

The Legislative Fiscal Division Presents an Agency Profile of:

The Department of Administration

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Agency Description

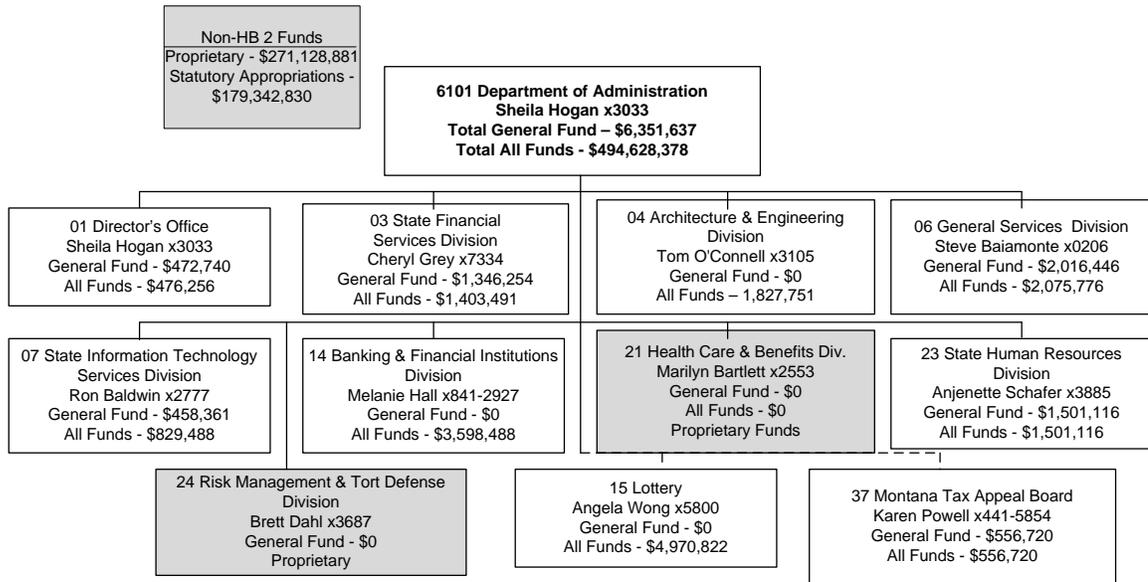
Definition of Terms

The Department of Administration provides services to state agencies, local governments, and Montana citizens in the following areas:

- Human resource management, workforce development, labor relations, and policy development
- Information systems service hosting, telecommunications, 9-1-1 program management, tax revenue distribution to Public Safety Answering Points (PSAPS), data processing, public safety radio communications, and continuity planning
- Statewide Information Technology (IT) policies and standards development
- State financial institution oversight and regulation
- Insurance procurement/administration and risk management services
- Property/casualty claims administration and tort litigation services
- Accounting, financial reporting, warrant writing, and policy development
- State treasury services
- Federal Social Security Section 218 program administration
- State bonded indebtedness administration
- Capitol complex building and grounds maintenance and security
- Procurement, surplus property administration and policy development
- Printing, mail, and messenger services
- Technical assistance and training to local government accounting and financial personnel
- Audit review and enforcement for local governments
- Long-Range Building Program
- State employee group benefits
- Workers' compensation management

The Board of Examiners, Burial Preservation Board, Information Technology Board, State Banking Board, State Board of County Printing, State Compensation Insurance Board (Montana State Fund), State Tax Appeal Board, Office of the State Public Defender, Public Employee Retirement Board, Teachers' Retirement Board, and the Montana State Lottery are attached to the department for administrative purposes only.

Below is an organizational chart of the agency including full time-equivalent (FTE) numbers, general fund appropriations, statutory appropriations, proprietary funds, and total funds.



