

DEPARTMENT OF ADMINISTRATION

An Agency Profile Prepared by the
Legislative Fiscal Division

November 2018

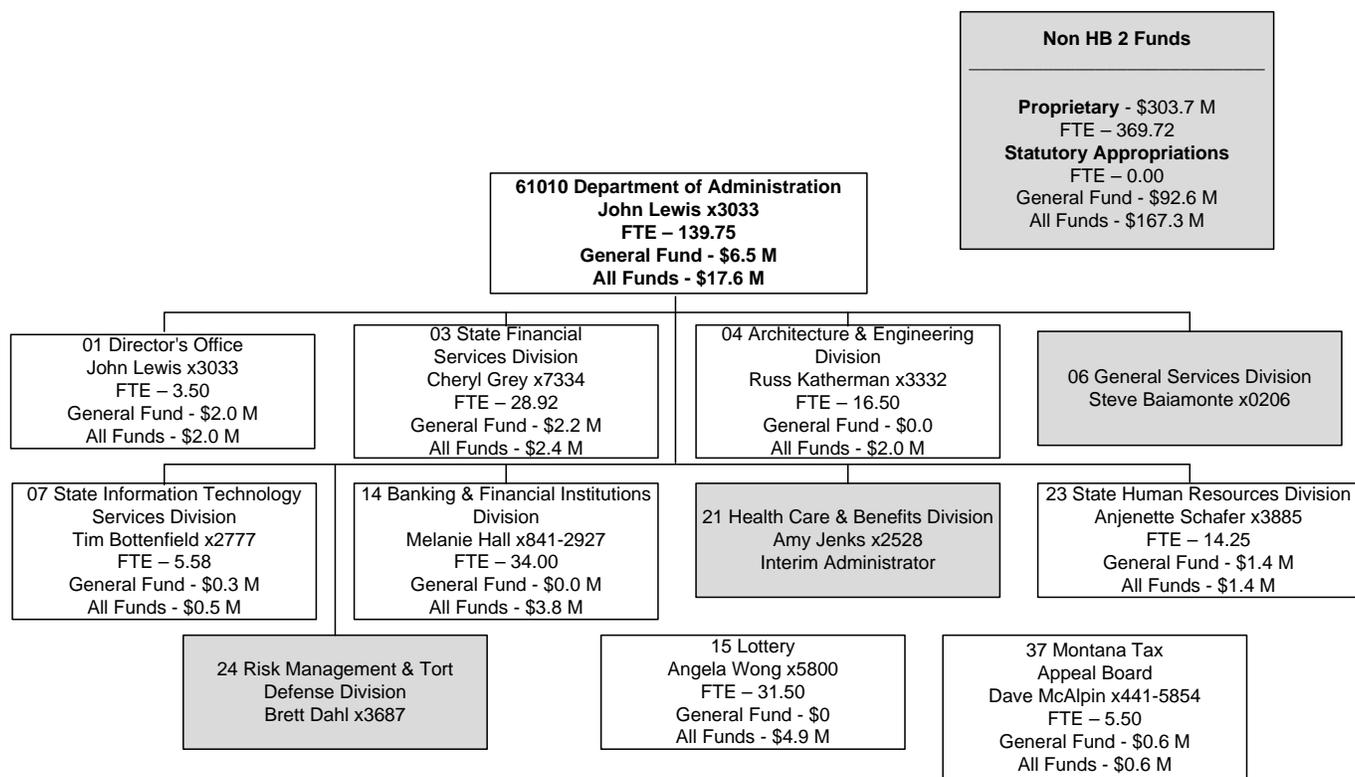
INTRODUCTION

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

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

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

On the following page is an organizational chart of the department, including full-time employee (FTE) numbers and the HB 2 general fund appropriations and the total of all funds. Unless otherwise noted, all phone extensions are preceded by (406) 444.



HOW SERVICES ARE PROVIDED

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

Director's Office – provides the overall supervision and coordination of agency programs. The office provides legal, IT management, financial, budgeting, accounting, human resource management, and payroll services for the department and some of its attached agencies. The Offices of Labor Relations represents the Governor's Office in all matters relating to collective bargaining and Continuity and Emergency Management provides oversight and management in case of a catastrophic event.

