DEPARTMENT OF ADMINISTRATION
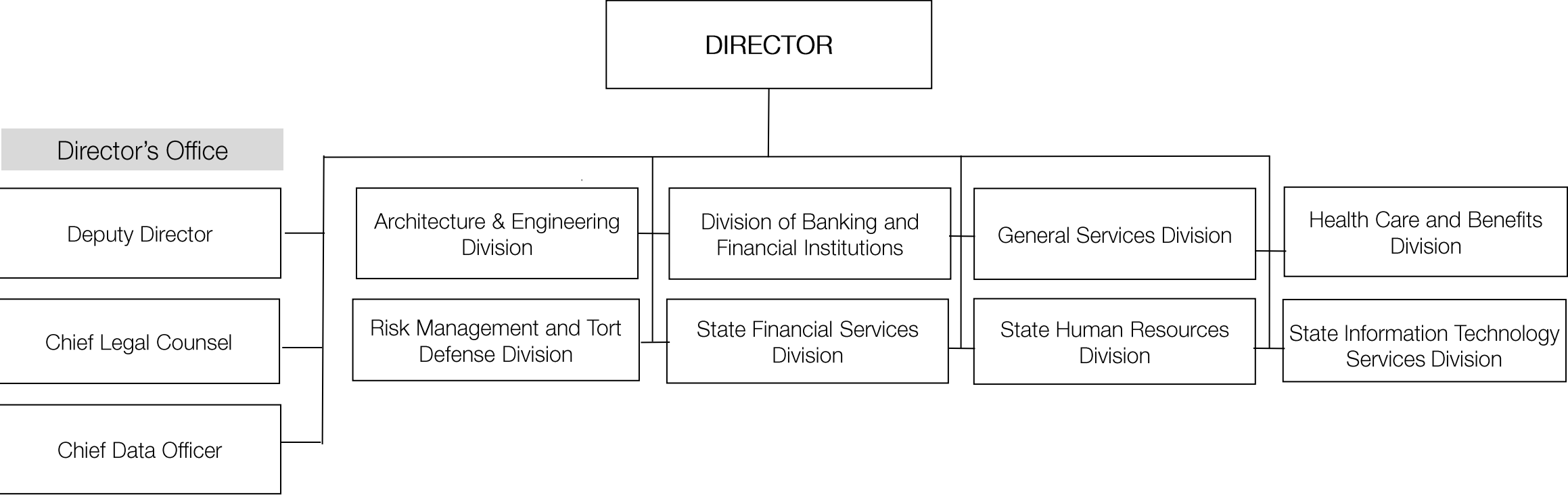
MISTY ANN GILES
DIRECTOR

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January 2023

DEPARTMENT OF ADMINISTRATION

DIRECTOR

Director's Office

Deputy Director

Chief Legal Counsel

Chief Data Officer

Architecture & Engineering Division

Risk Management and Tort Defense Division

Division of Banking and Financial Institutions

State Financial Services Division

General Services Division

State Human Resources Division

Health Care and Benefits Division

State Information Technology Services Division

DEPARTMENT OF ADMINISTRATION

KEY ACCOMPLISHMENTS

Our focus is to serve state government by providing, effective, efficient, and customer driven solutions to benefit the citizens of Montana.

- $28 Million Savings / Employee Health Plan

- Remote & Office Workforce Study (ROWS): enterprise telework program implemented—one policy and telework agreements are completed online in HRIS system.

- Leased Office Space Savings: focus on cooperative, future-driven decision-making has already yielded a reduction in lease costs of $1.1M annually.

- $141 Million Verdict in Libby Asbestos Case

- Established Chief Data Officer position to drive data governance, dashboards, transparency, and data-driven decision-making.

- Health Centers: improvements made in patient check in process and expanded telehealth options.

DEPARTMENT OF ADMINISTRATION

KEY ACCOMPLISHMENTS

- Launched / Completed ARPA Broadband: $310M / 61 Projects / 62,000 Connections

- Workforce Development / Online Courses: establishing an enterprise contract for online training—to result in at least $1M/yr in enterprise savings.

- P-Card Audit / Accountability Process: implemented monthly audit and reporting by agency.

- Procurement Reform Strategy Development

- Long Range Building Program: established Project Dashboard and System Portal.

- Regulatory Reform: 64 items implemented or recommended for legislation.

- HVAC Automation / Efficiencies: transitioned from contracted service to inhouse staffing model and automated HVAC controls–both strategies resulted in cost savings to offset increases in utility costs due to inflation.

DEPARTMENT OF ADMINISTRATION

KEY ACCOMPLISHMENTS

- Digital Transformation and Modernization
  - Department of Commerce first to go 100% digital
  - Five9s Call Center Centralization

- Unified State IT Strategy (Established Agency CIO Strategy Conference)

- Transition off the mainframe resulted in $2M in savings per year.

- Realignment of functions to appropriate agency:

  - E911 program transitioned from DOA to DOJ

  - State Continuity & Emergency Management Office (SCEMO)--planning function transitioned to Dept of Military Affairs

DEPARTMENT OF ADMINISTRATION

UPCOMING PRIORITIES

Department Objectives, Goals, Strategies, and Measures (OGSM) have been established for the 2025 Biennium. https://doa.mt.gov/AboutUs/index

Areas of focus include:

- Enterprise Standardization and Digitalization of Work Processes

- Remote & Office Workforce Study (ROWS) - Space Component

- Long Range Building Program Objectives

- Procurement Reform

- Continue to drive cost savings strategies across all insurance programs (e.g., property, health plan, etc.)

- Modernize Workforce Recruitment, Retention, and Training Strategies

- IT Centralization Strategies (e.g., IT procurement, security services, etc.)

- Regulatory Reform

- IIJA / BEAD Broadband Funding – Begin Execution to 5-year Plan

DEPARTMENT OF ADMINISTRATION

MONTANA REMOTE OFFICE & WORKSPACE STUDY (ROWS)

Key Objectives, Milestones, and Outcomes

1 Enable and Optimize Telework

Assess telework eligibility, update policies, provide training materials, and communicate changes to the workforce

2 Enhance Operational Efficiency

Right size the portfolio and align space design to support the telework implementation

3 Develop and Action Plan for Implementation

Provide an actionable decision-making framework based on key opportunities

Evaluated Enterprise Telework Eligibility

Assessed 350 occupations (~6400 employees) in administrative positions

Assessed Portfolio Data and Information

Examined existing building condition data, reports, design and cost

Assessed Space Design and Space Standards

Site walk throughs and floor plan analysis revealed legacy design and varying standards in owned assets

Opportunity: Optimize Footprint

Reduce footprint to meet employee demand and support new ways of working

Assessed Manager and Employee Sentiment

Surveyed 14 departments with a 60% response rate, conducted 4 "live" discussions and interviewed 127 managers

Analyzed Lease Rates and Occupancy Costs

Reviewed annual department rent obligation across occupancy types

Opportunity: Optimize Space and Align to Workforce Needs

Implement telework and incorporate hybrid space standards

Opportunity: Achieve Cost Avoidance

Terminate leases and move employees to the Capitol Complex

Project Outcomes

$2.09M Annual savings resulting from a footprint reduction of 15% in less than 2 years.

63% Of deferred maintenance addressed on Capitol Complex achieving **100% renewal of Cogswell, Mitchell, Walt Sullivan, and Metcalf.**

3,356 Employees have **signed telework agreements** and successfully working in a hybrid model.

72% Of key Capitol Complex usable square footage will be renovated to **increase space efficiency and enable new ways of working**.

161K SF of leased square footage will be exited, **reducing occupancy costs** and **optimizing the State's administrative footprint**.
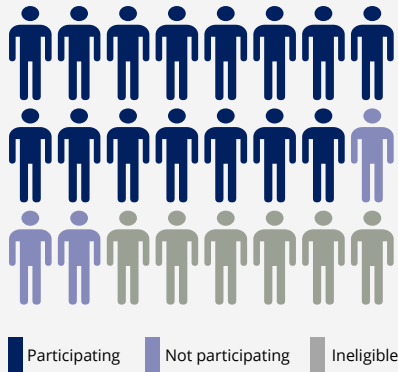
ROWS: PROJECT INSIGHTS

TELEWORK IMPLEMENTATION

Telework Eligibility	73%

Telework Implementation
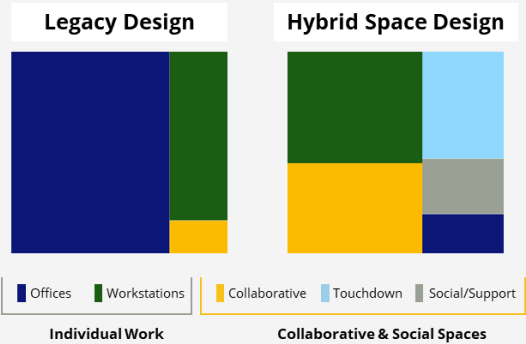

- Participating
- Not participating
- Ineligible

SPACE DESIGN

Current Space Utilization	244

Space Observations

Legacy Design

Hybrid Space Design

- Offices
- Workstations
- Collaborative
- Touchdown
- Social/Support

Individual Work | Collaborative & Social Spaces

COMMERCIAL LEASES

Lease Liability	$94.3M

Administrative Lease Expirations

Square Footage / Annual Lease Liability

- Expiring Square Footage
- Liability Assuming Termination
- Liability Assuming Renewal

BUILDING CONDITION

Renewal Cost	$65.2M

O&M Investment

DOA
Capitol Complex
$4.03 PSF

Industry Avg.
Helena
$10.64 PSF

While 73% of employees are eligible to telework 2+ days per week, fewer employees are formally participating, 64% of employees currently have active telework agreements.
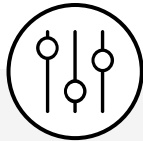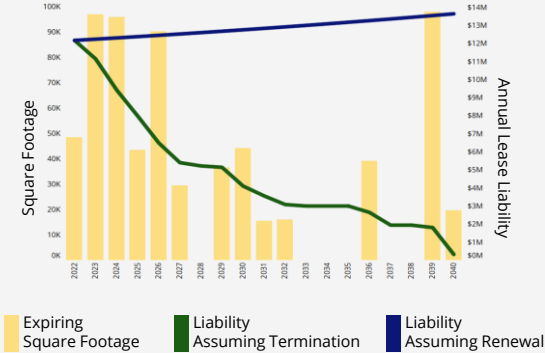
Office space in State buildings is assigned 1:1 and mainly seating space. Workplaces should be redesigned to provide a variety of space types and reduce assigned seating for mobile employees.
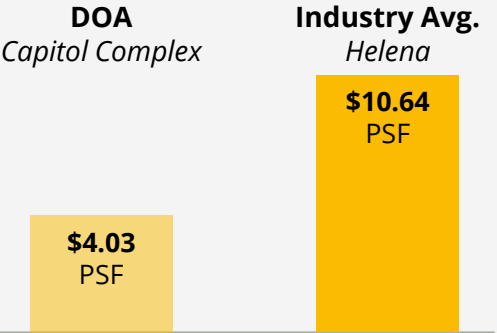
With $91.5M in leased liability, Helena's leased portfolio is nearly 3x greater than that of all 4 remaining cities combined presenting the State with the opportunity to reduce cost over time .

Capitol Complex buildings are in poor condition, requiring a significant investment in building infrastructure in addition to funding for space renovations

1. Includes 7 key Capitol Complex buildings, MDT HQ, and all office leases.

DIRECTOR'S OFFICE

The Director's Office manages and provides oversight to the department.

Provides centralized services to divisions within the Department and attached agencies:

- Office of Legal Services
- Office of Finance and Budget
- Office of Human Resources
- Communications

Provides services to the enterprise:

- Chief Data Officer Services
- Office of Public Information Requests

HOUSE BILL 2 (HB2) PROGRAMS - FUNDING

Director's Office

Approximately $270,000 of General Fund per year for 2.5 FTE

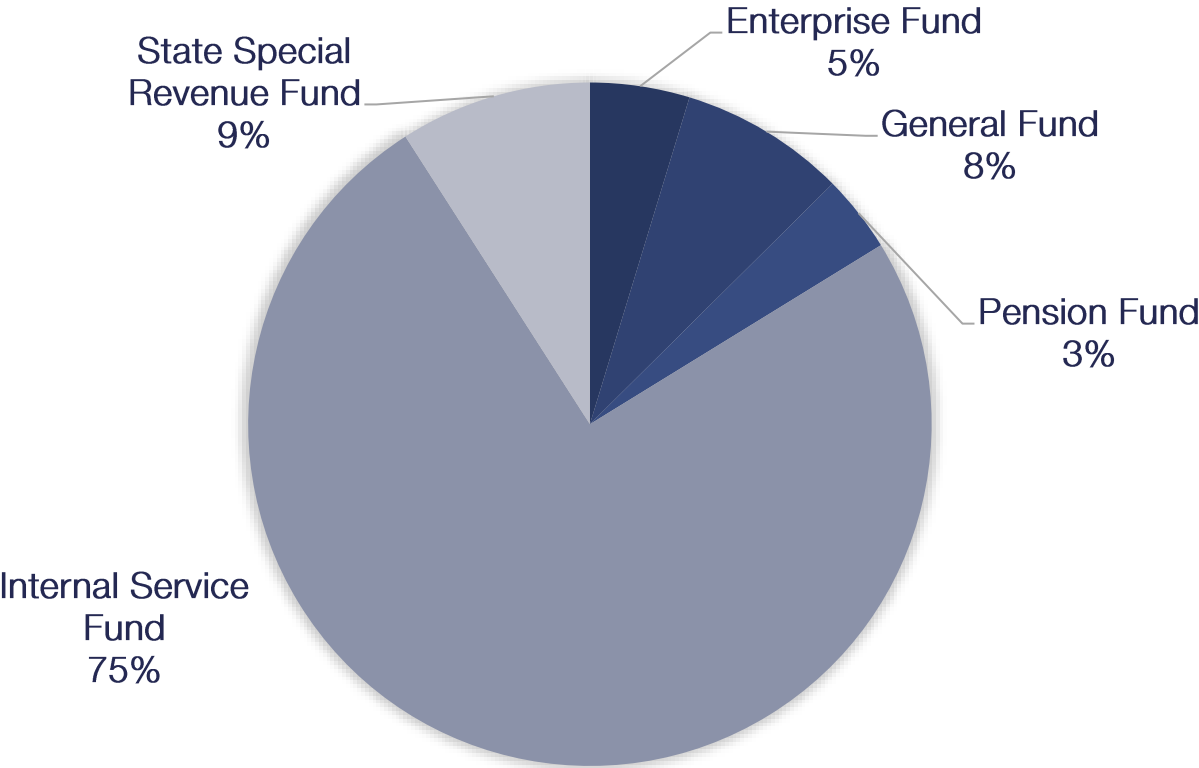- $85,345 General Fund for biennial legislative audit costs

Burial Preservation Board

- $11,284 General Fund per year

FUNDING

SOURCE OF INDIRECT COST RECOVERY BY FUND TYPE

Enterprise Fund
5%

General Fund
8%

State Special
Revenue Fund
9%

Pension Fund
3%

Internal Service
Fund
75%

NON-BUDGETED PROPRIETARY

- The Director's Office is primarily funded by fees we collect from our divisions and some attached-to agencies.

