

The Legislative Fiscal Division

Presents:

Profile of...

Department of Administration

State of Montana



Agency Profile

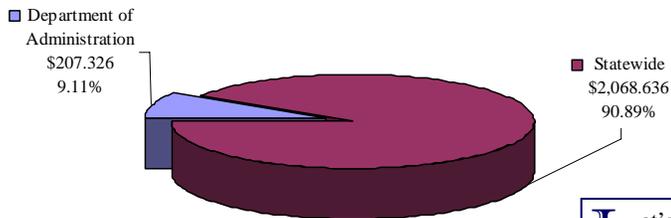
This agency profile will discuss...

- structure and funding
- primary functions and
- historical expenditures

The profile also includes information on how decisionmakers can effect change in the agency's expenditures along with a listing of pertinent statistics. For an explanation of terms used in this profile, consult the "Background on the Agency Profiles" at: <http://leg.mt.gov/css/fiscal/default.asp>

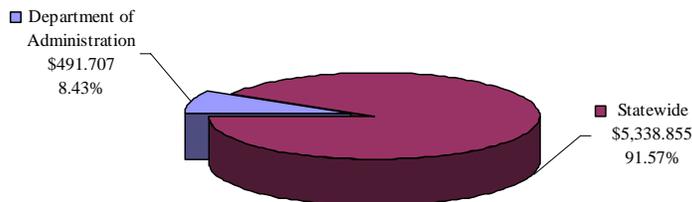
Oct. 2008

General Fund Statewide Comparison FY 2008 (In Millions)



Let's begin by putting the agency's size in perspective by comparing it to state government as a whole.

Total Funds Statewide Comparison FY 2008 (In Millions)



Primary Contact: Greg DeWitt
Room 119, State Capitol
Helena, MT 59620-1711

Section A
General Government



What the Agency Does

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

- Accounting and financial reporting, including administration of the statewide accounting and budgeting systems
- Warrant writing
- Technical assistance and training to local government accounting and financial personnel
- Audit review and enforcement for local governments
- State bonded indebtedness administration
- State treasury services
- Capitol complex building and grounds maintenance and security
- State financial institution oversight and regulation
- Montana State Lottery
- Insurance coverage and Tort Claims Act administration
- Information systems development, centralized computer and data network operations, telecommunications, and data processing
- Statewide Information Technology policies and standards development and enforcement.
- Personnel management and labor relations
- Purchasing and surplus property administration
- Duplicating, mail, and messenger services

The department also administers the state Long-Range Building Program and state employee group benefits program. The Board of Examiners, State Tax Appeal Board, Office of Public Defender, Montana Consensus Council, Public Employee Retirement Board, and Teachers' Retirement Board are attached to the department for administrative purposes only, except the State Tax Appeal Board shows as a budgeted program of the department. Also, the Office of Public Defender is attached according to the definition but is staffed and performs all of its own administrative



Total FY 2006 FTE: 490.93 FTE all sources of authority



How Services Are Provided

The department consists of 12 divisions with the following functions:

Director's Office – provides the overall supervision and coordination of agency programs and administratively attached boards and agencies. The office provides legal services to agency and administratively attached programs and it provides financial, budgeting, accounting, personnel services, and payroll functions for the department. (14.00 FTE all authority types composed of 1.17 FTE funded in HB 2 and 12.83 FTE funded with proprietary funds)

Governor-Elect - provides the Governor-elect and necessary staff with suitable office space in the capitol building, together with furnishings, supplies, equipment, and telephone service for the period between the general election and the inauguration. The program is funded only for 1 year every other biennium.

State Accounting Division – provides the statewide functions of the state treasury and accounting 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 is the process owner of the financial portion of the Statewide Budgeting, Accounting and Human Resource Systems (SABHRS), 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 that check writing and automatic-deposit services for most agencies, and it provides technical assistance and training to local government accounting and financial personnel and the audit review function for local governments. (47.00 FTE all authority types composed of 18.67 FTE funded in HB 2 and 28.33 FTE funded with proprietary funds)

Architecture and Engineering - manages remodeling and construction of state buildings and formulates a long-range building plan for legislative consideration. (17.00 FTE all funded in HB 2)

General Services – provides facilities and ground management and maintenance for state property in the state capitol area. The division also manages the state procurement, printing and photocopy pool, publications and graphics, mail distribution, surplus property, central stores, statewide fueling network, and procurement card functions. (102.1 FTE all authority types composed of 11.25 FTE funded in HB 2 and 90.85 FTE funded with proprietary funds)

