

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON GENERAL GOVERNMENT & HIGHWAYS

Call to Order: By Vice Chairman Stimatz on February 12, 1991, at 8:03 a.m.

ROLL CALL

Members Present:

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

Staff Present: Clayton Schenck, Senior Fiscal Analyst (LFA)
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.

HEARING ON STATE AUDITOR'S OFFICE

Tape 1, Side 1

EXHIBITS 1 AND 2

Clayton Schenck, LFA, said for the LFA current level there's a 6% increase from FY91 to FY93 biennium primarily due to the near doubling of the appropriation for the warrant writing system computer processing costs in the Fiscal Management Control Division. Personal services increase 3.5% due to significant vacancy savings in FY90 and the pay plan. Increases in personal services are partially offset by the elimination of 4.5 FTE. The agency is funded by general fund except for the Central Payroll Division which receives approximately 30 percent of its funds from a state special revenue fund generated by service charges against non-general fund programs. There are five executive budget modifications totaling \$480,000 and the addition of 2 FTE. There are 14 elected official budget modifications and the total is approximately \$527,000 with additional 2 FTE. The exempt position salary increase for FY93 is \$47,000. This would provide a 7.5% pay increase for the exempt positions. He reviewed the major difference between the executive and LFA current listed as shown on the exhibit.

Andrea Bennett, State Auditor, introduced Dennis Sheehy, deputy auditor. She explained information as presented in her handouts.

EXHIBITS 3 AND 4 Some budget modifications have been updated since originally presented and as they might appear in printed material from the LFA and executive. **EXHIBIT 5**

VICE CHAIRMAN STIMATZ pointed out that this is an elected official position and as such have more flexibility than the ordinary administrative agency.

Central Management

Mr. Schenck said the current level shows a 7.4% increase over the prior biennium due to continuation of the FY91 pay plan increases. Operating expenses are higher due to increases in fixed costs. There are budget modifications including the computer system replacement, office remodeling and to add a systems analyst. There are two elected official budget modifications for office remodeling and for office training and education program. The exempt position salary increases applies to all agencies but is put in one central place here. He reviewed the language issue.

Discussion took place on the WANG system and its compatibility with the state system. The department's approach is to centralize all the functions. WANG was chosen because it was the lowest bid but this took place before WANG went defunct. They are working closely with ISD on this.

Ms. Bennett reviewed the issues for this division. **EXHIBIT 3, page 10**

Fiscal Control and Management

Mr. Schenck reviewed the current level issues which include the warrant writing system operating costs, bad debts collection funding switch and the reconciling differences. The executive budget modification is for warrant system processing costs. The elected official budget modifications include a warrant system additional processing costs, warrant system postage costs, warrant writing system supplies, warrant writing system equipment, equipment maintenance contracts, bad debts system software and bad debts program expansion.

Ms. Bennett reviewed the issues. **EXHIBIT 3, page 18**

Insurance Program

Mr. Schenck reviewed the current level issues of FTE reduction and payroll service fees. The executive budget modification is for a medicare compliance specialist and the elected official budget modification is for national association dues.

Ms. Bennett reviewed the issues. **EXHIBIT 3, page 27**

Securities Program

Mr. Schenck reviewed the current level issues which included payroll service fees and reconciling differences. Elected official budget modifications were for travel increases and office equipment.

Ms. Bennett reviewed the issues. EXHIBIT 3, page 33


State Payroll

Mr. Schenck reviewed the current level issues which are FTE reduction, data processing charges and reconciling differences. The LFA current level utilizes less general fund due to the application of more state special revenue funds by utilizing a carry-over fund balance. The elected official budget modification is for payroll system processing. Other issues include line item--data processing charges and uniform university payroll project.

Ms. Bennett reviewed the issues. EXHIBIT 3, page 34

ADJOURNMENT

Adjournment: 10:30 a.m.


JOE QUILICI, Chair

JQ/ac

State Auditor

HOUSE OF REPRESENTATIVES

GENERAL GOVERNMENT AND HIGHWAYS SUBCOMMITTEE

ROLL CALL

DATE 2/2/91

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	✓		

COMPARISON OF EXECUTIVE AND LFA CURRENT LEVELS

STATE AUDITOR'S OFFICE

Budget Item	Executive Current Level		LFA Current Level		Executive Over (Under) LFA
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993	
FTE	67.00	67.00	63.00	63.00	4.00
Personal Services	1,831,842	1,830,393	1,717,733	1,716,475	228,027
Operating Expenses	<u>847,807</u>	<u>832,622</u>	<u>948,501</u>	<u>928,630</u>	<u>(196,702)</u>
Total Agency	\$2,679,649	\$2,663,015	\$2,666,234	\$2,645,105	\$31,325
<u>Fund Sources</u>					
General Fund	2,233,158	2,215,373	2,293,734	2,282,605	(127,808)
State Revenue Fund	360,348	360,355	372,500	362,500	(14,297)
Proprietary Fund	<u>86,143</u>	<u>87,287</u>	<u>0</u>	<u>0</u>	<u>173,430</u>
Total Funds	\$2,679,649	\$2,663,015	\$2,666,234	\$2,645,105	\$31,325

Executive Budget Comparison

The Executive Budget is \$228,027 higher than the LFA current level in personal services, but this difference is nearly offset in operating expenses, where the Executive Budget is \$196,702 lower than the LFA current level. The net difference between the two budgets is only \$31,325 for the 1993 biennium.

The most significant differences are discussed below as "Issues," including the difference in personal services costs and a net operating expenses reduction of \$143,330 in the Executive Budget. Operating expenses included in the Executive Budget but not in LFA current level are: 1) payroll fees of \$4,962 included in the Insurance and Securities Division budgets (which are supported entirely by general fund and should not be charged payroll fees); 2) a \$6,381 higher audit fee due to the inclusion of a modified budget request in the calculation of the audit fee schedule for the Legislative Auditor's Office; 3) \$2,100 of telephone modification charges in the Insurance Division that LFA current level removed as a one-time expense; and 4) \$13,500 due to the different bases used in preparing the two budgets. Additionally, LFA current level applies \$50,900 more in inflation adjustments than the Executive Budget.

The Executive Budget is \$127,808 lower in general fund than LFA current level for the following reasons:

1) the Executive Budget transfers \$173,430 from general fund to a proprietary fund for the operation of the Bad Debts Collection program, as discussed below in the "Issue" section. The LFA current level retains general fund to support the Bad Debts program;

2) the differences in personal services and operating expenses discussed in this section are all general fund supported, resulting in the Executive Budget including \$31,325 more in general fund; and

3) the Executive Budget includes \$14,297 more general fund support for the Central Payroll Division than LFA current level, which uses a fund balance carryover in the Central Payroll state special revenue fund.

Issues

FTE Reductions

The Executive Budget eliminates 0.5 FTE, while LFA current level eliminates 4.5 FTE. The 0.5 FTE not included in the Executive Budget is in the Central Payroll Division, removed as a savings from conversion to an on-line Payroll/Position/Personnel (P/P/P) system in the 1991 biennium. The LFA

STATE AUDITORS OFFICE

current level budget eliminated that position and an additional payroll clerk position, as the agency stated when it requested funding for the project that up to 1.75 FTE could be eliminated due to P/P/P on-line conversion. In addition, the LFA current level budget eliminated 3.0 FTE in the Insurance Division, at a savings of \$190,503. The positions were 3.0 of 5.0 FTE approved by the 1989 legislature to expand insurance regulation, but the positions were vacant nearly all of fiscal 1990 and had not been permanently filled at the end of November 1990. The vacancy savings achieved in these and other positions provided part of the funding for pay raises in excess of the state pay plan granted to the State Auditor's personal staff.

Central Payroll Data Processing Charges

The Executive Budget includes increases of \$101,558 over fiscal 1990 actual expenditures for data processing charges by the Department of Administration, including computer processing charges, data network service, information center service, and operational support. The LFA current level budget for these items is at fiscal 1990 base levels. The agency states that the data processing appropriation is insufficient and has submitted a supplemental request for increases in fiscal 1991 costs. However, fiscal 1990 costs in these categories appeared to reflect a normal budget year.

Warrant Writing System Processing Costs

The State Auditor's Office installed a new warrant writing system which became operational at the beginning of the 1991 biennium. In its first year of operation, costs exceeded the appropriation by nearly 100 percent in data processing costs, postage, supplies, and other costs. The agency received a general fund supplemental of \$85,967 in fiscal 1990 for these increased costs.

Since these are ongoing costs of operating the system, the LFA current level includes the warrant system costs (data processing, postage, and supplies) at fiscal 1990 actual expenditure levels, including the supplemental transfer from fiscal 1991. The Executive Budget includes \$269,364 less for these costs in its current level, but includes \$193,000 for this purpose in a budget modification (which is discussed in the program narrative). Despite this budget modification, the Executive Budget includes \$76,364 less for warrant system costs than fiscal 1990 actual expenditures.

Bad Debts Collection Funding Switch

The Executive Budget changed funding for the Bad Debts Collection program from general fund to a proprietary fund operation. The program, which provides a collection service for state agencies for bad debts, would be funded under the Executive Budget plan by retaining a percentage of bad debts collected for agencies. LFA current level continues the current general fund support.

Budget Modifications

In addition to the \$5.3 million current level budget for the 1993 biennium, the Executive Budget contains \$483,732 general fund and 2.0 FTE in modified budget requests for the State Auditor's Office. These budget modifications are listed in the following agency narrative and discussed in more detail in the program narratives.

The Executive Budget does not include an additional 15 budget modifications for 2.0 FTE and \$566,583 (of which \$443,773 is general fund) requested by the State Auditor. Since the State Auditor plans to present these budget modifications to the legislature, details on the modifications are provided in the following program narratives.

STATE AUDITOR'S OFFICE

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	66.00	67.50	63.00	63.00	-4.50
Personal Services	1,531,601	1,785,485	1,717,733	1,716,475	3.53%
Operating Expenses	879,291	812,530	948,501	928,630	10.95%
Equipment	941	1,000	0	0	-100.00%
Total Agency	\$2,411,833	\$2,599,015	\$2,666,234	\$2,645,105	6.00%
<u>Fund Sources</u>					
General Fund	2,025,629	2,192,398	2,293,734	2,282,605	8.49%
State Revenue Fund	386,204	406,617	372,500	362,500	-7.29%
Total Funds	\$2,411,833	\$2,599,015	\$2,666,234	\$2,645,105	6.00%

Agency Description

The Office of the State Auditor, established by Article VI, Section 1 of the Montana Constitution, has statutory responsibility to superintend the fiscal duties of the state, suggest plans for improvement and management of the public revenues, and keep an account of all state warrants. The auditor is both ex-officio commissioner of insurance and ex-officio commissioner of securities. The auditor is charged with the duty of licensing and regulating insurance companies and agents within the state. The auditor is also assigned the responsibility of regulating and registering issuers, securities salesmen, broker-dealers, investment advisors, and investment advisor representatives. The auditor is director of the state employee payroll system and administers the bad debt collection function for state funds.

the volume of warrants processed, particularly for the Workers' Compensation Division, has driven up processing and postage charges.

Personal services increase 3.5 percent due to significant vacancy savings in fiscal 1990, the fiscal 1991 pay plan increase, and additional pay raises of \$31,800 for the State Auditor's personal staff continuing into the 1993 biennium. These increases more than offset the elimination of 4.5 FTE, including 1.5 FTE in the Central Payroll Division and 3.0 FTE in the Insurance Division. Operating expenses increase due to the warrant writing system processing cost increases and minor increases in rent, insurance, and other fixed costs. These increases are partially offset by anticipated decreases in the rates charged by the Department of Administration for computer processing and reductions in systems development costs.

Current Level Budget

The agency's 1993 biennium current level budget increases 6 percent compared to the 1991 biennium, due primarily to a near doubling of the appropriation for warrant writing system computer processing costs in the Fiscal Management and Control Division. The new warrant system was activated at the beginning of fiscal 1990, with no previous history of operating costs. In addition, an unanticipated increase in

The agency is funded by general fund except for the Central Payroll Division, which receives approximately 30 percent of its funds from a state special revenue fund generated by service charges against non-general fund programs for the central payroll function. The Insurance and Securities Divisions were funded by state special revenue in the 1989 biennium, but those accounts were de-earmarked by Senate Bill 78 in the 1989 session.

STATE AUDITOR'S OFFICE

Issue

Exempt Position Salary Increases - 1991 Biennium

The 1989 legislature appropriated funds for salary increases averaging 2.5 percent per year for the 1991 biennium for both classified and exempt positions. The State Auditor authorized pay increases of 4 percent to 25 percent per year for 10 of 15 exempt positions in the agency. The average increase for those ten positions was 16.25 percent for the biennium. These increases were funded within the existing appropriation

by using vacancy savings. The total increase over appropriated levels for the 1991 biennium will be over \$50,000 for all exempt positions.

The salary level included in both the Executive Budget and LFA current level funds the exempt positions at fiscal 1990 actual salary levels plus the fiscal 1991 2.5 percent pay plan increase. If the budget is approved at this level, the agency's personal services will be increased by \$31,800 in salary increases awarded by the agency over legislative 1991 biennium appropriated levels.

Executive Budget Modifications
1993 Biennium

<u>Budget Modifications</u>	<u>FTE FY92</u>	<u>FTE FY93</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
1) Computer System Replacement			\$150,000		\$150,000
2) General Office Remodeling			15,000		15,000
3) Computer Systems Analyst	1.0	1.0	67,150		67,150
4) Medicare Compliance Spec.	1.0	1.0	58,582		58,582
5) Warrant System Processing	—	—	193,000	—	193,000
Total	2.0	2.0	\$483,732	\$0	\$483,732

The Executive Budget includes the budget modifications listed above.

In late November 1990, the State Auditor's Office indicated that it

planned to present the following additional budget modification requests to the 1991 legislature.

STATE AUDITOR'S OFFICE

Elected Official Budget Modifications 1993 Biennium

<u>Budget Modifications</u>	<u>FTE FY92</u>	<u>FTE FY93</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
1) Executive Staff Pay Raises			\$ 34,110		\$ 34,110
2) Warrant System Added Costs			130,869		130,869
3) Payroll System Processing			35,758		35,758
4) Warrant System Postage			124,805		124,805
5) Office Remodeling Addition			10,000		10,000
6) Training/Education Program			12,000		12,000
7) Bad Debts System Software			4,250		4,250
8) Securities Division Travel			2,850		2,850
9) Nat'l Association Dues			5,000		5,000
10) Securities Div. Equipment			4,300		4,300
11) Warrant System Equipment			44,127		44,127
12) Office Equipment			6,915		6,915
13) Eqpt. Maintenance Contracts			8,680		8,680
14) Bad Debts Program Expansion	2.0	2.0		\$122,810	122,810
15) Supplies for Warrant System			20,109		20,109
Total	2.0	2.0	\$443,773	\$122,810	\$566,583

Exempt Position Salary Increases - 1993 Biennium

The State Auditor has requested \$34,110 general fund in the 1993 biennium for pay increases for personal staff. This would provide 7.5 percent pay increases for exempt positions for the 1993

biennium, as the State Auditor does not feel the current salaries are competitive. The majority of the personal staff also received pay increases of over 15 percent in the 1991 biennium, as discussed above.

CENTRAL MANAGEMENT

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	8.00	8.00	8.00	8.00	.00
Personal Services	206,888	218,793	221,425	221,478	4.05%
Operating Expenses	18,890	17,608	26,686	26,673	46.20%
Equipment	102	0	0	0	-100.00%
Total Program	\$225,880	\$236,401	\$248,111	\$248,151	7.35%
<u>Fund Sources</u>					
General Fund	225,880	236,401	248,111	248,151	7.35%
Total Funds	\$225,880	\$236,401	\$248,111	\$248,151	7.35%

Program Description

The Central Administration Division is responsible for the administrative, budgeting, personnel, and accounting functions for the State Auditor's Office. It also has an audit and review function to investigate complaints and to monitor state funds.

Current Level Budget

The division's 1993 biennium current level is 7.4 percent higher than in the 1991 biennium. Personal services increase due to continuation of the fiscal 1991 pay plan increase and additional pay raises of \$6,600 for the State Auditor's personal staff continuing into the 1993 biennium. Operating expenses are higher primarily due to increases in fixed costs, including audit fees and office rent.

Executive Budget Modifications

Computer System Replacement

The Executive Budget includes \$97,930 in fiscal 1992 and \$52,070 in fiscal 1993 from the general fund for the second phase of replacing the current agency computer network system. The original system, installed in 1986, reached capacity within two years, is expensive to maintain and upgrade, and is not compatible with other state agency systems. The agency was appropriated \$40,000 in the 1991 biennium for the

first phase of the conversion to an IBM PC network system. The funds requested in this budget modification would provide for full conversion to an IBM network. The total cost of the system over a three-year period would be \$190,000, compared to an estimate of \$134,200 when the agency requested the first phase during the 1989 legislature. The Executive Budget includes \$12,500 less than the original amount requested by the State Auditor.

Office Remodeling

The Executive Budget includes \$15,000 general fund in fiscal 1992 for remodeling the State Auditor's office. The remodeling is requested to accommodate the 8.0 FTE added to the auditor's staff in the 1991 biennium, including 3.0 FTE from the Bad Debts function transferred from the Department of Revenue and 5.0 FTE additional insurance regulation positions authorized by the 1989 legislature. The new employees must be integrated into existing workspace since additional workspace is not available. The funds will be used to install both semi-permanent and movable partitions, move storage and other items, remove existing partitions, and install phone jacks and other necessary wiring. The Executive Budget includes \$10,000 less than the original request by the State Auditor.

Systems Analyst

The Executive Budget includes \$33,805 in fiscal 1992 and \$33,345 in fiscal 1993

CENTRAL MANAGEMENT

from the general fund to add a grade 16 systems analyst position. This position would do the programming for and manage the office-wide computer system, including technical maintenance work. Additional program applications could be done in-house, reducing the need to use outside contract work. The agency states that this position would eliminate the need for high cost maintenance contracts. While the agency states that part of the cost of the new position could be offset by cost savings, it has not reduced its current level budget request.

Elected Official Budget Modifications

Office Remodeling Additional Funds

The Executive Budget included \$15,000 for office remodeling to accommodate

additional staff, as discussed above. The State Auditor has requested an additional \$10,000 to move 6 lextrievers and all file cabinets to a central file area, which would provide an additional 600 square feet of office space.

Office Training and Education Program

The State Auditor requests \$12,000 general fund to implement a formal training program for employees based on performance evaluations and on the need for continuing education. The funds would also be used for additional dues and subscriptions for national associations.

Office Equipment

The State Auditor requests \$6,915 general fund, including \$4,245 for replacement desk and visitor chairs and \$2,670 for new carpet.

EXHIBIT 1
DATE 2-12-91
H. H. H. H. H.

STATE PAYROLL

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	9.50	9.50	8.00	8.00	-1.50
Personal Services	234,667	244,606	225,722	225,546	-5.84%
Operating Expenses	363,372	312,718	312,007	300,319	-9.43%
Equipment	440	0	0	0	-100.00%
Total Program	\$598,479	\$557,324	\$537,729	\$525,865	-7.98%
<u>Fund Sources</u>					
General Fund	212,275	150,707	165,229	163,365	-9.47%
State Revenue Fund	386,204	406,617	372,500	362,500	-7.29%
Total Funds	\$598,479	\$557,324	\$537,729	\$525,865	-7.98%

Program Description

The State Payroll Division is responsible for preparing the state payroll for state agencies on a biweekly basis. In addition, the division is responsible for maintaining the data base for the state Payroll/Personnel/Position Control (P/P/P) System, which is an integrated data base system incorporating all the requirements and data elements of three systems: payroll, personnel, and position control. The State Payroll Division was a part of the Audit Division until reorganized as a separate division in fiscal 1990.

staff of \$5,700 above the pay plan authorization.

Operating expenses decrease over 9 percent due to: 1) a reduction in rent and other fixed cost allocations; 2) a reduction in other expenses in accordance with the agency's budget request, including a \$25,000 reduction in systems development costs below fiscal 1990 levels; and 3) an anticipated decrease in the Department of Administration computer processing and information services charges, resulting in reductions of \$16,700 and \$28,600 below fiscal 1990 levels. No equipment was requested in the current level budget.

Current Level Budget

The State Payroll Division's 1993 biennium current level decreases nearly 8 percent as compared to the 1991 biennium, primarily due to economies achieved by the conversion to the P/P/P on-line system and a reduction in computer processing rates charged by the Department of Administration. Personal services decrease due to the elimination of 1.5 FTE payroll clerks as a result of the P/P/P on-line conversion. When the agency requested funding for this conversion, it estimated that up to 1.75 FTE could be eliminated upon its completion. The reduction in personal services is partially offset by the fiscal 1991 pay plan increase and pay raises to the State Auditor's personal

State special revenue funds are derived from payroll service fees charged to agency non-general fund operations. There is a direct appropriation from the general fund for payroll services to general funded employees. State special revenue decreases due to economies attained by conversion to P/P/P on-line, and an overall reduction in program costs.

Issues

State Special Revenue Account Reversions

The Central Payroll Division is funded from both the general fund and state special revenue funds. Section 17-2-108, MCA, states that when an agency is funded by both general and non-general

STATE PAYROLL

funds, it "shall apply expenditures against nongeneral fund money wherever possible before using general fund appropriations." In fiscal 1989 and 1990, the State Auditor reverted over \$25,000 of state special revenue fund appropriations, even though sufficient state revenue funds existed in both years to make all expenditures, allowing the reversion of general fund instead. LFA current level uses additional state special revenue funds of \$12,500 in fiscal 1992 and \$2,500 in fiscal 1993 to utilize existing state special revenue funds and reduce general fund costs.

Incomplete Fiscal 1990 Special Projects

The 1989 legislature appropriated \$25,000 general fund in fiscal 1990 to the State Auditor to implement the provisions of House Bill 26, which requires the State Auditor to include the vocational-technical centers and the units of the university system under the state central payroll system during the 1991 biennium. In addition, the 1989 legislature authorized \$204,000 general fund in fiscal 1990 for conversion of the P/P/P System to an on-line system. Neither of these projects had been completed at the end of fiscal 1990. Of the \$229,000 appropriated for these projects, only \$74,663 had been expended by the end of fiscal 1990, with the remaining \$154,337 accrued at year end. The accrual does not appear to have been a valid fiscal 1990 accrual, since all payments to date against the accrual have been for fiscal 1991 services.

Uniform University Payroll System

In House Bill 26, the 1989 legislature appropriated \$25,000 general fund to the State Auditor and \$625,000 to the Department of Administration to conduct a study and to provide for the inclusion of each university unit on the uniform P/P/P system. When the study was completed in fiscal 1990, the State Auditor's office had spent only \$220 of the \$25,000 appropriation. The remainder of the appropriation was therefore available for bringing the six university units onto the uniform P/P/P system. However, the steering committee overseeing the project determined that

several university units did not need to be included in the state central payroll system and has authorized creation of a separate reporting system--the Regents Employees Reporting System (RERS). The steering committee also recommended that the Commissioner of Higher Education, rather than the State Auditor, maintain and operate RERS. The Executive Budget funds 1993 biennial operating costs for the system in the Commissioner's Office.