- Total Revenue is approximately $2.5 million per year.

# of FTE by Fund Type	
General Fund	2.5
Non-Budgeted Proprietary	23.51

CHIEF DATA OFFICER (CDO)

Established in June 2021, the Chief Data Officer function was created to provide expertise and tools to drive the development and deployment of the enterprise data vision and strategies; oversee data management, data analytics, and data governance; ensure data quality, and recommend best practices in establishing agency performance measures.

ACCOMPLISHMENTS

- Provide for a menu of services to meet the needs of agencies.

- More than 24 projects currently underway.

- Created an Agency Performance Advisor role to work with agencies in setting measurable goals.

GOALS OF THE CDO OFFICE

Improve Customer Service

Increase Efficiency

Enable Transparency

Empower Agencies

Insight Driven Decision Making

Executive Budget Decision Package
New Proposal 101 - Non-Budgeted Proprietary
Chief Data Office Program -- $1,000,000 total for both years.

OFFICE OF PUBLIC INFORMATION REQUESTS

Established in July 2022, the Office of Public Information Requests (OPIR) was created to support agencies in responding to record requests and improve customer experience.

GOALS

- Establish common policies, standards, and procedures for handling requests.
- Develop a centralized intake and output process.
- Implement IT solutions for identifying, gathering, classifying, and producing records.
- Enhance tracking and reporting of information requests.

STRATEGIES

- Research agency and other processes to determine best practices.
- Develop a website and forms to provide information about public records requests and allow customers to seek and obtain information through a common portal.
- Identify and train staff to handle and coordinate responding to public records requests.
- Explore and procure IT systems to identify, gather, classify, and produce records with dashboards and reports to track status.

Executive Budget Decision Package
New Proposal 108 - Non-Budgeted Proprietary
OPIR -- $800,933 total for both years.

EXECUTIVE BUDGET DECISION PACKAGES

Statewide Present Law Adjustments

- **Decision Package 1 Personal Services**
  - **($55,991) total for both years**

- **Decision Package 2 Fixed Costs**
  - **$66,530 total for both years**

Indirect Cost Adjustment

- **Decision Package 4 Indirect/Administrative Costs**
  - **$1,618 total for both years**

Present Law Adjustment

- **Decision Package 104 Establish Minimum Funding for Major Repair (MR) Projects**
  - **($133,223) total for both years**

- **Decision Package 105 General Fund Transfer to Capital Development (CD) Authority**
  - **$30,908,454 total for both years**

- **Decision Package 109 Adjust Transfer to Capital Development Account**
  - **($47,324,556) total for both years**

STATE FINANCIAL SERVICES DIVISION

CHERYL GREY
ADMINISTRATOR

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sfsd.mt.gov

RESPONSIBILITIES / SERVICES

- Manage treasury and cash management activities
- Administer the Montana Procurement Act (MCA 18-4)
- Administer the Montana Single Audit Act with local governments (MCA 2-7)
- Prepare statewide financial statements (ACFR) and accounting policy
- Manage SABHRS Financials and IBARS systems

# of FTE by Fund Type	
General Fund	26.12
HB2 SSR	1.80
Non-Budgeted Proprietary	32.56

ACCOMPLISHMENTS

- Awarded over $193 million in CARES Act money to local governments

- Distributed over $86 million in ARPA allocations to local government Non-Entitlement Units

- Received an unmodified opinion on all opinion units for the 2021 ACFR

- Initiated procurement reform – increased agency thresholds

- Launched the Pcard integrity program to mitigate potential PCard misuse

- Digitized 63% of paper forms

- Analyzed **493** local government audits and financial reviews

- Issued over **400** solicitations and contracts

- Deposited **$2.5 million** in procurement and fuel card rebates

- Paid over **513,000** businesses and individuals totaling over $7.6 billion

- Processed **3.6 million** financial transactions totaling $28 billion

UPCOMING PRIORITIES

- **Procurement Reform**

- **Deliver faster ACFR (working with Legislative Audit Division)**

- **Deliver the ACFR with an unmodified opinion on all opinion units each year**

- **Implement online payments for local governments to pay entity filing fees**

- **Support and encourage local governments in effective financial management**
  - **timely financial reporting**
  - **implement corrective measures from audits**
- **Continue to strengthen controls**
  - **fraud mitigation**
  - **system security plans**
  - **agency procurement official certification**

PROCUREMENT REFORM

PRIORITIES

People/Authority

- Implement
  - realigned procurement structure
  - shared services
  - qualification-based delegated authority
  - state certification program
  - contract signatory authority

Policy/Process

- Raise procurement thresholds
- Strengthen contract management
- Enhance strategic sourcing
- Increase vendor participation
- Improve procurement planning
- Establish and monitor KPIs

System

- Expand eMACS marketplace
- Leverage eMACS functionality
- Improve data governance
- Assess integrations
- Require use of contract module

FUNDING

Proprietary – 51% (NB Proprietary / HB 2):

- **SABHRS Financials and Budgeting (rate)**
- **Warrant Writer (rate)**
- **Treasury – Board of Investments (HB 2)**
- **Local Government Services (fee)**
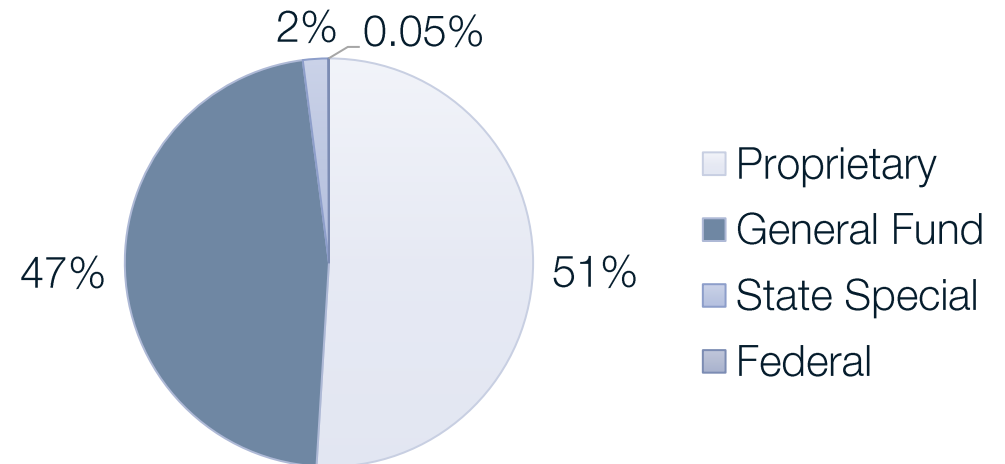
General Fund – 47% (HB 2 / Statutory)

- **Local Government Services**
  - o **State Social Security Administration**
- **State Procurement**
- **Statewide Accounting**
  - o **ACFR**
  - o **Treasury**
  - o **Banking Fees (statutory)**

State Special – 2% (HB 2):

- **Procurement/fuel card programs**
- **eMarketplace**

Federal – 0.05% (HB 2):

- **Cash Management Improvement Act**

FEES AND RATES

Local Government Service (enterprise fund)
- No increase – *local government filing fees*

Warrant Writer Unit
- 6% increase for the biennium – *paper, printing, and postage*

SABHRS Financial and Budgeting Systems
- 10% increase for the biennium – *software costs*

EXECUTIVE BUDGET CHANGE PACKAGES

2024/2025 PL Adjustments:
- **PL – 301 – Increase Warrant Writer Operating Budget**

ARCHITECTURE & ENGINEERING DIVISION

RUSS KATHERMAN
ADMINISTRATOR

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RESPONSIBILITIES / SERVICES

Administer the Long-Range Building Program (LRBP)
LRBP established by 38th Legislative Session in 1963, provides for a consolidated, statewide approach to procurement, design, construction and repair of state facilities

Maintain the Statewide Facility Inventory
For all agencies' state-owned buildings, assemble and maintain location, square footage, current replacement value, LRBP eligibility

Facility Condition Assessments
Perform, assemble, and maintain facility condition assessments for all LRBP-eligible buildings statewide

Broadband
Administer ConnectMT program including $310M in ARPA grants supporting 61 projects / 62,000 connections

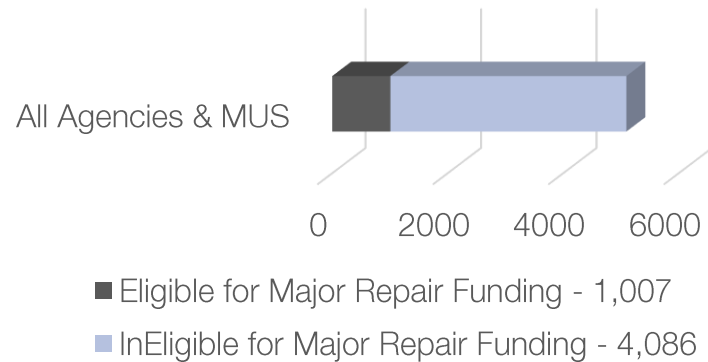| # of FTE by Fund Type	
HB2 SSR	17.5

KEY ACCOMPLISHMENTS

- Established ARPA Broadband Program in June 2021
  - Developed the Program & Staffing
  - Developed 604 Application to Treasury
  - Developed Application, Challenge, and Award Processes
  - Review/Acceptance via Communications Advisory Commission
  - Developed All Grant Award, Agreement, and Management Documents/Processes

- BEAD & DE Broadband, since IIJA passed in November 2021:
  - Submitted Letters of Intent
  - Developed Planning Grant Application Materials
  - Developed RFQs/RFPs and Agreements for Strategic Planning, Stakeholder Engagement, Technical Assistance, and Data Mapping
  - Launched Stakeholder Engagement & Strategic Planning

- LRBP Program Improvements
  - Developed and Launched New Project Submission Portal
  - Provided Leadership and Instructional Efforts to Agencies and MUS
  - Increased Accuracy, Detail, and Efficiency in the Submission Process

- ARPA 602 Projects, A&E Received:
  - $2M for MSP Campus Domestic Water Upgrades
  - $800K for UM Storm Water Upgrades
  - $52M for DMA Billings Limited Army Aviation Support Facility
  - $8M for DOC purchase and upgrades of the Butte Silver Bow Pre-Release Facility
  - $262K for MLEA Instructional Network Upgrades
  - $880K for MSDB Classroom Connectivity Upgrades
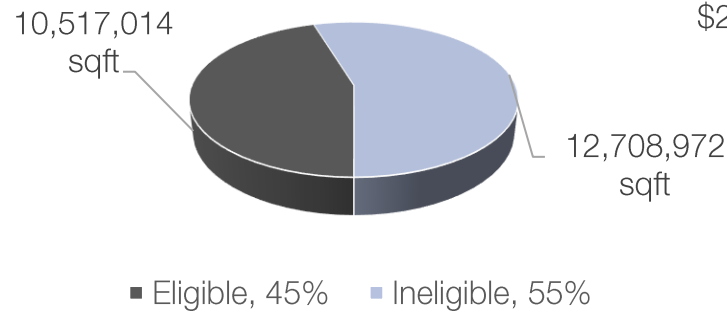
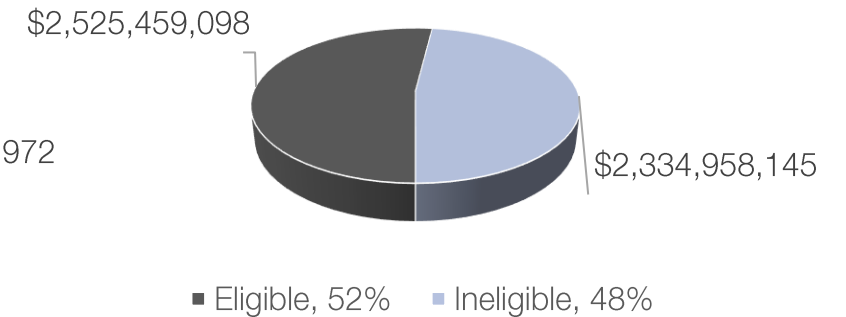- Commenced Capitol Complex Master Plan Update

LRBP INVENTORY

Total # of Buildings: 5,093

All Agencies & MUS

0   2000   4000   6000

■ Eligible for Major Repair Funding - 1,007

■ InEligible for Major Repair Funding - 4,086

Eligible for Major Repair Funds by Square Footage

10,517,014 sqft

12,708,972 sqft

■ Eligible, 45%   ■ Ineligible, 55%

Eligible for Major Repair Funds by Replacement Value

$2,525,459,098

$2,334,958,145

■ Eligible, 52%   ■ Ineligible, 48%

- • "Major Repair" funding definition found in §17-7-201(7) MCA

- • Entire inventory is eligible for Capital Development funding; many agencies funded via state/federal special or other

- • Refer to the A&E Division's Facility Condition Assessment Report for full inventory data and eligibility by department - https://architecture.mt.gov/LRBP

DEPARTMENT OF ADMINISTRATION | ARCHITECTURE & ENGINEERING DIVISION

BUDGET OVERVIEW

- Budget requests are present-law adjustments and one new proposal

- No General Fund FTE; No FTE requests; No General Fund impact

- Currently administering $674.3M from prior biennia

- Within HB 5, A&E's total responsibility will add $1,035M

  - Total A&E program current plus new will be $1.7B

- A&E's biennium budget request to administer the LRBP is 0.32% of the total program

DIVISION OF BANKING & FINANCIAL INSTITUTIONS

MELANIE G. HALL
COMMISSIONER

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banking.mt.gov

RESPONSIBILITIES / SERVICES

Protect Montana citizens by regulating state-chartered and licensed financial institutions under its supervision.

The division licenses, supervises, regulates, and examines financial institutions doing business in Montana. This includes:
- 37 banks and trust companies with 703 branches
- 10 credit unions
- 217 consumer finance companies

Licenses and examines residential mortgage loan service providers: 301 lenders, 210 servicers, and 5,175 loan originators.

# of FTE by Fund Type	
HB2 SSR	34.0

FUNDING

100% of Division funding is received from fees and assessments deposited into a special revenue fund. Funding from previous biennium (FY 21/22).

