

MINUTES OF THE MEETING OF THE APPROPRIATIONS SUB-COMMITTEE ON
ELECTED OFFICIALS AND HIGHWAYS

February 8, 1983

(Tape 57, Tape 58 and
Tape 59, Side A)

The Appropriations Sub-committee on Elected Officials and Highways met at 7:10 a.m. on Tuesday, February 8, 1983 in Room 437 with Chairman Quilici presiding. The following members were present:

Chairman Quilici	Senator Dover
Rep. Connelly	Senator Keating
Rep. Lory	Senator Stimatz
	Senator Van Valkenburg

Also present: Cliff Roessner, LFA, and Doug Booker, OBPP.

WORK SESSION

Department of Administration

Central Administration (Exhibit 1)

The Chairman asked Mr. Roessner what the difference was in FTE as the OBPP budget shows 9.5 FTE and the LFA budget shows 4.5 FTE. Mr. Roessner explained that two FTE were management analysts who were transferred into Central Administration from the Consulting Services Bureau when that bureau ceased to exist. He said there was one administrative officer that the LFA deleted whose duties were transferred to the A & E Division. The LFA transferred one attorney to Insurance and Legal Division to form the legal pool for the department. A .5 secretary was not added but was transferred from another division into the Central Office.

Senator Dover asked what the committee was supposed to do with the remaining 4.5 FTE. Mr. Booker said the OBPP decided to do away with the Consulting Services Bureau which resulted in a reduction of 7 FTE and that 2 FTE were still needed to carry on other duties for the other agencies, the department director and for the Governor's office which would involve studies and special projects. He told the committee that Mr. Brusett could probably address the administrative assistant position more in depth.

Mr. Brusett told the committee that the two management analysts to be transferred from the Consulting Services Bureau would provide broad-based inter-agency studies such as a study done of the impact of the cut-backs in federal funds. The Council on Management had suggested that they go to a revolving fund and that these two FTE be transferred to either the Governor's office or the OBPP. However, the Governor preferred to have them remain with the Department of Administration Director's office and the other five positions were eliminated.

Mr. Brusett advised the committee that the administrative assistant FTE was formerly the executive secretary position with the Board of Examiners. When he retired they converted that position to an administrative assistant. The duties of this former position are

divided between the A & E Division and the Director's office. This administrative assistant position is at a lower level and is absolutely necessary to assist in managing the department.

Mr. Brusett said, regarding the attorney position, this attorney is used full-time. It was funded in the Director's office last session. However, this position was moved to the legal pool (Insurance and Legal Division). There were two reasons for this. This attorney was new and they wanted him to be able to work with the more experienced attorney. In addition, Mr. Brusett said, it provided more flexibility in the workload.

Mr. Brusett said a year ago he was asked what he needed to run the department and he didn't know as he was a new director. Now, he has had a chance, after two years, to see the proper make-up in order to get a handle on the department.

Senator Dover made a MOTION that the committee approve 9 FTE for the Central Administration.

The Chairman asked Mr. Brusett if, in essence, when the Consulting Services didn't want to go on a revolving fund they just disbanded the Consulted Services Bureau. Mr. Brusett replied that they felt it wasn't practical. In terms of the agencies, if they are short of money they are not likely to go out and fund a study. They didn't think it would survive on a revolving fund. Many of the studies that had been done were for general funded agencies. They would try to absorb that workload with two people, recognizing they may have to bring in other people for some of the work. They would still have two lead analysts that would coordinate the studies. Regarding the .5 secretarial position, they did have 1.5 secretarial positions. They were sharing a half-time position with Treasury and Central Services Division. With bringing in the two analysts they will need this secretarial position. Within the Consulting Services Bureau, they had a full-time secretary to assist them. They will be adding those two analysts and the secretarial workload will have to be absorbed.

Question being called for, the motion carried.

The Chairman noted that the differences between the LFA and OBPP budget would reflect these positions.

Regarding "Operating Expenses", within "Contracted Services" there is a difference in FY84 of \$1,866. \$1,516 of that amount represents expenses that were added for the two Consulting Services employees the committee has just approved. Those expenses should be added back in. \$253 of the difference is expenses the LFA pulled out of the base because "Personal Services" monies were used for "Operating Expenses" in FY82 thus expanding the "Operating Expenses" base. In answer to a question from the Chairman, Mr. Roessner said this is in the category of "Contracted Services".

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Mr. Roessner said he has done this in all the second level items in "Operating Expenses".

Mr. Roessner gave the following amounts regarding the CSB employees and for the vacancy savings funding. In "Contracted Services", CSB employees would be \$1,516; "Supplies and Materials" \$207; "Communications" \$1,600; "Travel" (corrected figure) \$375, "Rent" \$656, "Repair and Maintenance" \$539. He advised the committee that he did not have the figures for 1985.

Senator Keating said he had a note to the effect that the same figures were used for FY85 with the inflation factor.

Senator Dover made a MOTION that the committee accept the LFA budget plus the figures provided (above) for FY84 and for FY85 the same figures inflated.

Senator Van Valkenburg said there is still a substantial difference between "Other Expenses" and "Goods Purchased for Resale".

Mr. Roessner explained that those were the expenses associated with the attorney and should be added back, also. Discussion. (Senator Keating noted here that the correct amount for "Travel" discussed above should be \$375 and not \$656 as previously stated.)

Senator Keating asked if any expenses in "Contracted Services" were one-time expenditures that remained in the base and were carried forward. Mr. Brusett replied that most of the "Contracted Services" funds were audit fees. Discussion.

Senator Dover RESTATED the figures for his MOTION: "On "Contracted Services" the committee would approve the LFA plus \$1,516; "Supplies and Materials" would be LFA plus \$207; "Communications" LFA plus \$1,600; "Travel" LFA plus \$375; "Rent" LFA plus \$656; "Repairs and Maintenance" LFA plus \$539; "Other Expenses" LFA, and "Goods Purchased for Resale", LFA.

