

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON INSTITUTIONS & CULTURAL EDUCATION

Call to Order: By WM. "RED" MENAHAN, on January 21, 1991, at 8:00 A.M.

ROLL CALL

Members Present:

Rep. Wm. "Red" Menahan, Chairman (D)
Sen. Gary Aklestad (R)
Sen. Tom Beck (R)
Rep. Dorothy Cody (D)
Rep. Chuck Swysgood (R)
Sen. Eleanor Vaughn (D)

Members Excused: Sen. Manning

Staff Present: Sandra Whitney, Senior Fiscal Analyst (LFA)
Mary LaFond, Budget Analyst (OBPP)
Mary Lou Schmitz, Secretary

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

CORRECTIONS DIVISION

EXECUTIVE BUDGET MODIFICATIONS

Dan Russell, Administrator, Corrections Division, explained funding issues and modified requests. Montana State Prison was funded for 1086 inmates this fiscal year and at the end of last fiscal year they already had 1097 adult daily population. The first population modified is for \$80,858 each year of the biennium. That brings them up to an emergency capacity of 1135, an increase of 48.25 inmate days of variable cost each day at \$4.59 per day.

REP. CODY asked if population modified means the increased population needs. **Mr. Russell** said there are fixed costs and variable costs and both vary with the number of inmates.

Mr. Russell said the next modified addresses the Rothe Dorm reception overflow, and Unit D. The Department is working on strategy to include the community programs to be funded for intensive supervision, additional pre-release center beds and house arrest. It also requires temporary and emergency measures at Montana State Prison to keep Rothe Dorm open for a period of time. Cost for staffing for additional capacity is \$570,878 FY

92 and \$800,791 FY 93.

REP. CODY asked what is a "teacher grade". **Mr. Russell** said different pay plans and classifications for teachers.

Mr. Russell said the next modified is the Montana State Prison chemical dependency program. This is an intensive outpatient program and includes a need each year of the Biennium for 4.0 FTE at \$108,355 FY 92 and \$104,262 FY 93. **Mr. Russell** said 85 to 90% of the inmates in the prison suffer from C D problems which they had at the time they committed the crime and still have.

Mr. Russell said the last modified is the Targeted Case Managers and there are two in each year of the Biennium. The first year will cost \$65,871 and second year \$55,830. There are about 200 inmates now on "waiver" status and are parole eligible even though they have waived their parole. There are about 400 inmates on "annual review" status. The Targeted Case Managers help determine the needs of these people.

SEN. VAUGHN asked when the Case Managers work with people to develop programs if there is any way to correlate with the community programs available. **Mr. Russell** said they work closely with community probation and parole officers.

REP. CODY asked if the Targeted Case Managers are in place now. **Mr. Russell** said two people were hired last year but were funded with operating expenses. **REP. CODY** asked who uses the vehicle, and **Mr. Russell** said Case Managers take inmates into the community for employment interviews. **REP. CODY** asked how this is handled. **Mr. Russell** said they use the motor pool at the Montana State Prison but there are so few vehicles available for that purpose.

REP. MENAHAN asked if the Department has community arrangements for a paroled inmate who needs a c d treatment program. **Mr. Russell** said parolees have several conditions placed on them. Some relate to the completion of c d treatment, mental health or other treatment programs. They do not have specific slots set aside in any community. They have a relationship with the local mental health centers and c d programs to make referrals.

MONTANA STATE PRISON BUDGET

Ms. Whitney explained there is a difference between the executive and LFA budgets in the allocation of the HPI contract and a decision will have to be made by the subcommittee whether to approve current level or increased negotiated rates. There is a significant amount of base differences which are essentially offset by inflation differences. Exhibit 1

Ms. Whitney said the insurance and bonds are determined by the Department of Administration. The Budget Office and LFA included the same numbers in their respective budgets. However, because

the subcommittee will be using executive in some cases and LFA in others, a motion is needed to approve including these numbers regardless which base is used because they were not allocated the same. Exhibit 2

Ms. Whitney said the executive budget is proposing that the modified request for chemical dependency also be funded with earmarked alcohol tax. Based on the revenue analysis done by the LFA office, the worksheet shows if LFA current level is approved, all of the executive modifications to be funded with earmarked alcohol tax are approved, and three secretaries in operations are approved and funded by earmarked alcohol tax, the balance at the end of FY 93 will \$79,000. The Department said that balance needs to be approximately \$300,000 to maintain proper cash flow. The choices are whether to fund with alcohol tax or General Fund. Exhibit 3

Ms. Whitney said the third technical issue is the allocation of HPI contract and whether to approve current level or include increases in the contract. Exhibit 4

REP. CODY referred to Exhibit 4, Table 3, and asked if the \$92,655 is what was actually spent. **Ms. Whitney** said the Department informed her this figure needs to be in the budget based on current level. It is a different allocation than Table 2 and more closely reflects the service actually received. The totals are the same in Table 2 and Table 3, just the allocations are different.

