

MINUTES OF THE
LEGISLATIVE, JUDICIAL AND ADMINISTRATIVE SUBCOMMITTEE

January 23, 1979
8:30 a.m.
Room 132
State Capitol Building
Tape Data: 3:1-1:890-end
3:2-4:0-449
Subject: Dept. of Admin.

The meeting was called to order by Chairman Menahan at 8:30 a.m. Present were Senator Thiessen and Representative Wood. Representative Hand was excused and Senator Lockrem was absent. Fiscal Analyst JanDee May was also present.

The hearings for the day were Department of Administration: Investment Division, Board of Housing and Personnel Division.

DEPARTMENT OF ADMINISTRATION
Investment Division

Jim Howeth, Finance Officer, stated that the FA has reduced their FTE by 2 and has also reduced funds for salaries. He mentioned that last session the Legislature was critical of the money they paid out for researchers and asked them to build in-house capabilities. Mr. Howeth stated that last session they had one securities analyst and currently they have none. One of the positions requested is for the securities analyst.

There is a difference in salaries. Vacancy savings were taken out. Mr. Howeth commented that the current level of salaries was not used. The difference over the biennium is almost \$20,000.

They have requested in their budget modification to purchase a computer system - Moneymax which does all the accounting for their short term investment pool, can provide the states cash flow for a year and has a system which allows to trade securities at a profit.

The FA has reduced watts usage by \$2,400 a year. This is a direct telephone line to the computer in Chicago. In the area of travel, the board members perdiem is reduced. They have monthly board meetings which cost approximately \$10,000 a year.

Mr. Howeth stated that their audit fees have been reduced by \$3,500 a year. He said that the audits are set by contract and have been for the last two years. By the Constitution, the program has to be audited annually.

They currently have 10 employees, most who are in the accounting area. The Investment Division accounts for approximately \$10 billion a year in cash flow.

There was a reduction in equipment. The FA's total reduction for the biennium was \$82,000 from the agency's original request.

The FA stated that in personal services they did go off current level. She also said that a budget amendment was requested by the Investment Board for a substantial amount for pay increases. The Budget Office denied the increase for salaries. The FA did not include pay increases. She said they did apply a 3% vacancy savings and noted that last year they had almost a 19% vacancy savings within the program. A securities analyst and a clerk position were vacant 100% of the time in Fiscal 1978 and these positions were the reductions recommended by the FA. The Budget Office also recommends these reductions.

There were two other positions which were vacant 30% of the time and these two positions were not eliminated but left at status quo with a 3% vacancy savings applied.

The FA was contacted by Ellen Feaver, Legislative Auditor Deputy, and informed that the audit expenses would be going up. Another \$1,000 will be added each year to the \$20,000 recommended.

In travel, the FA is recommending \$3,500 for board members travel. For equipment, the FA felt the equipment provided for the positions that were vacant could be utilized rather than purchasing new equipment.

The FA stated that at the end of Fiscal 1978, the agency had a \$255,000 fund balance with expenditures of \$304,000.

The agency requested a budget amendment for taking on Moneymax and some other automated systems. They stated that in order to fund these additional automated systems they would have to increase the charge from .125% to 1.5%. The FA questioned this increase because they did have a major fund balance. By increasing this charge, it would be taking away from state investment earnings. There was discussion on the charge coming from the Short Term Investment Pool to fund Moneymax and the decreasing of investment earnings.

Mr. Lewis stated that the FA recommendation for 1980-81 was around \$15,000 less than was actually expended in 1978 and this did not include the implementation of Moneymax for an extra \$37,000 a year.

There was discussion on the reductions of the FA. Mr. Lewis stated that the reductions brought the budget below what it actually cost to operate in 1978. The expenditures for 1978 were \$304,000 and adding the cost for Moneymax to this figure would bring the amount up to \$341,000.

The FA stated that in 1978 the program spent \$118,391 in contracted services and their request is only \$77,000 and \$83,000. The FA said this would be the major difference, the \$31,000 not requested again which could have been a one time expenditure.

Chairman Menahan suggested that Mr. Howeth or Mr. Lewis get together with the FA and go over the difference in contracted services and the amount needed for Moneymax and the watts line.

There was discussion on the in-house capabilities which Mr. Howeth felt was needed within the Investment Division.

The bill which allows the authority for the Investment Board to set salaries was discussed. Mr. Lewis stated the bill would allow the flexibility to fill positions with top quality people and to compete with the open market. Mr. Howeth commented they have trained positions for several years and then have lost them to outside businesses because of the pay.

Board of Housing

Mr. Lewis stated if the bill before the Legislature passes the Board of Housing will need additional people because of the increase in volume. He also stated the program is funded entirely from the assessments on bond proceeds on the program and has no general fund money.

Lyle Olson, Administrator, reviewed the functions of the Board and his responsibilities.

Mr. Olson commented the difference between the budgets was their request for a multifamily man in 1980 and a clerk in 1981 to assist with office duties.

One misunderstanding was in the operation expenses. Mr. Olson stated the trustees fees are an ongoing operation. They paid \$20,000 to the trustees last year. The trustee handles all the money for the Board. When the Board wants operating funds they send a certificate signed by Mr. Olson to the trustee who in turn transfers the money to the treasurer and the treasurer pays the bills for the Board.

Mr. Olson asked the committee to appropriate to them the \$216,498 and \$252,102 they have requested.