The vocational-technical centers converted to the state P/P/P system on July 1, 1989. The only two university units still considering conversion to the state central P/P/P system are Northern Montana College and the Montana College of Mineral Science and Technology. If these units elect to report data to RERS, the State Auditor's office should have no additional expenditures from this appropriation.

The legislature may want to consider whether all or part of the remaining \$24,780 of fiscal 1990 university payroll project funds should be reverted to the general fund.

P/P/P On-line Conversion

The P/P/P on-line conversion project was designed to allow on-line processing of the P/P/P forms and health insurance information by July 1, 1990. Only 37 percent of the appropriation had been expended at the end of fiscal 1990, and the agency accrued the remaining \$129,557 of the fiscal 1990 appropriation. In the first four months of fiscal 1991, the agency charged \$22,273 against the accrual, but it was entirely for services provided by Information Services Division in fiscal 1991. Over \$100,000 remained accrued in November 1990. The legislature may want to determine whether all of the remaining funds will be needed to complete the project or whether all or part of the remaining fiscal 1990 funds should be reverted to the general fund.

STATE PAYROLL

Elected Official Budget Modification

Payroll System Processing

The State Auditor requests \$35,758 general fund for increased computer processing and services support of the central payroll system by the Department of Administration. The agency charged over \$10,000 of fiscal 1990 computer

processing charges to the fiscal 1991 appropriation and has submitted a fiscal 1991 supplemental request of \$51,054 to the 1991 legislature for these services. Computer services provided by the Department of Administration in fiscal 1990, which are being used as a base for this request, included over \$50,000 of systems development charges, which may not be recurring costs.

INSURANCE

<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	30.00	30.00	27.00	27.00	-3.00
Personal Services	655,736	816,098	761,330	760,498	3.40%
Operating Expenses	<u>148,514</u>	<u>140,913</u>	<u>143,474</u>	<u>144,241</u>	<u>-.59%</u>
Total Program	\$804,250	\$957,011	\$904,804	\$904,739	2.74%
<u>Fund Sources</u>					
General Fund	<u>804,250</u>	<u>957,011</u>	<u>904,804</u>	<u>904,739</u>	<u>2.74%</u>
Total Funds	\$804,250	\$957,011	\$904,804	\$904,739	2.74%

Program Description

The Insurance Division regulates the insurance industry in Montana for the protection of Montana consumers. The division is comprised of four bureaus: Policyholder Service, Company Exam/Licensing, Agent Licensing, and Investigations. The Policyholder Service Bureau is responsible for resolving insurance consumer inquiries and complaints involving agents, coverage, and companies. The Company Exam/Licensing Bureau is responsible for the review of the financial condition, market conduct examination, premium tax collection, and licensing of all insurance companies doing business in Montana. They are also responsible for filing all rates and forms used by insurance companies in Montana. The Agent Licensing Bureau handles the testing and licensing of all agents and solicitors seeking to conduct the business of insurance in Montana. The Investigations Bureau investigates insurance code and rule violations.

Current Level Budget

The 1993 biennium current level increases nearly 3 percent compared to the 1991 biennium, due primarily to significant vacancy savings in personal services experienced in fiscal 1990. Personal services increase more than \$200,000 over fiscal 1990 levels due to these vacancy savings, the fiscal 1991 pay plan increase, and pay raises to the State Auditor's personal staff of

\$10,900 above the pay plan allocation. These increases are partially offset by the elimination of 3.0 FTE, at a savings of \$95,000 per year. The positions eliminated were 3.0 of 5.0 FTE approved by the 1989 legislature at the request of the State Auditor to expand regulation of the insurance industry. The positions were left vacant for nearly all of fiscal 1990 and have recently been filled by temporary personnel to do special projects. The vacancy savings achieved in these and other positions provided a portion of the funding for the additional pay raises granted to the State Auditor's personal staff. The agency cites lack of work space as the primary reason for leaving the positions vacant.

Operating expenses remain at nearly the same level as the 1991 biennium. Minor reductions from fiscal 1990 levels as submitted in the agency request are included in the current level.

This program was funded in the 1989 biennium by a state special revenue account which received fee and license revenues from regulated insurance companies. The account was de-earmarked by the 1989 legislature in Senate Bill 78, and all appropriation authorities and revenues were transferred to the general fund.

EXHIBIT 1
2-12-91
Hon. Gov. Sul

INSURANCE

Executive Budget Modification

Medicare Compliance Specialist

The Executive Budget includes \$30,317 in fiscal 1992 and \$28,265 in fiscal 1993 from the general fund for a 1.0 FTE compliance specialist. This position was authorized by the 1991 legislature in House Bill 535, which revised the medicare supplement insurance minimum standards to comply with the federal Medicare Catastrophic Coverage Act of 1988. This federal act changed mandated coverage in medicare supplement policies and required states to develop a regulatory program to meet federal standards for certification. House Bill 535 authorized the compliance specialist position for the 1991 biennium only to review supplemental insurance advertising, assist in preparation of a buyer's guide, and monitor compliance with regulations. The agency wants to continue the position to: 1) review medicare supplement insurance policy filings to determine compliance with

federal and state standards; 2) write reports and publications as required by law; and 3) to counsel the elderly about the benefits, costs, and other aspects of medicare supplemental insurance.

In addition to salary and benefits, this request includes \$4,700 for the biennium for operating expenses and \$4,500 for equipment.

Elected Official Budget Modification

National Association Dues

The State Auditor requests \$5,000 additional general fund in the 1993 biennium for the National Association of Insurance Commissioners (NAIC) dues assessment. The Executive Budget includes \$4,000 for this assessment. The assessment by the NAIC is \$4,000 in fiscal 1992 and \$5,000 in fiscal 1993. This compares to an assessment of \$2,100 in fiscal 1990 and \$3,000 in fiscal 1991. The association assists insurance commissioners in state regulation of insurance.

SECURITIES

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	9.00	9.00	9.00	9.00	.00
Personal Services	233,621	247,027	256,422	256,308	6.67%
Operating Expenses	42,291	40,896	45,517	45,440	9.34%
Equipment	273	0	0	0	-100.00%
Total Program	\$276,185	\$287,923	\$301,939	\$301,748	7.02%
<u>Fund Sources</u>					
General Fund	276,185	287,923	301,939	301,748	7.02%
Total Funds	\$276,185	\$287,923	\$301,939	\$301,748	7.02%

Program Description

The Securities Department is responsible for the administration and enforcement of the Securities Act of Montana as provided in Title 30, Chapter 10, MCA. The department is responsible for the registration of securities issuers, salesmen, broker-dealers, investment advisers, investment adviser representatives, and investigation of unregistered and fraudulent securities transactions.

Current Level Budget

The Securities Program's 1993 biennium current level increases 7 percent compared to the 1991 biennium. Personal services increase 6.7 percent due to vacancy savings experienced in fiscal 1991, the fiscal 1991 pay plan increase, and pay raises to the State Auditor's personal staff of \$5,400 above the pay plan allocation. Operating expenses increase over 9 percent due primarily to increases in fixed costs, including office rent and audit fee allocations.

This program was funded in the 1989 biennium by a state special revenue

account which received fees from regulated securities companies. The account was de-earmarked by the 1989 legislature in Senate Bill 78, and all appropriation authorities and revenues were transferred to the general fund.

Elected Official Budget Modifications

Securities Division Travel Increase

The State Auditor requests \$2,850 general fund for increased travel costs for securities criminal investigations. The investigative staff travels within the state to gather evidence and conduct interviews in securities investigations.

Securities Division Equipment

The State Auditor requests \$4,300 general fund to buy the following equipment: 1) portable personal copier, \$1,000; 2) camera, \$300; 3) document shredder, \$1,800; and 4) filing cabinets, \$1,200. The equipment would be used for securities investigations and examinations.

FISCAL CONTROL AND MANAGEMENT

<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	9.50	11.00	11.00	11.00	.00
Personal Services	200,689	258,961	252,834	252,645	9.97%
Operating Expenses	306,224	300,395	420,817	411,957	37.28%
Equipment	126	1,000	0	0	-100.00%
Total Program	\$507,039	\$560,356	\$673,651	\$664,602	25.38%
<u>Fund Sources</u>					
General Fund	507,039	560,356	673,651	664,602	25.38%
Total Funds	\$507,039	\$560,356	\$673,651	\$664,602	25.38%

Program Description

The Fiscal Control and Management Division is responsible for the issuance, control, and recording of claims and warrant payments for the State of Montana. In addition, the division is responsible for collecting and recording bad debts for the state. The bad debts function was transferred from the Department of Revenue in fiscal 1990. The Fiscal Control and Management Division was a part of the Audit Division until reorganization as a separate division in fiscal 1990.

Current Level Budget

The Fiscal Management and Control Division 1993 biennium current level increases over 25 percent, due primarily to higher personal services costs, increased costs of processing state warrants through the automated warrant writing system, and higher postal volume and rates.

Personal services increases nearly 10 percent due to vacancy savings in fiscal 1990, the fiscal 1991 pay plan increase continuing into the 1993 biennium, and pay raises granted to the State Auditor's personal staff that were \$3,200 higher than the pay plan allocation. Significantly increased processing costs of the state warrant writing system, including postage volume increases, account for over 30 percent of the total 37 percent increase in

operating costs. The new automated warrant system began operating in July 1989 and processing costs and volume of warrants processed were much higher than projected. Costs for computer service charges and postage volume will exceed appropriated levels by over \$172,000 during the 1991 biennium. The shortfall in fiscal 1990 was funded by an \$85,967 supplemental appropriation from the fiscal 1991 appropriation and the agency has submitted a supplemental request for fiscal 1991. Current level warrant system processing costs and postage volume are based on fiscal 1990 actual levels, including the supplemental. Other operating expense increases over fiscal 1990 and 1991 include the audit fee allocation (\$10,000), printing costs for warrants (\$6,000), and postage rate increases (\$30,000). These increases are partially offset by decreases in computer service rates charged by the Department of Administration and reductions in communications and maintenance contracts as submitted in the agency budget request.

Executive Budget Modification

Warrant System Processing Costs

The Executive Budget includes \$193,000 of general fund for the 1993 biennium for increased processing costs of the state warrant writing system. The warrant writing system processes state agency payments including the state payroll. The agency installed a new warrant writing system in July 1989, at

FISCAL CONTROL AND MANAGEMENT

a cost of over \$240,000. In the 1991 biennium, the agency received a line-item appropriation of \$82,500 for each year of the biennium for increased warrant writing system processing costs (which was approximately the amount of the increase anticipated at the time the legislature approved development of the system). Costs in fiscal 1990 exceeded the increased appropriation by nearly 100 percent, and the agency obtained a general fund supplement of \$85,967, of which \$13,000 was for increased postage. The agency has submitted a fiscal 1991 supplemental request of \$164,849 for warrant writing system processing charges and \$98,574 for warrant postage, mailing, and printing costs. The requested increase of \$193,000 for the 1993 biennium would result in increased costs for warrant writing, system processing of over \$300,000 for the 1993 biennium, as compared to 1989 biennium costs. The increased costs of the warrant writing system requested in this modified request have been included in LFA current level as the costs are considered to be essential to provide current level services.

The estimates for this modified request are based on actual costs of operating the warrant writing system for the first six months of fiscal 1990.

Elected Official Budget Modifications

Warrant System Additional Processing Costs

The Executive Budget includes a budget modification of \$193,000 in the 1993 biennium for warrant writing system processing costs, as discussed above. The State Auditor requests an additional \$130,869 general fund for 1993 biennium processing costs. The increase is based on actual fiscal 1990 costs plus additions for an anticipated increase in the volume of warrants processed. The Executive Budget includes \$258,000 for the biennium (including the modification) for computer services and LFA current level includes \$313,200, before inflation. LFA current level is based on fiscal 1990 actual expenses,

including the supplemental. The total estimated biennial computer services costs by the agency are \$363,900. If approved, this increase would provide a total appropriation of \$388,869 in the Executive Budget or \$444,069 in LFA current level.

Warrant System Postage Costs

The State Auditor requests \$124,805 general fund for additional postage costs to mail state warrants. The increase is for postage rate increases in 1991 and for an increase in the volume of warrants being mailed. The Worker's Compensation Division has contributed to a large increase in the volume of warrants being processed. Inflation factors used by both the executive and the LFA provide for scheduled postal rate increases in the 1993 biennium.

Bad Debts System Software

The State Auditor requests \$4,250 general fund to replace the current accounts receivable software for the bad debts collection system, which has been discontinued and is no longer supported.

Warrant Writing System Equipment

The State Auditor requests \$44,127 general fund to replace outdated equipment and to update the retrieval and archiving section of the state warrant writing system. Equipment to be purchased includes: 1) warrant Imprinter-detacher, \$16,471; 2) time recorders, \$774; 3) postage meter machine, 5,782; and 4) microfilm reader-printer, \$21,100. The annual cost of a maintenance contract for the reader-printer would be \$1,800 per year.

Equipment Maintenance Contracts

The State Auditor requests an increase of \$8,680 general fund for maintenance contracts on warrant writing system equipment. Total maintenance costs are \$35,000 per biennium. The LFA current level includes \$26,320 for maintenance contracts.

FISCAL CONTROL AND MANAGEMENT

Warrant Writing System Supplies

The State Auditor requests \$20,109 general fund for increased costs of supplies (primarily warrant forms) as a result of installation of the new warrant writing system in July 1989. The request provides funding at fiscal 1990 levels, which is already included in LFA current level.

Bad Debts Program Expansion

The State Auditor recommended that the state bad debts collection program be

converted from general fund support to a proprietary fund. The program, which provides a collection service for bad debts, would be funded by retaining a percentage (an estimated 17 percent) of bad debts collected for agencies. The Executive Budget includes proprietary funding for the program at current level, \$173,430 for the biennium. The State Auditor requests an expansion of the program from 3.0 FTE to 5.0 FTE, at an additional cost of \$122,810. The expansion would allow increased collection effort of outstanding bad debts.

EXHIBIT

DATE 2-12

2/12/91

LEGISLATIVE ACTION

STATE AUDITOR'S OFFICE PROGRAM: CENTRAL MANAGEMENT

ITEM	FY 1990 Actual	Fiscal 1992		Fiscal 1993	
		Executive	LFA Curr Lvl Difference	Executive	LFA Curr Lvl Difference
FTE	8.00	8.00	0.00	8.00	0.00
Personal Services	\$206,888	\$221,425	\$221,425	\$221,478	\$221,478
Operating Expenses	\$18,890	\$28,708	\$2,022	\$26,673	\$2,064
Equipment	\$102	\$0	\$0	\$0	\$0
TOTAL EXPENSES	\$225,880	\$250,133	\$248,111	\$250,215	\$248,151
General Fund	\$225,880	\$250,133	\$248,111	\$250,215	\$248,151
TOTAL FUNDING	\$225,880	\$250,133	\$248,111	\$250,215	\$248,151

LEVEL ISSUES:

RECONCILING DIFFERENCES
Network fees - To be adjusted to Executive level.
Audit fees - To be adjusted to Executive level.
Base Differences
Inflation Differences

CURRENT LEVEL ISSUES

BUDGET MODIFICATIONS:

COMPUTER SYSTEM REPLACEMENT - To fund the final phase of replacing the current agency computer system. The original system reached capacity in two years and is compatible with other state agency systems. Together with \$40,000 appropriated the 1991 biennium, the total cost will be \$190,000, compared to an estimate of \$1,200 when the agency presented the proposal to the 1989 session (LFA Vol. 1, A-63).

OFFICE REMODELING - To remodel the agency office spaces to accommodate the 8.0 FTE staff to the agency staff in the 1991 biennium. The employees must be integrated into existing workspace as additional workspace is not available (LFA Vol. 1, A-63).

COMPUTER SYSTEMS ANALYST - To add a grade 16 systems analyst position, to manage agency computer system, including technical maintenance work (LFA Vol. 1, A-63).

EXECUTIVE BUDGET MODIFICATIONS

EXEC OVER (UNDER)		LFA	
FY 92	FY 93		
\$164	\$164		
\$194	\$194		
\$1,666	\$1,708		
(\$2)	(\$2)		
\$2,022	\$2,064		

FTE			
	\$97,930	\$52,070	Gen Fund
	\$15,000	\$0	Gen Fund
1.0	\$33,805	\$33,345	Gen Fund
1.0	\$146,735	\$85,415	

--EXEC OVER (UNDER) LFA--
FY 92

ED OFFICIAL BUDGET MODIFICATIONS:

OFFICE REMODELING ADDITIONAL FUNDS - Executive Budget modification request # 2 above
used \$15,000 for office remodelling. The State Auditor requests an additional \$10,000
approved in the Executive Budget to move file cabinets and an automated storage system
trilevers) to a central storage area (LFA Vol. 1, A-64).

OFFICE TRAINING/DUES AND SUBSCRIPTIONS - To implement a formal training program for office
staff. The funds would also be used for increased dues and subscriptions to national
associations (LFA Vol. 1, A-64). The amount requested per fiscal year for each program is:
Central Management \$2,000
State Payroll \$500
Insurance \$1,500
Fiscal Control & Mgt. \$500

EXEMPT POSITION SALARY INCREASES - To provide 7.5 pay increases for the State Auditor's
personal staff for fiscal 1991 and again in the 1993 biennium. The majority of the exempt
staff also received pay increases of 7.5 percent in fiscal 1990. Approval of this request
would enable increases in the majority of the exempt positions of 24% over a 3 year period
(Vol. 1, A-62). The request for the biennium for each program is:
Central Management \$22,203
State Payroll \$6,539
Insurance \$49,546
Securities \$8,853
Fiscal Cntrl \$8,681

AL ELECTED OFFICIAL BUDGET MODIFICATIONS

ER ISSUES:

EXEMPT POSITION SALARY INCREASES, 1991 BIENNIUM - The State Auditor authorized pay plan increases for 10 exempt
positions of an average 16.25 percent per year, as compared to a legislative appropriation of 2.5 percent per year
pay plan increases. The increases were funded in the 1991 biennium by using vacancy savings. If the budget is
reduced at the current level request, the agency's personal services appropriation will be increased by \$31,800
salary increases over the legislative 1991 biennium appropriated levels (LFA Vol. 1, A-61).

LANGUAGE - The 1991 biennium general appropriations act included the following language:

"The appropriation in item is for a computer system. The agency shall follow the system design
recommendations approved by the Information Services Division of the Department of Administration."

ion: Designate a line-item appropriation for Executive Budget Modification # 1 and approve the above language for
clusion in House Bill 2.

\$10,000	\$0 Gen Fund
\$6,000	\$6,000 Gen Fund
\$47,361	\$48,461 Gen Fund
(increased over original request)	
\$63,361	\$54,461
=====	=====

AGENCY: STATE AUDITOR'S OFFICE

LEGISLATIVE ACTION

PROGRAM: STATE PAYROLL

BUDGET ITEM	FY 1990 Actual	Fiscal 1992			Fiscal 1993		
		Executive	LFA Curr Lvl	Difference	Executive	LFA Curr Lvl	Difference
FTE	9.50	9.00	8.00	1.00	9.00	8.00	1.00
Personal Services	\$234,667	\$244,515	\$225,722	\$18,793	\$225,546	\$225,546	\$18,750
Operating Expenses	\$363,372	\$335,559	\$312,007	\$23,552	\$300,319	\$300,319	\$20,444
Equipment	\$440	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL EXPENSES	\$598,479	\$580,074	\$537,729	\$42,345	\$525,865	\$525,865	\$39,194
NDING							
General Fund	\$212,275	\$219,726	\$165,229	\$54,497	\$163,365	\$163,365	\$41,339
State Special Rev	\$386,204	\$360,348	\$372,500	(\$12,152)	\$362,500	\$362,500	(\$2,145)
TOTAL FUNDING	\$598,479	\$580,074	\$537,729	\$42,345	\$525,865	\$525,865	\$39,194

CURRENT LEVEL ISSUES:

--EXEC OVER (UNDER) LFA--
FY 92 FY 93

FTE REDUCTION - The Executive Budget is higher than LFA current level due to the elimination of only 0.5 FTE as compared to the elimination of 1.5 FTE in LFA current level as part of savings resulting from the 1991 biennium conversion to an on-line P/P/P system. The agency stated when it requested funding for the \$204,000 project that up to 1.75 FTE could be eliminated to on-line conversion (LFA Vol. 1, A-58).

DATA PROCESSING CHARGES - The Executive Budget is higher than LFA current level for data processing services charged by the Department of Administration. LFA current level includes funding for these services at fiscal 1990 base levels, except for systems development costs, which are at the same level as the Executive Budget. The Executive Budget for data processing charges is well above fiscal 1991 appropriated levels.

LFA current level utilizes \$14,300 less general fund due to the application of more state special revenue funds by utilizing a carry-over fund balance.

RECONCILING DIFFERENCES

Network fees - To be adjusted to Executive level.
Audit fees - To be adjusted to Executive level.
Base Differences
Inflation Differences

TOTAL CURRENT LEVEL ISSUES

\$3,706	\$3,706
\$1,301	\$1,301
(\$243)	(\$244)
(\$28,085)	(\$31,192)
\$42,345	\$39,194

CTED OFFICIAL BUDGET MODIFICATION:

PAYROLL SYSTEM PROCESSING - The agency requests increased funding for data processing services support of the central payroll system by the Dept. of Administration (LFA Vol. 1, A-67).

--EXEC OVER (UNDER) LFA--	
FY 92	FY 93
-----	-----
\$20,369	\$15,389 Gen Fund

ER ISSUES:

LINE ITEM -- DATA PROCESSING CHARGES - If increases are approved for data processing charges paid to the Department Administration, the legislature may wish to consider a line-item appropriation for those expenditures.

UNIFORM UNIVERSITY PAYROLL PROJECT - The 1989 legislature appropriated \$25,000 general fund to the agency in fiscal 1990 to include the universities and vo-techs on the uniform P/P/P system. The agency utilized only \$220 of the appropriation in fiscal 1990 and accrued the balance. The legislature may wish to consider whether all or part of the remaining \$24,780 of fiscal 1990 funds should be reverted to the general fund.

