

MINUTES OF THE MEETING
LEGISLATIVE SUB-COMMITTEE OF APPROPRIATIONS FOR EDUCATION

January 19, 1979
8:15 a.m.
Room 104
State Capitol Building
Subject: Montana Historical
Society

The meeting was called to order by Chairman Carroll South, with the following members present:

Sen. Larry Fasbender
Sen. Harold Nelson
Rep. Jack Moore
Rep. Esther Bengston

Representative Oscar Kvaalen was not in attendance. Also in attendance was Miral Gamradt, Fiscal Analyst; Ken Korte, Director of the Montana Historical Society; Brian Cockhill, Montana State Archivist; Mike McCourt, Curator at Montana Historical Society; Dorothy Walther, Merchandising Department Manager, Montana Historical Society; Fred Quivik, Professional Preservationist, Butte; Janet Eisner Cornish, Butte Historian, Historical Preservation Office; Dorothy Barnett, Accountant, Montana Historical Society; and Tom Crosser, Executive Budget Office.

Copies of all handouts are numbered and made a part of the minutes in a supplemental book.

Mr. Ken Korte, Director of the Montana Historical Society, stated that a great deal of concern has been expressed over the Society's managers and its long-term inability to deal with problems within the agency's revolving fund. Those concerns are justified in most cases. They hoped in their presentation to show the committee that measures have been taken to correct the problems and to show their desire to dissolve any questions about the revolving account and future status.

He stated that there had been some drastic organizational changes and significant changes within some key management positions. Since LFA's budget reflects his recommendations before reorganization, Mr. Korte feels it will be necessary to discuss those changes in some detail. The reorganization of the program areas are based primarily on the following: 1. An audit which the agency requested and which was completed on November 27, 1978, and; 2. Discussion with management people, both in the private sector and state government, with the Board of Trustees and with the staff of the agency and that of the Office of Budget Program Planning.

The audit made 80 recommendations and the agency concurred with 79 of those recommendations. The audit dealt primarily with weaknesses

and control problems within the accounting and business management areas. It also dealt with problems within the revolving fund.

With the exception of the Historic Sites program, which was dealt with at some length in the audit report, few of the other general fund programs that exist at the Society received significant recommendations. He further pointed out that copies of the audit report are available at the society and the auditor's office. Mr. Korte distributed a mailer which they had sent to the Board of Trustees; he stated they would be up-dated periodically when they reach a point when they can comply with other audit recommendations. Because of the transition, it was stated that it will take some time to comply with certain recommendations, and in some cases it will be impossible to comply. Documentation will be supplied in those instances to explain why compliance is not possible.

With the regard to the reorganization as it applies to staffing, Mr. Korte supplied a hand out, (#2) showing the reorganized staffing pattern; he stated that two areas were specifically looked at:

1. The staffing for maximum efficiency with limited staff, and
2. To cut personnel services to a degree so the total revenue picture would improve, especially for revolving fund programs.

In the administration program, there was a very significant change in staffing. The position of business manager was deleted, with the attitude that they would decentralize accounting services between general fund programs and revolving fund programs. There is still an accountant who will work directly with program managers on financial matters affecting the various programs. They would like to involve program managers more in some of the fiscal decisions relating to their departments. It is felt this will provide better continuity and help define priorities. In the merchandising department, the merchandising manager with the help of the general office clerk will handle the accounting for the revolving fund programs. They have done away with the perpetual inventory, which was one of the recommendations of the audit, and as a result have deleted that position. In the magazine program, they cut 1.5 FTE on the basis that they no longer handle their own subscription service. In the merchandising program, 2.25 FTE's were cut.

If the Society accepts the LFA's recommendation with regard to security services, an additional position would be cut out of the administration program. Mr. Korte stated they did have some concerns about transferring security to the department of administration because of some difficulties in the past; they hope the problems can be resolved, and there is the possibility of contracting with the Department of Administration to provide their own security services. With respect to the administration program, one difference between the LFA recommendation and the governor's recommendation is a line item amount of \$3,400 for security equipment which the LFA recommended. The Society supports the purchase.