How Services are Provided

The department's budget consists of 9 major programs and two administratively attached agencies with the following functions:

Director's Office – provides the overall supervision and coordination of agency programs. The office provides legal, IT management, financial, budgeting, accounting, human resource management, and payroll services for the department and some of its attached agencies. The Offices of Labor Relations, representing the Governor's Office in all matters relating to collective bargaining, and Continuity and Emergency Management providing oversight and management in case of a catastrophic event. (27.01 FTE all authority types composed of 4.5 FTE funded in HB 2 and 22.51 FTE funded with proprietary funds)

Governor-Elect – provides the Governor-elect and necessary staff with office space in the capitol complex, together with furnishings, supplies, equipment, and telephone service for the period between the general election and the inauguration. The program is funded only for one year every other biennium.

State Accounting – provides the statewide functions of the state treasury, payment processing, and accounting and financial reporting policies. Treasury functions include the performance of the central banking function for state agencies, reconciliation of state bank accounts, and oversight of bank account collateralization. The division manages the financial portion of the Statewide Budgeting, Accounting and Human Resource Systems (SABHRS). It establishes state accounting policies and procedures, administers the federal Cash Management Improvement Act, prepares and negotiates the Statewide Cost Allocation Plan (SWCAP), and prepares the state Comprehensive Annual Financial Report (CAFR). The division also administers the warrant writer program, which provides check writing and automatic-deposit services for most agencies, along with the replacement, cancellation, and stale date processing for all agencies. The division provides technical assistance and training to local government accounting and financial personnel, and the audit review function for local governments. It administers the federal Social Security Section 218 program for the state and local governments. (48.00 FTE all authority types composed of 18.67 FTE funded in HB 2 and 29.33 FTE funded with proprietary funds)

How Services are Provided, cont.

Architecture and Engineering – manages remodeling and construction of state buildings. The division's functions include: planning new projects and remodeling projects; advertising, bidding and awarding construction contracts; administering contracts with architects and contractors; disbursing building construction payments; and providing design services for small projects. The program also formulates a long-range building plan for legislative consideration.

General Services – provides facilities and grounds maintenance and security for state property in the state capitol area. The division also manages state procurement, printing and the photocopy pool, mail distribution, surplus property, central stores, statewide leasing, the statewide fueling network, energy procurement, and the procurement card program.

State Information Technology Services – manages the central computing and telecommunications services for state government. The division provides central mainframe and mid-tier computers, data center, and hosting services; manages the statewide data network SummitNet; provides local and long-distance telephone network services; provides the statewide video network services; coordinates electronic government services; and manages the state's Internet presence at mt.gov. In addition, the division manages the Public Safety Services Office including the state's 911 and public safety communications programs; develops the statewide IT strategic plan and coordinates agency IT strategic plans; develops and oversees state IT standards and policies; and reviews and approves IT equipment and software acquisitions, including an IT project management office.

Banking and Financial Institutions – licenses, charters, supervises, regulates, and examines a variety of financial institutions operating in Montana. These institutions include: state-chartered banks and trust companies; savings and loans and credit unions; consumer loan and sales finance companies; title loan companies; escrow companies; deferred deposit loan companies; and mortgage brokers, mortgage loan originators, mortgage lenders, and mortgage loan originators.

Health Care and Benefits—administers employee benefit plans that include health, life, dental, prescription drugs, long-term disability, long-term care insurance, vision insurance, flexible spending accounts, a sick leave fund, employee assistance services, health promotion, and a voluntary employee benefit health care expense trust. The Workers' Compensation Management Program provides a central resource for agencies in working to enhance safety, loss prevention, and return to work programs, and, works with the workers' compensation insurer to coordinate workers' compensation coverage and policy management issues.

State Human Resources – provides state agencies with a variety of human resource management programs. These programs include: human resource rules, policies, and standards for the Executive Branch agencies; training and other professional development services to state agencies; the human resource portion of the Statewide Budgeting, Accounting and Human Resource Systems (SABHRS); and human resource information services, supplying payroll and other human resource information systems for all branches of state government.