EX-12
2-12-71
Hon. Bert Selt

103

NCY: STATE AUDITOR'S OFFICE

LEGISLATIVE ACTION

PROGRAM: INSURANCE

GET ITEM	FY 1990 Actual	Executive	Fiscal 1992 LFA Curr Lvl Difference	Executive	Fiscal 1993 LFA Curr Lvl Difference
FTE	30.00	30.00	27.00	30.00	27.00
Personal Services	\$655,736	\$856,646	\$761,330	\$855,666	\$760,498
Operating Expenses	\$148,514	\$146,608	\$143,474	\$147,814	\$144,241
TOTAL EXPENSES	\$804,250	\$1,003,254	\$904,804	\$1,003,480	\$904,739
DING					
General Fund	\$804,250	\$1,003,254	\$904,804	\$1,003,480	\$904,739
TOTAL FUNDING	\$804,250	\$1,003,254	\$904,804	\$1,003,480	\$904,739

RENT LEVEL ISSUES:

--EXEC OVER (UNDER) LFA--
FY 92 FY 93

FTE REDUCTION - LFA current level is lower than the Executive Budget as it eliminates 3.0 of 5.0 FTE approved by the 1989 legislature to expand insurance regulation. The positions have been vacant nearly all of fiscal 1990 and had not been filled at the end of calendar 1990. A vacancy savings achieved provided part of the funding for pay raises in excess of the state plan to the State Auditor's personal staff (LFA Vol. 1, A-58, 59).

PAYROLL SERVICE FEES - The Executive Budget is higher than LFA current level for payroll service fees. LFA current level includes no funding for payroll fees.

RECONCILING DIFFERENCES

Audit fees - To be adjusted to Executive level.
Base Differences
Inflation Differences

AL CURRENT LEVEL ISSUES

CUTIVE BUDGET MODIFICATION:

MEDICARE COMPLIANCE SPECIALIST - To fund an additional position for a medicare compliance specialist. The 1989 legislature authorized this position in the 1991 biennium only to implement revisions to medicare supplemental insurance regulations. The agency is requesting to make the position permanent (LFA Vol. 1 A-69).

CTED OFFICIAL BUDGET MODIFICATION:

NATIONAL ASSOCIATION DUES - To fund an increase in the dues assessment to the National Association of Insurance Commissioners. The assessments in fiscal 1992 and 1993 are expected to be \$4,000 and \$5,000 respectively. Current level includes \$5,000 per year for this assessment (LFA Vol. 1, A-69).

OFFICE EQUIPMENT - To fund 22 desk/visitors chairs and new carpet (LFA Vol. 1, A-64).

AL ELECTED OFFICIAL BUDGET MODIFICATIONS

	\$95,316	\$95,168
	\$196	\$196
	\$1,665	\$1,665
	(\$578)	(\$139)
	\$98,450	\$98,741

FTE
1.0

\$30,317

\$2,000

\$5,420
\$7,420

\$3,000 Gen Fund

\$1,495
\$4,495

AGENCY: STATE AUDITOR'S OFFICE

LEGISLATIVE ACTION

PROGRAM: SECURITIES

GET ITEM	FY 1990		Fiscal 1992		Fiscal 1993	
	Actual		Executive	LFA Curr Lvl Difference	Executive	LFA Curr Lvl Difference
FTE	9.00		9.00	0.00	9.00	0.00
Personal Services	\$233,621		\$256,422	\$0	\$256,308	\$0
Operating Expenses	\$42,291		\$48,781	\$3,264	\$49,026	\$3,586
Equipment	\$273		\$0	\$0	\$0	\$0
TOTAL EXPENSES	\$276,185		\$305,203	\$3,264	\$305,334	\$3,586
DND						
General Fund	\$276,185		\$305,203	\$3,264	\$305,334	\$3,586
TOTAL FUNDING	\$276,185		\$305,203	\$3,264	\$305,334	\$3,586

RENT LEVEL ISSUES:

---EXEC OVER (UNDER) LFA---
FY 92 FY 93

PAYROLL SERVICE FEES - The Executive Budget is higher than LFA current level for payroll service fees. LFA current level includes no funding for payroll fees, as the program is funded by general fund, and should not be charged payroll fees.

RECONCILING DIFFERENCES

Network fees - To be adjusted to Executive level.
 Audit fees - To be adjusted to Executive level.
 Base Differences
 Inflation Differences

	(\$825)
	\$ 196
	\$ 3, 551
	\$ 34

	\$ 3, 586
	=====

AL CURRENT LEVEL ISSUES

---EXEC OVER (UNDER) LFA---
FY 92 FY 93

CTED OFFICIAL BUDGET MODIFICATIONS:

TRAVEL INCREASE - To fund increased travel costs for securities criminal investigations
A Vol. 1, A-70).

OFFICE EQUIPMENT - To fund equipment for securities investigations and examinations, including a copier, camera, document shredder, and filing cabinets (LFA Vol. 1, A-70).

AL ELECTED OFFICIAL BUDGET MODIFICATIONS

\$4,300	\$0 Gen Fund
-----	-----
\$5,725	\$1,425
-----	-----

FY 1991
 J-1, J-91
 Hon. Hort Schw

CY: STATE AUDITOR'S OFFICE		LEGISLATIVE ACTION		PROGRAM: FISCAL CONTROL AND MANAGEMENT	
NET ITEM	FY 1990 Actual	Fiscal 1992		Fiscal 1993	
		Executive	LFA Curr Lvl Difference	Executive	LFA Curr Lvl Difference
FTE	9.50	11.00	0.00	11.00	0.00
Personal Services	\$200,689	\$252,834	\$0	\$252,645	\$0
Operating Expenses	\$306,224	\$288,151	(\$132,666)	\$286,282	(\$125,675)
Equipment	\$126	\$0	\$0	\$0	\$0
TOTAL EXPENSES	\$507,039	\$540,985	(\$132,666)	\$538,927	(\$125,675)
ING					
General Fund	\$507,039	\$454,842	(\$218,809)	\$451,640	(\$212,962)
Proprietary Fund	\$0	\$86,143	\$86,143	\$87,287	\$87,287
TOTAL FUNDING	\$507,039	\$540,985	(\$132,666)	\$538,927	(\$125,675)
ENT LEVEL ISSUES:					
WARRANT WRITING SYSTEM OPERATING COSTS - The Executive Budget for warrant system processing is based on the fiscal 1991 appropriation. Actual fiscal 1990 costs exceeded the appropriation by nearly double for computer processing services and was significantly higher than appropriated levels for printing costs, system supplies, and postage. LFA current level includes warrant system processing costs at fiscal 1990 actual expenditure levels, including a supplemental appropriation in fiscal 1990. Increased operating cost levels are expected to continue into the 1993 biennium. The Executive includes an additional \$193,000 operating costs in the Executive Budget modification, but is still \$84,524 below fiscal actual costs (LFA Vol. 1, A-59, A-71). Biennial differences are as follows: Data Processing Charges (ISD) \$252,648 Printing \$3,958 Supplies \$4,050 Postage \$16,868					
BAD DEBTS COLLECTION FUNDING SWITCH - The Executive Budget changed funding for the Bad Debts collection section from general fund to a proprietary fund operation, requiring recovery of the current level. LFA current level continues the current general fund support. It will require a change in statute to allow the agency to retain part of the collections received (LFA Vol. 1, A-59).					
RECONCILING DIFFERENCES					
Network fees - To be adjusted to Executive level.					
Audit fees - To be adjusted to Executive level.					
Base Differences					
Inflation Differences					
L CURRENT LEVEL ISSUES					

 FTE
 --EXEC OVER (UNDER) LFA--
 FY 92 FY 93

DUTIVE BUDGET MODIFICATION:

WARRANT SYSTEM PROCESSING COSTS - To fund increased warrant writing system processing costs as discussed in current level issue # 1. These costs are included in LFA current level as they are considered essential to continue current level services (LFA Vol. 1, A-71, 72).

CTED OFFICIAL BUDGET MODIFICATIONS:

WARRANT SYSTEM ADDITIONAL PROCESSING COSTS - The State Auditor is requesting an additional increase for warrant writing system processing costs above current level. Executive Budget modified # 1 amounts, in anticipation of significant increases in the number of warrants processed (LFA Vol. 1, A-72). (See separate handout)

WARRANT SYSTEM POSTAGE COSTS - The State Auditor is requesting an additional increase for postage costs to mail state warrants, due to increased postage rates volume (LFA Vol. 1, A-72). (See separate handout)

WARRANT WRITING SYSTEM SUPPLIES - The State Auditor is requesting an additional increase for warrant writing system supplies, primarily warrant forms. These costs already included in LFA current level (LFA Vol. 1, A-73). (See separate handout)

WARRANT WRITING SYSTEM EQUIPMENT - To fund replacement equipment and to update retrieval and archiving section of the warrant writing system (LFA Vol. 1, A-72)

EQUIPMENT MAINTENANCE CONTRACTS - To fund maintenance contracts on new warrant writing system equipment (LFA Vol. 1, A-72).

BAD DEBTS SYSTEM SOFTWARE - To replace the current accounts receivable software the bad debts collection system (LFA Vol. 1, A-72). Note: If the legislature moves a switch for the bad debts system to a proprietary fund operation, the legislature may wish to consider funding this modification from the proprietary fund.

BAD DEBTS PROGRAM EXPANSION - The State Auditor requests expansion of the Bad Debts Collection Section from 3.0 to 5.0 FTE, to allow an increased collection effort on outstanding state bad debts. Funding for the expansion is proposed to be converted to a proprietary fund operation and retention of a percentage of bad debts collected for state agencies. A statutory change is required (HB 38) to allow State Auditor to retain a percentage of the fees collected (LFA Vol. 1, A-73).

AL ELECTED OFFICIAL BUDGET MODIFICATIONS

FTE	EXEC OVER (UNDER) LFA-- FY 92	FY 93
	\$96,500	\$96,500 Gen Fund
	\$45,507	\$47,549 Gen Fund
	(decreased from original request)	
	\$57,555	\$67,250 Gen Fund
	\$9,565	\$10,544 Gen Fund
	\$40,527	\$0 Gen Fund
	\$5,790	\$6,490 Gen Fund
	\$4,250	\$0 Gen Fund
2.0	\$68,527	\$54,283 Prop.
2.0	\$231,721	\$186,116

10/8/93
 10/10/93
 10/11/93
 10/12/93
 10/13/93
 10/14/93
 10/15/93
 10/16/93
 10/17/93
 10/18/93
 10/19/93
 10/20/93
 10/21/93
 10/22/93
 10/23/93
 10/24/93
 10/25/93
 10/26/93
 10/27/93
 10/28/93
 10/29/93
 10/30/93
 10/31/93

IER ISSUES:

LINE-ITEM, WARRANT WRITING SYSTEM DATA PROCESSING COSTS - The 1989 legislature made a line-item appropriation for warrant writing system data processing costs charged by ISD. Since cost estimates are still not historically tested, legislature may wish to consider continuing the line-item appropriation for all data processing service charges.

ional language:

"Item ___ is for data processing service charges assessed by the Department of Administration."

LANGUAGE -- COST ALLOCATION PLAN - Warrant writing system operating costs have gone from less than \$100,000 per year over four times that amount due to installation of a new warrant writing system and a significant increase in the volume of warrants being processed. The costs of issuing warrants is funded by the general fund, even though the warrants processed are for programs funded by a variety of funding sources. In view of the significantly increased costs to the general fund, the legislature may wish to consider requiring the agency to develop a cost recovery plan for warrants used for non-general fund programs.

ional language:

"The State Auditor shall implement a fee system for the purpose of recovering the operational cost of issuing warrants from all user agencies on an equitable basis. It is intended that beginning in fiscal 1995 the general fund shall be reimbursed for services provided to user agencies that are not funded entirely by general fund. Revenues collected as reimbursement fees from user agencies for costs of issuing state warrants must be deposited in a state special revenue account. The State Auditor shall submit the cost recovery plan and the 1995 biennium fee schedule by agency to the Office of Budget and Program Planning and to the Legislative Fiscal Analyst by June 1, 1992."

INTERIM FUNDING - The addition of State Compensation Fund warrant writing to the state warrant writing system has resulted in a significant shift in costs from a state special revenue fund to the general fund. Several other large non-general fund programs utilize the warrant writing system at a significant non-reimbursed cost to the general fund. As discussed above, a fee reimbursement system implemented in the 1995 biennium would provide a significant general fund savings in the warrant writing system program. Until a fee recovery system could be established, an interim direct funding appropriation for the 1993 biennium could be made from the largest non-general fund programs based on the volume of non-general fund warrants issued. The non-general fund appropriations would reduce the general fund appropriation of this program. The legislature may wish to defer approval of funding for this program until the agency can provide an estimate of the volume of warrants issued for the largest non-general fund programs. If desired, the LFA can work with the agency and the Office of Budget and Program Planning to develop an equitable interim direct funding plan.

EXHIBIT

DATE

3
2-12-91

2/11/91

STATE AUDITOR'S OFFICE BUDGET REQUESTS
Remarks to the Joint Subcommittee on General Government
February 12, 1991

I. Introduction

Mr. Chairman, members of the subcommittee, I appreciate this opportunity to address you on the State Auditor's Office budget requests for the 1993 biennium. I also want to say at the outset that, although substantial differences remain between my office's budget requests and the budgets proposed by both the Budget Office and the Legislative Fiscal Analyst, nevertheless I appreciate the hard work and good-faith cooperation of both the OBPP and the LFA.

Consistent with that spirit of cooperation, I hope my remarks here today will convey my essential belief that the State Auditor's Office, the Governor, and the Legislature are all allies in the battle to balance our state's ability to fund services and our state's need for essential services. The battle is a complicated one, one that defies simplistic solutions. None of us can shirk our duties as elected officials by simply deciding to increase revenue or cut services, any more than battlefield generals can choose simply to attack or retreat. We're fighting battles on many fronts, and we must bring all the intelligence and information we can muster to the decision on a battle plan. The State Auditor's Office, I believe, will prove to be a major and valuable ally in that battle.

In the previous two sessions, for example, my office has pushed hard for legislation to impose premium taxes on Blue

Cross-Blue Shield, taxes which would not only level the playing field among the state's insurance companies but which would also inject nearly \$4 million dollars in additional revenue to the general fund every year. My office also supported Rep. Bardanouve's 1989 bill to do away with life and health guaranty fund premium tax offsets. Under current law, life and health insurers in Montana--unlike property and casualty insurers--can offset their contributions to the state's guaranty fund whenever one of their own goes into liquidation. In essence, it's not the industry itself but Montana taxpayers who foot the bill whenever a life and health insurance company becomes insolvent. For example, the Life of Montana liquidation which began before I took office resulted in premium-tax offsets estimated at \$5 million dollars per year for six years, thus reducing general fund revenues by approximately \$30 million dollars over the period. And public concern about the stability of other life and health insurance companies throughout the nation highlights this issue. To date, the Legislature has chosen not to enact these proposals or others. But if and when the Legislature chooses otherwise, my office will be an invaluable source of information, expertise, and influence.

Of course, the value of my office as an ally depends on the ability of my office to carry out its responsibilities. I couldn't help noticing several weeks ago that the Attorney General was urging the Legislature to increase the Justice Department budget by more than \$1 million dollars and hire 23 additional employees because the department's 31 employees are unable to regulate Montana's \$252 million dollar-a-year gambling

Ex. 3
2-12-91
Hon. Govt Sub

industry. The Attorney General's request may be perfectly legitimate. But I come before you today not to ask for more employees to regulate Montana's highly sophisticated insurance industry, which collects more than \$1.2 billion dollars in premiums from Montanans every year. Rather, I plead with you today not to eliminate any of the 31 insurance-department employees which this Legislature has already approved. I come before you today not to lobby for ambitious new projects or experimental programs but rather to ask you not to gut tried-and-true programs, not to abandon the commitments of previous Legislatures, not to endanger every Montanan's right to expect correct accountings from their government and every state employee's right to receive their paychecks on time.

II. Overview

I'd like to provide you today with a brief overview of the State Auditor's Office, department by department, and explanations for the major items in our proposed budget for each department. I will hand out materials providing more detail on our budget requests for each department. I will address the main differences between our budget requests and the recommendations of the OBPP and LFA. And I will answer any questions you may have at the conclusion of my remarks.

The office of the State Auditor, established by the Montana Constitution, is charged with:

- * superintending the fiscal duties of the state,
- * giving information to the Legislature relating to fiscal affairs,

- * suggesting plans for improving and managing public revenues,
- * accounting for and keeping a register of all warrants,
- * keeping accounts between the state and the state treasurer,
- * requiring all persons receiving state monies to settle their accounts,
- * drawing warrants upon the state treasurer,
- * authenticating all warrants, and
- * collecting and paying into the state treasury all fees received.

The State Auditor is also the Commissioner of Insurance and Commissioner of Securities, and as such regulates those industries through licensing, registration, audits, and collecting taxes, fees, and fines. The State Auditor is director of Montana's central payroll system. No other state agency matches this mixture of service, examinations, investigations, and support. Very few state agencies generate more revenue than expenditures for the state's general fund.

The insurance and securities departments of my office collected approximately \$3.5 million dollars in regulatory fees last year, fees which should pay for regulating the insurance and securities industries but which actually support the state's general fund with more than 66 cents of every dollar we collect. When you add to those fees the premium taxes, pass-through accounts, and special revenue which my office collects, the total collections exceed \$36 million dollars every year. Nearly half of those collections goes into the state's general fund. Approximately a quarter of those collections go

Ex. 3
2-12-91
Hon. Govt. Sub

to local governments, and nearly another quarter go to Montana pension and trust accounts. That leaves only approximately 9 7.2% percent of the money collected by the State Auditor's Office to fund operations, which include 120,000 accounting transactions and nearly 200 financial reviews of local governments each year. The State Auditor's Office lays golden eggs for the State of Montana, and we do it on chicken feed. We're not asking you to fatten us--just to take full advantage of us.

The State Auditor's Office is a relatively small agency. Consequently, vacant positions and percentage decreases in funding hurt us more than they would larger agencies. My staff is among the lowest paid of its type in the nation, thanks in large part to the 4 percent budget reductions imposed by the 1985 Legislature, the additional 5 percent budget reductions imposed by Democratic Governor Ted Schwinden's 1986 executive order, and the subsequent pay freezes which lasted until 1991. My staff has been forced to take voluntary leave without pay. Employees of the State Auditor's Office, both classified and exempt, make less than many other comparable workers at other state agencies.

As I mentioned earlier, the State Auditor's Office disagrees with several major features of both the OBPP and LFA budgets. Before addressing those disagreements department by department, I want to summarize them for the office as a whole. I also want to mention that the State Auditor's Office budget modifications were revised and updated in December 1990 and January 1991 to reflect the most current data available, and therefore the numbers we're using now for requested modifications may differ

discussed
w/ OBPP
+ LFA

slightly from those printed in the OBPP narratives and the LFA budget analysis.

The State Auditor's Office submitted 26 budget issues to the Budget Office in January 1990. Five of those were accepted upon first submission. In July 1990 we filed a formal appeal for two of those rejected budget issues: one concerning allocations for office remodeling and the other concerning reduction of appropriations to pay for fixed contracts with the Department of Administration's ISD. We also resubmitted nine of the original budget issues and added four new budget issues, including one proposing to change funding for the Bad Debts Collection division from general fund to proprietary funding. Of these 15 budget issues, OBPP accepted only the proposal to change funding for the Bad Debts Collection division.

Overall, the Executive budget provides approximately \$228,000 dollars more than the LFA budget in personal services, mainly because the Executive budget eliminates only one-half FTE while the LFA budget eliminates 4.5 FTEs. On the other hand, the LFA budget provides approximately \$196,000 dollars more than the Executive budget for operating expenses. Remarkably, neither the Executive budget nor the LFA budget appropriates a single penny in current-level funding for equipment. The bottom line, then, is that the net difference between the Executive and LFA budgets is only about \$31,000 dollars for the biennium. Yet the similarity between their final recommendations should not obscure the fact that each budget, in different respects, would seriously impair this office's ability to meet its core responsibilities.

Ex. 3
2-12-91
Hon. Gov. Sul

For example, one of the chief disparities between the Executive and LFA budgets is their different methods for calculating our current-level budget. The Executive budget relies on appropriated levels for Fiscal Year 1991, while the LFA relies on actual expenditures for Fiscal Year 1990. Yet this committee, in evaluating the various budget recommendations before it, faces much the same dilemma as the State Auditor's Office. Your responsibility does not end when you choose one or the other abstract definition of current-level funding. In fact, your choice of a definition for current-level funding only begins your responsibility to determine, as my office must, which actual operations and which real-life people most effectively and most efficiently serve the interests of this state.

If you simply base appropriations on the LFA's definition of current-level funding, you will penalize my office for being unable in Fiscal Year 1990 to find workspace or computer hookups for FTEs approved by previous Legislatures. If you simply base appropriations on the Executive's definition of current-level funding, you will ignore the fact that my office has been forced to request more than \$334,000 dollars in supplemental funding for Fiscal Year 1991 just to pay fixed expenses because appropriations were grossly inadequate. In one scenario you will deprive my office of employees not because my office doesn't need new employees but because my office can't accommodate the new employees which previous Legislatures recognized we need. In another scenario, you will deprive my office of operating funds not because we don't need those

operating funds but because a previous Legislature, without the history of actual costs now available to you, miscalculated. Both scenarios, I think, give too little credit to previous Legislatures.

Current levels should be tools, not ends in themselves. I urge you not to allow your attention to be diverted from the file cabinets which crowd the halls of my office, the cramped working conditions which my staff endures, and the unnecessary and counterproductive results of an overloaded and isolated computer system. I urge you to look behind our request for money to remodel the office, to see that our remodeling plan achieves extra workspace by installing a floor in an empty elevator shaft, and to ask yourselves whether that kind of remodeling is a luxury. I urge you to remember the \$174,300 in personal services appropriations which my office reverted to the general fund in Fiscal Year 1990, the FTEs which we have already eliminated in the previous 4 years, and to ask yourselves whether the State Auditor's Office really needs to be restrained from overreaching.

We have been preparing our budget requests for more than a year. Since we had little practical alternative, we adopted the Executive's definition of current levels in preparing our budget requests. And frankly, with certain critical reservations, we feel more comfortable with the Executive's budget. For one thing, the Executive budget reflects nearly \$128,000 dollars less in general fund appropriations than the LFA's budget, chiefly because it replaces approximately \$173,000 dollars in general fund allocations for the Bad Debts Collection division

Ex. 3
2-12-91
Hon. Mort Swo

with a proprietary fund. In fact, only about \$117,000 dollars of the funding increases already approved in the Executive budget are not proprietary funds or funds used to meet fixed costs established by the mandatory warrant-writing programs.

The LFA's recommendations, on the other hand, decrease funding for every program in the State Auditor's Office with the exception of Fiscal Control and Management. When the LFA says that our budget for the 1993 biennium reflects a 6 percent increase over the previous biennium, keep in mind that the computer processing costs for our warrant-writing system have nearly doubled, thanks to unanticipated increases in the volume of warrants we process and the transfer in the 1991 biennium of the warrant-writing operations of the Workers Compensation Division. When the LFA says that the State Auditor's budget increases funding for personal services by 3.5 percent over current levels even with the elimination of 4.5 FTEs, keep in mind that \$174,000 in vacancy savings for Fiscal Year 1990 which we reverted to the general fund, the 2.5 percent pay-plan increases in Fiscal Year 1992, and the fact that we will revert additional vacancy savings for Fiscal Year 1991 to the general fund. Keep in mind, too, that the LFA's recommendation to eliminate FTEs which were approved by previous Legislatures hinges on the LFA's assumption that because we didn't hire those employees in Fiscal Year 1990, we must not need them now. But consider how long it took the state personnel system to classify the new insurance investigator positions which the 1989 Legislature authorized. And again, I assure you and I will show you that we didn't have enough workspace or enough computer

detail
in notes
file

capacity to accommodate these new employees. I also tell you today that if you approve our funding requests for salaries, remodeling and computer system upgrades, I intend to be fully staffed by July 1, 1991.

