

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
52nd LEGISLATURE - REGULAR SESSION**

SUBCOMMITTEE ON GENERAL GOVERNMENT & HIGHWAYS

Call to Order: By Chairman Quilici, on February 5, 1991, at 8:00 a.m.

ROLL CALL

Members Present:

Rep. Joe Quilici, Chairman (D)
Sen. Larry Stimatz, Vice Chairman (D)
Sen. Harry Fritz (D)
Rep. Mary Lou Peterson (R)
Rep. Larry Tveit (R)
Rep. Tom Zook (R)

Staff Present: Clayton Schenck, Senior Fiscal Analyst (LFA)
Lois Steinbeck, Associate Fiscal Analyst (LFA)
Bill Mandeville, Budget Analyst (OBPP)
Arlene Carlson, Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

EXECUTIVE ACTION - STATE FUND

Ms. Steinbeck gave a short overview of issues and reviewed her research on NCCI membership. **EXHIBIT 1**

Mr. Murphy provided information on various states. The amount that is paid in dues is based on market shares which accounts for the difference. **Ms. Steinbeck** said Utah doesn't write as big a percent of the total business as does Montana. Private insurance picks up the bigger share of the rate-making dues. **CHAIRMAN QUILICI** requested additional information on other states.

Motion/Vote: **SEN. FRITZ** moved to accept Issue No. 3 for communications. Motion **FAILED** with five members voting no.

No action was taken on Issue No. 4, Travel.

Ms. Smith reviewed the importance of maintenance contracts for response time, Issue No. 5.

Motion: **SEN. FRITZ** moved to accept Issue No. 5, maintenance.

Discussion: **SEN. FRITZ** said the State Fund is essentially a private insurance company operated under the law for less than a year. It's unlike any other state agency in that it's run by a

Board of Directors who approved the budget and this came in under the budget recommended by the Board. He was uncomfortable telling a vast private insurance company how it ought to run its business. The Legislature has other ways to ride herd over the State Fund. A resolution just passed in the House to study it this interim again. The motion is to let them have the equipment they need to run their business.

SEN. PETERSON questioned the \$88,000 and \$62,000 for carpeting. **Ms. Steinbeck** said it is built into both years, first year carpet three floors and second year two floors and accounts for more than 50% of the budget.

Mr. Sweeney said they could live with the carpet but the computer equipment was vital.

Ms. Steinbeck said, in clarification, the amount the committee would be adding to the budget for maintenance would be \$32,707 in FY92 and \$26,632 in FY93.

Motion/Vote: **SEN. FRITZ** amended his motion to exclude carpeting in maintenance. Motion **CARRIED** unanimously.

Ms. Steinbeck said Issue #6, costs are increased 100% over FY90 actuals. The Executive includes a higher amount. An additional \$8,500 for training each year is budgeted. State Fund requested an additional \$7,091.

SEN. ZOOK asked for an explanation when the LFA gave over 100% increase and State Fund is requesting 50% over that. **Mr. Murphy** said the State Fund for years has been attempting to get a training budget and not very successful and they have over 200 employees so this amounts to \$100 a piece.

Motion/Vote: **SEN. FRITZ (NOT SURE OF NAME)** moved to accept #6. Motion **FAILED** with three voting no. (don't know names)

Ms. Steinbeck reviewed Issue #7. Six vehicles each year will be replaced. **Ms. Smith** said each vehicle has in excess of 100,000 miles on it. The air-conditioner needs to be replaced because if it goes down it affects the computer system.

Motion/Vote: **REP. ZOOK** moved to accept Issue #7 for equipment. Motion **CARRIED** with Sens. Peterson and Stimatz voting no.

Ms. Steinbeck reviewed Issue #8, Transfers.

Motion/Vote: **SEN. PETERSON** moved to accept Issue No. 3. Motion **CARRIED** with one no vote.

Motion/Vote: **REP. ZOOK** moved to adopt Issue No. 9, Technical Correction. Motion **CARRIED** unanimously.

Motion/Vote: SEN. FRITZ moved to accept modification #1 for additional FTEs. Motion CARRIED unanimously.

Motion/Vote: REP. ZOOK moved to accept modification #2, transfer the audit function from Labor to the State Fund. Motion CARRIED unanimously.

Mr. Mandeville explained the OBPP guidelines regarding FTE increase requests. They did not want to increase above what was requested in the budget amendment. The budget amendment requested 32.9 and 32.9 requested in the modification. State Fund wanted to request more than that.

Ms. Steinbeck said the LFA budget analysis came from information received in July. That's where the 255 claims per examiner came from the budget amendment documentation. Since then the State Fund has raised the number of cases they have received and that's why you see something different now. There's about 3 to 4 months additional data there.

