



A REPORT
TO THE
MONTANA
LEGISLATURE

LEGISLATIVE AUDIT
DIVISION

20P-02

PERFORMANCE AUDIT

*Professional Development
Center*

Department of Administration

February 2021

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PERFORMANCE AUDITS

Performance audits conducted by the Legislative Audit Division are designed to assess state government operations. From the audit work, a determination is made as to whether agencies and programs are accomplishing their purposes, and whether they can do so with greater efficiency and economy.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Members of the performance audit staff hold degrees in disciplines appropriate to the audit process.

Performance audits are conducted at the request of the Legislative Audit Committee, which is a bicameral and bipartisan standing committee of the Montana Legislature. The committee consists of six members of the Senate and six members of the House of Representatives.

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February 2021

The Legislative Audit Committee
of the Montana State Legislature:

This is our performance audit of the Professional Development Center within the Department of Administration.

This report provides the legislature information about the Professional Development Center and other aspects of state employee training. This report includes a recommendation to the legislature to consider an alternative funding model and to clarify the role of the Professional Development Center. A written response from the department is included at the end of the report.

We wish to express our appreciation to Department of Administration officials and staff for their cooperation and assistance during the audit.

Respectfully submitted,

/s/ Angus Maciver

Angus Maciver
Legislative Auditor

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Department of Administration A-1

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APPOINTED AND ADMINISTRATIVE OFFICIALS

Department of Administration

John Lewis, Director (through December 2020)

Misty Ann Giles, Director (as of January 2021)

Anjenette Schafer, Administrator, State Human Resources Division

Dean Mack, Deputy Administrator, State Human Resources Division

Patrick Sullivan, Director, Professional Development Center



MONTANA LEGISLATIVE AUDIT DIVISION

Professional Development Center

DEPARTMENT OF ADMINISTRATION

BACKGROUND

In Montana, state agencies obtain nontechnical training for staff from a variety of sources. One option for this type of training is the Professional Development Center (PDC) within the State Human Resources Division. The PDC specializes in training areas such as leadership, management, communication, personal growth, and administrative issues. The PDC is currently funded by the rates and fees it charges for training and other professional development services.

Agency: Department of Administration

Director: John Lewis

Program: Development Center

Program FTE: 4

Program Revenue FY2020:
\$435,154

Program Expenses FY2020:
\$448,189

Agencies vary in the extent to which they use the Professional Development Center (PDC). However, the PDC is a significant source of training across state government and is generally cost-effective compared to the private sector or university system. All PDC rates in the sample of 10 courses we reviewed were in the lowest quarter of rates from the private sector and university system for group training. PDC training is largely considered good quality by recent course participants and agency training coordinators. The PDC is primarily funded by the rates and fees it charges for services. Changing the funding mechanism of the PDC to fixed-cost funding would likely result in increased use of the PDC and could better position the PDC to provide needed training to state employees.

KEY FINDINGS:

The funding mechanism for the PDC is outmoded and insufficient for supporting PDC services. Agencies vary considerably in their use of the PDC, and duplication of training efforts exists across state government. However, the PDC is a significant source of training across state government and is generally cost-effective compared to the private sector or university system. PDC training is largely considered good quality, useful, and tailored to state government. Despite positive views of the PDC, the PDC struggles to make enough revenue to cover expenditures and to incentivize agency use of the PDC. The figure (see page S-2) shows that PDC revenue from course offerings alone has not been enough to cover PDC expenditures in the last six fiscal years. The PDC is primarily funded by the rates and fees it charges for open enrollment and contract courses. The landscape of state employee training in other states is similar to Montana, with variation in where agencies opt to obtain nontechnical training. However, unlike Montana, other states fund their PDC-equivalents through fixed-cost funding to ensure enough revenue is generated to cover costs and to incentivize participation.

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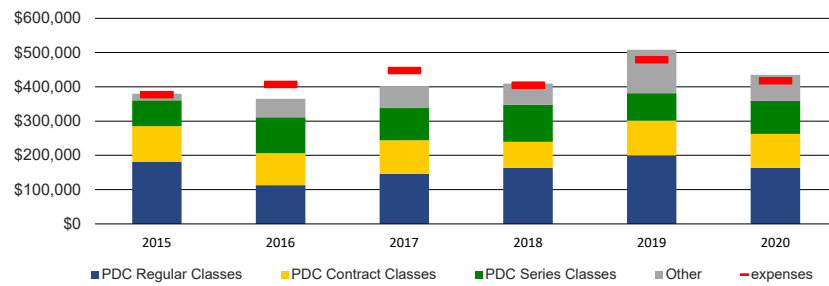
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PDC revenue on course offerings (regular classes, contract classes, and series classes) has not been enough to cover PDC expenses in the last six fiscal years.



RECOMMENDATIONS:

In this report, we issued the following recommendations:

To the department: 0

To the legislature: 1

RECOMMENDATION #1 (PAGE 30):

Cost avoidance, reduction or elimination

The Montana Legislature should fund the PDC through fixed costs. The legislature should also further define the role of the PDC in state employee professional development and the level of services it should provide for this purpose. The legislature should establish a biennial mechanism to evaluate the effectiveness of the change in funding by monitoring increases in PDC participation by agencies and any reduction of duplication of training efforts across state government.

Department response: **Not Applicable**

Chapter I – Introduction and Background

Introduction

Training state employees is an important part of promoting effective and efficient state operations and services. In Montana, state agencies obtain training for staff from a variety of sources. One option for training is the Professional Development Center (PDC) located within the Department of Administration (department). The PDC was created by the Montana Legislature around 1985 to provide in-house management training to government employees. The PDC offers a wide variety of course topics, most of which are nontechnical. For example, the PDC specializes in training areas such as leadership, management, communication, personal growth, and administrative issues.

During the 2019 Legislative Session, legislators considered eliminating the PDC and transitioning its services to the private sector and university system. Legislators were concerned with the cost-effectiveness of an in-house training unit and the extent to which duplication of training efforts exists across state government. The proposal to privatize the PDC was set aside so a more thorough analysis could be conducted in a performance audit to examine the cost-effectiveness and utilization of the PDC relative to other training sources. As a result, the Legislative Audit Committee prioritized this performance audit of the PDC in fiscal year 2020. This chapter provides information about the PDC, how it is funded, and the services it provides. It also includes information on the scope, objectives, and methodologies of the performance audit.

Professional Development Center Services and Rates

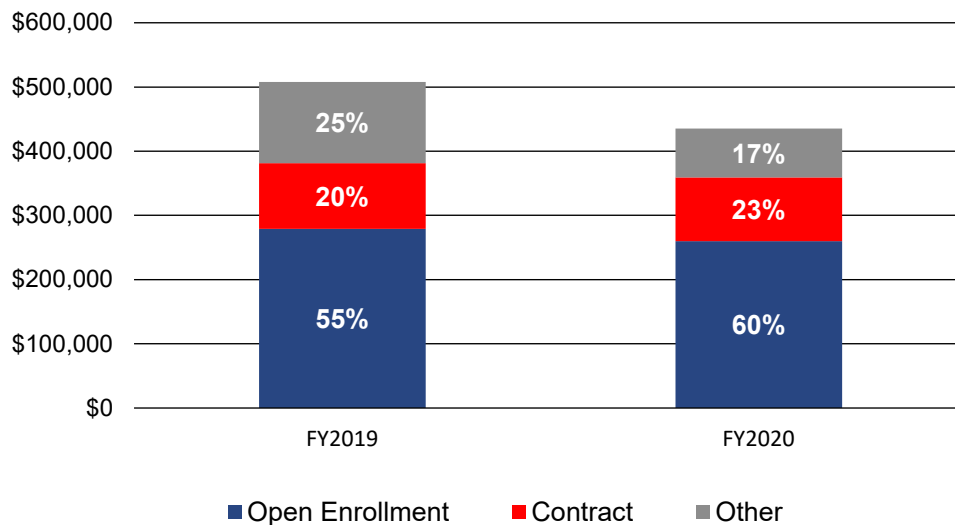
The PDC is located within the State Human Resources Division (SHRD) of the department. It has four full-time equivalent positions, three of which are currently filled. The PDC provides training and other professional development services to public employees, primarily state employees. There are two ways the PDC provides training:

- ♦ **Open-enrollment classes:** These are scheduled courses attended by individuals who have been approved by a supervisor to attend the training. The PDC charges for each attendee. The rates for these courses depend on course length. Some courses are part- or single-day courses. Others are multi-day course series.
- ♦ **Contract classes:** These are trainings that are customized and delivered for a specific group of employees. There is one flat fee via a contract for either a half- or a full-day course.