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

State Financial Services Division – performs many centralized functions and administers state and federal programs to state agencies, local government entities, and Montana citizens and businesses. The division consists of three bureaus – Statewide Accounting, State Procurement, SABHRS Financial Services Technology Bureau (FSTB) - and includes Local Government Services, and the State Social Security Administrator. The Division prepares and publishes the state's annual comprehensive financial report (CAFR), maintains a statewide accounting structure, performs central banking functions, and maintains accountability of all money and securities belonging to or held in trust by the state. The Division manages the state payment processes and state vendor file. The Division works with local governments (counties, cities & towns, school districts, and special districts) to support uniform financial accountability, and to assist the local governments in complying with their statutory, financial, and budgetary reporting requirements, including provisions of the Montana Single Audit Act. The State Social Security Administrator is responsible for administering Section 218 of the Social Security Act by providing education and outreach and insuring proper application of Social Security coverage to all state and local government employees. The Division also provides system support and maintenance of the state's enterprise accounting, budgeting, and eProcurement systems as well as providing professional procurement services and oversight to all state agencies for the acquisition of goods and services as

defined in the Montana Procurement Act (MCA Title 18-4). State Procurement establishes statewide contracts for commonly used goods, manages the State's Fuel and Procurement Card Programs, and offers procurement/contract management training to state agencies.

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

General Services Division – provides certain internal services to government agencies and the public through four program areas:

- Capitol Facilities Management (CFM) provides the following services for state agencies in the Capitol Complex (State owned buildings within a ten-mile radius of Helena) either directly or through the administration of service contracts: security, identification cards, access control, facilities repair, maintenance, construction, utilities, energy consumption monitoring, disaster response and recovery, space allocation, janitorial, pest control, grounds maintenance, recycling, and solid waste collection. CFM also manages public events on the Capitol campus.
- Real Property and Leasing (RPL) negotiates and manages leases for state agencies throughout the state. RPL manages 77.0% of all state leased space in Montana.
- State Print and Mail (SPM) provides print and mail services to state agencies. Services include internal and external (contracted) printing, marketing, managed print services, mail preparation, central mail operations, and interagency (deadhead) mail. SPM also operates the United States Post Office in the Capitol.
- Surplus Property and Recycling (SPR) manages both the state and federal surplus property programs, making surplus property services available to all city, county, and tribal governments in Montana. SPR also manages recycling contracts.

State Information Technology Services – establishes and enforces statewide information policies and standards and implements and optimizes shared information technology platforms and services such as the state network, state data centers, servers and storage, statewide local and long-distance telephone and video network services, and enterprise custom and commercial applications. The division provides disaster recovery capabilities furthering the state's ability to efficiently and securely process data. In addition, the division manages the Public Safety Services Bureau including the state's 911 and public safety communications programs; develops the statewide IT strategic plan and coordinates agency IT strategic plans; develops and oversees state IT standards and policies; and reviews and approves IT equipment and software acquisitions, including an IT project management office.

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

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

State Human Resources – provides state agencies with a variety of human resource management programs. These programs include: human resource rules, policies, and standards for the Executive

Branch agencies; training and other professional development services to state agencies; the human resource portion of the Statewide Budgeting, Accounting and Human Resource Systems (SABHRS); and human resource information services, supplying payroll and other human resource information systems for all branches of state government.

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

Attached-to Agencies in the DOA budget:

