

### Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	57.10	57.10	57.10	57.10	57.10	57.10	.00	0.00 %
Personal Services	3,655,002	3,788,426	3,909,151	3,923,779	7,443,428	7,832,930	389,502	5.23 %
Operating Expenses	15,692,356	15,357,182	16,463,114	16,424,820	31,049,538	32,887,934	1,838,396	5.92 %
Equipment & Intangible Assets	345,287	0	345,287	345,287	345,287	690,574	345,287	100.00 %
Grants	0	0	750,000	0	0	750,000	750,000	0.00 %
Debt Service	244,617	287,531	244,617	244,617	532,148	489,234	(42,914)	(8.06%)
<b>Total Costs</b>	<b>19,937,262</b>	<b>19,433,139</b>	<b>21,712,169</b>	<b>20,938,503</b>	<b>39,370,401</b>	<b>42,650,672</b>	<b>3,280,271</b>	<b>8.33 %</b>
General Fund	7,857,242	7,558,505	8,993,241	8,232,885	15,415,747	17,226,126	1,810,379	11.74 %
State Special	1,010,225	739,337	1,105,594	1,104,220	1,749,562	2,209,814	460,252	26.31 %
Federal Special	11,069,795	11,135,297	11,613,334	11,601,398	22,205,092	23,214,732	1,009,640	4.55 %
<b>Total Funds</b>	<b>19,937,262</b>	<b>19,433,139</b>	<b>21,712,169</b>	<b>20,938,503</b>	<b>39,370,401</b>	<b>42,650,672</b>	<b>3,280,271</b>	<b>8.33 %</b>

### Program Description

Mission Statement: The mission of the Technology Services Division (TSD) is to provide state-of-the-art support in operational and technological areas critical to the efficient and effective implementation of department programs.

The Technology Services Division (TSD) is responsible for all agency information technology. TSD has four bureaus:

- The Business Strategies and Operations Bureau provides policy guidance and business oversight including financial management for the division
- The Project Management Bureau is engaged in project management, using outside contractors to develop and manage major data systems including:
  - The System for Enforcement and Recovery of Child Support (SEARCHS) for child support enforcement
  - The Montana Automated Child Welfare Information System MACWIS (formerly CAPS) for children's protective services
  - The Combined Healthcare Information and Montana Eligibility System (CHIMES) for Medicaid, Temporary Assistance for Needy Families (TANF), and the Supplemental Nutrition Assistance Program system (SNAP) that was formerly called the Food Stamp Eligibility system
  - Montana Access for electronic benefits
- The Information Systems Bureau provides database and web server hosting and system development services. It also operates the Technology Services Center, a computer help desk that provides first level support for employees and contractors conducting business for the Department. Systems developed and maintained by ISB programmers include:
  - ISERV, an online system which provides both employee time reporting and employee travel functionality
  - PERQS, a Department purchasing system that supports online order entry, purchase order generation, receiving and payments
  - AWACS, a series of financial and management subsystems including agency contracts, Developmental Disabilities, Disability Determination, Vocational Rehabilitation and Montana Aging Services
  - MICRS, an electronic institutional billing system
- The Network and Communications Bureau provides networking and desktop services to all agency employees

Statutory authority is in Title 17 and Title 40, MCA, and Title IV of the Social Security Act, Section 06, P.L. 96-265.

## Program Highlights

<b>Technology Services Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The \$43 million 2011 biennium budget is \$3 million greater than the 2009 biennium budget due to \$1.7 million in statewide present law adjustments and on-going systems support, nearly \$0.8 million to develop a statewide health information technology pilot, and \$0.5 million for the Governor's requests for computer equipment, software enhancements, and rent increases</li> <li>◆ The \$43 million biennium budget contains \$33 million in operating expenses, of which \$30 million is for internet technology services including nearly \$17 million for Information Technology (IT) consultants and professional services and over \$13 million in services charged by the Department of Administration (DOA)</li> <li>◆ The division's 2009 biennium goals are on track</li> </ul>
<b>Major LFD Issues</b>
<ul style="list-style-type: none"> <li>◆ The division goals should include measurable objectives</li> <li>◆ The Governor is requesting \$750,000 general fund for a grant to develop a statewide health information technology pilot that is largely undefined</li> </ul>

## Program Narrative

### *Goals and Objectives:*

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations the Legislative Fiscal Division recommends that the legislature review the following:

Any issues related to goals and objectives raised by LFD staff are located in the program section.

- Goals, objectives and year-to-date outcomes from the 2009 biennium
- Goals and objectives and their correlation to the 2011 biennium budget request

### 2009 Biennium Major Goals:

The following provides an update to the major goals monitored during the 2009 interim.