REP. SWYSGOOD referred to the varied cost figures, Exhibit 4, and asked why the subcommittee could not appropriate a sum to the contract and let the Department dispense it to all of the programs. **Mr. Chisholm** said it was established that way but the Department is trying to reflect within the operational budget of each participating institution what their direct costs are relative to this contract.

Jim Currie, Administrator, Management Services Division, gave an overview of the HPI Health Care Services Status Report. Exhibit 5.

SEN. VAUGHN asked if pharmacists are hired on a contract basis. **Mr. Currie** said HPI pays the pharmacists the going rate. **SEN. AKLESTAD** asked why the cost of drugs is rising as indicated from his report since nationwide investigations show drug companies have been overcharging. **Mr. Currie** said the drug prices in the first two years were stable but are rising this year due to inflation.

Jack McCormick, Warden, Montana State Prison, said the cost of some drugs, especially generic, has greatly reduced but the use of specific, newer innovative drugs that psychiatrists order have boosted the cost. **REP. CODY** asked how many people in the institutions are being treated for AIDS. **Mr. Russell** said there

are two people in Montana State Prison being treated but does not know of any being treated in other institutions. **Mr. McCormick** said the cost of treating AIDS patients is extremely expensive.

CANTEEN

Ms. Whitney reviewed the worksheet, Exhibit 1, current level differences under personal services and operating expenses. All funding is with Canteen funds, not General Fund. **REP. SWYSGOOD** asked if the inmates operate the canteen and **Ms. Whitney** said yes. **Mr. Russell** said there are two civilian supervisors who are paid from the General Fund portion of the operating budget.

RANCH AND DAIRY

Ms. Whitney reviewed the worksheet, Exhibit 1, current level differences under personal services and operating expenses. The funding is Proprietary funds. **Ron Paige**, Montana State Prison Ranch Supervisor, spoke briefly about the concerns. **REP. CODY** asked if this budget reflects the increase in cow prices over the last year. **Mr. Paige** said the projected prices are based on experience the last two years. **REP. SWYSGOOD** referred to the Long Range Building presentation and two buildings constructed out of funds generated from the Ranch account and asked if that authority is contained in this budget. **Mr. Russell** said the Department needs the authority and it would be represented in the Long Range Building Bill. The figures are \$272,000 for the Vocational Industries Building and \$29,888 for the barn loan. The total Ranch Fund is about \$920,000 and operating expenses come out of that.

INDUSTRIES REVOLVING ACCOUNT

Ms. Whitney reviewed the current level differences for personal services and operating expenses. The issue is how much authority does the subcommittee want to allow out of the proprietary funds. There is no General Fund involved. **Ross Swanson**, Montana State Prison, said the Prison Industries budget is based on a level projection of an increase in sales each fiscal year so the budget projected FY 92 and FY 93 is an increase over FY 90 actual and over what is anticipated for this year.

Mr. Chisholm, said the Central Office is not given carte blanche spending authority but should have the recommended levels according to the executive budget because it anticipates a level of business at the Ranch and Industries programs.

Ms. Whitney referred to the Language in the appropriations bill for the 1991 biennium. Within the Industries Operations, the Department may submit budget amendments to hire 1.0 FTE marketing representative, 2.0 FTE shop supervisors, and 1.0 FTE prison industries procurement coordinator if funding is available.

REP. SWYSGOOD asked if this option was exercised. **Ms. Whitney**

said the Department did ask for an additional .25 FTE. Mr. Swanson said he asked for a budget amendment for 1.0 FTE for a marketing person. They had the same language in the vocational training program and asked for a .25 FTE to fund a horticulturist for the fiscal year.

PRISON INDUSTRIES TRAINING

Ms. Whitney said the only major difference in this program is the equipment. Current level is based on historical actual expenditures and executive is based on FY 91 appropriation. She reviewed other issues of the budget worksheet Exhibit 1.