Risk Management and Tort Defense – administers a comprehensive plan of property and casualty insurance protection on behalf of state agencies and universities. The division insures state agencies/universities against risk of loss from aircraft, airports, boilers and machinery, cyber information security, fidelity bond, fine art, Health Insurance Portability and Accountability Act (HIPAA), professional liability, property, surety bond, and vehicles. In addition, the division provides risk management training, on-site hazard inspections, consulting services, and claims administration. The division also investigates, evaluates, and resolves property/casualty claims, and coordinates the adjudication and settlement of tort claims involving personal injury/property damage.

Attached-to Agencies in the DOA budget:

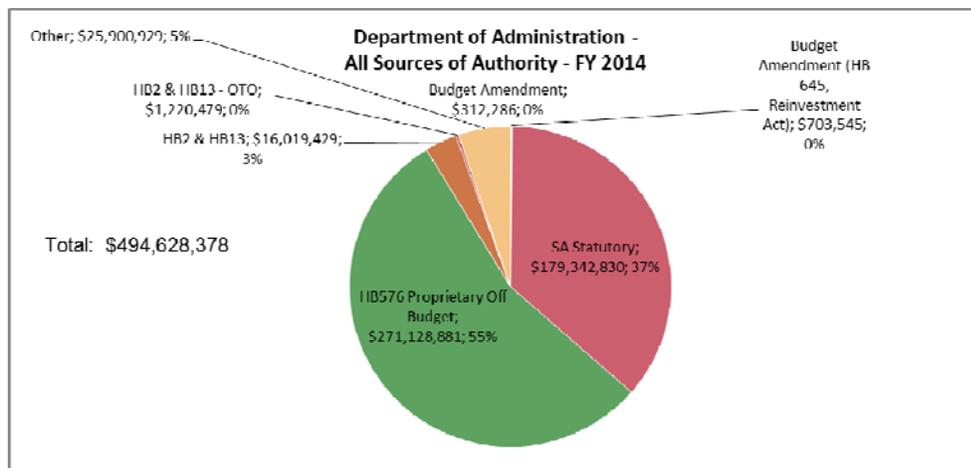
Montana State Lottery – designs, markets, and administers lottery games operating in Montana. The lottery presently offers a variety of instant/scratch and lotto-style games, some in cooperation with other lotteries through the Multi-State Lottery Association. The net revenue is deposited in the state general fund on a quarterly basis, after prizes, sales commissions, and operating expenses are taken out.

State Tax Appeal Board – provides a tax appeal system for all actions of the Department of Revenue. The Board hears appeals from decisions of the 56 county tax appeal boards and takes original jurisdiction in matters involving income taxes, corporate taxes, severance taxes, centrally assessed property and new industry property, motor fuel taxes, vehicle taxes, and cabin site leases.

Sources of Spending Authority

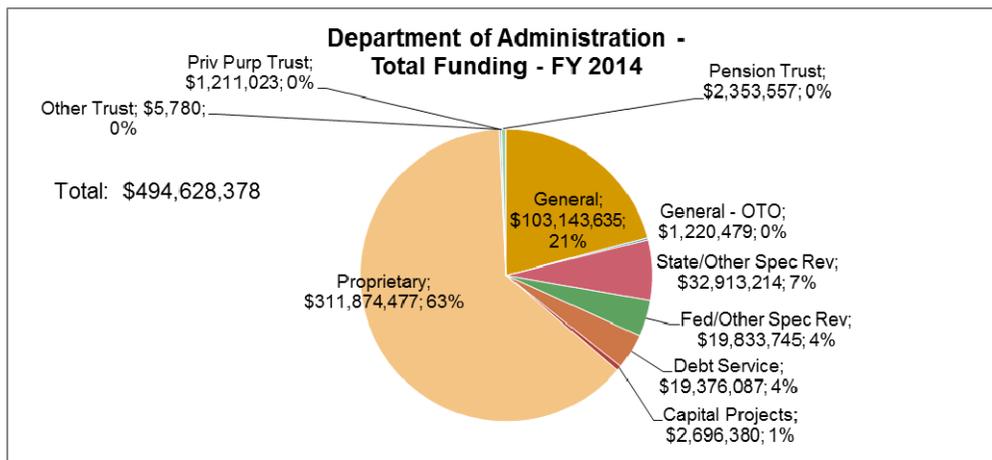
The chart below shows the sources of appropriation authority. For a more detailed description of accounting terminology, please refer to the definition of terms. A significant portion of the divisions within the agency are supported by proprietary funds, including the operations of the Director's Office, State Accounting Division, General Services Division, State Information Technology Division, Health Care and Benefits Division, State Human Resource Division, Risk Management and Tort Division and the Montana State Lottery. The funding is derived from fees charged for services provided to state government entities and local governments; revenue received from sales of items to the public, such as sales of lottery tickets and other games of chance by the Montana State Lottery; or from human service-related activities, such as group benefit premiums. Funding for common areas of the State Capitol, the Governor's Mansion, and the Montana Historical Society was provided from the general fund as one-time-only.