#### Successes:

- The division's goal was to begin replacement of obsolete department data systems and keep all projects in the "green light" status of the State CIO's (the Department of Administration's (DOA) Chief Information Officer) guides. The systems monitored throughout the 2009 interim were:
  - CHIMES - the Combined Healthcare Information and Montana Eligibility System
    - Medicaid component
    - Temporary Assistance for Needy Families (TANF) eligibility system component
    - SNAP - the Supplemental Nutrition Assistance Program component (formerly called the Food Stamp Eligibility System)
  - MACWIS – the statewide Automated Child Welfare Information System (formerly called CAPS)

As of October 2008, all projects received were considered "on track" by the Legislative Finance Committee's workgroup on performance measurement.

2011 Biennium Major Goals

The following is the goal, objective, and measurement for the 2011 biennium as the division provided with its budget.

The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. The following goal is suggested.

Goal: Ensure that information technology resources are efficient, responsive, secure, cost-effective and available when needed

Objectives: to continually work to provide state-of-the-art support and service to customers by: knowing what our customers want/need; and deploying best practices and best technology to meet these needs

The measurements are:

- Customer satisfaction surveys conducted quarterly for new system developments and semi-annually for other services will receive rating of “agree” or “strongly agree” 85 percent of the time. Baseline surveys will be conducted in the fall of 2008.
- Keep all development projects at “green light” status with the State CIO’s office at least 70 percent of the time

**LFD  
ISSUE****The Goal Does Not Contain Baseline Information**

In order to for the legislature to discuss the division’s budget in the light of efficient and effective government, goals should have a baseline against which the legislature can measure the division’s achievements. This goal does not help the legislature understand TSD management because there are no baseline comparisons.

In its presentation to the 2007 Joint Appropriations Health and Human Services Subcommittee, which was based upon its goals developed in December 2006, the division supplied base line survey results that showed customer satisfaction at 65 percent for enhancement to major systems, 85 percent for the help desk, and 90 percent for network and desktop services. The results of the baseline surveys from 2007 should be included in the measurements.

The second measurement ties to projects that are reviewed by of the state Chief Information Officer (CIO), who presents an update on the major long-range information technology (IT) projects at each meeting of the Legislative Finance Committee. However, as a means for legislators that are deliberating the TSD’s budget to fully understand the TSD responsibility for over \$200 million in long-range IT projects, a baseline progress statement of the projects at the end of each fiscal year would be helpful. Such a report was presented to the LFC workgroup that oversaw the DPHHS performance measures during the 2009 interim. At the close of the interim, the workgroup considered the division’s performance measures to be “on-track”. The workgroup suggested that the 2009 session Joint Appropriations Subcommittee for Health and Human Services receive updates on these IT projects as well as reports on increased funding for any projects contained in the long range planning legislation for the 2009 and 2011 biennia. There is further information in the long-range IT project discussion in the program narrative.

In the 2009 session, the division also presented the development of a staff recruitment, retention and training plan as a goal. Such a goal is not included among those submitted with the division budget, but the division does note the recruitment/retention of staff as a concern in its discussion of personal services in the present law section of the program narrative. It also notes that staffing issues could be a potential risk factor to the achievement of division objectives.

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The legislature may wish to consider:

- Directing the division to bring the results of the FY 2007 baseline survey to accompany the discussion of the division's budget
- Discussion with the division on how its goals and objectives might be improved, and suggesting that TSD consider a goal to complete a staffing plan

There are additional references to goals and measurements in the present law and new proposal sections of the program narrative.

*Audits*

In February 2008, the federal audit of general controls for Medicaid eligibility determination raised security issues with the adequacy and access to computer facilities used to run Medicaid systems. The division responded with a resolution plan indicating it would review and tighten access to the DPHHS data center. The Medicaid system presently runs in the ITSD data center, which has adequate protections. The legislature may wish to request an update on the federal response to the resolution plan.

*Budget Request – A Biennial Comparison*

As shown in the program proposed budget, the nearly \$43 million 2011 biennium budget presented by the executive increases the 2009 biennium budget by over \$3 million. The largest component of the \$43 million biennium budget is nearly \$33 million in operating expenses, of which nearly \$30 million is for information technology (IT) services, including nearly \$17 million for IT consultants and professional services and over \$13 million in IT services charged by the Department of Administration (DOA), reflective of the fact that TSD either provides technology support or manages contracted services for technology projects that serve the entire agency.