LICENSE PLATE FACTORY

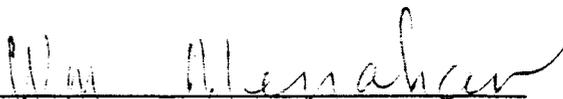
Ms. Whitney reviewed the issues and current level differences in the budget worksheet, Exhibit 1. In FY 90 the expenditures were lower than anticipated. The agency anticipates a 3-month inventory of aluminum at FY 91 year end, and it anticipates plate production at an average of FY 86-FY 90 plate production. If these two projections are correct, appropriations equal to actual FY 90 production will be sufficient to maintain the 3-month inventory expected at the end of FY 91. This is a General Fund program. Mr. Chisholm said the General Fund operation has not been the case in prior bienniums. The earmarked revenue generated from the sale of plates went into a highway vehicle tax account out of which spending authority was granted to the Montana State Prison to operate the license plate factory. This biennium is under a general fund appropriation for the first time.

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Todd Turner, Field Representative, Montana Federation of State Employees, discussed increasing the number of FTE for vacation relief. He introduced Jerry Guthrie and Paul Chericho, Montana State Prison employees, who explained the under staffing problems for guards at the Prison.

ADJOURNMENT

Adjournment: 11:15 A.M.


WM. "RED" MENAHAN, Chair


MARY LOU SCHMITZ, Secretary

/WM/mls

HOUSE OF REPRESENTATIVES
INSTITUTIONS AND CULTURAL EDUCATION SUBCOMMITTEE

ROLL CALL

DATE 1-21-91

NAME	PRESENT	ABSENT	EXCUSED
REP. WM. "RED" MENAHAN, CHAIRMAN	✓		
SEN. DICK MANNING, VICE-CHAIRMAN		✓	
REP. DOROTHY CODY	✓		
SEN. ELEANOR VAUGHN	✓		
REP. CHUCK SWYSGOOD	✓		
SEN. GARY AKLESTAD	✓		
SEN. TOM BECK	✓		

HR:1991
CS10DLRLCALIN&C.MAN

MT STATE PRISON BUDGET WORKSHEET

DATE : 01/09/91
 TIME : 15/17/46

CURRENT LEVEL COMPARISONS

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	LFA Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	LFA Fiscal 1993	Difference Fiscal 1993
FTE	397.41	397.41	397.41	.00	397.41	397.41	.00
Personal Services	10,397,972	10,756,232	10,986,916	230,684-	10,767,505	11,017,405	249,820-
Operating Expenses	3,177,307	3,461,089	3,406,986	54,103	3,538,321	3,407,230	51,091
Equipment	59,318	50,000	50,000	0	50,000	50,000	0
Total Expend.	\$13,634,677	\$14,267,321	\$14,443,902	\$176,581-	\$14,355,906	\$14,554,635	\$198,729-
<u>Fund Sources:</u>							
General Fund	13,483,917	14,111,154	14,287,735	176,581-	14,199,739	14,398,468	198,729-
State Revenue Fund	50,514	55,390	55,390	0	55,390	55,390	0
Federal Revenue Fund	100,246	100,777	100,777	0	100,777	100,777	0
Total Funds	\$13,634,677	\$14,267,321	\$14,443,902	\$176,581-	\$14,355,906	\$14,554,635	\$198,729-

CURRENT LEVEL DIFFERENCES

Personal Services	Exec over FY 92	(Under) FY 93	LFA
1. Inmate Pay - Included in Current Level, but not in Executive budget			
2. Base differences in differential, holidays, overtime & related benefits			
Total Personal Services			
Operating Expenses			
1. Insurance and bonds - Exec. puts most prison insurance in Care & Custody - CL distributes	\$10,350	\$10,350	\$10,350
2. CL additions for variable costs			
3. HPI contract differences			
4. D of A computer network	\$99,706	\$99,706	\$105,264
5. Base differences	\$9,565	\$9,565	\$9,565
6. Inflation differences - primarily supplies and materials and utilities	\$139,218	\$139,218	\$191,107
Total Operating differences	\$54,103	\$54,103	\$51,091
Funding			
1. State revenue is earmarked alcohol tax of \$55,390	\$0	\$0	\$0
Federal revenue includes boarder reimbursements of \$80,491 per year and \$20,286 of adult education grants to the states, and title I & title II education funds	\$0	\$0	\$0
2. Balance general fund			

---Executive Action----

-----Exec over (Under) LFA-----
 FY 92 FY 93

DATE: 01/09/91
 HR Exhibit #11
 1-21-91
 Instit. Subcomm

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 3.