The PDC is primarily funded through the rates and fees for these open-enrollment and contract courses. However, the PDC is funded through other means as well. Figure 1 shows PDC revenue sources for fiscal years 2019 and 2020.

Figure 1
PDC Revenue Fiscal Years 2019 and 2020

Most PDC revenue in fiscal years 2019 and 2020 was from open enrollment and contract courses.



Source: Compiled by the Legislative Audit Division from SABHRS.

Figure 1 shows that the around 75-80 percent of PDC revenue in fiscal years 2019 and 2020 came from open enrollment and contract courses, represented in blue and red on the figure. Other sources of revenue, represented in gray on the figure, primarily included the statewide management conference, pass-throughs for the Employee Assistance Program, and the purchase of assessments used in some PDC courses. Revenue from the Managing Montana conference goes toward the PDC because there is no other mechanism by which to bill agencies for attendance at the conference. The department opted to allocate the pass-throughs for additional services through the Employee Assistance Program to the PDC.

Each biennium, the legislature sets maximums on what the PDC can charge for open enrollment and contract courses in House Bill 2. The department typically opts to charge the maximum for its services. Table 1 (see page 3) shows the maximums on PDC rates and fees set by the legislature for fiscal years 2014 through 2021.

Table 1
Maximums on Rates and Fees for PDC Training

	FY2014- FY2015	FY2016- FY2017	FY2018- FY2019	FY2020- FY2021
Open Enrollment (per participant)				
Half-day Course	\$95	\$95	\$95	\$95
One-day Course	\$123	\$123	\$123	\$123
Two-day Course	\$190	\$190	\$190	\$190
Four-day Admin. Assistant Series	\$333	\$400	\$400	\$400
Six-day Management Series	\$440	\$600	\$600	\$600
Eight-day Management Series	\$570	\$800	\$800	\$800
Contract Courses (flat fee)				
Half-day Training	\$570	\$570	\$570	\$570
Full-day Training	\$830	\$830	\$830	\$830

Source: Compiled by the Legislative Audit Division.

As the table shows, the legislature has not increased the cap on rates and fees for many PDC services in recent biennia.

The Primary Purpose of the PDC Is to Provide Training to State Employees

The statutory basis for the PDC exists in the department's general personnel administration and oversight language, though the language is broad. Section 2-18-102(b), MCA, directs the department to develop programs for employee effectiveness, such as training. The mission of the PDC is to deliver high-quality training through research-based curricula, class participation, and instructor knowledge. The PDC's primary client base is state employees, though it occasionally provides training to staff from entities outside state government, including municipalities, the federal government, and nonprofit organizations. Fewer than 10 percent of PDC course participants in fiscal years 2019 and 2020 were nonstate employees. The PDC does not market to the private sector.

The PDC Offers a Wide Array of Course Topics

Courses offered through the PDC cover a wide array of topic areas. Below is a list of the topic areas offered on the PDC course catalog and the number of individual courses in each category:

- ◆ Leadership – 15 courses
- ◆ Communication – 12 courses
- ◆ Management – 11 courses
- ◆ Personal Growth – 10 courses

- ◆ Writing Skills – 8 courses
- ◆ Computer Skills – 6 courses
- ◆ State Procurement – 5 courses
- ◆ Public Service Skills – 4 courses

Most of the courses advertised on the course catalog are taught by PDC staff. However, some courses are taught by subject matter experts within state government but outside the PDC. For example, courses on state procurement are taught by state procurement staff rather than by PDC staff. Ten (14 percent) of the 71 individual courses listed on the PDC’s course catalog for 2020 are not taught by PDC staff. Table 2 shows enrollment in recent fiscal years for several of the most popular courses in the PDC’s course catalog.

Table 2
Enrollment in Most Popular PDC Courses for Fiscal Years 2019 and 2020

Course	FY2019	FY2020	Total
Process Improvement	105	107	212
Effective Management Series *multi-day	94	72	166
Writing Clearly and Concisely	82	62	144
Effective Communication Skills	84	52	136
Outward Mindset	109	26	135
Contract Management *not taught by PDC staff	61	51	112
Exploring Emotional Intelligence	74	38	112
State Budget Process *not taught by PDC staff	80	31	111
Project Management	45	61	106
Total	734	500	1234

Source: Compiled by the Legislative Audit Division from department records.

As Table 2 shows, the Effective Management Series is one of the PDC’s most popular offerings. A couple of the more popular courses are relatively new offerings, such as the Process Improvement and the Outward Mindset courses. Other courses, such as the Writing Clearly and Concisely course, have been offered for a longer period and have been consistently popular. Two of the more popular courses in recent years were Contract Management and State Budget Process. These courses are not taught by PDC staff.

Audit Scope

This performance audit examined three main areas related to the PDC: utilization, cost, and quality of training. Audit work involved analyzing PDC utilization trends and identifying reasons agencies do or do not use the PDC for training. A key piece of

audit work was a cost comparison for 10 PDC courses. The cost comparison included both the private sector and university system and both in-person and remote learning environments. In addition to the cost comparison, we analyzed PDC enrollment and revenue trends for fiscal years 2015 through 2020. Our survey of recent PDC course participants focused on more recent years, fiscal years 2019 and 2020. While the PDC is housed within the Department of Administration, the audit included a survey of PDC course participants and state agency training coordinators from other agencies.

Our survey of recent PDC course participants excluded the legislative branch and non-state employee PDC course participants. We excluded non-state employees since the PDC's primary customer base is state employees, and the purpose of the PDC is to train state employees. While staff from the legislative branch have participated in PDC training in the past, we excluded the legislative branch from our surveys to maintain independence as required in *Government Auditing Standards*. For our cost comparison work, we generally excluded specialized courses provided through the PDC that are not taught by PDC staff. For example, we excluded courses on state procurement that are advertised in the PDC course catalog but are taught by state procurement staff.

Audit Objective and Methodologies

During audit assessment work, we determined that the cost of PDC services was not the only potential risk area. We found course quality and utilization to be important factors as well. As a result, we developed the following audit objective to address the risks we identified during audit assessment work:

Objective: Does the Professional Development Center provide cost-effective and quality training services consistently utilized by state agencies?

We completed the following work to address our audit objective:

- ◆ Reviewed applicable laws and recent legislative proposals.
- ◆ Reviewed PDC's mission, goals, policies, and procedures.
- ◆ Analyzed PDC course enrollment and revenue between FY2015 and FY2020.
- ◆ Conducted a cost comparison of 10 PDC courses with alternative sources of training from the private sector and university system.
- ◆ Interviewed agency training coordinators from four agencies that varied in size and use of the PDC.
- ◆ Sent a survey to training coordinators at each agency. Of the 29 individuals who were sent the survey, we received 25 responses for a response rate of 86 percent.

- ◆ Surveyed state employees who participated in PDC training in FY2019 or FY2020. Of the 1,377 recent course participants surveyed, 1,081 responded for a response rate of 78.5 percent.
- ◆ Interviewed the directors of the state training units from four other states to learn about the nature of state employee training in those states.
- ◆ Compared the PDC's current funding structure to an alternative funding mechanism.

Report Contents

The remainder of this report details our findings, conclusions, and recommendations. It includes two additional chapters:

- ◆ **Chapter II** describes the cost comparison and survey work we conducted to assess cost-effectiveness of the PDC.
- ◆ **Chapter III** discusses training units in other states and includes a recommendation to the legislature related to the funding of the PDC.

Chapter II – Cost, Quality, and Use of the Professional Development Center

Introduction

The Professional Development Center (PDC) was created by the Montana Legislature around 1985 to provide in-house management training to government employees. Since then, the PDC has offered training services in a wide variety of training topics to state employees. To address our audit objective, we conducted a cost comparison of PDC rates for 10 PDC courses. We also surveyed PDC course participants from fiscal years 2019 and 2020 and surveyed and interviewed agency training coordinators. Overall, our audit found the PDC's rates are low compared to rates from alternative sources of training. We found the PDC to be an underutilized and undervalued source of good quality training for state employees. This chapter discusses the conclusion resulting from our work.

