

MINUTES OF THE
LEGISLATIVE, JUDICIAL AND ADMINISTRATIVE SUBCOMMITTEE

March 9, 1979
9:00 a.m.
Room 132
State Capitol Building
Tape Data: 9:1-1:2060-end
9:2-4:0-526
Subject: Work Session

The meeting was called to order at 9:00 a.m. by Chairman Menahan. All members were present. Fiscal Analyst JanDee May was also present.

The meeting was a work session for making decisions on the Liquor Division within the Department of Revenue. Other decisions were made on the Lieutenant Governor's Office, Legal Jurisdiction Project, Department of Administration and State Auditor.

DEPARTMENT OF REVENUE
Liquor Division

Leon Messerly, Administrator, Representative Francis Bardanouye, Fiscal Analyst JanDee May and John LaFaver, Legislative Fiscal Analyst, met prior to today's meeting in which Mr. LaFaver made a proposal to the agency. The language proposed by Mr. LaFaver reads:

In addition to those amounts appropriated above, there is appropriated to the department funds necessary to maintain adequate inventories of liquor and wine and to operate the state liquor monopoly. This additional appropriation is contingent on the department depositing \$14 million of liquor profits to the general fund during the 1981 biennium. Profits do not include proceeds from the liquor excise tax. The department has full authority to determine store operating hours and numbers and locations of liquor store employees and stores, provided that the pricing formulas in effect on January 1, 1979, remain unchanged and provided the \$14 million of liquor profits is deposited to the general fund.

It is legislative intent that nonprofitable state stores be closed or converted to agency stores.

Laury Lewis commented on the appropriations being contingent upon depositing the \$14 million. He stated the problem is whether or not they could meet the \$14 million goal and questioned what would happen if they did not.

Mr. Lewis commented that they deposited to the general fund \$6.8 million including wine sales in 1978. With wine being taken out of the stores, approximately 80% will be lost in

sales. Decreasing the amount brought in from the wines of \$2.3 million would bring the total to \$4.5 million. In order to meet the goal of \$14 million, the Division would need to bring in a revenue of \$7 million each year.

In the language they proposed, they included the figure of \$12 million which they felt they could guarantee in revenue with the drop in revenue from wine sales.

They included language to define a non-profitable store. There was discussion of the definition of a non-profitable store. The committee decided to amend the language to include that a non-profitable store is also defined as less profitable than if run as an agency store.

The language proposed by the FA includes wording that pricing formulas in effect on January 1, 1979 would remain unchanged. The reason for this is so in order to meet the goal of the \$14 million the Division would not raise its prices. There was discussion on this point.

The FA commented that her recommendation in essence is allowing them to spend what they want, hire as many people as they want, and open as many stores as they want as long as they return the \$14 million during the biennium. The FA commented on the point of reducing the amount required to be deposited into the general fund. She commented that if the amount was \$12 million and they collected \$14 million this would allow them \$2 million additional to be used for operating.

Bill Groff, Department of Revenue, responded that they would try to make \$15 million and return the money. He commented that the more efficiently they run the Division, the better off the state is.

Ed Eaton stated that the \$14 million is an outside limit and even though it is not impossible to achieve this amount it is very difficult to guarantee.

The committee discussed changing the \$14 million figure goal to \$13 million and having language to include any excess of the \$13 million in revenue to revert to the general fund.

Senator Lockrem made a motion to use the language proposed by the Department of Revenue and to amend the language to read as follows:

In addition to those amounts appropriated above, there is appropriated to the department funds necessary to maintain adequate inventories of liquor and wine and to operate the state liquor monopoly. This additional appropriation is contingent on the department depositing not less than \$13 million of liquor profits to the general fund during the 1981 biennium. Profits do not include proceeds from the liquor excise tax. The department has full authority to

determine store operating hours and numbers and locations of liquor store employees and stores, provided that the pricing formulas in effect on January 1, 1979, remain unchanged and provided the \$13 million or more of liquor profits is deposited to the general fund.

It is legislative intent that nonprofitable state stores be closed or converted to agency stores in an orderly manner. Nonprofitable store is defined as a store that shows a net loss or is less profitable than an agency store after reducing gross revenues by all state excise and license taxes and by deducting therefrom all normal operating expenses, which includes pro-rata share, based on gross sales of central administrative office expenses.

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

Lieutenant Governor

Mike Koehnke, Governor's Office, brought to the committee's attention a request for spending authority for two existing federal grants within the Lieutenant Governor's Office which will run into the new biennium in order that they will not have to come in for a budget amendment.

The first request is for \$84,000 in 1980 spending authority for the Northern Powder River E.I.S. Project. The second request is for \$25,000 in 1980 for the Old West Export Study which will terminate in Fiscal Year 1980. There is no general fund involved.

The committee discussed having these projects within the Lieutenant Governor's Office.

