

MINUTES OF THE
LEGISLATIVE, JUDICIAL, AND ADMINISTRATIVE SUBCOMMITTEE

January 12, 1979
8:30 a.m.
Room 132
State Capitol Building
Tape Data: 1:2-4:232-1202
2:1-1:0-442
Subject: Budget Hearings
Sec. of State, Campaign
Pra., State Auditor

The meeting was called to order at 8:35 a.m. by Chairman Menahan. Other members present were Representative Wood, Representative Hand, and Fiscal Analyst JanDee May. Excused were Senator Lockrem and Senator Thiessen.

The hearings for the day were Secretary of State, Commissioner of Campaign Practices and State Auditor.

STATE AUDITOR OVERVIEW

Management and Control - Program 1

Jim VanKoten, budget office analyst, stated that the State Auditor has never had a supplemental request, and has reverted monies not spent in the past.

The difference in personnel is that the Fiscal Analyst has recommended vacancy savings. Executive does not use the vacancy factor. The Executive recommendation was approximately \$20,000 higher than the Fiscal Analyst recommendation the first year and about \$30,000 higher the second year. At the end of last June they reverted \$17,028. Total difference for both bienniums, \$30,000.

The Fiscal Analyst noted that inflation increase of 27% for supplies and materials and 30% for communications were requested.

The overall increase request was 18%. The Fiscal Analyst's main area of question was that in the last session the Legislature appropriated specific funds for equipment. The money was used to purchase other equipment and now they are requesting the money again for the same equipment. There was further discussion on the use of appropriated funds.

The Fiscal Analyst's recommendation was \$285,000; the Executive requested \$296,000.

Central Payroll - Program 2

They recommended around \$86,000 for the FTE total which is six at the current level in each program. The Executive has approved the centralized personnel payroll system.

The Fiscal Analyst didn't recommend it because they didn't have all the facts.

The Fiscal Analyst stated on Program 1 that \$13,000 last year was collected for services provided for writing warrants and the funds instead of going to the general fund were abated. Abatement procedure is illegal and there was discussion on this point. The Fiscal Analyst said the books show that in 1978 the program spent \$269,000; actually they spent \$274,000 because of the abatement procedure. The Fiscal Analyst recommendation does not include pay raises. Executive has proposed that all agencies pay for central payroll costs with collections placed into a revolving fund. Charging every agency will save money in the general fund. The program cost estimate is \$308,000 a year. Charges made toward the other agencies total about that same amount. The Fiscal Analyst does not recommend the revolving account. She feels that if they start charging general fund agencies as well as non-general agencies it would only cause more paper work and there would be a higher cost involved. The Fiscal Analyst said the other concern in the program was there was a \$28,000 fund balance at the end of the Fiscal 1978. HB 145 states that general fund should be spent last. There should have been a savings of \$28,000 in general fund money.

Administrative Support - Program 3

Executive request was \$18,000 higher, again, due to the 3% vacancy savings factor. The Executive was higher on equipment and operations. Expenditures for this year are at \$151,000. The Fiscal Analyst has recommended \$141,000. The difference was \$36,000 for the biennium. The Fiscal Analyst stated that \$23,000 could not be identified and will be looked into. This is basically where the conflict is in the recommendations.

Insurance and Licensing - Program 4

The main difference is the Fiscal Analyst has recommended the reduction of FTE. The Fiscal Analyst said the agency also requested some internal equipment, additional travel money, and training money which was not recommended. Over the biennium there is a \$33,000 difference. The executive reduced a request for insurance rates studies because of not knowing if there would be a study this year.

Legislative Auditor and the Executive approve request for a staff attorney for the investment program. They also

provided \$7,000 in funds for first year to develop a testing program for brokers so that the testing would be more in line with national standards.

Mr. VanKoten remarked that the Executive did not have funds in their request for about \$3,000 to upgrade two positions from Grade 11 to Grade 14. The Classification Division stated duties related to the job were those of a Grade 14. They will keep the positions at Grade 11 until July 1 when they will be upgraded to 14.

SECRETARY OF STATE
Records Management

Larson stated that they were on the track for estimating a high revenue collection because of high percentages collected in past years. They have collected 34% already of the estimated \$463,000 for this year. Mr. Larson went on to give the committee percentages of increases in different areas of services.

