Executive Budget Modifications

In addition to the \$1.7 million current level budget for the 1993 biennium, the Executive Budget includes \$537,145 in budget modifications for the Public Employees Retirement Division.

PUBLIC EMPLOYEES' RETIREMENT DIVISION

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	20.00	20.00	20.00	20.00	.00
Personal Services	461,682	522,201	513,760	512,836	4.34%
Operating Expenses	368,410	251,187	321,286	309,366	1.78%
Equipment	4,103	1,797	0	0	-100.00%
Total Agency	\$834,195	\$775,185	\$835,046	\$822,202	2.97%
<u>Fund Sources</u>					
Non-expendable Trust	834,195	775,185	835,046	822,202	2.97%
Total Funds	\$834,195	\$775,185	\$835,046	\$822,202	2.97%

Agency Description

The Public Employees' Retirement Division (PERD) of the Department of Administration administers most of the state employee retirement systems including: Public Employees', Game Wardens', Highway Patrol, Judges', Sheriffs', Municipal Police Officers', Firefighters' Unified Retirement Systems and the Volunteer Firefighters' retirement systems (Title 19, Chapters 3, 5, 6, 7, 8, 9, 12 and 13, MCA). It also administers the Federal-State Social Security Agreement as defined in Title II, Section 218 of the Social Security Act and Title 19, Chapter 1, MCA. The administration and operation of the retirement systems are governed by rules adopted by the Public Employees' Retirement Board (Section 2-15-1009, MCA). Board members, appointed by the Governor for five-year terms, consist of three public employees active in the retirement system, one retired employee, and two members at large.

Current Level Budget

The current level budget increases about three percent over the 1991 biennium. The 1993 biennium personal services costs are higher than the 1991 biennium due to vacancy savings in fiscal 1990. Annual personal services costs in the

1993 biennium are lower than the fiscal 1991 appropriation due to staff turnover and filling positions at a lower pay level.

Actual fiscal 1990 operating expenses include \$83,052 appropriated by the 1989 legislature for enhancements to the mainframe batch computer system that tracks employee contributions to the state retirement system. Current level does not include this one-time expenditure for computer programming. Other operating cost increases partially offset this reduction including: 1) added authority for medical consulting services to advise the board on disability retirement applications; 2) increases in the actuarial contract; 3) the cost of programming needed to keep the mainframe system running; 4) audit fees; and 5) insurance costs. Fiscal 1991 operating costs are much lower than other fiscal years shown in the table above, since a biennial appropriation for contracted services which will be partially expended in fiscal 1991, is not included. The comparable current level cost is allocated equally between years in the 1993 biennium.

The program is funded from interest earned on investments held in trust for the retirement systems.

The Executive Budget contains the following budget modifications.

EXHIBIT 1-2
DATE Jan. 28, 1991
HB Encl. 1-2

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	LFA Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	LFA Fiscal 1993	Difference Fiscal 1993
FTE	20.00	20.00	20.00	.00	20.00	20.00	.00
Personal Services	461,682	518,860	513,760	5,100	517,936	512,836	5,100
Operating Expenses	368,410	322,764	321,286	1,478	301,472	309,366	7,894
Equipment	4,103	1,566	0	1,566	1,704	0	1,704
Total Expend	\$834,195	\$843,190	\$835,046	\$8,144	\$821,112	\$822,202	\$1,090-
Fund Sources							
Non-expendable Trust	834,195	843,190	835,046	8,144	821,112	822,202	1,090-
Total Funds	\$834,195	\$843,190	\$835,046	\$8,144	\$821,112	\$822,202	\$1,090-

Executive Over (Under) LFA

FTE	FY92	FY93
	---	---
	\$5,100	\$5,100
		(7,894)
	1,566	1,704
	(8,561)	(10,332)
	7,234	7,234
	3,660	3,660
	(855)	(528)
	\$8,144	(\$1,056)

CURRENT LEVEL ISSUES

- PERSONAL SERVICES COSTS. The Executive Budget includes \$3,600 each year for reimbursement to board members who attend meetings and \$1,500 each year for overtime costs. The average cost for such expenses over the last five years is \$2,500 for board reimbursement and \$1,583 for overtime.
- TECHNICAL ADJUSTMENT. The LFA continued fiscal 1990 actual printing costs. The amount includes cyclical costs for such items as retirement handbooks which are printed only once during the biennium in the even numbered fiscal year.
- EQUIPMENT. The Executive Budget includes funds to upgrade computer software.
- DIFFERENCES IN BASE, INFLATION, AUDIT AND NETWORK FEES. Inflation. Audit. Network fees. Base differences.
- TOTAL CURRENT LEVEL DIFFERENCES.