A Cost Comparison Revealed PDC Rates Are Low

The legislature considered privatizing the PDC during the 2019 Legislative Session, but it did not ultimately make this change so that a thorough cost comparison could be conducted. As part of our performance audit, we conducted a cost comparison of PDC rates with rates from alternative sources of training for state employees. The results of the cost comparison showed PDC's rates are generally less expensive than rates for similar courses from alternative sources, particularly for groups. The following sections discuss how we conducted the cost comparison and further detail on the results.

Pricing from Alternative Sources of Training

We first selected a judgmental sample of 10 PDC courses based on PDC course enrollment and revenue. We focused on the most popular PDC courses and the courses that brought in the most revenue. We used enrollment data for fiscal years 2015 through 2020 to select popular courses and focused on fiscal years 2019 and 2020 when considering revenue. We selected courses that would also cover a range of topic areas. The 10 PDC courses we selected for the cost comparison were:

1. Writing Clearly & Concisely
2. Effective Communication Skills
3. Exploring Emotional Intelligence
4. Developing Coaching Skills
5. Personality & Communication
6. Process Improvement
7. Project Management

8. Beginning Excel
9. Managing Conflict
10. Remote Management

We identified alternative sources of training for these 10 courses from both the private sector and the university system. These alternative sources of training were locally or nationally well-known in the training industry. When identifying alternative sources of training, we included only sources within the United States where active participation with an instructor was a component of the course. For example, we excluded sources only offering self-paced, online courses where there is no interaction between the participant and a human facilitator.

We obtained pricing from alternative sources of training for both remote individual, remote group, and in-person group training. We considered both Helena and Miles City as locations for in-person group training in order to consider a training location near the capitol and outside the Helena area. We defined a group to be 20 participants based on the average group size for contract courses through the PDC. We obtained the standard pricing from the alternative sources of training. The pricing we obtained factored in all costs, including costs for instruction time, instructor travel, and additional materials. We standardized all pricing into a per-person, per-instructional hour rate. We then categorized each PDC rate as follows:

- ◆ **Less Expensive** – The PDC rate was categorized as less expensive if it fell in the lowest quarter of the rates or if it was lower than one standard deviation below the average.
- ◆ **Comparable** – The PDC rate was categorized as comparable if it fell in the middle 50 percent of the rates or if it was within one standard deviation of the average.
- ◆ **More Expensive** – The PDC rate was categorized as more expensive if it fell in the top quarter of the rates or if it was higher than one standard deviation above the average.

Remote and In-person Training for Groups Is Less Expensive Through the PDC

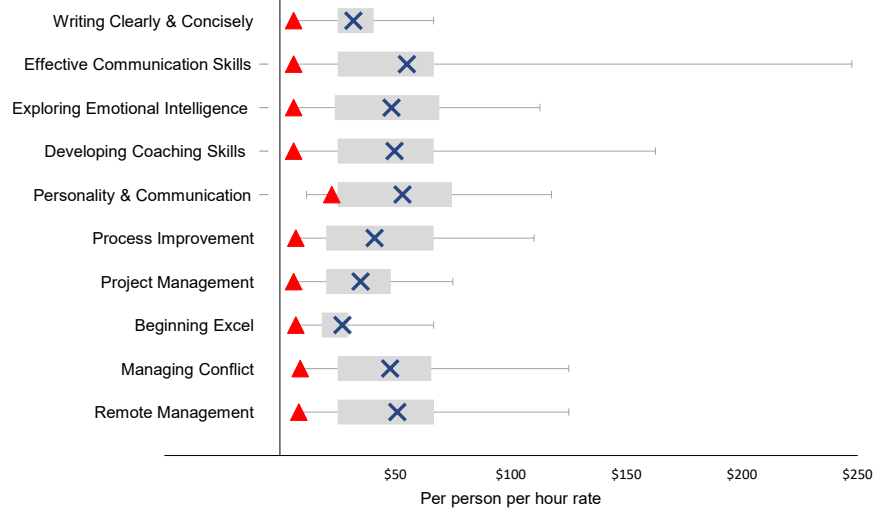
PDC's rates for group training fell into the less expensive category for all 10 courses in the cost comparison. The PDC's rates were almost always the lowest rates. The exception was the Personality and Communication course. This was likely due to the facilitator certification and assessment material requirements for the PDC's personality course. Other vendors use different personality models and assessment tools for their personality courses, which vary in cost. We identified between 10 and 18 alternative

sources for each course in the cost comparison for group training. Figure 2 shows how the PDC's rates compared with alternatives sources for a group of 20 attendees for remote training. Figure 3 shows how the PDC's rates compared for in-person group training.

Figure 2
Cost Comparison Results for Remote Group Training

PDC's rates for remote group training for 20 people were much lower than rates from alternative sources. They were lower than the average rates for all 10 courses examined.

The gray bars represent the middle 50 percent of the rates.

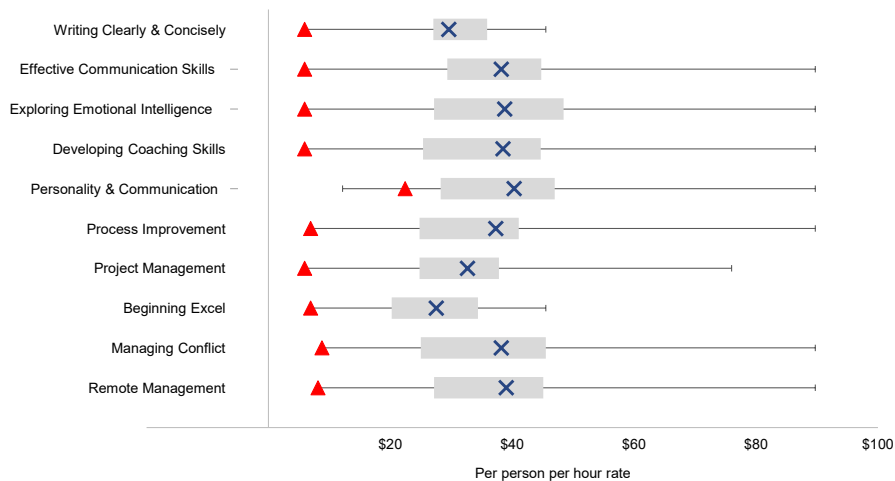


Source: Compiled by the Legislative Audit Division.

Figure 3
Cost Comparison Results for In-Person Group Training

PDC's rates for in-person courses in Helena for groups of 20 were much lower than rates from alternative sources. They were lower than the average rates for all 10 courses examined.

The gray bars represent the middle 50 percent of the rates.



Source: Compiled by the Legislative Audit Division.

As Figures 2 and 3 (see page 9) show, the PDC's rate was the lowest rate for 9 of the 10 courses in the cost comparison. The PDC's rate was categorized as less expensive for all 10 courses in the cost comparison, falling well below the median and average rates. Most of the PDC's rates for both in-person and remote group training were around \$6-\$9 per person per hour. Average rates for remote training for groups ranged from about \$27 per person per hour to \$55 per person per hour. Median rates were in the \$25-\$35 range. Average rates for in-person courses in Helena for a group of 20 ranged from about \$27 per person per hour to \$40 per person per hour. Median rates for in-person group training in Helena were in the \$30-\$35 range.

PDC's Rates Were Still Low for Training Outside of Helena

Costs for training vary by location for in-person training because of the associated instructor travel costs. We considered how the results of the cost comparison would change if an in-person group training was held in Miles City instead of Helena. We examined this scenario because the PDC and some vendors charge for instructor travel in addition to contract costs. We found the PDC's rates to be low compared to rates from alternative sources of training, even when the training is held in Miles City and additional travel costs are included. The PDC's rates fell into the less expensive category for all 10 courses in the cost comparison.