Bar chart showing funding percentages:
- Bank/Trust: 33.69%
- Credit Union: 6.15%
- Mortgage: 54.35%
- Other: 5.81%
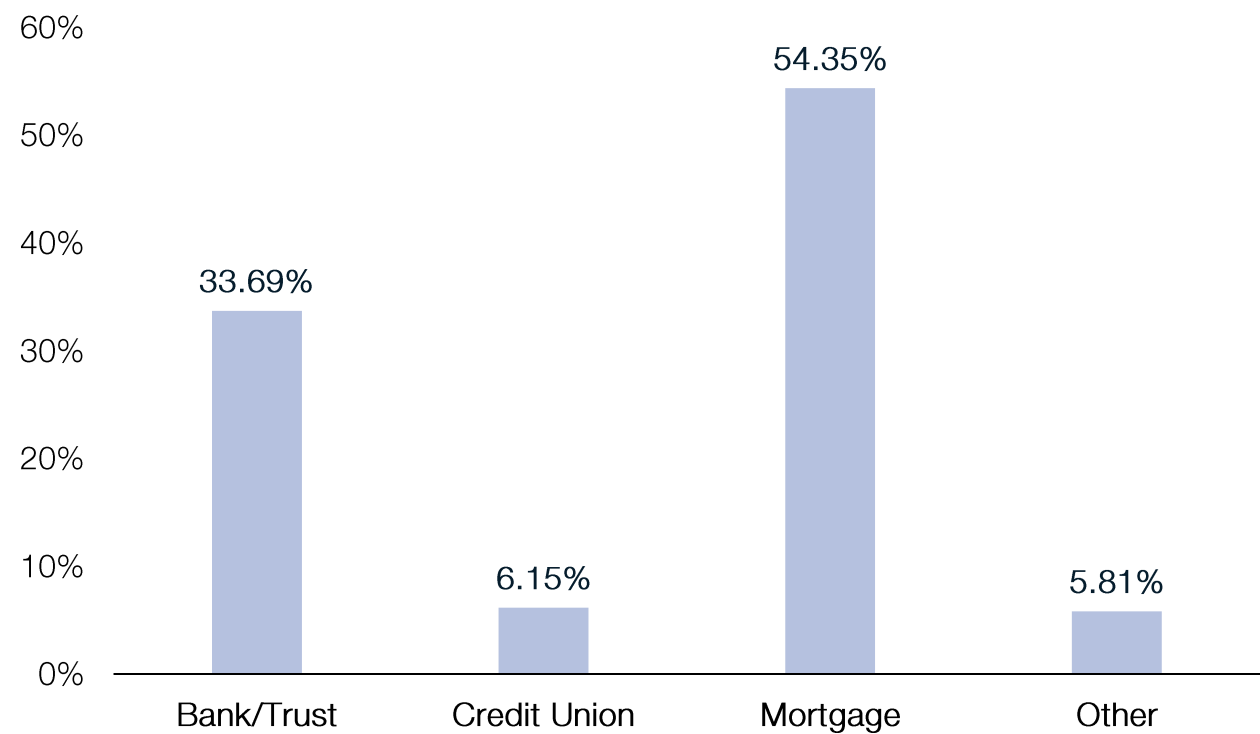
TOTAL BANK AND CREDIT UNION BRANCHES IN MT
510

Federal-Chartered
60 Bank Branches
78 Credit Union Branches
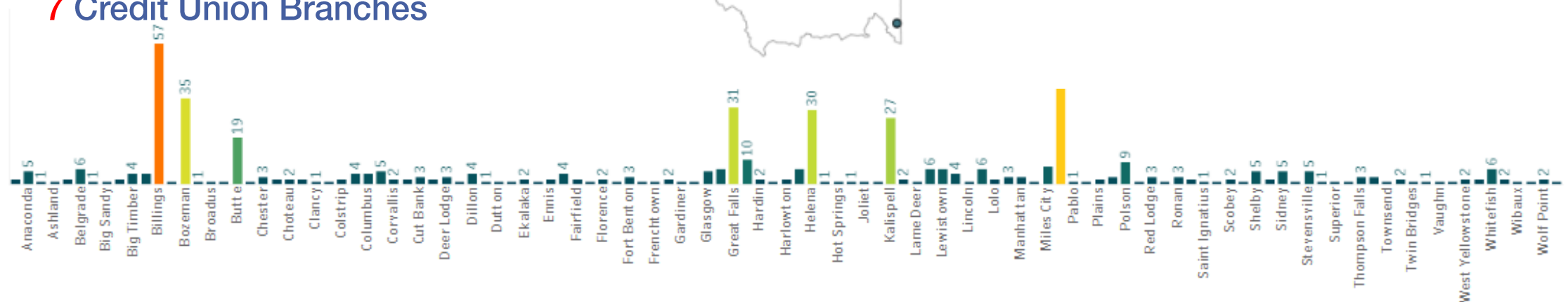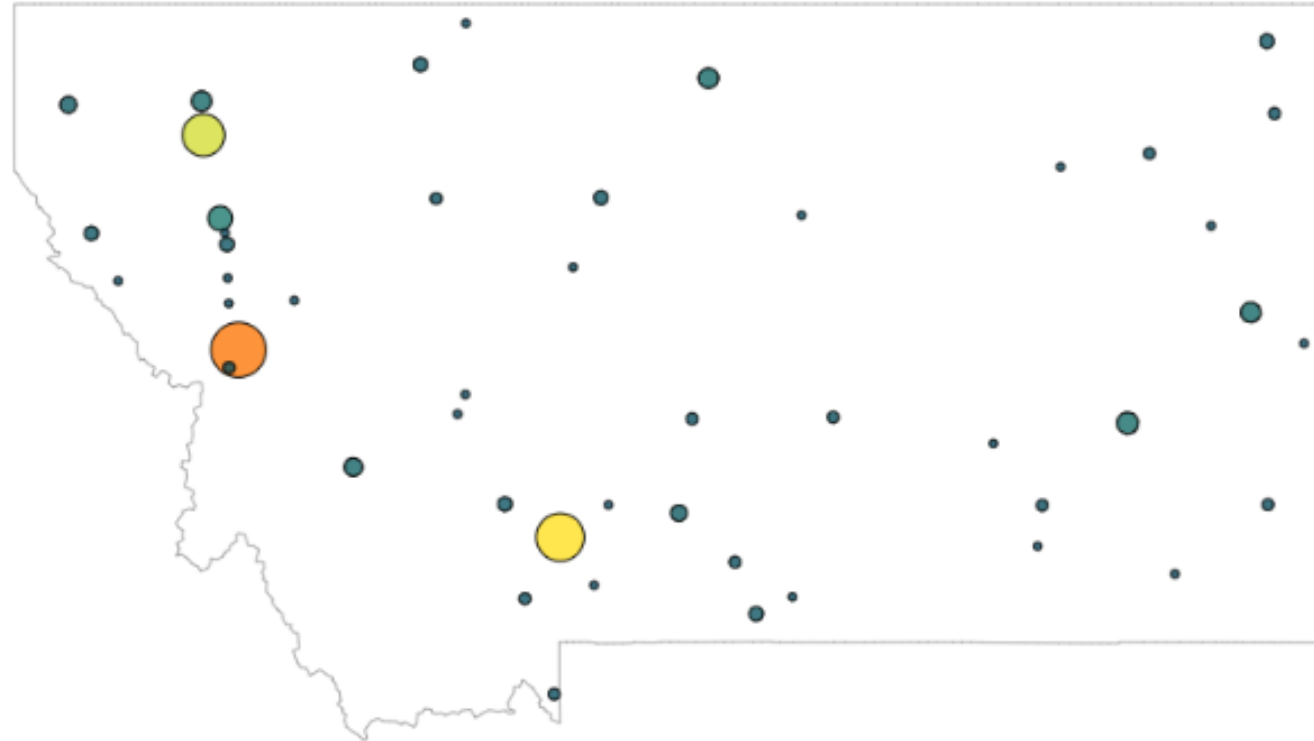
Montana State-Chartered
305 Bank Branches
45 Credit Union Branches

Out-of-State State-Chartered
15 Bank Branches
7 Credit Union Branches

REGULATORY REFORM / REDUCTION

Reduction in rules and fees paid by regulated industry.

- Repealed or amended 31 administrative rules to remove outdated or unnecessary regulations.

- Reduced bank and credit union supervisory fees by 25% in FY 2021 and 2022 and by 50% in FY 2023. Resulted in savings of:

  $762,554 to banks and $170,839 to credit unions in FY 2021
  $687,500 to banks and $97,000 to credit unions in FY 2022
  $1,443,500 to banks and $212,000 to credit unions in FY 2023

- Reduced mortgage license renewal fees in FY 2022 by 75%.

- Resulted in savings of $1,575,000 to mortgage companies and mortgage loan originators.

CYBERSECURITY RISK

Cybersecurity is a leading risk to all financial institutions.

- Banking Division is requesting funding for 2 FTEs which would be trained as IT Examiners.

- Financial institutions are the leading targets of cyber-attacks with over 2,500 confirmed incidents this year - 690 of which had confirmed data disclosure.

- Ransomware incidents are increasingly prevalent and continue to evolve in severity and complexity impacting the financial sector and other critical infrastructure organizations. Banks reported paying $1.2B in ransom this year.

- Banks are where the money is, and for cybercriminals, attacking banks offers multiple avenues for profit through extortion, theft, and fraud that impacts both the institution and the customers they serve.

Executive Budget Decision Package
New Proposal 1402
IT Examination -- $389,307 total for both years.

DEPARTMENT OF ADMINISTRATION

MISTY ANN GILES
DIRECTOR

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January 2023

DEPARTMENT OF ADMINISTRATION

DIRECTOR

Director's Office

Deputy Director

Chief Legal Counsel

Chief Data Officer

Architecture & Engineering Division

Risk Management and Tort Defense Division

Division of Banking and Financial Institutions

State Financial Services Division

General Services Division

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Health Care and Benefits Division

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DEPARTMENT OF ADMINISTRATION
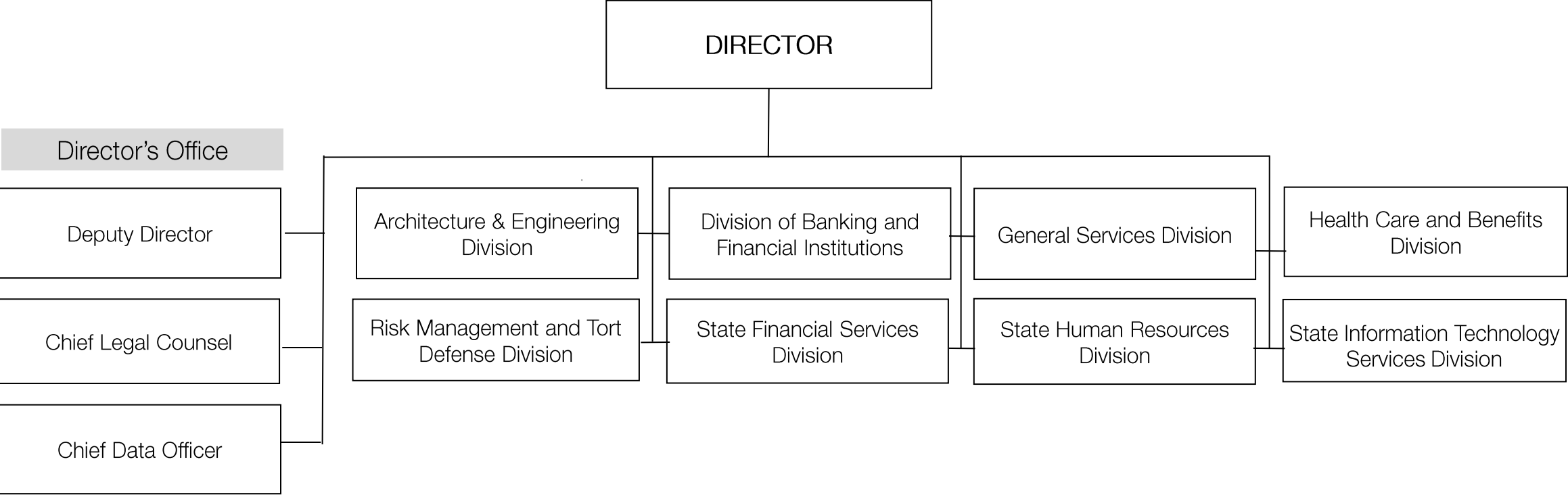
GENERAL SERVICES DIVISION

STEPHEN BAIAMONTE
ADMINISTRATOR/
SECURITY DIRECTOR

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sbaiamonte@mt.gov
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RESPONSIBILITIES / SERVICES

Capitol Facilities Management
Perform maintenance support services in a cost-effective manner to the Capitol Complex; ensuring the safety and comfort of State agencies and the public.

Real Property Leasing
Provides the allocation of real property for state agencies; efficiently and effectively addressing agency space needs while maximizing the value of agency funding.

State Print & Mail Services
Provides printing and mail services to all agencies within state government.

Surplus Property
Ensures the maximum return to State agencies; repurposing and recycling used goods for the benefit of the State, local governments, and the public.

# of FTE by Fund Type	
General Fund	0.0
Non-Budgeted Proprietary	72.35

KEY ACCOMPLISHMENTS

15% REDUCTION OF LEASE FOOTPRINT IN HELENA SINCE 2020
- Combining and downsizing lease spaces to accommodate current agency needs
- $ 1,154,122 in office rent saved per year

ENERGY SAVINGS THOUGH BUILDING AUTOMATION
- Automated HVAC controls to optimize air temperatures and circulation
- GSD has been able to increase energy efficiencies in the last two years, offsetting increases in utility costs due to inflation

IMPLEMENTATION OF FACILITY WORK ORDER SYSTEM
- Increased efficiencies in scheduling, billing and workflow.
- General Services handles over 6,000 work orders a year

DAILY MAIL ROUTE RECONFIGURATION
- Ability to repurpose 1 FTE
- Allowed for reclassification of print production staff for more standard operational efficiency

REAL PROPERTY AND LEASING

+ Statewide Lease management 12/07/2022

  - 450 Statewide Leases

  - (77% of State portfolio)*

  - Average Statewide rate is $16.92/sq. ft.