Increases of \$3 million in the executive budget from the 2009 biennium to the 2011 biennium are primarily due to:

- \$1.5 million in statewide present law adjustments and increases in operating expenses that are primarily due to Department of Administration (DOA) information technology service charges due to the change DOA made in the method it handles IT service rates in the 2011 biennium. DOA is moving to a full cost maturity model that bases rates on detailed tracking and allocation of expenditures and staff time to each service. This rate of increase is a one-time adjustment to reflect actual increases in usage for this biennium. If service usage remains relatively stable, another major increase is not expected in future biennia. Other drivers to the increase are motor pool charges, postage, and rent of DOA buildings
- \$1.3 million in present law and new requests that are primarily for computer equipment, software enhancements, rent, and nearly \$0.8 million to develop a statewide health information technology pilot. There is further discussion in the present law and new proposal section later in this narrative

The budget is slightly reduced as the division reduces debt for leases for 411 desktop computers for Office of Public Assistance, network servers, and electronic benefit transfer servers.

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## Increases to the Base Made During the 2009 Interim

The division transferred \$1.0 million (\$480,000 general fund, \$310,000 state special revenue, and \$210,000 federal revenue) in FY 2008, primarily to support:

- \$20,000 general fund and \$150,000 other funds for underfunded staff positions (there is further discussion in the vacancy savings discussion in the personal services section)
- \$180,000 general fund and \$180,000 other funds for unanticipated costs in mainframe utilization increases such as disk storage and computer use time charged by the DOA
- \$110,000 general fund and \$120,000 state special revenue to replace funding spent due to changes in the federal funding match rate calculations for the TEAMS and SEARCHS IT projects
- \$170,000 general fund and \$70,000 state special revenue to meet the replacement need of five database and web servers for agency systems at an average cost of \$39,000 and about 15 network servers at an average cost of \$10,000 each

The funds came through program transfers from other divisions and were available due to lower than anticipated Medicaid benefits costs. At the close of FY 2008 the division had expended its legislative appropriation plus the transfers mentioned above, but did revert \$43,000 to the general fund, \$24,000 to state special revenue, and \$80,000 in federal funds.

Program transfers are legal changes that can be done under the authority of the Governor's Office of Budget and Program Planning, although transfers meeting a statutory threshold must be reviewed by the Legislative Finance Committee before approval. \$240,000 of transfers did trigger the threshold and was reported. However, legislative action on this type of transfer must be done through the legislative process, not an interim committee.

TSD transfers are generally the result of the cost allocation method of funding this division. When the budgets are established, an estimate of funding sources is made. As the year progresses, however, the funding sources that can be charged based upon actual work will change. Program transfers are the method used to align funding with actual expenditures.

LFD brings this transfer to legislative attention because it is a substantial amount of funding and expanded the base in this division, without legislative discussion of the programmatic or operational needs supported by the added funds. There is additional agency-wide information in the agency summary section at the beginning of this volume.

The last item of the list, \$240,000 transferred for servers, may be of special interest to the legislature. This amount of equipment funding is usually presented in the executive budget for legislative discussion. Equipment requests are often presented with a one-time-only designation because they are not on-going expenses.

If the legislature is concerned about this increase to the general fund, it may wish to consider:

- Reducing the base budget by the \$270,000
- Reducing the base budget by the \$270,000 and asking the division to bring forth a funding request (along with a projected replacement schedule) for any additional amount needed to address the potential on-going replacement needs for FY 2010 and FY 1011

*I-155 - Healthy Montana Kids*

The TSD is part of the Governor's request to support the passage of voter Initiative 155 - Healthy Montana Kids. As discussed in the agency overview, the request for \$36 million in state special revenue (SSR) funds and \$72.6 million in federal funds is actually in the executive's budget for the Health Resources Division. The funds would cover new enrollment in the programs, since November 4, 2008. This request is contingent upon federal approval of a state plan amendment and the receipt of matching federal funds.

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This initiative is discussed in greater detail in the agency overview. The initiative includes funding for three divisions within DPHHS:

- Health Resources Division-6.00 FTE and \$32.7 million Montana healthy kids state special revenue funds and federal matching funds
- Human and Community Services Division-54.00 FTE and \$3.0 million from the Montana healthy kids state special revenue account and \$3.0 million in federal Medicaid matching funds
- Technology Services Division-\$0.2 million Montana healthy kids state special revenue funds and \$0.3 federal funds

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ISSUE**

#### Structuring Appropriation to Allow Accurate Budget Comparisons

The legislature may wish to allocate funds and FTE to the appropriate division if it approves funding for the proposal. Allocating funds among divisions would facilitate more accurate comparisons of appropriations and expenditures.

#### *The Functions of the Technology Services Division*

The executive budget continues the 2007 Legislature's discussion of computer system management and/or maintenance and client support as well as the related goals and performance measures. However, it is important to note that TSD has two budget responsibilities: its HB 2 budget of \$43 million and the long-range IT project budget of over \$200 million. Figure 31 is based upon the Governor's budget request and shows how the division divides and funds its workload and provides services. After Figure 31, there is a discussion of the long-range IT projects.