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LFA

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\$8,170

- ISSUES
1. Contracted Psychologist Services - Contract increases. Exec. and Current Level budgets both used actual costs for fiscal 1992 and 1993.
 2. Montana Defender Project Contract Increases
 Actual fiscal 1990 = \$17,362 --- Requested FY 93; \$33,252 --- Requested FY 93; \$33,796

Increases from LFA Fiscal 1990 actual

	FY 92	FY 93
Montana State Prison	\$14,462	\$14,462
Women's Correctional Center	\$580	\$776
Swan River Forest Camp	\$848	\$1,194
Total Increases	\$15,890	\$16,434

at 2-14-91

Increases from Executive budget

	FY 92	FY 93
Montana State Prison	\$17,421	\$17,421
Women's Correctional Center	\$1,480	\$5,533
Swan River Forest Camp	\$848	\$1,194
Total Increases	\$19,749	\$24,148

1. Committee Issues

MODIFIED REQUESTS

1. Staffing for Additional Capacity - general fund - P. D-16
 FY 1992 - 21.6 FTE as follows:
 12.8 FTE grade 10/2; 5.8 FTE grade 12/2; 2.0 FTE grade 13/2; 1.0 FTE teacher grade 2/13
 FY 1993 - total 32.2 FTE as follows:
 19.2 FTE grade 10/2; 9.0 FTE grade 12/2; 3.0 FTE grade 13/2; 1.0 FTE teacher grade 2/13
2. Operating cost increases - general fund - P. D-16
 (LFA current level includes \$60,706 at MSP and \$20,045 at Swan for variable cost increases)
 Targeted Case Managers - General Fund - P. D-16
 2.0 FTE Grade 13/2, operating expenses, and equipment
3. MSP Chemical Dependency program - Earmarked alcohol tax - P. D-17
 4.0 FTE as follows: 3.0 FTE grade 12/10; 1.0 FTE grade 8/2

But also ...

\$570,878

\$80,858

\$80,858

\$65,871

\$55,830

\$108,355

\$800,791

\$80,858

\$80,858

\$65,871

\$55,830

\$104,262

0401 DEPARTMENT OF INSTITUTIONS
 20 CORRECTIONS SYSTEMS
 02213 M S P -- CANTEEN

MSP CANTEEN BUDGET WORKSHEET

CURRENT LEVEL COMPARISONS

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	LFA Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	LFA Fiscal 1993	Difference Fiscal 1993
FTE	.00	.00	.00	.00	.00	.00	.00
Personal Services	13,755	0	13,426	13,426-	0	13,426	13,426-
Operating Expenses	557,729	1,159,246	605,064	474,182	1,159,248	757,064	402,184
Grants	3,311	0	19,510	19,510-	0	19,510	19,510-
Total Expend.	\$574,795	\$1,159,246	\$718,000	\$441,246	\$1,159,248	\$790,000	\$369,248
<u>Fund Sources</u>							
State Revenue Fund	574,795	1,159,246	718,000	441,246	1,159,248	790,000	369,248
Total Funds	\$574,795	\$1,159,246	\$718,000	\$441,246	\$1,159,248	\$790,000	\$369,248

---Executive Action----

-----Exec over (Under) LFA-----
 FY 92 -----
 FY 93 -----

CURRENT LEVEL DIFFERENCES

Personal Services

1. Hourly wages included here in Current Level but included in operating in Executive Budget (\$13,426) (\$13,426)

Operating Expenses

1. Transfers to inmate welfare fund shown here in Executive Budget \$27,942 \$27,942

2. Hourly wages included here in Executive Budget \$12,854 \$12,854

3. Base differences - (See Issue 1) \$433,386 \$361,388

Total Operating Expenses \$474,182 \$402,184

1. Grants - Current Level reflects accounting change for transfers to inmate welfare fund (\$19,510) (\$19,510)

Funding - Canteen Funds \$441,246 \$369,248

ISSUES

1. Canteen Authority - Executive is at fiscal 1991 budgeted level. Fiscal 1990 actual expenditures were approximately half of the appropriated spending authority. Therefore, current level includes operating expenses at approximately 25 percent above actual fiscal 1990 for fiscal 1992 and approximately 37 percent above actual fiscal 1990 expenditures in fiscal 1993.

2. Committee Issues

0401 DEPARTMENT OF INSTITUTIONS
 20 CORRECTIONS SYSTEMS
 02010 RANCH & DAIRY

RANCH AND DAIRY BUDGET WORKSHEET

CURRENT LEVEL COMPARISONS

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	LFA Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	LFA Fiscal 1993	Difference Fiscal 1993
FTE	12.75	12.75	12.75	.00	12.75	12.75	.00
Personal Services	489,051	493,774	493,654	120	494,115	493,480	635
Operating Expenses	648,771	813,107	755,801	57,306	812,674	753,023	59,651
Equipment	169,463	266,700	266,700	0	266,700	266,700	0
Capital Outlay	20,118	16,500	16,500	0	16,500	16,500	0
Total Expend.	\$1,327,403	\$1,590,081	\$1,532,655	\$57,426	\$1,589,989	\$1,529,703	\$60,286