EXECUTIVE BUDGET MODIFIED REQUESTS

- SYSTEM DEVELOPMENT AND CURRENT SYSTEM OPERATING COSTS. This modified request includes funds to continue development of a new computer system to track retirement benefits and contributions for "active" state employees (\$) and additional funds to operate the existing system until the new system is on line. The amount listed is the amount included in the Executive Budget. If the fiscal 1991 supplemental appropriation for this division is approved, the amount included in fiscal 1992 can be reduced by \$55,293.

\$350,582 \$79,224 trust funds

PUBLIC EMPLOYEES' RETIREMENT DIVISION

Serving as the administrative staff of the Public Employees' Retirement Board, this state agency accounts for over \$1 Billion held in trust for the eight public pension plans administered by the Board, with over \$171 Million in annual revenues and \$75.9 Million in annual expenses.

With monthly retirement benefits paid to over 12,000 benefit recipients, this agency processes a monthly benefit payroll which is larger in number than the state's central payroll system. Annual benefit payments exceed \$60.3 Million.

PERD also accounts for and refunds terminating members contributions in excess of \$10.9 Million per year on a semi-monthly basis.

Monthly membership payroll reports of the service and salaries of over 37,000 active public employee members in the 7 contributory retirement systems are processed by this agency.

Staff of the Benefits Bureau counsel members about the cost and advisability of purchasing various types of service in the retirement systems, contact employers to obtain certifications of past service of members, counsel members considering retirement about their retirement options, counsel beneficiaries of their options for receiving death benefits, and obtain required employer and physicians reports to document members' requests for disability retirements.

The agency conducts a series of eight, 2-day preretirement planning seminars each year for members who anticipate retirement within the next five years and provides staff to travel across the state for informational presentations to groups of employees at their request or in conjunction with programs sponsored by employers or other groups. Retirement system information handbooks are updated and provided to employers for distribution to their employees as changes occur in retirement benefits; newsletters are printed and distributed annually to active members and retirees to keep them informed of changes on the state and federal level which can impact their retirement benefits; and annual statements of accounts are prepared and distributed to all active members.

Of course, during the Legislature or in the interim, we are available at your request to answer questions about the impact of proposed legislation to the retirement systems, state and local government budgets, retirees, and active members. Our annual financial reports and biennial actuarial reports of the retirement systems are always available for your information.

Finally, we are proud to report that all of this work is accomplished by a staff of only 20 people and within a total annual administrative budget which is less than .13% (.0013) of the assets of these retirement systems.

EXHIBIT 19

DATE 1-21-91
HB 802 Lt. & Juc

PUBLIC EMPLOYEES RETIREMENT BOARD
FY 1992 AND FY 1993
CURRENT LEVEL BUDGET ISSUES

Personal Services

Board Member Per Diem.

FY 92	FY 93
\$3,600	\$3,600

The Public Employees' Retirement Board is a six-member board appointed by the Governor which meets monthly for 1 to 2 days per month. In addition, Board members attend other meetings each year in their official capacity and are entitled to per diem for those meetings. Currently, the Board has 4 members who are reimbursed \$50/day per diem. Four of the six current members are eligible for reimbursement. If those 4 members are reimbursed \$50/day for an average of 1.5 days/month during each year of the next biennium, we will require \$3,600 in spending authority for this purpose. Without sufficient authority to pay Board Member per diem a supplemental budget request will be required. If actual expenditures are less than \$3,600 during each year of the next biennium, the spending authority will be reverted back to the pension trust funds.

Expenditure authority of \$3,600/year* is requested in Personal Services for Board member per diem.

Overtime

\$1,500	\$1,500
---------	---------

At certain times during each year, most particularly at fiscal year-end closing, significant overtime is required from staff of the retirement division in order to accomplish mandated tasks within timeframes established by the state and federal governments. The division has expended an average of \$1,583 for overtime during the past 5 years. In FY 90, actual expenditures for staff overtime totalled \$2,649.

Expenditure authority of \$1,500/year* is requested in Personal Services for staff overtime.

Operating Expenses

FY 92	FY 93
-------	-------

Contracted Services

\$9,000	\$9,000
---------	---------

Medical Services. In the Board's request to the executive, \$9,000/year was requested in each year of the next biennium to contract with a physician to consult with the Board and its administrative staff on initial disability determinations and on-going disability reviews. OBPP notified the Board that this request was approved for inclusion in their budget. However, the executive budget inadvertently omitted \$9,000 per year for this purpose.