The majority of the funds are derived from proprietary rates including 1) Benefits and claims for state employee health insurance \$181.1 million; 2) State information technology services \$38.5 million; 3) General services for rent, grounds maintenance, mail, and printing; 4) Insurance and tort claims \$16.9 million.



Funding

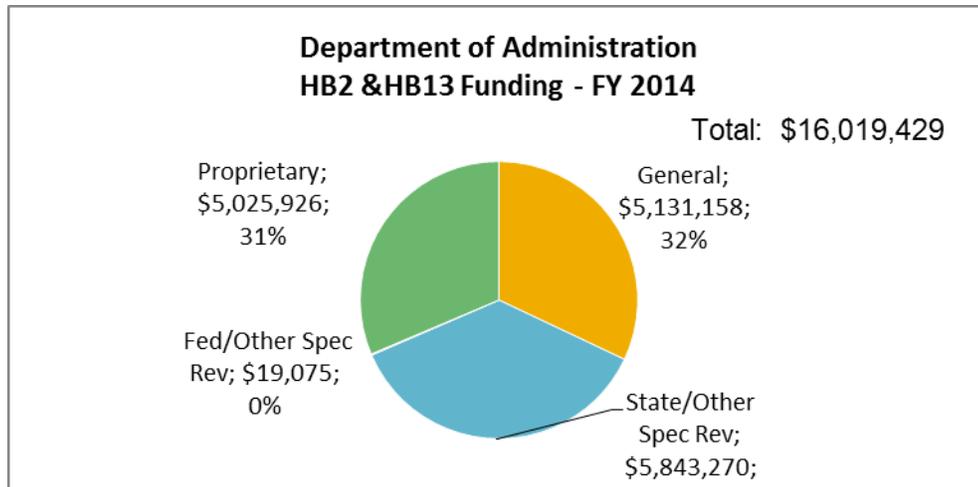
The following charts show agency's HB 2 funding authority by fund type and all sources of its funding authority.