III.A. Central Administration: Duties and operations

I'd like to turn now to the five individual departments of the State Auditor's Office and to specific budget issues affecting each of those departments. I'll begin with my Central Administration department, then address the departments of Fiscal Management and Control, Insurance, Securities, and State Payroll in that order.

The Central Administration department is responsible for office administration. It serves as the comptroller for the State Auditor's Office, managing personnel, payroll, purchasing, and budgeting. It performs detailed audits of supplemental pension funds and federal forest reserve funds, which will total approximately \$18 million dollars per year in the next biennium.

The Central Administration department also includes my centralized word processing staff, which efficiently and uniformly accommodates the remarkable diversity of duties and expertise located in the various departments of the State Auditor's Office. Every year my word processing division prepares approximately 24,000 letters and documents, processes approximately 20,000 insurance producer licenses, and makes 350,000 to 400,000 photocopies.

Handouts for CA

Ex. 3
2-12-91
Hon. Govt Sub

III.B.1. Central Administration: Computer system upgrade

The State Auditor's modified budget request for computer system upgrades was one of the five budget modifications which OBPP accepted upon first submission, although OBPP reduced our request from \$162,480 dollars to \$150,000 dollars. This money would go to replace a Wang computer system purchased below bid in Fiscal Year 1986, a computer system which has been unable to keep up with the expanding workload of the State Auditor's Office.

The Wang system was initially maintained by three employees with other duties. Operational programs for the system in the past were designed by different individuals for specific applications, resulting in individual programs that don't mesh well with each other or with other agencies. We must input some data as many as five separate times because systems don't share information. Software for the Wang system is written in non-standard, obsolete and abstract methods, according to the PPP coordinator for the state payroll system, and software support is virtually nonexistent, being limited to one contact in the western United States. The Wang system reached its capacity within two years, and regularly operates now at 97 percent of capacity, despite the manufacturer's recommendations that sustained operation not exceed 80 percent of capacity. The system suffered 16 failures in the first half of Fiscal Year 1991, including one overload crash which wiped out a full year of insurance receipting data. The State Auditor's Office currently spends more than \$10,000 dollars per year for maintenance, and equipment failures in Fiscal Year 1991 have

already cost \$5,000 dollars. The office was forced to add 76 megabytes of storage to the Wang system in Fiscal Year 1991, and it would cost at least \$25,000 dollars to increase storage to a level adequate for another year of operation. All ports available on the Wang for workstations are currently filled. In short, the Wang system in the State Auditor's Office is overloaded and suffers from lack of support and extended down time. I tell you today that the Wang system in the State Auditor's Office will not meet the demands which we must place on it for the next biennium.

Replacing the Wang computer system in the State Auditor's Office will cost \$150,000 dollars for the 1993 biennium. The 1991 biennium budget included \$40,000 dollars to fund the first phase of an office-wide conversion to an IBM-PC computer network. Our modified budget request for the 1993 biennium would provide for full conversion to that IBM-PC network, so that total cost of the conversion over a 3-year period would be \$190,000 dollars.

As the 1989 Legislature recognized when it approved funding for the first phase of this conversion, replacing the Wang system offers clear advantages. First, the system is more suitable for other state agencies than for the State Auditor's Office. Two years ago, for example, when the State Auditor's Office asked to upgrade its computer system, the Workers Compensation Division wanted our Wang to supplement its own, larger Wang system. Unfortunately the Legislature chose to phase-in a replacement rather than convert to the IBM-PCs all at once. Nevertheless, the Workers Compensation Division has again expressed interest in our Wang system this year.

Ex. 3
2-12-91
Gen. Hvt Sub

Second, the annual cost of maintaining the Wang system over the next five years, even without the upgrade that would be necessary, would exceed the cost of maintaining an IBM-PC network system. Moreover, the costs of maintaining an IBM-PC network system would be paid to the Department of Administration instead of local vendors or the Wang corporation. Downtime on the IBM-PC system will be virtually eliminated, faster response time will significantly reduce the employee hours spent waiting on a blank screen, and backups can be performed unattended.

Third, interrupting our conversion now from the Wang system to an IBM-PC system would only impose extra efforts and costs associated with a partial conversion and the necessity of troubleshooting, maintaining, and training for two different systems. We're not the only ones who recognize these advantages: ISD in the Department of Administration has recently put its support of our budget request for this conversion in writing. ~~in~~ in handouts -

III.B.2. Central Administration; General office remodeling

The State Auditor's Office has also requested a budget modification which would fund office remodeling. This modified request was another of the five budget modifications approved upon first submission by OBPP, although it reduced our request from \$25,000 dollars to \$15,000 dollars. This is not a new request. We have requested additional work space twice in the last two years and a third request is pending now. According to General Services, however, there is no additional space available in the Mitchell Building. Employees at the State

- detail in Notes file

Auditor's Office average less than 80 square feet of workspace, and the critical lack of workspace has prevented us from filling essential staff vacancies. Our five-person word processing staff must share a heavy-traffic room the size of a kitchen with each other, desks, computers, and printers. We have already sealed one hallway and lined it with file cabinets to free up workspace. We need remodeling funds in order to accommodate the 8 FTEs added to the State Auditor's Office in the 1991 biennium, including 3 FTEs in the Bad Debts division transferred to us from the Department of Revenue and 5 additional insurance regulators authorized by the 1989 Legislature. The \$10,000 dollars deleted from our modified budget request by the OBPP would allow us to move 6 Lektrievers and more file cabinets and create an additional 600 square feet of workspace. In addition to installing a floor in an empty elevator shaft to increase office space and installing an emergency escape door in a hallway which now has restricted access, our remodeling plan will convert the staff break room into a central filing area and divide existing insurance employee offices holding 17 people into offices for 22 people.

III.B.3. Central Administration: Computer system manager

A third budget modification request which was approved by OBPP upon first submission would provide an additional FTE to completely revise computer hardware, software, and systems in the State Auditor's Office. This request, totalling \$33,805 dollars in Fiscal Year 1992 and \$33,345 dollars in Fiscal Year 1993, would for the first time give the State Auditor's Office

Ex. 3
2-12-91
Hon. Mort Sub

its own computer and systems specialist. Payroll and warrant-writing systems in the State Auditor's Office have advanced rapidly in technology in the previous three years, and the addition of the Bad Debts division in Fiscal Year 1990 added unique automation demands to our office. A full-time computer and systems specialist who could handle the majority of the programming necessary to manage our office-wide system will eliminate our need for some of the high-cost support and development contracts which currently cost the State Auditor's Office an average of \$39,000^{TSB} dollars per month. Reducing our_{900 Ward maint.} dependence on outside contractors makes sense not just because it reduces costs, but also because programming applications in-house provides maximum protection for the immense amount of information in our office which is highly sensitive, information such as payroll and warrant data, criminal justice investigations, and bad debts. And the same systems specialist who would improve the security of this sensitive information could also increase Montana's access to such information by taking full advantage of national computer databases such as those provided by the National Association of Insurance Commissioners and the National Association of Securities Dealers.

A full-time computer and systems specialist will also reduce the overload on the state's PPP coordinator. According to the most recent legislative audit of the state's PPP system, the PPP coordinator has been spending too little time on the state's PPP system and too much time on the computer system in the State Auditor's Office, which has outgrown his ability to cope with it. In-house programming requests already take 6-12 months of

response time because of overload on the PPP coordinator. Moreover, the increasing risk of losing sensitive and irreplaceable information makes it imperative that the State Auditor's Office completely rewrite its insurance, securities and bad debts software.

III.B.4. Central Administration: Professional salary levels

I am also requesting a budget modification to increase pay for my professional staff. Both the Executive and LFA budgets calculate these salaries on the basis of actual Fiscal Year 1990 salaries plus the 2.5 percent pay raises approved in Fiscal Year 1991. The LFA noted that we have used vacancy savings to fund pay raises for some professional staff in excess of the 2.5 percent raises appropriated by the 1989 Legislature. But the LFA didn't compare the salaries of my professional staff with those of other comparable staff. Those comparisons, detailed in the handouts which you have, show that my professional employees average \$31,069 dollars per year, while comparable professional staffs of other elected officials earn an average of \$41,118 dollars, comparable employees of state government in general earn an average of \$41,508 dollars per year, and comparable personnel in the region earn an average of \$43,627 dollars per year. No wonder turnover among my professional staff exceeded 30 percent prior to Fiscal Year 1991. Our budget modification requests an additional \$95,822 dollars to provide pay increases for professional staff for the 1991 biennium and to provide a 7.5 percent salary increase on July 1, 1991. That amount will be reduced by any general pay plan increase for state employees which passes this session.

Ex. 3
2-12-91
Ben. Hoyt Sub

Note that two factors explain the large difference between the LFA's figures and our figures on pay-plan increases. First, the LFA incorrectly reported that the costs of pay-plan increases were \$34,110 dollars for the biennium. In fact, that figure represents the costs of pay-plan increases for a single fiscal year, not the biennium, and so the LFA should have doubled its own figures to exceed \$68,000 dollars. Second, the LFA did not adjust its figures to reflect any July 1, 1991 pay-plan increases. We did. As a result of these two factors, the LFA greatly exaggerates our request for salary increases.

III.B.5. Central Administration: Training and education

In order to institute a formal procedure for education and training in the complex and fast-changing regulation of the insurance and securities industries, the State Auditor's Office also has submitted a modified budget request for an additional \$6,000 dollars per fiscal year above 1991 biennium appropriations. We must be as educated as the people we regulate. Yet we had already expended our entire appropriation for education and training in the first half of Fiscal Year 1990. No wonder compliance specialists in my Insurance Department are frequently disqualified from testifying as experts in administrative hearings because they lack education and training. No wonder my Securities Department lacks the expertise to review the most complex securities offerings or to conduct on-site examinations of companies issuing securities. In essence, we must rely on consumers to tell us when they've been defrauded and we can do little to detect fraud which consumers themselves don't suspect.

The formal procedures which we propose would link education and training to performance evaluations and require measurable benefits in improved performance. The remainder of the funds requested in our budget modification would pay for dues and subscriptions.

IV.A. Fiscal Control and Management: Duties and operations


The Fiscal Control and Management Department of the State Auditor's Office, previously combined with the State Payroll Department, issues state warrants and now collects bad debts. Those warrants must be processed rapidly, accurately, and fully accounted for. Thanks to a new warrant-writing system which became operational at the beginning of the 1991 biennium, the State Auditor's Office has made great improvements in automating and speeding up the warrant process. My Fiscal Control and Management department processes more than 1.5 million warrants each year, and on the basis of figures from the first half of Fiscal Year 1991 we are projecting a 14 percent increase in warrants processed this year. \$1.3 billion dollars passes through the warrant system annually. We're talking here about not only payroll warrants, but also warrants for the Aid for Dependent Children program of SRS, Medicaid payments, and University of Montana and other universities, as well as 1,200-1,400 duplicate warrants and 12,000-13,000 cancelled warrants every year. The warrant figures I just gave you, by the way, include the warrant-writing previously done by the State Workers Compensation Division.

Ex. 3
2-12-91
Gen. Govt. Sub

The State Auditor's Office doesn't just issue and mail warrants. We are responsible for microfilming cashed warrants and registers and maintaining a permanent record of such documents going back to 1962. We must be able to retrieve and produce copies of these documents, often for use in legal proceedings.

The Bad Debts Collection division of Fiscal Control and Management was transferred to the State Auditor's Office from the Department of Revenue in Fiscal Year 1990. That transfer centralized debts owing to the state such as child support payments, unemployment-benefit overpayments, student loan defaults, and welfare and food-stamp fraud. The transfer has also resulted in bad-debt collections which average \$65,000 more per year now than they did before the transfer. The Bad Debts Collection division is responsible for collecting more than \$751,000 dollars in Fiscal Year 1990 and \$826,167 dollars in Fiscal Year 1991. We project collections of \$908,000 dollars in Fiscal Year 1992 and \$999,000 dollars in Fiscal Year 1993. Those recoveries come from transferred-in bad debts which totalled \$5.6 million dollars in Fiscal Year 1990, \$6.2 million dollars in Fiscal Year 1991, and a projected \$6.8 million dollars in Fiscal Year 1992 and \$7.5 million dollars in Fiscal Year 1993. In fact, the State Auditor's Office estimates that \$75 million dollars in debts is currently owed to the State of Montana. We've quadrupled the Bad Debts computer system's capacity since it was first installed in 1984, and yet current trends indicate that the number of bad-debt records which the state processed in 1990 could triple by 1994--the unfortunate

but unsurprising result of recession and a sluggish economy. We project annual increases of 10 percent in net collections of bad debts over the next decade.

 Handouts - Fiscal

IV.B.1. Fiscal Control and Management: Bad Debts funding change

The State Auditor's Office budget modification request to establish the Bad Debts Collection division as a proprietary fund was approved by the OBPP and would reduce general fund support by approximately \$80,000 dollars annually. For Fiscal Year 1992 and beyond, we propose using a proprietary-fund format which would initially retain 17 percent of debts collected and distributed to other agencies, debts which those agencies have already written off as uncollectible. The percentage of recoveries which would be withheld is based on projected budget expenses needed to operate the division. In the future, that percentage will be adjusted to account for any surpluses from previous years and for projected increases in debt collection, since the more debts we collect, the smaller the percentage we need to deduct.

For Fiscal Years 1992 and 1993, the State Auditor's Office is requesting and the Executive budget approves approximately \$86,000 dollars and \$87,000 dollars respectively from these proprietary fees to replace general fund support and maintain current-level operations. Another aspect of this modified request would enable us to expand the Bad Debts division with no impact on the general fund by authorizing an additional \$123,000 dollars in proprietary funds.

Ex 3
2-12-91
Hon. Govt Sub

IV.B.2. Fiscal Control and Management: Bad Debts software

The current software for the Bad Debts Collection division allows us to list accounts receivable, debtors alphabetically, and agencies to whom money is owed. It also lets us produce a write-off report which goes to the Legislature each biennium. That software, however, was adapted to the needs of the Bad Debts program in 1984 by an individual at the Department of Revenue before the Bad Debts division was transferred to the State Auditor's Office. He has now left the Department of Revenue and is no longer available to support the software, which has also been discontinued by the manufacturer. Our budget request includes an additional \$4,250 dollars in proprietary funds for 250 hours of programming time to implement a new software system supported by data-processing staff in the State Auditor's Office. That new software will not only increase capacity but also add to our capabilities. We will be able, for example, to generate reports for each agency showing the effectiveness of the bad-debts system and the status of their accounts. If our modified request for proprietary funding is approved, this software request will be combined with the Bad Debt Funding Package as a proprietary fund request.

IV.B.3. Fiscal Control and Management: 4 Warrant-system requests

Four of our modified budget requests concern fixed costs of the warrant-writing system in my Fiscal Control and Management department. This highly automated system has seen a 16 percent increase in the number of warrants processed and a 14 percent increase in the number of warrants mailed in the past fiscal

year, due in large part to the addition of the warrant-writing duties of the Workers Compensation Division. When volume increases so substantially on the warrant-writing system, so do certain fixed costs of that system--contracted services, maintenance, postage, and materials and supplies.

1. Our first modified budget request concerning the warrant-writing system seeks an additional \$93,056 dollars for the next biennium to pay contracted warrant-writing-system charges of the Information Services Division of the Department of Administration. That request, based on actual operation of our warrant-writing system in Fiscal Year 1990, is related to one of the five budget issues accepted by OBPP upon first submission, which reduced our request to \$193,000 dollars. Even with this additional \$193,000 dollars, however, the Executive budget still allocates \$41,000 dollars less than the LFA, which relies on actual expenditures for Fiscal Year 1990. This additional request reflects our projections that increased warrant production and a lesser impact of deflationary values will increase costs \$93,056 dollars above OBPP's figures.

Part of the problem in determining these warrant-writing-system charges stems from the fact that the system was only installed in July 1989. With no history of operation to look at, the System Development Bureau of the Department of Administration greatly underestimated the costs of operating the new system in the 1989 session. Originally SDB estimated costs at \$119,000 dollars. Then OBPP reduced that amount by more than \$21,000 dollars. Then the appropriations committee reduced that amount by another \$27,500 dollars. Then

Ex. 3
2-12-91
Hon. Gov. Dew

the Legislature eliminated all current funding and authorized a special appropriation of \$165,000 dollars for contracted services for the new warrant writing system. I testified before the Legislature that the appropriation was insufficient and would require a supplemental request. Sure enough, actual costs proved to be \$160,000 dollars in Fiscal Year 1990 and an estimated \$170,000 dollars in Fiscal Year 1991. In other words, billing by the Department of Administration for support services exceeded appropriations by more than \$70,000 dollars in Fiscal Year 1990. True to my word, I have now requested supplemental funding of \$164,000 dollars for Fiscal Year 1991 to pay the balance.

Now, two years later, the Executive budget relies heavily on appropriated rather than actual expenses in the past to recommend \$124,493 dollars for Fiscal Year 1992 and \$122,451 dollars for Fiscal Year 1993 to pay these Department of Administration charges. But even the OBPP acknowledges that their recommendations rely on their projections of significant decreases in actual Department of Administration charges. Without such projected decreases, the Executive budget estimates that Department of Administration charges would exceed \$170,000 dollars in Fiscal Year 1992 and \$170,000 dollars in Fiscal Year 1993. Consequently, in addition to the \$193,000 dollars approved by OBPP for warrant-writing processing costs, the State Auditor's Office is requesting an additional \$93,056 dollars general fund for processing costs in the 1993 biennium, based on the anticipated increase in volume of warrants processed.

2. Our second modified budget request concerning the warrant-writing system seeks an additional \$57,555 dollars for Fiscal Year 1992 and \$67,250 dollars for Fiscal Year 1993 in fixed warrant-system postage. Those requested increases are based on the increased number of warrants processed in the 1991 biennium and reflect past postage rate increases and the large volume of warrant processing contributed by the Workers Compensation Division. They also account for increases above the Fiscal Year 1991 level in the number of warrants written each year, as well as the 20 percent postal rate hike which took effect this month. The Fiscal Control and Management department distributes warrants by means of the U.S. Postal Service and a zip-sorting process that qualifies for presort rates. In April 1988 the Post Office increased first-class postal rates from 22 cents to 25 cents per ounce and presort rates from 18 cents to 21 cents per ounce. Thus, actual warrant-system postage exceeded appropriations by more than \$42,000 dollars in Fiscal Year 1990 and more than \$109,000 dollars in Fiscal Year 1991. Now we have made a supplemental request of approximately \$109,000 to cover postage in the 1991 biennium.

3. Our third modified budget request concerning the warrant-writing system seeks funding for the actual costs of maintenance contracts on the new warrant-writing equipment. It is absolutely necessary to have maintenance contracts on this equipment, since a breakdown would completely stop all processing of state warrants and trigger the kind of angry reaction from our constituents that none of us wants. Keep in mind, too, that the automated equipment we're talking about made

Ex. 3
2-12-91
Hon. Govt. Sec.

it possible for the 1987 Legislature to remove one FTE from the Fiscal Control and Management budget and the 1989 Legislature to remove another 2 FTEs. Our request for \$5,790 dollars in Fiscal Year 1992 and \$6,490 dollars in Fiscal Year 1993 represents the amounts by which current funding for both years falls short of actual costs, as well as projected maintenance costs for new equipment which we have requested. Those actual costs total \$35,000 dollars per biennium.

4. Our fourth modified budget request concerns materials and supplies for the new warrant-writing equipment. This equipment, which allowed us to eliminate 3 FTEs, uses new types of forms in warrant processing which require no human intervention. However, when the State Auditor's Office compiled its 1991 biennium budget, it had no historical data on which to base its estimates of costs for supplies and materials, and appropriations for these items fell short. As a result, we are now seeking to modify our budget on the basis of actual expenses incurred in Fiscal Year 1990 for materials and supplies. We project expenses of \$50,137 dollars for Fiscal Year 1992 and \$51,142 dollars for Fiscal Year 1993, and our requests for \$20,109 dollars in additional funding for the biennium represent the difference between those projections and current funding in our budget.

IV.B.4. Fiscal Control and Management: Warrant-system equipment

Aside from these four modified budget requests concerning existing warrant-system equipment, the State Auditor's Office is also requesting funding for new warrant-system equipment. The

1989 Legislature, recognizing that certain automated equipment would allow the State Auditor's Office to reduce its FTEs, authorized partial funding for replacement and addition of such equipment. Our request now represents the next step in that process. It includes \$16,471 dollars to replace the 10-year-old Moore 3610 imprinter-detacher, which is ripe for breakdowns. Improvements in technology in the past 10 years mean a new imprinter-detacher will be more efficient. Our equipment request also includes replacements for two Simplex time recorders used to track the \$36 million dollars in checks which the State Auditor's Office receives every year. One of those time recorders is 27 years old. The other is 14 years old. We can replace both for \$774 dollars. Our Pitney Bowes 6100 postage meter machine was purchased in 1982 and has an "odometer" reading of more than 4.3 million impressions. The vendor suggests replacement after 3 million impressions. A replacement would cost \$5,782 dollars. For archiving and retrieving warrant records, the State Auditor's Office currently uses a 3M Reader-Printer more than 10 years old and, when we receive a request to retrieve documents, we must manually scan microfilm for them. Moreover if we have to make copies, the old reader-printer uses dry silver paper which produces poor-quality copies and cost 13 cents a copy. A new Kodak IMT-350, which is compatible with the new Unisys document processor now used in cashed-warrant processing, would produce better copies for 4 cents a page and could automatically search for, retrieve and copy documents. We could thus triple our capacity for retrieving and copying documents from 3,000 to 9,000 per year.

Ex. 3
2-12-91
Hon. Gov. Duw

We're requesting an additional \$17,500 dollars in Fiscal Year 1992 to replace our reader-printer.

V.A. Insurance Department: Duties and operations

The Insurance Department of the State Auditor's Office collects approximately \$26.5 million dollars in premium taxes, fees, and fines every year from an industry which collects nearly a hillion dollars in premiums from Montanans every year. A significant portion of those premiums pay the livelihoods of nearly 14,000 insurance agencies, producers, solicitors, administrators, and consultants in Montana, to say nothing of the support staffs which those professionals employ. Insurance premium taxes constitute the sixth and seventh largest sources of projected general-fund revenue for Fiscal Years 1992 and 1993. Yet Montana appropriates barely \$900,000 dollars for operations of the Insurance Department.