A contracted physician is needed to interpret medical records and reports presented to the Board so that the Board may make the disability determinations required of them by law. Each retirement statute specifies that the Board shall make such determinations with competent medical advice. Without such medical expertise available in making their disability determination decisions, this process would be open to legal challenges which could result in significant costs to the 7 retirement systems which they administer.

Expenditure authority of \$9,000/year* for each year of the next biennium is requested in Contracted Services for a medical services contract.

FY 92 FY 93

\$1,566 \$1,090

Expenditure authority totalling \$1,566 in FY 92* and \$1,090* in FY 93 is requested for Equipment purchases as follows:

\$1,566 \$ 800

Computer Software

In order to continue to receive support from ISD on the agency's personal computer software, the Board is required to purchase upgrades for existing software as upgrades become available. These upgrades appear almost annually (for example, only a few months after the agency's purchase of the WordPerfect 5.0 upgrade, WordPerfect 5.1 is now out.) This expenditure request is made assuming the agency will be required to purchase one network WordPerfect and one network Lotus 1-2-3 upgrade during the next biennium. This request does not assume purchase of upgrades for DOS or RBase; if these are required, a supplemental budget may be necessary.

\$ -0- \$ 904

Office Equipment

Several of the desks utilized by staff in this agency are over 30 years old. The executive budget includes a request to purchase one new desk during FY 93 as a replacement for one of these relics. In the past decade, the agency has replaced only 2 desks for its 20 FTE.

\$10,894 \$10,894

Differences in Base, Inflation, Audit and Network Fees.

The remaining differences between the executive agency base budget request and the LFA budget recommendation for this agency are explained by differences in inflation factors, audit costs, computer network fees, and base differences. As this agency currently understands decisions which have been made by the Legislature in this area, budgets are to use LFA inflation factors and FY 90 actual expenditures for base; whereas, executive budget levels for audit and computer network costs.

If this understanding is correct, additional expenditure authority for operating expenses of \$10,894/year* for each year of the next biennium is requested.

***All additional expenditure authority requested in this document is in addition to LFA recommended levels for the next biennium.**

EXHIBIT 20
DATE 1-20-91
HB Dr. L. L. L. L.

PUBLIC EMPLOYEES RETIREMENT BOARD
FY 1992 AND FY 1993
MODIFIED LEVEL BUDGET REQUESTS

	FY 92	FY 93
	\$350,582	\$ 79,224
	\$325,000	\$ 54,000

1. COMPUTER SYSTEMS DEVELOPMENT AND CURRENT SYSTEM OPERATING COSTS

Continued Development of New "Active" Computer System.

The computer system currently used by this agency to account for the membership service and over \$1 Billion in trust for over 40,000 active retirement system members is an antiquated (17 years old) batch main-frame computer processing system. Due to it "brittleness," ISD can no longer modify this program to keep up with changing federal and state requirements for processing this information. In separate audit reports, its inability to provide the actuary with accurate information was noted as a serious deficiency. With the current system prone to total failure at any time, and in light of the cost of manually accounting for thousands of transactions per month, it is imperative that the old batch system be replaced as soon as possible.

During FY 90, this agency initiated the first steps in the design of a new on-line data base computer system to take the place of the antiquated system still in use. An \$83,000 one-time appropriation for upgrades to this system was utilized for the initial phases of this program. In what is termed a "reasonable case" scenario, ISD has projected that this program can be expected to be completed sometime during FY 93 for an additional expenditure of \$325,000 in FY 92 and \$54,000 in FY 93. (ISD's projection of a "worst case" scenario could result in another \$100,000 being required to complete the project.)

Because ISD is ahead of schedule on this project, the agency has requested FY 91 supplemental budget authority of \$55,293 in order for ISD to continue work on this project. If approved, the total amount requested for this purpose in FY 92 can be reduced by \$55,293.

Current System Operating Costs.

	\$ 25,582	\$ 25,224
--	-----------	-----------

The current batch system is archaic and very temperamental and, therefore, subject to frequent problems requiring duplication of processing time. During FY 90, actual computer processing costs were \$48,875. Since the executive budget includes only \$39,589 in FY 92 and \$35,679 in FY 93 for computer processing, the Board requests these additional amounts as a modified level budget request in order to continue the current level of services for the coming biennium.