Information Technology Services – manages the central computing and telecommunications services for state government. The division provides:

- Central mainframe and midtier computer services
- The statewide data network
- Local and long-distance telephone network services
- The statewide video network
- The state Internet address and coordination of electronic government services through the state Internet address
- Coordination of geographic information systems and public safety communications issues
- Development of the statewide information technology (IT) strategic plan and coordination of agency IT strategic plans
- Development and oversight of state IT standards and policies
- Review and approval of IT equipment and software acquisitions, including an IT project management office

(183.50 FTE all authority types composed of 9.00 FTE funded in HB 2 and 174.50 FTE funded with proprietary funds)

Banking and Financial – licenses, supervise, regulates, and examines a variety of financial institutions operating in Montana. (39.00 FTE all funded in HB 2)



Montana State Lottery – designs, markets, and administers lottery games operating in Montana. (31.50 FTE all funded in HB 2)

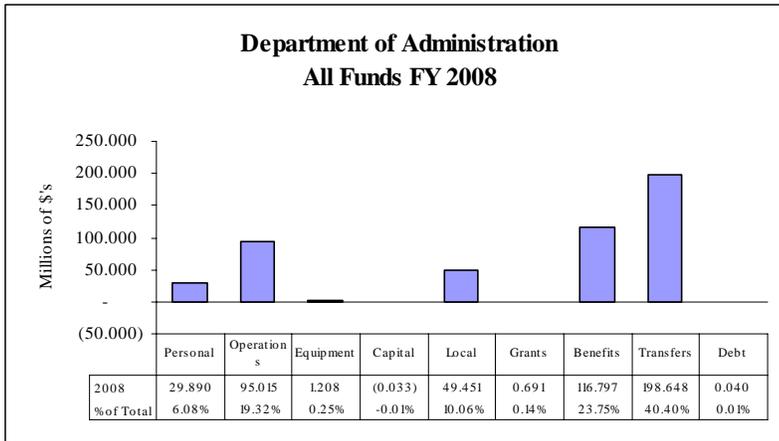
Health Care & Benefits Division – administers benefits plans that include health, life, dental, and vision insurance, flexible spending accounts, a sick leave fund, employee incentive awards, and health promotion (13.87 FTE all funded with proprietary funds)

State Human Resources Division – provides state agencies with a variety of human resource management programs including: training, position classification and pay, employee relations, and assistance with compliance with state and federal employment law. The division publishes state rules, standards and policies relating to recruitment, selection, discipline, grievance, performance appraisal, leave, and other matters. The division represents the Governor's office in all matters relating collective bargaining. The division also operates the central human resources and payroll system to provide biweekly payroll for all non-university system state employees. (48.50 FTE all authority types comprised of 19.53 FTE funded in HB 2 and 28.97 FTE funded with proprietary funds)

Risk Management and Tort Defense – insures state agencies against risk of loss for property, vehicles, boilers, airports, fidelity bonds, and fine arts. The division also provides risk management and safety training, consultation services, claims administration, and legal defense to prevent or minimize the adverse effects of physical or financial loss. (16.00 FTE all funded with proprietary funds)

State Tax Appeal Board – provides a tax appeal system for all actions of the Department of Revenue. It 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. (7.50 FTE all funded in HB 2)

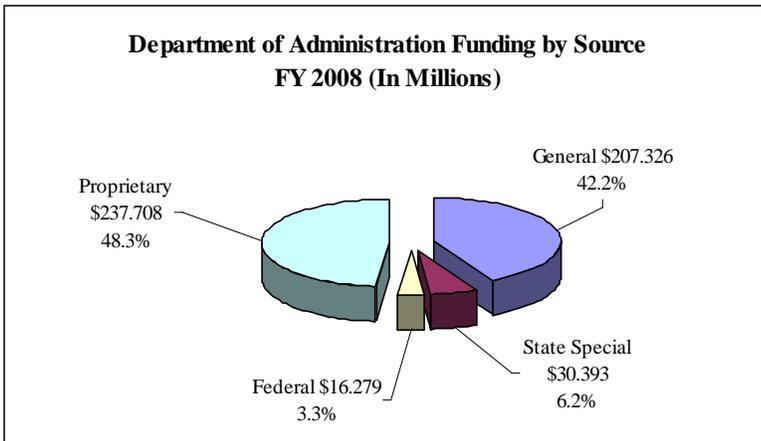




How Services Are Funded

In FY 2008, services of the department were funded from a variety of funding sources with 47.4 percent of the funding from selected proprietary funds associated with other agency fixed costs or those appropriated by the legislature (Montana State Lottery). Proprietary funding is derived from fees charged for services provided to state government entities and local governments, from 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 source-related activities, such as group benefit premiums. Proprietary funds that support functions internal to the agency are not included in the expenditure or funding numbers as they are included in the figures for governmental funds in other programs of the agency.