According to a recent survey commissioned by the National Association of Professional Insurance Agents and conducted by the Consumer Insurance Interest Group, Montana is next-to-last among state appropriations for insurance regulation, ahead of only South Dakota, which handles fewer complaints and employs fewer people. Yet New York, with an annual budget of \$41 million dollars and a staff of nearly 800 employees, actually licenses fewer companies to transact insurance than Montana does. In fact, even in comparison with nearby states whose populations and geography more closely resemble ours, Montana is doing more with less. Montana consumers can buy insurance from more companies than their counterparts in Oregon, Washington,


Wyoming, Utah, South Dakota, Minnesota, or Alaska. The Montana Insurance Department handles more total consumer complaints than the insurance departments in Wyoming, Utah, or Alaska, and when staff size is factored in, Montana handles almost a third more complaints per employee than Idaho. Yet the annual budget for insurance regulation in Wyoming and Alaska is \$1 million dollars; in Idaho, \$1.7 million dollars; and in Utah, \$1.8 million dollars. Montana allocates a significantly smaller percentage of its premium taxes to regulation than do any of those four states and barely half the percentage that Oregon and Washington allocate.

Insurance Department employees resolve consumer inquiries and complaints concerning producers, companies, and policies, fielding as many as 50 calls per day, 13,000 inquiries this year. We project 15,000 inquiries and complaints per year in the next biennium. They open and maintain approximately 2,000 complaint files and 200 investigation files per year. They conduct 4-8 major field investigations per year and conduct 800-1,000 desk audits and financial reviews of insurance companies every year. Thanks to the efforts of the Insurance Department, Montanans recover approximately \$2 million dollars every year in disputed claims and refunds.

Examiners in the Insurance Department review the financial condition, market conduct, and premium-tax payments of all insurance companies doing business in the state. They license companies, administrators, and consultants and register risk retention and purchasing groups. They review rates and forms filed by companies. The Insurance Department also licenses

Ex. 3
2-12-91
Hon. Gov. Suu

approximately 2,000 producers and solicitors every year and administers approximately 2,400 license exams per year.

 Handouts - Insurance

V.B.1. Insurance Department: Medicare Supplement specialist

Despite the size of the industry which it must regulate, the State Auditor's Office has proposed a budget for the 1993 biennium which includes operating expenses for the Insurance Department at nearly the same level as in the 1991 biennium. The Executive budget includes \$30,263 dollars in Fiscal Year 1992 and \$28,211 dollars in Fiscal Year 1993 for 1 FTE medicare-supplement specialist, a position first authorized by the 1989 Legislature. House Bill 535 in the 1989 session approved the addition of a Medicare Supplement specialist to comply with the federal Medicare Catastrophic Coverage Act of 1988, which required states to develop a regulatory program to meet federal standards for certification. Failure to meet those standards would result in preemption of state insurance law in this area by federal laws.

More than 100 insurance companies sell Medicare Supplement policies in Montana, and many of those offer more than one policy. The State Auditor's Office estimates that more than 40,000 Montanans own individual Medicare Supplement policies and pay annual premiums in excess of \$30 million dollars. Even more Montanans hold certificates of master policies issued in other states and pay an additional \$30 million dollars, so that total premiums paid by Montanans for Medicare Supplement insurance exceeds \$60 million dollars annually. Moreover, the elderly population which buys most Medicare Supplement policies is the

fastest-growing segment of our population. Health care costs, which disproportionately affect the elderly, are among the fastest-rising costs of modern life, far outpacing inflation. And budget constraints and a recessionary economy make increased government assistance for health care costs unlikely. Finally, Medicare is such a complex program and Medicare Supplement policies are so difficult to understand that they are more prone to abuse and misunderstanding than most other policies. The Insurance Department, even without a Medicare Supplement specialist, has investigated 364 complaints involving Medicare Supplement policies since 1987 and annually publishes and distributes approximately 4,000 copies of a buyer's guide to Medicare Supplement insurance.

The position approved by the 1989 Legislature was left vacant in Fiscal Year 1990 largely because of the well-publicized turmoil in federal rules. We filled that position in Fiscal Year 1991, however, and now submit a modified budget request to continue this position in the next biennium. The Executive budget incorporates this request.

The LFA, on the contrary, eliminates 3 FTEs from the Insurance Department. These were 3 of the 5 FTEs approved by the 1989 Legislature to strengthen insurance regulation. Apparently the LFA bases its recommendation on the fact that 2 of those 3 positions went vacant nearly all of Fiscal Year 1990. But as I said in discussing the critical need for workspace in my office, those positions went unfilled because we had no workspace or computer capacity to accommodate them, and we reverted the remaining vacancy savings to the general fund.

Ex. 3
2-12-91
Hon. Gov. Sub

V.B.2. Insurance Department: NAIC assessment

A separate budget modification requests an additional \$2,000 dollars in Fiscal Year 1992 and \$3,000 dollars in Fiscal Year 1993 to pay increased membership dues of the National Association of Insurance Commissioners. The Executive budget only includes \$4,000 dollars for membership dues. We could pay these membership dues at current levels, but the NAIC is raising the assessments of every state and phasing in those raises over several years to a maximum level of \$5,000 per year.

Among all the regulated industries of modern life, only insurance regulation has remained the sole domain of the states. The federal government has not yet intervened. Consequently, cooperation among all 50 states is especially crucial in regulating the insurance industry, and the NAIC is the vehicle for that cooperation. The NAIC's expanding legal staff researches questions of insurance law common to all states and strengthens our hand when we take legal action. The NAIC is greatly expanding its technical staff, making it possible for small states like Montana to benefit from vast databases and complex computer programs which we could never afford alone. The NAIC also trains our staff in accessing and utilizing its vast computer capabilities, and provides scholarship money to me, my deputy commissioner, my examiners, and other staff to attend educational seminars. The NAIC is developing new regulatory mechanisms to enforce loss ratios for credit life and disability insurance, which is often excessively priced, and NAIC will provide experts to testify on this subject in Montana

when necessary. The NAIC is expanding its nationwide databank to monitor administrative actions against individuals in all 50 states, thus allowing Montana to screen out insurance producers who migrate here with a history of violations. Finally, the NAIC is able to make nationwide comparisons of such insurance barometers as auto rates and allow states like Montana to determine whether stronger regulation is necessary. In this regard, you might be interested to know that Montana ranks 46th among the 50 states in the amount we pay for automobile insurance, according to the most recent study by the NAIC. Only North Dakota, Wyoming, Nebraska and Iowa pay less.

V.B.3. Insurance Department: Office equipment

Another of our budget modification requests seeks 11 desk chairs, 12 visitor chairs, and 1,200 feet of new carpeting. Many of the chairs in the State Auditor's Office were discarded by other agencies, and besides presenting a shabby appearance to the public they prompt employee complaints about back pain. The carpet in our office is tearing along seams in places, presenting hazards to foot traffic, and although it has stretched and rippled in places the Department of Administration tells us that it cannot be repaired.

VI.A. Securities Department: Duties and operations

The Securities Department of the State Auditor's Office registers industry representatives and investment offerings, investigates civil and criminal violations, and encourages capital investment in Montana. It handles approximately 4,800

Ex. 3
2-12-91
Hon. Montano

inquiries, questions, and complaints every year and conducts approximately 50 securities investigations annually. It registers approximately 5,000 issuers of securities, 11,800 agents, and 650 broker-dealers. It collects approximately \$2 million dollars per year in fees and fines, which goes into the state's general fund. It lends invaluable support to county attorneys prosecuting criminal securities violations.

 Handouts - Securities

VI.B.1. Securities Department: Travel

Because the nature of securities regulation requires substantial travel, the State Auditor's Office is requesting an additional \$1,425 dollars for in-state travel per year of the 1993 biennium. Two week-long criminal trials in Missoula during the last year required Securities Department investigators not only to conduct extensive interviews of witnesses but also to serve as witnesses themselves. The State Auditor's Office expects little help with its woefully inadequate travel appropriations from House Bill 170 this session, since increasing reimbursement for lodging expenses will only put money in the pockets of the hotel industry, further strain our travel budgets, and give con artists and criminal defendants a freer hand.

VI.B.2. Securities Department: Equipment

Remarkably, neither the Executive budget nor the LFA budget contains any funding whatsoever for Securities Department equipment in Fiscal Years 1991, 1992, or 1993. I find that hard to believe. Do even the most conservative budget analysts,

faced with a department which performs so many registrations and investigations and contributes so much to the general fund, do they really expect that department to operate for three full years without a penny for equipment? I don't, and so the State Auditor's Office budget contains a modified and extremely modest request for an additional \$4,300 dollars in equipment. Those funds would purchase a camera and a portable personal size copier, which we also requested in the 1989 session and which investigators could use when they must travel. It would also replace the Securities Department's 3-year-old document shredder, which won't last until 1993. Because both the Securities and Insurance departments have been designated criminal justice agencies, they are mandated by law to protect or destroy certain highly sensitive information. Finally, this modified budget request would also purchase additional filing cabinets. We already have to store sensitive criminal justice information outside the Mitchell Building, which makes it harder to protect and access, and the volume of such information is increasing every year.

VII.A. State Payroll: Duties and operations

Those are the modified budget requests for the State Auditor's Office. However, I'd like to briefly discuss a few additional budget issues which concern my State Payroll department. The State Payroll department was a part of the Audit Division of the State Auditor's Office until Fiscal Year 1990, when a reorganization separated it from Fiscal Control and Management. As director of the state's employee payroll system,

Ex. 3
2-12-91
Hon. Herb Sw

the State Auditor uses an on-line entry system to withhold taxes, make deposits, calculate mandatory deductions, and make reports for state and federal taxes, unemployment compensation, and workers compensation. The State Payroll department processes 11,300 payments on a bi-weekly basis and, public pronouncements from these very halls to the contrary, we don't project a decrease in that number of paychecks in the foreseeable future. We processed 297,000 payroll warrants in Fiscal Year 1990. The State Payroll department also maintains and continually updates the statewide Payroll/Personnel/Position Control System, and we are in the process of converting all state agencies to PPP use during Fiscal Year 1992. As you might guess, the technology and programming involved in this vast database of employee information is immense.

Approximately 70 percent of appropriations for the State Payroll department comes from the general fund. The other 30 percent comes from special state revenue collected from agencies with payroll payments which do not come from the general fund. The State Payroll department also eliminated 1.5 FTE in the last biennium, and our budget proposes to eliminate another 0.5 FTE in the 1993 biennium.

VII.B.1. State Payroll: Elimination of FTEs

The first budget issue I'd like to address is the elimination of FTEs in the State Payroll department. Because implementing the highly automated and sophisticated payroll reporting system has taken longer than originally projected, the State Auditor's Office and the OBPP eliminate only 0.5 FTE in

the 1993 biennium. Despite the ongoing nature of the project, however, the LFA recommends elimination of an additional FTE, based only on estimates of staff reductions contained in the original request for funding the project. We fully expect to eliminate even more FTEs when the PPP on-line edit and entry and payroll special projects are completed, but until then it makes no sense to eliminate employees who still have work to do.

VII.B.2. State Payroll: System-support charges

A second budget issue concerns the fact that the State Auditor's Office is not requesting a budget modification at this time for system support charges, based on its projections of current-level operations into the new biennium. In Fiscal Year 1990, the Department of Administration billed the State Payroll department \$10,000 dollars more than its appropriations for system support services, and the State Auditor's Office had to request more than \$51,000 dollars in supplemental funding for Fiscal Year 1991 operations. OBPP and the Department of Administration have indicated to the State Auditor's Office that the charges for contracted payroll system services will decrease substantially in the next biennium and thus allow current budget levels to suffice.

VII.B.3. State Payroll: Reversions

Finally, a third budget issue concerns reversions of previous appropriations to the State Payroll department. Although the Executive budget retains approved funding for bringing the state's vo-tech and university units into the state

Ex. 3
2-12-91
Hon. Bob Saw

payroll system in the 1993 biennium, the LFA suggests that the Legislature may want to consider reverting all or part of that \$25,000 dollars to general fund. The LFA acknowledges, however, that Northern Montana College and Montana Tech may yet elect to join the state PPP system, and the State Auditor's Office budget preserves the funding intended for that purpose. The LFA also suggests that the Legislature should consider whether the State Auditor's Office should revert some or all of the funds remaining from a \$204,000 dollar general fund appropriation by the 1989 Legislature for conversion of the PPP system to an on-line system, since only 37 percent of that amount had been expended at the end of Fiscal Year 1990. The State Auditor's Office accrued the remaining \$129,557 dollars of that Fiscal Year 1990 appropriation, however, and in the first four months of Fiscal Year 1991 we charged \$22,273 dollars against the accrual for ISD charges. And although the PPP conversion has gone slower than expected, the State Auditor's Office projects that funds appropriated for that conversion will still be required. Moreover, the State Auditor's Office has signed contracts with ISD in the Department of Administration to provide for accrual of these special appropriations.

VIII. Conclusion

Let me conclude my remarks today by simply asking you to carefully consider each of our budget requests in light of the tremendous contribution which the State Auditor's Office makes to the State of Montana, its people, and its general fund. Previous legislatures recognized the importance of adequately

staffing and equipping the State Auditor's Office, and most of our budget requests simply ask you to continue what you started last session. The OBPP and LFA deserve our thanks for their hard work, but they also deserve your close scrutiny. I urge you to question whether they relied on appropriations when they should have relied on actual expenditures, or vice versa. And I urge you to ask me any questions or request any information that will help you in evaluating the various budget recommendations before you. Thank you for your attention.

RBH/amp(435)

Exhibit 4 consists of parts 4A, 4B, 4C, 4D, 4E.

4A:Funding change for Bad Debts Program

Replace current software on microcomputer Bad Debts System (resubmit)

Warrent System:

Contracted Services

Postage

Maintenance Contracts

Supplies and Materials

Equipment

4B:Securities Department Travel

Securities Department Equipment Needs

4C:Professional Staff Pay Increases

4D:Compliance Specialist II (Examinations)

NAIC Assessment

Office Equipment

4E:Office Wide Computer System Upgrade

Recap of State Auditor Status and Direction

General Office Remodeling

Adding an Information System Specialist -

Applications III (Grade 16)

Office Training and Education Program

31

MONTANA STATE AUDITOR'S OFFICE

1993 Biennium Budget

Modified Level Budget Request

Major Budget Issues

Revised January 1991

*Document
State Auditor
2/12/91*

EXHIBIT 4A

DATE 2-12-91

71 Min. Gov. Sub

Issue Title: Funding change for Bad Debts Program

1993 Biennium Budget Issues, July 1990

These items include modifications to approved budget issues, resubmission of existing issues and new issues that have surfaced between January and July 1990.

New - We have studied the possibility of establishing the Bad Debts Collection Division of the Fiscal control and Management Department as an internal service fund. The advantages of this proposal are to decrease general fund support, consolidate the collection process and provide a growth factor for collection of state debts. Our proposal is to retain a percentage of bad debts collected to support program operations. This percentage would come from collections and not be directly paid by the agencies using the service. By the time the State Auditor's Office receives these debts they are stale dated and considered uncollectible. This activity could begin in FY 1992 if all legal and structural criteria are met.

Current level projected funding for

Bad Debts Division

1992	\$85,969.00	3 F.T.E.	General Fund
1993	\$87,114.00	3 F.T.E.	General Fund

Proposed Funding Level of Program

1992	\$154,670.00	5 F.T.E.	Internal Service Fund
1993	\$141,570.00	5 F.T.E.	Internal Service Fund

NOTE: This issue is included in projected expenditure reports at the modified level. When the program is authorized as an internal service fund, then expansion to collect additional state debts must be considered. Proposed increase in spending authority \$68,701.00 in FY 1992 and \$54,456 in FY 1993.

DS/me(677.1)

BAD DEBTS PROPOSED BUDGET

	Estimated FY92	Estimated FY93	Estimated FY94
<u>Personal Services</u>			
1100 Salaries	98,000	98,000	98,000
1400 Benefits	23,700	23,700	23,700
TOTAL PERSONAL SERVICES	121,700	121,700	121,700
<u>Operating Expenses</u>			
2175 System Development/D of A	5,000	1,000	1,000
2187 Records Storage/D of A	40	40	40
2190 Printing	500	300	300
2194 SBAS OE&E	480	480	480
TOTAL CONTRACTED SERVICES	6,020	1,820	1,820
2212 Photo & Reproduction	500	500	500
2225 Books & Reference Material	300	300	300
2226 Fine Paper/Central Stores	200	200	200
2236 Office Supplies/Central Stores	800	800	800
2241 Office Supplies/Non-State	200	200	200
TOTAL SUPPLIES & MATERIAL	2,000	2,000	2,000
2304 Postage & Mailing	4,500	5,500	5,500
2309 Advertising	100	100	100
2370 Telephone Equipment/D of A	1,200	1,200	1,200
2385 Long Distance/D of A	2,300	2,300	2,300
2389 Telephone Directories	100	100	100
TOTAL COMMUNICATIONS	8,200	9,200	9,200
2404 In-state Motor Pool	150	150	150
2407 In-state Meals	50	50	50
2408 In-state Lodging	125	125	125
2410 In-state Meals - Overnight	75	75	75
2412 Out-of-state Comm. Trans.	2,200	0	0
2418 Out-of-state Lodging	1,000	0	0
2430 Out-of-state Meals/Overnight	50	0	0
TOTAL TRAVEL	4,100	400	400
2527 Rent/D of A	5,000	5,000	5,000
TOTAL RENT	5,000	5,000	5,000
2704 Office Equipment	100	100	100
2753 Maintenance Contracts	550	550	550
TOTAL MAINTENANCE & REPAIRS	650	650	650
2809 Education & Training	500	500	500
2891 Remodeling Costs	2,500	0	0
TOTAL OTHER EXPENSES	3,000	500	500
TOTAL OPERATING EXPENSES	28,970	19,570	19,750
<u>Equipment</u>			
3106 Multi-user Comp. & Term.	2,500	0	0
3112 Office Equipment	1,500	300	300
TOTAL EQUIPMENT	4,000	300	300
TOTAL ESTIMATED COSTS	154,670	141,570	141,570

Ex. 4A
2-12-91
Hon. Hort. Sw

REVENUE ESTIMATE

	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>
1. Base Year Collections	1,104,501	1,380,626	1,518,689
2. Coll. Agency Collections	(353,440)	(441,800)	(485,980)
3. Net Collections	<u>751,061</u>	<u>938,826</u>	<u>1,032,709</u>
4. Average Annual Increase	187,765	93,883	103,271
5. Total Net Collections	<u>938,826</u>	<u>1,032,709</u>	<u>1,135,980</u>
6. Service Fee	17%	14%	13%
7. Revenue Collected	<u>159,600</u>	<u>144,579</u>	<u>147,677</u>

Item 1) Base year FY92 collections revenue is based on estimated collections for FY90.

Item 2) Collection agency collections account for 32% of total base year collections. This figure includes commissions paid to the collection agencies. These collections will not be further reduced by the program's service fee since the collection agencies have already reduced the funds by either 33% or 50%.

Item 4) We have incorporated an annual increase of 10% based on a 10-year average (1980-90) increase in net collections. Please note, however, that we have instituted an additional 15% increase in FY92 due to a one-year adjustment for first year program expansion. This program expansion factor is built into the base figure for all years beyond FY91.

Item 6) The service fee will be a 17% charge on each dollar collected by the program in FY92. These fees will be used to operate the program. The percentage charge is based on projected budgeted expenses needed to operate the program. If excess revenue is generated from the service fee in FY92, the surplus will be carried over and used for FY93 operations. Beyond FY92 the service fee will be calculated according to budgeted collections and expenses, and adjusted for any surplus from the prior fiscal year. The 17% fee in FY92 is very reasonable considering that collection agencies normally charge either 33% or 50% for their services.

<u>Budget Adjustments</u>	<u>FY92</u>	<u>FY93</u>
Personal Services	\$44,848	\$44,888
Operations	19,853	9,268
Equipment	<u>4,000</u>	<u>300</u>
Proprietary Fund Increase	\$68,701	\$54,456

MONTANA STATE AUDITOR'S OFFICE

1993 Biennium

Modified Level Budget Request

Major Budget Issues

Resubmit 7/24/90
Revised January 1991

Issue Title: Replace current software on microcomputer
Bad Debts System (resubmit)

	FY92	FY93
Cost Estimate	\$4,250	0
FTE Increase (Decrease)	0	0
Funding Source(s)	Proprietary Fund (upon approval HB38 1991 session)	

Narrative Summary:

The Bad Debt Collection Section is a program created for the purpose of the centralization of all debts owing to the State of Montana such as: Child Support payments, Employment Security Division benefit overpayments, Defense Student Loan defaults from the University System, and welfare and food stamp fraud from the Department of Social and Rehabilitation Services. The Bad Debt Program provides a collection service for an estimated 75 million in debts owed to the State of Montana.

The current software that the Bad Debt Section uses to provide this service to state government and the university system has been discontinued by the manufacturer and is not supported by the State. At the time of implementation it was the only accounts receivable software package that could be adapted to this program.

The current software tracks and records debts referred for collection, payments received, offsets or out-going state payments that have been matched against a bad debt and the return of funds to state agencies and the university system. The software produces all reports such as: accounts receivable listing, alphabetical listing of all debtors and an agency

Ex. 4A
2-12-91
Gen. Govt. Sec.

listing. The system also provides a write-off report (listing of accounts that are not collectible and are being deleted from the database) that is sent to the State Legislature each biennium.

The system is at four times the capacity it was when put into production in 1984. The projected increase in bad debts if current trends continue could be three times as many records in 1994 as in 1990. Any problems with the software would mean that all processing would stop in the section.

The new system would be written with software supported by agency data processing personnel. All backup, program changes, and rewrites can be properly maintained and documented. The software currently in place cannot be accessed for needed management reports and with the increased collections, increase in receivables and increase in use by state agencies, there is a need for reports that show the users of the system the effectiveness of the bad debts system and the status of their accounts.

Projected costs:

250 hours program time @ \$17/hour = \$4,250

The proposal is submitted independent of the Bad Debt funding proposal due to the fact it was originally submitted as a general fund request. If proprietary funding is approved, this issue will be combined with the Bad Debt Funding Package as a proprietary fund request.

DS/dve(427)

Ex. 4A
2-12-91
Hon. Govt. Aud

MONTANA STATE AUDITOR'S OFFICE

1993 Biennium Budget

Modified Level Budget Request

Major Budget Issues

The following budget issues for the Fiscal Control and Management Department are combined for ease of review. These are all warrant writing system costs associated with processing and producing state warrants.

Warrant System	Contracted Services
Warrant System	Postage
Warrant System	Maintenance Contracts
Warrant System	Supplies and Materials

These costs are all based on the volume of state warrants and increase due to an increase in warrants produced. Detail on these budget issues is attached.

