

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
54th LEGISLATURE - REGULAR SESSION**

JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT & TRANSPORTATION

Call to Order: By **CHAIRMAN ED GRADY**, on January 24, 1995, at
8:00 a.m.

ROLL CALL

Members Present:

Rep. Edward J. "Ed" Grady, Chairman (R)
Sen. Thomas A. "Tom" Beck, Vice Chairman (R)
Rep. Gary Feland (R)
Sen. Eve Franklin (D)
Rep. Joe Quilici (D)

Members Excused: None

Members Absent: None

Staff Present: Terri Perrigo, Legislative Fiscal Analyst
Dan Gengler, Office of Budget & Program Planning
Rosa Fields, Committee Secretary

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

Committee Business Summary:

Hearing: Department of Administration
- Architecture and Engineering Division
Executive Action: Department of Administration
- Public Employees' Retirement System,
- Teachers Retirement Board
- State Tax Appeal Board
- Accounting and Management Support
Division

{Tape: 1; Side: A; Approx. Counter: 000; Comments: n/a.}

**EXECUTIVE ACTION ON
DEPARTMENT OF ADMINISTRATION
Public Employees' Retirement System**

Terri Perrigo, Legislative Fiscal Analyst, said the present law adjustments amount to approximately \$260,000 in 1996 and \$103,000 in 1997, which can be found on page A-186. She described the three new proposals requested by the Public Employees' Retirement System (PERS): 1) \$15,200 in 1996 and \$10,000 in 1997 to provide mail notices to retirees who have their retirement checks

electronically deposited; 2) \$2,971 in 1996 to purchase a lap top computer; and 3) the personal services reduction. She said the budget is totally funded with non-expendable trust funds from interest earned on investments that are held for the retirement system. She added that there was an early retirement bill in FY 94, and that the program administrator plans to report on the impact of the early retirement bill later in the session.

Motion/Vote: REP. JOE QUILICI MOVED TO APPROVE THE BASE BUDGET FOR FY 1996 AND FY 1997. The motion carried unanimously.

Discussion:

CHAIRMAN GRADY asked Linda King to clarify the present law increases. Ms. King said one of the increases is for \$69,000 in FY 96 and \$61,000 in FY 97 to make changes to the computer system to maintain "qualified plan status," which allows members' contributions to be tax deferred.

Motion/Vote: CHAIRMAN GRADY MOVED TO ACCEPT THE PRESENT LAW ADJUSTMENTS. The motion carried unanimously.

Motion/Vote: SEN. BECK MOVED TO ACCEPT THE EXECUTIVE BUDGET NEW PROPOSALS. The motion carried unanimously.

Teachers' Retirement Board

Motion/Vote: CHAIRMAN GRADY MOVED TO ACCEPT THE BASE BUDGET AND PRESENT LAW ADJUSTMENTS FOR THE TEACHERS' RETIREMENT BOARD. The motion carried unanimously.

Motion/Vote: SEN. TOM BECK MOVED TO ACCEPT THE NEW PROPOSALS. The motion carried unanimously.

Discussion:

CHAIRMAN GRADY said they would now discuss procurement and printing, and asked for an explanation of the large increase in the budget.

Marv Eicholtz, Administrator, Procurement and Printing Division, indicated that the reason for the increase is related to goods for resale, and is a result of projected inflation in the cost of those goods. About half of the goods purchased for resale are pass-through printing, which is the printing done by private sector. The rest is goods purchased for resale at Central Stores

CHAIRMAN GRADY asked if they are able to recover the cost of the goods. Mr. Eicholtz replied that they do, and are only asking for spending authority to buy the goods for resale.

CHAIRMAN GRADY asked him to explain the present law adjustment for natural gas procurement. Mr. Eicholtz said that they purchase

natural gas for about seven state agencies on the open market and then transport it through MPC lines. They've been doing this for three years, and have been able to save about \$1 million per year. He said one of the risks involved with this, however, is the possibility of an interruption in service, so what they have to do is buy "storage gas." The \$200,000 they are requesting is for spending authority to buy storage gas. It is usually purchased every year--normally in August or September.

Motion: REP. QUILICI MOVED TO APPROVE THE BASE BUDGET.

SEN. BECK asked **Mr. Eicholtz** to explain why they want \$200,000 to buy the storage gas, and wondered if it's because they get a good buy on it. **Mr. Eicholtz** responded that he's only asking for spending authority. He said they contract for the gas, collect the money from the University System and Institutions, and then pay the gas supplier.

REP. FELAND asked how much per MCF they pay for this gas, and how much it would cost them if they bought it through some other entity. **Mr. Eicholtz** said they paid \$1.29 per BTU previously, and under this years' contract they paid \$1.69. The market fluctuates; the market now is a little bit over \$1.00 per BTU.

SEN. BECK restated his question and asked why they're asking for an extra \$200,000. He wondered if it was attributable to the increase in the cost of gas. **Mr. Eicholtz** responded that it's because they didn't have it in their base budget. They normally buy it in the fiscal year, and if they would have bought the gas in FY94 it wouldn't be there, but would be in their base. He reiterated that they bought the gas off a previous contract in July of 1993 so it didn't show up in the base budget. It is not an increase.