Governmental funds, such as general fund, state special revenue, and federal special revenue, provided nearly 51.7 percent of the FY 2008 funding for the department. Of the governmental funds, 28.3 percent were authorized through statutory appropriations, 5.3 percent in the general appropriations act and the pay plan bill, and 66.4 percent in other sources of authority. The pension contribution accounted for nearly all of the funding in other house or senate bills.





Related Data & Statistics

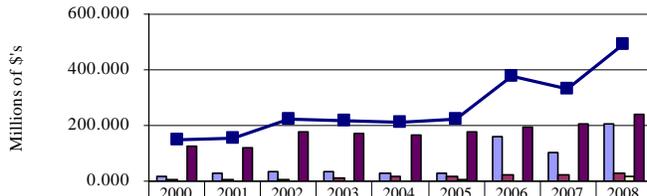
<i>Element</i>	<i>2005</i>	<i>2008</i>	<i>Significance of Data</i>
Local government audits reviewed	520	475 (estimate)	Local Government Services workload
Central training program—number of participants	2,981	3,806	Professional Development Center training utilization
Monthly per capita claims cost	\$445	\$548 (estimate)	Cost growth for state benefits and activity of State Personnel Benefits Bureau
Lottery transfers to the state general fund	\$6.2 million	\$11.0 million	Lottery profits
Number of insurance claims or suits received	726	707	Risk Management and Tort Defense workload
Number of insurance claims or suits resolved	716	716	Risk Management and Tort Defense workload
Number of employees covered by an alternative classification plan	7,084	10,699	State movement to state broadband classification system
Average number of employees processed and paid	13,159	13,561	State Personnel payroll workload
Number of financial or lending institutions supervised/regulated	1,272	1,164	Banking and Financial Institutions workload
Number of active building leases	306	380	General Services facilities workload
Number of buildings services by General Services Division staff	46	46	General Services facilities workload





Expenditure History

Department of Administration Funding History



	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund	17.028	26.232	35.944	32.707	28.669	30.087	162.790	102.931	207.326
State Special Fund	4.963	6.210	8.239	10.367	4.761	5.449	20.119	20.275	30.393
Federal Fund	1.003	1.089	0.770	0.903	1.200	5.021	1.590	1.295	16.279
Proprietary	127.352	121.520	175.568	171.832	166.712	174.630	194.276	206.418	237.708
Total Fund	150.347	155.052	220.521	215.809	211.341	224.887	378.775	330.919	491.707

In FY 2008, total fund expenditures of governmental funds derived from all sources of appropriations authority were \$254.0 million, which is 11.0 times the FY 2000 amount of \$23.0 million. General fund expenditures increased from \$17.0 million to nearly \$207.3 million, making the FY 2008 amount 12.2 times the FY 2000 amount. A large increase occurred in FY 2006 largely because of the one-time expenditure of \$125.0 million general fund to help reduce unfunded liabilities in the public employees' and teachers' retirement systems.

Reasons for Expenditure Growth/Change

Three major factors have contributed to the growth in expenditures over the period:

- State debt financing
- Commerce reorganization of SB 445 in the 2001 Legislature
- \$125 million general fund contribution to reduce unfunded liabilities of state pension funds by the 2005 Special Session of the Legislature
- Non-budgeted transfers of capital projects originally appropriated to the department by the 2007 Legislature that were for projects in other agencies

The 2001 Legislature reorganized the Department of Commerce and transferred several programs to the Department of Administration, including: 1) Consumer Protection; 2) Local Government Assistance; 3) Banking and Financial Division; and 4) the Montana State Lottery. The Consumer Protection program was subsequently transferred to the Department of Justice and the proprietary funded grounds maintenance was transferred from the Department of Fish, Wildlife, and Parks by the 2005 Legislature. With these transfers, the addition of these programs added a net 65.56 FTE to the department, of which 28.10 FTE were funded with the governmental funds shown in the above historical expenditure chart. The movement of these existing programs to the department contributed to the growth from FY 2001 to FY 2002 and a steeper than previous expenditure pattern in FY 2003 and beyond. The SB 445 impact on department expenditures is \$2.2 million total funds for the FY 2002. Likewise, the SB 445 would have reduced expenditures in the Department of Commerce by similar amounts. The SB 445 expenditures accounted for 6.5 percent of total fund expenditures in FY 2002 and 30.6 percent of the growth from FY 2001 to FY 2002. The movement into the department of the Local Government Assistance Program and the Montana State Lottery was a significant factor for the stepped growth in proprietary fund expenditures



An abnormally high year for insurance claims paid by the state caused about \$10.5 million of the increase in proprietary fund expenditures from FY 2001 to FY 2002. However, the decline in proprietary fund expenditures from FY 2002 to FY 2003 was due in part to the FY 2003 insurance claims returning to nearly the FY 2001 level.