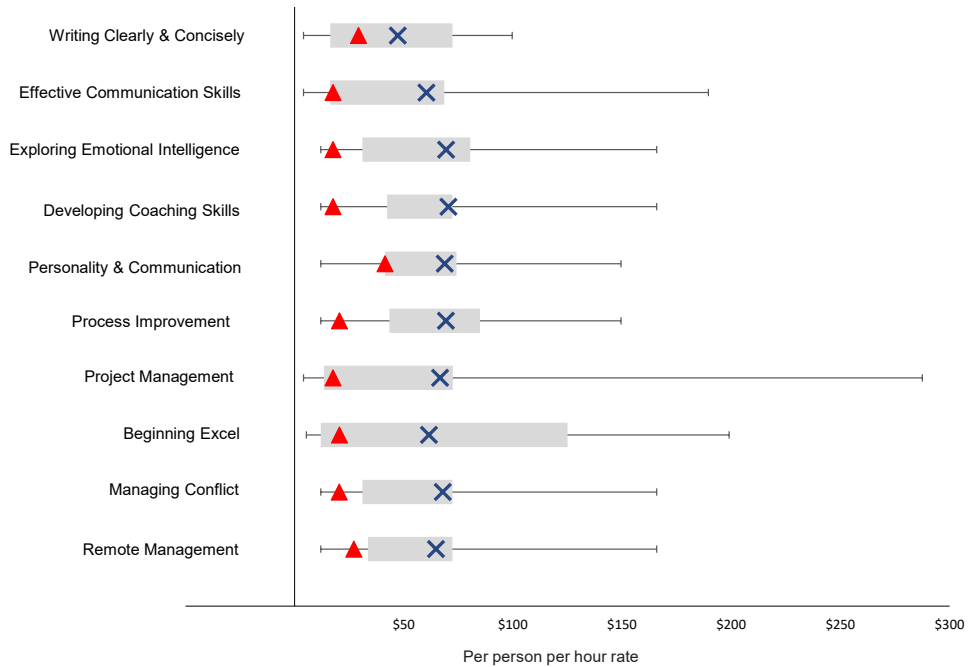
Remote Individual Training Is Comparable or Less Expensive Through the PDC

For remote individual training, otherwise referred to as open enrollment training, the PDC's rates were low. PDC's rates were not the lowest rates, but half of the PDC rates were categorized as less expensive. The other half were categorized as comparable. While not all courses were categorized as less expensive, the PDC's rates were at or below the median and well below the average for all courses. We identified between 5 and 12 alternative sources for each course in the cost comparison for remote individual training. Figure 4 (see page 11) shows how the PDC's rates compared with rates from alternative sources for remote individual training.

Figure 4
Cost Comparison Results for Remote Open Enrollment Training

PDC's rates for remote open enrollment courses were either much lower than or comparable to rates from alternative sources. They were lower than the average rates for all 10 courses examined.

The gray bars represent the middle 50 percent of the rates.



Source: Compiled by the Legislative Audit Division.

As Figure 4 shows, PDC's rates fell within the middle 50 percent of the rates, represented in gray on the figure, for half the courses in the cost comparison. The other half of the rates fell within the lowest quarter of the rates. All 10 of the PDC rates were on the lower end of the rates, all below the average rate and median rate. The PDC's rates for remote individual training ranged from \$17 per person per hour to \$41 per person per hour. Average rates for remote individual training ranged from about \$47 per person per hour to \$70 per person per hour. The median rates for remote individual learning varied greatly by course topic. For example, the median rate was \$20 per person per hour for a Beginning Excel course, but was over \$60 for a Coaching Skills course.

The PDC Is One of the Only Options in Montana for In-Person, Open Enrollment Training

A cost comparison for in-person individual training, otherwise referred to as open enrollment training, was not possible because there were too few options in Montana with which to compare. That is, most training vendors in Montana do not offer open enrollment courses and only offer training for groups on a contract basis. Without in-person open enrollment training options in Montana for state employees outside

the PDC, state agencies would largely need to obtain in-person, nontechnical training for staff in groups. Our cost comparison determined that PDC contract rates for in-person group training were lower than rates from alternative sources. We believe the PDC would also be low cost for in-person open enrollment training, were there more alternative sources, based on how PDC rates compared for the other modes of training delivery.

PDC Training Is Generally Viewed Positively by Course Participants

In addition to the cost aspect of PDC training, another part of our audit objective was to determine whether the PDC provides quality training to state employees. To address this area, we surveyed recent PDC course participants from fiscal years 2019 and 2020. Survey recipients were state employees from across state government. There were survey recipients from every organization in state government, excluding the Legislative Branch. We sent an electronic survey to 1,377 individuals in October 2020 and received 1,081 responses for a response rate of 78.5 percent. The following sections discuss the results of this survey.

Recent PDC Course Participants Rated PDC Courses as Good Quality

We asked recent PDC course participants to rate the overall quality of PDC courses from one to five stars, with one star representing poor quality and five stars representing excellent quality. Average ratings by agency ranged from 3.98 to 4.40. Overall, survey respondents rated the overall quality of the PDC courses as good. Figure 5 shows the average rating provided by survey respondents. The average rating of the quality of PDC courses was 4.2, which represented good quality. There were no significant differences in the rating of quality based on tenure with the state.

Figure 5
Quality Rating by PDC Course Participants

Recent PDC course participants rated PDC training as good quality, on average.



Source: Compiled by the Legislative Audit Division from survey results.

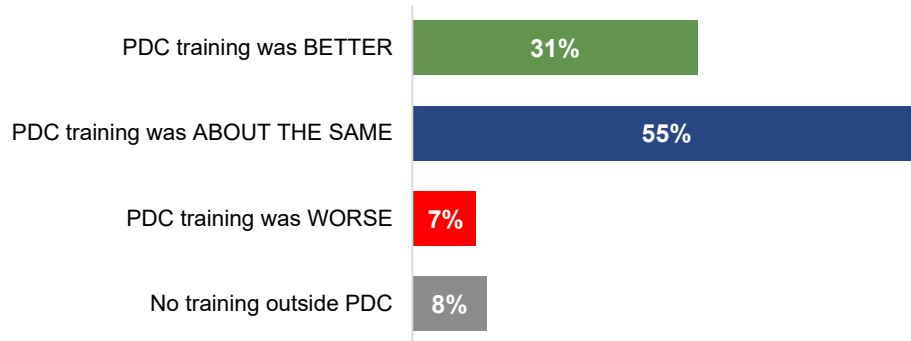
PDC Course Participants Rated PDC Training as the Same or Better Than Other Training

Most state employees receive training from a variety of sources, not just from the PDC. Because of this, we also asked survey participants to compare the quality of PDC training with the quality of training they have received from other sources, such as the private sector or in-house. Figure 6 (see page 13) shows the distribution of responses.

Figure 6

Comparison of PDC Training to Training from Other Sources

Over 80 percent of recent PDC course participants said PDC training was either **the same** or **better** than training from other sources.



Source: Compiled by the Legislative Audit Division from survey results.

Over half (55 percent) of the respondents rated the quality of PDC training as about the same as training from other sources. About one-third (31 percent) indicated PDC training was better quality than training from other sources. Together, 86 percent of the survey respondents rated PDC training as either the same or better than training from other sources. Few survey respondents (7 percent) thought PDC training was of worse quality compared to training from other sources. Eight percent of survey respondents indicated they had not received training from outside the PDC.

PDC Course Participants Considered the Training Useful

Perceptions of usefulness of PDC training by PDC course participants further evidenced the quality of PDC training. We asked the PDC course participants to categorize the usefulness of PDC training as part of our survey. The overwhelming majority of respondents (98 percent) indicated the PDC training was either somewhat (37 percent) or very useful (62 percent). Only 2 percent of survey respondents indicated the PDC training was not at all useful. We found no significant differences in perceptions of usefulness based on state employee experience. Additionally, we provided an opportunity for open-ended comments about the PDC in our survey of recent PDC course participants. Of the 559 comments provided by survey participants, 395 (71 percent) were positive in nature. Approximately 12 percent were negative comments, and the rest were neutral. Some themes in the negative comments related to the content of the training and the pertinence of the training to the participant's position. Positive comments centered around the preparedness and competence of the instructors.

Most Agency Training Coordinators Also Viewed the PDC Positively

Recent PDC course participants provided important insight into the quality of PDC training. To supplement this, we surveyed agency training coordinators to obtain their insights, not only on the quality of PDC training, but also on the training landscape within their agency. We surveyed the primary training coordinator at each agency, which we defined as the individual at each agency who is responsible for ensuring staff are adequately trained in nontechnical areas in which the PDC specializes, such as communication and leadership. At many agencies, this is the human resources manager. Some agencies have a dedicated training coordinator for the entire agency. For other agencies, particularly the smaller ones, the person surveyed was the director or administrator of the entire organization. We sent the survey to 29 training coordinators across state government at the end of September 2020. Twenty-five (86 percent) agency training coordinators completed the survey.