  - 1.7 million sq. ft. of leased space

+ Space utilization consultation

+ Biennial Summaries & analysis

+ Enforcement of contract terms & conditions

2

FTE

Senior Leasing Officer

↓

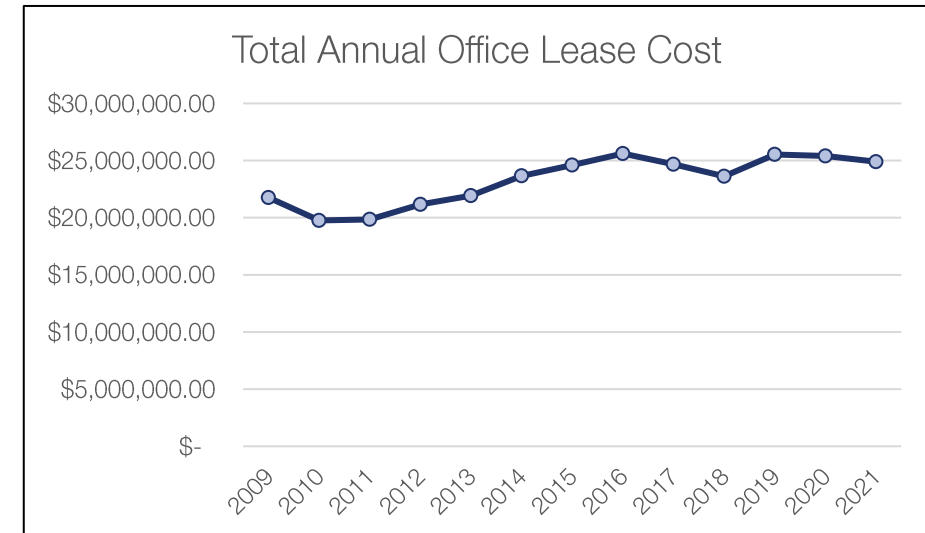| Property Manager |
| --- |

FUNDING SOURCE
Supported by CFM O/M rates

*Background on State Building major/ deferred maintenance and construction, LFD Report 2015
**For more information, see *'GSD RPL Lease & Rate Analysis for 2020'*, and *'GSD Response to SB236'* 2020

DEPARTMENT OF ADMINISTRATION | GENERAL SERVICES DIVISION

STATE LEASING FOOTPRINT

Total Office Leased Area sq. ft.

Total Annual Office Lease Cost
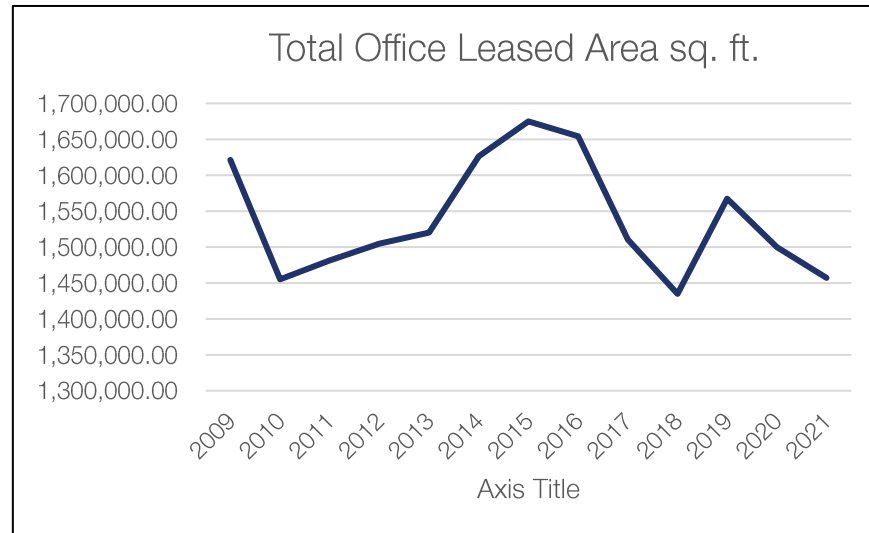
+ Combining and downsizing lease spaces to accommodate current agency needs

+ Offset increased lease rate cost to the State

+ Lease Costs have increased by **4.91%** in the last 3 years, but the States total lease costs have decreased by **3.67%***

*For the years 1/2019-1/2022

PRIOITIZING DEFERRED MAINTENANCE

Deficiency Ratio by Building

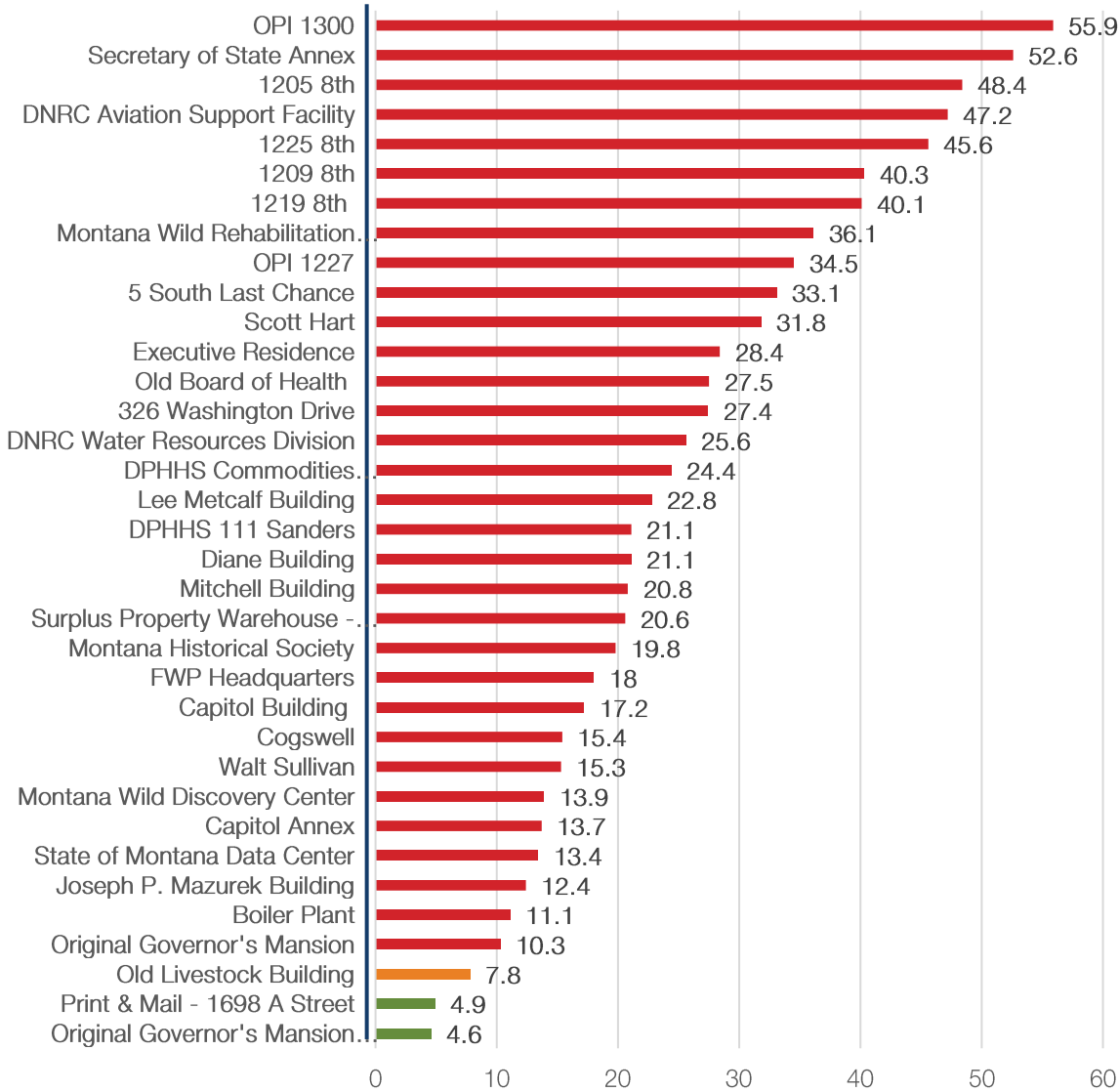| Building	Value
OPI 1300	55.9
Secretary of State Annex	52.6
1205 8th	48.4
DNRC Aviation Support Facility	47.2
1225 8th	45.6
1209 8th	40.3
1219 8th	40.1
Montana Wild Rehabilitation..	36.1
OPI 1227	34.5
5 South Last Chance	33.1
Scott Hart	31.8
Executive Residence	28.4
Old Board of Health	27.5
326 Washington Drive	27.4
DNRC Water Resources Division	25.6
DPHHS Commodities..	24.4
Lee Metcalf Building	22.8
DPHHS 111 Sanders	21.1
Diane Building	21.1
Mitchell Building	20.8
Surplus Property Warehouse -..	20.6
Montana Historical Society	19.8
FWP Headquarters	18
Capitol Building	17.2
Cogswell	15.4
Walt Sullivan	15.3
Montana Wild Discovery Center	13.9
Capitol Annex	13.7
State of Montana Data Center	13.4
Joseph P. Mazurek Building	12.4
Boiler Plant	11.1
Original Governor's Mansion	10.3
Old Livestock Building	7.8
Print & Mail - 1698 A Street	4.9
Original Governor's Mansion..	4.6

Building conditions based on
Facilities Condition Assessment Report
Fall 2022

SQUARE FOOTAGE CONDITION BREAKDOWN
1,236,291 SQ. FT.
Assessed by the general services team

97.09 %

0.64 %

2.27 %
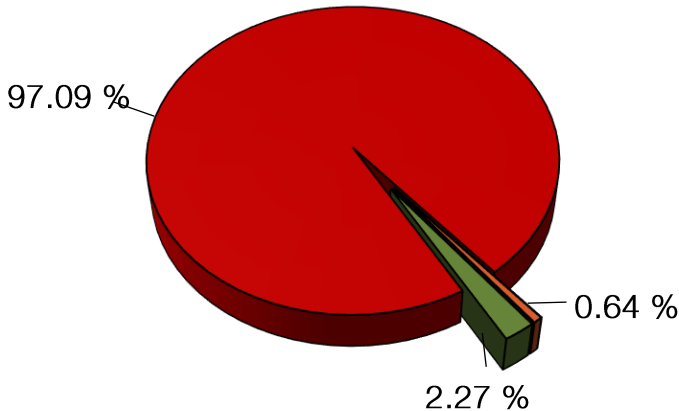
97.09% of total area rated as poor

0.64% of total area rated as fair

2.27% of total area rated as good

FEES AND RATES

Proprietary Funds

INTERNAL SERVICE FUNDS

Facilities (Fund 06528)
Approximately .5% increase to office rent
8.6% increase to non-office rent

Print/Mail (Fund 06530)
$.05 increase for warrant printing
$.25 increase for the flat sorter rate

ENTERPRISE FUND

Surplus Property (Fund 06066)
No proposed changes

DEPARTMENT OF ADMINISTRATION | GENERAL SERVICES DIVISION

HEALTH CARE & BENEFITS DIVISION

AMY JENKS
ADMINISTRATOR

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RESPONSIBILITIES / SERVICES

Benefit Administration

- Self-Funded Health Plan providing coverage to 29,000 members via third-party administrators (TPAs)
- Vendors include:
  - BlueCross BlueShield of Montana (medical, life, disability)
  - Delta Dental
  - VSP Vision Care
  - Navitus Health Solutions (prescription)
  - ASIFlex (flexibility spending accounts)
  - ComPsych (employee assistance program)

Montana Health Centers (Premise Health)
Five Locations: Anaconda, Billings, Butte, Helena, Missoula

Workers' Compensation
Performs workers' compensation policy management and oversight via its workplace safety and return to work programs.

Voluntary Employees' Beneficiary Association (VEBA)

of FTE by Fund Type

General Fund	0.0
Non-Budgeted Proprietary	21.87

DIVISION ACCOMPLISHMENTS

- Modernization of Referenced Based Pricing Model – Immediate savings of $28M to the state in the first 3 years

- Rebid Vision, Dental, and Life Insurance contracts to reduce costs to the state and increase coverage for employees

- Implementation of Navitus Pharmacy Benefit Manager (PBM) Co-Pay Max Plus Program with additional 1.1M in savings in 2022

- Enhanced GPO Rebate Program – Anticipated additional rebates in excess of $2M in 2022

- Montana Health Centers – Expanded Services + Expanded Accountability with Contract Performance Guarantees

- Participated in RAND Corp. hospital reimbursement strategy

MONTANA'S STATE HEALTH PLAN

Background:

- Self-funded by employer contributions (state share), bi-weekly employee contributions, and monthly retiree contributions.

- Operated in accordance with state and federal law, HCBD sets monthly rates, out-of-pocket costs for benefits, and carries the liability for all 29,000 members.

- Medical benefits administered through a Third-Party Administrator (TPA) via a contract with the State of Montana
  - BCBSMT: 2003-2012
  - Cigna: 2013-2015
  - Allegiance: 2016-2022

- Request for Proposal (RFP) Released in March 2022, 5 companies submitted bids; RFP Committee selected Blue Cross Blue Shield of Montana.

Pricing Model:

- Referenced Based Pricing (RBP) which is a cost containment strategy that self-insured employers utilize to pay a set price for healthcare services rather than a price determined by the health plan.

MONTANA'S STATE HEALTH PLAN - BCBSMT

- Immediate projected savings to the state of $28M in initial contract period.
  - Contract Performance Guarantees – Fees for failure to meet Multiple of Medicare Guarantees
  - Increased reporting on performance to the State for transparency and accountability

- Modernized Approach to Referenced Based Pricing (RFB)*
  - Historical: 1 size fits all approach, reimbursement targets at 230% of Medicare
  - New Model: Reduced Pricing Targets + Performance Based on State's "Bottom Line"
    - In-State and Out-of-State Facility Claims not to exceed 195-200% of Medicare in year 1
    - In-State and Out-of-State Professional Provider Claims not to exceed 139% of Medicare in year 1
    - Inpatient, Outpatient, and Professional Provider Claims not to exceed 180% of Medicare by year 3

