

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

February 1, 1977
8:10 a.m.
Room 428A
State Capitol Building

The meeting was called to order by Vice-Chairman Regan, with Senator Lockrem and Chairman Lynch excused, all others present. The subject of the hearing this morning: Department of Administration: Data Processing.

There is a large variance in the budgets, Mr. Gosnell explained, because he held off on the expanding of the level of work and the consolidation of the computer programs until more is decided about the outcome of these. He pointed out that this is a revolving fund, and added that the dollars in this budget don't create a problem for him.

The Data Processing Division is both a service and a control agency, and this position has created some problems for the division, Mr. Doyle Saxby explained. He indicated there are several issues to be considered by the committee. 1) The operating plan still needs more work. This includes considering putting under the budget office the responsibility of deciding who is to have the computer programs. This is not a problem in the budget, however. 2) Consolidation is an issue itself. Mr. Saxby reported that a letter of intent was signed in about March, 1976, by the Administrator of the Highway Department and the Administrator of the Department of Administration indicating that the Department of Administration would have control of the consolidation. 3) Cash balance will be discussed by Mr. Troy McGee, Administrator of the Data Processing Division. Mr. Saxby is basically in agreement with his conclusions. 4) The staff turnover is a great problem for the division and will be discussed further during the hearing.

A packet of information was distributed by Mr. McGee explaining many phases of the division. He discussed the information relating to the computer purchase, adding that it was a "good buy" because they paid about \$1,900,000 for it and it's resale value now would be about \$1,800,000; the current price for new computers is about one-quarter million dollars higher.

In 1972, the division arbitrarily set a rule for a 25% cash flow reserve for the next year. They have rather recently realized that this was too high, and are in the process of reducing it to a 16% level which should be accomplished by July 1, 1977. They had previously used a three-month analysis, and have changed this to two months. In response to a question about this, Mr. McGee explained that they

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have large sums of money to pay before they bill for the services; a great bulk of the work is paid within thirty days after billing. Equipment costs and payments must be paid in advance (\$65,000 monthly in time payments); supplies and miscellaneous items must be purchased before they are consumed. They keep a one year inventory on hand because it enables them to purchase at reduced rates when they buy in large quantities and it allows them to ride over certain problems that may arise in the industry (for example, strikes).

Mr. Gosnell reported that the division still has a high cash balance with their current level being about \$470,000, or 23% to 25% of their total budget. Mr. McGee explained that they reduce the cash balance by bringing it below the zero point.

The overall rate structure is going through changes, with a 9% reduction made on July 1, 1976. Also a 40% reduction in teleprocessing charges was made and 20% set up for processing on other than the prime shift. December 1 they made another 30% reduction in the overall rate structure, and they increased the discount to 25%.

In reference to page 3-30 of the "Historical Perspective", Mr. McGee added that the rates were not changed during 1975 and 1976; this was because the division had told the legislature that the rates would not have to go up with the addition of this new computer. To be sure they could stay within their budget, they did not give a rate reduction that year, but rates are again going down.

In order to address concerns about certain rates, particularly the division in comparison to the highway department and the university at Bozeman, Mr. McGee explained that the computer in Bozeman is not being amortized at all and therefore they are not able to compete with their lower rates. The highway department is basically a shifting situation. In fiscal year 1974, he reported, the division's rate was 40% lower than the highway department's; last year the division's rate was 10% to 15% higher than the highway department's. This is primarily because the highway department purchased their computer at a time when it had a high utilization and two years prior to the purchase made by the department of administration. As the utilization on the machine goes up, the rates go down. A study would help determine the fluctuation in rates in relation to the financial situation. While they feel consolidation will be reaffirmed, they are in support of another study on this, partially for public relation reasons and for improving delivery of services and back-up service. Mr. Saxby estimated the cost of the study to be between \$5,000 and \$10,000. Consolidation will not take place before fall; it is planned for about October 1, 1977.

The division is proposing a "fail soft system" be established which would give the capability of giving power to our computer system should there be a power failure. These machines are very susceptible to power. This system would eliminate 70% to 80% of all power fluctuations

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and will bring the system down "softly" while still maintaining the data. An alternative proposal would be for full back up, by using a generator which would come into the system after 15 minutes.