JDS/amp(703)
Attachment

Ex. 4A
2-12-91
Hon. Hort Suu

MONTANA STATE AUDITOR'S OFFICE

1993 Biennium Budget

Modified Level Budget Request

Major Budget Issues

Revised January 1991

Issue Title: Contracted Services State Auditor's Warrant
Writing System

	FY92	FY93
Cost Estimate*	45,507	47,549
FTE Increase (Decrease)	0	0
Funding Source(s)	General Fund	

Narrative Summary:

The State Auditor's Office, Fiscal Management and Control Division is responsible for the overall control and operation of warrant processing which involves all claims made on the State Treasury for the payment of state funds. The Division is also responsible for processing of the state payroll warrants, processing of the Department of Social and Rehabilitation Services Aid for Dependent Children, Medicaid, and database warrants, processing of the University of Montana payroll warrants, and processing of the Montana State University payroll warrants. In fiscal year 1990 the warrant system processed 1.5 million warrants worth 1.3 billion dollars.

The Fiscal Management and Control Division works closely with the Department of Administration's Accounting Division, Treasury Bureau and the Information Services Division to ensure the system's integrity and reliability.

The State Auditor's Office developed and implemented a new warrant writing system in July of 1989. In the 1989 legislative session, an estimation from the System Development Bureau, Department of Administration was used to base the cost of contracted services for this new warrant processing system. Contracted Services for the system include computer processing, data network services,

*This amount is over and above base level and approved budget issue amounts.

system development and support, and records storage and management. The majority of the services are provided by the Information Services Division, Department of Administration.

The estimate of contracted services for the warrant writing system was based on input from the Information Services Division as no historical data existed from the new system. The estimate for contracted services for the warrant writing system was \$119,125. During the development of the fiscal year 90-91 budget the contracted services estimate was reduced by the Office of Budget and Programming Analyst by \$21,638. During the hearing of the Appropriations and Finance and Claims Joint Subcommittee, 1989 Legislative Session, a motion was made and passed to again reduce the contracted services cost for the warrant writing system by \$27,500 leaving a total of \$69,987 for contracted services for the warrant writing system. The State Auditor testified in the hearing that the funding was not adequate and a supplemental would be necessary in fiscal year 90 and 91. Because of the lack of information to develop a reliable estimate, the reduction of the estimate by the analyst and the action of the committee a modified request is necessary for the 1993 Biennium.

The estimation for this modified request for fiscal year 92-93 is based on the actual running of the system for fiscal year 1990. Costs of the system are also influenced by the number of warrants processed. Attached is a listing of warrants processed from 1971 - 1989. (Attachment A)

In fiscal year 90 D of A support services Billing exceeded appropriation by \$77,923.84. A budget transfer from FY91 to 90 amounted to \$72,967.00. A budget supplement request for \$164,849.44 is being submitted for FY91.

	<u>Appropriation</u>	<u>D of A Changes</u>	<u>Dift.</u>
FY90	82,500	160,804.44*	(78,304.00)
FY91	82,500	(est) 169,045.00	(86,545.00)
FY92	124,493**	(est) 170,000.00	(45,507.00)
FY93	122,451**	(est) 170,000.00	(47,549.00)

**Figures include adjustment for 193,000 Biennium increase in appropriation for this activity previously approved by O.B.P.P. 96,500 per fiscal year.

*Required \$72,967.00 appropriation transfer from FY91. However, transfer was insufficient and an additional \$5,337.44 of FY91 approp. was used to pay FY90 ISD bill.

The Office of Budget and Program Planning has estimated ISD charges for this program at 124,493 and 122,451 for fiscal years 1992 and 1993 respectively. We do not feel that these severe reductions in costs will be realized. Due to this fact, we are requesting current level 1990 funding levels for contracted services.

DS/dve(421.1,2)

Ex. 4A

2-12-91

Gen. Govt. Div

Attachment A

Number of Warrants Processed

Year

1971	675,416
1972	667,232
1973	780,486
1974	879,064
1975	1,061,187
1976	1,131,989
1977	1,203,724
1978	1,243,400
1979	1,238,155
1980	1,510,252
1981	1,531,899
1982	1,512,314
1983	1,358,633
1984	1,408,638
1985	1,367,729
1986	1,398,094
1987	1,344,060
1988	1,422,905
1989	1,424,926
1990	1,535,794

DS/me (421.3)

MONTANA STATE AUDITOR'S OFFICE

1993 Biennium Budget

Modified Level Budget Request

Major Budget Issues

Revised January 1991

Ex 4A
2-12-91
Gen. Govt Sec

Issue Title: State Auditor's Office Warrant Writing System Postage

	FY92	FY93
Cost Estimate	* \$57,555	\$67,250
FTE Increase (Decrease)	0	0
Funding Source	General Fund	

Narrative Summary:

The State Auditor's Office, Fiscal Management and Control Department is responsible for the overall control and operation of warrant processing which involves all claims made on the State Treasury for the payment of state funds. In fiscal year 1990 the warrant system processed 1.5 million warrants worth 1.3 billion dollars.

The Fiscal Management and Control Division is responsible for distribution of all state warrants. Distribution of warrants is accomplished by using the U.S. Postal Service. The State Auditor's Office uses a zip sorting process that allows us to take advantage of a presort rate on warrants that meets established requirements.

In April of 1988 the Post Office increased the first class postal rate from 22¢ to 25¢ per piece and increased the presort rate from 18¢ to 21¢ per piece. After analyzing the number of warrants written in the first six months of fiscal year 1990, 5% was used to calculate the postage costs for fiscal year 92 and 93. The warrant system has two factors that should be considered. Any increase in the number of warrants written each year and any postal rate increase that may take affect. We do not have any control over these factors and have estimated the percentage. Part of the increase may be attributable to the following: the

*Additional amounts over base budget figures with inflation factors considered.

postal rate increase, an increase in the number of warrants written by all of state government (see attachment A) and absorbing the warrant writing previously done by the State Worker's Compensation Division.

These estimates would not take into consideration any future rate increases by the U.S. Post Office. The actual dollars expended in Fiscal Management and Control Department for postage in Fiscal Year 1990 was \$185,371.

	<u>Appropriation</u>	<u>Actual Warrant System Postage (est 91-92-93)</u>
FY90	142,396.00	185,371.04 (42,975)
FY91	*139,370.00 (13,000 Transfer)	235,705.00 (109,336)
FY92	167,244.00 Current OBPP	224,799.39 (57,555)
FY93	167,244.00 budget levels	234,494.53 (67,250)

Includes:

*13,000 Transfer from FY91 to FY90 not subtracted.
 Budget supplement request for FY91 is \$109,336
 $\$235,705 - 126,370 = 109,336$.

During the first six months of FY 1991, the warrant system had a 16% increase in warrants processed. The State Auditor's Office warrant system replaced the existing workmens' compensation warrant system for producing state fund payments. This office requested a supplemental appropriation of \$109,336 for FY 1991. A rate increase is projected for February 1991.

DS/dve(423)

MONTANA STATE AUDITOR'S OFFICE

1993 Biennium Budget

Modified Level Budget Request

Major Budget Issues

Revised January 1991

Ex. 4A
2-12-91
Hon. Govt. Sec.

Issue Title: Maintenance Cost Fiscal Control and Management

	FY92	FY93
Cost Estimate	\$5,790	\$6,490
FTE Increase (Decrease)	0	0
Funding Source(s)	General Fund	

Narrative Summary:

	FY92	FY93
Current funding for maintenance	13,133	13,133
Cost estimate	<u>17,123</u>	<u>17,823</u>
Additional maintenance Funding needed for FY92 - 93	3,990	4,690
New Equipment Maintenance	<u>1,800</u>	<u>1,800</u>
	5,790	6,490

This request is based on actual amounts of maintenance contracts for the warrant writing equipment.

DS/me(673.1)

ATTACHMENT A

<u>Equipment</u>	<u>FY92</u>	<u>FY93</u>
Unisys software	792.00	840.00
Unisys hardware	6,400.00	6,700.00
I.B.M. 4224 Printer	235.00	246.00
Microfilm Reader/Printer	500.00	525.00
Microfilm w/feeder & filmer	2,038.00	2,140.00
Simplex Time Machines	255.00	265.00
Moore Imprinter-detacher # 3610	1,874.00	1,948.00
Moore Speedisealer # 4610	1,613.00	1,677.00
I.B.M. Typewriters	216.00	225.00
P.B. Postage Machine	624.00	648.00
P.B. Mail Machine & Power Stacker	836.00	869.00
Personal Computers & Printers	<u>1,740.00</u>	<u>1,740.00</u>
Total Equipment Maintenance	17,123.00	17,823.00

DS/me(673.2)

Ex. 4A
2-12-91
Gen. Mgt. Div.

Issue Title: Maintenance Cost Fiscal Management and
Control Division

Narrative Summary:

The State Auditor's Office, Fiscal Management and Control Department is responsible for the overall control and operation of warrant processing which involves all claims made on the State Treasury for the payment of state funds. The Division is also responsible for processing of the state payroll warrants, processing of the Department of Social and Rehabilitation Services Aid for Dependent Children, Medicaid, and database warrants, processing of the University of Montana payroll warrants, and processing of the State University payroll warrants. In fiscal year 1990 the warrant system processed 1.5 million warrants worth 1.3 billion dollars.

In the 1987 legislative session one staff person was removed from the Fiscal Management and Control Department budget and in the 1989 legislative session two employees were removed from the budget. This reduction in personnel is related to the automation of the warrant writing system. The state warrant system is a critical application in state government and totally dependent upon the different types of equipment used to process warrants. It is absolutely necessary to have maintenance contracts on this equipment. Break down of equipment would completely stop all processing of state warrants. This request is based on actual amounts of maintenance contracts for warrant writing system equipment.

DS/me(673.3)

Ex. 4A

2-12-91

Gen. Govt. Sec.

MONTANA STATE AUDITOR'S OFFICE

1993 Biennium Budget

Modified Level Budget Request

Major Budget Issues

Revised December 1990

Issue Title: Supplies and Materials Cost Fiscal Control
and Management

	FY92	FY93
Cost Estimate	\$9,565	\$10,547
FTE Increase (Decrease)	0	0
Funding Source(s)	General Fund	

Narrative Summary:

	FY92	FY93
Current funding for supplies and materials	40,572	40,595
Cost estimate	<u>50,137</u>	<u>51,142</u>
Additional funding for supplies and materials needed for FY92 - 93	9,565	10,547

These costs increase with the increase in number of warrants processed. The State Auditor's Office requested a supplement of 9,200 to FY91 funding to allow for the rapid increase in warrant production. Supplies and materials are primarily warrant writing stock.

DS/me(674.1)

	<u>FY92</u>	<u>FY93</u>
Photo & Reproduction	840	857
Forms/non-state provider	41,820	42,656
Printing	3,060	3,124
Forms/central stores	31	32
Fine Paper/Central Stores	612	624
Office Supplies	<u>3,774</u>	<u>3,849</u>
Total Supplies	50,137	51,142

DS/me(674.2)

MONTANA STATE AUDITOR'S OFFICE

1993 Biennium Budget

Modified Level Budget Request

Major Budget Issues

Revised January 1991

Ex. 4A

2-12-91

Gen. Govt. Sec

Issue Title: Warrant Writing System Equipment
(resubmit).

	FY92	FY93
Cost Estimate	40,527	0
FTE Increase (Decrease)	0	0
Funding Source	General Fund	

Narrative Summary:

The State Auditor's Office, Fiscal Management and Control Department is responsible for the overall control and operation of warrant processing which involves all claims made on the State Treasury for the payment of state funds. The Division is also responsible for processing of the state payroll warrants, processing of the Department of Social and Rehabilitation Services Aid for Dependent Children, Medicaid, and database warrants, processing of the University of Montana payroll warrants, and processing of the Montana State University payroll warrants. In fiscal year 1990 the warrant system processed 1.5 million warrants worth 1.3 billion dollars.

In the 1987 legislative session one staff person was removed from the Fiscal Management and Control Department budget and in the 1989 legislative session two employees were removed from the budget. This reduction in personnel is related to the automation of the warrant writing system. During the 1989 legislative session partial funding for the replacement and addition of some pieces of equipment was accomplished. This request is the next step in replacing out dated equipment and updating the retrieval and archiving section of the state warrant writing system. The State warrant system is a critical application in state government and totally dependent upon the different types of equipment used to process warrants. It is important that maintenance and replacement of this equipment is done on a timely basis.

Replacement of the Moore 3610 Imprinter-Detacher

This piece of equipment was purchased in March of 1980 and has 770 stop and start running hours. It is used daily for processing warrants and has a high potential for breakdowns. New improvements have been made on the machine in the past 10 years which will improve efficiency in the mailroom. Replacement cost is \$ 16,471.

Replacement of 2 Simplex Time Recorders

Simplex Time Recorders are used in the State Auditor's Office to record the date and time on all incoming mail. This equipment is also used in the process for tracking 30 million dollars in checks that the State Auditor's Office receives on an annual basis.

Machine #1 is 27 years old. Machine #2 is 14 years old.

Cost per machine is $\$387 \times 2 = \$ 774$

Replacement of Pitney Bowes 6100 Postage Meter Machine

This machine was purchased in June of 1982. Vendor suggests replacement of a machine anywhere from 1,000,000 to 3,000,000 impressions. Major problems may develop after this many impressions. This machine has 4,397,449 impressions. Replacement cost is \$5,782.

Updating of warrant and register retrieval and archiving section.

The State Auditor's Office is responsible for microfilming cashed warrants and registers and maintaining this permanent record. These records date back to 1962. When requested the State Auditor's Office must be able to retrieve and produce copies of all cashed state warrants and cancelled warrants. Agencies and the public request copies of cashed warrants and rely on our ability to produce a clear copy of the microfilmed warrant. These copies are periodically used in legal proceedings.

Currently we are using a 3M Reader Printer that is over 10 years old. Due to the age and technology of the machine it is necessary to manually scan the microfilm for warrants. The 3M reader Printer uses dry silver paper and the copies are not sharp and clear. It is often difficult to obtain a good copy of an endorsement.

The proposed Kodak IMT-350 uses standard copy paper which produces sharp clear copies at a cost of 4¢ a copy compared to the dry silver paper that costs 13¢ a copy. Currently we are taking approximately 3,000 copies annually but with the new system we will increase this to 9,000 copies. This increase is related to the change in the cashed warrant system that utilizes the filmed

Ex. 4A
2-12-91
Hun. Govt. Sec.

warrants in place of the actual forms. The IMT-350 utilizes the indexing marks put on the film by the document processor to auto search the microfilm and automatically take copies. Up to 100 items can be keyed into memory for an automatic scan.

The proposed Kodak IMT-350 is the next step in automation using the technology made available by the Unisys S4000/20 Document Processor now used in the cashed warrant processing. Estimated cost \$17,500.

DS/dve(424)

Herbert

Location	Transportation & Airfare	Lodging	Meals	Total
1993 Travel:				
In State Travel:				
Enforcement staff	<u>\$1,000.00</u>	<u>\$240</u>	<u>\$185</u>	<u>\$1,425</u>
TOTAL	\$1,000.00	\$240	\$185	\$1,425

DS/me(535)

MONTANA STATE AUDITOR'S OFFICE

1993 Biennium Budget

Modified Level Budget Request

Major Budget Issues

Resubmitted 7/23/90

Ex. 4B

2-12-91

Gen. Govt. Sec.

Issue Title: Securities Department Equipment Needs

	FY92	FY93
Cost Estimate	\$4,300	-0-
FTE Increase (Decrease)	-0-	-0-
Funding Source(s)	General Fund	

Narrative Summary:

The Montana Securities Department requests the following equipment for the 92-93 biennium:

1. One portable personal size copier capable of making legal and letter size copies is needed by the investigators/examiners to use when they need to make copies while they are in the field investigating or examining offices.

2. Camera for use during investigations. There are times that the investigators need to document physical evidence related frequently related to offers or sales of real estate, precious metals, and other hard assets. Photographing the scene of alleged mining or oil and gas operations may provide evidence of the level of operations that are being conducted. Photographs of people or vehicles may be necessary to prove their presence at a location. When executing a search warrant with law enforcement authorities, photographs of the scene and evidence seized may be necessary.

3. A replacement for the document shredder that is used to destroy confidential criminal justice information. The old shredder is three years old and will not last until 1993. These confidential documents must be destroyed so that they do not accidentally get into the hands of unauthorized persons. If an office quality shredder were purchased rather than a personal quality shredder, the entire office could share the shredder and it would have a long expected lifetime. Now that insurance is also a criminal justice agency, the investigators will need to take the same precautions and shred their confidential documents.

4. The Securities Department will need additional filing cabinets to use for storage of documents.

Breakdown of Increase in Equipment Costs:

DESCRIPTION	COST
1. Portable personal copier	\$1,000
2. Camera	300
3. Document Shredder	1,800
4. Filing Cabinets	<u>1,200</u>
TOTAL	<u>\$4,300</u>

DS/vhe(537)

EXHIBIT 4c
DATE 2-12-91
J. Gen. Govt. Sub

MONTANA STATE AUDITOR'S OFFICE

1993 Biennium Budget

Modified Level Budget Request

Major Budget Issues

Revised 7/20/90
Resubmit 7/23/90

Issue Title: Professional Staff Pay Increases

	FY92	FY93
Cost Estimate	-0-	-0-
FTE Increase (Decrease)	\$47,361.00	\$48,461.00
Funding Source(s)	General Fund	

Narrative Summary:

The State Auditor selects a personal staff to conduct the executive and administrative duties of the Departments within the office. These positions are exempt from the state pay classifications.

Executive Staff State Auditor's Office:

Executive Assistant	\$32,250.00
Executive Secretary	\$22,585.00
Chief Legal Counsel	\$30,102.00
Director, Fiscal Control and Management	\$29,967.00
Director, State Payroll System	\$30,418.00
Deputy Insurance Commissioner	\$30,002.00
Deputy Securities Commissioner	\$30,002.00
Deputy State Auditor	\$34,000.00

Amounts shown are the annual salaries budgeted for the fiscal year 1990.

Executive staff salaries for the State Auditor's Office have historically been held below levels of other state agencies for appointed and classified executive. A comparison of salaries for state and regional administrative employees done in 1989 - 1990. This data is provided in Attachment A. According to this document executive staff of the State Auditor's Office is paid at a rate substantially lower than other executive and elected state offices.

Salary Comparison Summary Executive / Administrative Staff
(Summary of Attachment A)

	State Auditor's Office	Region	Elected Officials	General State Government
Average	\$29,915.00	\$37,590.00	\$38,789.00	\$39,335.00

At this time, there are professional staff members including those that are under the classified pay plan at higher annual salaries than executive staff. It is also assumed that classified state employees will continue to receive cost of living increases in FY1991 and the 93 biennium. This will result in a 7.5% increase in classified employee salary increase at the current rate through fiscal year 1993. The average salary of \$30,340 (excluding executive secretary) for executive staff is comparable to a regular professional classified employee of grade 17 step 5 in the state pay system.

There are also professional positions in the State Auditor's Office that are selected by the State Auditor and exempt from pay plan classification.

These are:

Asst. Administrator - Fiscal Control	\$19,866.00
Staff Attorney	\$22,801.00
Staff Attorney	\$22,100.00
Staff Attorney	\$22,801.00
Chief Examiner, Insurance	\$36,048.00
Bureau Chief, Ins. Policyholder Service	\$25,449.00

Salary amounts are based on FY1990 P/P/P reports.

The State Auditor's Office is requesting a 7.5% base salary increase for all executive and professional pay plan exempt employees for the 1993 Biennium. We feel this is a reasonable request based on salary comparisons and cost of living factors.

The State Auditor's Office has problems with recruitment and retention of executive and professional employees. Without a pay increase and a competitive salary base this concern could lead to a decrease in public services.

Turnover in professional executive staff for the last five years has averaged in excess of 30%. Recruitment and retention problems will continue if competitive salaries are not available.

DS/vhe(528)

Ex 4C
2-12-91
Gen. Mont. Aud.
2/04/91

PROFESSIONAL STAFF PAY INCREASES

ADDENDUM TO BUDGET ISSUE

State Auditor's Office Professional/Administrative Salary Increase. This information is a revision of the original budget issue. Figures have been updated and a year of data has been reviewed.

The original budget issue was submitted in January of 1990. At that time, the following comparison was made:

Salary Comparison Executive/Administrative Staff (1/90)

	<u>State Auditor's Office</u>	<u>Region</u>	<u>Elected Officials</u>	<u>Gen. State Government</u>
Average	\$29,915	\$37,590	\$38,789	\$39,600

This data was gathered from several sources and general comparisons of similar positions were made. This data was updated and tracked for calendar year 1990. A comparison was done in January 1991 and the following is a summary of the revision. Full detail of these figures is attached.

Salary Comparison Executive/Administrative Staff (1/91)

	<u>State Auditor's Office</u>	<u>Region</u>	<u>Elected Officials</u>	<u>Gen. State Government</u>
Average	\$31,069	\$43,627	\$41,118	\$41,508

These figures show that the State Auditor's Office has continued to fall behind, regional, elected official, and general state government average salary for personnel with similar duties. The State Auditor's efforts to make salaries competitive, retain staff of higher qualified individuals has reduced the turnover rate from 30% over the last five years to a relatively stable situation this year. It is apparent that State Auditor's salaries remain at levels below their peers inside and outside the state of Montana.

Statistical Tables:

Table I is a comparison of 31 state positions from 18 state agencies for 1990 and 1991. These are the same positions used for the original comparisons done in January, 1990. This comparison includes 7 pay plan exempt positions. Please note the following:

- Salaries in Table I increased by 5% during the year
- Exempt personnel received pay increase of \$18,586 in this sample for an average of \$2,655.00 per employee
- Average salary increase for the sample was \$1,908.00 per employee per year. Also, there were 4 grade increases in the sample for the year.

Table II reflects the exempt pay plan average salaries of employees determined to administrators and managers in FY 91. For agencies with at least 2 exempt positions, elected officials' salaries not included.

Summary:

Both Table I and Table II reflect that Administrative Professional Staff of the State Auditor's Office are compensated at a level of \$10,000.00 per year on average lower than regional, elected officials, and general state employees with similar duties.

The current budget issue as submitted would raise the average pay for State Auditor's Office Administrators and Managers to an average of \$33,668 with a range of \$21,500 to \$39,335 as of July 1, 1991.

Funding Request	<u>92</u>	<u>93</u>
Personal Services	\$47,361.00	\$48,461.00

This budget issue includes a pay increase of 7.5% projected for July 1, 1991. This percentage will be decreased by any increase in pay from an approved state Employee Pay Plan. It is hoped that the pay plan will allow office salaries to attain a semi-competitive level by the end of the 1993 Biennium.