Mr. Roessner explained that he would add \$3,069 to the budget to zero it out. This would return it to the base. Discussion. Mr. Roessner said in the "Other" category, the difference there is OBPP put in \$764 in registration fees for "mandatory education". He said this was not mandatory education that the state has but it is the Society of CPA's that requires the education.

Mr. Roessner said the \$1,159 of that difference is the vacancy savings that was used for "Operating Expenses". Discussion.

Senator Dover ADDED to his MOTION the \$764 to "Other Expenses" for the registration fees for the CPA. He clarified his motion that these figures for FY84 would be the same, plus inflation, for FY85.

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Question being called for Senator Dover's original motion, as amended and clarified, carried.

Regarding "Equipment" Mr. Roessner told the committee that the LFA allowed \$2,520 annually for a three-year lease-purchase of a typewriter. He said he believed the OBPP put these costs into the "Rent" figure, which would only require a switch of categories.

Senator Dover noted that this was not included in his motion, so he would put that in.

In answer to a question from the Chairman, Mr. Booker said this was a memory typewriter.

The Chairman said that if Mr. Booker had built this into "Contracted Services" this should be accepted in the LFA's budget along with the prior motion.

Senator Dover said he would INCLUDE in his PRIOR MOTION \$2,520 for "Equipment".

Discussion. Mr. Booker explained that this was for two machines, one for each year. Discussion. Mr. Roessner said this was, on the sheet, one machine with a cost of \$210.

The committee discussed the cost of leasing and purchasing different types of memory typewriters. (314)

Senator Keating made a SUBSTITUTE MOTION that the committee approve the purchase of one memory typewriter and let them get some prices on it and plug it into the budget.

Mr. Roessner said they did have a price in the work papers and the Chairman might ask Rick Morgan if we could use that. On Form B-22 the cost is listed at \$4,878. On top of that there is \$550 a year maintenance contract. Over a three-year period that comes out to \$6,528.

The Chairman said he would like the committee to get an exact figure and this would be addressed separately. The Chairman asked that Senator Dover withdraw his inclusion to the prior motion and that Senator Keating withdraw his substitute motion. Senator Dover withdrew his addition to his prior motion. (The motion had carried prior to this inclusion of "Equipment".) After some discussion, Senator Keating withdrew his substitute motion.

The Chairman asked Mr. Roessner and Mr. Booker to check on the prices, etc. and get back to the committee.

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Mr. Roessner said there is an item that shows up on "Funding" that the committee should address. There is a difference of \$41,000 within the revolving fund. This is for audit fees. He recommended that the committee take the OBPP on this item. He said if the LFA budget is approved this would be all in the general fund.

Senator Dover made a MOTION that the committee approve the OBPP budget on funding, \$343,254 for general fund and \$41,000 for revolving fund.

Mr. Booker pointed out to the committee that the general fund figure would change after he and Mr. Roessner go over the "Personal Services" and "Equipment" categories. However, the \$41,000 would remain static.

Senator Dover REWORDED his MOTION to read: "\$41,000 for the Department of Administration's revolving fund and the remainder out of general fund."

Question being called for, the motion carried.

Senator Dover noted that this \$41,000 out of the revolving fund was for FY84 only. Mr. Booker said this is the year all the audit fees come in.

Senator Dover made a MOTION that the committee accept the Central Administration budget as amended. Discussion. (It was noted by the Chairman that the typewriter could be plugged in later, if the committee approves its purchase.)

Question being called for, the motion carried.

Purchasing (388) (Exhibit 2)

Senator Dover made a MOTION that the committee approve the 17 FTE's for the Purchasing program. Motion carried.

Senator Dover made a MOTION that the committee approve the LFA figures for "Operating Expenses".

Mr. Roessner explained that the "Contracted Services" recommended by the LFA differed from the OBPP because the LFA inflated the data processing charges, adding that he was still unclear as to whether or not this should be done.

Ms. Laurie Ekanger, of the Purchasing Division, advised the committee that the minimum operating charges were given as an estimate from the Computer Services Division. Mr. Booker replied that the amount varies from \$50,000 to \$70,000 because the system is new and the costs are unknown, adding that the OBPP took the old figure and plugged it in.

Senator Keating said "Contracted Services" for FY83 was \$66,780 and the increase to \$72,900 represented a 10% increase rather than a 6% which is being used as an inflation factor. He asked if "Contracted Services" figures were somewhat distorted due to transfers. Mr. Booker replied that the reason this was distorted is that development costs could not be used as a comparison. They zeroed it out and asked them for a figure of what it is going to cost to run the system. This makes it impractical to compare FY82 and FY83 to FY84.

In answer to a question from Senator Van Valkenburg, Ms. Ekanger said the data processing contract includes charges for keypunching of \$16,000 and word processing for \$20,000.

Senator Van Valkenburg expressed concern about the increased rates that will be necessary in the keypunching services that data processing performs and the expectation that rates will go down in the non-peak usage period of computer access time. He said he is inclined to go with the OBPP's figures of \$72,926 for "Contracted Services".

Senator Van Valkenburg made a SUBSTITUTE MOTION that the committee accept the OBPP's figures for "Contracted Services".

Discussion. Senator Dover withdrew his original motion to accept the LFA figures for "Operating Services".

Discussion. In answer to a question from Rep. Lory, Ms. Ekanger said they could not use the night-time computer time. Rep. Lory noted that this was the only rate they were going to lower.

Senator Van Valkenburg AMENDED his SUBSTITUTE MOTION to read: "that the committee approve the OBPP "Operating Expenses" budget."

Question being called for, the Amended Substitute Motion carried.

Central Stores

Mr. Roessner advised the committee that the LFA still has some information to gather on Central Stores and he is not ready to present this budget.