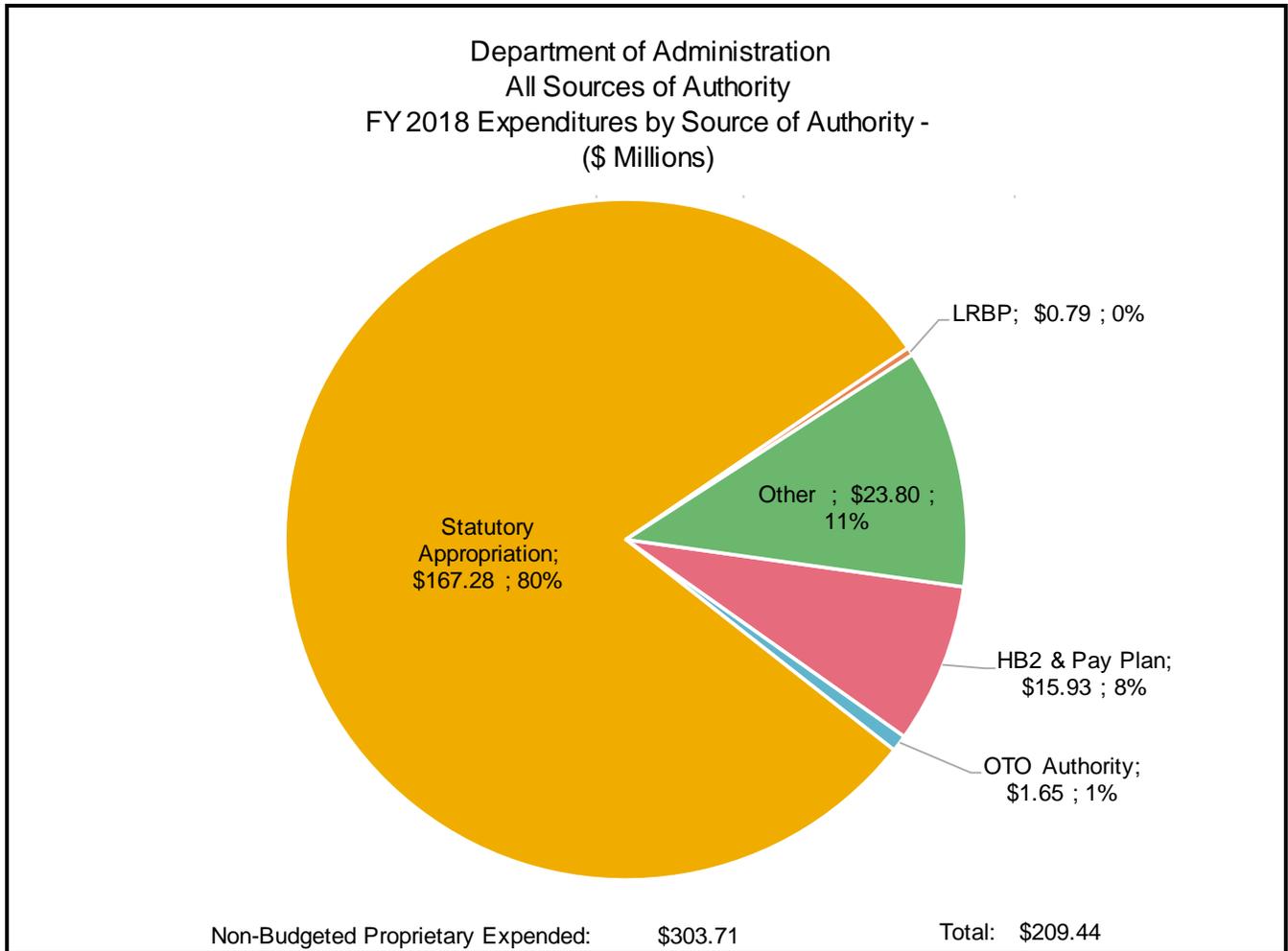
Montana State Lottery – designs, markets, and administers lottery games operating in Montana. The lottery presently offers a variety of instant/scratch and lotto-style games, some in cooperation with other lotteries through the Multi-State Lottery Association. The net revenue, up to approximately \$12.4 million, is deposited in the state general fund on a quarterly basis, after prizes, sales commissions, and operating expenses are taken out. Any net revenue above this amount is required to be transferred to the STEM scholarship account.

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

SOURCES OF SPENDING AUTHORITY

The chart below shows expenditures by all sources of authority. A significant portion of the divisions within the agency are supported by proprietary funds, including the operations of the Director's Office, State Financial Services Division, General Services Division, State Information Technology Services Division, Health Care and Benefits Division, State Human Resource Division, Risk Management and Tort Defense and the Montana State Lottery.

