

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

February 2, 1977
8:10 a.m.
Room 428A
State Capitol Building

The meeting was called to order with all members present. The subject of the hearings: Department of Administration: Central Payroll; Management Systems; Records Management; Board of Examiners; Teachers' Retirement; Public Employees' Retirement System; State Tax Appeal Board.

Central Payroll: There is a proposal, Mr. Gosnell explained, to move the payroll system from the auditor's office to the department of administration. Mr. Crosser commented that they are holding a neutral position. They had said previously that they would not support the move because they get several new programs each time the legislature meets, but they will do what the legislature wishes. He could not find fault with the recommendation to move the function and felt it was a logical conclusion on the part of the legislative fiscal analyst. He stated that his office works very well with the state auditor's office and that Ms. Kathy Behm has done a very good job in managing the central payroll division. It must be maintained as a separate division. One of his objections to the integration of this system into accounting is that it may violate proper controls.

Management Systems: Overall, the LFA recommendation is higher than the executive budget recommendation, Mr. Gosnell explained. He feels, without sounding too critical, the division is trying to do too much and they are not able to get enough accomplished. He recommends the addition of a management analyst to keep the record base current and develop the university accounting system and other areas which are high priority for the state. The LFA recommendation is 2 FTEs over the executive and slightly under in operating expenses (postage and travel are affected). They do need the travel money because the new analyst would be required to travel. They also need the funds for a typewriter, and Mr. Gosnell felt these should be added back in. Mr. Ed Eaton, of the budget office, could not find fault with the LFA's analysis or recommendation. There is a heavy workload and it is just a question of funds available being applied to the critical needs. In response to a question by Senator Lockrem, Mr. Gosnell indicated that his recommendation would hold the line on the fixed asset accounting system.

Records Management: Mr. Gosnell explained that there is very little difference in the total dollars in the budget, but a major difference in the funding between the executive and the LFA. Revolving funds had been used for microfilming. The division made equipment requests

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that the LFA could not justify, also. For the microfilming, Mr. Gosnell felt that general funding should be used now, and the users (agencies) should be charged, then later change this to a revolving fund. He felt there would be a possibility of the agencies using the services available in the community rather than come through this division. Mr. Eaton commented that the division would probably have to charge slightly higher rates in the earlier stages of this operation, for the same reasons that were explained by Mr. McGee at the Data Processing hearing; when they are able to amortize, the rates can drop. If this service can be purchased at a lower rate in the community, the agencies would probably follow that course, Mr. Eaton felt. He indicated he would prefer this be on a revolving fund. Mr. Crosser stated that since this is a relatively new program, he feels that it still should have general fund support to get the basic operation off the ground.

Mr. Rod Sager, Administrator of the Management Systems Division and also handles this program, addressed the issue of services in the community. He said the county is receiving services from Spokane for a type of microfilming not available in the state of Montana and that the small volume does not warrant the purchasing of this type of equipment for the state. The services they are requesting funding for are not available within the state. The agencies could go outside the state; however, because of the slower turnaround time and the poor communication channels when working outside the state, he felt that the agencies would use these services in his division. Since the program was developed two years ago, he feels they have come a long way, but they could accomplish much more if allowed to purchase this equipment, which would also satisfy the needs of the state and cut down on the amount of paper.

The questions are over \$64,000 in general fund money. Senator Regan asked if the agencies would have to take it out of their budgets. Mr. Eaton explained that under the executive budget proposal the division would have to generate the money; under the LFA recommendation, the money would be put into the budget. He felt the agencies might have to be more discreet with the items they want to microfilm. Senator Regan asked if this was their way of holding down on what is demanded; it is a means of controlling and tightening the budget, Mr. Eaton responded. Mr. Gosnell commented that the funds here are also being requested by other agencies; he has identified those funds in the individual budgets. It will be general funding in this budget or in another one, he felt.