All funds will be appropriated from the pension trust funds administered by the Board. Sufficient amounts are contained in these trust funds to pay all operating costs with increases in employer or employee contribution rates. This modified level request totalling \$429,806 for the biennium represents less than .043% (.00043) of the total funds in trust and less than .21% (.0021) of the investment earnings anticipated during the next biennium.

EXHIBIT 21
 DATE Jan 28, 1991
 HB Gen. L. G. G. G.

STATE TAX APPEAL BOARD

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	11.00	11.00	10.50	10.50	-.50
Personal Services	234,025	341,774	288,703	288,048	.17%
Operating Expenses	60,567	94,152	67,477	67,659	-12.66%
Equipment	15,214	0	0	0	-100.00%
Local Assistance	2,876	0	0	0	-100.00%
Total Program	\$312,682	\$435,926	\$356,180	\$355,707	-4.91%
<u>Fund Sources</u>					
General Fund	312,682	435,926	356,180	355,707	-4.91%
Total Funds	\$312,682	\$435,926	\$356,180	\$355,707	-4.91%

Program Description

The State Tax Appeal Board (STAB) provides a tax appeal system for all actions of the Department of Revenue (Article XIII, Section 7 of the Montana Constitution and Section 15-2-101, MCA). It travels throughout the state to hear appeals from decisions of the 56 county tax appeal boards (CTAB) and takes original jurisdiction in matters involving income taxes (Section 15-30-147, MCA); corporate taxes (Section 15-31-532, MCA); and severance taxes, centrally assessed property, and new industry (Section 15-2-302, MCA). STAB pays a per-meeting honorarium, including mileage reimbursement and meals, to the 168 CTAB members and pays clerical expenses for each board.

Current Level Budget

While current level budget declines about 5 percent over the total 1991 biennium, the 1993 biennium current level is higher than fiscal 1990 actual expenditures. A 0.5 FTE clerical

position, vacant since December 1989 when the employee was laid off due to reduced workload, is eliminated reducing personal service costs. This decrease is offset by the continuation of the fiscal 1991 pay plan increase in the 1993 biennium. Current level operating costs decline over the 1991 biennium as the program expended about \$43,000 less than it was appropriated in fiscal 1990. Equipment purchases in fiscal 1990, which included personal computers and software, were funded from the operating expenses appropriation.

Reimbursement to CTAB's for secretarial help was recorded in local assistance in fiscal 1990. These costs are budgeted in contracted services for the 1993 biennium.

The program is supported by general fund. Table 24 shows the current level budget for STAB and CTAB's. The annual current level program budget is about 14 percent higher than fiscal 1990 actuals.

STATE TAX APPEAL BOARD

Table 24
Budget Detail for STAB and CTABs

<u>Program and Funding</u>	<u>Fiscal 1990</u>	<u>Fiscal 1992</u>	<u>Fiscal 1993</u>	<u>Change from 1990 to 1992</u>
State Tax Appeal Board				
FTE	5.5	6.0	6.0	0.5
Personal Services	\$159,068	\$216,410	\$216,012	36.05%
Operating	51,436	52,772	52,933	2.60%
Equipment	<u>1,752</u>	<u>0</u>	<u>0</u>	-100.00%
Subtotal	\$212,256	\$269,182	\$268,945	26.82%
County Tax Appeal Boards				
FTE	5.5	4.5	4.5	-1.0
Personal Services	\$74,957	\$72,293	\$72,036	-3.55%
Operating	9,131	14,705	14,726	61.04%
Equipment	13,462	0	0	-100.00%
Local Assistance	<u>2,876</u>	<u>0</u>	<u>0</u>	-100.00%
Subtotal	\$100,426	\$86,998	\$86,762	-13.37%
Total Program				
FTE	11.0	10.5	10.5	-0.5
Personal Services	\$234,025	\$288,703	\$288,048	23.36%
Operating	60,567	67,477	67,659	11.41%
Equipment	15,214	0	0	-100.00%
Local Assistance	<u>2,876</u>	<u>0</u>	<u>0</u>	-100.00%
Total Cost	\$312,682	\$356,180	\$355,707	13.91%
General Fund	\$312,682	\$356,180	\$355,707	13.91%

The State Tax Appeal Board program budget increases almost 27 percent between fiscal 1990 and 1992 as it includes per diem expenses formerly budgeted and paid in the CTAB program. Reimbursements for county secretarial and per diem expenses are increased as more hearings are expected to be held in the 1993 biennium. FTE increase 0.5 as a half-time position was transferred from the CTAB program.