REP. QUILICI said **Mr. Eicholtz** should explain also that when they buy this gas at this lower price, they also sign an agreement that the gas service can be interrupted.

Mr. Eicholtz said their backup plan for the University is such that if there is an interruption that lasts a few days, they have the storage gas. But the units also have backup plans that they will institute if that happens.

REP. FELAND asked how much they mark up the price of the gas they sell to the universities and other agencies.

Mr. Eicholtz said they have a very small markup to cover the administrative costs. They allocate the gas on a daily basis so they can consolidate everyone's needs in their office. Then an employee calls the supplier to get that gas pumped into the system every day. So it's basically to cover some minimum costs of the program.

REP. FELAND asked what they end up selling gas for. **Mr. Eicholtz** said he didn't have that figure, but it's not a big mark-up, and is handled through the purchasing bureau. He said the employee who consolidates the needs spends about an hour a day on it. Basically, it's the cost of long-distance phone calls.

REP. FELAND said he believed it's a "rip off" because they charge so much to put the gas in, charge to store it, and charge to bring it back out again. He asked why they have to have it. **Mr. Eicholtz** responded that it's a decision they make because if they don't have some sort of backup on natural gas then the service could be interrupted. The storage gas provides a backup in the event there is an interruption in the service.

REP. FELAND said he differs with this program and stated that it is a "\$200,000 gift to Montana Power" because they're the ones that own the storage. **Mr. Eicholtz** responded that they end up using it at the end of the year. He described their two contracts for natural gas. One supplier is putting gas in on a daily basis and then they buy the storage gas. Towards the end of the year they stop using one supplier and use up all our storage gas and re-buy all the gas again. He said they do end up using it. They do have to pay some fees to put it in and out of the ground. He said they compare it to a full subscription where they could be buying the total bundled product from Montana Power Company. They are actually saving a substantial amount of money: about \$1 million per year.

Dan Gengler, Office of Budget and Program Planning (OBPP), said when they put together the budgets for the units that use this source of natural gas, they use a lower budget figure than would otherwise be used. He said there is a savings in the budgets for the universities and the Department of Corrections units that use this gas.

REP. FELAND said the savings they're getting is the difference between what the gas is purchased for in Canada and what the Montana producer pays in taxes. That was the savings on the contract. **Mr. Gengler** said he wasn't familiar with why the amount is lower.

REP. FELAND said it is lower. They don't get any taxes off the gas coming out of Canada and that's where this gas is coming from. The Montana producer couldn't compete with these contracts because of tax.

Mr. Eicholtz said this year they have contracted with Great Falls Gas which is expected to supply gas from the Shelby area, so it should be Montana gas this year.

REP. QUILICI asked about the present law adjustment for travel for the vehicle fueling program and requested an explanation. **Mr. Eicholtz** said the increase is made up of two things. Approximately \$4,500 per year is for property and supply. In the

base year, they didn't take as many trips, as they have in the past, to military bases to screen property for re-sale to local governments. Approximately \$6,000 in one year and \$7,700 in the other is requested in order to meet with local governments to convince them to join the fueling program--thereby eliminating the need to have underground storage tanks.

Motion/Vote: CHAIRMAN GRADY MOVED TO ACCEPT THE PRESENT LAW ADJUSTMENTS FOR THE PROCUREMENT AND PRINTING DIVISION. The motion carried unanimously.

CHAIRMAN GRADY commented on the printing division and said they may take a look at privatizing in the future, but he thought they were "running a good shop."

{Tape: 1; Side: B; Approx. Counter: 000; Comments: n/a.}

Motion/Vote: CHAIRMAN GRADY MOVED TO ACCEPT THE NEW PROPOSALS. The motion carried unanimously.

EXECUTIVE ACTION ON
State Tax Appeal Board

Motion/Vote: REP. QUILICI MOVED TO ACCEPT THE BASE BUDGET AND PRESENT LAW ADJUSTMENTS. The motion carried unanimously.

Motion/Vote: SEN. BECK MOVED TO ACCEPT THE EXECUTIVE NEW PROPOSAL FOR 1996 AND 1997. The motion carried unanimously.

EXECUTIVE ACTION ON
Accounting and Management Support Division

Motion/Vote: REP. QUILICI MOVED TO ACCEPT THE BASE BUDGET AND PRESENT LAW ADJUSTMENTS, WHICH INCLUDE THE ELIMINATION OF 1.75 FTE EACH YEAR OF THE 1997 BIENNIUM.

Discussion:

Ms. Perrigo stated that the reduction of 1.75 FTE each year is the net result of eliminating 2.0 FTE associated with the Appellate Defender Program (which has a statutory appropriation), and adding a 0.25 FTE to administer the State Fund Cost Allocation Program.

Vote: The motion carried unanimously.

Motion/Vote: SEN. BECK MOVED TO ACCEPT THE NEW PROPOSALS FOR FY 1996 AND 1997. The motion carried unanimously.