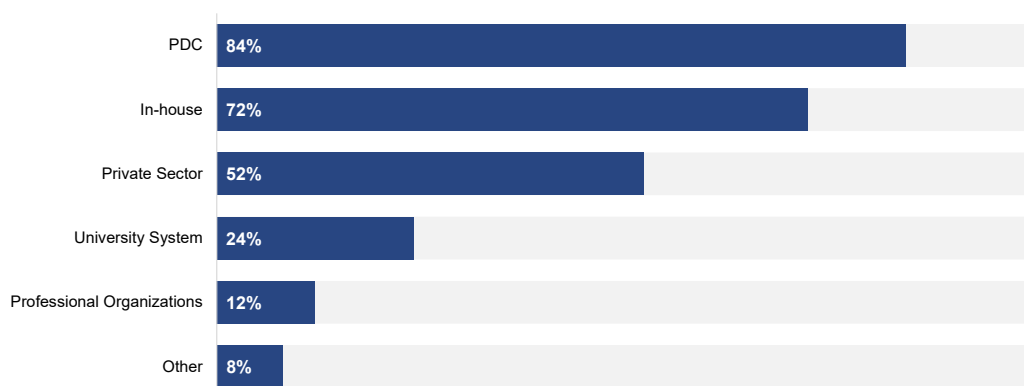
The results of the survey illustrated that agencies varied in their level of use of the PDC. Nevertheless, most agency training coordinators perceived the PDC as a source of good quality training in needed areas for state employees. The survey results highlighted that duplication exists in training efforts across state government, with many agencies developing in-house training on topics covered by the PDC. However, the PDC is still a significant source of nontechnical training for state employees. The following sections discuss the results of our survey of agency training coordinators in further detail.

Most Agencies Used the PDC, but the Extent of Use Varied

As part of our survey of agency training coordinators, we aimed to learn the extent to which agencies use the PDC and why. We found most agencies used the PDC to some extent in fiscal years 2019 and 2020. We asked agency training coordinators to indicate where their agency obtains nontechnical, nonspecialized training, such as training in the areas covered by the PDC. Our survey focused on nontechnical training because agencies frequently need to develop or obtain technical training for staff, which are generally not areas covered by the PDC. Only agencies who develop or obtain nontechnical training in-house or from the private sector would potentially represent duplication of training effort. Figure 7 (see page 15) shows where agency training coordinators indicated they obtain this type of training.

Figure 7
Sources of Nontechnical Training for Agencies

The majority of agencies use the PDC as a source for nontechnical training.



Source: Compiled by the Legislative Audit Division from survey results.

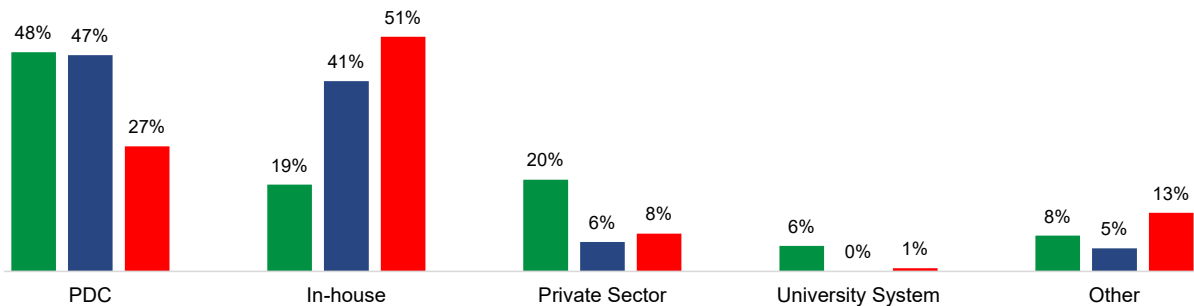
Figure 7 shows that most agencies (84 percent) obtain at least some nontechnical training from the PDC. Many agencies (72 percent) also develop some nontechnical training in-house.

As part of our survey, we also asked training coordinators to estimate the percentage of nontechnical training they obtain from the various training sources. The survey results demonstrated that agencies vary considerably in where they obtain nontechnical training, with sources of training differing by the size of an agency. We analyzed our survey results by agency size, determined by the number of employees in the agency. We defined small, medium, and large agencies as fewer than 100 employees, between 101 and 500 employees, and more than 500 employees, respectively. The survey results showed that some agencies obtain a large portion of nontechnical training from the PDC, while other agencies rely more on in-house training or the private sector. An example of a source of training listed under the 'Other' category was professional associations. Contrary to what we thought would be the case, small agencies did not appear to rely on the PDC significantly more than medium or large agencies. Figure 8 (see page 16) compares the average percentage from each training source by agency size as reported by training coordinators.

Figure 8

Sources of Nontechnical Training by Agency Size

Training coordinators from **large** and **medium** agencies reported a slightly higher average percentage of nontechnical training coming from the PDC compared to **small** agencies.



Source: Compiled by the Legislative Audit Division from survey results.

Figure 8 shows that large-and medium-sized agencies appeared to rely slightly more on the PDC than small agencies, contrary to what we thought would be the case. The average percentage of training from the PDC for large-and medium-sized agencies was higher than the average percentage reported by smaller agencies.

Duplication of Training Efforts Exists Across State Government

The survey of agency training coordinators demonstrated that agencies vary in where they obtain nontechnical training, and many agencies develop some nontechnical training in-house. Over 70 percent of the survey respondents indicated their agency develops some nontechnical training in-house. This may be in addition to or instead of obtaining this type of training from other sources, such as the PDC. Of the agencies that develop nontechnical training in-house, many of them develop training in topic areas covered by the PDC. Agencies reported they develop an average of around 53 percent of training on the topic areas provided by the PDC in-house. Considered with the responses to other questions in the survey and interviews with agency training coordinators, this indicated there is duplication of training efforts across state government. However, survey results indicated the PDC is still a significant source of nontechnical training for state employees.

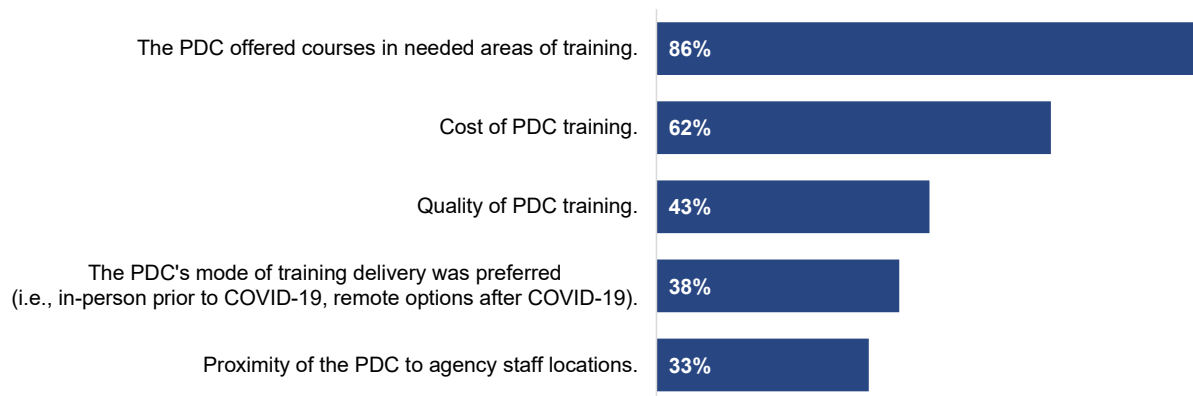
Most Agencies Used the PDC Because of the Topics Offered and the Cost

As part of our survey of agency training coordinators, we identified factors that contributed to agencies' decision to use the PDC. We asked agency training

coordinators from agencies that used the PDC to indicate the main reasons they used it for training staff. Most indicated the main reasons they used the PDC were the training topics offered and the cost of PDC training. Figure 9 shows the top reasons agencies used the PDC.

Figure 9
Reasons for Using the PDC

The majority of agency training coordinators said the main reasons their agency used the PDC were because it offered needed training and because of the cost.



Source: Compiled by the Legislative Audit Division from survey results.