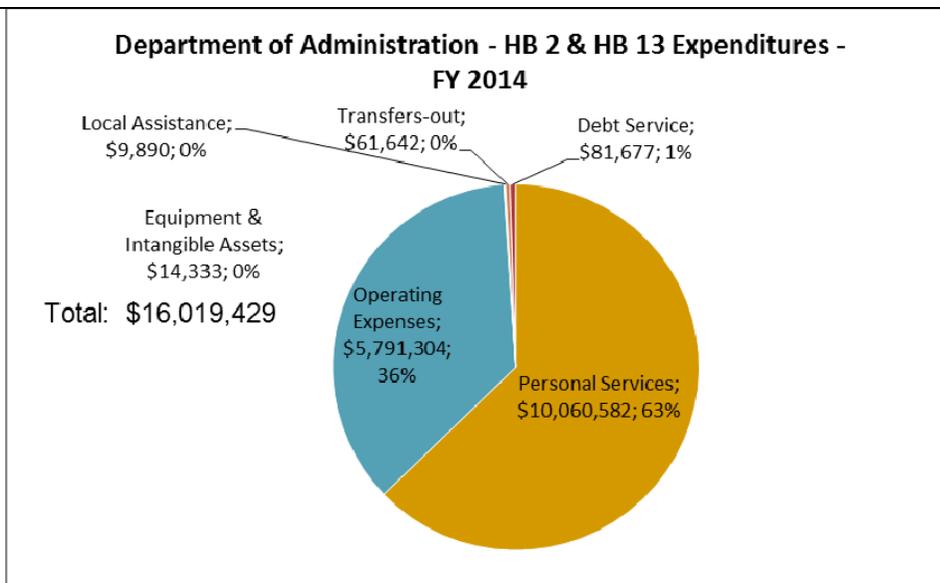
Expenditures

Of the total authority shown on the previous page, 5.8% was spent on personal services costs to support 528.47 FTE and 16.6% provided for operating expenses, 29.3% supported benefits and claims with the majority for state employee health claims, and 33.2% for transfers to pensions and the Old Fund providing for injured workers' claims for accidents occurring prior to July 1, 1990.

The chart below shows the funding was spent in FY 2014. This chart matches the agency base funding found in the 2017 Budget Analysis. Most proprietary funds are not appropriated and do not appear in this chart. However, lottery proprietary funds, because any unspent balance reverts to the general fund, are appropriated in HB 2.



The next chart explains how the HB2 & HB 13 authority is spent. Of the total authority 63% provides for personal services supporting 142.91 FTE and 36% is spent on operating costs. This chart matches the FY 2014 actual spending found in the agency budget comparison tables found in the 2017 Budget Analysis.



Funding, cont.

Proprietary funding is derived from fees charged for services provided to state government entities and local governments; revenue received from sales of items to the public, such as sales of lottery tickets and other games of chance by the Montana State Lottery; or from human service-related activities such as group benefit contributions.

Debt services funds provide for Long-Range Building Program bond payments, and capital project funds are used to support capital building projects and communications programs for interoperability radio projects. Nonexpendable trust funds are generated through a voluntary employee beneficiary association program, and private purpose trust funds are derived from private grants and funds.

How the 2015 Legislature Can Effect Change

In order to change expenditure levels and/or agency activity, the legislature must address one or more of the following basic elements that drive costs.

- Risk management practices to reduce exposure to insurance claims against the state
- Tort defense practices and policies for insurance claims against the state of Montana
- The state group health insurance usage and costs
- Effectiveness of information technology management, development, and usage
- Changes to financial institution and banking regulation laws, changing workload
- Changes to state employee human resource laws impacting workload
- Changes to state procurement laws impacting workload

Major Cost Drivers

Activity for this agency varies depending upon:

- Level of services and complexity of computer systems required by state agencies
- Number of employees within state government
- Changes to the accounting requirements issued by the Governmental Accounting Standards Board
- Size and complexity of the state's finances
- Number and associated level of damage for state buildings, vehicles, and airplanes
- Size of damage awards for legal settlements in which the state is found responsible
- Activity level of the Montana State Lottery
- Size and number of medical and dental claims for employees that are self-insured through the State Employee Group Health Plan
- Number of charter banks within Montana and level and complexity of concerns discovered through bank examinations
- Number of state buildings, level of maintenance, construction, and repair required on the various properties

