

MINUTES OF THE
LEGISLATIVE, JUDICIAL, ADMINISTRATIVE SUBCOMMITTEE

March 8, 1979
8:00 a.m.
Room 132
State Capitol Building
Tape Data: 9:1-1:1120-2022
Subject: Work Session

The meeting was called to order at 8:00 a.m. by Chairman Menahan. All members were present. Fiscal Analyst JanDee May and Ed Eaton from the Budget Office were also present.

The meeting was a work session for meeting with the Consumer Counsel and Environmental Quality Council and for making a decision on the budget for Department of Revenue's Liquor Division.

Consumer Counsel

Representative Joe Quilici explained to the committee the funding for the Consumer Counsel and the reason for the 3 separate bills before the Legislature.

House Bill 301 provides for the budget for the Counsel to be in the hands of the Legislature. The Consumer Counsel never knows how many rate requests will go before the Public Service Commission; therefore, they put in the \$100,000 contingency for each fiscal year. In House Bill 301, if funds are not expended they transfer over to the next fiscal year from the first year and to the next biennium from the second year.

Mr. Quilici commented that with the energy situation, there will be more rate requests.

The biggest expense in the budget is for hiring of expert witnesses. Mr. Quilici stated the expert testimony is needed because of the difficulty of the regulatory matter in order that savings for the consumer can be realized.

Jeff Brazier, Consumer Counsel, stated that because of raising the charge four utilities have contested and are now paying under protest. Mr. Brazier commented that they asked for a Legislature solution and the result was HB 301 and HB 294. HB 301 sets the upper limit of spending for the Consumer Counsel.

Senator Lockrem questioned the contingency as opposed to putting the \$100,000 into the contracted services of the budget. Mr. Brazier stated there was no way of controlling the extra expenditures. Mr. Quilici commented the reason for the contingency being utilized was so another Legislative agency could be a check on the extra expenditures.

In HB 294, Tom Crosser stated that they determined the base by taking the actual expenditures in 1978 of \$334,460 and combining that amount with the 1979 appropriation and supplemental and dividing it by two to come up with \$319,763 to which they applied a 6% inflation for each year. The \$100,000 contingency is based on the 6 year historical trend for expenditures which increased on an average of 34% per year.

Senator Lockrem questioned some one time expenditures from 1978 which were not taken out to reach the base.

Mr. Quilici commented that to finish the fiscal year 1979, they have had to ask for a \$150,000 supplemental.

The committee did not change their previous action for the budget for the Consumer Counsel.

The committee discussed the terminating of staff. Mr. Brazier is leaving the Counsel.

Environmental Quality Council

Representative Vern Bertelson commented that if the budget is going to be reduced to the extent the committee decided they will have to lose two researchers. He stated that they will not be able to carry on various activities.

Representative Bertelson commented that in the next couple of years there are several projects of significance and benefit to the state. He stated that they feel justified coming back into the committee because the reductions to their budget amounted to a 22% decrease.

In travel, Representative Bertelson commented that the trips are very much needed.

Terry Carmody, Executive Director, commented that the amount of \$30,000 was taken out of salaries which would mean the deleting of 2 FTE.

He suggested if the committee would reduce their budget 20% and allow them the flexibility to decide where the reductions would be their budget would be more manageable.

Senator Lockrem explained to the Council that the reductions were not made in an arbitrary fashion. He stated the committee needs to justify their reductions in travel and FTE to the Legislative Branch.

The committee discussed making a 20% reduction. This would account for reinstating \$5,000 each year. The decision was to allow the flexibility to the Council to make the reductions within their budget but to add \$2,500 in personal services and \$2,500 in operating for each year.

Senator Thiessen moved to reinstate \$5,000 in the Environmental Quality Council budget. In personal services, \$2,500 would be added each year and in operating \$2,500 would be added each year.

Those in favor were Senator Thiessen, Representative Wood and Chairman Menahan. Senator Lockrem was opposed. The motion passed.