As stated, the 2005 Special Session passed HB 1, which provided \$125.0 million general fund as a one-time contribution to reduce unfunded liabilities of public employees' and teachers' pension systems.

General fund increases from FY 2007 to FY 2008 are primarily due to the 2007 Legislature appropriating funds to the department that were subsequently transferred to other agencies via non-budgeted activity. The funds were largely for capital projects and supplemental teachers' retirement.

Federal fund increases from FY 2007 to FY 2008 are due in large part to \$13.0 million in forest reserve distribution to counties.

State special fund increases from FY 2007 to FY 2008 are due to distribution of a new fee for wireless enhanced 911 service and distribution

Agency Functions, State Purposes, & Customers Served

The agency is structured to perform certain functions in support of general state government purposes. The following lists the major functions, purpose of provision of the functions, and primary customers served.

State Purposes	Major Agency Functions	Customers
<i>Provision of Justice and Protection of Life and Property</i>	Building security	State agencies, general public
	Local government audit assistance	Local government
	State Tax Appeal Board	Taxpayers
<i>Workforce Support</i>	Local government pension contribution	Local government employees
<i>Consumer/Citizen Protection</i>	Banking and financial institutions regulation and oversight	Banking and other financial institutions, general public
	911 coordination and planning	General public
	Public safety radio	General public

State Purposes	Major Agency Functions	Customers
<i>General Operations of State Government</i>	Cash Management	State agencies, qualified recipients of state support
	Central Stores	State agencies
	Enterprise IT policy, planning, and administration	State agencies
	Geographic information system	State agencies
	Intergovernmental training	State agencies, local government
	Montana State Lottery	State agencies
	Office paper recycling	State agencies
	Publications, graphics, printing, and copying services	State agencies
	State personnel policy and administration	State employees and retirees
	State procurement card administration	State agencies
	State support for Helena daycare	General public, state agencies
	Statewide accounting standards and systems	State agencies
	Statewide fueling program administration	State agencies
	Statewide procurement	State agencies
Surplus property	State agencies	
Warrant writer	State agencies	



State Purposes	Major Agency Functions	Customers
<i>Infrastructure— General and Physical</i>	Architecture and engineering	State agencies
	Computer security and disaster recovery	State agencies
	Employee group benefits and wellness	State employees and retirees
	Enterprise computer operations	State agencies
	Enterprise Internet/Intranet support	General public, state agencies
	Enterprise telecommunications, data, and video	State agencies
	Facilities maintenance and management	State agencies
	Mail services	State agencies
	Risk management and management	State agencies
	State debt service	State agencies
	State property and casualty insurance	State agencies
	State treasury	State agencies
	Statewide Accounting, Budgeting, and Human Resources System	





How the 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
- 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



Statewide Factors With Impact

In addition to the factors above, a number of factors common to many agencies will also impact changes in expenditures over time.

- All general factors impacting overall personal services costs, such as level of the pay plan and benefits, because of personal services accounting for a significant portion of total expenditures for all types of spending authority in this agency



Statutory References

The primary statutory references defining duties and responsibilities of the department are found at the following locations:

Title 2, chapter 15, part 10, MCA - Government Structure and Administration - Department of Administration
Title 2, chapter 17, MCA - Government Structure and Administration - Property and Systems Development and Management
Title 2, chapter 18, MCA - Government Structure and Administration - State Employee Classification, Compensation, and Benefits
Title 15, chapter 2, MCA - Taxation - State Tax Appeal Board
Title 15, chapter 15, Part 1, MCA - Taxation - Property Tax Appeals - County Tax Appeal Board
Title 17, MCA - State Finance
Title 18, MCA - Public Contracts
Title 23, chapter 7, MCA - Parks, Recreation, Sports, and Gambling - State Lottery





Alternative accessible formats of this document will be provided upon request. For further information, call the Legislative Fiscal Division @ 444-2986 or visit our web site @ <http://www.leg.mt.gov/css/fiscal>

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