Ms. Smith said on 8/31/90 after the 32.9 positions were received there was a caseload per examiner of 322. By adding the three talked about here it would reduce it to 295. In FY89 they had 22 claims examiners authorized; in FY91 they did a budget amendment for 11 more. Ms. Steinbeck said she needed to know how many they had in FY90 because that what was produced the average of 378 per examiner.

SEN. FRITZ said they should defer the 5% increase until the state pay plan is resolved. CHAIRMAN QUILICI said the statutory appropriation might be in separate legislation so they should wait on that also.

Hearing was closed. No motion.

HEARING ON DEPARTMENT OF HIGHWAYS

EXHIBITS (2-4-91)

General Operations Program

Clayton Schenck continued with review of general operations. Modification #1 was to add one FTE as a one-time organization cost to establish Department of Transportation which would be contingent on passage of SB 164. Cost would be about \$135,000 in state special revenue. The FTE is transferred from DOR. #2 Road Reporting System is for \$62,000 to provide additional road traffic information.

Bill Salisbury said for the Cost Responsibility Study, there is \$25,000 in there. They are looking at contracting with MSU for the study. The trucker's lobbying groups get involved in this and fight a study like this. That could raise the cost and delay the finalization. He would like to see a line-itemed appropriation for \$25,000 with \$150,000 on a contingency basis.

Construction Program

Mr. Schenck reviewed the program which is responsible for construction project planning and development from the time a project is included in the long-range work plan through the actual construction.

Mr. Rothwell said on the FTE funding, when run on the federal program, it came up with an increase of 100 FTE. They pulled the vacancies and calculated that into what was needed which was 25 FTE in 1992 and 25 in 1993 increases. The vacancy savings and vacant items in #3, have been utilized for preparation for the next biennium. The Department needs the funding left in for that because they calculated all their vacancy savings to bring that reduced level down. Consultants cost money but we can't turn that corner too rapidly depending on employee pay issues. Many of the vacancies are because they couldn't find people who would take the job at that pay. They need to be able to utilize consultant payments for department full-time staff.

Mr. Salisbury said by combining the construction and preconstruction programs, it would give them more flexibility. He gave examples of how this would best work. They will keep certain aspects separate on SBAS and on cost and accounting for the feds. Regarding program increases generally, they were given a 20% increase for federal obligation. They doesn't begin to address the magnitude of the problem in the next nine months to 2 years. They have to go to contract about \$170 million by September 30; another \$5 million in grab bag money by December. So they are looking at \$170 million this year and \$150 million in the next two years. That's significant in addition to the \$100 million construction program. There's no way they can hire the people to do that by then so they need the increase for consultants. Once preconstruction has been authorized by the feds, you have to go to contract within two years or pay them back for preconstruction.

LFA kept the right-of-way issue at 1990 actuals. What the department has done, even though it's about \$3.5 million less than what was appropriated in 1991. They used to try to estimate the cost of right-of-way acquisition for every parcel of every project. That was fruitless. It's impossible to estimate. Now they use a percentage from historical data relative to the total cost of the construction program.

Mr. Salisbury reviewed the executive budget modifications. The first provides grants to communities to upgrade city parks along primary highways into highway rest areas. By using signs they can direct people into towns. Some rest areas, over the next five or six years, many will be worn out and there won't be funds to replace them. Mr. Rothwell said if the department helps the cities to upgrade the facilities, the department doesn't have the maintenance costs plus locally they maintain them better than the department. The other two modifications were discussed earlier.

It was decided to discuss the language appropriations at a later date.

Mr. Salisbury continued with review of contingency funding. The department, based on the Surface Transportation Act, budgeted this as a matter of course after years of experience. They have received \$4 million of public lands money for a project by Busby, and will get \$2.5-3 million project at Fortine. These contracts will be let in FY92 so that's already part of that contingency. Sometimes it's difficult when federal money is available is to get a state match.

Mr. Mandeville pointed out that **Mr. Petesch** said if the funding was available for consideration, then it would satisfy the criteria for a budget amendment. Any matching funds for these additional grants or federal receipts, will be coming out of the highway state special revenue fund which are available for consideration. That will be a problem if this is handled as a budget amendment. These additional funds do not affect the department's current operation. So the state match could run into problems in that area. **CHAIRMAN QUILICI** said he had discussed that with Clayton and had asked him to look at the \$15 million contingency to put it in as a contingency budget or by use of language in the appropriations bill.

They referred to **EXHIBIT 4 (2-4-91)** regarding new training for right-of-way-appraisers. **Mr. Salisbury** said there is new federal legislation that says that anyone who does appraisal on any parcel of property that involves federal funds, must have this type of training. This is about 65% federal funds.

Mr. Mandeville said the Governor's Budget Office does support the additional issues of the Highway Department.