- Expanded network to serve state employees

- Wellness and Employee Assistance Program Platforms

> * RFB is a cost containment strategy where a self-insured employer pays a set price for healthcare services rather than a price determined by the health plan. Prices are typically established on benchmarks like Medicare, where applicable rates are available, or other pricing data.
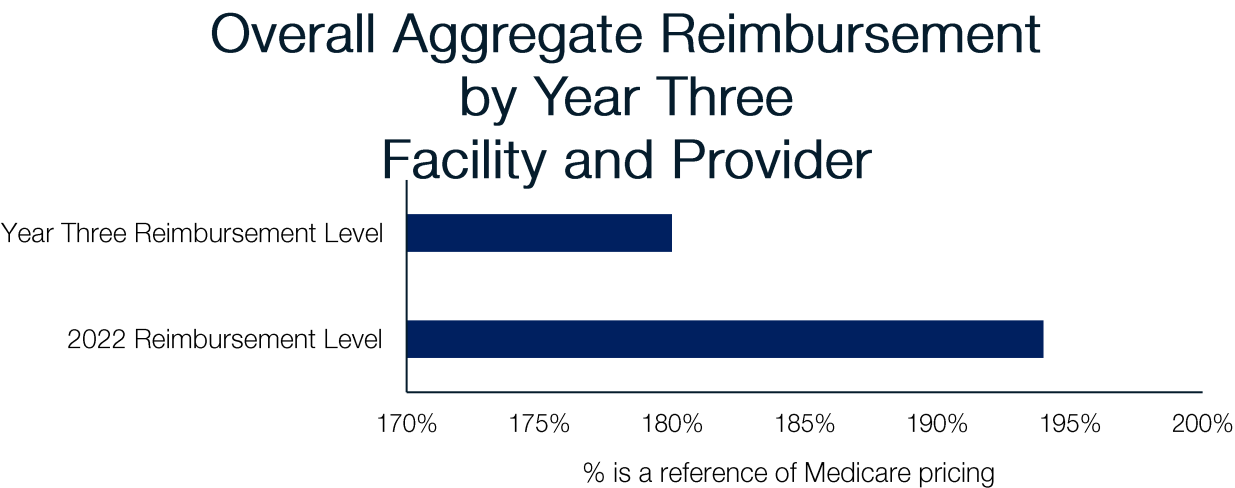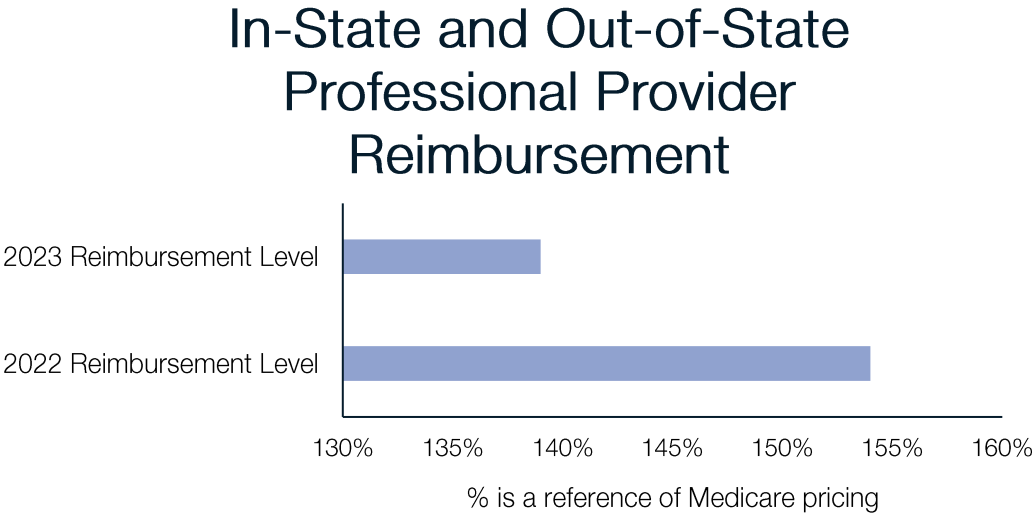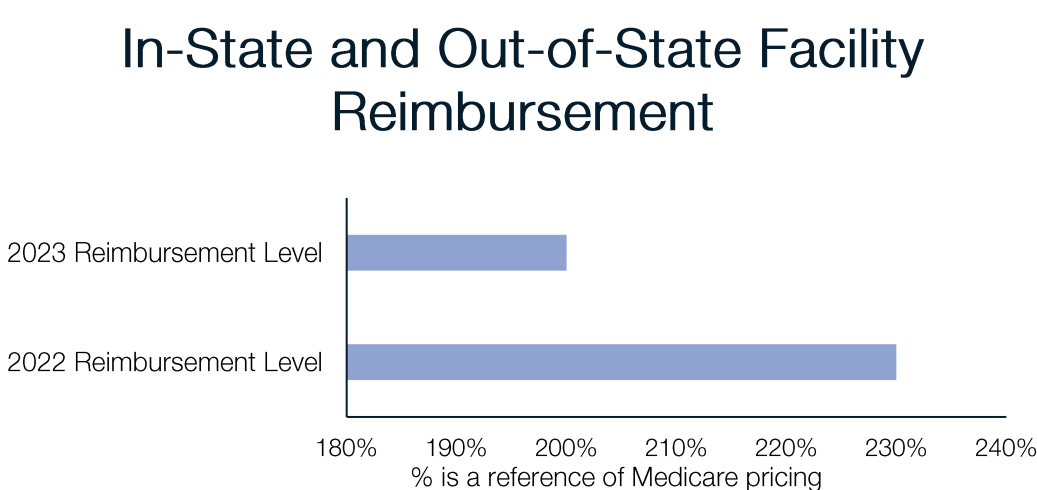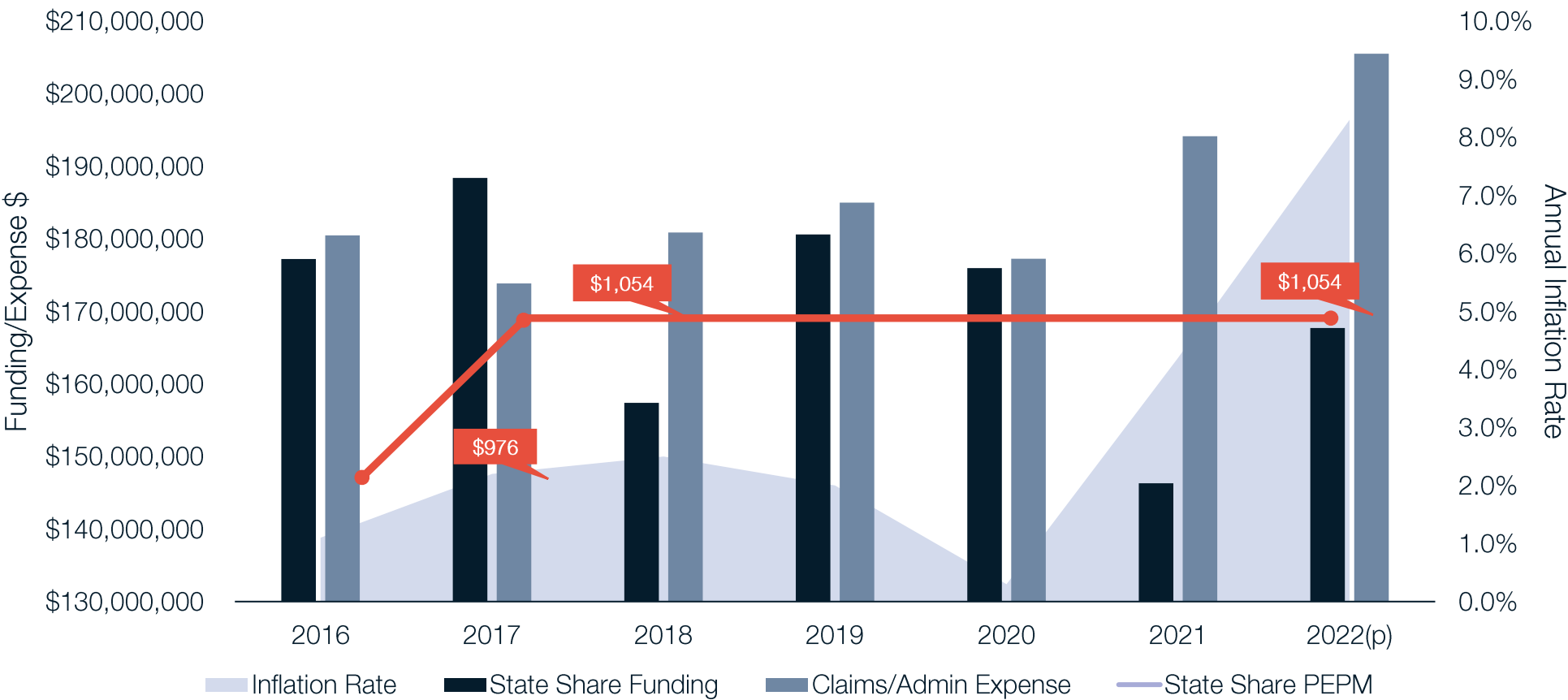
EXPENSE

State Share Funding vs. Expenditures

*** Funding bars include the state share holiday reductions of $26M in 2018 and $28M in 2021 ***

DEPARTMENT OF ADMINISTRATION | HEALTH CARE & BENEFITS DIVISION

FUNDING

STATE OF MONTANA BENEFIT PLAN

Total revenue was $173.2 million for FY2022

Legislators
$0.2 million
0.1%

Investments, Misc
-$0.8 million

Retirees
$14.3 million
8.2%

COBRA
$0.9 million
0.5%

Employees
$23.7 million
13.7%

State Share*
$135.0 million
(77.9%)

State Share* by Fund Type

Internal Service Fund
5.8%

Pension Trust
Fund
0.5%

Enterprise Fund
2.0%

Federal Special
Revenue Fund
16.8%

General Fund
39.2%

State Special
Revenue Fund
35.7%
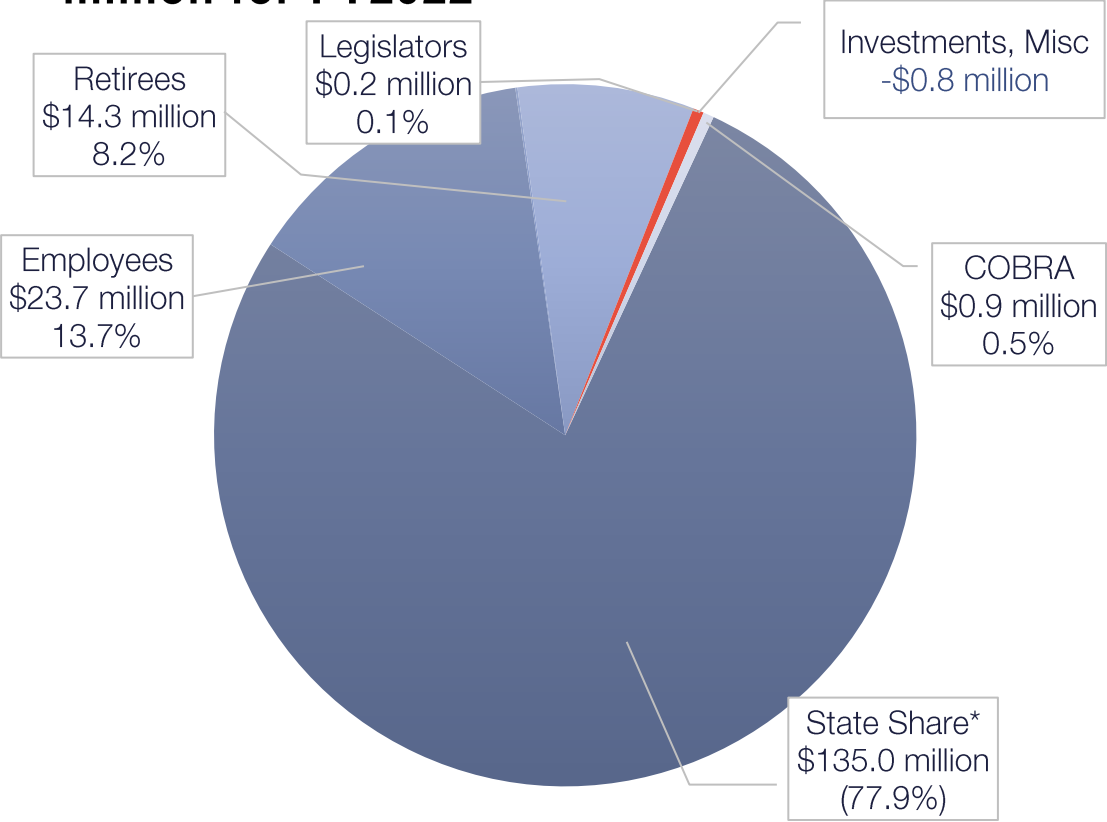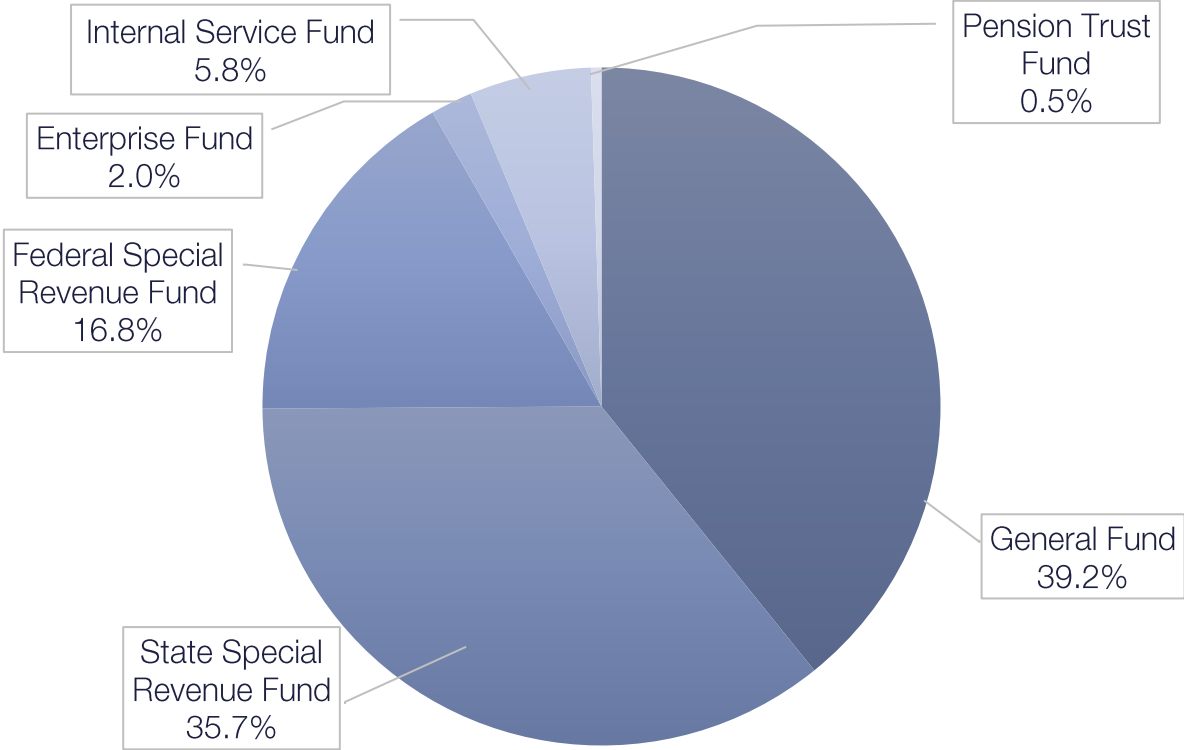
State Share Holiday enacted for October and November 2021. Equated to a reduction of $27.0 million in State Share funding for FY 2022.

*State Share is $1,054 per month per filled benefits eligible position.