The CTAB program budget declines as the per diem expense formerly paid in this program is moved to the STAB program. FTE decline by one full position due to removal of a half-time position vacant almost one year and transfer of a half-time position to the STAB program. Operating expenses increase slightly to accommodate more hearings in the 1993 biennium.

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TORT CLAIMS DIVISION

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	10.50	10.50	10.50	10.50	.00
Personal Services	299,175	356,199	339,418	339,180	3.54%
Operating Expenses	799,134	1,548,183	1,673,004	1,734,362	45.16%
Equipment	4,151	0	8,903	0	114.48%
Transfers	<u>1,170,567</u>	<u>1,151,995</u>	<u>0</u>	<u>0</u>	<u>-100.00%</u>
Total Program	\$2,273,027	\$3,056,377	\$2,021,325	\$2,073,542	-23.17%
<u>Fund Sources</u>					
Proprietary Fund	<u>2,273,027</u>	<u>3,056,377</u>	<u>2,021,325</u>	<u>2,073,542</u>	<u>-23.17%</u>
Total Funds	\$2,273,027	\$3,056,377	\$2,021,325	\$2,073,542	-23.17%

Program Description

The Tort Claims Division provides for the investigation, defense, and payment of bodily injury and property damage claims incurred by all agencies, officers, and employees of the State of Montana. The division also assesses the fire, casualty, bond, and liability risks of the state for all state-owned buildings, equipment, automobiles, fixtures, boilers, aircraft, cash, and securities, and provides either commercial or self-insurance protection for the financial loss of such property (Article II, Section 18, Constitution of Montana, and Title 2, Chapter 9, Parts 1 through 3, MCA).

Current Level Budget

The current level budget cannot be compared to the 1991 biennium using the above table. Transfers, accounting for about one-half the expenditures in fiscal 1990, are not budgeted in the current level and commercial insurance purchases of \$742,591 in fiscal 1990 were incorrectly coded to another activity in the division. The division purchases several commercial insurance policies, including property, helicopter, boiler, and aircraft coverage. Other coverage, including general liability insurance, is self-insured through premiums assessed state agencies. Table 21 compares fiscal 1990 actual expenditures with the current level recommendation.

Table 21
Tort Claims Division Current Level Budget

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>----Current Level----</u>		<u>Change 1990 to 1992</u>
		<u>Fiscal 1992</u>	<u>Fiscal 1993</u>	
FTE	10.50	10.50	10.50	0.00
Personal Services	\$ 299,175	\$ 339,418	\$ 339,180	13.45%
Operating Expenses	1,505,715	1,673,004	1,734,362	11.11%
Equipment	<u>4,151</u>	<u>8,903</u>	<u>0</u>	<u>114.48%</u>
Total Costs	\$1,809,041	\$2,021,325	\$2,073,542	11.73%
Funding Source				
Proprietary Funds	\$1,809,041	\$2,021,325	\$2,073,542	11.73%

TORT CLAIMS DIVISION

The fiscal 1992 current level budget is about 12 percent higher than fiscal 1990 expenditures. Personal services increase due to vacancies in fiscal 1990 and full implementation of the fiscal 1991 pay plan. Commercial insurance costs are \$132,419 higher in fiscal 1992 than the fiscal 1990 actual expenditure and \$197,681 higher in fiscal 1993.

Equipment includes screens for portable computers and one printer for portable computers. A scanner that copies documents to computer disk is funded and photocopy fees are reduced by one-fourth each year to reflect the estimated reduction in photocopy expense and four-year payback for the scanner.

Transfers, which moved funds from the insurance premium self-insurance fund to the agency internal services account, are no longer included in the program budget. The department has determined that such transfers are unnecessary. The program will now draw funding directly from the insurance premium account.

Fund Balance of the Self-Insurance Fund

The state is self-insured for general liability, automobile, Board of Investments property foreclosures, Board of Housing property foreclosures, and foster care youth insurance coverage. The division maintains a fund to pay program operating and claims expenses for such insurance. Premium payments from state agencies are deposited to the fund to pay operating and actual and potential claim expenses.

Table 22 shows the actual fund balance of the self-insurance fund for fiscal years 1986 through 1990 and the projected fund balance through fiscal 1993. The division provided estimated revenues and claims expenses; estimated operating expenditures are drawn from the Executive Budget and include the current level recommendation and two modified budget requests. The estimated cash balance of the fund is estimated to be about \$5.2 million at the end of 1993, using the LFA current level budget. If the Executive Budget is adopted and if the estimated claims do not exceed \$2.7 million per year, the ending cash balance will be about \$3.2 million.