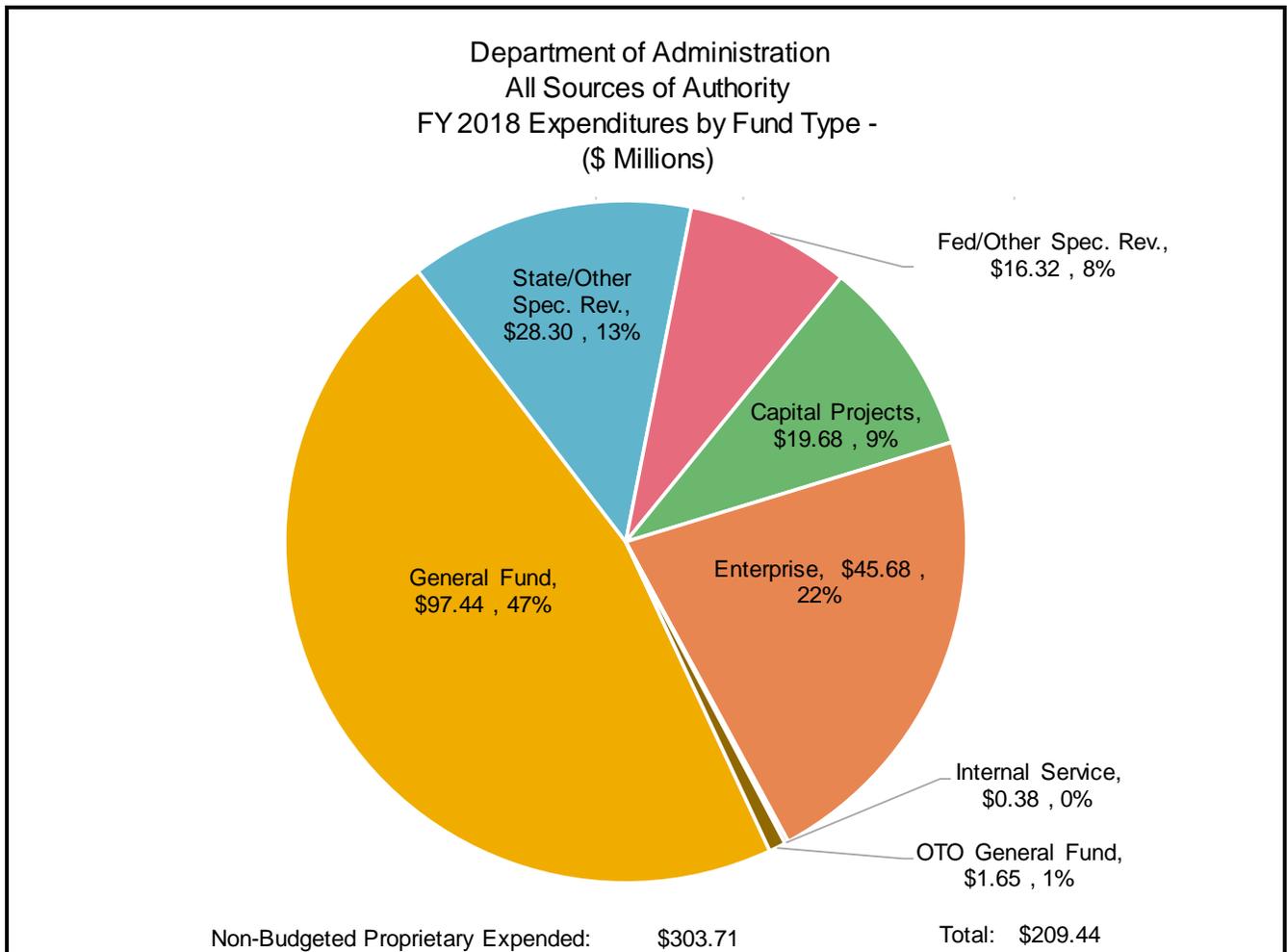
Statutory appropriations also comprised a significant portion of expenditures at the Department of Administration. These primarily included of expenditures related to transfers to the teachers' retirement and public employees' retirement systems, and lottery prizes.