EXPENSE

STATE OF MONTANA BENEFIT PLAN

Total expenditures for benefits was $209.7 million for FY 2022

Fully Insured Benefit Payments $3.3 million 1.6%

Wellness Programs $2.7 million 1.3%

Operating Expenses $2.7 million 1.3%
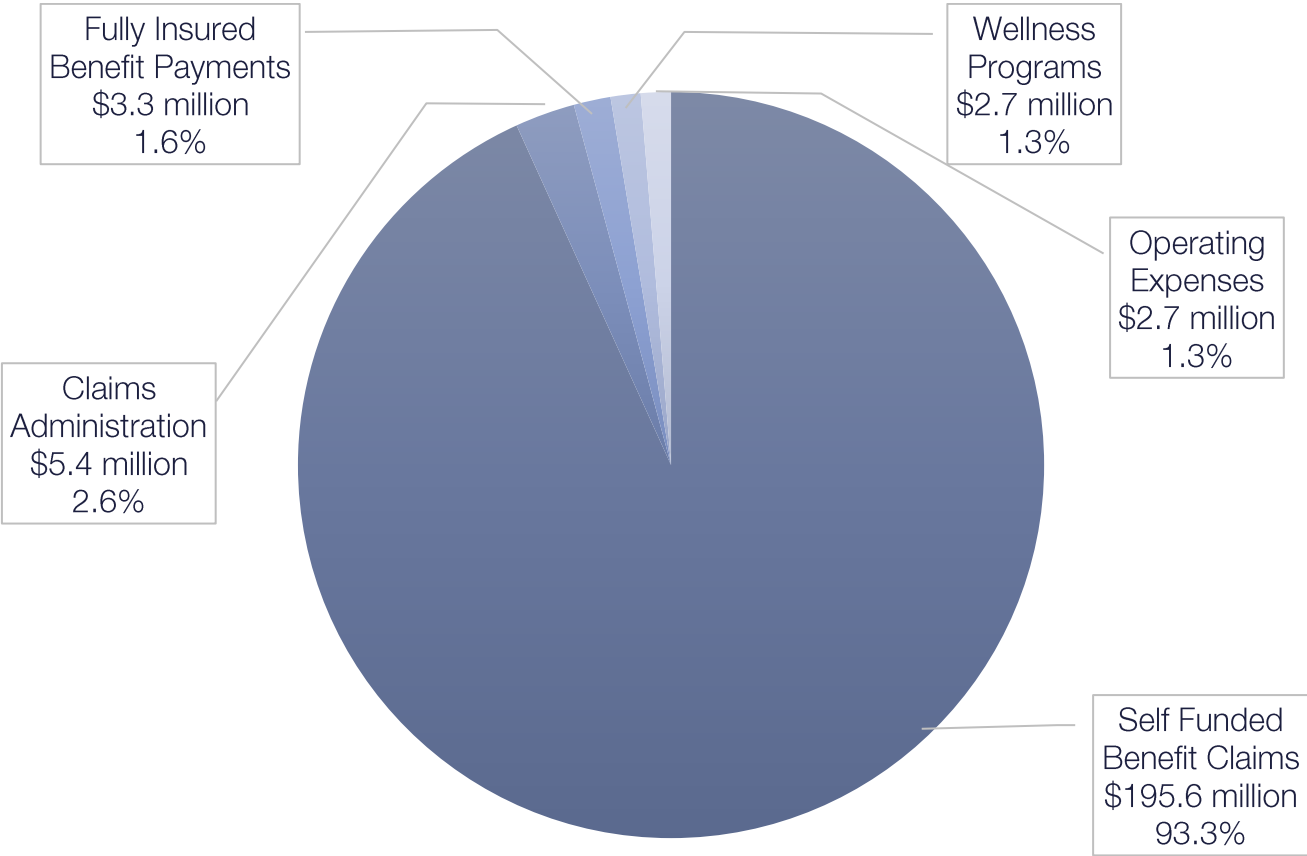
Claims Administration $5.4 million 2.6%

Self Funded Benefit Claims $195.6 million 93.3%

Expenditure Breakdown

STATE HUMAN RESOURCES DIVISION

ANJENETTE SCHAFER
ADMINISTRATOR

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RESPONSIBILITIES / SERVICES

Provides expertise and guidance on HR topics:
- Recruitment and Retention Strategies
- Employee Relations
- Employee Performance Management Processes
- Legal Guidance / Litigation Services

Job Classification and Compensation Standards

Workforce Training and Development

Labor Relations Services (60% of workforce / union members)

Human Resource Information Systems
- Core HR System – SABHRS
- Time Reporting / Payroll (360,000 paychecks annually)
- Recruitment / Applicant Tracking
- Performance Management System
- Learning Management System

# of FTE by Fund Type	
General Fund	16.25
Non-Budgeted Proprietary	25.75

KEY ACCOMPLISHMENTS

- Completed ROWS telework assessments and policy development and implemented telework for thousands of state employees.

- Conducted a compensation analysis that compared the state's compensation policy, philosophy, and wages to public-sector employers across the country.

- Successfully negotiated the terms of HB 13 with the labor unions.

- Expanded use of enterprise-wide performance management and goal setting system to include quarterly check-ins and annual reviews.

- Improved the candidate experience by streamlining our job application process.

- Completed upgrades of the SABHRS HR system and our cloud systems for recruitment and performance management and employee development.

- Conducted and published the 2022 labor market analysis.

UPCOMING PRIORITIES

- Redesign the Professional Development Center to include online course offerings and a robust leadership development program.

- Use information gathered through the compensation analysis project to make improvements to state pay policy.

- Develop readily available, real-time reporting functionality for workforce analytics and make the data easily accessible by agency staff. Work with agency HR professionals to use the data for improved employment practices.

- Launch standardized recruitment processes that will modernize our recruitment efforts and attract highly qualified applicants.

PROFESSIONAL DEVELOPMENT CENTER

The Professional Development Center (PDC) program provides training and related services to all state employees. During the 2021 legislative session, the legislature mandated the current PDC be closed effective June 30, 2023, and training needs for state employees be directed to the private sector or the university system.

CURRENT PROGRAM

- 3.0 FTE / Classroom Instruction
- Internal Service Fund
- $400,000 Avg. Annual Revenue

PROPOSED FUTURE MODEL

- Offer over 17,000 online courses—available to all state employees / enterprise-wide contract*
- 2.0 FTE / coordinate training requests and support enterprise-wide online learning tool**
- Training content would be created and provided by outside vendors in support of management training objectives**

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*Executive Budget Decision Package
New Proposal 2301 - Non-Budgeted Proprietary
Online Learning – $500,000 total for both years.
(Fixed Rate Increase – HRIS)

**Executive Budget Decision Package
New Proposal 2303 - Non-Budgeted Proprietary
Annualize State Management Training Center– $800,000 total for both years.

RISK MANAGEMENT AND TORT DEFENSE DIVISION

BRETT DAHL
ADMINISTRATOR

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rmtd.mt.gov

RESPONSIBILITIES / SERVICES

- Investigate, evaluate, and resolve claims/lawsuits.
- Administer commercial and self-insured programs for state agencies, universities, boards, councils, and commissions.
- Promote risk management and loss mitigation through consultation, training, and financial incentives.
- Rate Categories:
  - ✓ Auto
  - ✓ General Liability
  - ✓ Aviation
  - ✓ Property
- Insurance proceeds are used to fund operations, defend claims/lawsuits, pay settlement, judgements, and purchase insurance.

of FTE by Fund Type

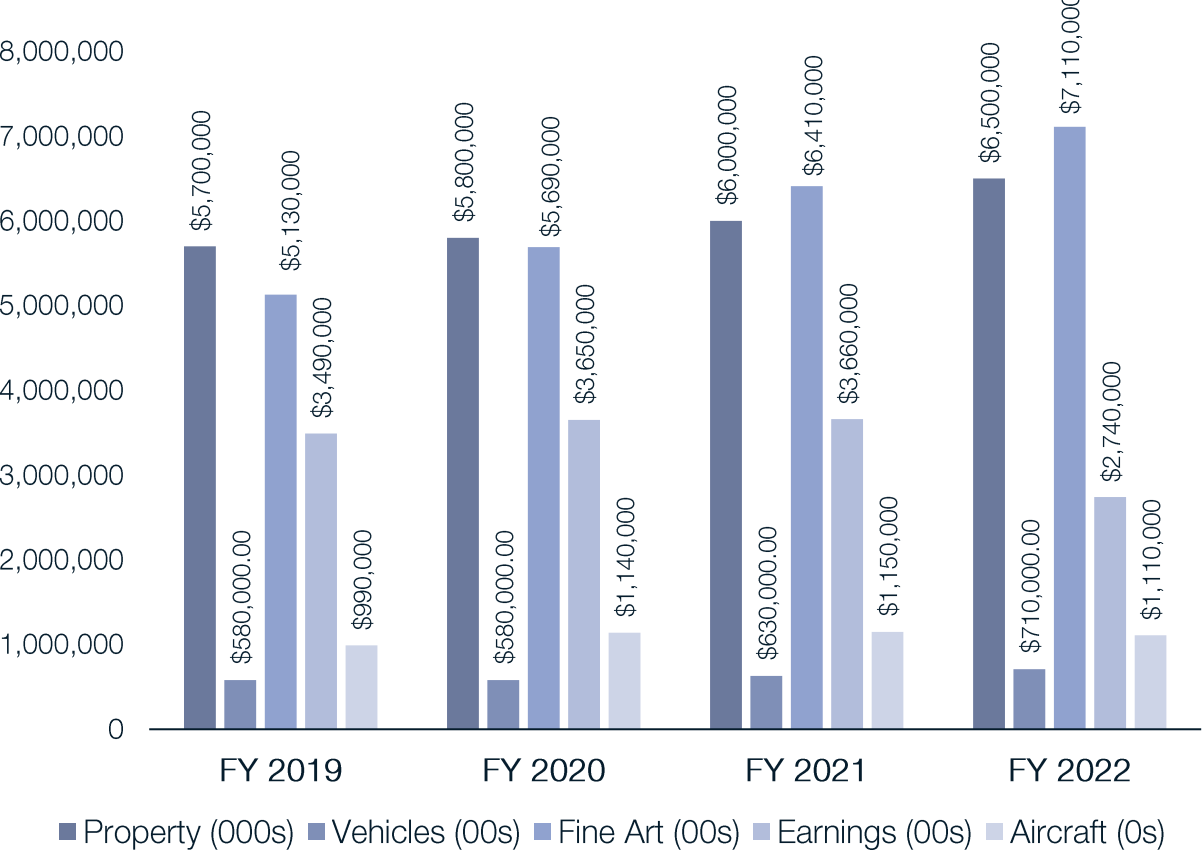|	
General Fund	0.0
Non-Budgeted Proprietary	17.0

KEY ACCOMPLISHMENTS

- Offered $2,900,000 in insurance premium discounts through agency/university participation in loss mitigation programs.
  - resulted in reduction in claims.
  - achieved more favorable commercial insurance terms and conditions amidst historic worst insurance market conditions

- Paid $43 million (of $46 million insurance settlement) towards the 're-build' of the Marga Hosaeus Student Fitness Center at Montana State University Bozeman believed to be one of the largest insured building losses in Montana history.

- Won a judgement/settlement of $141 million against the state's former insurance carrier for recovery of expenses associated with Libby Asbestos litigation.

- Unexpected revenues from the Libby Asbestos recoveries in #3 above exceed actuarial funding targets and necessitate an insurance premium holiday (no premiums) for the 2025 biennium. Absent a premium holiday, the amount of the overage would be transferred to the general fund with an obligation to pay the federal government a portion of the recovery.
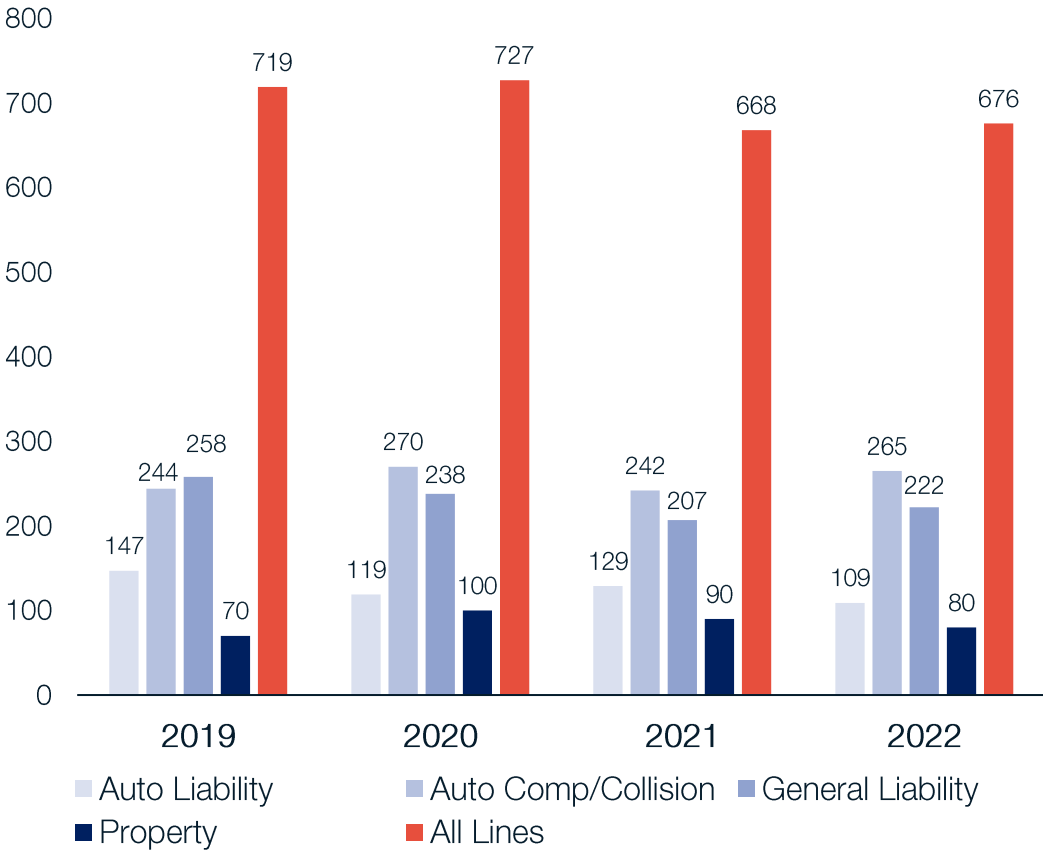
PORTFOLIO OVERVIEW

Total Insured Values

Property (000s) Vehicles (00s) Fine Art (00s) Earnings (00s) Aircraft (0s)

FY 2019: Property $5,700,000; Vehicles $580,000.00; Fine Art $5,130,000; Earnings $3,490,000; Aircraft $990,000

FY 2020: Property $5,800,000; Vehicles $580,000.00; Fine Art $5,690,000; Earnings $3,650,000; Aircraft $1,140,000

FY 2021: Property $6,000,000; Vehicles $630,000.00; Fine Art $6,410,000; Earnings $3,660,000; Aircraft $1,150,000

FY 2022: Property $6,500,000; Vehicles $710,000.00; Fine Art $7,110,000; Earnings $2,740,000; Aircraft $1,110,000