Table 22
Actual and Estimated Self-Insurance Fund Balance
Fiscal Year 1986 to Fiscal Year 1993

Year	Beginning Balance	---Revenue---		---Expenditures---		Ending Balance	Annual Increase (Decrease)
		Premiums	Interest Earnings	Claims	Operating Costs		
1986	\$ 8,218,036	\$3,110,444	\$715,472	\$1,404,794	\$ 447,739	\$10,191,419	\$1,973,383
1987	10,191,419	2,428,597	632,688	5,426,107	849,073	6,977,524	(3,213,895)
1988	6,977,504	3,414,004	627,085	3,100,156	945,000	6,973,437	(4,067)
1989	6,973,437	3,896,474	578,549	3,396,219	1,891,390	6,160,851	(812,586)
1990	6,160,851	3,710,853	516,399	2,176,332	1,960,396	6,251,375	90,524
1991	6,251,375	3,741,485	523,987	2,852,738	2,151,995	5,512,114	(739,261)
1992	5,518,127	3,999,290	462,022	2,644,738	2,021,325	5,313,376	(204,751)
1993	5,250,684	4,286,111	445,364	2,709,997	2,073,542	5,198,620	(52,064)

Note: Fiscal 1991 to 1993 are estimated revenues, expenditures, and balances.

Even though the fund is projected to have an ending cash balance of \$5.2 million, the 1990 actuarial report of

the self-insurance fund found that the reserve fund balance would need to be about \$19.3 million to cover potential

TORT CLAIMS DIVISION

and actual losses. The fund balance as of June 1990, was approximately \$6.3 million, leaving a reserve deficiency of about \$13 million. Over the past four years, the actuarial estimate of the fund balance needed to pay actual and potential claims has declined by almost 50 percent (from \$38 million to \$19.3 million). The actuarial reports attribute the decline to statutory changes limiting claims to no more than \$750,000 for each claim and \$1.5 million for each occurrence (Section 2-9-108, MCA). Division personnel also attribute the improvement to more timely response to claims and lawsuits filed against the state, and to the administrative philosophy of resolving claims that have merit, and defending and trying all other cases.

Payment of Deductibles for Commercial Insurance

The actuarial study evaluated the adequacy of the self-insurance fund to pay general liability claims only. However, fund balances are also used to pay the difference between commercial insurance deductible costs and the amount of the deductible paid by agencies. Property coverage, the major commercial insurance policy purchased by the division, carries a \$150,000 deductible for each occurrence. The affected agency must pay the first \$1,000 and the balance is drawn from the self-insurance fund. In fiscal 1990, the division expended \$367,228 for deductibles from the self-insurance fund. The division will review the allocation of commercial insurance costs to agencies during the 1993 biennium and may propose premium increases to recoup the cost of the deductible in the 1995 biennium.

Issues

Program Performance Audit

In December 1990, the Legislative Auditor issued a program performance audit of the Tort Claims Division for the period fiscal 1989 to 1990. Two of the audit findings with direct budgetary impacts are: 1) data to determine property and auto insurance premiums was

incomplete, so it was not possible to accurately determine whether all state assets are insured or whether premiums are accurately assessed; 2) agencies were not always billed correctly, were billed late in the fiscal year, and in some cases, were not billed for insurance; and 3) the division does not devote enough staff time or effort in evaluating state risk or developing a risk management plan.

The department concurred with these conclusions and committed to preparation, publication, and dissemination of a division procedures manual to address most of the audit deficiencies by December 1991. Other tasks, such as review and improvement of premium formulas, will be implemented in conjunction with the development of the 1995 biennium budget. The legislature may want to consider requesting the division to review with a standing committee of the legislature the potential budgetary impacts of self-insurance program changes.

The division also recently reorganized in order to emphasize risk management, other administrative, and accounting responsibilities. The division administrator/chief legal position was separated into two positions and functions and one attorney position was changed to an administrative position.

Executive Budget Modifications

Tort Claims Contracts

The Executive Budget includes \$2.0 million in proprietary authority to fund contracted legal services. The division contracts with the Department of Justice and private attorneys to defend some cases when the workload is higher than division staff can support. Since fiscal 1988, actual expenditures for legal services have exceeded the appropriated amount, requiring the division to seek a budget amendment for additional authority. The division projects that the number of legal actions will require continued contracting for services and added budget authority. Contracted legal

TORT CLAIMS DIVISION

services may also increase due to the recent decision to convert a vacant attorney FTE into an accountant position.