Most agencies (86 percent) indicated they used the PDC because it offered courses in needed areas of training. Many agencies (62 percent) indicated the cost of PDC training was also a factor. Fewer than half (43 percent) of the agencies marked quality as a main reason for using the PDC. As summarized in the following section, this did not mean that agencies believed PDC training was of low quality. It meant only that quality was not the top reason for opting to obtain training from the PDC. Other reasons provided for using the PDC, which are not shown in the figure, were general convenience, to let staff know they are valued, and because the PDC offered a course that was not yet available in-house.

We also asked agencies that did not use the PDC why they did not use it. Of the 25 survey respondents, only 2 agency training coordinators said their agency did not use the PDC at all in fiscal years 2019 or 2020. The reasons indicated by these agencies for not using the PDC were:

- ◆ The cost of PDC training.
- ◆ The PDC training was not tailored to the agency's needs.
- ◆ The agency has in-house staff who develop and deliver training.

Agency Training Coordinators Largely Agreed PDC Training Is Tailored to State Government and Is of Good Quality

One of the supposed benefits of an in-house training unit like the PDC is its ability to tailor training to state government. As part of our survey, we asked agency training coordinators to what extent they agreed that PDC training is tailored to state government. Approximately 90 percent of survey respondents either agreed or strongly agreed with this statement. The rest neither agreed nor disagreed. None of the survey respondents disagreed or strongly disagreed with this statement. Training coordinators across state government largely agreed that PDC training is tailored to state government.

We also asked agency training coordinators from agencies that have used the PDC to rate the overall quality of PDC training. We asked respondents to rate overall quality from one to five stars, with one star representing poor quality and five stars representing excellent quality. The average rating of quality by training coordinators from small, medium, and large agencies was 3.7, 4.17, and 4.00, respectively. The average rating of PDC training by survey respondents overall was 3.9, as shown in Figure 10. This rating represented overall good quality. This rating was slightly lower than the average rating by recent PDC course participants of 4.2. However, both ratings of quality approximately represent good quality.

Figure 10
Quality Rating

Agency training coordinators rated PDC training as good quality, on average.



Source: Compiled by the Legislative Audit Division from survey results.

The PDC Is a Valuable and Significant Source for Nontechnical Training for State Employees

Our cost comparison work determined the PDC's rates and fees for training were comparable or considerably lower than rates and fees from the private sector and university system. Additionally, our survey work found that state agency coordinators and recent PDC course participants perceived the PDC to be delivering good quality, nontechnical training. Agencies vary in their use of the PDC, and duplication of training efforts exist across state government. However, the PDC is still a valuable and significant source of nontechnical training for state employees. The PDC delivers good quality training at low cost and is therefore a cost-effective option for nontechnical training for state employees.

CONCLUSION

Rates and fees for training from the PDC are comparable or considerably lower than rates and fees from alternative sources of training for state employees. Recent PDC course participants and agency training coordinators generally view the PDC course offerings and course quality positively. An internal training function like the PDC is a more cost-effective option than privatizing training for a public enterprise.

Chapter III – Funding of the Professional Development Center

Introduction

The surveys and cost comparison work for the audit helped us learn about the landscape of training and perceptions of Professional Development Center (PDC) training across state government. We determined the PDC to be a cost-effective option for nontechnical training for state employees. However, we found the role of the PDC undefined and identified the funding mechanism for the PDC as not suited for a public enterprise. While training vendors in the private sector typically generate revenue via tuition rates or contract fees, this type of funding mechanism is problematic in a public model where there is no profit motive. As part of our work, we learned about the nature and funding of state employee training units in other states. We found the PDC's current funding model to be outmoded. We also determined that changing the funding mechanism of the PDC would likely result in increased use of the PDC and could better position the PDC to provide needed training to state employees. This chapter discusses funding mechanisms for training units in other states and includes a recommendation to the legislature related to more clearly defining the role of the PDC and funding the PDC through a fixed-cost model.

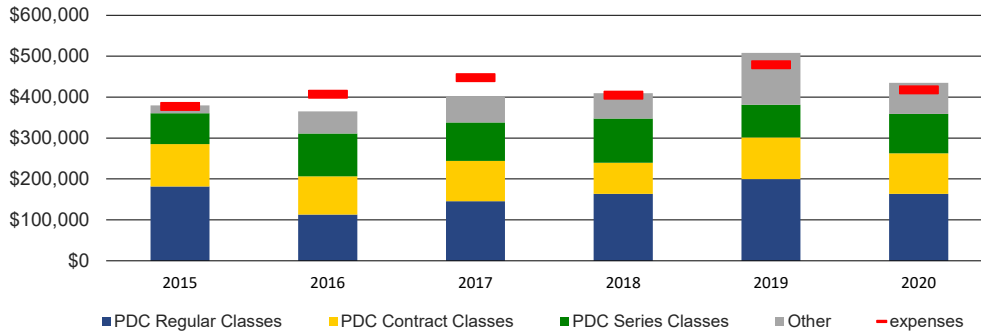
The PDC Struggles to Make Enough Revenue to Cover Expenses

Historically, the PDC has had difficulty generating enough revenue to cover expenses. As part of the audit, we analyzed PDC enrollment and revenue trends. Figure 11 (see page 22) shows the expenditures and revenues of the PDC for fiscal years 2015 through 2020. Figure 12 (see page 22) shows PDC enrollment for the same time period.

Figure 11

PDC Revenue and Expenditures Fiscal Years 2015 through 2020

PDC revenue on course offerings (regular classes, contract classes, and series classes) has not been enough to cover PDC expenses in the last six fiscal years.

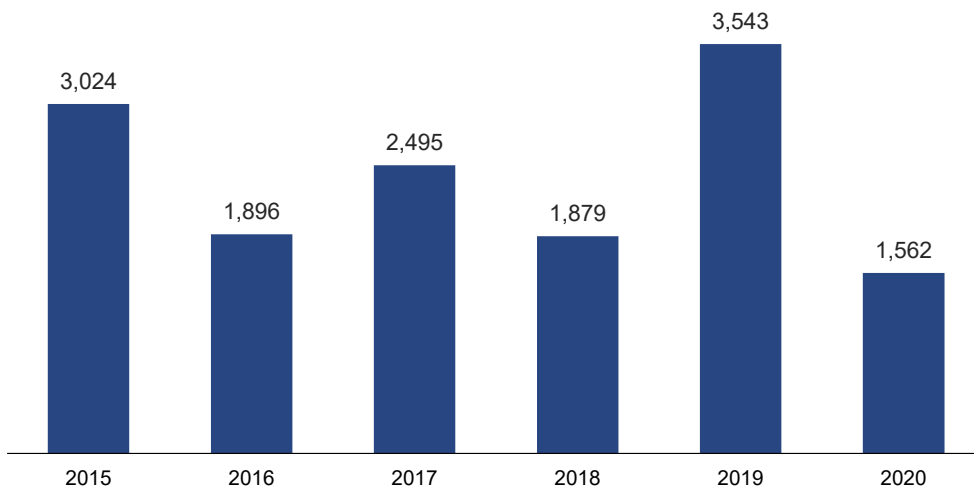


Source: Compiled by the Legislative Audit Division from SABHRS.

Figure 12

PDC Enrollment Fiscal Years 2015 through 2020

PDC enrollment has varied over time with lowest enrollment occurring in fiscal year 2020.



Source: Compiled by the Legislative Audit Division from SABHRS.

As Figure 11 shows, the majority of PDC revenue (75-85 percent in recent years) comes from the courses it provides, both open enrollment courses (regular courses and series) and contract courses. Revenue from these sources are represented in blue, green, and yellow on the figure. However, the revenue from these sources alone has not covered PDC expenses in the last six fiscal years. Other revenue, represented in gray

on the figure, was necessary. Other revenue mostly came from the Managing Montana conference, pass-throughs for the Employee Assistance Program, and the purchase of assessments used in some PDC courses.

Figure 12 (see page 22) shows the trend in PDC enrollment over the same time frame. The figure shows that enrollment did not always change proportionally with changes in revenue. This was because courses varied in popularity and overall use of the PDC varied over time. There was a marked increase in enrollment in fiscal year 2019. This was at least partially due to mandatory state training on preventing harassment and ethics in 2019, which were courses provided by the State Human Resources Division at no charge to agencies and represented no additional revenue. The lowest enrollment occurred in fiscal year 2020 due to the COVID-19 pandemic. Prior to the pandemic, all PDC course offerings were in-person. Scheduled courses were generally delivered in the PDC's training rooms in Helena. PDC staff would also travel to an agency's location to deliver specialized group training. Due to the COVID-19 pandemic, the PDC began to exclusively offer courses remotely. Challenges in adapting to remote work and learning environments contributed to low PDC enrollment in fiscal year 2020. The PDC indicated it intends to continue to offer some remote learning options after the pandemic as there has been some uptick in enrollment from outside the Helena area since offering remote learning options. The PDC believes continuing to offer some remote training options will allow greater access to PDC services.