Discussion:

The committee then embarked upon a discussion of the Appellate Defender Program at the request of **Ms. Perrigo**. She said the Appellate Defender Program is currently operating under a statutory appropriation. The program has 2.0 FTE and a budget of \$100,000 a year. There is legislation introduced by **SENATOR GROSFIELD** (SB 83), which if passed in the form it is in right now, would eliminate the statutory appropriation for the Appellate Defender Program. If the statutory appropriation is eliminated, the program would need to be budgeted in the general appropriations act. Because the Appellate Defender Program is requesting an increase in their funding, the subcommittee may want to consider the level of funding that it would recommend be placed in the general appropriations act if SB 83 is passed and approved. The increase being requested by the program is an additional 1.5 FTE and approximately \$4,000 of additional funds each year.

The other issue the legislature may want to consider is, if SB 83 passes and the program needs to be budgeted, would it be administratively attached and budgeted in to the Department of Administration (which, according to the various players involved, would not be the choice of the Agency), or would it be set up like the public employees' retirement system and the teachers' retirement board, which are administratively attached but budgeted in a separate agency budget.

SEN. BECK said if they have a bill to eliminate the statutory appropriation, isn't that kind of a hint that the sponsor wants to eliminate the program? He wondered aloud if the subcommittee should simply not approve any funding for the program.

Ms. Perrigo replied that the intent of **SEN. GROSFIELD'S** bill was not to eliminate the program, but to eliminate the statutory appropriation.

Mr. Gengler explained that the Executive has no position on the budget of this entity, the defender appellate program, but he wanted to clarify the appellate defender district court reimbursements. Whatever they do with the appellate defender program, it will not increase nor decrease total state spending because if they increased the appellate defender program, that would mean less available funds for district court reimbursements. But if they reduced the appellate defender program, there would be more. The relationship between the two is that the work that the appellate defenders office does, to some extent, saves the district courts from having to ask for reimbursement for this type of work.

SEN. BECK asked **Ms. Perrigo** to explain if they don't approve any funding for the appellate defender program, would that pretty much eliminate the program, or would it have to be struck from the statute. **Ms. Perrigo** responded that no funding would

essentially mean no program, but there would still be statutory responsibility that wasn't being carried out unless the statute was eliminated.

REP. QUILICI stated that in the event something like that happened, they needed to look at the other side of this, too. This defender defends criminals in most cases, and that's kind of a sore spot with a lot of legislators.

{Tape: 2; Side: A; Approx. Counter: 000; Comments: n/a.}

SEN. BECK stated that he wanted to postpone action on this, and that he was going to get more information on the Appellate Defender Program from judges, and find out what duplication of this program's services may exist.

CHAIRMAN GRADY said they didn't need to take action that day.

Ms. Perrigo asked the chairman if it would be possible, before the subcommittees finished up their business, that this subcommittee come back to this issue. **CHAIRMAN GRADY** replied yes.

REP. QUILICI agreed with **SENATOR BECK'S** idea to contact the local district court and find out what they think of the program and if it's doing any good.

CONTINUATION OF EXECUTIVE ACTION ON
Accounting and Management Support Division

Ms. Perrigo told the committee that the executive is requesting that two different pieces of language be added to the general appropriations act. The first would appropriate up to \$50,000 general fund in fiscal 1997 to the governor-elect.

Mr. Gengler stated this appropriation would only be made if a new governor is elected. If the current governor were re-elected, he would not be a governor-elect. There would be no additional appropriation in that case.

SEN. BECK asked if this is something new or has it been done before. **Ms. Perrigo** said this is done all the time.

Mr. Gengler said this is in the budget once every other biennium, and the \$50,000 amount is consistent with the amount that been appropriated in the past. **CHAIRMAN GRADY** clarified that it won't get spent, or will be reverted back if a new Governor is not elected.

Mr. Gengler said generally what this money is used for is bringing on board the new governor's staff. When there is a governor-elect, there is usually a legislative session right around the corner, and oftentimes the governor-elect needs to

develop some amendments to the existing executive budget. So it is usually for the staff costs.

REP. QUILICI asked **Ms. Perrigo** to explain what funds remain in the Capitol land grant account.

Ms. Perrigo said that some of those funds are appropriated for General Services, some of them are used for long-range building, and if there are any funds that are in excess of planned spending, this language would authorize those funds to be used to pay principle and interest on bonds.

SEN. EVE FRANKLIN asked if there might be any language more specific to the \$50,000 for the governor-elect costs, because she wondered how much latitude a governor-elect would have to spend this appropriation.

Mr. Gengler replied that the current proposed language references a particular statute in Title 2, 2-15-221. He thought they could take a look at that and see how the use of this money might be limited. If it would be the pleasure of this subcommittee, they could write some additional limitations into this language.

SEN. FRANKLIN stated that she didn't feel a need for that if it is addressed in the statute.

CHAIRMAN GRADY asked why this isn't in the governor's budget.

SEN. FRANKLIN thought it might be independent of the governor's budget because if it is a governor-elect, it really isn't in the current governor's budget. It's really more of an administrative cost.

SEN. BECK read from Montana Codes Annotated that it is for general office space, suitable space in the Capitol, supplies, equipment, and telephone service for the period between the general election and the inauguration. He asked if this figure has ever been in the base budget. **Ms. Perrigo** replied no, it would be approved through a language appropriation by the subcommittee.

CHAIRMAN GRADY wondered if they should wait on action.

SEN. BECK asked if they should vote on it, since he moved it. He then withdrew his motion.