Table 23 compares the annual cost of legal services provided by several sources. While it appears that house staff are the least expensive alternative, the Legislative Auditor determined that it is not possible to accurately compare the cost of a staff position to the cost of contracted legal services, as the division does not track the time spent on cases by in-house staff. The annual salary for a staff attorney ranges from \$35,360 to \$41,540 (see Table 23). In fiscal 1990, contracted legal services were billed at \$48 per hour from Agency Legal Services (ALS) in the Department of Justice. However, the proposed rate for the 1993 biennium is \$53 per hour. ALS estimates that each attorney recovered 1,250 billable hours in fiscal 1990, for an annual salary rate of \$60,000 in fiscal 1990 compared to \$66,250 in the 1993 biennium. Division staff say that hourly costs for private legal contracted services range from \$60 to \$110 per hour. Assuming that outside legal counsel generate 1,500 billable hours per year, the annual cost can range from \$90,000 to \$165,000.

The Department of Justice estimates that Tort Claims generates 60 percent of ALS revenue. The proposed rate increase for ALS was not communicated to the Tort Claims Division in time to be included in its budget request. Therefore, the current level budget and modified budget request for the division will purchase fewer hours of contracted legal services than in fiscal 1990, if the ALS proposed rate is adopted.

Table 23
Tort Claims Division Legal Costs

<u>Legal Service</u>	<u>Fiscal 1992 Hourly and Annual Cost</u>
Division Staff	
Annual Salary	
Lawyer III	\$35,360
Lawyer IV	38,513
Lawyer V	41,540
Hourly Cost Equivalent at 1,250 Billable Hours per FTE	
Lawyer III	\$28.29
Lawyer IV	30.81
Lawyer V	33.23
Department of Justice Agency Legal Service 1,250 per FTE Billable Hours per FTE	
\$48 per Hour	\$60,000
\$53 per Hour	66,250
Private Counsel	
1,500 Billable Hours per FTE	
\$60 per Hour	\$90,000
\$110 per Hour	165,000

Additional Personnel

An additional (0.5 FTE) half-time is included in the Executive Budget at a biennial cost of \$21,738 in proprietary funds. The FTE authority would be combined with a current level 0.5 FTE to fund a full-time position. The current level 0.5 FTE has been filled at a full-time equivalent during fiscal 1990, with needed funding being drawn from vacancy savings within the program. The employee tracks, logs, and documents claims handled by the division.