Surplus Property (Exhibit 3)

The Chairman noted that there was a difference between the LFA and OBPP of a .5 FTE. The division request was for 6, so there is a difference of 1 FTE.

Senator Van Valkenburg said his recollection was that between this program and Central Stores one FTE got lost. Mr. Roessner said he didn't have his work papers, but his recollection was that the 1 FTE that was lost was added in 1983 by the Legislature. It got lost in the shuffle. Another FTE that was added by budget

amendment and was pulled out by the LFA to bring us down to a total of 10 FTE's between Central Stores and Surplus Property. This was split out half and half between the two bureaus.

Senator Van Valkenburg made a MOTION that the committee approve 6 FTE's in the Surplus Property Program. Question being called for, the motion carried.

Under "Operating Expenses" Senator Dover noted that in the "Travel" category, the LFA is high. Mr. Roessner said there were several out-of-state trips that were removed by the OBPP which the LFA left in. Mr. Booker explained that he understood that Surplus Property would be operating more in the state rather than out-of-state. He noted that in talking with Ms. Howe he understood there would be some out-of-state travel.

Ms. Terry Howe, Surplus Property, told the committee that since they have reorganized the bureau, they are not sure how much they will need in travel. The travel is mostly used for pick up of surplus property. They have decreased the amount of time as far as going out of state to pick up surplus property but if the travel is cut the division would not be able to pick up surplus property as planned. Discussion.

Rep. Lory made a MOTION that the committee approve the LFA budget to include all operations except "Equipment".

Discussion of clarification of Rep. Lory's motion.

(Tape 57, Side B)

Question being called for, the motion carried.

The Chairman asked Ms. Howe to go over the "Equipment" category. Ms. Howe said the difference is a \$7,500 charge that they are splitting between the Stores and the Surplus Property programs. This is for a hydraulic lift to be placed on the docking facilities where they now take care of getting out surplus property and receiving goods. She said the docking facility is set up now where, in order to work on small vehicles, people have to bend down, when carrying desks, large compressors, etc. They are requesting the lift in order to prevent possible back injuries to their employees. She said most of the people who come in for surplus property are coming in with small pick-ups.

In answer to a question from Senator Keating, Ms. Howe said the reason for their request for a pallet jack was that they needed to have this equipment to carry in a vehicle in order to pick up surplus property at a particular site.

Discussion of how a pallet jack works.

Senator Dover made a MOTION that the OBPP "Equipment" budget be approved.

The Chairman asked if the pallet jack was needed in addition to the fork lift. Ms. Howe said the fork lift could not be carried in a vehicle, creating the need for a pallet jack.

Senator Dover AMENDED his MOTION to read: "that the committee appropriate \$8,100 for the pallet jack and a hydraulic lift. Question being called for, the motion carried. Senator Van Valkenburg voted "no".

Senator Dover made a MOTION that the Surplus Property budget be approved as amended.

Senator Van Valkenburg advised the committee that in adopting the "Operating Expenses" of the LFA figure for "Other Expenses" this apparently does not include the dues necessary for membership in the Federal Surplus Property Program. He said the \$480 seemed to be a fairly important item.

Senator Dover withdrew his motion.

Senator Van Valkenburg made a MOTION that the committee add the amount necessary to pay these dues of \$481 or whatever the amount is.

The Chairman asked Ms. Howe to explain these dues to the committee. Ms. Howe explained that there are two dues. There is a Western Association of Surplus Property and a National Association of Surplus Property. In the Western Association of Surplus Property the dues are charged out as an assessment for the data runs and all the information they receive from them regarding the kinds of property that is available. The National Association basically updates any legislation and gives them information. Without belonging to these two associations they would absolutely lose contact on any federal surplus property that becomes available. The reason for the difference between LFA and OBPP budgets was basically that they were using FY82 figures directly and Ms. Howe had asked for an addition to include the end of the fiscal year's dues which had not been listed on the FY82 budget.

Senator Dover CLARIFIED Senator Van Valkenburg's MOTION that the committee would then be approving the OBPP figures of \$2,752 in FY84 and \$2,917 in FY85 under "Other Expenses". Discussion. Motion carried.

Senator Dover made a MOTION that the committee approve the Surplus Property budget, as amended. Motion carried.

The committee recessed.

The committee reconvened.

HEARINGS

Local Government Services

Accounting and Management Systems (112)

Mr. George Pendergast, Administrator of Local Government Services, Department of Administration, told the committee his division served three primary functions: (1) to audit affairs of local government (2) to support and assist local governments, both in the conduct of their affairs and in their role as agents of the state and (3) to design and to install budgetary accounting and reporting systems.

He said the importance of these functions of the state can be substantiated by approximately 60 sections of law. In addition, these functions partially fulfill the constitutional mandate requiring the state to insure local government accountability. They deal with approximately 1,000 units of local government. Their funding source for audit is self-supporting through a revolving fund. For assistance to local government and for Budgetary Accounting Reporting Systems they rely on general fund support. They are presently authorized 38 FTE's.

Ms. Joanne P. McFarlane, Jefferson County Clerk and Recorder, read from prepared testimony. (Exhibit 4-A) She provided the committee with written testimony from various counties in support of the division for its expertise in assisting county officials with compliance with laws and stating their opposition to any action that would deprive local governments of the current assistance they now receive from the state office. (Exhibits 4-B through F)

The Chairman called the committee's attention to the budget worksheet for this program. (Exhibit 5) Under the Program Control Number 6100, "From State Sources", the OBPP budget lists \$1,650,000 in FY84 and \$1,850,000 in FY85. These figures include additional funding for the District Courts. He explained that this is the reason there are people here to testify for the District Courts although the budget the committee is hearing at the moment is for "Local Government Services".