Ex. 4C
2-12-91
Gen. Govt Sec

TABLE I

	<u>Agency</u>	<u>1990 Salary</u>	<u>1991 Salary</u>	<u>Increase</u>
1.	Legislative Council (E)	\$ 44,579	\$ 50,091	\$ 5,512
2.	Judiciary (E)	39,171	45,691	6,520
3.	Secretary of State (E)	34,501	36,060	559
4.	Superintendent of Public Instruction (E)	49,932	51,180	1,248
5.	Superintendent of Public Instruction (E)	41,001	43,524	2,523
6.	Department of Justice (E)	44,579	45,691	1,112
7.	Department of Justice (E)	44,579	45,691	1,112
8.	DFWP	39,763	40,758	995
9.	DFWP	39,763	40,758	995
10.	DFWP	39,763	40,758	995
11.	DFWP	38,954	39,930	976
12.	Department of Health	44,292	45,398	1,106
13.	Highways (20-6)	39,984	(22-5) 47,934	7,950
14.	Highways	36,265	37,172	907
15.	State Lands (18-12)	37,966	(19-12) 42,461	4,495
16.	State Lands (18-12)	37,966	(19-12) 42,461	4,495
17.	Department of Livestock	35,695	36,587	892
18.	DNRC	35,695	36,587	892
19.	Department of Revenue	47,393	48,578	1,185
20.	Department of Revenue	41,425	42,461	1,036
21.	Department of Revenue	37,966	38,915	949
22.	Dept. of Administration	42,517	43,580	1,063
23.	Dept. of Administration	41,425	42,461	1,036
24.	Dept. of Administration (18-8)	34,967	(19-8) 39,119	4,152
25.	Dept. of Administration	36,265	37,172	907
26.	Dept. of Administration	33,409	34,243	834
27.	Dept. of Agriculture	32,057	32,858	801
28.	Dept. of Institutions	37,195	38,124	929
29.	Dept. of Commerce	35,695	36,587	892
30.	Labor & Industry	41,425	42,461	1,036
31.	S.R.S.	41,425	42,461	1,036
		<u>\$ 1,227,612</u>	<u>\$ 1,286,752</u>	<u>\$ 59,140</u>
	Average Salary	\$ 39,600	\$ 41,508	

\$59,140 - 31 = \$1,908 per employee

Exempt positions (E) increase \$18,586, Average \$2,655

Average Salary for exempt employees in sample \$42,275.00 annually.

TABLE II

Exempt (Pay Plan) Salaries for Administrators and Managers in
FY 1991.

<u>Agency</u>	<u># Listed</u>	<u>Avg. Salary</u>	<u>Total Salaries</u>
Legislative Council	8	\$ 35,094	\$ 280,753
Governor's Office	12	38,425	461,104
Secretary of State	2	34,560	69,120
State Auditor	11	30,532	335,861
Superintendent of Public Instruction	7	45,348	317,436
Vo-Tech Centers	26	39,463	1,026,033
Dept. of Justice	10	46,140	461,396
State Work Comp	<u>12</u>	<u>43,625</u>	<u>523,500</u>
	88	\$ 39,490	\$ 3,475,203

The State Auditor's Office averages pay levels that are
\$8,000.00 - \$10,000.00 below the average for exempt employees
statewide.

DS/dfe(528)

SALARY ANALYSIS STATE AUDITOR'S EXECUTIVE STAFF
Page 2

	Current Salary	Other State Salary Comparisons			Average Other States	Other Montana Elected Officials				Other Comparable Montana State Government Positions
		ID	WY	ND		Gov.	Attorney General	Supt. of Public Inst.	Sec. of State	
Chief Legal Counsel	32,398	45,400	38,064	39,000	40,821	44,125	45,691	42,024	34,060	45,398 - Chief Counsel Highways 32,360 - Chief Counsel State Lands Department 34,738 - Legal Services Fish, Wildlife & Parks <u>37,498 - AVERAGE</u>
Executive Assistant	30,000	31,000	41,136 to 55,760	32,928		51,482	28,001	27,213	N/A	N/A
Administrator Fiscal Management	32,252	34,000	32,904 to 32,088	32,928		44,768	45,691	43,524	35,060	CA Administrator 44,768 - Asst. Director OBPP
Administrator State Payroll	32,737	45,000	51,372	33,336		44,768	45,691	443,524	35,060	CA Administrator - Typical State Agency
					43,627					

N/A = Not applicable

Salary information obtained from the following sources:

National Association of Professional Insurance Agents Study of State Insurance Department Operations.
North American Association of Securities Administrators and individual State Securities Department.
Wyoming Personnel Division
North Dakota Central Personnel Division
Idaho Personnel Commission
Montana State Payroll Division

EXHIBIT 4DATE 2-12-91Mr. Govt. Sec.

MONTANA STATE AUDITOR'S OFFICE

1993 Biennium Budget

Modified Level Budget Request

Major Budget Issues

Revised December 1990

Issue Title: Compliance Specialist II (Examinations)

	FY92	FY93
Cost Estimate	\$30,263.00	\$28,211.00
FTE Increase (Decrease)	1.00	0
Funding Source(s)	General Fund	

Narrative Summary:

General Description: This position will review Medicare Supplement insurance policy filings to determine adherence to federal and state standards, write reports and publications as required by law, and counsel the elderly in Montana about the benefits, costs and other aspects of Medicare Supplement insurance.

Justification: In December of 1989, Congress passed a bill entitled The Repeal of the Medicare Catastrophic Coverage Act of 1989. The effects were: 1) change mandated coverages in Medicare Supplement policies; and 2) the states must develop a regulatory program that meets the federal standards to receive certification of compliance from the federal government or federal law will preempt state law. Consequently, Montana must develop a regulatory program to obtain certification and insurers must file new policies with Montana. This position enables Montana to meet standards and review forms for compliance. Over 100 companies sell Medicare Supplement policies in Montana, many offer more than one policy.

This position will counsel elderly about the costs, benefits and other aspects of Medicare Supplement insurance. The department estimates that over 40,000 Montanans own individual Medicare Supplement policies and that they pay an annual premium in excess of \$30,000,000.00. A larger number are certificate holders of master policies domiciled in other states. The total amount of premiums paid by Montanans for master policies is estimated at over \$30,000,000.00 annually. The total premiums paid by Montanans for Medicare Supplement insurance exceeds \$60,000,000.00 annually.

The elderly are the fastest growing segment of our population. Health care costs are spiralling upward. The elderly have the greatest need of health care services. Budget deficits at state and federal levels make the prospect of significant increases in government paid health care unlikely. The importance of Medicare Supplement insurance will grow.

Medicare supplement insurance is beyond the understanding of most citizens, including the elderly. The health care system and its environment is large, complex and changing rapidly. Insurance coverage is therefore difficult to understand and costly.

Elderly citizens are occasionally victims of producers. Producers "charm" some elderly by selling them multiple policies (stacking) or frequently changing policies (rolling). Policyholder Services has handled 364 cases of complaints about Medicare Supplement insurance since June 1, 1987. The department publishes annually a buyer's guide to Medicare Supplement insurance. About 4,000 copies are distributed each year.

Concern about marketing abuses and wise buying decisions are high and likely to escalate. This position will provide counselling to enable the elderly to purchase insurance effectively.

Most states in our region have dedicated at least one professional person to these tasks.

COST BREAKDOWN

<u>COST</u>	FY92	FY93
Salary & Benefits	\$24,018.00	23,963.00
Supplies	345.00	1,248.00
Communications	1,200.00	1,000.00
Equipment	2,200.00	500.00
Travel	<u>1,500.00</u>	<u>\$ 1,500.00</u>
Total	<u>\$30,263.00</u>	<u>\$28,211.00</u>

Funding: General Fund

This is a continuation of the FTE authorized by HB 535, during the 1989 legislative session.

DS/me(676)

Ex. 40
2-12-91
Hon. Govt Sub

MONTANA STATE AUDITOR'S OFFICE

1993 Biennium Budget

Modified Level Budget Request

Major Budget Issues

Revised January 1991

Issue Title: NAIC Assessment

	FY92	FY93
Cost Estimate	\$2,000.00	\$3,000.00
FTE Increase (Decrease)	-0-	-0-
Funding Source(s)	General Fund	

Narrative Summary:

The National Association of Insurance Commissioners (NAIC), is an organization of State Insurance Commissioners which assist commissioners to: maintain and improve state regulation of insurance in a responsive and efficient manner; achieve reliability of the insurance institution as to financial solidarity and to guarantee against insolvency of insurers; achieve fair, just and equitable treatment of policyholders and claimants; and to promote uniformity and continuity in state regulation.

The benefit that Montana derives from membership in the NAIC includes, but is not limited to: identification of trends in the insurance industry; identification of areas of concern for regulators; technical advice about legislation and rules; cooperation from other members in enforcement laws; ideas about how to deal with problems; sharing of information; and shared resources when conducting examinations.

The Montana Insurance Department is active in the NAIC. The Commissioner is on the Executive Board and Secretary of the Western Zone of the NAIC. As such, the State Auditor helps to fashion the policies of the NAIC. Montana serves on several committees that cover the broad spectrum of insurance regulation including market conduct which reviews and makes recommendations about the market behavior of insurers and producers as their behavior directly affects individual consumers; financial condition which monitors and considers the financial solvency of insurers; accounting practices which develops the procedures to monitor the financial solvency of insurers; examination oversight

which develops solutions to problems of financial solvency; and Medicare Supplement which facilitates public understanding of limited benefits health insurance plans.

The annual dues belong to the NAIC currently is at \$2,134.00. In FY 91 the proposed amount is \$3,000.00, FY 92 \$4,000.00 and FY 93 \$5,000.00

NOTE: This request was designed to augment the existing budget to meet the projected increase in cost for this individual item. The existing budget has approximately \$2,000.00 in the base.

DS/me(536)

Ex. 4 D
2-12-91
Hon. Govt. Sec.

MONTANA STATE AUDITOR'S OFFICE

1993 Biennium Budget

Modified Level Budget Request

Major Budget Issues

Revised 7/23/90
Resubmit 7/24/90

Issue Title: Office Equipment

	FY92	FY93
Cost Estimate	\$5,420.00	\$1,495.00
FTE Increase (Decrease)	-0-	-0-
Funding Source(s)	General Fund	

Narrative Summary:

Most of the chairs used by employees and visitors of the insurance department are old and of poor design, in various states of disrepair, unsightly and discarded from other state agencies.

Some employees have mentioned experiencing discomfort associated with the use of chairs that do not fit their persons or are at static heights inappropriate to desk heights. Effects can include decreased productivity, low moral and workmens' compensation claims for neck and back strain.

Visitors chairs are needed to positively represent the office to the public. The insurance department acts as a court of first resort to those who allege illegal treatment at the hands of the insurance industry. Personnel of the department frequently receive visitors at their desks on an appointment or drop in basis. A responsibility of the department is to act in a cordial and respectful manner to the public. The visitor chairs the department has not create the opposite impression. New visitor chairs will also reinforce upon personnel the importance of visitors and their problems.

The Department needs eleven desk chairs. The cost of each chair is \$250.00. The department needs twelve visitor chairs at a cost of \$125.00 each. The total requested for new chairs is \$4,245.00.

Approximately 1,200 square feet of carpeting needs to be replaced. The carpet is tearing along seams and, where laid over backing, stretching. The carpet is unsightly and dangerous to employees and visitors. The General Services Administration reported that restretching the carpet will be futile as the carpet will stretch again. The General Services Administration estimates that new carpet can be installed at a cost of \$9.00 per square yard for a total cost of \$2,670.00.

COST BREAKDOWN

<u>ITEM</u>	<u>FY 92</u>	<u>FY 93</u>
desk chairs	\$2,750.00	-0-
visitor chairs		\$1,495.00
carpet	2,670.00	-0-
	<u>\$5,420.00</u>	<u>\$1,495.00</u>

DS/me(538)

Revised December 1990

- 1 -

Advantage 1

The first advantage, cost, is shown best by comparing the annual cost of maintaining the Wang system over the cost of maintaining the PC Network system over a five (5) year period. These comparisons are shown on the next page.

It is the higher cost of the annual expense of maintaining the Wang system that makes it more cost effective to switch to a PC Network environment even without upgrading the Wang system regardless of the fact that an upgrade would be necessary if this office stayed with the Wang system.

These costs are itemized below:

	<u>Wang</u>	<u>PC Network</u>
Hardware/Software		
Maintenance Costs	\$ 11,500	\$ 33,000
Downtime	12,000	-0-1
Backup Time	1,000	-0-2
Crisis Management Time	3,500	-0-3
Computer Response Time	<u>7,200</u>	<u>-0-4</u>
	\$36,600	\$33,000 ⁵

Advantage 2

As part of an executive request, all state agencies in coordination with the Information Services Division (ISD), are in the process of implementing a state wide network that is compatible across all state agencies' computer systems to facilitate better computer communication between state agencies. The expansion of our PC Network system to replace the Wang system is in line with this state wide plan.

- 1 Because of technological advantages and the use of an Uninterruptible Power supply, downtime on the PC Network is virtually eliminated.
- 2 Because of backups can be performed unattended, no personnel are required to remain on site to perform backup tasks.
- 3 Due to the overload of the Wang system, there arise problems that need to be attended to that time away from normal day to day tasks of an FTE.
- 4 The PC's response time is primarily instantaneous, eliminating time wasted waiting on the computer to respond to requests.
- 5 This amount would be paid to ISD and would stay within state government. (Based on \$50 fee per PC per month [\$50 x 12 months x 55 PC's]). This figure may actually be less, depending on specific arrangements between the State Auditor's office and ISD.

Ex. 4 E
2-12-91
Gen. Mat Sec

Cost Break Down

	<u>FY 92</u>	<u>FY93</u>	<u>Total</u>
Hardware:	61,800	\$20,000	\$81,800
Software:	8,450	1,670	10,120
ISD Billing:	26,180	29,900	56,080
Training:	<u>1,500</u>	<u>500</u>	<u>2,000</u>
TOTAL	97,930	52,070	150,000

Cost Per Program

Administrative	\$ -0-	\$ 4,611	\$ 4,611
Executive	-0-	7,459	7,459
WP	-0-	40,000	40,000
Fiscal	15,066	-0-	15,066
Insurance	<u>82,864</u>	<u>-0-</u>	<u>82,864</u>
TOTAL	\$97,930	\$52,070	\$150,000

ISD Billing Charges

FY 92

	<u># of PC's</u>	<u>Sub Rate</u>	<u>Install</u>	<u>Total</u>
New	26	12,480	6,500	18,980
Existing	15	7,200	-0-	<u>7,200</u>

TOTAL FOR FY 92 --

26,180

FY93

	<u># of PC's</u>	<u>Sub Rate</u>	<u>Install</u>	<u>Total</u>
New	14	6,720	3,500	10,220
Existing	41	19,680	-0-	<u>19,680</u>

TOTAL FOR FY 93 --

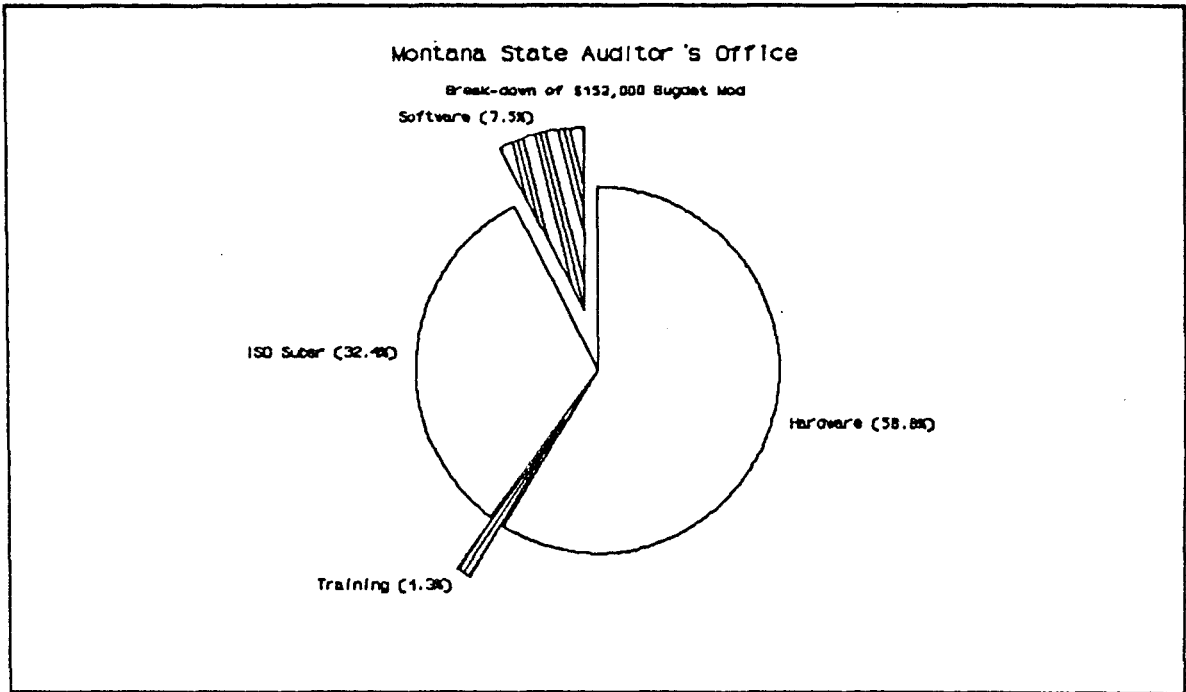
29,900

TOTAL FOR BIENNIUM

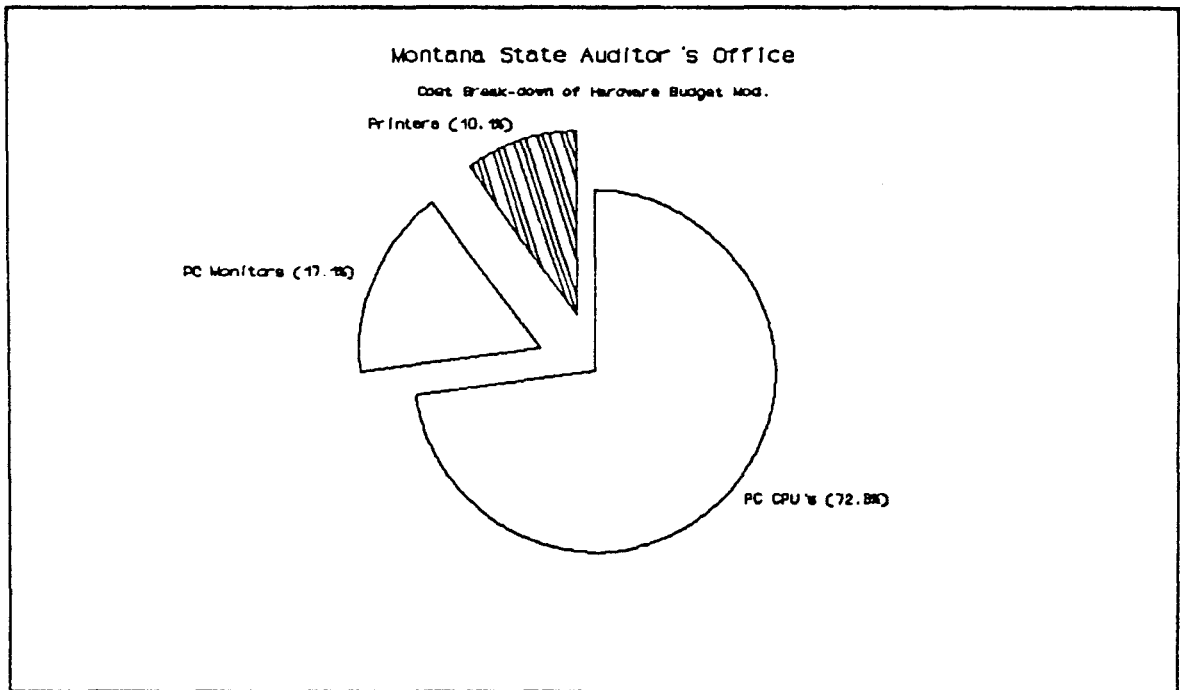
\$56,080

*NOTE: The original 15 PC's were supported by ISD at a reduced rate of \$10 per PC per month. That rate was effective only for the current Biennium and as a result, ISD billing charges need to be calculated for the existing PC's as well.

The *\$162,480 (over the biennium) breaks down into four areas. These are Hardware, Software, ISD Subscription charges, and Training. Note the following chart.



The Hardware (*\$93,000 of the *\$162,480 above) section above breaks down as follows:

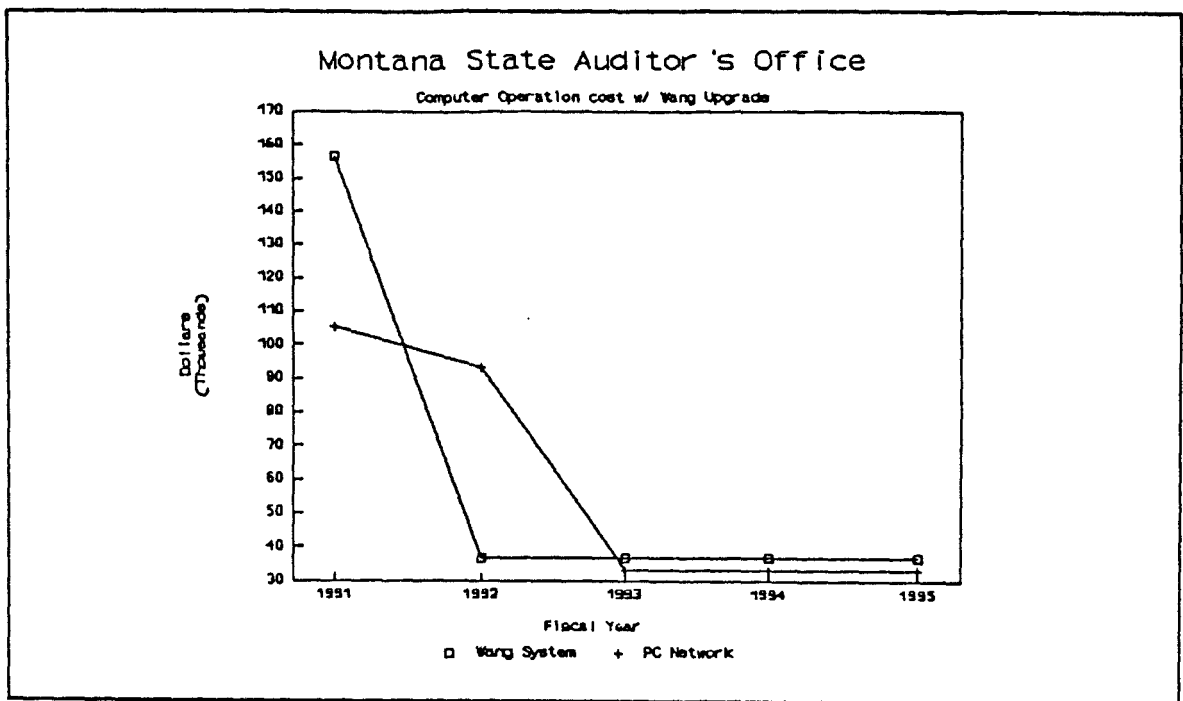


*Adjusted per O.B.P.P.