Fund Sources

Proprietary fund	1,327,403	1,590,081	1,532,655	57,426	1,589,989	1,529,703	60,286
Total Funds	\$1,327,403	\$1,590,081	\$1,532,655	\$57,426	\$1,589,989	\$1,529,703	\$60,286

-----Exec over (Under) LFA-----

-----Executive Action-----

CURRENT LEVEL DIFFERENCES	FY 92	FY 93
Personal Services		
1. Base differences - holidays and related benefits	\$120	\$635
Operating Expenses		
1. Insurance & Bonds	(\$5,977)	(\$5,977)
2. Base differences, particularly in supplies & materials	\$67,467	\$67,467
3. Inflation differences	(\$4,184)	(\$1,839)
Total Operating differences	\$57,306	\$59,651

Funding

1. Proprietary funds	\$57,426	\$60,286
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PRISON INDUSTRIES BUDGET WORKSHEET
 CURRENT LEVEL COMPARISONS

0401 DEPARTMENT OF INSTITUTIONS
 20 CORRECTIONS SYSTEMS
 02020 PRISON INDUSTRIES REVOLVING

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	LFA Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	LFA Fiscal 1993	Difference Fiscal 1993
FTE	5.25	5.25	5.25	.00	5.25	5.25	.00
Personal Services	258,450	245,188	258,576	13,388-	245,476	258,331	12,855-
Operating Expenses	541,403	822,825	689,011	133,814	826,172	688,003	138,169
Equipment	29,482	66,415	34,500	31,915	66,415	26,350	40,065
Total Expend.	\$829,335	\$1,134,428	\$982,087	\$152,341	\$1,138,063	\$972,684	\$165,379
<u>Fund Sources</u>							
Proprietary Fund	829,335	1,134,428	982,087	152,341	1,138,063	972,684	165,379
Total Funds	\$829,335	\$1,134,428	\$982,087	\$152,341	\$1,138,063	\$972,684	\$165,379

-----Exec over (Under) LFA-----

FY 92 FY 93

CURRENT LEVEL DIFFERENCES
 Personal Services
 1. Base differences in differential, overtime & related benefits
 Operating Expenses
 1. Base differences (Current level is FY 90 actual plus \$134,000 additional raw materials to allow for growth - Exec. in FY 91 approp which exceeded FY 90 actual by over 35%)
 2. Inflation differences - primarily supplies and materials
 Total Operating differences

Equipment - Exec. based on fiscal 1991 approp. - Current level is top six agency priorities and is approximately double the average of the last three years.
 Funding
 1. Proprietary funds
 ISSUES
 1. Committee Issues

	\$1,622	\$5,977
	\$133,814	\$138,169
	\$31,915	\$40,065
	\$152,341	\$165,379
	(\$13,388)	(\$12,855)
	\$132,192	\$132,192

---Executive Action----

LANGUAGE

Language included in the appropriations bill for the 1991 biennium is as follows:

1. Within the Industries Operations, the department may submit budget amendments to hire 1.0 FTE marketing representative, 2.0 FTE shop supervisors, and 1.0 FTE prison industries procurement coordinator, if funding is available.

Ex. 1 1/21/91
 Instit. Subcomm.

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	LFA Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	LFA Fiscal 1993	Difference Fiscal 1993
FIE	3.75	3.75	3.75	.00	3.75	3.75	.00
Personal Services	132,165	169,760	169,928	168-	169,550	169,718	168-
Operating Expenses	192,952	279,438	279,443	5-	279,914	279,908	6
Equipment	1,892	12,476	4,476	8,000	12,476	5,300	7,176
Total Expend.	\$327,009	\$461,674	\$453,847	\$7,827	\$461,940	\$454,926	\$7,014
<u>Fund Sources</u>							
General Fund	155,981	175,126	167,236	7,890	175,487	168,410	7,077
Federal Revenue Fund	2,007	28,066	28,129	63-	27,971	28,034	63-
Proprietary fund	169,021	258,482	258,482	0	258,482	258,482	0
Total Funds	\$327,009	\$461,674	\$453,847	\$7,827	\$461,940	\$454,926	\$7,014

---Executive Action---

-----Exec over (Under) LFA-----

-----Exec over (Under) LFA-----

CURRENT LEVEL DIFFERENCES	FY 92	FY 93
Equipment		
1. Current level equipment - based on historical actual expenditures Exec. is based on fiscal 1991 appropriation	\$8,000	\$7,176
Funding		
1. Federal Revenue	(\$63)	(\$63)
2. Proprietary funds	\$0	\$0
3. Balance is general fund		
ISSUES		
1. Committee Issues		

266
 266
 266
 266

Language included in the appropriations bill for the 1991 biennium is as follows:

1. Within the Industries Training program, the department may submit budget amendments to hire a 0.25 FIE horticulturalist and a 1.0 FIE vehicle maintenance shop supervisor, if funding is available.
2. The department is authorized to maintain a cash balance of not more than \$16,000 at the end of each fiscal year in the prison industries training proprietary account. Any funds in excess of \$16,000 in the proprietary account are (subject to the provisions of section 3) to offset the general fund appropriation.