Ms. Sue Bartlett, Lewis and Clark County Clerk and Recorder, addressed the committee. (Her statement, which she read to the committee is contained in Exhibit 6.)

Ms. Martha McGee, Treasurer-elect of Lewis and Clark County, told the committee that she is one of 22 newly elected treasurers in the state. She said she would like the committee to be aware of how many new treasurers in the state will need to have assistance and they feel that BARS is critical to the operation of local governments.

Mr. Dick Reich, Clerk and Director of the School Districts in Billings addressed the committee. (His statement, which he read to the committee is contained in Exhibit 7.)

Mr. Mike Micone, Montana League of Cities and Towns, told the committee that the division serves as a source of relations improvement between the state and local government entities. He said since the audit function was put on a revolving fund basis in 1981, local governments have paid for the cost of the audits. However, the League also recognizes non-audit related services provided by the division. He told the committee that the \$80,000 in general funds which is provided for these services is modest in view of the benefits received. He said it was his understanding that the actual budget request was \$200,000, while the OBPP recommended \$80,000 and the LFA recommended fee funding.

Mr. Micone told the committee that the smaller entities that utilize the system the most would be devastated by the proposed LFA action. He requested that the committee give serious consideration to full general funding for the program and authorize maintenance of the existing system.

Mr. Mike Steven, Montana Associations of Counties, said he had a concern about the direction the budgets are taking as far as BARS is concerned. This is a state-mandated system and local governments have done their part in getting this implemented. He stated he had a concern about dropping the funding for BARS this year and added that enhancement needs to be addressed. He said the system needs to be refined for uniformity. This should be the burden of the state.

Regarding the audit function, Mr. Steven said this was a very important area regarding feed-back of information relative to how local governments are managing their fiscal matters. To reduce this to a revolving fund function would indicate how hesitant state government is in assisting local governments with the state system. Mr. Steven said the committee should consider expanding the state staff in order to assist all the local entities in the 56 counties. (456)

Mr. Bill Verwolf, Municipal Clerks, Treasurers and Finance Officers Association, explained to the committee that many members of his organization are from small towns and one person performs all the functions for the town. He said a problem arises when someone retires or is replaced because there is no one there to train them as there would be in the larger towns or cities. This is where the Local Government Services is of such value. They would have no continuity of training in the small towns without the state service. These smaller towns would not be able to pay the fees for this assistance with their small budgets.

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Mr. Brian McCullough, Department of Commerce, told the committee he was here because of the proposed legislation in HB 639 which would affect the transfer of this function from the Department of Administration to local governments. He said whether or not this legislation passes he feels that it is imperative that strong financial technical assistance be provided to the local governments to enhance local economic development. He recommended general funding for this program. He said if this legislation passes, the transfer to the Department of Commerce would require realignment of the overhead of the department but the net effect as far as budgets would zero out.

The Chairman asked those present who had written testimony to leave it with the secretary.

Senator Van Valkenburg asked Mr. Micone and Mr. Stephen if they supported the executive budget to move funds from the general fund to the propitiatory fund. Mr. Micone said he felt it was necessary that general funding provide the service and was not in favor of the revolving fund approach. Senator Van Valkenburg said it was not often the committee went above the executive budget recommendation. Mr. Micone said he would rather support the OBPP budget than the LFA recommendation.

Mr. Stephen said his organization would rather see general funding, but that he has no problem with the revolving fund concept if there is a good mix of general fund and revolving fund. He felt there should be a stable participation in the funding and did not want to see the revolving fund responsibility increase with each successive legislative session.

In answer to a question from Senation Dover, Mr. Stephen said the local governments were carrying the cost of the bookkeeping before BARS was initiated.

In answer to a question from Senator Dover as to whether or not this new system is costing the local governments more than the old system, Mr. Pendergast said that the system that was in place did not meet the standards. Secondly, it didn't provide the information to management nor to constituents nor to interested parties. He said there was an initial cost but he didn't feel it was an undue burden on local governments.

Senator Dover said if this system has done its job it should be saving them time and money in each district. Mr. Pendergast said he believed that was true in that it produces information that is needed as opposed to going back and digging out or recapping information. He said that he did not feel that on-going costs were increasing.

Senator Dover said, "If, after a system is established, then do you want the state to pick up the money to maintain a system that is costing you less than what you were doing before and paying

yourself?" Mr. Pendergast responded that maintenance is a vital part of any system and the State of Montana law mandates that the Department of Administration design and install systems for local governments. There is a state responsibility that once that system is up, no system can survive without maintenance. (Tape 58, Side A)

The Chairman asked Mr. Pendergast, relative to his statement that the standards were not being met, who set these standards. Mr. Pendergast replied that the standards, in terms of accounting, were set by the National Council on Governmental Accounting. There is a larger body, the American Institute of Certified Public Accountants, which sets the standards throughout the United States. He said the law on the books for systems has been there for many years mandating that a state agency provide, design and install systems for local government. However, it is only since 1975 that any legislative action has been taken in terms of support. He added that from 1917 until 1975 the systems utilized were inadequate.

Senator Keating asked what other functions of service were provided to local governments in addition to the audit functions. Mr. Pendergast said there were three functions: an audit function, the support and assistance to local government, and the accounting and management systems function.

In answer to Senator Keating's request that Mr. Pendergast expand on some of the functions of his office, Mr. Pendergast said they also serve the executive branch, i.e. fiscal notes for local government bills; serve as Governor's liaison for revenue sharing; work relative to payments in lieu of taxes; and the Executive and Legislative Council use their expertise.

District Courts

Mr. Pendergast told the committee that the legislation for District Court grants will be sunsetted June 30 of this year and in its place there is Senate Bill 19 which has passed the Senate and has been referred to the Local Government Committee in the House. This bill is a grant legislation providing grants to counties for District Court purposes. House Bill 120 is a form of state assumption of District Court costs. The Executive branch has recommended funding for FY84 of \$1.65 million and for FY85 \$1.8 million.