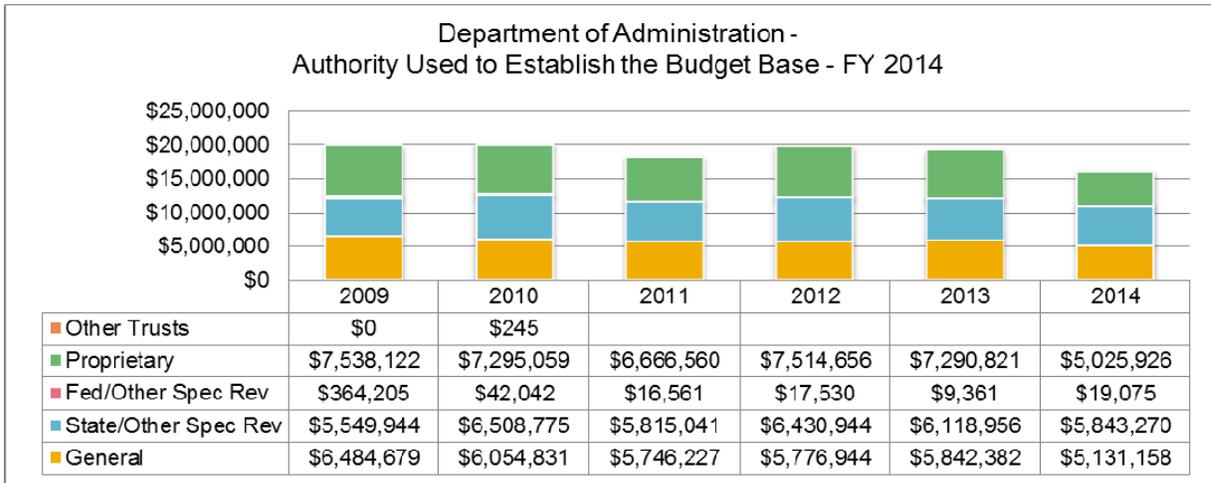
Major Cost Drivers, cont.

Division	Element	FY 2008	FY 2014	Significance of Data
State Financial Services Division	Total number of payments generated by states' computerized accounting system	2,223,956	2,573,362	Workload
	% of payments made using electronic means	44%	66%	Success of moving to electronic payments
	Total audit and financial reviews analyzed	510	506	Workload
Architecture and Engineering (A&E)	Number of active projects	204	207	*Workload
	Total capital projects budget	\$481,098,996	\$353,361,014	A&E financial responsibility for construction administration
General Services	Number of active building leases	380 leases	396 leases	Workload
	Number of buildings managed by GSD	46 buildings	48 buildings	Workload
State Information and Technology Services	Number of SummitNet video sites across the state	30	206	Availability reduces the need to travel to attend some meetings
	Total % of SMDS capacity filled	N/A	Helena Max Cabinets: 96 Space Used: 51.6% Miles City Max Cabinets: 96 Space Used: 44.2%	Workload
	Data Protection Services	N/A	600,000,000 unauthorized attempts per month	Prevention of data
Banking and Financial Institutions	Number of financial and lending entities supervised	1,477	1,848	Workload
	Total assets of state chartered banks and state credit unions	\$20.6 billion	\$27.9 billion	Asset growth in Montana
Montana State Lottery	Lottery transfers to the general fund	\$11.0 million	\$12.1 million	Sales of lottery tickets
State Human Resources	Number of paychecks processed	327,739	359,231	Workload
	Average number of state employees	12,605	13,817	Workload
	Number of participants in training	3,806	4,017	Workload
Health Care and Benefits (HCBD)	Number of employees, retirees, and their dependents covered by the State Employee Group Health Plan	32,740	32,435	Size of plan managed by HCBD
	Number of workers' compensation claims filed during the year	804	769	Success of improving worker safety
Risk Management and Tort Claims	Total insured values of state/university buildings and contents	\$3.9 billion	\$5.0 billion	Size of liability for the self-insurance plan for property insurance

* FY 2013 numbers FY 2014 not yet available

Funding/Expenditure History

The table below shows historical changes to the agency's base budget authority.



State special revenue spending fluctuates mainly due to 9-1-1 wireless provider fund balance distributions to wireless providers as required by statute

The major reasons for expenditure growth between 2009 and 2012 are:

- Enhanced supervision of residential mortgage services to protect Montanans from mortgage fraud. In addition, there was a significant increase in the dollar amount of banking and credit union assets supervised in the State due to growth in the agricultural, energy and commercial real estate sectors. This resulted in more complex examinations.
- Montana State Lottery – expenditure growth is due to growth in sales revenue. Since 2009, the Montana Lottery has increased revenue by \$8,765,559 and increased the transfer to the state general fund by \$2,946,489. This is a 19.99% growth in revenue between 2009 and 2012. Retailer commissions, prize expenses and vendor fees are all in direct relation to this increase in revenue.