6401 DEPARTMENT OF INSTITUTIONS
20 CORRECTIONS SYSTEMS
02640 LICENSE PLATE FACTORY

LICENSE PLATE FACTORY BUDGET WORKSHEET

DATE : 01/19/91
TIME : 16/33/15
CURRENT LEVEL COMPARISONS

Ex. 1 1/21/91
Instit. Subcomm.

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	LFA Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	LFA Fiscal 1993	Difference Fiscal 1993
FTE	2.00	2.00	2.00	.00	2.00	2.00	.00
Personal Services	68,572	69,344	68,824	520	69,544	69,025	519
Operating Expenses	366,015	422,063	378,919	43,144	422,074	379,080	42,994
Total Expend.	\$434,587	\$491,407	\$447,743	\$43,664	\$491,618	\$448,105	\$43,513
<u>Fund Sources</u>							
General Fund	434,587	478,907	435,243	43,664	479,118	435,605	43,513
Proprietary Fund	0	12,500	12,500	0	12,500	12,500	0
Total Funds	\$434,587	\$491,407	\$447,743	\$43,664	\$491,618	\$448,105	\$43,513

-----Exec over (Under) LFA-----

-----Executive Action-----

CURRENT LEVEL DIFFERENCES

Personal Services - Differences in Overtime, Differential, and related benefits

Operating Expenses

1. Repair and maintenance contingency (\$30,018 approved for the current biennium) \$30,000 included in Executive budget; \$12,782 actual expenditure included in Current Level
2. Operating differences - Current Level at actual fiscal 1990 (See Issue 1) *no action*

Total Operating

Funding

1. Proprietary funds for collegiate license plates
2. Balance is general fund

ISSUES

1. The agency anticipates a 3 month inventory of aluminum at fiscal 1991 year end, and it anticipates plate production at an average of FY 86-FY 90 plate production. If these two projections are correct, appropriations equal to actual fiscal 1990 production will be sufficient to maintain the 3-month inventory expected at the end of fiscal 1991.
2. Committee Issues

FY 92 FY 93

\$520 \$519

\$17,218 \$17,218
\$25,926 \$25,776
\$43,144 \$42,994

h=1
ca

17,218
460,961

1-21-91
Instit Subcomm.

ALLOCATION OF INSURANCE AND BONDS REGARDLESS OF BASE CHOSEN

	FY 92	FY 93
Directors Office	\$2,760	\$2,917
Management Services	\$7,556	\$8,054
Board of Pardons	\$4,928	\$5,199
Corrections Administration	\$37,456	\$39,530
Community Corrections	\$22,009	\$22,009
Montana State Prison	\$66,272	\$71,735
Women's Correctional Center	\$6,291	\$6,291
Swan River	\$33,687	\$33,687
Veteran's Home	\$7,213	\$7,642
Mental Health Admin.	\$1,779	\$1,838
Montana State Hospital	\$105,105	\$111,821
Center for the Aged	\$6,994	\$7,448
Chemical Dep. Admin.	\$2,604	\$2,761
MT Developmental Center	\$40,295	\$42,465
Eastmont	\$6,040	\$6,377
Total	\$350,989	\$369,774

FUND ANALYSIS AND CAPACITY WORKSHEET

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1-21-91
HB Instit Subcom

Accounting Entity 2034
Accounting Entity Name - Alcoholism Treatment Rehab.