Mr. Bill Lang, the Editor of Montana Magazine of Western History, stated this is the major portion of the publications program. He described the duties of the publications department and made a

handout on the Publications Program (3). He brought some examples of publications of the Montana Magazine of Western History and The Montana Post, which is the newsletter of the Society. The department is also involved in publishing brochures for Society programs, writing press releases and anything which deals with the written word. There is an editor, and assistant editor and a circulation manager. In an effort to increase the efficiency of the circulation operation, the department is now contracting with a subscription service which uses computers rather than the addressograph to maintain subscriptions. This frees up the circulation manager to develop circulation, handle some advertising and other duties; in this way the revenue picture from subscriptions will be improved.

Mr. Lang addressed the LFA's recommendation that by 1981 the publications program be entirely self-supporting; he stated that subscription rates and advertising costs would be insufficient to support the program. There are 10,000 subscribers and the only way this demand could be met would be to double the subscription price or attract some large commercial advertisers. Since the magazine is devoted to education, it does not attract large commercial advertisers.

Dorothy Walther, Merchandising Department Manager for the Montana Historical Society, gave a written account of the department's operations (4). Her goals are primarily to increase profitability. She stated that basically they are dealing with a sales operation. Besides the walk-in trade, there is a tremendous mail order business, and revenue in these two areas is very close. With regard to the recommended staff cut, she feels one of the sources of revenue will be completely eliminated if this is done because they will not have the staff to function in both mail order and walk-in trade.

She went into the areas which she believes need to be changed from previous management: All areas will have to be interchangeable and efficiency will have to be increased. To increase profitability, she went into several plans. She hopes to open some new markets for the products sold and increase prices. It is hoped that more promotion will also achieve greater sales.

Edrie Venson of the Historic Preservation Office gave written (5) and oral testimony.

All the staff has been certified as qualified professionals so they are off suspension and they have qualified for a federal grant. She read the written testimony. The staff needs training in special areas such as legal requirements of review and compliance, the Tax Reform Act, grants management, office administration and program planning; the staff also needs clerical support in order that professional time is not used in these areas. The office also feels they must assist other agencies and cities through review and compliance to enable them to receive federal monies. Grant projects would also be monitored.

Mike McCourt, curator for the Montana Historical Society, clarified some of the functions of the program. As a museum, they collect and catalog, store and interpret the artifacts that come into the state of Montana. There are presently three staff members. The LFA recommended that the assistant curator position be deleted from the 1980-81 budget, and Mr. McCourt reviewed some functions of this position. He is responsible for the identification of collections and supervising cataloging procedures. Without an assistant curator, materials such as the Haynes Collection cannot be processed and other future collections may have to be turned down.

Mr. McCourt referred to the written hand-out given to the committee members (6). Mr. McCourt explained the business manager position at the Libby Dam Project. He stated it is not a possibility with the current staff that the Society pick up the duties of the business manager at the Libby Dam Project. They don't have the time or the expertise. In addition, the Corps of Engineers contract requires the presence of a business manager for the Libby Project.

Representative Moore asked that a copy of the contract with the Corps of Engineers be provided.

Brian Cockhill, Montana State Archivist, distributed written testimony handout No. 7. They deal with about 2,500 patrons per year and about 40-50% of their usage is government. Mr. Cockhill feels that the Governor's recommended budget cuts will hamper their ability to preserve the items in their care. The Governor has done this primarily through the cutting of the operations and equipment budget. Mr. Cockhill does not feel they can operate effectively without at least current level budgeting.

Mr. Robert M. Clark, Librarian, was introduced and handed out written testimony No. 8. He supported the concept that microfilming has to be done if the Historical Society is to maintain and preserve the newspaper collection as they should; he urges the funding of the Library's "Operating Expenses" category be at least at the level recommended by the Governor's Budget Office, and that at least a portion of the \$10,000 per annum modification request be granted.

Chairman South commented that in the Merchandising Department, they were going to strive to make it profitable and inquired whether the Society could project the profit over the next two years. Dorothy Walther stated that there are several projects, including a belt buckle project, and the prices will be updated as well as the advertising rates, plus the department is discontinuing the book discounts to dealers. She feels that this will enable the department to make it through the present fiscal year making a small profit. She stated it would be difficult to give a figure but would research it further and give Chairman South a figure.

Chairman South asked Mr. Korte to explain why the prices on the Russell prints weren't raised several years ago to offset the deficits in the programs. Mr. Korte stated that some management changes had been made, but did not have a direct answer to why it had not been done.