Under contracted services, Mr. Olson brought out a \$4,500 insurance item which he stated they could work into the budget. He also commented an attorney in order to give bond opinions has to be insured.

Mr. Eaton stated the Budget Office has recommended 4 FTE and current level of operation. He said the FA has also recommended 4 FTE but the 4 FTE includes the modified level if the new bill passes allowing \$300,000,000 additional bonding authority.

Mr. Eaton commented the FA recommendation allows for 2 at current level and 2 additional at the modified level. The Budget Office's recommendation does not include the passage of the \$300,000,000 bonding authority and recommends an additional 2 FTE if the bill passes.

Under current level, the FA is under the Budget Office by \$18,000.

The FA explained that \$4,600 in personal services is related to other compensation paid to the board members. The FA kept her recommendation at current level for personal services.

The \$8,000 brought through in budget amendments was subtracted to show current level. The remaining difference of \$3,000 was central payroll and SBAS. The Budget Office recommends \$2,500 more than requested by the agency.

In response to Mr. Eaton's statement, the FA stated that the Budget Office recommended \$100,000 in modification and the FA recommended \$159,000. The addition of 2 people would amount to approximately \$50,000.

Personnel Division

Bill Gosnell, Administrator, commented on the consolidation of the Merit System within the Personnel Division. Mr. Gosnell also commented on some of the other major changes and happenings in the Division since the last session. He stated they have assumed the responsibility of the administering of the state health insurance plan from the Insurance and Legal Division. Mr. Gosnell stated the functions of the Division have greatly expanded since the last session.

Mr. Gosnell stated that since he has been with the Personnel Division, he has reduced the staffing by 9 FTE. The CETA positions were reduced from 10 to 4 positions and the regular positions are currently at 38.

The FA has recommended that 4 more positions be reduced. One of these positions is a job analyst. Mr. Gosnel stated 2 positions were vacant at the time of the FA budget preparation. Through the Governor, one position was left to be filled and the other was frozen. The one position is presently filled. The FA has recommended 3 more Merit System reductions based on automated enhancements. Mr. Gosnell commented rather than cutting current positions if he had more time he would be able to eliminate the positions himself over the next couple of years.

In operating, last year the program spent \$21,600 for supplies and materials and \$21,300 for communications. The FA is recommending \$19,400 for supplies and materials for 1980 and \$20,000 for 1981. In communications, she is recommending \$20,000 for 1980 and \$21,000 for 1981.

Mr. Gosnell stated the FA recommendations are actually less than what was spent in 1978. He commented that he is trying for central control over the supplies and materials.

Mr. Gosnell stated with the move of the Merit System Bureau into the Mitchell Building, the applicants increased by 10% a month. He commented on the reductions within these two areas that his business is paper and telephone communications and the reductions

would limit what they could do.

One major area of concern to Mr. Gosnell was in contracted services. The Personnel record system is expected to be up and operating within this fiscal year. The position control aspect which has been handled through the Budget Office is going to be moved to the Personnel Division. Last year to run the position control it cost the state \$16,675. The FA has recommended this figure plus 6% inflation increase. Mr. Gosnell stated that figures to date through December have already reached \$14,000. They have requested \$24,000 for the system. Mr. Gosnell commented that one reason the cost was low last year was it was not run for part of the time.

The FA reduced 3 Merit System positions and reduced general fund dollars. Mr. Gosnell pointed out that by reducing general fund it is leaving Merit System funds to use within the Personnel Division which is against the agreement and could possibly be illegal.

Mr. Gosnell commented the cost of the design for the position control system would be \$50,000 and \$8,000 for computer testing. These amounts were not requested or budgeted for. Representative Bardanouve responded to the \$58,000 that if well spent would initiate savings throughout state government.

There was discussion on applicants looking for jobs with state government.

The FA responded to the presentation. In FTE, 4 positions were deleted, one of which was a classification officer. The FA stated at the time Mr. Gosnell stated the duties had been disbursed to other staff members and this was the reason for this cut. For the 3 Merit System eliminations, the FA stated Mr. Gosnell had stated he would like to reduce up to 5 positions. The problem is the time involved for the reductions.

The FA commented that the only reduction within the contracted services was a position control document; everything else was given as requested. The FA stated the computer division had told her a number of times the cost for running the position control document - \$16,000 for 26 runs. The FA said she did not understand why the cost has sky rocketed \$10,000 when according to Mike Trevor, Computer Services Division, the costs should decrease in 1981.

The FA stated there was a 9% decrease of FTE in the program not including the Merit System positions. The major reason for reductions in the supplies and materials was because of the decrease in FTE.

Under communications, the FA either allowed inflationary increases from what was spent or what was requested. The FA commented that some programs requested less than what was actually spent. She stated this would be a reason for the reductions. The FA stated that in communications, it was a voluntary decrease. The

request was less than what was actually spent.

Mr. Gosnell stated they would like to have the Budget Office's recommendation in the area of supplies and materials and communications.

Repairs and maintenance, the FA went with what was actually spent. For equipment rental, they would need \$1,400 and \$1,600 for operating for 1980 and 1981. They are requesting \$3,400 for each year over the biennium. Mr. Gosnell responded that because of eliminating a MagCard system they have no problem with the FA recommendation for equipment rental.

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

Respectfully submitted.

William Menahan
William Menahan
William Menahan, Chairman

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