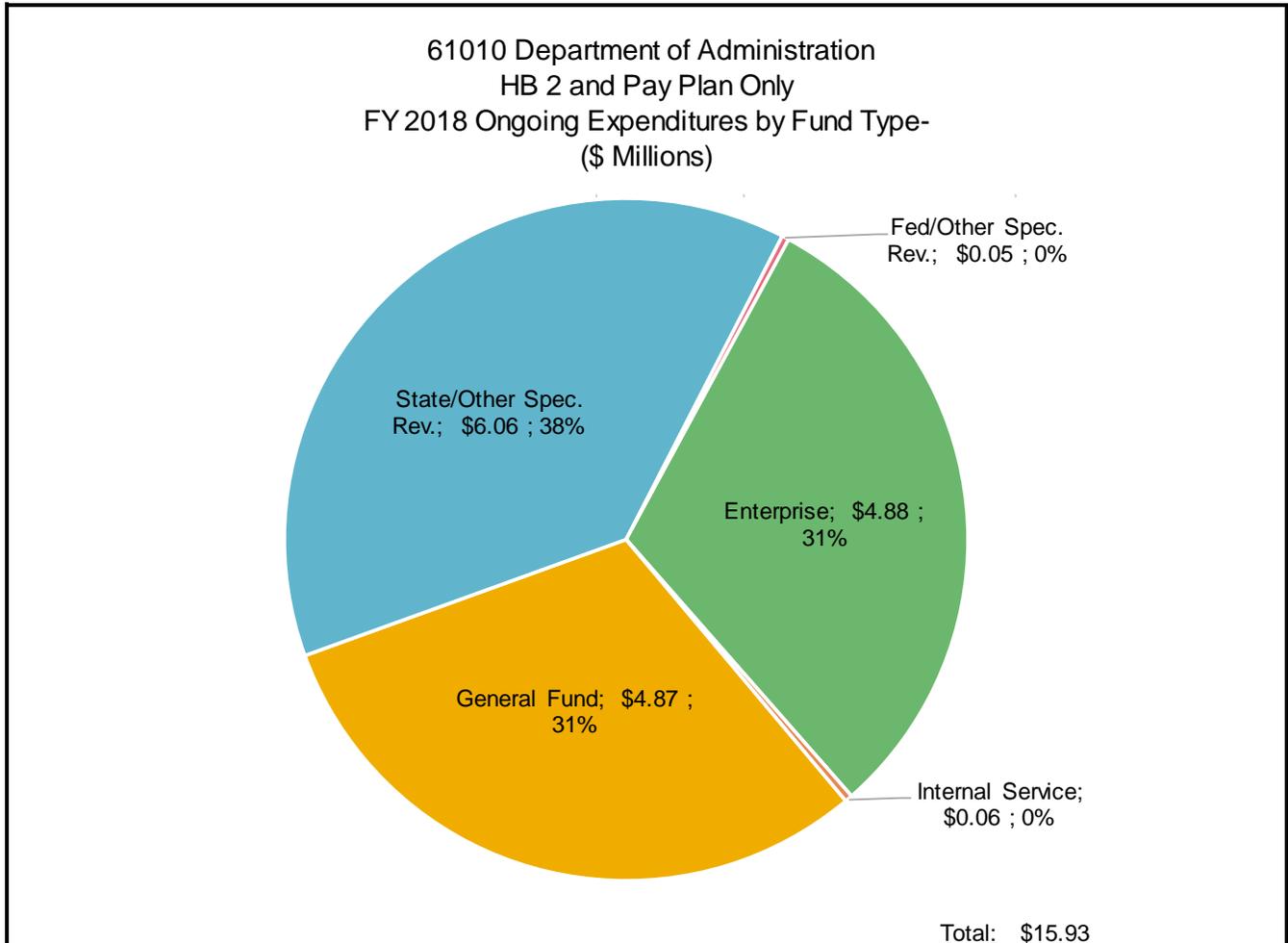
FUNDING

The chart below shows FY 2018 actual expenditures by fund type for all sources of authority. Proprietary fund expenditures totaled approximately \$303.7 million in FY 2018. Proprietary funding is derived from fees charged for services provided to state government entities and local governments; revenue received from sales of items to the public, such as sales of lottery tickets and other games of chance by the Montana State Lottery; or from human service-related activities such as group benefit contributions.

General fund expenditures and enterprise funds also were a significant portion of expenditures from all sources of authority in FY 2018. General fund expenditures totaled \$97.4 million and were primarily comprised of expenditures related to the teachers' retirement, public employees' retirement and debt service payments. Enterprise fund expenditures totaled \$45.7 million and were primarily comprised of expenditures related to the Montana State Lottery.

