

**Impacts of Separating Montana State Fund from State Government
on the Department of Administration**

Related to 2017 Senate Joint Resolution 27

The Department of Administration (DOA) serves as the backbone of state government by providing business services to other state agencies.

Charges for the Warrant Processing, SABHRS Finance System, SABHRS HR Information System, Information Technology Services, Print and Mail Delivery Services, and Workers' Compensation Management include a level of fixed and indirect costs that will not decrease if Montana State Fund (MSF) separated from state government.

The itemized costs below reflect the MSF's budgeted share to fund these DOA programs. Most of these costs would be absorbed by other state agencies, increasing their proportionate share of these charges.

Internal Service Funds	<u>FY 2018</u>	<u>FY 2019</u>
State Financial Services Division Warrant Processing	\$44,215	\$42,136
State Financial Services Division SABHRS Finance System	\$72,267	\$68,733
State Human Resources Division SABHRS HR Information System	\$63,335	\$63,373
State Information Technology Services Division IT Services	\$651,996	\$651,996
General Services Division Print and Mail Delivery Services	\$3,025	\$3,025
Health Care and Benefits Division Workers' Compensation Management	\$7,052	\$7,064
Total Estimated Impact	\$841,890	\$836,327

Two DOA divisions operate self-insurance programs: the Risk Management and Tort Defense Division, state property and casualty insurance; the Health Care and Benefits Division, the state employee health insurance. Although there would be less revenue flowing in from premiums paid by the MSF, there would also be fewer claims paid out associated with the MSF.

Self-insurance Programs	<u>FY 2018</u>	<u>FY 2019</u>
Risk Management and Tort Defense Property/casualty Insurance	\$539,185	\$539,768
Health Care Benefits Division Group Benefits Health Insurance	\$3,882,936	\$3,882,936

The Statewide Cost Allocation Plan (SWCAP) recovers statewide general administrative costs incurred by central service organizations such as State Procurement and State Human Resources. SWCAP revenue is deposited into the State's General Fund.

The share for the MSF would have to be allocated to other agencies.

Other	<u>FY 2018</u>	<u>FY 2019</u>
Statewide Cost Allocation Plan	\$60,541	\$60,541