Previous Financial-Compliance Audit Work Identified Issue With Fund Equity

Previous financial audit work identified the PDC struggled to make enough revenue. Since funding for the PDC occurs within an internal service fund, state law requires its rates and fees to be commensurate with costs. An internal service fund is used when goods or services are provided to other agencies on a cost reimbursement basis. Our financial-compliance audit on the Department of Administration (20-13) determined the PDC's fees not to be commensurate with costs and the internal service fund equity not to be reasonable for fiscal year 2020. The PDC has had difficulty in generating enough revenue to cover expenses. The main expenditures in the PDC's budget are in personal services.

Other State Training Units Are Funded Through Fixed Costs

As part of our work, we learned about how state employee training is provided in other states and how other states fund their state training units. Training unit directors from the following four states were interviewed as part of the audit:

- ◆ Colorado
- ◆ Idaho
- ◆ Vermont
- ◆ Washington

The nature of the training units in these other states varied. Some state training units manage contracts with training vendors in the private sector in addition to providing training in-house. This is the case in Washington and Vermont. Idaho's training unit is most like the PDC with the majority of training offered through the unit taught in-house. Colorado was in the process of transitioning to in-house-only training and is moving existing training contract management responsibilities to its state procurement function. Like the PDC, state training units from other states offered both open enrollment courses and specialized training for groups upon request (i.e., like PDC's contract courses). Utilization of the state training unit also varied, as some states have certain mandatory training requirements. Two of the other states we interviewed, Washington and Vermont, require staff in supervisory positions to take supervisory training.

The biggest difference we identified between the PDC and training units in other states was in how they are funded. All other state training units we interviewed are funded at least partially, if not fully, through fixed costs. Training is viewed as an essential human resource service, such as payroll processing. These essential human resource services are funded through fixed costs. Rather than charging agencies tuition per course attendee, agencies pay a per-full-time equivalent (FTE) fee every budget cycle for training services. State employees can then participate in courses through the state training unit at no extra cost to agencies, though there may be extra fees for materials for certain courses.

In the other states whose training directors we interviewed, agencies only pay the fixed-cost fee for classified employees. They do not have to pay the training unit fee for nonclassified employees, such as elected or appointed officials. However, classified employees make up the majority of the state employee population, and there are very few state employees for whom the training fee is not collected. One state, Idaho, also reported it applies a lower fixed-cost fee to agencies that rely more heavily on state human resources. Washington was only partially funded through fixed costs, with 35 percent of its revenue coming from the additional tuition it charges agencies. However, unlike the Montana PDC, the Washington training unit can set its own tuition rates and can make market-based adjustments to them. Colorado's training unit is currently funded by tuition, but it is transitioning to fixed-cost funding because it is having trouble making enough revenue to cover expenses.

Use of the PDC Would Likely Increase Under Fixed-Cost Funding

As part of the audit, we considered how a change in the funding mechanism for the PDC would affect its utilization. In our agency training coordinator survey, we asked how use of the PDC would change if the PDC switched to fixed-cost funding. Figure 13 shows how agency training coordinators indicated their agency’s future use of the PDC would change if it were funded through fixed costs rather than by tuition rates and contract fees. The results are categorized by agency size.

Figure 13
Future Use of the PDC Under Fixed-Cost Funding

Future use of the PDC would likely increase under fixed-cost funding.



Source: Compiled by the Legislative Audit Division from survey results.

Most agencies (76 percent) indicated their future use of the PDC would either stay the same or increase. Two agencies said their use of the PDC would decrease, and four agencies did not know how their use of the PDC would be affected. Over half the small agencies said their use of the PDC would increase, and over half of the large agencies said their use would stay the same. As Figure 13 shows, use of the PDC would likely increase under fixed-cost funding. Few agencies would use the PDC less than they currently do under fixed-cost funding.

While future use of the PDC would likely increase under fixed-cost funding, it was unclear the extent to which agencies would support a per-FTE fee to fund the PDC. Six agencies, two from each size category, clearly indicated their agency would not

support this change in funding. However, most agencies (19 agencies) said they did not know if their agency would support it, or that it would depend on what the per-FTE amount was and how that would impact their agency’s budget.

The Impact to Agencies Varies by Agency Under Fixed-Cost Funding for the PDC

As part of our work, we considered how fixed-cost funding of the PDC would impact agency spending on PDC services. We first estimated the annual per-FTE fee necessary to fund the PDC. We estimated the annual per-FTE fee to fund the PDC at its current expenditure and service level to be approximately \$31. This estimate was based on the PDC’s total expenditures for fiscal year 2020 and the number of state FTE in fiscal year 2020. Only FTE associated with relatively consistent funding and likely to exist from year to year were included. Table 3 shows our calculation.

Table 3
Estimated Annual Per-FTE Fee to Fund the PDC

PDC Total Expenditures FY2020	\$417,543
Number of FTE FY2020	13,615
Estimated Annual Per-FTE Fee	\$30.67

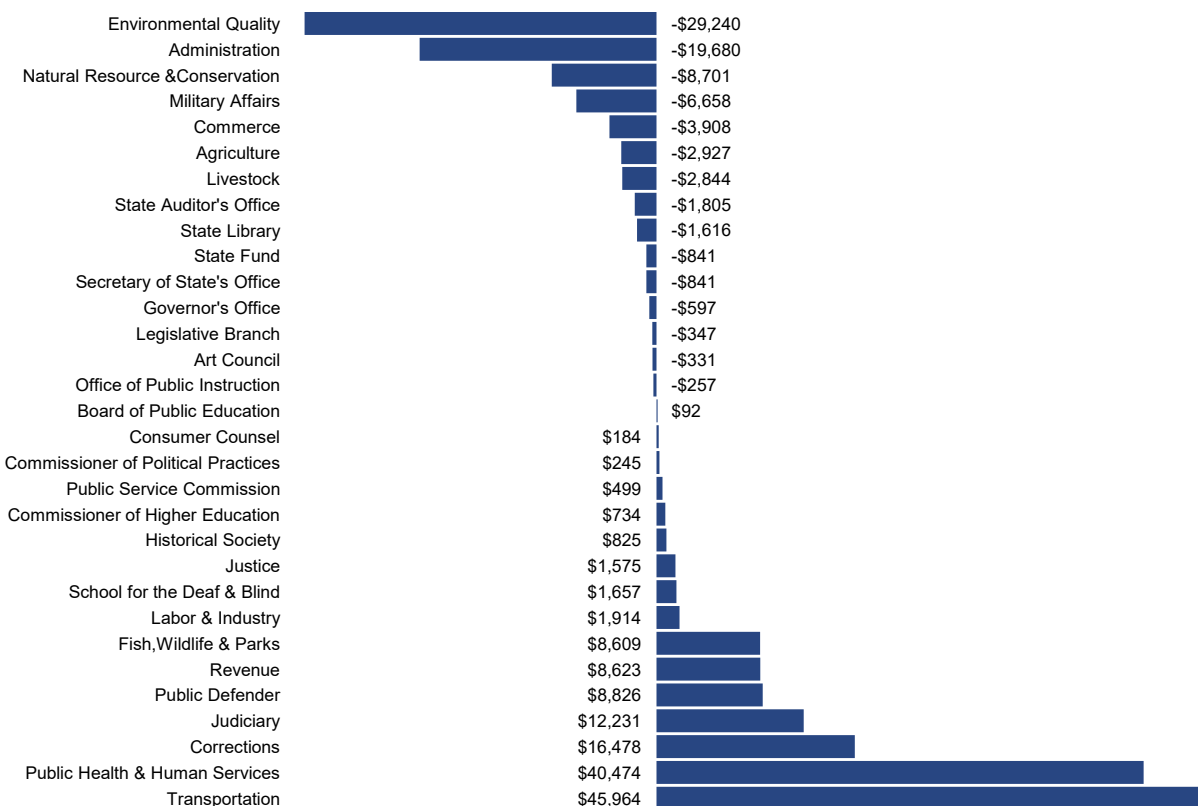
Source: Compiled by the Legislative Audit Division.