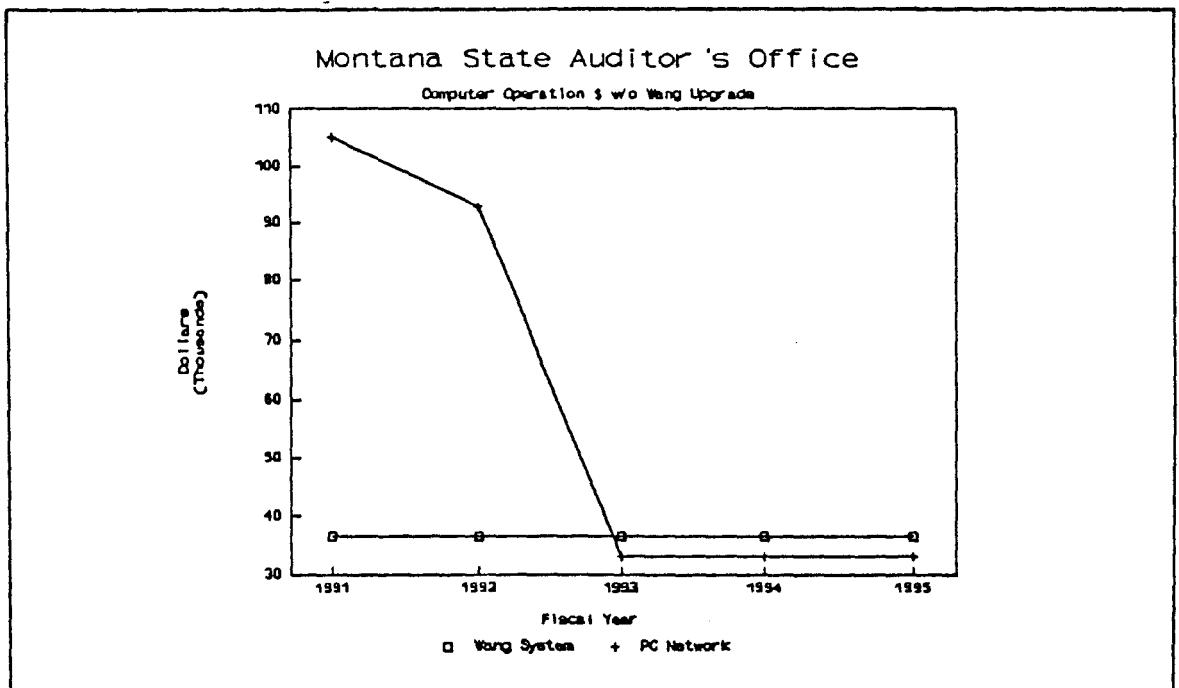
DS/me(678.4)

Ex. 4E
2-12-91
Hon. Mont. Sen.

The following computer operating cost comparison shows the difference in cost of upgrading the State Auditor's office Wang computer system versus converting to a PC Network system.



As is shown, it costs far less to change to a PC Network system than to upgrade the existing Wang system. In the event that the Wang system is not upgraded, the costs are still less (over a five year period) if the SAO's office changes to a PC Network environment as is shown in the following comparison.



Advantage 3

Training of employees on software used on the PC Network can be accomplished by utilizing the training made available by ISD at a much lower cost than that available from Wang. In order to train an employee on Wang software, it requires sending that employee to Seattle for 3 to 5 days (depending on the software) at the cost of \$500.00 to \$1,500 (just for tuition) to receive such training. Comparable training on the PC Network software can be received from ISD at a cost of \$50 to \$100.

Advantage 4

The Wan Corporation has shown hundred million dollar losses reported for their last fiscal year which demonstrates its financial instability. The State Auditor's Office would like to be off the Wang system before Wang goes out of business should that circumstance take place.

NOTE: The P/P/P Coordinator for the payroll system has determined that software support for the current Wang system is virtually nonexistent. The Speed II system is supported by one individual contact in the Western U.S. and software programs for Insurance and Securities programs are written in non-standard, obsolete and abstract methods.

This office needs to convert to a standard, compatible network system as a whole. The extra efforts and costs associated with a partial conversation are outweighed with trying to troubleshoot, maintain and train for two separate and distinct systems. A focused detailed effort can be used if funding for a total conversion is available.

DEPARTMENT OF ADMINISTRATION
INFORMATION SERVICES DIVISION

EX. 4E
2-12-91
Glen Gut



STAN STEPHENS, GOVERNOR

ROOM 221, MITCHELL BUILDING

STATE OF MONTANA

(406) 444-2700

HELENA, MONTANA 59620

TO: Dennis Sheehy, Administrator
Central Administration Division
State Auditor's Office

FROM: Sharon Banstrom, Manager
Computing Policy & Development Unit

DATE: January 29, 1991

SUBJECT: RECAP OF STATE AUDITOR STATUS AND DIRECTION

I would like to briefly cover some of the discussion we had December 13 and today concerning your Wang and PC LAN data processing directions. The following points were made:

- The State Auditor has used the budgeted money to begin a microcomputer LAN as a basis from which to migrate off the Wang system. Significant work is being done on the LAN. Problems with the Wang (both hardware and software support) have gotten much worse and regular downtime is extremely problematic and costly for the State Auditor's Office.
- The PC LAN direction is consistent with State standards, using State Term Contract hardware and supported software (Novell, Attachmate, Word Perfect and Lotus). The LAN implementation was provided using the ISD Office Automation subscription for the discounted support rate of \$10/month/workstation. Approximately 15 workstations are installed, all part of the Mitchell Building LAN network environment.
- The Wang has not yet been sold to finance additional microcomputers. To date, the Auditor's Office has not found another agency interested in the whole system. In addition, the office still has heavy dependency on applications that still run on the WANG.
- The Securities application has not been completely converted from the Wang. Initially, staffing resources were a problem. Later, when staffing problems were resolved, compatibility problems between the WANG and PC software and data organization required a complete review and reassessment of the conversion approach. Because of the potential for serious data integrity problems and the cost and time involved to accomplish a questionable conversion, a new plan was developed.

Dennis Sheehy
January 29, 1991
Page 2

- The Auditor's Office is asking the Legislature to provide funding for the additional workstations and the programming and support required to move all existing applications off the Wang into the LAN environment, building a more compatible and dependable long term environment.
- You are concerned that the State supported microcomputer databases do not adequately meet the requirements of the applications you plan to develop on the PC LAN. We do agree that, given the history of data processing staff turnover in both the State Auditor's Office and State government, it will be very important to select a commercial database package that would allow ISD or other local programming staff to assume maintenance of the applications.

We understand and support the Auditor's office in all of the above-mentioned activities. We understand your concern regarding the selection of a database for your LAN and your desire to not repeat your experience with SPEED II on the Wang. ISD will continue to work with your staff to insure that the product selected for use are in line with ISD direction.

If you have any concerns with our interpretation of the meeting, please let me know. Thank you for your help. We look forward to continuing to work closely with you as you move forward solving your data processing needs.

cc: Dave Marshall
Mike Trevor
Jeff Brandt

Ex. 4E
2-12-91
Hon. Govt. Sec.

MONTANA STATE AUDITOR'S OFFICE

1993 Biennium Budget

Modified Level Budget Request

Major Budget Issues

Approved for 15,000.00

Resubmitted 7/24/90

Issue Title: General Office Remodeling

	FY92	FY93
Cost Estimate	25,000.00	-0-
FTE Increase (Decrease)		-0- -0-
Funding Source(s)	General Fund	

Narrative Summary:

During the 1991 Biennium, the State Auditor's Office will add eight positions to existing staff. This includes transfer of the bad debts program from the Department of Revenue (3 people) and an increase in Insurance Department staff (5 people).

Requests have been submitted to the Department of Administration, General Services Division to secure more employee workspace on the second floor of the Mitchell Building. According to General Services there is no additional space available in the Mitchell Building.

The only alternative we have it to maximize the use of existing workspace. A plan has been developed to use all possible space and provide for efficient workload flow. The plan that has been developed includes:

A. Using existing hallway, elevator shaft and staff break room for a central filing area. Six Lektrievers and one hundred filing cabinets will be relocated from potential employee work areas to this central area.

B. Divide existing insurance employee offices (2080 square feet, 17 people including files) into offices for 22 people (94 square feet per worker).

C. Installing semi-permanent partitions in professional insurance staff working areas that are larger than 10' x 12'. Install movable partitions in work areas for support and technical staff.

D. Move legal staff to current Central Administration area and Central Administration to file and legal area to get maximum floorspace use.

E. Install emergency escape door in hallway that will have restricted access.

The Auditor's Office will continue to have workspace problems until a solution can be found. The proposed changes are designed to allocate all possible floor space to work space.

The floor plan for these changes was submitted to General Services for a cost proposal. We estimate the cost of this project at \$25,000.00 including:

\$2,000.00	Install door in hallway, floor in elevator shaft and remove wall in break room.
\$13,000.00	Move 6 lektrievers and all file cabinets to central file area. (Lektrievers must be dismantled to be moved, cost \$2,000.00 each.)
\$3,000.00	Install semi-permanent partitions without doors (112 feet).
\$5,500.00	Install movable partitions in open areas to divide workspace into private areas for workers that deal with public and private business concerns (160 feet).
\$1,000.00	Removal of partitions in existing Central Administration and file storage areas to convert into office space.
\$500.00	Installation of wiring, phone jacks, computer hookups, and plumbing to augment relocation.

Cost figures are rough estimates as of 1-18-90.

This project is very important to the operation of the State Auditor's Office. A lack of funding to update office areas has resulted in failure to fill essential vacant positions because of a lack of available workspace.

DS/vhe(530)

Ex. 4E
2-12-91
Min. Govt. Sec.

MONTANA STATE AUDITOR'S OFFICE

1993 Biennium Budget

Modified Level Budget Request

Major Budget Issues

Revised January 1991

Issue Title: Adding an Information System Specialist - Applications
III (Grade 16)

	FY92	FY93
Cost Estimate	\$33,730.00	\$33,270.00
FTE Increase (Decrease)	1	1
Funding Source(s)	General Fund	

Narrative Summary:

The State Auditor's Office computer system, at its beginning, could effectively be managed by the P/P/P Coordinator. Since this system was implemented, it has grown to a point where it needs to be managed by a full time employee. This is evidenced by the fact that too much of the P/P/P Coordinator's time has been spent on the State Auditor's Office computer system and not enough time supporting the P/P/P system (as so identified in the most recent legislative audit of the P/P/P system).

This office's proposal is to add an additional position to handle the majority of the programming necessary to manage the office-wide computer system. Having the additional support would eliminate the need for high cost maintenance contracts. Most technical work could be conducted in-house, and repair work that is beyond the scope of the in-house employee's knowledge would be accomplished on a time and materials basis.

Programmed applications would be performed in-house, reducing the need for contracting outside the agency. This is particularly important with the sensitive information the State Auditor's Office deals with (i.e., payroll, warrant, securities and insurance investigations and bad debts).

Programming requests currently are taking 6 to 12 months before they are begun due to the work overload on the P/P/P Coordinator.

A recent review of our systems indicated that a complete rewrite of software for Insurance, Securities, and Bad Debts is imperative. Without a transfer of existing data and recording of new data in a standard system we run the risk of losing irreplaceable information. Existing systems are overloaded and antiquated and system support must be available.

The warrant writing and state payroll systems have recently been upgraded and extensively automated. To protect and maintain these systems, in house expertise is necessary. This office pays for system support and development on a monthly basis. These costs paid to outside agencies average \$39,000 per month. An in house specialist could eliminate much of the cost associated with constant needs for technical support and system enhancements. In the past, operational programs for the office computer systems were designed by different individuals for specific applications. This has resulted in automated programs that stand alone and do not cross over with other office or state systems. We propose to develop a standard, mapped and defined system for all office applications. This will eliminate the repetition of data entries as many as five times in systems that do not share information.

The addition of an Information System Specialist will be more than offset by cost savings, efficiency, security and longevity of systems.

Proposed Budget

Personal Services	\$32,557	\$32,482
Supplies	500	488
Communications (2301)	400	300
Equipment (3113)	273	0
	<u>\$33,370</u>	<u>\$33,270</u>

JDS/dse(235)

Ex. 4E
2-12-91
Hon. Govt Sub

MONTANA STATE AUDITOR'S OFFICE

1993 Biennium Budget

Modified Level Budget Request

Major Budget Issues

Revised January 1991

Issue Title: State Auditor's Office Training and Education Program

	FY92	FY93
Cost Estimate	\$6,000.00	\$6,000.00
FTE Increase (Decrease)	-0-	-0-
Funding Source(s)	General Fund	

Narrative Summary:

During FY91, the State Auditor's Office will implement a formal procedure of providing training to employees based on performance evaluations. If an employee exhibits a weakness in an assigned duty, and training or education can eliminate the weakness, it is recommended. All training and education requests must be submitted through a formal approval process and reflect a measurable benefit to the employee's job performance and the operation of the Auditor's office.

Annually there are significant changes in financial reporting, legal issues and insurance and securities regulations. It is imperative that office employees receive continuous training and education.

Through the final half of fiscal year 1990, the Auditor's office had expended \$6,205.00 for education, training, dues and subscriptions. Expenditures in FY90 are one-half the amount necessary to conduct adequate training, pay professional membership dues, fees and subscriptions.

There are several national insurance, securities and financial reporting organizations that the Auditor's office must actively participate in to serve the people of Montana.

The Auditor's office is requesting an additional \$6,000.00 per fiscal year in dues, subscriptions, education, and training funds above the level appropriated in fiscal year 1990. These

additional funds are to be used for office wide prioritized projects:

National Auditors Association
National and Regional Insurance and Securities Organizations
Subscriptions: Trade journals
Accounting newsletters
Legal references

Education and Training:
Government Accounting
SBAS training
Legal Insurance and Securities
Computer training
Investigations, self protections
and law enforcement.

The value of current education, training, and reference material is extremely important to this office due to regulatory, investigative, financial, payroll, and public and government relations activities. Continuing updates in office automation requires training in computer use. Investigators within the office are involved in law enforcement activities that require special training.

Funding request by program (per fiscal year)

Program 01	Central Administration	\$2,000.00
Program 02	State Payroll	500.00
Program 03	Insurance	1,500.00
Program 04	Securities	1,500.00
Program 10	Fiscal Control and Management	500.00

JDS/me(532)

1993 BIENNIUM BUDGET
Budget Modifications Request
State Auditor's Office

Revised
2/04/91

Following a careful and detailed review, the State Auditor's Office submitted twenty six budget issues to the Governors Office of Budget and Program Planning on January 26, 1990. This was followed by a meeting of the State Auditor and Dave Darby, then Director of O.B.P.P.

Of the original twenty six issues submitted to O.B.P.P., five were accepted.

- AO - 1 Computer system upgrades - approved request reduced from \$162,480.00 to \$150,000.00.
- AO - 3 General office remodel - approved request reduced from \$25,000.00 to \$15,000.00.
- AO - 5 ISS - systems analyst position approved as submitted.
- I - 1 Compliance Specialist II - approved as submitted - continuation of Fiscal Year 1990 and 1991 position.
- F - 1 Warrant system contracted services for Department of Administration, I.S.D. charges.

Estimated (current level) Department of Administration

	<u>FY 1992</u>	<u>FY 1993</u>
Charges	\$170,000	\$170,000
	<u>124,493</u>	<u>122,451</u>
Shortage	\$(45,507)	\$(47,549)

On July 25, 1990, the State Auditor's Office filed a formal appeal of budget issues and met with Rod Sunstad, the current director of O.B.P.P. This appeal included: reduction of the general office remodel request, reduction of amount of Department of Administration, I.S.D., contracted services from the amount requested. In addition, nine of the original budget issues were resubmitted and four new budget issues were submitted. The four new budget requests were: Change in funding source for bad debts program from general fund to proprietary fund. Payroll System Department of Administration, I.S.D. charges that exceeded budgeted amounts in fiscal years 1990 and 1991. And Warrant Writing System costs for supplies and materials and maintenance contracts. Due to a steady increase in state warrants produced, the cost for warrant supplies and materials is also increasing. Following negotiation of maintenance contracts for 1991, it was determined that funding is not adequate to cover fixed maintenance costs. Of the fifteen budget issues appealed by this office, one was accepted. The approved modification was to establish the Bad Debts Division as an internal service fund and eliminate general fund support. Attached are summaries of the impact by division if all appealed modifications were added to the budget. The total increases for Fiscal Year 1992 and 1993 are \$298,401 and \$246,670 respectively. In relation to these amounts, please note the following:

Fiscal Year 1992Fiscal Year 1993

\$298,401	\$246,670	less proprietary
(72,951)	54,456	funding
** (<u>120,417</u>)	** (<u>134,833</u>)	** less amounts for
\$105,033	\$ 57,381	fixed costs associated
		with producing state
		warrants (Department
		of Administration
		charges, warrant
		stock, postage and
		maintenance)

Actual general fund increase to fund requested budget modifications that are not fixed expenses would be \$105,033 and \$57,381 for Fiscal Years 1992 and 1993 respectively.

General fund increase for all budget issues submitted (including approval by OBPP less propriety and fixed costs is \$279,888 for the biennium.

<u>Current Budget Issues</u>	<u>Biennium Funding</u>
AO - 1 Computer system upgrades	\$150,000
AO - 3 General Office Remodel	\$ 15,000
The State Auditor's Office would like to have the original request of \$25,000 considered	
AO - 5 ISS - System Support Position	\$ 67,000
I - 1 Compliance Specialist II Medicare/Medicaid Position	\$ 58,474
F - 1 Warrant System - Contracted Services Department of Administration, I.S.D. charges	\$193,000
This request was reduced by O.B.P.P., our projections indicate that increased warrant production and a lesser impact of deflationary values will increase these costs by \$93,056 over O.B.P.P. projections for the biennium.	
	\$ 93,056
F - NI Bad Debt Funding from General Fund to Proprietary Fund - proprietary fund increase	\$123,157
AO - 2 Professional/Administrative staff pay increases	\$ 95,822
Pay levels necessary to compete for staff with other agencies and entities, eliminate extreme recruiting and retention problems. This amount would be reduced by pay plan implementation effective 7/01/91.	
F - 4 Bad Debts software - proprietary funding	\$ 4,250

Ex. 5
2-12-91
Gen Govt Sec

AO - 4	Training and Education	\$ 12,000
S - 1	Travel - Securities	\$ 2,850
F - 2	Warrant System - Postage	\$124,805
F - 3	Warrant System - Equipment	\$ 40,527
I - 4	Insurance - NAIC Assessment	\$ 5,000

Original request for \$9,000 but O.B.P.P. adjustments and other budget transfers will account for \$4,000.

S - 2	Securities - Equipment	\$ 4,300
I - 6	Insurance - Equipment	\$ 6,915
F - N2	Warrant Supplies and Materials	\$ 20,109
F - N3	Warrant System - Maintenance	\$ 12,280
D - NI *	Payroll System, Contracted Services Department of Administration, I.S.D. charges	\$ -0-

* O.B.P.P. and Department of Administration indicated that costs will decrease substantially and allow current budget levels to fund I.S.D charges for Fiscal Year 1992 and 1993 in the Payroll Department.

Complete detail on all budget issues is attached.

Budget Notes:

Governor's Executive Budget Modification

	<u>FY 92</u>	<u>FY 93</u>
Executive	273,423	210,051
Less: Proprietary	(86,000)	(87,000)
Less: Fixed Costs	<u>(96,500)</u>	<u>(96,500)</u>
	90,923	26,551

SAO Modifications

	<u>FY 92</u>	<u>FY 93</u>
SAO	298,401	246,670
Less: Proprietary	(72,951)	(54,456)
Less: Fixed	<u>(120,417)</u>	<u>(134,833)</u>
	105,033	57,381

	<u>FY 92</u>	<u>FY 93</u>
Total Mods	571,824	456,721
Proprietary	(158,951)	(141,456)
Fixed	<u>(216,917)</u>	<u>(231,333)</u>
Balance	195,956	83,932

Rev. 2/04/91

SUMMARY

Other budget issues proposed by SAO. Includes those included in (O.B.P.P.) agency narratives. (Does not include issues approved by O.B.P.P.)

CENTRAL ADMINISTRATION

	<u>92</u>	<u>93</u>
1000 Salaries & Benefits	\$11,028	\$11,175
2801 Dues & Subs.	1,000	1,000
2809 Education & Training	<u>1,000</u>	<u>1,000</u>
Total	13,028	13,075

STATE PAYROLL

	<u>92</u>	<u>93</u>
1000 Salaries & Benefits	\$ 3,079	\$ 3,460
2801 Dues & Subs.	400	400
2809 Education & Training	<u>100</u>	<u>100</u>
Total	3,579	3,960

INSURANCE

	<u>92</u>	<u>93</u>
1000 Salaries & Benefits	\$24,572	\$24,974
2801 Dues & Subs.	2,000	3,000
2809 Education & Training	1,500	1,500
3000 Equipment	<u>5,420</u>	<u>1,495</u>
Total	33,492	30,969

SECURITIES

	<u>92</u>	<u>93</u>
1000 Salaries & Benefits	\$ 4,384	\$ 4,469
2404 In-State Motor Pool	1,000	1,000
2408 In-State Lodging	240	240
2410 In-State Meals	185	185
2801 Dues & Subs.	1,000	1,000
2809 Education & Training	500	500
3000 Equipment	<u>4,300</u>	<u>0</u>
Total	11,609	7,394

FISCAL CONTROL & MANAGEMENT

	<u>92</u>	<u>93</u>
1000 Salaries & Benefits	\$ 4,298	\$ 4,383
2100 Contracted Services (D of A)	45,507	47,549
2220 Forms - Non State (warrants)	9,565	10,544
2304 Postage (warrants)	57,555	67,250
2750 Maintenance	5,790	6,490
2809 Education & Training	500	500
3000 Equipment	<u>40,527</u>	<u>0</u>
Proprietary Funding	72,951	54,456
Total	236,693	191,172
AGENCY TOTAL	\$298,401	\$246,670

GENERAL FUND

	<u>92</u>	<u>93</u>
1000 Salaries & Benefits	\$ 47,361	\$ 48,461
2000 Operations	127,842	142,258
3000 Equipment	<u>50,247</u>	<u>1,495</u>
Total	225,450	192,214

PROPRIETARY FUND

	<u>92</u>	<u>93</u>
1000 Salaries & Benefits	44,848	44,888
2000 Operations	19,853	9,268
3000 Equipment	<u>8,250</u>	<u>300</u>
Total	72,951	54,456

FUNDING

	<u>92</u>	<u>93</u>
General Fund	\$225,450	\$192,214
State Special Revenue	0	0
Proprietary	<u>72,951</u>	<u>54,456</u>
Total	298,401	246,670

DS/dfe(Summary.oth)