Board of Examiners: Ellen Feaver, Deputy Legislative Auditor, distributed their report to the committee members. Mr. Gosnell reported that he brought the operating expenses down to \$1650 for 1979 to support the two staff members that work for the board when they meet in Helena. One of the questions brought up was regarding the Vietnam Honorarium. There are no funds requested for this for 1978 and 1979. However, there is a bill proposed that would extend this to July 1, 1977; but this would mean that they would have applications to process

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into 1978. Bill McEnaney, Executive Secretary of the State Board of Examiners, reported they now have about 200 applications to process and they are still receiving one or two each day. They now have only two employees; one is the director and one is the secretary. After June 30 the function could be transferred to the Board of Examiners office. They were planning to close the program as scheduled on December 30, 1976 but kept it going when they were advised of the bill. HB 376 has already passed the House. Mr. Gosnell indicated that the funds are there, it's just a matter of getting the FTEs approved.

Mr. McEnaney said the division has complied with the auditor's report in every aspect, except the fixed asset item.

The LFA cut about \$9,000 for 1978 and \$10,000 for 1979 from the operating expenses; Mr. McEnaney explained that this would be cuts they can't afford. The Executive budget also cut out \$1,000 each year for microfilming expenses. The LFA did allow the microfilming funding, but made cuts in supplies, materials, communications and transportation, and repair and maintenance. In each of these areas he did give them an increase over their 1976 budget but just did not allow what they had requested, which was in some cases about double their 1976 expenditures. The agency has also requested \$11,950 each year for sound equipment for the Senate. The contract for this expires in March, 1977; renegotiations will be conducted since there may be annual sessions.

In response to a question from Senator Regan, Mr. McEnaney explained the functions of this division. They have many statutory duties, primarily with the long-range building program; they issue and sell bonds for that program and other programs. They also award all contracts and have responsibilities related to that. The board meets once a month by statute.

Mr. McEnaney felt that the LFA recommendation of \$350 for 1978 and \$400 for 1979 for office supplies, including stationery, would be adequate, even though they requested \$475 and \$525 for 1978 and 1979, respectively (they spent \$169 for office supplies in 1976). Office supplies also includes photo reproduction expenses and printing, but does not include postage.

Referring to page 10 of the auditor's report, Senator Regan asked Mr. McEnaney for a comment on this. He said that the statutes are being recodified. The board will be reviewing its functions.

Teachers' Retirement System: It was decided by the committee that they would look at the retirement systems separately and individually. Mr. Gosnell funded basically at the current level with some reductions. He is under the executive budget because of the consolidation request. The difference in the teachers' budget is in the turnover costs and fringe benefits and personal services. The difference is really about \$10,000 because of the way the LFA carries agency funds through.

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Mr. Bud Morris, of the Teachers' Association, asked for an explanation of the differences because they have been unable to recognize it and pinpoint it in the rate of inflation. Mr. Eaton stated they funded basically at the current level. Mr. Gosnell stated the LFA used a 2% vacancy savings factor while the agency used a 5% factor; the LFA also used the 1976 budget as a base and the executive budget was based on the 1977 budget. There was also a request for additional personnel that the executive budget did not recommend or include. Chairman Lynch asked if they would be able to live with the budget; Mr. Morris responded that if they couldn't, they would have to come in for a budget amendment.

Public Employees' Retirement System (PERS): Mr. Gosnell reported that on this budget he is substantially under the executive budget. If there is a merger of the retirement systems, they would not need the two FTEs requested; without a merger, they would need the two FTEs.

Lawrence Nachtsheim, Administrator of the PER Division, stated that the funds that were cut for travel expenses are required; there was one position that was not filled last year but should be filled soon. The position requires full time travelling, as directed by the federal government relating to social security personnel. The two FTEs they requested are the same positions they requested in the last budget; they are greatly needed because of the increased workload. The division has taken on the police retirement system and has created a sheriffs' retirement system.

The division may be going on an automated data system, but Mr. Nachtsheim feels this cannot replace the work done by a person in handling applications for benefits and processing. He also pointed out that individuals do not want to discuss their retirement problems with a computer, and often the computer cannot resolve individual matters.

Mr. Gosnell and Mr. Eaton will work on a budget for autonomous retirement systems.