#### Functions of TSD

Nearly 43 percent of the division's expenditures are projected to support contracted computer development and maintenance. These systems provide a wide variety of services related to program eligibility determination, claims processing, data collection, case management support, and payment processing. Figure 31 illustrates the functions of the division and the major contracted computer systems.

The large increase in the Project Management Bureau is due to the Governor's request for nearly \$8 million to develop a statewide health information technology pilot. There is further discussion in the new proposal section of the program narrative.

Figure 31  
Technology Services Division

Summary of Funding by Function

Function	Fiscal 2008 Actual		Fiscal 2010 Requested		Fiscal 2011 Requested		2011 Biennium		Change to Base*	Percent of Division
	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds		
Centralized Services										
Division Administration	\$226,246	\$429,767	\$199,202	\$369,404	\$200,336	\$371,754	\$399,538	\$741,158	-13.8%	1.7%
Project Management Bureau	64,425	200,160	965,579	1,419,326	216,399	671,408	1,181,978	2,090,734	422.3%	4.9%
Network & Communications Services	1,983,504	4,590,852	2,261,428	5,229,323	2,247,073	5,195,500	4,508,501	10,424,823	13.5%	24.4%
Information Systems Bureau	788,239	2,074,922	926,720	2,423,183	928,765	2,428,908	1,855,485	4,852,091	16.9%	11.4%
Total Centralized Services	\$ 3,062,414	\$ 7,295,701	\$ 4,352,929	\$ 9,441,236	\$ 3,592,573	\$ 8,667,570	\$ 7,945,502	\$ 18,108,806	24.1%	42.5%
Contracted Computer Systems										
TEAMS	2,221,901	5,147,507	2,191,274	5,076,534	2,191,274	5,076,534	4,382,548	10,153,068	-1.4%	23.8%
SEARCHS	676,111	3,020,532	665,346	2,972,440	665,346	2,972,440	1,330,692	5,944,880	-1.6%	13.9%
CAPS	1,261,510	1,944,078	1,202,427	1,853,027	1,202,427	1,853,027	2,404,854	3,706,054	-4.7%	8.7%
Electronic Benefit Transfer (EBT)	547,060	1,532,989	542,527	1,520,286	542,527	1,520,286	1,085,054	3,040,572	-0.8%	7.1%
CHIMES System	617	510,181	3,074	490,866	3,074	490,866	6,148	981,732	-3.8%	2.3%
Other systems and Small Adjustments	87,629	486,274	35,664	357,780	35,664	357,780	71,328	715,560	-26.4%	1.7%
Total Contracted Computer Systems	\$ 4,794,828	\$ 12,641,561	\$ 4,640,312	\$ 12,270,933	\$ 4,640,312	\$ 12,270,933	\$ 9,280,624	\$ 24,541,866	-2.9%	57.5%
Total Operations & Technology Div.	\$7,857,242	\$19,937,262	\$8,993,241	\$21,712,169	\$8,232,885	\$20,938,503	\$17,226,126	\$42,650,672	7.0%	100.0%

\*Percent of increase or decrease from the base year times 2.

Over \$200 million in Long-Term IT Projects managed by TSD

In addition to the HB 2 budget, TSD presently manages nearly \$60 million of IT projects for DPHHS that are funded through long-range planning legislation to accommodate funding and projects that could extend beyond a single biennium. Additionally, the Governor proposes nearly \$70 million for long-range IT projects in HB 10 for the 2009 session. The executive request includes a \$1.5 million planning phase for the \$90 million for the Child Support Enforcement Division’s SEARCHES system and \$65.5 million for the Medicaid Management Information System (MMIS) replacement.

Not all of the funding would be spent in the 2011 biennium. The budget timeline is projected to last through 2015 because the division opts to focus on early, in-depth planning using DPHHS staff prior to entering the “request for proposal” phases. Funding would remain in the long-range IT budget administered by DOA until the completion of the project, which includes the warranty period.

The projects attached to the executive request for \$170 million are listed above. Those attached to the present long-range appropriation of nearly \$60 million are:

- o \$31 million - CHIMES - the Combined Healthcare Information and Montana Eligibility System upgrade and replacement comprised of:
  - \$2 million - Medicaid eligibility component completion project scheduled to “go live” in July 2009
  - \$16 million - Temporary Assistance for Needy Families (TANF) system for eligibility determination, benefit distribution and program administration presently in the planning phase and scheduled for implementation August 2011
  - \$13 million - SNAP - the Supplemental Nutrition Assistance Program component (formerly called the Food Stamp Eligibility System) for eligibility determination, benefit distribution, and program administration presently in the planning phase and scheduled for implementation August 2011
- o \$27 million - MACWIS – the Montana Automated Child Welfare System designed to replace the Child and Adult Protective Services system (CAPS)
- o \$2 million for the Adoption and Foster Care Analysis and Reporting System (AFCARS) component of the Montanan Automated Child Welfare Information System

The following figure illustrates the distribution of the 2007 and 2009 long-range IT project funding categories.