Senator Regan directed the discussion to the question of their constant turnover, asking what their explanation is for this situation. Because of the turnover rate, they are not providing the services they should and it is costing more money than it would otherwise. The problem started last March, Mr. McGee observed, when in a period of sixty days, seven professional and semiprofessional people left the office. He conducted exit interviews with almost all of them and found in most every case the reason for leaving was for salary and/or "career path" (which is essentially the same as salary). He does not feel they have management problems in the sense of personality problems. Senator Regan suggested they pay them more; since they have the funds, they should use it. Mr. Ed Eaton of the budget office said there is a problem with classifications and the effects changes would have at other levels. Mr. Gosnell stated that a system analyst in this state is actually a national market analyst, they have nothing to do with what is going on in the state; and the turnover rate is high because of the type of work. He feels salary is a major part of the problem, though. There is a very volatile environment they are working in, Mr. Saxby commented. There are always jobs in this field and in Montana they have reached the top when they are working in this office. The only place they can go for a higher position would be to a different area, such as Seattle or San Francisco. Mr. McGee reported that one most recent resignation was made in order to take a position that paid \$7,000 more annually and also would pay part of his education toward a master's degree. He said that along these lines they are apprising their staff of the fact that they will provide them with education and they are actually doing this at the present time. They should, Mr. Crosser feels, broaden their base to have the back up necessary and to cover their needs. Mr. McGee said they now have five trainees now, where they have had only one or two in the past.

The pay and grading system is a major problem area, they have found, and the inability to hire at steps other than step 1. Mr. Les Simpkins, of the budget office, said that consultants did make a recommendation. He believes that if the executive is going to adopt the plan, there will be a study of training for scales and upgrading. There will have to be cooperation with the personnel division, and they will have to do something with the payplan itself. He suggested changes to enable them to have, for example, more than one GS 17 in a section and not all at that grade level would have to be supervisors. Mr. Gosnell suggested that consideration be made of the federal pay plan which has different types of grades for different types of positions and occupations.

The digitizer was originally not recommended for purchase by the Department of Administration. It has not been as productive as it could have been and now the resale value of it is quite low. It is functioning, Mr. McGee said; the hardware has done what it is suppose

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to do. He explained how this machine operates and that it was intended to find corridors for power lines. Mr. Saxby said that if there is going to be consolidation, it will provide a resource that has already been paid for. Mr. Eaton added that this was purchased as a proto-type model, an experimental piece of equipment. It has a limited resale value and to dispose of it was not recommended by him. He feels that we have it now, have it in the proper place, and with a minimum of maintenance expenses. The division would back off of the request for \$65,000 and would use their inhouse expertise and utilize it somewhat.

Mr. Gosnell reported the difference between the two budgets is about \$1,100,000 now and the main issues now are consolidation and the expanded work base. He said their budget is still lower than the anticipated needs, but Mr. McGee stated their utilization is running higher (10% to 11% higher) than they had anticipated. In referring to page 3-30, Mr. McGee added the following information: In 1972-73, they showed a 82% growth rate; 1973-1974, 114%; 1974-1975, 41%; 1975-1976, 34%; and presently they are about at a 16% growth rate. The projected present growth was 25%.

Representative Wood asked if the highway department's computer system is compatible to the division's since they are considering consolidation. Mr. McGee said that it was; but the computer in the superintendent of public instruction's office is not compatible and the one at Bozeman is not. The university is going to have to replace their computer in the near future and will probably have one that is compatible at that time. The other computers will still be used when consolidation has gone into effect. The computers are in a room which is a value, they have a very good fire system and burglar alarm system.

Mr. Saxby concluded the hearing with saying that there are savings in consolidation because they don't need two full sets of operators, two complete staffs or other duplications. The school systems in other areas should be consolidated in their own areas although they are not consolidated with the rest of the system because of the high line costs in Montana, Mr. McGee explained in response to a question by Representative Gunderson.

The meeting was adjourned at 9:30 a.m. The other hearing scheduled for this date will be added to the agenda for Wednesday, February 2. Senator Regan asked that each segment limit themselves to about 20 minutes tomorrow.


J.D. Lynch, Chairman

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