Based on a fixed-cost model as common in other states, agencies would pay this fee for each employee to fund PDC services. Figure 14 (see page 27) shows how spending on PDC services under fixed cost funding (at about \$31 per FTE, per year) would be different from fiscal year 2020 spending by agency.

Figure 14

Change in Agency Spending on PDC Services Under Fixed-Cost Funding

The impact to agency spending on PDC services under fixed-cost funding varies by agency.



Source: Compiled by the Legislative Audit Division.

As Figure 14 shows, some agencies would pay much less for PDC services under fixed-cost funding, and some agencies would pay significantly more. For example, the Department of Environmental Quality, which is a relatively heavy user of the PDC, would pay significantly less under fixed-cost funding for PDC services. Large agencies that are not heavy users of the PDC would be most adversely affected. For example, the Department of Transportation would pay significantly more than it has for PDC services under fixed-cost funding. The Department of Transportation rarely uses the PDC because it has the resources to develop a significant amount of training in-house, and a significant number of staff are not in the Helena area. A way to reduce the adverse effects of fixed-cost funding on large agencies would be to apply a different fixed cost fee based on agency size or some other factor. For example, large agencies could pay a lower per-FTE fee than small agencies that may rely more heavily on state human resource functions.

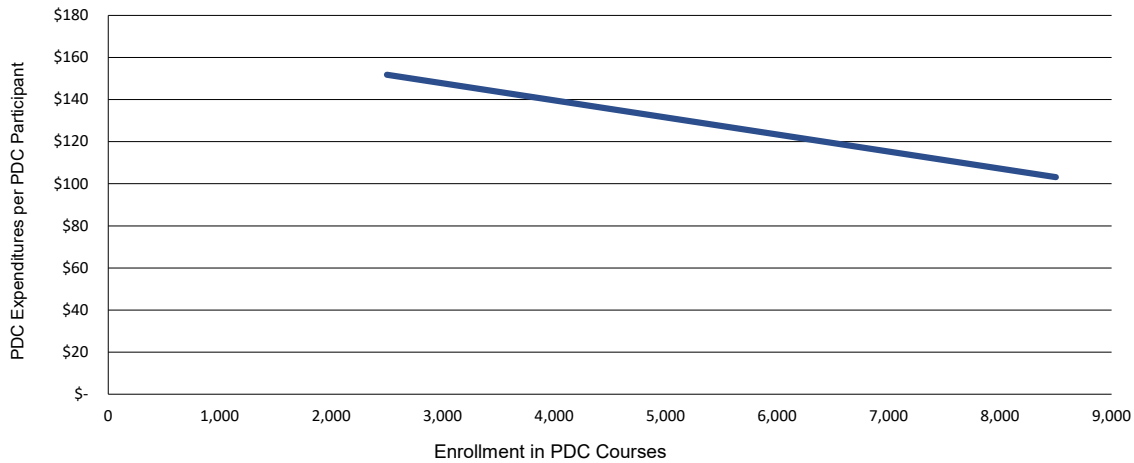
If the PDC were moved to a fixed-cost model, there would also need to be a consideration of whether and how PDC services could be provided to nonstate employees if only state agencies are paying for these services. In defining the level of services expected from the PDC, there would need to be a consideration of the extent to which duplication of nontechnical training efforts by agencies is appropriate and the extent to which the PDC could accommodate increases in enrollment. If agencies were to use the PDC more frequently for nontechnical training, the PDC would eventually need additional resources to accommodate this. These considerations would involve further defining the role of the PDC in state employee professional development.

Cost Savings on Nontechnical Training for State Employees Would Occur Under Fixed-Cost Funding if Use of the PDC Increases

While PDC expenses would increase with increases in participation, cost savings for nontechnical training would occur as agencies increase their use of the PDC. Increases to participation in PDC courses would affect how much agencies would pay under fixed cost funding. That is, the PDC would eventually need additional staff and operating expenses would be higher with more demand, which would increase the fixed cost fee agencies would pay. The extent to which demand for PDC services would increase under fixed-cost funding is difficult to accurately predict. However, PDC expenditures per PDC participant would decrease with increases in participation. Figure 15 below shows an example of how PDC expenses per PDC participant would decrease under fixed-cost funding. The example below factored in estimated increases in PDC expenses for both personal services and operating expenses for increases in PDC participation.

Figure 15
PDC Expenditures per Participant With Increased Participation

PDC expenses per PDC participant would decrease with increased use of the PDC under fixed-cost funding.



Source: Compiled by the Legislative Audit Division.

As Figure 15 shows, PDC expenses per participant would decrease with increases in PDC enrollment under fixed-cost funding. PDC's total expenses would increase with participation as costs for additional staff, training space, information technology, and other operating expenses would increase. However, an economy of scale exists, and the costs per participant would decrease.

Cost savings would also occur under fixed-cost funding of the PDC if duplication of training efforts by state agencies is reduced. Some agencies could realize added cost-efficiency under fixed-cost funding if they invest in PDC services rather than in internal training resources. For example, suppose an agency with 500 employees has one FTE it expends \$80,000 on for the sole purpose of developing all nontechnical training for staff in-house, and it does not currently use the PDC for nontechnical training. That agency spends \$160 per FTE on nontechnical training. Under fixed-cost funding, and if the agency used the PDC instead, the agency would be spending \$31 per FTE on nontechnical training, and it would cost the agency approximately \$15,500 for PDC training services. This would represent a cost savings of approximately \$64,500. The per-FTE fee for funding the PDC would need to exceed \$160 to make in-house training development the more cost-effective option for nontechnical training for this agency.

The PDC Would Be Best Supported by Fixed-Cost Funding

Audit work found agencies vary in the extent to which they use the PDC. However, the PDC is a significant source of training across state government and is generally

cost-effective compared to the private sector or university system. PDC training is largely considered good quality by recent course participants and agency training coordinators. The landscape of state employee training in other states is similar to that of Montana, with variation in where agencies opt to obtain nontechnical training. However, unlike Montana, other states fund their PDC-equivalents through some portion of fixed-cost funding to ensure enough revenue is generated to cover costs and to incentivize participation. The current, tuition-based funding model of the PDC is currently outmoded and insufficient for supporting PDC services. Changing the funding mechanism of the PDC to fixed-cost funding would likely result in increased use of the PDC and could better position the PDC to provide needed training to state employees, including defining the level of services expected of the PDC. Our work indicates it is in the best interest of the state to fund the PDC through a fixed-cost model. If the legislature were to fund the PDC in this manner, it would be beneficial to establish a biennial mechanism to evaluate the effectiveness of such a change by monitoring increases in PDC participation by agencies and any reduction of duplication of training efforts across state government.

RECOMMENDATION #1

We recommend the Montana Legislature:

- A. *Fund the Professional Development Center through fixed costs.*
 - B. *Further define the role of the Professional Development Center in state employee professional development and the level of services the Professional Development Center should provide for this purpose.*
 - C. *On a biennium basis, evaluate the effectiveness of a change in funding for the Professional Development Center by monitoring changes in use of the Professional Development Center and reduction of duplication of training efforts across state government.*
-

DEPARTMENT OF
ADMINISTRATION

DEPARTMENT RESPONSE



**MONTANA
DEPARTMENT OF
ADMINISTRATION**

A-1

Director's Office

Greg Gianforte, Governor
Misty Ann Giles, Director

February 1, 2021

RECEIVED
February 1, 2021
LEGISLATIVE AUDIT DIV.

Mr. Angus Maciver, Legislative Auditor
Legislative Audit Division
PO Box 201705
Helena, MT 59620

RE: Performance Audit #20P-02: Department of Administration Professional Development Center.

Dear Mr. Maciver,

The Department of Administration (DOA) has reviewed the Performance Audit for the Professional Development Center. DOA wants to recognize and thank you and Ms. Amber Robbins for your work during this audit, which was completed in a transparent and efficient manner.

Ms. Robbins was professional with her interactions, providing updates and details of her audit process and survey results that are included in the final report. We appreciated her knowledge and attention to detail to ensure that the information incorporated in the performance audit was accurate and thorough.

We look forward to working together again.

Sincerely,

Misty Ann Giles, Director, Department of Administration
c: Anjenette Schafer, Administrator, State Human Resources Division

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