Figure 32  
Summary of System Funding in Proposed Legislation

System Design	Total 2009 Biennium Estimated	FY 2010 Estimated	FY 2011 Estimated	Total 2011 Biennium Estimated	Total 2013 Biennium Estimated	Total 2015 Biennium Estimated	Total Project Request
<b>TEAMS System - TANF</b>							
TANF Block Grant	\$460,461	\$3,471,500	\$3,471,500	\$6,943,000	\$1,196,539	\$0	\$8,600,000
General Fund	<u>392,786</u>	<u>3,078,500</u>	<u>3,078,500</u>	<u>6,157,000</u>	<u>1,075,214</u>	<u>0</u>	<u>7,625,000</u>
Subtotal	\$853,247	\$6,550,000	\$6,550,000	\$13,100,000	\$2,271,753	\$0	\$16,225,000
<b>SNAP (Formerly Food Stamps)</b>							
USDA Food & Nutrition	\$455,461	\$2,430,000	\$2,430,000	\$4,860,000	\$1,219,539	\$0	\$6,535,000
General Fund	<u>435,792</u>	<u>2,430,000</u>	<u>2,430,000</u>	<u>4,860,000</u>	<u>1,239,208</u>	<u>0</u>	<u>6,535,000</u>
Subtotal	\$891,253	\$4,860,000	\$4,860,000	\$9,720,000	\$2,458,747	\$0	\$13,070,000
<b>CHIMES</b>							
Medicaid	\$1,747,714	\$0	\$0	\$0	\$0	\$0	\$1,747,714
General Fund	<u>202,450</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>202,450</u>
Subtotal	\$1,950,164	\$0	\$0	\$0	\$0	\$0	\$1,950,164
<b>MACWIS-Child &amp; Adult Protection</b>							
Title IV-E Revenue	\$417,006	\$3,169,500	\$4,169,500	\$7,339,000	\$5,808,137	\$0	\$13,564,143
General Fund	<u>438,719</u>	<u>3,169,500</u>	<u>4,169,500</u>	<u>7,339,000</u>	<u>5,808,137</u>	<u>0</u>	<u>13,585,856</u>
Subtotal	\$855,725	\$6,339,000	\$8,339,000	\$14,678,000	\$11,616,274	\$0	\$27,149,999
<b>SEARCHS Replacement-Child Support*</b>							
Federal Title IV-D 66% Match	\$0	\$0	\$0	\$1,000,000	\$0	\$0	\$59,400,000
General Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>500,000</u>	<u>0</u>	<u>0</u>	<u>30,600,000</u>
Subtotal	\$0	\$0	\$0	\$1,500,000	\$0	\$0	\$90,000,000
<b>AFCARS - Adoption and Foster Care</b>							
Federal IV-E Funds	\$0	\$849,045	\$0	\$849,045	\$0	\$0	\$849,045
General Fund	<u>0</u>	<u>996,705</u>	<u>0</u>	<u>996,705</u>	<u>0</u>	<u>0</u>	<u>996,705</u>
Subtotal	\$0	\$1,845,750	\$0	\$1,845,750	\$0	\$0	\$1,845,750
<b>MMIS Replacement*</b>							
Medicaid Match Available	\$0	\$0	\$0	\$0	\$0	\$0	\$62,000,000
General Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,500,000</u>
	\$0	\$0	\$0	\$0	\$0	\$0	\$65,500,000
<b>Total Systems</b>							
Total Federal Funds	\$3,080,642	\$0	\$0	\$0	\$0	\$0	\$152,695,902
Total General Fund	<u>1,469,747</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>63,045,011</u>
Total	<u>\$4,550,389</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$215,740,913</u>

\* 2011 biennium long-range IT request in HB 10: The \$1.5 million planning phase for SEARCHS and the MMIS Replacement at \$69 million.  
At the time of this writing, the allocation of spending among years for the MMIS and SEARCHS replacements were not available.  
Therefore, the total expenditures for the 2011 and 2013 biennia are not shown.  
Source: Division spreadsheet October 2008 adjusted in December to meet the totals submitted by the Governor to HB 10.

Legislative Monitoring of Long-Range IT Projects

In accordance with Montana Code (2-17-523, MCA), TSD publishes an IT plan covering immediate to long term needs for DPHHS. The updated 2008 plan is goal and objective based tying staffing, maintenance, and development of IT projects to agency and division mission and goals, and identifying the top priority system upgrades.