He discussed the need for keeping 1/2 FTE position. Also they requested two more employees at low grade positions. They also requested an additional \$5,000 this year to handle the increase in postage and mailing. In travel they requested an additional \$3,700 for instate travel. The travel for the Senate and House are paid out of the Secretary of State budget and they would like that money to be in budget.

They agree with the Fiscal Analyst's recommendation that they should not have to pay for the use of space in the Capitol Building and that it should come out of their budget and go into the budget of the Department of Administration. This was \$12,406 in 1981 for rent of the space used. They have a 20% increase to cover costs of purchasing codes. Requests for various equipment in Program 01 are index files, file cabinets, chairs, and manual typewriter. Mr. Larson stressed the need for the file cabinets stating that the state would be liable for damage due to misplacing a record of one of the commercial loans or if something happened to one of these records.

In Records Management Program they request to leave the current level of 25.67 employees. For the next biennium they request two additional employees, funds to maintain their operating expenses at the level required and funds for the increase in postage.

Mr. Larson stated supplies and materials in the 03 program request were kept at a minimum. He said that they need binders for the codes. Postage request was for an additional \$500 in each year. They would like to buy back codes to sell to others who request them. They eliminated the request for file cabinets in this program.

Commissioner of Campaign Practices

Mr. John Hanson made a general statement to the effect that money appropriated last session had fallen far short of what they felt was needed to implement the Campaign Practices Act. He said that the public confidence and the candidate confidence is beginning to deteriorate. There has been no verification of reports coming in from candidates, only a review of them. There has been no follow-up field audits. He said there should be serious thought to transferring the act to another department if the money needed was not appropriated. He said the only thing that will let the Office of Commissioner of Campaign Practices exceed beyond just a filing agency would be to grant the recommendation of the Fiscal Analyst and the Governor's Budget and Program Planning Office.

Mr. Hanson questioned the Fiscal Analyst in the area of repair and maintenance. There was \$528 less than requested. This was because of the contract for repair and maintenance on the IBM typewriter Magcard 2. The Fiscal Analyst replied the figures were based on 1978 actual of \$244 with 14% inflation increases. He said the \$528 was on the maintenance contract and will run every year that the office is in existence and this equipment is used. The Fiscal Analyst stated there was a \$375 request for additional equipment if the committee decides to staff one more person.

Mr. VanKoten asked Mr. Hanson if they did have an auditor, which the Fiscal Analyst and Executive have recommended, if it would really get them on the road. Mr. Hanson answered that it would. The additional request for FTE would get them farther and would take a lot of the work load. There was discussion between Mr. VanKoten and Mr. Hanson as to the need of the auditor for 9 months as opposed to just 3 months.

STATE AUDITOR

Because of the recommendation of the Legislative Auditor that the Central Payroll Division make preparations to modify the payroll to interface with the Statewide Budgeting and Accounting System and to include direct bank deposits on payroll, Mike Meldah came up with the idea to intergrate the payroll and personnel systems for state government through a software vendor. Management Sciences of America was selected as the software vendor. The State Auditor signed a contract with this vendor requesting quotations as part of the contract. The vendor could not comply with the terms of the contract as required by the State. The State has been in court because of breach of contract on the part of the vendor. The State Auditor has this cost for purchase of this system reflected in their budget. They received from the Informations Systems Division of the Department of Administration a \$255,000 estimate to build an in-house system.

With the Executive budget, \$94,159 as budgeted for the first year

for running time, and the debugging of the system, which will not be needed until Fiscal Year 1980. For Fiscal 1981 their budget reflects \$68,893 for additional running cost for the system. These funds could be used to develop the new system which would take two years to get up and running. There is \$163,052 that can be applied to new develop costs. What was asked at this point was an additional \$91,948 to proceed with development. Mr. Gosnell stated that the 1977 Legislature appropriated to the Personnel Division \$180,000 to develop the personnel system. They have done work on the payroll inter-grations system already and the ISD contract and said that it would be done this biennium.

Mr. Gosnell stated that he would have his system up by the end of this year and will be continuing the process to get all three systems up by the end of 1981-82. He recommended that JanDee May, Mr. VanKoten, Kathey Behm, ISD people, and himself meet to sort out some alternatives. Sonny Omholt, the State Auditor, said the liabilities which before could never be presented to persons with benefits with this system now could.