Representative Hand moved to grant the \$109,000 of federal spending authority to the Lieutenant Governor's Office.

All were in favor. The motion passed unanimously.

Legal Jurisdiction Project

The committee previously decided to eliminate the project. The FA made no recommendation for the Legal Jurisdiction Project and took a neutral stance.

Mr. Koehnke brought to the committee a revised budget request. The original request had 4 FTE. In the revised request, the program is asking for 3 FTE. The total personal services is \$40,984 for both years.

The original Executive request was for \$132,059 for 1980 and \$132,569 for 1981. They are now requesting \$112,804 for 1980 and \$115,554 for 1981. Mr. Koehnke commented that they have

trimmed the budget as much as possible.

Joe Roberts, staff attorney, reviewed some of the cases they are working on and the need for the Legal Jurisdiction project.

The committee discussed the project.

Senator Lockrem commented that the past funding was appropriated for legal fees and has ended up being used for studies. He stated that it was never indicated that it would be an ongoing project.

Mr. Roberts responded that in terms of litigation it would get worse instead of better. He commented that the various state agencies were dealing with the cases on a fragmented basis and this was the reason for the project.

There was discussion of transferring the program to the Attorney General's Office.

Senator Thiessen moved to approve the Legal Jurisdiction Project budget request for \$112,804 for 1980 and \$115,554 for 1981.

A roll call vote was taken. Representative Hand voted no; Senator Thiessen voted yes; Senator Lockrem voted no; Representative Wood voted yes and Chairman Menahan voted yes. The motion passed.

Dan Mizner, Montana Cities, stated that last session the Legislature passed a law 2-17-112 which said the State of Montana could enter into contracts for fire service for state owned buildings. This law also stated for a number of cities to get together with Department of Administration to obtain information necessary to prepare a budget for this fire service.

The Department of Administration did not include this in their budget. There was a misunderstanding in which it was thought that insurance premiums for state owned buildings was the topic being addressed.

A committee was set up to identify the buildings and the related costs to the taxpayers for providing this fire service.

Mr. Mizner stated that the bill provides for the state to either go into the fire protection service on its own or to contract with the cities to provide the service. If they contracted with the cities the cost would amount to \$679,729 for the biennium or \$339,364 per year.

Mr. Mizner respectfully requested the committee to consider including this amount within the Department of Administration appropriation as a line item and if this amount was not contracted for with the cities and towns that it remain within the Department of Administration for reappropriation at the end of the

biennium. Also if a particular area wanted to provide their own service they could use this money.

The FA commented that she had no information at this point on the fire service.

The committee discussed the state having to provide this service. Some of the members were very much against general fund providing state fire service. They questioned the cities being a subsidy of state government or being autonomous.

There was further discussion.

Mr. Mizner asked the committee to consider assisting the cities with some method of funding for the fire service. Upon receiving a copy of the law 2-17-112, the committee discussed the portion which stated that payments to local governments for fire services provided to state agencies are subject to appropriation by the Legislature.

Mike Young from the Insurance Division commented on what he knew of the problem.

Representative Hand moved to grant the \$679,729 for the biennium for the fire service.

A roll call vote was taken. Representative Hand voted yes; Senator Lockrem voted no; Senator Thiessen voted no; Representative Wood voted yes and Chairman Menahan voted no. The motion failed.

At this time the meeting was being chaired by Acting Chairman Senator Lockrem.

Les Simkins commented to the committee on House Bill 380 which provides for the maintenance of signals and hiway signs to be funded out of the hiway earmarked account.

The cost would be \$220,000 for the Department of Highways to take over this maintenance. Mr. Simkins stated that the bill had passed the House and was on second reading in the Senate.

There was discussion on the maintaining of the signals.

By taking the \$220,000 from the earmarked account, it takes away from the 4 to 1 match for building of highways.

Representative Menahan made the motion to fund the \$220,000 from the earmarked revenue account for maintenance of the signals and numbered hiway signs.

A roll call vote was taken. Representative Hand voted yes; Senator Lockrem voted no; Senator Thiessen voted yes; Representative Wood voted yes and Chairman Menahan voted yes. The motion passed.

The committee decided to have a fiscal note attached to the bill.

Legislative Council

The committee decided to review the Legislative Council budget request. The FA commented that it is very hard to compare what has happened in the past with the present because of reorganization.

The authorized FTE level for 1979 was 33 FTE. Prior to the start of the Legislature, they had 49 FTE which is an increase of 16 people over what was authorized. They are now requesting 53.3 in 1980 and 62.58 in 1981. The difference between the 53.3 and 62.58 would be the people working only during the session.

The committee appropriated 52 FTE in 1980 and 62 in 1981.

The FA commented that it would be very difficult to arrive at the expenditures with recodification expenses filtered throughout separate programs. She said \$60,000 could be identified for revised codes.