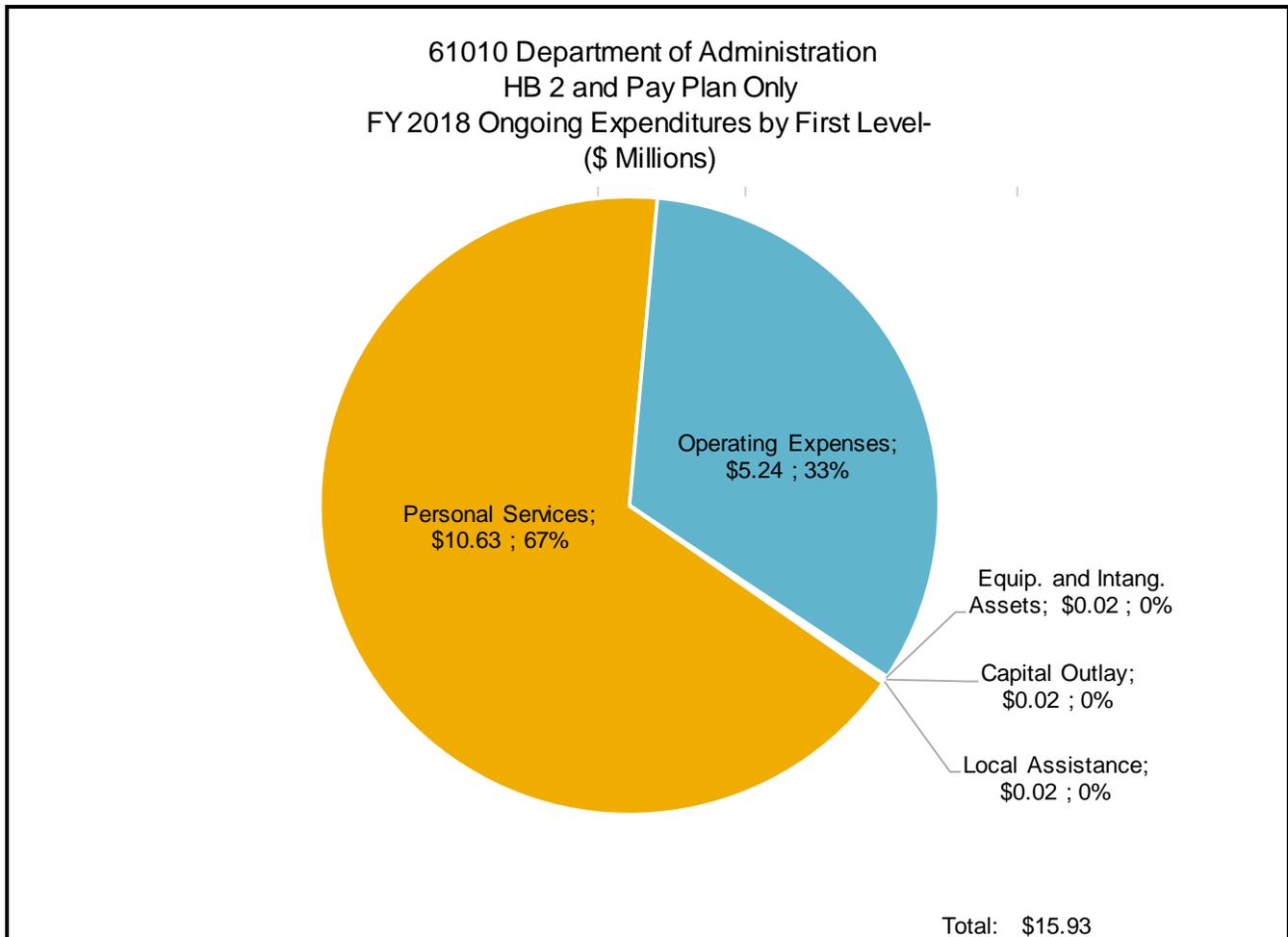


The chart below shows the Department of Administration's HB 2 and pay plan expenditures by fund type. There were three major fund types expended as part of HB 2 and the pay plan in FY 2018: general fund, state special revenue funds, and enterprise funds. General fund expenditures totaled approximately \$4.9 million and were primarily used to support the State Financial Services Division, State Human Resources Division, and the Montana Tax Appeal Board. State special revenue fund expenditures totaled \$6.1 million and were primarily used to support the Architecture and Engineering Division and the Banking and Financial Institutions Division. Enterprise fund expenditures totaled \$4.9 million and were primarily comprised of expenditures that were budgeted for the Montana State Lottery.