Between FY 2013 and FY 2014 the legislature provided a statutory appropriation for lottery vendor fees. This reduced proprietary funding in HB 2 by \$2.98 million annually.

Major Legislative Changes in the Last Ten Years

It should be noted that legislative changes listed below do not include the long-range planning bills which are generally approved by the legislature each session and contains both approved building projects and information system projects.

Computer Systems

The 2003 Legislature required Process Oriented Integrated System (POINTS) computer system of the Department of Revenue be replaced and the data in the current system that is needed for the replacement system be corrected and transferred to the new system. (SB 271)

The 2005 Legislature appropriated \$2.1 million general fund as a supplemental appropriation for FY 2005 to make payments to the contractor developing the Process Oriented Integrated Tax System (POINTS) for the Department of Revenue for existing work to complete the phase of the project funded by SB 271 of the 2003 Legislature. (HB 745)

The 2009 Legislature, in the long-range planning section of HB 645, provided \$4.5 million in general fund for two information technology projects: 1) \$3.5 million for enterprise system center equipment; and 2) \$1.0 million for interoperability Montana. (HB 645 implemented the federal American Reinvestment and Recovery Act)

The 2011 Legislature created a budget database website for taxpayer right to know. The legislature did not add funding of \$395,407 general fund for the 2013 biennium to develop the Internet database and did not add 1.00 FTE to administer it. (HB 444)

Banking and Financial Regulation

The 2003 Legislature – created the Montana Mortgage Broker and Loan Originator Licensing Act to license residential mortgage brokers and loan originators.

The 2007 Legislature (regular session) created a structure for licensing, supervising, and regulating of business and industry development corporations and assigned the regulatory oversight to the department. (SB 321)

The 2009 Legislature revised mortgage lending laws by expanding the mortgage broker and loan originator act to include mortgage lenders. (SB 351)

The 2011 Legislature required the licensure and regulation of residential mortgage loan servicers. (HB 90)

Pension funds

The 2005 Legislature – established a statutory appropriation for the annual general fund contribution to the highway patrol officers' retirement pension trust fund. (HB 102)

The 2007 Legislature (regular session) increased the employer contribution rates for certain public employee retirement plans. (HB 131)

The 2013 Legislature increased employer and employee contribution rates for certain public employee retirements plans and provided for additional transfers from the general fund to improve the solvency of the trusts. (HB 377 and HB 454)

Buildings maintenance and grounds

The 2005 Legislature transferred responsibility for capitol complex grounds maintenance from the Department of Fish, Wildlife, and Parks to the Department of Administration. In addition to transferring the responsibility for the function, the bill transferred associated assets and staff. (HB 109)

The 2009 Legislature provides guidance on the selection of a location for establishment of a veteran's home in southwestern Montana. (HB 213)

Major Legislative Changes in the Last Ten Years, cont.

Purchasing

HB 745 appropriates \$2.1 million general fund as a supplemental appropriation for FY 2005 to make payments to the contractor developing the Process Oriented Integrated Tax System (POINTS) for the Department of Revenue for existing work to complete the phase of the project funded by SB 271 of the 2003 Legislature.

The 2007 Legislature (of the regular session) created a new special revenue fund from volume spending rebates on certain procurement contracts and authorized the account to be used to administer the state procurement card programs. (SB 4)

Emergency telephone services (911)

The 2007 Legislature (regular session) increased the 9-1-1 fee from \$0.50 per subscriber to \$1.00 per subscriber for use to establish the enhanced 9-1-1 emergency capacity for wireless telephone services. (HB 27)

The 2009 Legislature reduced and redirects the portion of 9-1-1 fees collected by the state and used to fund costs to administer the fees for basic, enhanced, and wireless enhanced 9-1-1 services. (HB 82)

The 2011 Legislature raised the age from 25 to 26 that dependents may remain covered under their parents state employee group health insurance. The change was made to comply with the federal Patient Protection and Affordable Care Act of 2010. (HB 53)

State Employee Group Health

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For further information, you may wish to contact the agency at:

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