In 1978, the Legislative Council's operational plan indicated that they would spend \$527,000 for personal services. By the end of 1978 they had spent \$650,000. For 1979, the operational plan indicates \$79,000 for personal services; however, if they continue to pay the individuals now staffed they will have committed \$686,000 for salaries.

Of the supplemental granted, \$119,000 was for salaries.

For 1980 and 1981, they have requested \$2 million for the first year and \$1.5 million the second year. They have a definite trend upward in their requests.

The problem is recodification; there is not a base from which to work. The committee felt that a hard look should be made at the budget request by the Council and decided for Senator Lockrem and Senator Thiessen along with the FA to work with the budget and try to identify some of the one time expenditures and corresponding FTE.

The committee members also decided to meet with the Council members and let them know they were looking again at the budget request.

DEPARTMENT OF ADMINISTRATION

The Department of Administration requested some modifications.

Treasurer

The Treasurer requested \$1,700 a year for added insurance costs. This was a mathematical error on the part of the program when they submitted their budget. Mr. Lewis commented that this could

be absorbed but preferred to have the funding for the insurance costs.

Personnel Division

For supplies and materials, Bill Gosnell requested \$4,600 the first year and \$5,000 the second year.

In communications, Mr. Gosnell requests \$3,600 the first year and \$4,000 the second year.

He commented that in these areas he had requested less than was actually expended in 1978.

Public Employees' Retirement System

The committee allowed Mike Young, Administrator of the Insurance Division, an additional lawyer on the premise that PERS would pick up \$8,000 for this salary. PERS now states that they do not have the money in their budget. This money may not be needed if the money is within contracted services.

They also request \$5,700 for rental costs for their terminals for each year. Mr. Lewis wanted language within the bill that would specifically denote how much data processing the committee allowed them so if the data processing costs ran over the appropriated amount, they would have some justification for not reverting the \$22,000 which they thought they could revert. Mr. Lewis commented that it would be satisfactory to have wording in the minutes of the meeting rather than language in the bill.

The committee at this point, indicated that the appropriated amount would be \$50,000 for the data processing and noted for the record that Mr. Lewis was present and indicated that costs may exceed the \$50,000.

The FA stated that the PERS also requests \$6,000 for 1980 and \$9,000 for 1981 for postage.

Records Management

Records Management Program requested general funding for two positions which are non-revenue producing positions. They now request that one position be paid through the general fund in the amount of \$15,000. This would be a matter of decreasing the revolving fund and increasing the general fund.

Mr. Lewis commented that last session they cut the general fund request in half. He stated that next biennium they would be completely off general fund.

Mr. Lewis commented that they could not generate enough on the revolving account to provide a lot of the services.

The Department of Administration's total request for the biennium

of general fund would be approximately \$36,000.

For Computer Services the total revolving fund would be \$72,000 for the biennium.

The total earmarked fund would be \$48,700 for PERS. The request is \$157,000 total mixed funds for the Department of Administration.

Representative Hand made the motion to approve the \$157,000 in modifications requested by the Department of Administration.

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

Representative Hand asked the committee to reconsider action taken on the Antitrust Bureau and the county prosecutors because of the Attorney General stating that he really needed the Antitrust and the prosecutors.

Senator Lockrem responded that the bill allowing authority to prosecute was killed in the Senate and only Workman's Compensation could be prosecuted by the Attorney General.

Les Simkins commented on the county prosecutor services that they were reclassified but the old rate was used for preparing the 1980 and 1981 budget. The raises for the reclassification was included in the Executive recommendation but not in the agency request. They were asking for the funding for these pay raises.

Senator Lockrem felt that because of denying the raises for the Legislative Council attorneys that the committee needed to be consistent in its decision making and stated the Attorney General could absorb the cost of the salary increases within its budget.

Mr. Simkins left a list of requested items which included requests for data processing of \$41,000 and \$47,000 for mailing and \$38,000 for printing costs within the Registrar's Office.

Hiway patrol operations requested repair and maintenance costs for the 8 vehicles added back in.

The committee decided to let these items be handled through the full committee.

STATE AUDITOR

The FA commented that there were adjustments made to the State Auditor budget of \$8,100 a year for upgrades. They are asking for an additional \$13,000 a year. The Budget Office and Jim VanKoten from the Governor's Office do not accept this request for additional funds.

The total budget for the Investment Division is \$111,000. The

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total budget for the State Auditor is \$1,323,000 the first year and \$1,232,000 the second year.

The committee's decision was to let the State Auditor request be handled in the full Appropriations Committee.

The Workman's Compensation Judge submitted a budget modification request. The request was for a hearings examiner, deputy clerk of the court and travel expense. This request was denied by the subcommittee.

There being no further business, the meeting was adjourned at 12:20 a.m.

Respectfully submitted.


William Menahan, Chairman

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