EXPENDITURES

The following charts explain how the HB 2 authority was spent. The majority of the expenditures in the Department of Administration were for personal services. The department had personal services expenditures of approximately \$10.6 million which funded 139.75 FTE.



HOW THE 2019 LEGISLATURE CAN EFFECT CHANGE

In order to change expenditure levels and/or activity, the legislature might address:

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

MAJOR COST DRIVERS

Activity for this agency varies depending upon:

- Number of employees within state government
- Size and complexity of the state's finances
- Complexity and level of service required by state agencies
- Level of services and complexity of computer systems required by state agencies

- Licensing and maintenance of enterprise systems
- Number of chartered and licensed financial institutions operating in the level and complexity of concerns discovered through examinations
- Number of state buildings, level of maintenance, construction, and repair required on the various properties
- Unpredictable deferred maintenance issues and systems failures
- Replacement of aging/outdated equipment (end of life-cycle)
- Compliance with updated building codes, fire codes, and industry standards
- Increases in prevailing wage, costs of goods, contracted services, maintenance agreements, insurance premiums, utility costs, insurance premiums
- Increases in city fees, permits, and assessments
- Increases in liability and tort defense claims
- Size and number of medical, pharmacy and dental claims for members of the self-funded State Employee Group Health Plan
- Level of agency commitment to employee safety and reducing employee injury at work
- Frequency and severity of large liability settlements and catastrophic property losses that are self-insured through the state property/casualty insurance program and the cost of commercial excess insurance which is affected by worldwide disasters
- Activity level of the Montana State Lottery

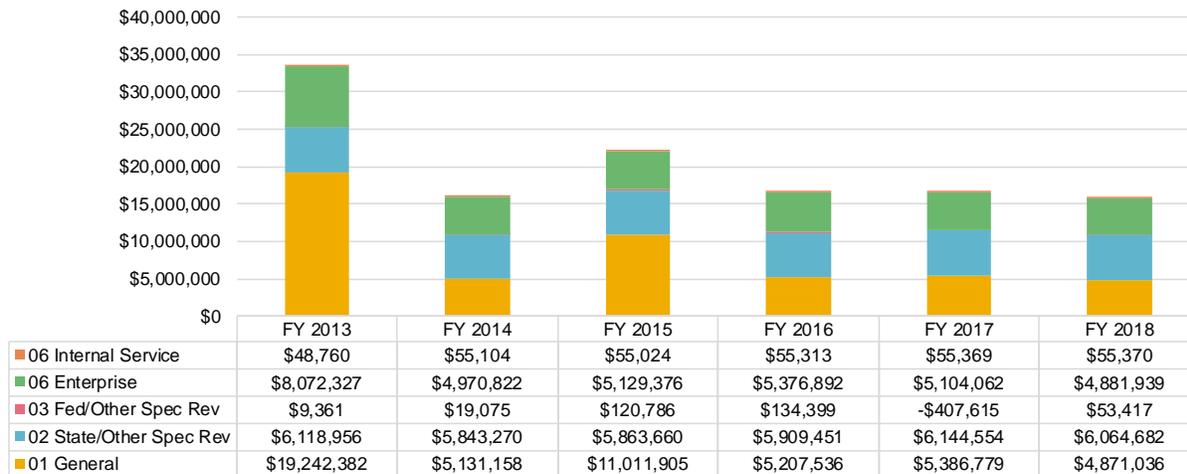
Division	Element	FY 2016	FY 2018
State Financial Services Division	Total number of payments generated by states' computerized accounting system	2.5 million	2.5 million
	Percentage of payments made using electronic means	70%	72%
	Total audit and financial reviews analyzed	273	651
	Number of contracts awarded	253	260
Architecture and Engineering (A&E)	Number of active projects	179	132
	Total capital projects budget	\$417.6 million	\$327.5 million
General Services	Number of active building leases	382 leases	341 leases
	Number of buildings managed by GSD	41 buildings	47 buildings
State Information and Technology Services	Number of SummitNet video sites across the state	245	154
	Total percentage of SMDS capacity filled	Helena Max Cabinets: 170 Space Used: 62.9%	Helena Max Cabinets: 170 Space Used: 59.4%
		Miles City Max Cabinets: 95 Space Used: 46.3%	Miles City Max Cabinets: 96 Space Used: 39.0%
	Data Protection Services	1.2 million unauthorized attempts per month	In August 2018 SITSD blocked: •over 3.5 million attempts to connect to the State network •4.2 million attempts to connect to web applications •967k spam emails •1.3k malicious email attachments •107k unsafe website connections
Banking and Financial Institutions	Number of financial and lending entities supervised	4,077	5,847
	Total assets of state chartered banks and state credit unions	\$31.2 billion	\$37.1 billion
Montana State Lottery	Lottery transfers to the general fund	\$12.9 million	\$10.7 million
State Human Resources	Number of paychecks processed	362,073	360,888
	Average number of state employees	13,902	13,861
	Number of participants in training	1,869	2,571
Health Care and Benefits (HCBD)	Number of employees, retirees, and their dependents covered by the State Employee Group Health Plan	30,370	29,003
	Number of workers' compensation claims filed during the year	702	671
Risk Management and Tort Claims	Total insured values of state/university buildings and contents	\$5.1 billion	\$5.4 billion