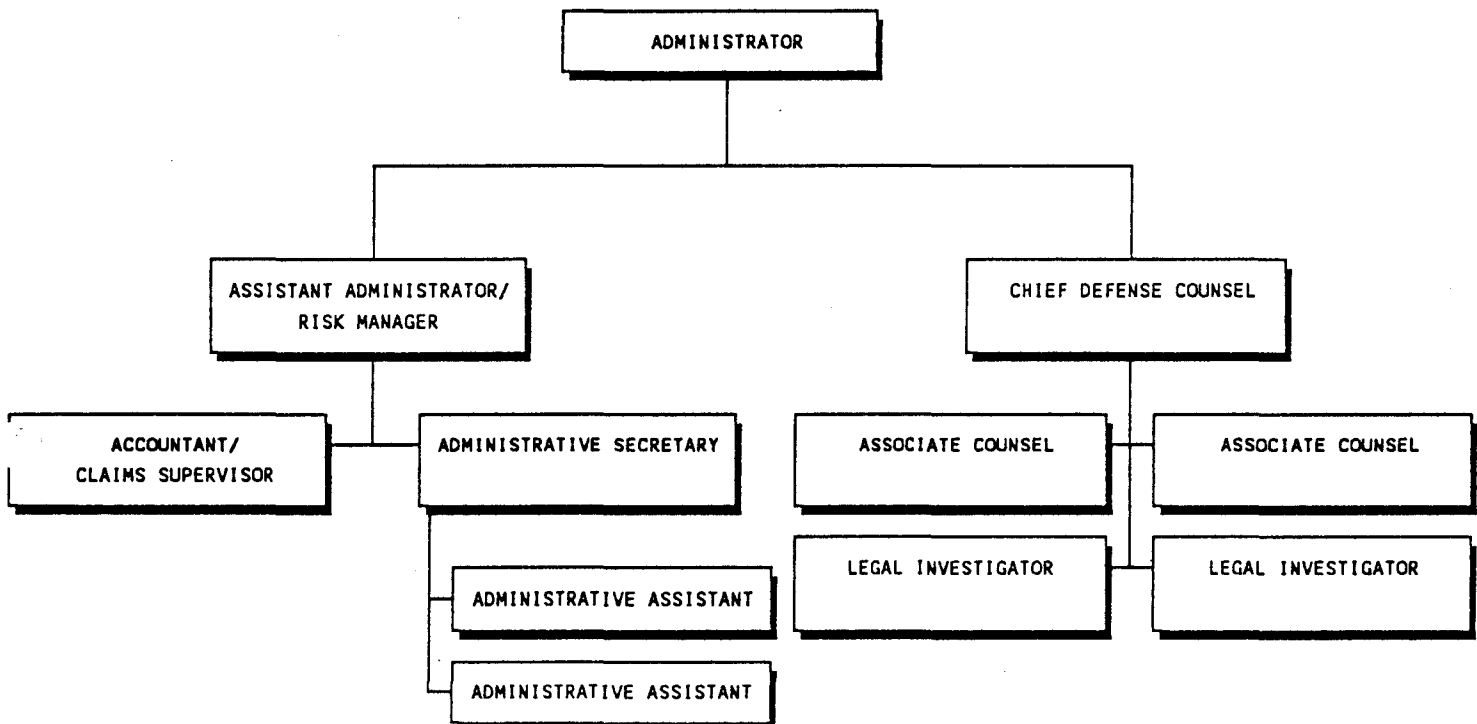
MISSION STATEMENT
TORT CLAIMS DIVISION
DEPARTMENT OF ADMINISTRATION

The mission of the Tort Claims Division of the Department of Administration is to protect and defend the State of Montana against losses stemming from tort liability and property claims brought against state agencies and employees.

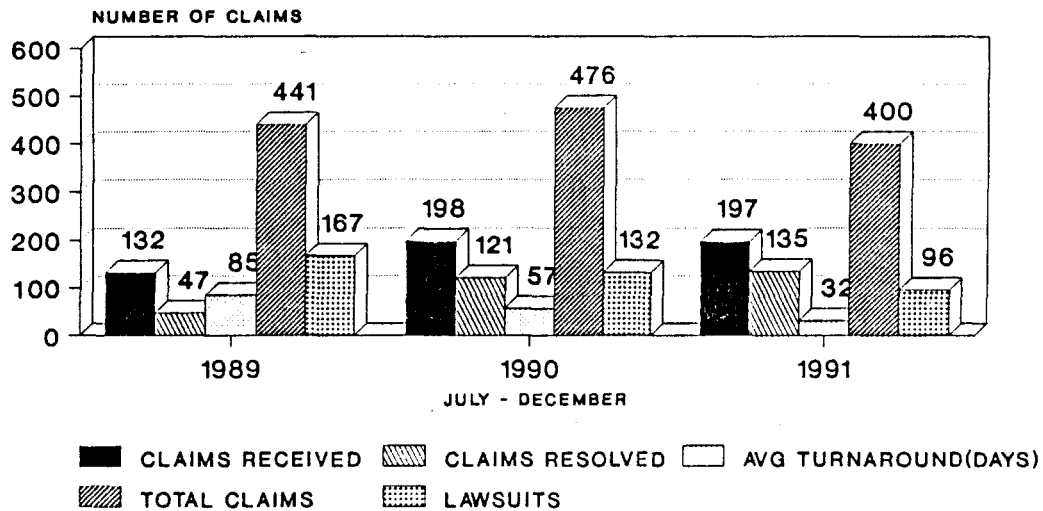
The philosophy of the Tort Claims Division is to investigate and identify as quickly as possible claims that have merit, resolve those cases, and prepare the remaining cases for summary judgment or final resolution at trial. In order to accomplish this mission, the division will achieve the following:

- 1) Administer and implement the provisions of the Tort Claims Act as provided in Title 2, Chapter 9 parts 1-3 of the Montana Code Annotated for the State of Montana;
- 2) Provide cost effective commercial or self-insurance protection where feasible to state government departments, agencies, boards, commissions, universities, and vocational education centers.
- 3) Provide cost effective, quality legal assistance to state defendants through the use of either staff counsel, agency legal services counsel or contracted counsel.
- 4) Promote sound risk management principles and techniques through consultation with state agencies in the implementation of a risk management program.
- 5) Serve as a resource for state agencies in resolving risk management and tort liability defense issues for the protection of state assets and resources.

TORT CLAIMS DIVISION
Organizational Chart



TORT CLAIMS DIVISION CLAIMS DATA (CHART 1)



FISCAL YEAR TO DATE
 •Projected Total Claims 1991
 •Lawsuits as of FY December