Motion/Vote: **CHAIRMAN GRADY MOVED TO ACCEPT THE LANGUAGE IN THE EXECUTIVE BUDGET FOR THIS PROGRAM.** The motion carried unanimously.

EXECUTIVE ACTION ON
Architecture and Engineering Division

Ms. Perrigo told the subcommittee that this program is funded with state special revenue from the long-range building cash account made up of cigarette tax funds. There weren't really any issues with the present law budget.

Motion/Vote: REP. QUILICI MOVED TO APPROVE THE BASE BUDGET AND PRESENT LAW ADJUSTMENTS FOR 1996 AND 1997. The motion carried unanimously.

Motion/Vote: SEN. BECK MOVED TO ACCEPT THE EXECUTIVE BUDGET NEW PROPOSALS. The motion carried unanimously.

Tom O'Connell, Administrator, Architecture and Engineering (A&E), then passed out a letter from the Governor requesting that the subcommittee add 3.5 FTE and approximately \$130,000 per year to this budget to deal with the workload that would result from the proposed long-range building program.

SEN. BECK asked Mr. O'Connell if it would be more appropriate to see just exactly where they are at and what they are going to do in regard to the long-range building program, and put this money into his budget either in the Senate Finance and Claims Committee or the conference committee if the program is passed as proposed.

Mr. O'Connell replied that's entirely acceptable, since he can't predict either where those building projects might go.

SEN. BECK said he would go to bat for him for the increase, and said the legislature didn't know exactly what they were going to do at the present time.

State Personnel Division (page A175 - present law)

Ms. Perrigo explained why it appeared that the State Personnel Division's budget was doubled from the fiscal 1994 expenditures in the 1997 biennium. The increase is related to the \$2 million per year included in this division for the personal services contingency. Although State Personnel wouldn't spend it, that is where it is housed in the Executive Budget.

SEN. BECK asked who has this contingency fund now? Ms. Perrigo replied that during the current biennium the appropriation was also housed in State Personnel Division, but expenditures from that appropriation are not reflected in the Division's base budget expenditures, because the funds were allocated to other agencies by the OBPP.

Motion: REP. QUILICI MOVED THE BASE BUDGET AND PRESENT LAW ADJUSTMENT FOR FISCAL YEARS 1996 AND 1997.

{Tape: 2; Side: B; Approx. Counter: 000; Comments: n/a.}

CHAIRMAN GRADY said they are discussing present law right now.

Vote: The motion to approve the base budget and present law adjustment for 1996-97 carried unanimously.

SEN. BECK asked for more information on the new proposals, and what would happen if they weren't approved.

Mark Cress, Administrator, State Personnel Division, said there are three proposals that really are separate subjects. If they don't get the hearing devices and interpreter funds, they could be subject to a lawsuit. It is also likely they may be forced by the courts or the U.S. Department of Justice to do something to provide access for hearing impaired persons. The PPP System will continue to operate, but they will continue to have problems. The flexible spending account (FSA) self administration new proposal is a way to have some leverage to get a reduction in the price of the contract. The cost is going up over 10% a year and the employees will have to pay a larger fee if it continues.

SEN. BECK asked about the personal services contingency new proposal, and said this is the big item and what would happen if it's not funded. **Mr. Cress** reiterated that the personal services contingency is separate from the Personnel Division budget. The purpose of that fund is to provide contingency monies to small programs that are unable to meet their vacancy savings requirement. The funds are allocated by OBPP, and while the State Personnel Division can apply for and possibly received some of the funds, it does not control or make allocations of the funds.

Ms. Perrigo directed the committee's attention to page A-178 where it says that the OBPP allocated the entire amount of personal services contingency funds budgeted for fiscal 1994 (I-89m) to state agencies. In fact, according to that information OBPP received, requests were received for \$1.7 million more than was available. However, it appears that in 1994 a significant amount of what was distributed was requested to help pay the costs of early retirement.

SEN. BECK questioned the need for \$2 million per year of the biennium and asked if it would offset vacancies savings in the smaller budgets and smaller departments. If the legislature didn't impose the vacancy savings, would the agencies still need the \$2 million.

Lois Menzies, Director, Department of Administration, replied that the need would probably be less. This is a new concept. She recalled last session that the legislature imposed a 5% vacancy savings rate, and as **Ms. Perrigo** reported, demands were greater than funds available. Consequently, the \$2 million is not an unreasonable amount if the legislature passes vacancy savings.

SEN. BECK didn't want to argue that point, but the point he was trying to make was that the legislature is playing games with vacancy savings.

CHAIRMAN GRADY said given **SENATOR BECK'S** concerns, he was not ready to vote on the personal services contingency yet, but wondered if they could wait to take action.

ADJOURNMENT

Adjournment: 10:00 a.m.



ED GRADY, Chairman



ROSA FIELDS, Secretary

Note: These minutes were edited by Terri Perrigo and Patti Borneman.

EG/rf

EXHIBIT 1
DATE 1/24/95
HB Admin

GENERAL SERVICES DIVISION

Department of Administration

January 1995

GENERAL SERVICES DIVISION

The General Services Division is a diverse organization with unified mission - that is, to contribute to the productivity of state employees by providing essential services in an efficient and cost effective manner. The bureaus of the division accomplish our goal by:

- ▶ maintaining safe, appropriate and comfortable work sites;
- ▶ assisting agencies in obtaining adequate space; and
- ▶ processing the state's mail in an accurate, timely, and efficient manner.

