

MINUTES OF THE MEETING OF
HOUSE APPROPRIATIONS SUBCOMMITTEE ON ELECTED OFFICIALS
MONTANA HOUSE OF REPRESENTATIVES

January 25, 1977
8:10 a.m.
Room 428A
State Capitol Building

The meeting was called to order by Chairman Lynch with all members present. The subject of hearings: Department of Highways: Maintenance - "PBS", review.

Mr. John Prebil, Administrator of the Centralized Services Division, distributed and explained a memorandum prepared for committee members on Response to Committee Questions (attached). Regarding the Federal Apportionments list, he added that 1979 is anticipated to be about the same as 1978. Referring to question 4, it was explained that if federal funds had not been available, the level of maintenance would not have been as high. Question 5, Mr. Prebil commented that about \$2,000,000 to \$3,000,000 would be an adequate contingency fund. Question 6, he explained that the figures listed are net amounts, and added that an overall picture is more accurate than month to month as there can be great fluctuation because amounts are not collected the same time every month. The mineral royalties are the actual receipts, more than \$2,200,000 were collected last year. In response to discussion on question 8, Attorney Jim Beck explained the two bills pending relating to this topic. He also explained that counties are being relieved of costs of maintaining 334 miles of secondary roads and are not picking up additional costs in lieu of this amount. Mr. Prebil pointed out that if they don't get approval on the one-quarter cent (1/4 ¢) tax, they don't request approval of this modified maintenance budget.

Mr. Prebil then distributed the attached memo to committee members explaining the modified maintenance budget (attached); these are additions and completely contingent on the passage of the bill giving a 1/4 ¢ tax increase. Mr. Gosnell reported that the \$1,000,000 for the highway safety program and the request for \$42,000 could be funded but that would leave a very low balance at the end of the biennium. Traditionally there has been \$9,000,000 to \$10,000,000 in the balance at the end of the year. The present accident prevention unit would be funded through the Department of Justice, General Funds and Highway Patrol funds.

Mr. Gosnell will present a status report on this budget at the meeting of the committee on January 26. The reclassification package may be able to be funded without increasing taxes if we have nine months of good weather and the contractors come in on time. Mr. Prebil asked the committee to consider the fact that they need a working cash balance; the construction is not based on full utilization of the funds.

It was explained by Mr. Prebil that the department receives no interest from the state on money invested; they receive no earnings on funds they have, except for interest from the highway complex building. As a means of comparison, Mr. Gosnell brought up that he worked with the highway department in Maryland and the department receives interest from the trust fund; it is done in other states also. The federal government does reimburse the department for funds they expended. The modified budget is based on the level of services they perform in each locality listed, it was explained by Donald Gruel, Administrator of the Maintenance Division. Mr. Prebil said a five percent (5%) inflation factor would have to be added. The department uses buildings that are available to them within counties and towns and they can work out agreements for them but there are not always buildings available.

A memorandum to the committee members on the 1979 Biennium Maintenance Program Budget Requests was distributed and discussed (and is attached). They request that \$93,000 be deducted from the Maintenance Bureau and \$122,000 be added to the Equipment Bureau's budget. They feel they need the vacancy savings funds reinstated into the budget.

In response to a comment about the hiring of women in the division, Mr. Gruel indicated that there is one woman in the Billings area working a snow plow, and there are "flag girls" in the division that do a very good job. The number of people the division requires in a season for road work depends on the weather; if it is a bad winter, they will need to hire more workers.

The requests under the repair and maintenance category were elaborated by Mr. Prebil, explaining that some funds had been recommended that they did not request, and if they were allowed the requests made in the budget presented today they would not expect to also receive the other funds. On the buildings and grounds request, it was explained that the Department used an inflation rate of 8% in each fiscal year over the 1977 base, while the fiscal analyst used a 10% rate in each fiscal year over the 1976 compounded base. For the poles, wires and lighting request, Mr. Gruel explained that each light standard that is replaced costs about \$700. In 1975 and 1976 the department was fortunate to be reimbursed for damages caused to poles, but they cannot be assured that they will always have this kind of situation. Sign materials requested are for replacing and upgrading signs, which have a life of about seven years (the new high intensity signs have a twelve year life, but are not being used by the state yet). The brown signs proclaiming the "Bicentennial County" were county expenses and will be taken down this year; they cost between \$25 and \$50 a sign. On the oil mix materials there was a discussion on the use of road oil. Mr. Mark Braut, Assistant Administrator of the Maintenance Division, commented on the experiences Kalispell had in this regard. Mr. Gruel discussed the problems they are having with depletion of gravel stockpiles, which are generally the cheapest buy for the highway department it was pointed out by Senator Lockrem.

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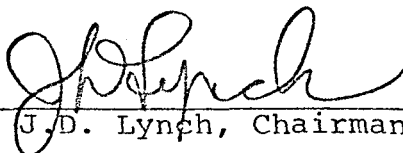
The Governor's office has submitted a revised maintenance division packet, the priority budgeting system ("PBS"). Mr. Gosnell explained that this would be an alternative way to budget this division. There will probably be more of this type of budgeting if some of the bills go through for zero-base auditing (which is basically the same as the PBS.)

Larry Huggins of the Budget Office reported that this is one of several ways to look at a budget. Under HB 643 agencies were assigned to be on a pilot program for this type of budgeting. The PBS gives more identification of different aspects of the program, and looks at what the program's goals or end results are rather than strictly financial. The idea of PBS, he stated, is basically to try to tie a particular output back with the cost; look at what the money is used for.

Mr. Gosnell then said that from an analyst's viewpoint, the dollar amounts must be examined; look at a priority or a policy. Under the PBS, for example, the division could say they do or do not want more stockpiles specifically. A decision under the PBS would be made trusting the department's submissions and looking at the package they request. The Highway Department is an ideal department to look at under PBS because there is only one source of funds. The weakness, Mr. Gosnell feels, is in the analysis. Mr. Huggins replied that this approach is an attempt to make the agencies more accountable and this is a way to evaluate agencies. One real problem, he explained, is that the agency can make estimates now, but at some time a system will have to be devised that will do the estimating. Chairman Lynch was favorable to the idea that departments would have to justify their existence on a regular basis.

Senator Regan, on behalf of the committee, expressed appreciation for the work the department went to in order to present helpful information to the committee members. Chairman Lynch felt their presentation was one of the best he had ever seen. He stated that the committee may ask representatives of the department to join the committee again when they are working on action to take on this budget. In earmarked funds, the LFA and executive budgets are about \$1,800,000 apart, but in total dollars there is an even larger difference, Mr. Gosnell explained.

The meeting was adjourned at 9:20 a.m. The next meeting will be held Wednesday at 8 a.m. with the committee meeting in executive session, to be followed by the Department of Administration at about 9 a.m. On February 1 at 4 p.m. in room 225, the Administrative Code Committee will join this committee for a meeting relating to the Administrative Code.


J.D. Lynch, Chairman

jlm