(Mr. Pendergast distributed Exhibits 8 and 9 to the committee.)

Exhibit 8 sets forth the District Court Grants for 1981 and 1982 and Exhibit 9 shows a comparison of State General Funds Costs for 1985 relative to Senate Bill 19 and House Bill 120.

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Mr. George Bousliman, Urban Coalition, told the committee the reason why the numbers are higher in FY83 and FY84 is that the current grant-in-aid law says that counties can impose 4, 5, or 6 mills (depending on their size) after which the grant-in-aid program is triggered. (Exhibit 10) He said the problem is that the program has been significantly under-funded and the counties simply have no other source of funding. For that reason, Mr. Bousliman said they would support the Executive Branch's proposed budget which, over the biennium, is about \$3.5 million.

Don Peoples, Chief Executive of Butte-Silver Bow, said the only control over the District Courts is at the state level. He said property tax revenues for district court costs have increased 69.7% since 1978 and stated his support of the Executive proposal for \$3.5 million for District Court funding. He said paying interest on registered warrants to fund the program is not an attractive alternative.

Mr. Bob Palmer, Missoula County Commissioner, told the committee that his county will be \$250,000 in debt regarding the District Court Fund. They are currently registering warrants; they are currently operating under a Court Order from the District Court to register those warrants. They are going to have to make that difference up out of some fund, in terms of the general fund or some other source. The total allocation last year was \$300,000 and Missoula County could easily use up three fourths of that amount. He concluded that he supports the Executive's proposed budget.

Ms. Ruthmary Tonn, Gallatin County Commissioner, told the committee that the cost of court operations are increasing beyond their control yet the value of their mill is decreasing. Six mills does not bring in, in Gallatin County, what it did in FY81 and FY82. She requested the committee to fully fund the grants-in-aid program.

Jack Whitaker, of Cascade County, distributed Exhibit 11 to the committee. He called the committee's attention to this three page exhibit and noted the steady progression of costs from 1980 to 1983. He said the situation is so bad in Cascade County that the PERS and Health Insurance are levied separately. Mr. Whitaker told the committee that the county is estimating a \$700,000 to \$800,000 deficit in 1984. He told the committee that the county wants to participate actively in funding the courts and does not want to have to come back to the Legislature every two years and ask for help. However, the situation at the present time is critical. He said when the tax base increases then the mill levy will go up and they are hoping that this will, in fact, happen over the next two years. He said he appreciated the help the Legislature has given in the past in funding the courts and said they support full funding of the Executive request.

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Mr. Steve Brown, Judges Association Lobbyist, said the judges are unanimous in their support for increased state funding for the District Court program. The District Courts are state courts and it does become a question of how much of an obligation the state has to fund those particular operations. They think the \$3.5 million request is reasonable.

Mr. Mike Stephen, representing the Montana Association of Counties, said they fully support the \$3.5 million recommended in the Governor's budget for grant-in-aid for District Courts. He said although in the past they did not have an idea of an over-run on the 6, 5, and 4 mills, they do have a track record now. He assured the committee that the \$3.5 million that is expected during the next biennium is based on actual figures for this past biennium and is not an inflated figure. They would appreciate funding at this level.

In answer to a question from Rep. Lory as to whether all counties were at either 4, 5 or 6 mills, Mr. Stephens said this was correct.

In answer to a question from Senator Keating regarding the fact that caseload information seems to be missing, and he questions the growth in cases, Mr. Stephen said they were not the appropriate entity to question the caseload; they are in the funding end of it and they pretty much have to fund what the courts ask for.

In answer to a question from the Chairman as to the projected increases in costs, Mr. Brown said there are many variables which determine the costs to the courts. Length of trials can significantly increase the district court costs. The complexity of some cases can have a big impact. So not only increased caseloads can impact the costs. One large lengthy trial can break a county's budget. If the committee is interested in caseload figures the Sub-committee on Judiciary developed those and they have this information in the Legislative Council. He said the 4th District and the 13th District have the heaviest caseloads per judge in the State of Montana.

Senator Van Valkenburg said in comparing Senate Bill 19 and House Bill 120 there seems to be about \$1.6 million savings to the state by virtue of the passage and implementation of House Bill 120 as opposed to the grants-in-aid program. Senator Van Valkenburg said that, except for Mr. Whitaker who testified he wanted to maintain some kind of local involvement in the funding, are there other officials in local government who would be opposed to the idea of full state assumption of District Court operations? (None were indicated.)

Senator Van Valkenburg said that Mr. Stephen, in response to Rep. Lory's question, indicated that all of the counties were not imposing the District Court levy. He said, from Mr. Bousliman's hand-out, right now only 44 counties impose the District Court levy

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and, of those, only 25 are at their maximum. Are those figures accurate?

Mr. Stephen replied that in some cases the District Court would be carried under the general fund and that is what you're seeing. Senator Van Valkenburg said that under House Bill 120 there would be a 6 mill statewide levy which would probably not mean much of an increase for 25 counties but at least, as the other 30 counties in the state, there would be a fairly substantial increase in their property taxes. Senator Van Valkenburg asked if MACO (Montana Association of County Officials) has a position with respect to House Bill 120. Mr. Stephen replied that they are opposed to that bill.

Accounting and Managements Systems Program

Mr. Pendergast addressed page 239 of the LFA analysis, advising that in 1979 it was indicated to the Legislature that BARS would be completed in 1984 for only the counties and cities and not as stated in the LFA analysis. He furnished the committee with a handout which addressed the issues presented by the LFA. (Exhibit 12) He said this is the first time uniform information which is comparable has been available and helpful to the executive and legislative branches of government. He advised the committee that the OBPP budget recommends revolving funding in 1985 while the LFA budget recommends termination of state participation in funding. He said it is doubtful that the program could survive on a strictly revolving fund basis.