The CHIMES and MACWIS systems were included in the Legislative Finance Committee’s (LFC) list of performance measures to be monitored by the LFC workgroup that oversaw the DPHHS performance measures during the 2009 interim. At the close of the interim, the workgroup considered the division’s performance measures to be “on-track”. The workgroup suggested that the 2009 session Joint Appropriations Subcommittee for Health and Human Services receive updates on these IT projects as well as reports on increased funding for projects contained in the long range planning legislation for the 2009 and 2011 biennia. The request was made because even though the DOA’s ITSD chief information officer monitors the benchmarks for each project and with approval of the budget director, distributes the funding, the ultimate management of the DPHHS projects falls with TSD.

The 2011 Legislature may wish to request updates on the 2009 goals and recommend systems it would like to have tracked through the 2011 interim.

**Funding**

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor. The division is funded with general fund, state special revenue, and federal funds based upon a complex federally approved cost allocation plan, often referred to as indirect activity. Federal funds account for 55.4 percent of the total biennium budget, general fund 39.3 percent, and state special revenue 5.3 percent.

Program Funding Table							
Technology Services Division							
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011	
01000 Total General Fund	\$ 7,857,242	39.4%	\$ 8,993,241	41.4%	\$ 8,232,885	39.3%	
01100 General Fund	7,857,242	39.4%	8,993,241	41.4%	8,232,885	39.3%	
02000 Total State Special Funds	1,010,225	5.1%	1,105,594	5.1%	1,104,220	5.3%	
02381 02 Indirect Activity Prog 09	1,010,225	5.1%	1,105,594	5.1%	1,104,220	5.3%	
03000 Total Federal Special Funds	11,069,795	55.5%	11,613,334	53.5%	11,601,398	55.4%	
03598 03 Indirect Activity Prog 09	<u>11,069,795</u>	<u>55.5%</u>	<u>11,613,334</u>	<u>53.5%</u>	<u>11,601,398</u>	<u>55.4%</u>	
Grand Total	<u>\$ 19,937,262</u>	100.0%	<u>\$ 21,712,169</u>	100.0%	<u>\$ 20,938,503</u>	100.0%	

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	7,857,242	7,857,242	15,714,484	91.22 %	19,937,262	19,937,262	39,874,524	93.49 %
Statewide PL Adjustments	271,958	278,938	550,896	3.20 %	748,564	765,162	1,513,726	3.55 %
Other PL Adjustments	76,287	60,037	136,324	0.79 %	189,413	151,649	341,062	0.80 %
New Proposals	787,754	36,668	824,422	4.79 %	836,930	84,430	921,360	2.16 %
<b>Total Budget</b>	<b>8,993,241</b>	<b>8,232,885</b>	<b>17,226,126</b>		<b>21,712,169</b>	<b>20,938,503</b>	<b>42,650,672</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget proposed by the Governor. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					392,045					407,284
Vacancy Savings					(161,879)					(162,490)
Inflation/Deflation					8,624					8,940
Fixed Costs					509,774					511,428
<b>Total Statewide Present Law Adjustments</b>					<b>\$748,564</b>					<b>\$765,162</b>
DP 90102 - TSD Office Rent COL Increases	0.00	52,603	9,987	68,674	131,264	0.00	50,911	9,753	67,002	127,666
DP 90104 - USB Device Encryption	0.00	14,558	2,354	17,254	34,166	0.00	0	0	0	0
DP 90528 - Restore overtime/hol worked	0.00	9,126	1,943	12,914	23,983	0.00	9,126	1,943	12,914	23,983
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$76,287</b>	<b>\$14,284</b>	<b>\$98,842</b>	<b>\$189,413</b>	<b>0.00</b>	<b>\$60,037</b>	<b>\$11,696</b>	<b>\$79,916</b>	<b>\$151,649</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$937,977</b>					<b>\$916,811</b>

### Program Personal Services Narrative

Adjustments in the statewide present law category for personal services are about \$0.5 million including \$0.8 million in statutory pay increases, the pay plan adopted by the legislature, aligning FTE positions to market, benefits, and longevity for existing staff that are offset by \$0.3 million in vacancy savings.