State Tax Appeal Board (STAB): This is the most controversial budget within this department and has the greatest impact on the whole property tax question. Mr. Gosnell figured the budget as he did because the anticipated appeal did not materialize. The decision as to whether this should be a full-time or a seasonal board will have a great impact on the budget. Both the executive office and the LFA office budgeted the board as state employees.

Board member, Bob Raundal, stated that the LFA analysis in the committee members' manuals explains the situation quite well. He sees the changes as being implemented by January 1, 1978; but the workload could reflect this increase this year if notices are issued. Before the governor's rollback, they had requests for about 14,000 appeals; after, their workload was very light.

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Mr. Raundal explained that under S.B. 118 the board's season will correspond with the date for turning in assessments; the county boards would then start in April and go through June, rather than the past June through July meetings.

The question of the employee status question was raised by Senator Lockrem, with Mr. Raundal explaining that the legislative auditor has put in a bill in the House making the attorney general opinion final on this matter. He also acknowledged that he was the worst offender of the nonchargeable absences, having been off for about 54 days while recovering from heart surgery. He stated that he worked at home most of the time and was able to keep up with all of the hearings in that manner. The policy of leave and being treated as public officials was a carry over from the board of equilization where they were never subjected to sick or annual leave charges. Mr. Raundal had worked for the department of state lands office and had many hours of sick leave, two months of annual leave and many hours of compensation time when he left. At the STAB, the policy was different at the state lands office; therefore, they obtained the opinion of two attorneys (the attorney general's and the agency attorney's).

The auditor's report indicates they feel the board has too much space for their needs (this was reported by the state architect's office). Senator Lockrem requested a response from the board to this evaluation. The board has a contract which lasts about two more years for the space they are now in; they are attempting to break the contract or find an agency to sublease this space from them but have had no luck yet. Mr. Raundal said they fully agree with the report in this respect and will continue their attempts to take remedial action.

Senator Lockrem asserted that this committee is in a position to implement the auditor's report and that they have a responsibility to take actions on this board, even if they have to do it with a dollar sign. Mr. Raundal responded that the appeal system is working quite well to the satisfaction of the taxpayers; but the changes are up to the legislature. The board of appeals had more than \$850,000,000 worth of property come before them.

When Helen Peterson was hired as a board member, she stated, she never questioned the opinion of their attorney; she was hired to do a job and was going to do it. She feels that the board cannot operate as a part-time board because they must have a pretty thorough knowledge of the law before going into a hearing; this requires preparation. The cuts in the budget she said would affect the county tax appeal boards. Each county board consists of three members and a secretary, all of which must be paid. The expenditures vary in each county with the highest expenses having been in 1975 in Gallatin County when they processed 1,500 appeals. There is an absolute inability to predict how many appeals they will receive in any county and how many of those will go on to be heard by the State appeal board; the number of reappeals is about one out of every five.

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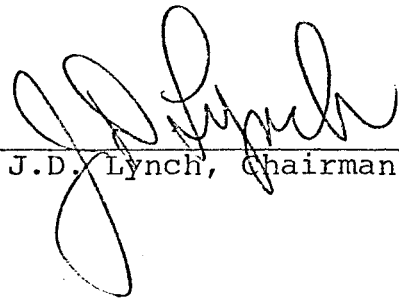
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Mr. Crosser reported that the agency is bringing the board of appeals under the centralized services as far as processing of claims and submission of payroll. They are considering working on support in other areas. Another reduction in expenses may be realized because there is one staff member gone now and will probably be replaced by a part-time employee.

Out-of-state travel funding is requested to enable one or two members of the STAB to attend a western states tax administrators conference once a year. Members of tax appeals boards from Washington regularly attend and other states do also, Mrs. Peterson said. She feels there is a good deal of useful information presented at these conferences that benefit the STAB members.

Chairman Lynch closed the hearings since there were no further questions at this time; but he indicated that the committee will spend more time on this matter and may request representatives of the STAB to return at a later time. Mr. Raundal invited the committee members to visit them in their offices any time they can help them.

The meeting adjourned at 9:30 a.m.



J.D. Lynch, Chairman

jlm