Number of Claims

Auto Liability Auto Comp/Collision General Liability Property All Lines

2019: Auto Liability 147; Auto Comp/Collision 244; General Liability 258; Property 70; All Lines 719

2020: Auto Liability 119; Auto Comp/Collision 270; General Liability 238; Property 100; All Lines 727

2021: Auto Liability 129; Auto Comp/Collision 242; General Liability 207; Property 90; All Lines 668

2022: Auto Liability 109; Auto Comp/Collision 265; General Liability 222; Property 80; All Lines 676

DEPARTMENT OF ADMINISTRATION | RISK MANAGEMENT & TORT DEFENSE

2025 BIENNIUM RATE SUMMARY

	FY 2022	FY 2023	FY 2024	FY 2025	FY2024/2025 $ change from FY 2022	FY 2024/2025 % change from FY 2022
Auto	$1,820,313	$1,820,313	$0	$0	($1,820,313)	-100%
Aviation	$169,961	$169,961	$0	$0	($169,961)	-100%
General Liability	$14,613,042	$14,613,042	$0	$0	($14,613,042)	-100%
Property	$9,009,000	$9,009,000	$0	$0	($9,009,000)	-100%
Total	$25,612,316	$25,612,316	$0	$0	($25,612,316)	-100%
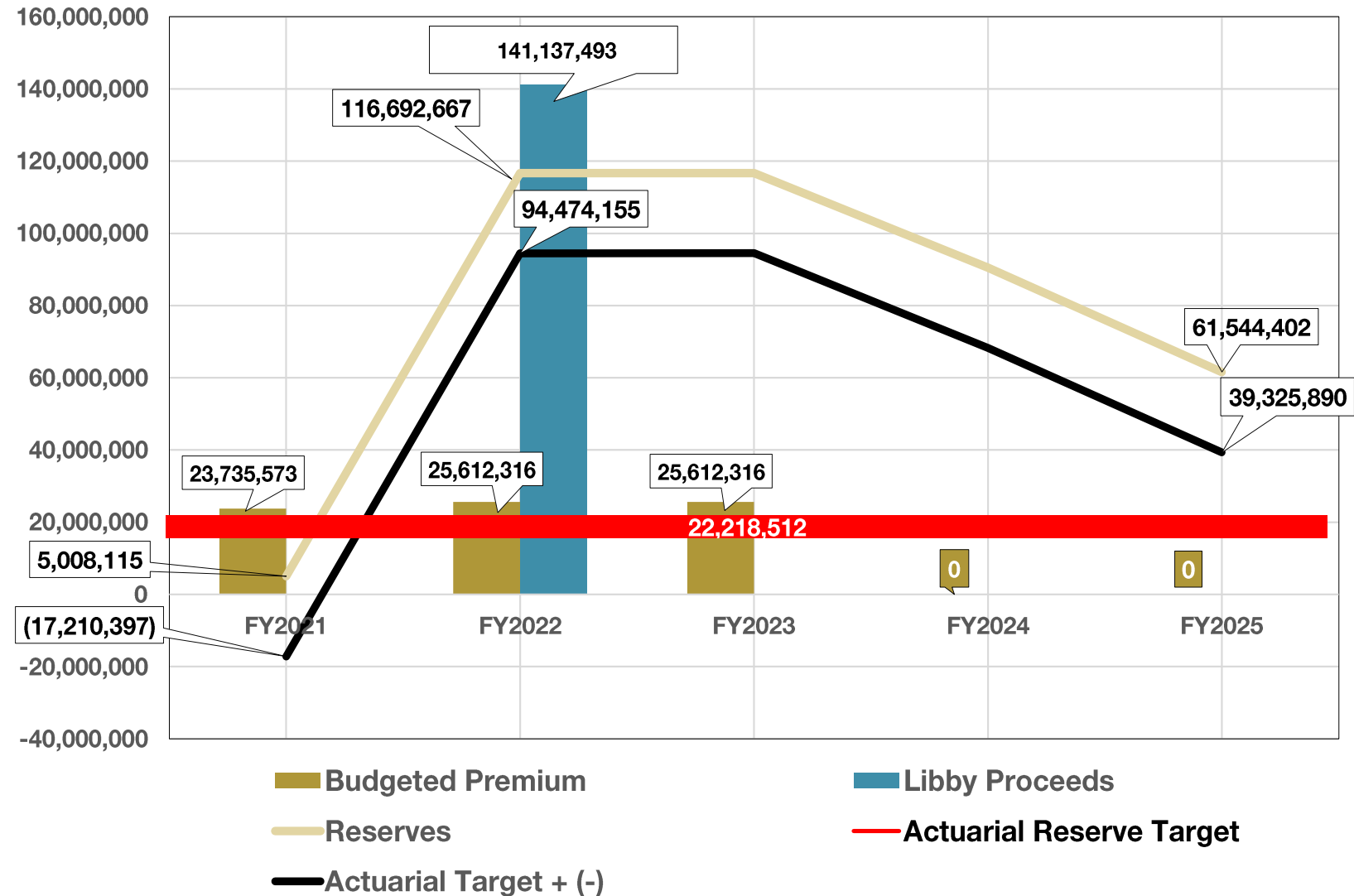
STATE INFORMATION TECHNOLOGY SERVICES DIVISION

KEVIN GILBERTSON
CHIEF INFORMATION OFFICER

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January 2023

Quick Summary

Becoming Transparent and Accountable

- Customer Success Program
- CIO Strategic Collaboration
- SAFe (Improved completion rate from approximately 20% to over 80%)

Modernizing Technology

- Mainframe
- Nortel
- 100% Digital (Commerce)

Saving Money

- Unemployment Insurance System
- Desktop Centralization

Optimizing the Workforce

- Get folks on the right seat on the bus
- Eliminate duplication where possible

COST DRIVERS

- Next generation security software costs more than traditional solutions

- Rapidly evolving threat landscape

- The threat environment is more sophisticated and challenging than ever before

- Unpredictable costs for software licenses from large vendors like Microsoft and Oracle

- Modern IT systems require additional network bandwidth that can be challenging to acquire in Montana

- Digital Transformation
  - IT Costs Increase
  - Overall Business Costs Decrease

EFFICIENCY DRIVERS
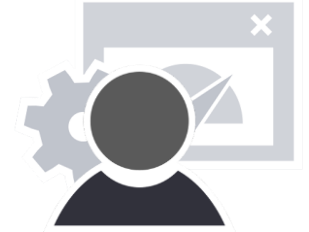
The Montana Information Technology Act permits the CIO to direct the state toward more efficient use of information technology capabilities while ensuring cost effectiveness.

SITSD is increasing efficiency through:

- Customer Success Program

- Organizational Change Management

- Enterprise Architecture Program

- Portfolio Management

- Cross-Agency Governance

State Information Technology Services Division (SITSD)
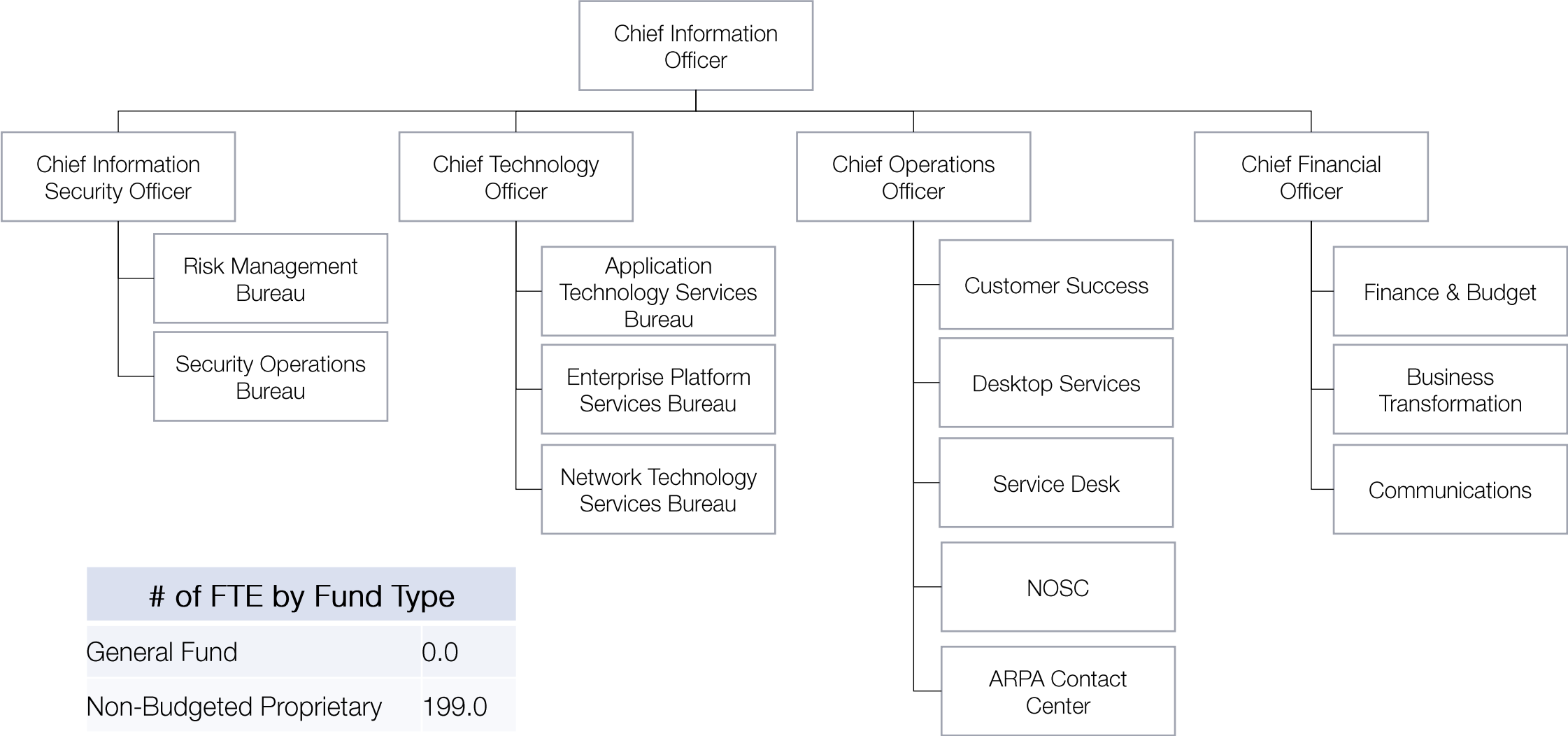
Overview

DIVISION DIRECTION

2025 Biennial Strategic Plan Goals:

- An innovative workforce dedicated to reshaping the way we deliver IT Services

- Strategic IT investment empowering delivery of citizen services

- Citizen one-stop shop anywhere, anytime, any device

- All enterprise products and services are widely used, provide maximum value for all agencies, and are supported by stakeholders

- The State's information assets and citizens' data are protected

DIVISION STRUCTURE

Chief Information Officer

- **Chief Information Security Officer**
  - Risk Management Bureau
  - Security Operations Bureau

- **Chief Technology Officer**
  - Application Technology Services Bureau
  - Enterprise Platform Services Bureau
  - Network Technology Services Bureau

- **Chief Operations Officer**
  - Customer Success
  - Desktop Services
  - Service Desk
  - NOSC
  - ARPA Contact Center

- **Chief Financial Officer**
  - Finance & Budget
  - Business Transformation
  - Communications

# of FTE by Fund Type	
General Fund	0.0
Non-Budgeted Proprietary	199.0

STATE DATA CENTERS

State of Montana Data Center (SMDC) – Helena

Miles City Data Center (MCDC) – To be eliminated

- Rack space and hosted services for Montana and out-of-state government entities

- All equipment resides on platforms to reduce risk in the event of an earthquake

- Both facilities monitored 24 x 7 x 365

- Meet critical Department of Defense (DOD) infrastructure security standards

- Transitioning Disaster Recovery to the Cloud
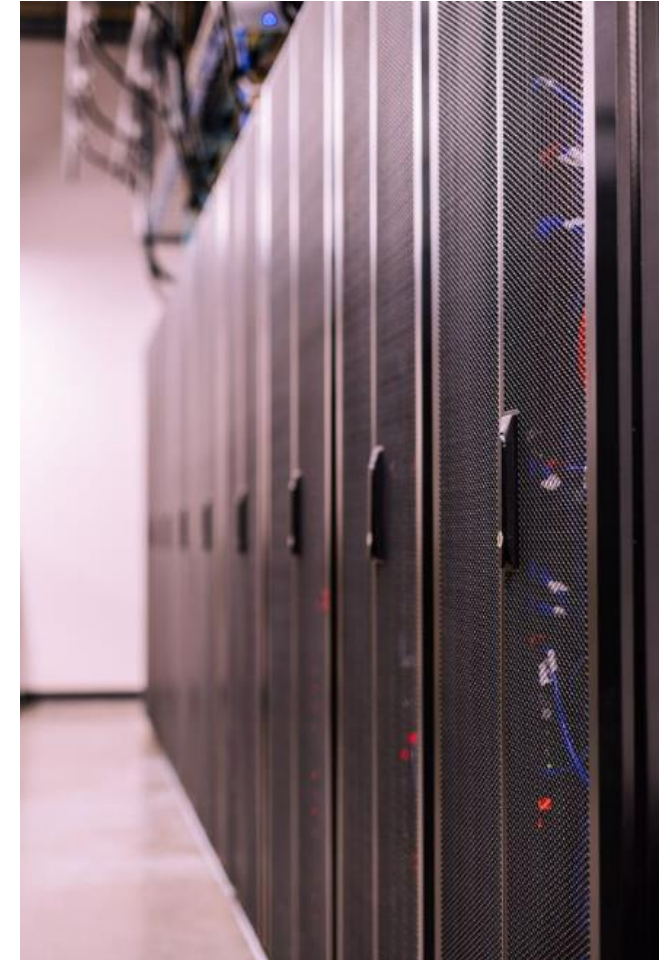
DIVISION DATA NETWORK SERVICES

SITSD is committed to providing optimal bandwidth access to customers across the state.