Maintenance of Work Sites

The Facilities Manager, the division architect, and the maintenance section combine resources to manage state owned facilities in the Helena area. The majority of maintenance services on the Capitol Complex - including elevator and mechanical maintenance, fire alarm maintenance, janitorial services, and sanitation and pest control - are provided through contracts with private service vendors. We also contract for night watchman services to ensure the integrity of the buildings after working hours.

As a compliment to the contracted services, we provide routine building maintenance including minor repairs and maintenance, lock and key management, remodeling and minor construction services, painting, and electrical work with an on-site crew of 12.

In addition to these routine services, we provide building project management and coordinate contracted construction both on and off the Capitol Complex.

Leasing and Space Allocation

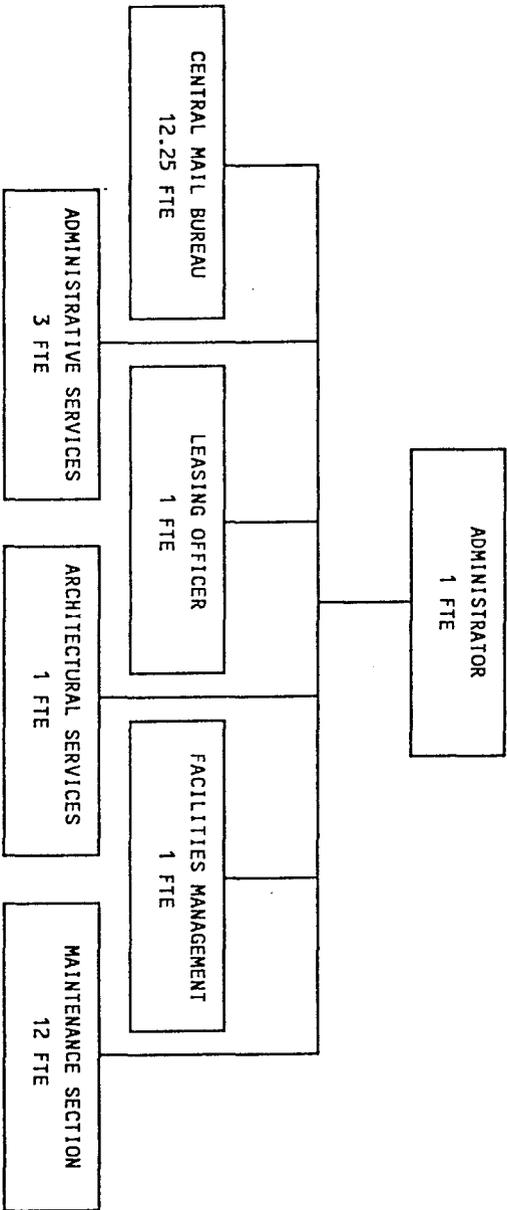
General Services' leasing officer performs space analysis for state agencies and assists them in finding adequate and appropriate facilities for their programs. All state leases must be approved through the division, and to simplify this process, we have developed standardized contract language and guidelines for lease approval. Our participation in lease negotiations results in significant cost savings for the state.

Central Mail

Mail Processing sorts and delivers incoming state agency mail in Helena, and automates and processes outgoing mail on a daily basis. This bureau operates uniquely as a nonprofit business within state government. No agencies are required to use the services of mail processing, but because of our cost savings and value added services, all Helena area agencies are our customers at this time.