	FY '88	FY '89	FY '90	FY '91	FY '92	FY '93
Beginning Balance	\$400,549	\$443,725	\$506,212	\$590,287	\$335,758	\$200,637
Revenues						
1. Beer Tax	\$696,980	\$697,738	\$704,417	\$702,000	\$707,000	\$711,000
2. Wine Tax	\$466,831	\$433,651	\$421,895	\$420,000	\$409,000	\$399,000
3. Cost Recovery	\$107,445	\$110,912	\$93,326	\$93,326	\$93,326	\$93,326
4. Liquor License	\$2,177,071	\$2,220,355	\$2,218,058	\$2,252,000	\$2,337,000	\$2,330,000
5. Transfer Wine Tax	\$17,859	\$15,467	\$12,021	\$0	\$0	\$0
Total Funds Available	\$3,466,186	\$3,478,123	\$3,449,717	\$3,467,326	\$3,546,326	\$3,533,326
Disbursements						
1. Transfers Out	\$3,432,344	\$3,384,829				
2. Central & Chem. Dep. Operations			\$324,694	\$337,741	\$351,921	\$335,315
3. Galen Chem. Dependency			\$1,641,672	\$1,689,791	\$1,173,703	\$1,178,171
4. MSH Support Operations					\$556,443	\$563,515
5. Dist. to Counties			\$1,122,592	\$1,090,000	\$1,090,000	\$1,090,000
6. State Prison			\$50,514	\$55,390	\$55,390	\$55,390
7. Swan River			\$27,941	\$29,137	\$29,137	\$29,137
8. PHS/MVS			\$26,350	\$31,910	\$27,000	\$27,000
9. Justice - Drug Testing			\$192,694	\$197,599	\$221,844	\$204,443
10. Corrections Mods					\$176,009	\$171,783
Total Disbursements	\$3,432,344	\$3,384,829	\$3,386,457	\$3,431,568	\$3,681,447	\$3,654,754
Adjustments						
1. Misc.	\$1	\$2	\$0			
2. PY Rev.	\$9,072	(\$32,455)	\$18,653			
3. PY Ded.	\$261	\$1,646	\$2,162	(\$290,287)		
Total Adjustments	\$9,334	(\$30,807)	\$20,815	(\$290,287)	\$0	\$0
Ending Balance	\$443,725	\$506,212	\$590,287	\$335,758	\$200,637	\$79,209

DATE 1-21-91
HB Instit. Subcomm.

Exhibit 3
DATE 1-21-91
HB Instit. Subcomm.

TABLE 1

ON OF HPI CONTRACT
negotiated rates

n	\$108,938	\$114,386
l Center	\$8,495	\$8,917
	\$54,538	\$57,267
nter	\$82,500	\$86,623
	\$47,592	\$49,524
ta	\$161,852	\$169,936
	464,116	483,528
	\$463,915	\$486,653

TABLE 2

ON OF HPI CONTRACT
current level worksheets

n	\$11,435	\$11,435
l Center		
	\$31,313	\$31,313
nter	\$63,686	\$63,686
	\$24,310	\$24,310
ta	\$263,531	\$263,531
	\$394,275	\$394,275

re do not accurately reflect
n of service. Therefore, if
ves current level, the
e s follows:

TABLE 3

ON OF HPI CONTRACT

	FY 92	FY 93
n	\$92,655	\$92,655
l Center	\$7,097	\$7,097
	\$46,524	\$46,524
nter	\$70,181	\$70,181
	\$40,610	\$40,216
ta	\$137,208	\$137,602
	\$394,275	\$394,275

competitive salary levels offered by the state and because of the increased level of expertise and state of the art automation offered by a national company. The department also anticipated some eventual savings in relative drug costs due to the purchasing power of a national firm and the implementation of a department wide standardized formulary.

As with any large and complex transition, the conversion to a privately operated pharmaceutical services program did not occur over night. The program is, however, now fully operational and is providing excellent services. The contract with HPI Health Care Services Inc. expired on November 30, 1990, and was renegotiated for an additional three year period.

Cost of Administration:

At the onset of this private pharmaceutical services operation, the management fee was set at \$364,858, or \$137,382 higher than the state was paying in personal services for pharmacy personnel. Over the last three years, and for the next three years, that management fee has and will increase. However, the increases are less than those reported in the Consumer Price Index (CPI). While the management fee increased by ten percent over the two year period (88/89 and 89/90), the CPI increased at the rate of over eighteen percent for the same period. The renegotiated contract, covering the period of December 1, 1990 through November 30, 1993, calls for a twelve percent increase in the management fee for the first year of the contract (\$451,380) and five percent each year for the remaining two years. This represents an average increase of seven percent each year, while the current CPI rate for similar services is running at nine percent each year. The department continues to feel the management fee is reasonable given the increased level of services provided, and that all federal and state licensure standards are being met, not to mention the fact that the increase is substantially less than the rate of increase reported by the CPI for the same period.

Cost of Drugs:

One of the primary reasons the department pursued a contractual arrangement with a private corporation to provide pharmaceutical services was to obtain the benefit of its expertise and purchasing power. The State of Montana, did not have the necessary expertise or purchasing volume to acquire its pharmaceuticals at the best price available. As a result, the state was consistently experiencing double digit inflation in its drug costs.

During the first year (87/88) of the contract the average unit cost of the drugs purchased from HPI increased by only .41% (four tenths of one percent). The CPI for the same period for similar services reported inflationary increases at around 6.2%.