Mr. Schenck said for purposes of clarification on transfer of FTE and keeping separate entities for combining the construction and preconstruction programs, for example, they could instead of putting something in language, once the bill goes to Appropriations, it will have a description and include legislative intent as part of the narrative.

Motion/Vote: **SEN. PETERSON** moved to have Clayton Schenck draw up the necessary language to accomplish the above. Motion **CARRIED** unanimously.

Maintenance

Mr. Schenck reviewed the budget, current level issues and modification for monitoring fuel tanks. This program historically has high vacancy savings. **CHAIRMAN QUILICI** asked if there were federal EPA funds for this program. **Mr. Salisbury** said there is a leaking underground storage tank program run by the Department of Health. The department is eligible for some

reimbursement, 50% of the first \$35,000 and 100% after that. Some reimbursement has been received. They need to spend the money first in order to get reimbursed. Mr. Schenck pointed out that other agencies have these same costs incurred. Mr. Mandeville said this is a three-phase program: (1) doing non-destructive inspections to see if there is a problem (2) correct the problem and (3) an ongoing monitoring and maintenance program. It's anticipated the department will need \$500,000 next year and in 1997 biennium, \$250,000. Mr. Rothwell said you have to have a license to install tanks, and they are looking at certifying their own installation crews so it's not so expensive.

Mr. Salisbury reviewed the issues as covered by Mr. Schenck. The Department contracts with all local weed control boards for spraying of weeds. There has been an increase in participation from the local level because of liability issues which has increased the department's costs. There will never be enough money in Montana for weed spray. The department's roadside storage facilities, etc., are in the long range building program. About six years ago the department started buying land for sand and gravel sites through the maintenance program, about \$1.5 million per biennium in the long range building program.

Motor Pool

Mr. Schenck reviewed the issues. The decrease in equipment budget is major reason for 34% decrease in current level. The request for vehicle replacement is 31 vehicles in 1992 and 18 in 1993. There are no significant differences in this program. Mr. Salisbury said there has been a 15% increase in shop supplies.

Equipment Program

Mr. Schenck said this is a \$26 million program for the biennium and is a proprietary fund. They purchase the equipment and then rent it to the other programs. The budget increases 3% mostly in personal services and operating expenses. There are no major adjustments. Mr. Salisbury noted that sometimes in calculating, dollars are used and sometimes gallons. This can cause a problem. It would be helpful to have it translated into gallons. Mr. Schenck said the inflation factor used for gasoline is 17.86% in FY92 and 10.67% in FY93. The Executive used the same.

Interfund Transfers Program

Mr. Schenck said this is simply an accounting transfer. The level of funding to be approved depends on what level of RTF is approved for the construction program. Mr. Salisbury said it would be nice to get rid of this by changing the accounting system so it can be reversed and still kept separate. When cash is transferred between accounting entities, it requires an appropriation.

ADJOURNMENT

Adjournment: 11:02 a.m.



JOE QUILICI, Chair

JQ/ac

HOUSE OF REPRESENTATIVES

GENERAL GOVERNMENT AND HIGHWAYS SUBCOMMITTEE

ROLL CALL

DATE 2/5/91

NAME	PRESENT	ABSENT	EXCUSED
REP. JOE QUILICI, CHAIRMAN	✓		
SEN. LARRY STIMATZ, VICE-CHAIRMAN	✓		
REP. TOM ZOOK	✓		
SEN. LARRY TVEIT			
REP. MARY LOU PETERSON	✓		
SEN. HARRY FRITZ	✓		

DATE

2-5-91

Van Hout Ave

SELECTED WESTERN STATES, MEMBERSHIP IN THE NCCI, AND ANNUAL DUES

State	NCCI Member	Membership Statutorily Required	Annual Dues	Other Comments
Montana	Yes	Yes	\$422,026	This analysis does not attempt to explain the differences in the amount of dues paid to NCCI by various states.
Colorado	Yes	No	N/A	State does not have a rating bureau so it a programmatic necessity to belong to NCCI.
Idaho	Yes	Yes	\$153,084	NCCI is the Idaho State Fund rate making authority as designated by the Idaho Department of Insurance.
Dakota	No			State Fund is monopoly carrier. No self insurance or private insurance. State Fund establishes own rates with actuarial assistance.
Nebraska	Yes	Yes	N/A	
Dakota	No			Worker's comp is obtained through private carriers; there is no state administered worker's comp insurance.
Utah	Yes	Yes	\$181,312	Insurance department has accepted NCCI as rate making authority. Fund reduced annual membership dues between \$50,000 to \$75,000 by providing NCCI computer compatible tape to eliminate manual entry of premium and claims data.
Washington	No			State Fund sets rates using methodology very close to that used by NCCI.

A means not available.