Chairman South further asked whose responsibility it is to see that the programs stay out of the deficit position; Mr. Korte stated that directives before reorganization came through the Merchandising Manager to the Business Manager and then to the Director. The Business Manager had overall responsibility for business matters within the agency. Mr. Korte stated that the judgments he made as Director were based upon the information he received from the business manager.

Chairman South stated his concern that the situation had not changed with regard to the Society over the past two years-- there is an aduit saying the same things the legislature said two years ago; he has a letter from the Department of Administration from 1972 saying the same thing; and there is still no change. Mr. Korte concurred that there has been mismanagement and that the matters should have been dealt with a long time ago; he also agreed that there are other important matters within the agency that should be dealt with. He is hopeful that the changes made will help to solve the problems.

Mr. Korte assured the Committee that if, during the interim, they see additional changes which need to be made, they will make them. He stated that one of the prior problems the Society has consistently had is that they have had an antagonistic attitude towards the Committee. He feels very strongly that the reorganization will have a beneficial overall effect, and that the Society as a whole has a completley new attitude.

Chairman South asked if there were any loss projections for the publication program; Mr. Lang could not project what the loss would be, but stated that paper costs are rising rapidly, forcing up the cost of production. They are at a point where the subscription rates must be increased, but these rate increases won't offset the costs. He stated that the call for increased efficiency and improved operations are understandable, but he expressed his concern that they cannot become self-sufficient.

Representative Moore stated his difficulty in accepting the Society's explanation since it has been transpiring for so many years. Rep. Moore stated the fiscal analysts and the budget office have attempted to help.

Rep. Bengtson commented on the quality of the magazine, MONTANA, the magazine of Western History, and inquired how the contributors to the magazine were obtained.

Mr. Lang stated that no advertising is done; he keeps in contact with people working in specific areas, but usually authors send manuscripts without any prompting.

Dorothy Walther stated that the transferring of merchandising staff under the reorganization is working very successfully; she does feel that if the total staff is cut further, either the evening and week-end sales hours will have to be discontinued or the mail order business would have to be abolished.

Senator Fasbender stated, with regard to the revolving fund, that they were to have expenditures in the amount of \$417,000, and he inquired what the projected revenues would be. Dorothy Walther stated that she is working on a revenue projection but does not have it complete. She will send it as soon as it is finished.

Mr. Korte stated that they will do everything they can to make up the deficits.

Chairman South commented that 1 FTE was taken out of the revolving fund and placed in the general fund area in the administration program. Mr. Korte stated this was a receptionist. This person works in a type of clerical pool for the entire agency because there is a shortage of clerical support. She also works with a volunteer program.

Mr. Korte addressed the question of indirect costs with regard to the Corps of Engineers contract. At one point the Society was charging approximately \$26,000 to the Corps for providing the administrative services. He believes that the Corps' audit report which they conducted on the Society reflects their concern about the indirect costs and their desire to have the Society hire a business manager to handle the administrative functions. The individual at the Libby site works a percentage of this time on a contract in administration, and the remainder of this time, he assumes other duties in the museum program.

Chairman South asked if the federal government pays his entire salary and Mr. Korte stated it did. The federal government has not objected to this arrangement to this point and have continually audited the program. Mr. Korte stated the federal government did object to the indirect costs, and Mr. Korte will provide some documentation on this.

Dorothy Walther stated that the budget amendment for the last fiscal year was \$82,000 and that about \$25,000 would be reverted. The reversion would be back to the federal government.

With regard to the Historic Sites Program, Chairman South stated that he recently had two people from the federal program talk with him, and Montana is one of about five states where it will be paramount that the goals of the policies are carried out. Edrie Venson stated that they have no designated clerical staff; a CETA clerical position was formed within the program, but it was lost.

Representative Moore inquired whether it was a budget amended CETA position last year. It was, and it terminated December 31, 1978.

Chairman South asked whether there would be any projections with regard to travel over the next two years. No amount is known at

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this time, but felt they could estimate because in order to keep the staff trained in new procedures, it is essential that they attend regional or national workshops.

Carrol V. South 3/22/79

CARROL V. SOUTH, CHAIRMAN

Transcribed by Linda Berg

Yvonne Borgmann

Yvonne Borgmann, acting secretary