Administrative Services

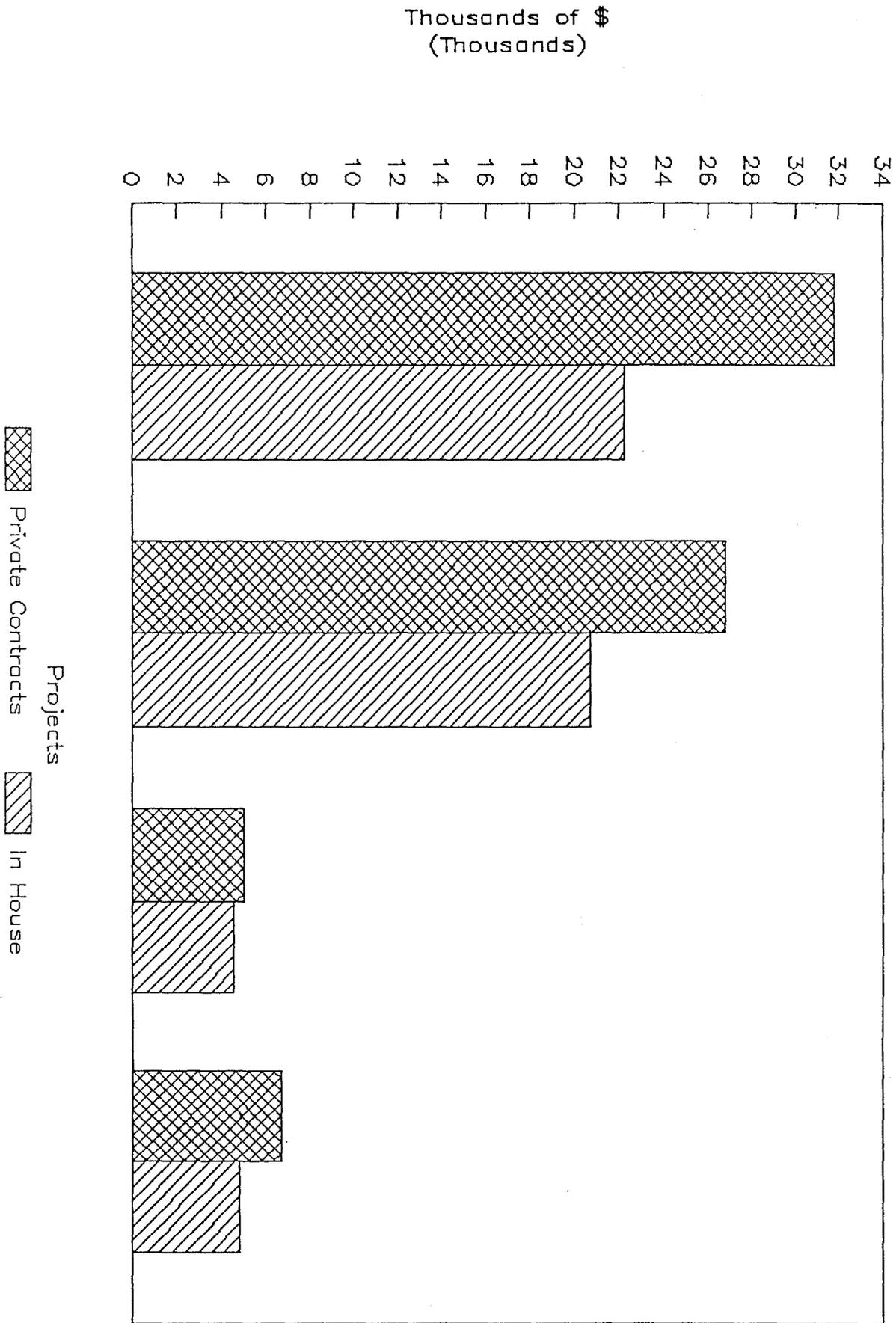
Our small administrative services section provides vital backup for the General Services Programs. The receptionist logs and directs hundreds of work order requests each week, and dispatches emergency services as required. Further, this group allows the division to be responsive to a wide variety of maintenance and contracting needs in Helena as they quickly and efficiently process bid documents and contract awards.