FUNDING/EXPENDITURE HISTORY, AUTHORITY USED TO ESTABLISH THE BUDGET BASE

The following table shows historical changes in the agency's funding and expenditures. Significant changes in expenditures include:

- In FY 2013 Risk Management and Tort Defense received a general fund supplemental appropriation of \$13.4 million in HB 3 to pay unfunded liabilities
- In FY 2015 Risk Management and Tort Defense received a general fund supplemental appropriation of \$6.0 million in HB 3 to shore up depleted reserves for the self-insurance funds

61010 Department of Administration
Ongoing Historical Expenditures



MAJOR LEGISLATIVE CHANGES IN THE LAST TEN YEARS

Major changes in the last ten years include:

- 2017 Legislature
 - The Legislature increased the percentage of coal severance taxes directed to the Coal Board from 2.9% to 5.8% which reduced the general fund available for transfer to the Public Employees Retirement System (PERS). The Legislature offset the reduction to PERS within the Department of Administrations budget by providing for a state supplemental transfer of \$1.6 million in FY 2018 and \$1.7 million in FY 2019 (HB 209)
 - The Legislature revised and updated 911 laws including requiring \$5.4 million of enhanced 911 funding to be transferred to a new state special revenue account for next generation 911 services, 911 geographical information system mapping, and statewide planning (HB 61)
- 2013 Legislature
 - The Legislature increased employer and employee contribution rates for certain public employee retirements plans and provided for additional transfers from the general fund to improve the solvency of the trusts (HB 377 and HB 454)
- 2011 Legislature
 - The Legislature required the licensure and regulation of residential mortgage loan servicers (HB 90)
 - The Legislature raised the age that dependents may remain covered under their parents' state employee group health insurance from 25 to 26. The change was made to comply with the federal Patient Protection and Affordable Care Act of 2010 (HB 53)
- 2009 Legislature
 - The Legislature, in the long-range planning section of HB 645, provided \$4.5 million in general fund for two information technology projects: 1) \$3.5 million for enterprise system center equipment; and 2) \$1.0 million for interoperability Montana (HB 645 implemented the federal American Reinvestment and Recovery Act)
 - The Legislature revised mortgage lending laws by expanding the mortgage broker and loan originator act to include mortgage lenders (SB 351)
 - The Legislature provides guidance on the selection of a location for establishment of a veteran's home in southwestern Montana (HB 213)
 - The Legislature reduced and redirected the portion of 911 fees collected by the state and

used to fund costs to administer the fees for basic, enhanced, and wireless enhanced 911 services (HB 82)

For more information, please visit the agency website, here: <https://doa.mt.gov/>.