

AUG 10 1979

MINUTES OF THE MEETING
LEGISLATIVE, JUDICIAL AND ADMINISTRATIVE SUBCOMMITTEE OF MONTANA

January 16, 1979
8:30 a. m.
Room 132
State Capitol Building
Tape Data: 2:2-4:63-913
Subject: Overview - Department
of Administration

The meeting was called to order by Chairman Menahan at 8:45 a.m. All members were present. Fiscal Analyst JanDee May was also present.

The meeting was an overview of major issues and differences within programs of the Department of Administration. The subjects were Department of Administration: General Services, Communications, Insurance and Legal, Management Systems, Tramway, Architecture and Engineering. Major issues were the revolving funds, Director's office and Accounting (SBAS).

Ed Eaton brought out the recommendation of the Fiscal Analyst for an actuarial study in the insurance program. He also discussed the passenger tramway safety program and the contingency liability program.

The Director's Office is general fund supported, but 70% of the funds administered to the program is non-general funds. The proposal of the Budget Office is that those programs contribute to support the administration of that department. Revolving funds would then reduce the general fund. The same issue needs to be looked at for the Accounting Division. The Fiscal Analyst recommended Architecture and Engineering supplant general funds with fee collections.

In the area of contingent liability it was brought out that the State is liable after a state inspection of tramways.

John Fitzpatrick, Deputy Director of Budget and Planning, stated that in the payroll system the present split was 60% general fund and 40% revolving fund. The Budget Office wanted to reverse these. By doing this it could save about \$120,000 in general fund in payroll charges over the biennium. Should a revolving fund account charge be adopted for SBAS data processing costs, which currently is all general fund, there could be a savings of \$500,000-600,000 for the biennium. The savings on the revolving account will be made when the conversion is made.

Senator Lockrem questioned \$500,000-600,000 savings with SBAS and the Fiscal Analyst having \$500,000 in the budget for FTE and there also being a \$350,000 supplemental for SBAS before the committee. He said it seemed that SBAS was

costing unbelievable amounts of money.

Arthur Anderson and Company was hired as an outside consultant and did the major programming of the system.

Again there was discussion on resolving the difference between the Fiscal Analyst and Executive recommendations because of the revolving account and general fund budget.

The total charges for SBAS would be \$1,187,974 for the biennium as proposed by the Budget Office. This total includes the modification that the Fiscal Analyst has. The total for Payroll is \$620,000 for the biennium. This is made up of 40% general fund and 60% other funding under the Executive proposal. The \$620,000 includes the modification of \$200,000 for the intergrated payroll system.

When the Fiscal Analyst first received the budget request from the Department of Administration, a solid monthly cost could not be obtained. Before making a recommendation they wanted to have a stable monthly cost for running SBAS. Now with initial costs out of the way, the Fiscal Analyst said some additional costs will have to be added to their recommendation. The FA will meet with Terry Cannon, Accounting Division Administrator, to come up with an average monthly cost for SBAS.

Insurance and Legal

On the Insurance and Legal Program, the Fiscal Analyst recommended a reduction of \$282,000 each year and replaces this amount with \$105,000 the first year and \$128,000 the second year of general fund.

There was discussion on the state liability and the recommendation of the Fiscal Analyst for an actuarial study.

The major concern of the Fiscal Analyst is what should a "sufficient reserve" consist of. No one knows if agency payments are maintained at the 1978 level and no major claims occur, the reserve could be as high as \$4,000,000 at the end of 1980 and \$5,000,000 by the end of 1981. This amount does not include the \$2.5 million loan.

The Insurance and Legal Division has received general fund for office operation and fire coverage. At the end of Fiscal 1978 they had a \$259,000 fund balance in general fund. This was put into the reserve. The Fiscal Analyst questions if this should be done. They felt this money should be reverted to the general fund. For 1978 the total appropriation was \$605,000 in general funds. For 1979 they have \$805,000. It is possible that at the end of the year there could be a \$400,000 fund balance. The Executive reduced the agency request by \$255,000.

There was continued discussion on self insurance.

The Budget Office stated that in order to get an actuarial study, 3-4 years of history are needed before knowing what the risks are. Mr. Young, the Administrator of the Insurance Division will be in on Monday the 22nd for more detail on insurance.

General Services

Mr. Eaton said within the General Services budget the Executive has \$2.25 a square foot for 1980 and \$2.47 for 1981 for maintaining the Capitol Building Complex. The Fiscal Analyst has recommended \$2.13 a square foot and \$2.25 a square foot. She has a reduction of \$212,316 in 1980 and \$213,055 for 1981 of federal funds. These funds are used for renovation of the Capitol complex. A lot of these funds are used for Legislature. The funds were used to remodel the House and Senate. The Fiscal Analyst stated that this money is earmarked revenue from bonds and leased lands and can not be used for other things except for Capitol renovation. The Fiscal Analyst said it is a construction fund and felt that it should be where there could be control on it in Long Range Building Program. The Fiscal Analyst addressed the square footage item. She said at the end of the year there was \$167,000 fund balance. She felt that General Services was charging too much and only needed to bring in enough to operate on. The Fiscal Analyst felt that the program could work within her recommendation. General Services increased their funding request by 56-70%. The total new square footage has increased only 28%. They also transferred \$100,000 to the SBAS program. There was discussion on the money transferred to SBAS and the SBAS program.