The second year (88/89) of the contract with HPI, the average unit cost of the drugs purchased from HPI increased by 2.87%, while the departments' total expenditures for drugs increased by only .60% (six tenths of one percent). The implementation of standard policies and formularies enabled the department to minimize overall increases in drug prices. The CPI for the same period for similar services reported inflationary increases at 9.6%

The third year (89/90) of the contract with HPI, the average unit cost of drugs purchased from HPI have increased by 11.73%, while the departments' total expenditures for drugs have increased by 18.61%. A major factor in the departments' overall expenditure increase has been the implementation of the

Glozilril program at Montana State Hospital. When this very expensive program is adjusted out of the overall expenditures, the increase is 11.71%.

Over the three year period of the contract, the department has experienced an average inflationary increase of 5% each year in its unit drug costs. During the same period, the average annual increase for similar services as reported by the CPI was 3.4%.

Cost of Staff Versus Contract Service:

In 1987, the State of Montana was not competitive with the private sector in the salary levels it was paying Pharmacists and Pharmacy Directors. The department was, therefore, unable to recruit and retain Pharmacists when staff turnover occurred, and those Pharmacists who were on staff were seeking other employment. Due to these shortages, the department was not able to operate quality pharmacy programs. In some cases, certification was threatened due to deficiencies in those programs. Contracting with a private vendor resolved both issues. HPI is able to offer competitive salary levels, and is able to employ the necessary Pharmacists to ensure a quality and certifiable pharmacy program.

Pharmacists are paid at Grade 14 and Grade 15 on the State pay matrix. In FY91, those grade levels would equate to a salary level of \$10.038 per hour for Pharmacists, and \$10.877 per hour for Pharmacy Directors. The current private sector salary rate for Pharmacists is \$18.53 per hour, while the current private sector salary rate for Pharmacy Directors is \$20.75 per hour.

As stated earlier, when the contract with HPI Healthcare, Inc. was negotiated in 1987, the department anticipated it would be higher than the amount included in the personal services budget for pharmacy operations. It was, in fact \$137,882 higher. This increase was incurred due to the non-competitive salary levels built into the departments' personal services budgets (up to \$6.00/hour below market level), and because the department was receiving a broader range of services than was available when operating its own programs. The disparity between salary levels offered by the private sector verses those offered by the state has increased. It, therefore, would be reasonable to assume that the management fee for HPI would be higher than the budgeted amount for personal services for the pharmacy program if it were state operated. However, due to the shortage of Pharmacists and the non-competitive salary levels offered by the state, it is not reasonable to assume we could employ the number of Pharmacists necessary to operate a certifiable and high quality program.

Quality and Quantity of Service:

The department is now benefiting from a fully operational high quality and completely certifiable pharmaceutical program. The program is not only subject to review from state and federal survey teams, but also must submit to a very sophisticated internal quality assurance program. HPI has been able to respond very effectively to service fluctuations mandated by population increases as well as to emergency situations such as the recent Hepatitis outbreak at the Montana Developmental Center. The new contract has been structured in such a manner as to allow the pharmaceutical program to expand or contract as the service demand requires.

The ultimate goal of the pharmaceutical services program operated by HPI is to provide a high quality and certifiable program that will safely and

efficiently meet the needs of the patients and physicians. This program is achieving that goal.

DEPARTMENT OF INVESTMENT
 INVESTMENT MANAGEMENT SERVICES HOLDINGS
 1993 BILLION MANAGEMENT FEE PERFORMANCE

FISCAL YEAR	MSF	MSH	MSL	MSR	MSU	TOTAL
1992	103,930	8,405	151,852	47,572	54,500	466,259
1993	114,806	8,917	159,936	49,574	57,267	490,500
TOTAL	218,736	17,322	311,788	97,146	111,767	957,763

VISITOR'S REGISTER

Institutions

SUBCOMMITTEE

AGENCY(S) _____

DATE 1-21-91

DEPARTMENT _____

NAME	REPRESENTING	SUP-PORT	OP-POSE
DAVID WATKINS	MSP		
Bill Thompson	MSP		
Bill Wells	MSP		
Jack McCormick	MSP		
ROSS SWANSON	MSP		
Bron Pagni	MSP		
JOHNAL HOLST	MSP I		
Teresa Leardor	MFT / MFSE		
Terry Minow	MFT / MFSE		
Joseph Huhrie	MFSP E		
Larry Thunf	MFSE - MFSP E		
Paul J. Cherich	MSP		

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 IF YOU HAVE WRITTEN COMMENTS, PLEASE GIVE A COPY TO THE SECRETARY.