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Market Rate** - The TSD market rate as of October 2008 after implementing the legislative approved pay raises was at 92 percent, the same as the DPHHS agency market rate. This is primarily because TSD maintains pay adjustments for IT staff in order to attract or retain qualified employees.
- **Vacancy** - The division struggles to recruit and maintain qualified staff, but once an employee is recruited, TSD does not have a high turnover rate because of the pay adjustments. However, when a vacancy occurs, it typically stays open for a long time. When a position is vacant, overtime and workload for other staff are increased. There may also be a delay in the completion of tasks, which could compromise customer service.
- **Legislatively applied vacancy savings** - TSD achieves the 4 percent vacancy savings with open positions, but not in absence of active recruitment. In the event there are additional vacancy savings above the 4 percent applied by the legislature, the savings are applied to positions that were budgeted at entry level salary because they were empty at snap shot but later filled with employees hired at pay higher than entry level.
- **Pay Changes** - The division is in the process of developing a staffing plan to address issues around workforce development. The plan includes a reduction of contracted services, moving some tasks in house, and increasing contractor efficiency. This resulted in a decrease in contract budget that was transferred to personal services.
- **Retirements** - TSD will have 43 employees (64 percent of the total program workforce) eligible for full retirement in the 2011 biennium. It estimates that three employees will retire with an anticipated compensated absence liability of \$24,444. The division anticipates one employee will retire in the 2009 biennium. The division is taking steps for knowledge sharing and cross training to address retirements.

#### LFD ISSUE

TSD indicates that a staffing plan is under development

In its goals submitted to the 2007 Legislature, it also noted that a plan for recruiting, training, and retention of staff was in development. As of October 2008, TSD continues to work on the staffing plan. When it is complete, TSD intends to put it into a document to present to the appropriate employee union for their needed approval.

The division also has an information technology plan developed for the state CIO that guides the long-range projects. In this plan, successful implementation of the plan is tied to the recruitment, hiring, training, and retention of quality staff. Staffing is noted as a risk factor for the possible inability to complete a project or fulfill its goal.

As noted earlier, the legislature should have the division add the completion of the staffing plan to its goals.

#### Fixed Costs

As mentioned in the biennial budget comparison discussion, fixed costs are primarily due to DOA charges.

**DP 90102 - TSD Office Rent Increases** - The executive requests \$258,930 over the biennium for costs associated with the increased rent within the Technology Services Division. The TSD has moved several offices to co-locate certain functions, to move out of locations that have become unfeasible to maintain, and to take advantage of better rental pricing. There are four rental occurrences: 1) moving Network and Communication Bureau staff and training room to a new building proposed at South Pointe where the rate will be \$23.13 per square foot in FY 2010 with a 1 percent increase in the second year; 2) cost of living increase for rented space for the Project Management Bureau (PMB); 3) co-locating the Information Systems Bureau programming unit with the PMB; and 4) co-locating the Business Strategies and Operations Bureau.

**LFD  
ISSUE**

## Rent Costs

The main driver for the increase in rent is \$112,000 over the biennium assigned to the Network and Communications Bureau, which presently has staff located in Helena's Northgate Village that will ultimately have to move. This amount is essentially a place holder at this time because the staff is scheduled to relocate to a new building that is not yet built. The increase is based on a July 2009 move, but the actual date is uncertain. The executive request also includes \$9,300 for telephone jacks and wiring associated with the move into the new building. Issues pertinent to legislative discussion of this proposal are:

- About \$112,000 of the budget is based on a move July 2009, which may not occur at that time and the total amount may not be needed
- The budget contains \$9,300 for communication equipment/support that should only be needed one time, or possibly not at all

Options the legislature may wish to consider:

- Restricting the \$112,000 of the request to be expended only on payment of rent for the Network and Communications Bureau to ensure the funds are not spent on other items if they are unused
- Designating the \$9,300 request for communications as one-time-only so that amount does not go into the base and restricting the amount to ensure the funds are not spent on other items if they are unused

DP 90104 - USB Device Encryption - The Governor requests \$34,166 over the biennium to install encryption software on agency computers in accordance with state and federal requirements to secure information and data accessed and stored by computer. Funding for the biennium would include \$14,558 general fund, \$2,354 state special revenue, and \$17,254 federal funds.

The TSD is currently responsible for 3,106 computers within the agency. It is estimated that it will cost \$34,166 or \$11.00 per computer to install encryption software to limit access by Universal Serial Bus (USB) devices.

**LFD  
COMMENT**

The request is for minor software that should only have to be purchased for the 3,106 computers one time. There is \$65,291 in the FY 2008 base for minor software. While there could be new computers needing the device or software upgrades in future biennia, another \$34,000 may not be needed.

## Options

The legislature may want to consider:

- Designating the request as a one-time-only (OTO) appropriation to remove the funds from the FY 2010 base
- Designating the request as restricted to ensure that any unused amount is spent on encryption software or upgrades.
- Designating the request as both restricted and OTO

DP 90528 - Restore Overtime/Holidays worked - The executive requests \$47,966 over the biennium to restore costs for overtime and holiday hours worked for the Information Systems Bureau. Overtime is subject to zero-based budgeting and eliminated from base year funding.