DEPARTMENT OF REVENUE
Liquor Division

The FA recommendation takes into account the passing of Initiative 81. Through a computer program, the FA has identified the drop in wine sales which will impact the budget within the area of personal services. The staffing pattern shows the stores are staffed on volume. With the passage of Initiative 81, the volume is projected to decrease 26%. This will be an affect on various liquor stores.

The FA stated that with the drop in volume, there should be a corresponding drop in FTE. The stores which are going to be operating at a loss of profit because of a drop in volume should be converted to agency stores. The FA recommends 27 stores be converted to agency stores.

Representative Hand joined the meeting at this time.

The FA recommends that 36.5 aggregate positions be eliminated the first year of the biennium and also 43 liquor store employees and 9 administrative staff. The second year the liquor FTE would increase to 56 with the conversion of the liquor stores to agency stores.

The operating expenses are fixed costs to which the FA has allowed inflationary increases.

The committee discussed the converting of the small stores to agency stores and the operating of the one-man stores.

Leon Messerly, Administrator, commented that the FA is disregarding the 26% tax when stating that the 27 stores are unprofitable. Mr. Messerly stated that taking the 26% tax off the small stores in some of the communities would not let them show any margin of profit. He felt this tax should be included as profit for the stores.

The committee discussed the converting of the liquor stores to agency stores. Mr. Messerly stated that they have been converting stores to agency stores either when the manager has retired or the lease was due for renewal. There was further discussion on the converting of stores to agency stores and the profit involved in converting.

Laury Lewis stated that everytime they have tried to close the stores, they hear from the people in the communities and businesses.

The Executive budget recommendation is based on the current level operation; although, they do anticipate the closing of stores over the biennium.

The FA in her analysis points out with the closing of stores even if the Liquor Division maintained the lease, it would be better than operating the store at a loss.

There was discussion of the comparison of the cost per unit in various stores throughout the state.

Senator Lockrem made a motion to use the FA recommendation to work from and make adjustments to.

Those in favor were Senator Lockrem, Senator Thiessen, Representative Wood, Representative Hand and Chairman Menahan. The motion passed unanimously.

The FA reduced the 43 liquor store employees solely on the basis of volume reduction within the stores. These do not include the reductions of FTE in stores converting to agency status. In the second year, there would be an additional reduction of 12.98 FTE. These would be all agency store people.

If the 20% of the wine is put back into the stores, the volume would increase 5%. The FA projected in this case to reinstate 8 people.

Wine is 15% of the dollar volume and 27% of the volume of gallons. The stores would lose 80% of the total volume with Initiative 81. Mr. Messerly stated to protect the other 35% of the dollar volume they need the people in the stores to service the public.

Representative Hand made a substitute motion to move the Executive recommendation. Chairman Menahan commented he would go with the Executive. Representative Wood stated he would like to make adjustments to the Executive recommendation.

The committee discussed closing the 27 stores on July 1, 1979, for the next biennium versus closing them through attrition.

Senator Lockrem commented that language should be worked out that the stores decreasing in class because of the reduction in sales of wine also have a corresponding reduction in FTE.

Senator Lockrem amended Representative Hand's motion to reduce the 308 stores by 27 and a corresponding reduction in personal services.

There was a role call vote taken on Representative Hand's motion to move the Executive recommendation.

Representative Hand voted yes, Senator Lockrem voted no, Senator Thiessen voted no, Representative Wood voted yes and Chairman Menahan voted no. The motion failed.

Mr. Eaton commented that they could assume that 10 to 12 stores would close through the biennium. He stated they could reduce the corresponding number of FTE but could not give the dollar amount because 10% would have to go into contracted services.

Senator Lockrem made the motion that the Department of Revenue continue to operate those 27 stores on the basis of welfare and lease until such time that they can be closed.

Mr. Lewis suggested that the Department get together with the FA and work out an arrangement to establish a level and when a store reaches that level, it will be converted to an agency store.

Senator Lockrem stated if the stores were losing money they should be closed and it should be a legislative decision and not a management decision.

There was discussion on retracting the motion until tomorrow's meeting when there would be further information available.

The committee did not make a final decision.

The meeting was adjourned at 10:50 a.m.

Respectfully submitted.

William Menahan
William Menahan, Chairman

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