Mr. Pendergast explained that two of the three vehicles owned by the division have more than 100,000 miles and are probably unsafe. He asked that the vehicles be retired and states his support for the OBPP budget.

Mr. Pendergast said that the three FTE's that the LFA proposes to cut would create no vacancy savings because in a revolving account if there are no people generating audit fees, there is no revolving fund. He also said that the training indicated in the budget is necessary to maintain the level of expertise of their auditors.

Mr. Pendergast furnished the committee with a handout which explained the Audit Revolving Fund and the conditions which impact on this fund. (Exhibit 13) (609)

Senator Dover asked if the District Courts were cut back a little and some general fund money was added in this budget, along with the revolving account, would the department approve.

Mr. Pendergast said he found it difficult to respond to that because the Governor has pledged his support to the District Courts.

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Mr. Brusett said the District Court funding is absolutely necessary. In terms of the BARS system it comes to a philosophical question of, after these systems are set up and on-line, how long the state should continue to operate them.

Senator Dover noted that once they are up and running they may be able to go revolving, but they aren't done with the initial part of putting it in and this is where he thought of putting general fund.

Mr. Brusett said general fund is in this budget through FY84 which would be the completion date for counties and cities.

Mr. Pendergast said there are several hundred school districts that the law requires the state to do. There are about 200 elementary and 200 high school districts plus their extra-curricular accounts which would total about 600 units or entities to deal with so you are looking at an on-going program. Mr. Pendergast said the present level of funding for FY84 would be adequate.

Mr. Booker told the committee that to-date state government has put in \$1.5 million in BARS. He also said that you are looking at many years to get all the schools on board.

Senator Dover questioned why the schools were cut off when they have the same legal requirement as the counties and cities.

Mr. Booker said the cities and counties are not on-line yet they really don't know what kind of a system they have. There is a serious doubt that the counties are presently all reporting the same way. (Tape 59, Side B)

Rep. Lory asked if it was the Council on Management that recommended moving the audit function to the Department of Commerce.

Mr. Brusett said it was a matter of putting together their resources, recognizing that they were scarce. He said with the block grant program being administered by the Department of Commerce, there were two reasons for this move. First, by putting the Local Government Services entire division with the Department of Commerce there would be one area where local government could go. Secondly, by having all the resources there, present resources could be drawn upon without adding additional FTE's to administer the block grant program.

Rep. Lory questioned whether there would be any financial difference in this move and mentioned the indirect charges. Mr. Brusett said in the Department of Commerce they take central operations and charge it back out because they have federal money. The Department of Administration does not do this.

Mr. Booker said this would be a wash and would not be an increase in the general fund. They will reduce some of their other appropriations and increase this one by the same amount.

Senator Stimatz asked whether, in addition to the school districts, the special improvement districts have been completed.

Mr. Pendergast said there are rural fire districts, irrigation districts and others. He said the people who work in these areas are part-time people and they are doing the best they can at present. It is an area where more formalization is necessary.

Senator Dover noted that in the District Courts they had applied for \$1.3 million in FY82 and this was increased to \$1.6 million. He questioned why they keep needing more money. Senator Dover said he would like to look into the BARS funding in more depth with regard to the general fund portion of the budget.

Discussion by the committee.

Workers' Compensation Judge (101)

Judge Tim Reardon, the Governor's appointee to Workers' Compensation Court, made reference to a memorandum previously given to the committee which explains their requested funding. (Exhibit 14) They have requested two additional FTE's which would be a full-time hearings officer, who would be a lawyer, and a legal secretary. The legal secretary would not be needed if the hearings officer is not funded. The reason for the request for these FTE's is to provide more prompt and speedy relief for injured workers as spelled out when the Court was created in 1975. Over the years the delays in getting decisions out have increased substantially. In addition to hearings disputes over workers' compensation benefits, the Court is also required to review all compromise settlements entered into by workers and insurance companies. Last year the cases totaled 750 with a net value of in excess of \$12 million. The Court also acts as an appeals court for occupational disease claims and for crime victims' compensation claims. With these additional obligations the Court has found the time to render decisions to be drastically reduced. In FY81 the Court had 211 petitions for hearing. During FY82 the number of requests for petitions for hearing went to 351, an increase of 65%. He said they are seeing a general trend that more cases are being filed and actually going to trial than in the past.

Judge Reardon said his concern is that with a seven to eight month delay between the time of hearing and getting a decision, the worker is not getting the service the Court was intended to provide. This compensation is usually the only source of income

the worker has while he is off the job. The worker's compensation claim is further complicated when, because of no other source of funds, the worker applies for unemployment insurance or welfare.

Judge Reardon pointed out to the committee that the source of funding for this Court is through an assessment against insurers who operate workers' compensation insurance in the State of Montana and contains no general fund money or tax dollars.

Judge Reardon said there was a bill which is being prepared that would add two more judges to the Court. He said obviously, if this happens, there would not be a need for this hearings officer. However, adding two judges would dramatically increase the budget.

Judge Reardon said he was aware that there were other alternatives to hiring one hearings officer. It has been suggested that more than one is needed; there are pros and cons to the hearings officer vs. the judge system and also in the past the Court has used Contracted Services in an effort to try to maintain the caseload. The problem in using Contracted Services is that the cost-per-case does not allow a sufficient number of cases to be contracted out to make it effective.

Judge Reardon said he feels both the workers and the insurance companies would like to see these cases resolved in a more timely manner.

Judge Reardon said the impact on the employer of this proposed budget would be minimal.

Judge Reardon said that the LFA has pointed out that the number of decisions issued by the Court was down by 6% from FY81 to FY82. He pointed out that this was due to 53 more days hearing cases on the road. He said there would be more delays and fewer well-reasoned decisions if this situation continues.

