



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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EXHIBIT 5
DATE 02/15/05
HB 2

DATE: February 11, 2005
TO: Representative Rick Ripley
FROM: Barbara Smith, Associate Fiscal Analyst
RE: DP 104 – Automated Licensing System

The base expenditures for the ALS system totals \$2.16 million dollars. The DP deals only with exchanging contracted dollars for personal services to create a savings of \$168,182 per year. Without looking at alternatives, the package as written would reduce the base to \$1.99 million.

The major way to affect this package is through the allocation of the FTE. This transition process contains many unknowns, including if 18 FTE are enough or too much. According to the department's time line, they are prepared to adjust their plans based on committee action.

Attached are three colorful spreadsheets regarding the cost of the ALS transition. The first spreadsheet (ALS staffing options) provides estimated savings at reducing the FTE by 25% (13.5 FTE) and by 10% (16.2 FTE). The first sets of red-framed boxes provide the savings over the biennium in comparison to the full package for each reduction level. The reduction was made across all FTE types, but one could target this savings to specific positions.

Given the concerns about long-term costs, I calculated the increase in personal services based on three percent per year of the 2009 biennium. The purple boxes provide you with the incremental increase in personal service from the 2007 biennium to the 2009 biennium at each funding level.

Page two (Operations) details the operation costs that are in the base budget. The department is not seeking an increase in these costs. The change is the base amount of contracted services. (See the note on the page.) To estimate the 2009 biennium I utilized an 8% growth rate as the department could seek an additional increase based on the fact one was is not included in the budget before you.

Page three provides a projection summary. Given the growth factors I used, the biennium growth rate is 7 percent. With so many unknowns with this project, this would be the best-case scenario.

In order to assure that this transition happens smoothly, FTE are hired appropriately and the funds are expended as planned, consider adding language to the appropriation to either report progress to the Legislative Finance Division or the Environmental Quality Council.

As for the FTE, does the headquarter region need a field person? Would three FTE be sufficient for help desk staffing? TO answer these questions, I have asked the department from some specific details. I will share those with you when I receive them.

Let me know if you would like any additional information.