GENERAL SERVICES DIVISION
 JANUARY 1, 1995

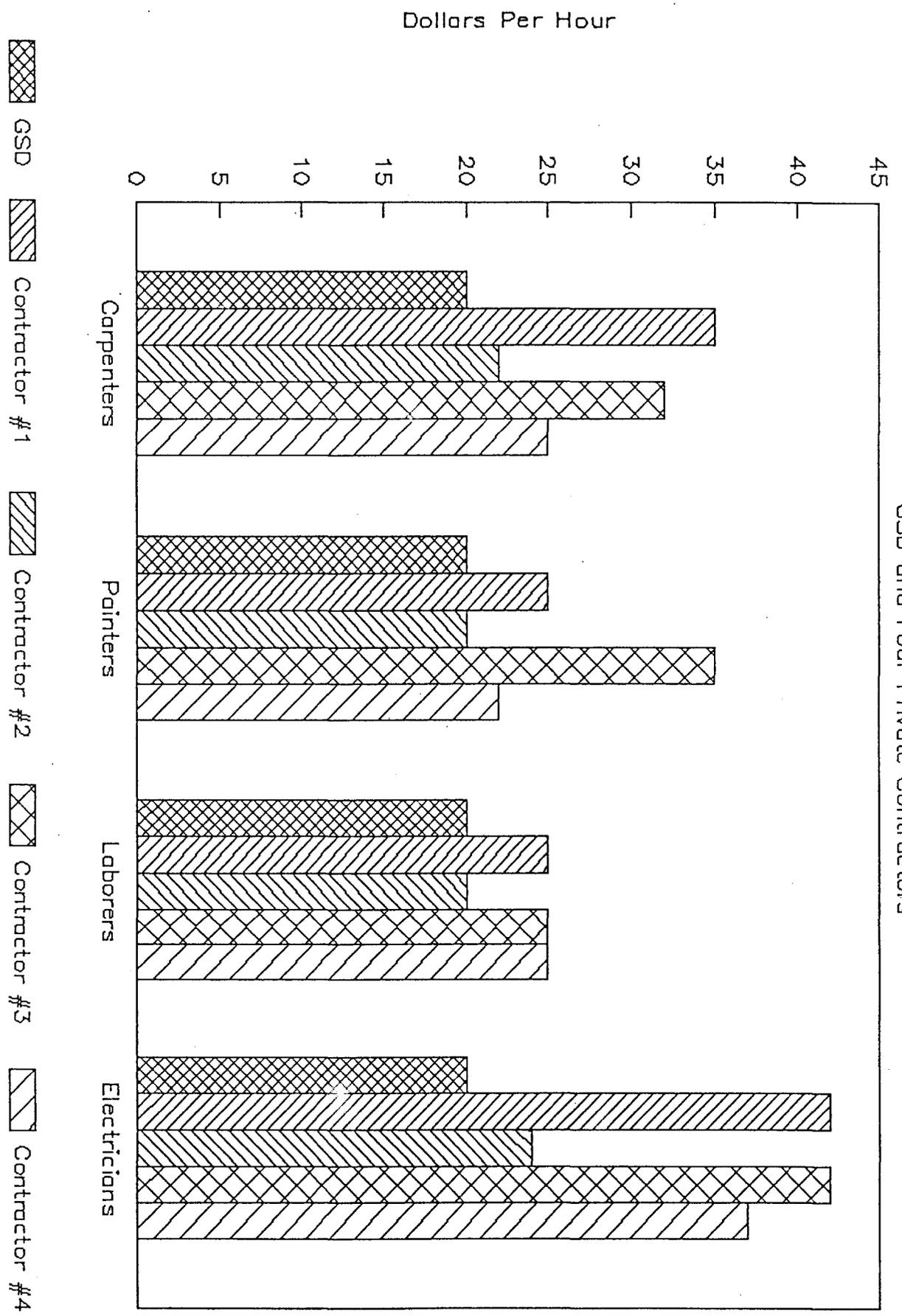
Contracted VS In House Costs

General Services Division



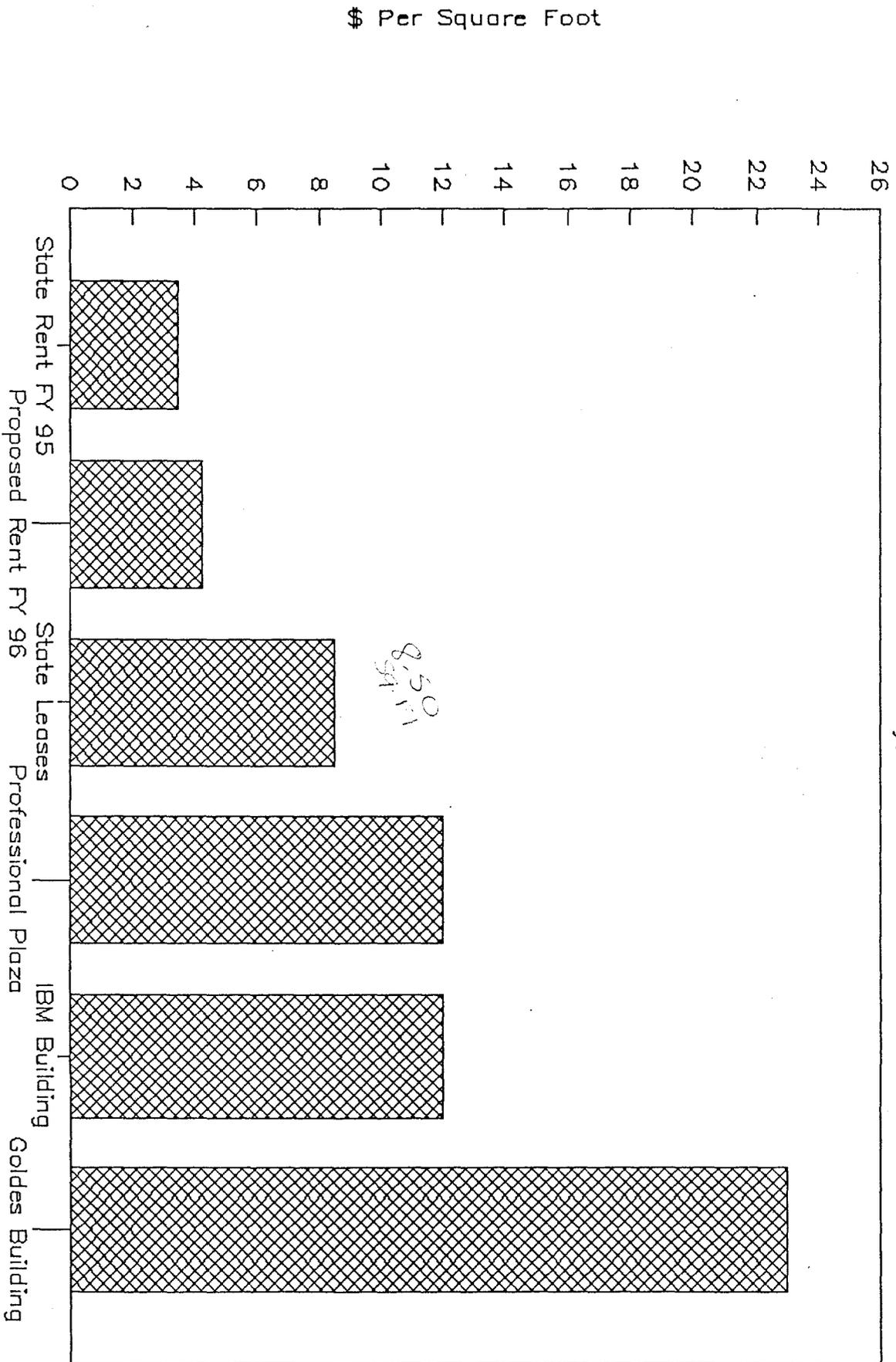
Summary of Work Costs

GSD and Four Private Contractors



Lease Rate Comparisons in Helena

January, 1995

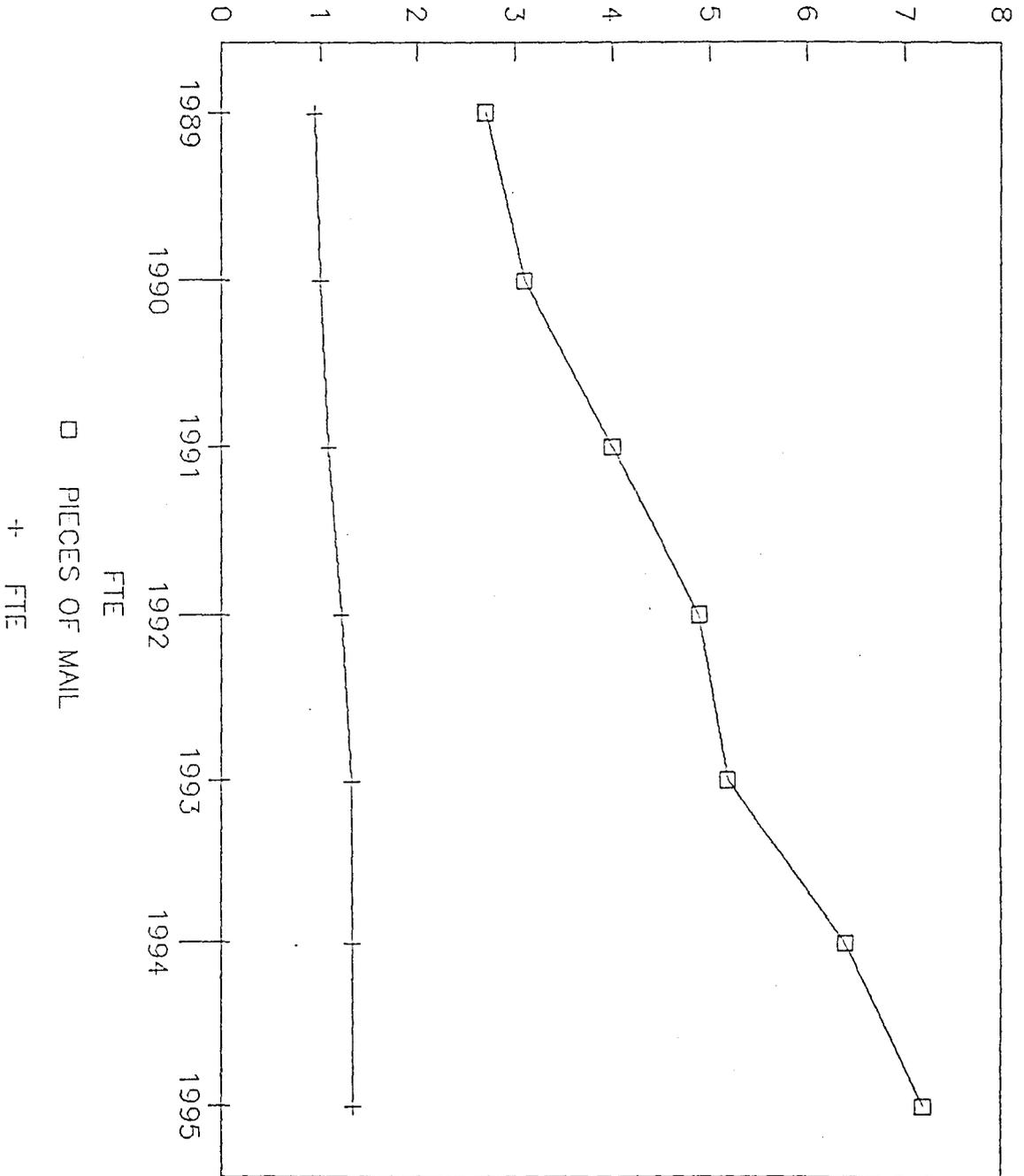


MILLIONS OF PIECES

10'S OF FTE

PIECES OF MAIL PROCESSED

COMPARED TO FTE LEVELS - 1989 THRU 1995



Goal #1 To maximize the cost effectiveness of central mail processing for customer state agencies.

- Performance Measure/Target: Maintain aggregate overhead to postage ratio of 10.2% while maintaining deadhead rates and increasing the cash balance of the program by \$10,000 per year.
- Performance Measure/Target: Increase the ratio of automated to nonautomated mail by 10% per year over the biennium.
- Performance Measure/Target: Increase total discounts generated in the value-added refund program by 5% per year over the biennium.

Goal #2 To consistently achieve a high degree of customer satisfaction with the timeliness and quality of mail processing service.

- Performance Measure/Target: Percent of quarterly mail test samples meeting the following delivery standards: Incoming mail delivered same day received from USPS; deadhead mail delivered within 24 hours of pickup by central mail; outgoing mail delivered to USPS by the same day it is delivered to central mail, unless a hold is requested by the customer.
- Performance Measure/Target: Ratings of customer satisfaction based on a survey instrument administered twice each year of the biennium. The program will design, in consultation with major customers, a survey instrument and will determine how results will be scored and what rating constitutes acceptable service.