Judge Reardon said the increased operating costs would be contingent upon the FTE's being added, with the exception of the word processing equipment. He told the committee that word processing equipment was important to them to help them speed up the workload.

He told the committee that he had no objection to the LFA's recommendation that the Court move into state-owned space. He explained that the reason he is not in state-owned space now is that his predecessor signed a five-year lease that will not expire until January of 1984. The cost is about double of what state-owned space would cost.

Judge Reardon said that the LFA's figures for "Contracted Services" were inappropriate. In the event that he is disqualified from hearing a case, the practice has been that a district judge

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Elected Officials and Highways, February 8, 1983, Page 19

would be contacted to see if he would assume jurisdiction. They would need some Contracted Services to allow for that contingency. He explained that a district judge assuming jurisdiction would usually appoint a hearings examiner and then make a decision.

Judge Reardon said they have requested increased funding for out-of-state travel. The Supreme Court has passed a mandatory continuing legal education program for the State Bar and while he is specifically exempted from that requirement by virtue of being on the bench, Judge Reardon said there is nonetheless an obligation to maintain judicial integrity by attending appropriate education programs for judges. The only program he is aware of for judges is in Nevada at the Nevada Judicial College. He also said if the hearings examiner is added, this examiner should probably attend the Industrial Accident College which is a one-week college. This is the basis for the out-of-state travel expense.

Judge Reardon gave the committee copies of two letters he had received from Terry N. Trieweller and James E. Vidal, attorneys who have expressed concern about their clients and the time it takes to get these cases settled. (Exhibit 15 and Exhibit 16)

In answer to a question from Chairman Quilici, Judge Reardon said he felt the additional Hearings Officer and Secretary would expedite things substantially. He said the goal they would strive for would be to try these cases over approximately 30 days after they are submitted. He said about 15% to 20% of their cases go up on appeal and this would probably not be affected by the addition of the hearings officer. However, that would mean that 80% to 85% of the cases could be expedited.

The Chairman expressed concern about the amount of time it takes to get a check to an injured worker and although he said he knows the Judge is working to get this caseload under control, it would seem to him that he really needs some help.

Mr. Roger Tippy, who served as a hearings examiner for the Workers' Compensation Judge this past year, distributed to the committee a letter documenting his activities for the year. (Exhibit 17) His testimony is contained in this exhibit. Mr. Tippy said in his opinion, the Judge does need to contract out about 50 to 60 of these cases each year. Mr. Tippy said he supported the Judge's request.

In answer to a question from the Chairman, Judge Reardon said they would make room for the Hearings Officer and Legal Secretary in the present building. However, he and the Hearings Officer would both be traveling and would be able to work this out for a short term. He said the office space they are now leasing is not adequate at the present time, however, since their lease is up in January of 1984 they would make do with that space for the time being.

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Judge Reardon said that they are having to rent hearing rooms now which they didn't have to do previously. In the past they have used the District Courts' chambers but with the caseload these courts have now, they don't have the space available to them.

In answer to a question from Senator Van Valkenburg, Judge Reardon said he understood there were hearings rooms available in the new Workers Comp Building but they had not allocated any space to him. Judge Reardon said he was not sure how good it would be ethically for the Court to be sitting in the building of the largest defendant in the state as its landlord. He said he did not have any problem with being in the building but he said appearances and impropriety should be avoided which might cause some public concern.

In answer to a request from Senator Van Valkenburg as to a breakdown of cases by plan, Judge Reardon told the committee he could give them a breakdown for 1982. Judge Reardon said he could give the committee the percentages of the assessment to fund the Court operations:

Plan 1	employers	28.4%
Plan 2		52.6%
Plan 3		19.0%

Senator Van Valkenburg asked if the assessment for the Court operations were based on the rough percentage of the cases that come into the Court from the various plans. (Tape 59, Side A) He asked if there were some way to get various insurers to be more reasonable in terms of their settlements so there may not be the necessity to go to the Workers Comp Court to resolve the matter. There ought to be some mechanism to put the costs of the Court on the plan that is definitely producing the workload for the Court. He asked if the present method does that.

Judge Reardon said the present method does try to. It is hard in terms of the total appropriation of the division; it is done after the fact.

Senator Van Valkenburg said that he had several attorneys contact him who were concerned about the employers' aspects of this problem. He told the committee that this is not an issue only from the claimant's point of view but from the employer's point of view.

In answer to a question from Rep. Lory, Judge Reardon said that he felt the hearings officer request was a more economical way to deal with the caseload. He said that if the judges are approved by the Legislature then the need for a hearings officer would be eliminated. From the standpoint of costs he felt the hearings officer would be more cost-efficient and hopefully it will get the decisions out faster.

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Elected Officials and Highways, February 8, 1983, Page 21

In answer to a question from Rep. Lory as to whether or not it would require two hearings officers, Judge Reardon said this would cut down the time even more and someone would be on the road all the time which would certainly give service to the parties faster. He felt this would turn over cases more quickly and would be advantageous. He said he came in with a request for one hearings officer because of the concern the Legislature has with expending monies.

The committee recessed briefly. (101)

The committee reconvened. (130)

Mail and Distribution

Mr. Dean Blanton, Administrator, General Services Division, addressed the committee. He told the committee this program operates totally on a revolving fund account. Postage and deadhead services are billed to each agency monthly. At this time they are billing 633 accounts and they are billed in a manner that allows an agency to bill their sub-accounts. He said that agencies which use the Central Services for outgoing mail eliminate the need for mail room space, equipment rental, equipment maintenance, portions of FTE's, overhead and also vehicles that would be required for pick up and delivery to the Post Office on Cedar Street.

Continued efforts to gain new customers has resulted in 14 new agencies in the last 18 months. This has been accomplished without an increase in FTE's, in fact, it is a decrease in .5 FTE.