Communications Division

The Fiscal Analyst recommendation of \$756,825 for the first year and \$961,000 for the second year for the Communications Division was of some concern to Mr. Eaton. Communications request is based on what they think the agencies' use will be and they have no control over this. The Executive recommendation is \$2,178,000. The total for the biennium last year was almost \$3,000,000. Mr. Eaton said they need the spending authority to pay the bill or else they will come in for a budget amendment if they need more money to pay the telephone bill.

The Fiscal Analyst stated that Mountain Bell's rate increase included a grandfather clause that stated if an agency stays where they are they will be able to maintain the current rate with normal inflation increases. The Fiscal Analyst said historically there is a 12% increase in communications due to moving and added equipment. If there is a move then Mountain Bell will add a new rate increase to the agency. The Fiscal Analyst, in their recommendation assumed very few moves. She allowed for a 21% increase. The Executive allowed for a 69% increase from 1978 and 1979.

Mr. Eaton stated that there had been budget amendments for 1975 through 1978 and felt there would be one in 1979. He also remarked with reduced travel funds there would be an increase in phone usage.

Surplus Property

Mr. Eaton stated this program was appropriated 4 FTE and approximately \$100,000 for operation. They are now operating with 8 FTE and approximately \$197,000. The budget has doubled. Mr. Eaton said the Surplus Property is an enterprise operation and the more it is used the more money government saves. He stated that with 8 employees they do have the volume to support them. The Fiscal Analysts's recommendation of 6 FTE means that 2 will have to be laid off according to Mr. Eaton. With the volume doubling, they would like to add 4 additional employees. By limiting the program it would not benefit the state. The Fiscal Analyst said for Fiscal Year 1978 they had 4 FTE. During the year, they hired 2.3 CETA positions. Surplus Property seemed to operate fine without an increase in operating expenses even with the extra people from CETA so the Fiscal Analyst did not recommend the increase in operating expenses. The Fiscal Analyst added normal inflationary rates to operating costs. Surplus Property had a \$128,000 fund balance at the end of 1978. They had expended \$106,000 for the same year. This fund balance would indicate that charges could be too high. The Fiscal Analyst feels that Surplus Property could be very beneficial to the state.

Personnel Division

In the Personnel Program, Mr. Eaton stated the Fiscal Analyst recommended that 3 FTE be eliminated from the Merit System. He said that these 3 positions' salaries should be reduced out of the Merit System revolving fund rather than the general fund.

The Merit System has been intergrated with Personnel and are operating but have no statutory authority to maintain the intergration. The Fiscal Analyst said the Merit System is receiving help from the Personnel Division and operations have improved tremendously. She questioned if these general fund services should be subsidized.

Management Systems

For Management Systems, Mr. Eaton stated that there was no recommendation in that area by the Fiscal Analyst. The Fiscal Analyst commented that every year the Management System requests funding for various projects that have been funded in past bienniums but were never completed. Several have been funded since 1976.

Mr. Lewis said that the Fixed Assets project has been completed and is in testing and will be running July 1. He also stated that personnel had been pulled off of other projects and put on the SBAS upgrade.

Architecture and Engineering

In Architecture and Engineering, the Fiscal Analyst has proposed supplanting general funds with \$154,000 for 1980 and \$152,000 for 1981. Mr. Eaton said this was the 1% construction inspection fee which is put into a revolving fund in Long Range Building and that Architecture and Engineering could run off their fund balance. This money would be used for construction. The Budget Office maintains their appropriation level at the same level as requested in their budget. The money recommended by the Fiscal Analyst would be used for construction projects instead of supplanting their operation within the Budget Office's recommendation. The Fiscal Analyst felt that with the 1% charge from all non-general fund projects the collections being brought in could offset the general fund for operation of Architecture and Engineering. Accepting this alternative would be up to the committee.

There is a bill in Legislation which will require that all or a majority of University building would come out of Long Range Building. If the bill passes, this construction will no longer be general fund and will not be assessed the 1% charge. Revenue brought in could significantly decline and there may not be enough money to operate the program. Architecture and Engineering has requested the Subcommittee consider funding the program 100% with general fund. The 1% collected from non-general fund projects could be deposited to general fund or to Long Range Building Fund Program.

Mr. Lewis stated the other alternative would be to fund the operation totally out of the Long Range Building Program and bill the projects and deposit the money into the Long Range Building fund.

SBAS Supplemental

The concerns for the SBAS supplemental was discussed. Mr. Lewis said their request was for \$325,000. \$318,000 of this was for computer costs and extra processing for the rest of the year. They based their projection on the expense incurred through December. They are not sure what the cost will be. Mr. Lewis said they will continuously have to work on the program.

The Fiscal Analyst has recommended \$289,000.

Senator Lockrem stated that the task force funded \$750,000 and \$300,000 to bring the University on with SBAS. Also there was a fund balance transfer of \$100,000 to SBAS. Management Systems devoted their work totally to SBAS and now a supplement

of \$300,000 is being requested. Mr. Lewis stated that the money spent up to July 1 was for designing the system and the money after July 1 was for processing.

Terry Cannon, in the Accounting Division, has the day to day processing for SBAS. Management Systems are in charge of monitoring the changes in the system.

Senator Thiessen said he would like to see the total from the beginning of SBAS. There was discussion on the amount it has cost for SBAS to the present.

Mr. Lewis said they had requested funds for an extra position for the rest of the fiscal year because of the upgrade. He also said he is discussing with the State Auditor the point of retaining copies of claims. There is a possible elimination of a position in this area.

The meeting was adjourned at 11:00 a.m.

Respectfully submitted.


William Menahan, Chairman

ve