**New Proposals**

Program	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 90227 - NEDSS Base System (NBS)										
09	0.00	37,754	3,773	45,403	86,930	0.00	36,668	3,664	44,098	84,430
DP 90600 - Health Information Technology - OTO Biennial										
09	0.00	750,000	0	0	750,000	0.00	0	0	0	0
<b>Total</b>	<b>0.00</b>	<b>\$787,754</b>	<b>\$3,773</b>	<b>\$45,403</b>	<b>\$836,930</b>	<b>0.00</b>	<b>\$36,668</b>	<b>\$3,664</b>	<b>\$44,098</b>	<b>\$84,430</b>

DP 90227 - NEDSS Base System (NBS) - The executive requests \$171,360 over the biennium for the National Electronic Disease Surveillance System (NEDSS) support and hosting. The NEDSS supports routine surveillance activities associated with the rapid reporting of disease trends to control outbreaks. The NEDSS platform allows states to enter, update, and electronically transmit demographic and notifiable disease data to the Centers for Disease Control and Prevention (CDC).

The agency's Public Health and Safety Division (PHSD) is using a commercial ASP to host the NEDSS system. This ASP has to date been free of charge to use. However, since the trial period is completed, states who utilize the commercial ASP will be charged at a cost of \$280,000 per year for its use. That adjustment is to move to a state-hosted platform that is estimated to save \$388,640 over the biennium over the current ASP cost.

DP 90600 - Health Information Technology - OTO Biennial - The Governor requests \$750,000 general fund as a one-time only, biennial appropriation for a grant to support the development of a statewide health information technology pilot project. This grant may be used to purchase hardware, software, programming costs, and participating site-related costs. It is anticipated that this project will utilize the "continuity of care record" as a basis for the exchange of healthcare information among healthcare facilities and providers. This project is expected to provide vital clinical information at the point of care and aggregated data for disease management capability. A goal is to provide better quality healthcare in the form of reduced medical errors, reduced medical costs (e.g., redundancy of tests, duplication of therapies, drug interactions, etc), and improved transparency.

LFD  
ISSUE

The legislature has already taken action on this proposal

There is already a bill draft to fund a like project as well as a joint resolution draft in support of the project should it make the Governor’s budget. The bill draft is requested from the Children, Families, Health, and Human Services Interim Committee that defines the project and provides reporting requirements (LC 339).

However, the request for \$750,000 as presented here is without a time line or proof that the project can be achieved for \$750,000. While the OTO designation informs the legislature that \$750,000 must be spent in the 2011 biennium or be removed from the base, it is not possible for the legislature to determine: 1) when the project would start or its anticipated time frame; 2) if or when progress toward anticipated or expected items might be studied, implemented or achieved, or how the project would be monitored; and 3) how the stages of the project would be measured in terms of expenditures or implementation successes.

The bill draft mentioned earlier actually requests \$1.5 million and acknowledges action at the federal level in which Senator Jon Tester has an earmark for funds for this project in Montana. The bill draft states that “if the nonprofit entity obtains federal funds to support the electronic health care information exchange pilot project, the amount of the state appropriation must be reduced by the amount of the federal funds.”

**LFD  
ISSUE (CONT.)**

The bill also states that the department shall seek a nonprofit entity that has developed a mission statement and articles of incorporation that are specifically focused on the exchange of health care information, has obtained contributions from private companies as part of its plan for developing a Montana health care information exchange pilot project, developed a plan for long-term sustainability using private funds, and is prepared to quickly implement a health care information exchange pilot project.

The bill draft requires the nonprofit entity to report to the Children, Families, Health, and Human Services Interim Committee during the 2009-10 interim on how the funds were used, including but not limited to the number of participants in the pilot project and how the participants used the health care information exchange system to improve patient care.

Should the legislature wish to take action on this proposal, it may wish to discuss with the division the development of goals and objectives for the framework of the project that maintain the legislative intent reflected in LC 339.

Should the legislature wish to address the use of the general fund, it may wish to:

- Designate the appropriation as restricted to ensure that unused funds can not be expended on other items
- Consider approving the appropriation contingent upon receipt federal funds sufficient to undertake the project, which, if the \$1.5 million noted in the bill draft is used, would be at least \$750,000
- Attach language to the appropriation that honors the interim committee's reporting requirements and the use of federal funds first by directing the division to:
  - Include in the grant award contract that the "grant recipient" must provide financial and narrative progress reports to the Children, Families, Health, and Human Services Interim Committee on how the funds were used, including but not limited to the number of participants in the pilot project and how the participants used the health care information exchange system to improve patient care

If the legislature opts not to make the appropriation contingent on the receipt of federal funds, it may wish to consider adding language to the appropriation directing the division to:

- Include in the grant award contract that the "grant recipient" may only use a small, start-up portion of the general fund appropriation before federal funds are secured, or may not expend any general fund until federal funds are receive