Focused improvement on:

- Agencies with less than adequate bandwidth

- Agencies using legacy technology that is no longer supported

Leased Circuit Partners – Hub Primary and Diverse Carrier Connections
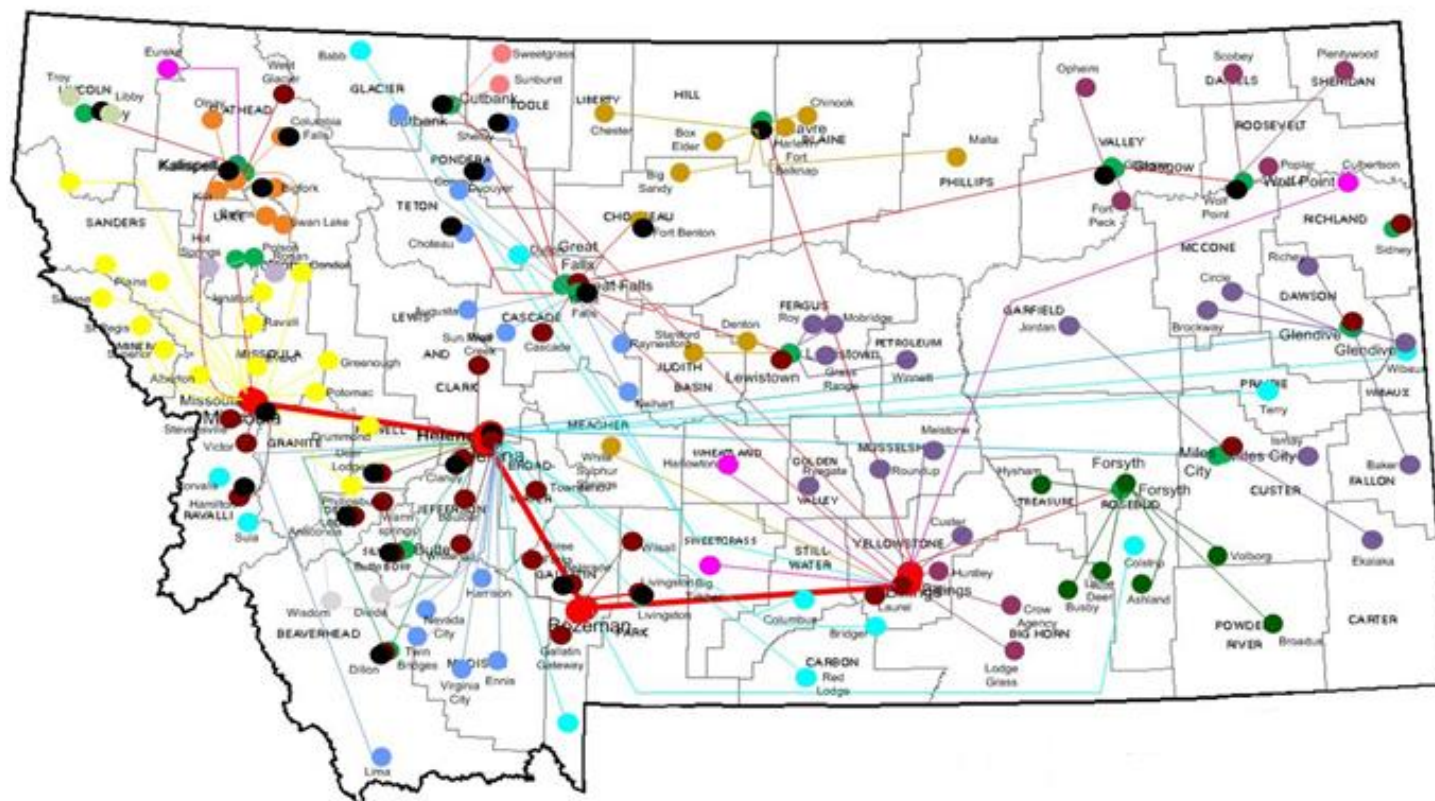
- Agency Customer Service Improvements

- Cost Controls (>$21MM)

- Modernization

- Digital Transformation

- Security

Retired Technology

KEY ACCOMPLISHMENTS (In Progress)

Agency Customer Service Improvements

- ServiceNow Governance (cross-agency IT governance POC)
- Organization Change Management Function/Team

Cost Control

- Centralization of Desktop Purchasing (Estimated $500K/year savings)
- Enterprise Architecture Program (standardization fulfilling statutory responsibility to reduce duplication of systems)

Digital Transformation & Modernization

- Five9s Call Center Centralization (Technology)

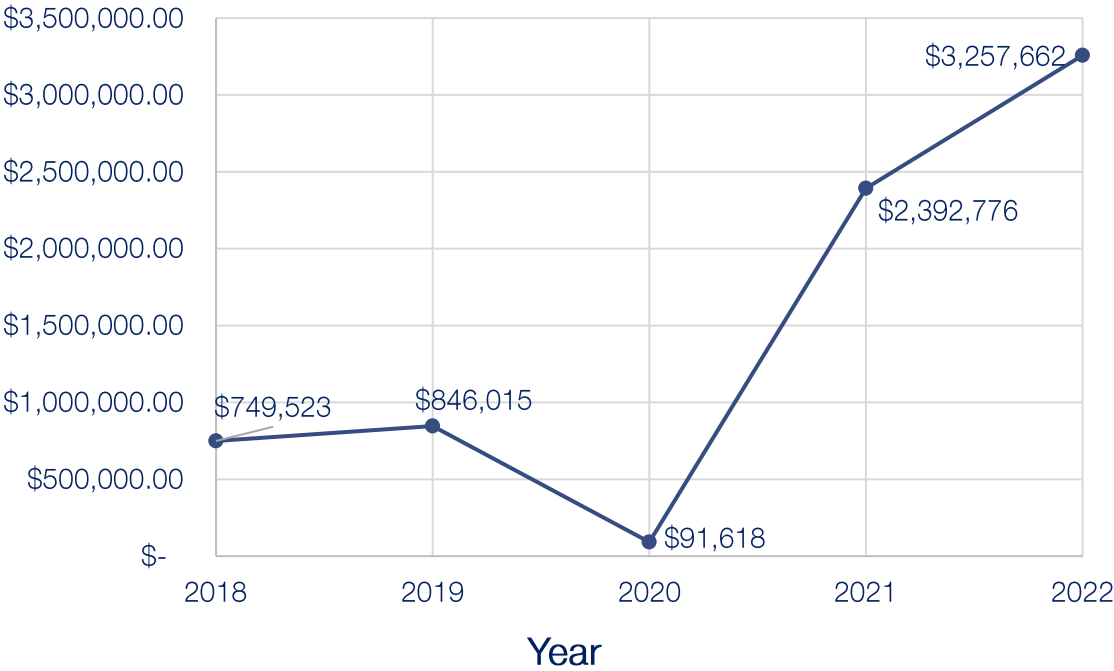## Security

- Security Centralization (improve risk management capabilities across the state)
- IIJA Grant Application

IT Budget

BUDGET

SITSD Cash at FYE

Year	Value
2018	$749,523
2019	$846,015
2020	$91,618
2021	$2,392,776
2022	$3,257,662

FYE Days Working Capital

	2018	2019	2020	2021	2022
■ Days Working Capital	-23	-27	-26	-5	8
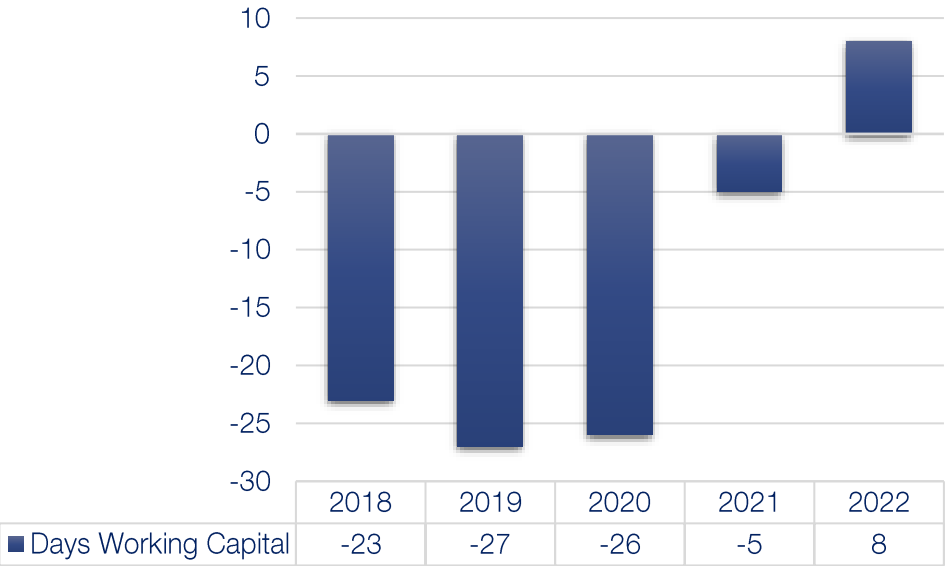
30 Days Working Capital Allowed

SITSD RATES

Rate Setting

- Legislature approves SITSD rates charged to other state agencies for services
- Legislature appropriates service costs in the purchasing agencies' budgets

Rates

- Personal Services + External OpEx + Internal OpEx + Overhead / Total Units Sold

Working Capital

- Amount of cash remaining if all the current assets were converted to cash at their book value and all current liabilities were paid at their book value
- 30-day working capital prohibits SITSD from over-collecting and accumulating an excess fund balance
- If agencies opt to not use SITSD services for which they were appropriated, SITSD must reduce expenditures to offset loss

Changes to Rates

- All changes to rates are reviewed by the enterprise IT financial workgroup and reported to LFC

SITSD O365 RATE CALCULATION

$$\frac{\text{Personal Services (PS)} + \text{Operational Expenses (OE)} + \text{Internal Sales (IS)} + \text{Overhead (OH)}}{\text{Total Units Sold (US)}}$$

$$=$$

Service Rate

O365 Rate Example

$$\frac{\$652,238 \text{ (PS)} + \$285,064 \text{ (OE)} + \$37,658 \text{ (IS)} + 351,915}{17,322}$$

$$=$$

$76.82 Annually per mailbox

SITSD VoIP PHONE CALCULATION

Personal Services (PS) + Operational Expenses (OE) + Internal Sales (IS) + Overhead (OH)

Total Units Sold (US)

=

Service Rate

VoIP Phone Service Example

$449,334 (PS) + $1,455,592 (OE) + $271,969 (IS) + 273,449

10,822

=

$226.86 Annually per Phone

PROPOSED BUDGET

Program Proposed Budget Budget Item	Starting Point Fiscal 2023	Budget Adjustments Fiscal 2024	Total Exec. Budget Fiscal 2024	Budget Adjustments Fiscal 2025	Total Exec. Budget Fiscal 2025	Executive Budget Request 2025 Biennium
FTE	199.00	14.00	213.00	14.00	213.00	
Personal Services	18,716,595	1,891,051	20,607,646	2,003,195	20,719,790	41,327,436
Operating Expenses	35,509,613	11,766,411	47,276,024	11,662,834	47,172,447	94,448,471
Equipment & Intangible Assets	370,861	0	370,861	0	370,861	741,722
Debt Service	1,170,000	0	1,170,000	0	1,170,000	2,340,000
Total Costs	**$55,767,069**	**$13,657,462**	**$69,424,531**	**$13,666,029**	**$69,433,098**	**$138,857,629**
Proprietary Funds	55,767,069	13,657,462	69,424,531	13,666,029	69,433,098	138,857,629
Total Funds	**$55,767,069**	**$13,657,462**	**$69,424,531**	**$13,666,029**	**$69,433,098**	**$138,857,629**

eGOV FUND

- Transaction Fund
  - $1 per Transaction (MI Charged from $1 - $10 per transaction)
  - Calculated to Pay Loan in Biennium

- Loss of Revenue (not transitioned to Payzang)
  - DOJ – Stayed with MI
  - DOR – Extended with MI for 6 Months

- Current Cash Balance: $1,033,459

- Projected Year End: $321,710

- Loan Balance: (~$2,500,000)

- Potential Solution
  - Increase Transaction Charges

HB 10 FY24-25

House Bill 10 Summary

Agency	HB 10 Request
Department of Administration	$23,513,774.00
Department of Agriculture	$630,000.00
Department of Livestock	$1,000,000.00
Public Service Commission	$1,496,436.00
Department of Natural Resources & Conservation	$4,555,000.00
Office of Public Defender	$350,000.00
Department of Corrections	$18,000,000.00
Department of Public Health & Human Services	$138,910,196.00
Department of Justice	$50,511,000.00
Supreme Court	$850,000.00

Department of Administration - SITSD

PROJECT	LRITP	STATE SPECIAL REVENUE	FEDERAL SPECIAL REVENUE	PROPRIETARY	TOTAL
Montana Cybersecurity Enhancement Project	21,513,774				21,513,774
E-Discovery/Public Information Request Software	2,000,000				2,000,000

Montana Cybersecurity Enhancement Project

Title	Description	Personnel Services:	Contracted Services:	Hardware:	Other:	Biennium Cost:	Annual On-going Costs:	Total FY24/25 Bienn Requested Funding:
Enterprise Password Manager	Provides a central and secure password management solutions to protect accounts accessing the State's information systems.		$1,254,000			$1,254,000	$312,000	$1,566,000
Identity Panel	Improves automation, integration, and security of the State's identity and access management solutions.		$50,000		$131,040	$181,040	$131,040	$312,080
Network Forensic Packet Capture Capacity Upgrade	Increases the network packet capture capacity and supports modern datacenter traffic throughput ingestion for network forensics inspection.		$100,000	$1,694,237	$869,867	$2,664,104		$2,664,104
Zero Trust Maturity Assessment	Assesses the State's cybersecurity program maturity based on 128 criteria, provides expert analysis, and Zero Trust roadmap recommendations.		$200,000		$50,000	$250,000		$250,000
Zero Trust for Endpoint Management	Performs cyber hygiene assessments of applications, data, and users according to access policies, automating intelligent risk-based access based on data classification and device health.		$1,500,000		$50,000	$1,550,000	$1,500,000	$3,050,000
Zero Trust for Endpoint Segmentation	Reduces the cyberattack surface by implementing Zero Trust Endpoint Segmentation between workstations on the network.		$100,000	$1,528,842	$750,000	$2,378,842		$2,378,842
Zero Trust for Firewall Segmentation	Reduces the cyberattack surface by establishing separate Layer 7 firewall zones per State agency and data types.		$100,000	$1,648,300	$1,544,448	$3,292,748		$3,292,748
IT Modernization (100% Digital)			$3,000,000		$1,000,000	$4,000,000		$4,000,000
Network Improvements	Network improvements across the state to enable agencies to deliver digital services to citizens (Wide Area Network – Not in Helena). Currently, 150 sites do not meet the definition of broadband (20 up/20 down). To be spent with telecom commercial partners in the state.		$2,145,000	$375,000		$3,520,000	$1,480,000	$4,000,000

The Value of Investing in Information Technology

Transparency and Accountability

- Data Driven Decision Making (Snowflake)

Modern Technology

- Citizen Portal with No Wrong Door
- Improved Security
- Eliminate Technical Debt

Long Term Return on Investment (ROI)

- Reduce Possibility of Financial Risk
- Montana can lower operational costs (e.g., phone calls, field office visits) with enhanced digital services

Workforce Optimization

- Automate Redundant Work
- Enhances Ability to Provide Services

THANK YOU