Management and Control - Program 1

Budget cuts have been made by the Fiscal Analyst in Programs 1, 3, 4, and 5. The State Auditor felt these cuts were substantial cuts. The request, they felt, was a conservative request. They did revert money not used. In Program 2 the request for two additional personnel. Program 4 in the insurance program reduced one person. The reason this position in Program 4 was not filled was the money was used to pay retirement benefits and the balance for extra help during vacations was cut. In Program 5 the request for the attorney was cut. The reductions were Program 1:20,000 first year; \$10,000 second year - Program 2:94,000 first year; \$96,000 the second year - Program 3:18,000 first year; \$17,000 second year - Program 4:19,000 first year; 19,000 second year.

The Department will be needing a new check signer. There was discussion for the need of the one position and there was also detailed discussion on the need for the Securities Attorney. Money could be saved through the hiring of an attorney. The State Auditor has developed additional fees to help pay for part of the attorney for the investment program and to develop the testing program for brokers. In this way the general fund would not suffer the total amount.

The Fiscal Analyst stated that there was a 3% vacancy savings added to all agencies who submitted a budget including the State Auditor. In the State Auditor's request there had been no vacancy savings or a 1% vacancy savings applied to insurance, licensing and central payroll. Jo Driscoll questioned the reduction of the one vacancy they had. The Fiscal Analyst explained the position was empty 3/4 of the year and so it seemed that there was no need for the position. Mrs. Driscoll

said the money for the position was used as an emergency fund to pay the retirement benefits.

The Fiscal Analyst said the operating expenses were quite high. For supplies and materials there was a 27% increase; communications had a 30% increase. The Fiscal Analyst applied a modest inflation increase.

Equipment appropriated for last session was not purchased in 1978 or 1979. Now funds are being requested again. Roy Phelps, Auditor, clarified the reason for use of the money. A microfilm machine that did in fact break down was purchased. He stated that they need the money requested to set aside in case there is a need to replace another piece of equipment.

Central Payroll - Program 2

The Fiscal Analyst said at the time of analysis the recommendation for the payroll system was withheld pending settlement on the suit for breach of contract with the software vendor. The Fiscal Analyst decided to wait until more stable figures could be given. Mr. Omholt asked if the Fiscal Analyst counted the two positions requested. Miss May said no she did not also because of the pending action on the outcome of the suit.

There was no increase allowed for travel or other expenses. The furniture requested was not recommended because it had been purchased. One other problem was the fund balance in the revolving account of \$28,000 at the end of Fiscal 1978. The Fiscal Analyst felt the \$28,000 should have been spent before general fund as stated by HB 145.

Administrative Support - Program 3

The major difference in this program was that the Executive budget recommended \$23,000 more than requested. The \$23,000 was related to added SBAS and payroll costs.

Insurance and Licensing - Program 4

One position was eliminated which was discussed earlier. The Fiscal Analyst applied normal inflation rates in areas from 1978 expenditures. Mr. Omholt inquired about the Fiscal Analyst recommendation for travel. The Fiscal Analyst said actual 1978 expenditures were maintained.

There was discussion on the State Motor Pool. The Fiscal Analyst said use of the motor pool saved 25%.

Investment , Regulations and Licensing - Program 5


Again the Fiscal Analyst said a vacancy savings was applied. There was discussion of the vacancy savings and the reason

for vacancy savings being applied. The request for consultant funds was not recommended by the Fiscal Analyst. The money was requested so that if needed the money would be there. The request was for \$12,000. Mr. Tucker explained that part of the \$12,000 would be used for an in-house attorney. The Fiscal Analyst said charges for accounting of the Department of Administration as well as payroll was not included within the Fiscal Analyst budget. The Fiscal Analyst did not recommend the attorney and did not recommend the \$7,000 for the testing program. There was discussion on the people that would be using this program and on the program itself.

Mr. Omholt remarked at the end of the meeting that the office was a service office and they needed the money to perform. He stated that if the monies are not used they are reverted. Mr. Omholt said that approximately \$55,000 was reverted at the end of last year and every year they do revert.

The meeting was adjourned at 1:00 p.m.

Respectively submitted.



William Menahan, Chairman

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