Mr. Blanton said they have outgrown the central mail space. They are planning to expand. They now have 1,447 square feet and they would like to expand by an additional 1,000 square feet.

Mr. Blanton said there is not a real issue in the difference between the LFA and OBPP budgets except for a console mailing machine. The LFA had requested a financial plan which Mr. Morgan has distributed to the committee. (Exhibit 18) Mr. Blanton asked that Rick Morgan, Central Services for the Department of Administration, address the financial plan.

Mr. Morgan told the committee that the Fiscal Analysts in their comments, noted that the Central Mail Operations had to borrow \$35,000 last year to enhance the cash flow. In reviewing the year-end balance sheet they had to carry out that loan into the next fiscal year. They did not have enough cash to pay it. He said the major expense is postage which amounts to about \$600,000. In response to that they prepared a financial plan based on the latest rates. (Page 1 of Exhibit 18) He pointed out that when you approach a plan like this, any relationship to the budget submitted is basically coincidental. He called the committee's attention to the remainder of Exhibit 18 which explains this forecast.

In answer to a question from Rep. Lory, Mr. Morgan said the rate has been increased twice since FY81. The pre-sort rate now is 17 cents for a first class piece with a mark-up to 19.5 cents which is just under the U.S. Post Office rate of 20 cents. Mr. Morgan said that as soon as they go over that limit the agencies are going to say they can mail their own letters for 20 cents instead of 19 cents.

Senator Van Valkenburg asked Mr. Roessner if they had reviewed the financial plan. Mr. Roessner replied that he had not seen the plan prior to this hearing. The Chairman asked that Mr. Roessner review the plan before the committee goes into work session on this budget and make his recommendations to the committee.

Senator Van Valkenburg asked Mr. Blanton how he increased the workload and yet reduced the level of FTE's. Mr. Blanton said the reason they have been able to do this is because, during the last four years, they have upgraded their equipment. As a result, they have been able to take over more agencies without adding more FTE's.

In answer to a question from Senator Van Valkenburg, Mr. Blanton said they handled all incoming mail but only certain outgoing mail.

Senator Van Valkenburg said the reason he was asking about the Department of Revenue's incoming mails is because Ms. Feaver told the committee last session about the difficulties she encountered with just getting the mail opened up which resulted in a loss of revenue to the state because of checks laying around in the mail sacks. He recalled that the committee appropriated some money for equipment and some FTE's.

Mr. Blanton said that he believed that this was in internal problem within the department. He said they are now doing the out-going mail for the Department of Revenue and that is one of the reasons he has a cash flow problem now because they have such a large volume of mail. He said the Post Office won't give him a charge account; he has to pay front-end cash when he fills the meters in the mail room. There is about a six weeks turn around period before he gets that money back.

Mr. Blanton said that since taking on the Department of Revenue they have reached their peak without adding new FTE's. He said another thing that did help at that time was that the Department of Revenue had purchased a new \$11,000 machine which was far advanced from the one the mail distribution center had. In taking over the Department of Revenue's out-going mail operation they did acquire and pay the Department of Revenue for their equipment.

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Elected Officials and Highways, February 8, 1983, Page 23

In response to a question from Rep. Lory, Mr. Blanton said they would propose to expand space in the old liquor warehouse where they are presently located.

In response to a question from Senator Dover, Mr. Blanton said they have an electronic billing machine which codes each agency on a daily basis. At the end of the month they can punch a code into the machine and get a print out for each of those 633 accounts which tells exactly what their postage for the month has been.

As there were no further questions from the committee the hearing was closed.

The meeting adjourned at 11:10 a.m. (380)


Joe Quilici, Chairman

dm

REPORT EBSR100
DATE : 01/08/83
TIME : 16/25/25

OFFICE OF BUDGET & PROGRAM PLANNING
EXECUTIVE BUDGET SYSTEM
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

PAGE 387

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 01 CENTRAL ADMINISTRATION
CONTROL : 00000

AF/OE	DESCRIPTION	FY 83	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85	CURRENT LEVEL SERVICES ONLY	
0000	FULL TIME EQUIVALENT (FTE)	6.50	9.00	4.50	-4.50		9.00	4.50	-4.50			
1100	SALARIES	183,895	240,177	136,877	-103,300		239,593	136,354	-103,239			
1400	EMPLOYEE BENEFITS	31,396	34,441	18,744	-15,697		34,765	19,120	-15,645			
1500	HEALTH INSURANCE	6,240	8,640	4,320	-4,320		8,640	4,320	-4,320			
	TOTAL LEVEL	221,561	283,258	159,941	-123,317		282,998	159,794	-123,204			
2100	CONTRACTED SERVICES	428	18,513	76,707	-1,866		2,209	735	-1,474			
2200	SUPPLIES & MATERIALS	2,875	4,162	3,909	-853		5,047	4,141	-906			
2300	COMMUNICATIONS	4,250	4,999	3,174	-1,825		5,773	3,711	-2,062			
2400	TRAVEL	2,226	2,129	1,037	-1,092		2,266	1,080	-1,186			
2500	RENT	6,400	6,909	3,454	-3,455		7,643	3,660	-3,983			
2700	REPAIR & MAINTENANCE	260	1,517	978	-539		1,576	1,036	-540			
2800	OTHER EXPENSES	178	2,107	764	-1,927		2,233	189	-2,044			
2900	GOODS PURCHASED FOR RESALE	---	---	43,069	-3,469		---	-3,253	-3,253			
	TOTAL LEVEL	16,617	100,996	86,370	-14,626		26,747	11,299	-15,448			
3100	EQUIPMENT			2,520	2,520			2,520	2,520			
	TOTAL LEVEL			2,520	2,520			2,520	2,520			
	TOTAL PROGRAM	238,178	384,254	248,831	-135,423		309,745	173,613	-136,132			
01100	GENERAL FUND	238,178	343,254	248,831	-94,423		309,745	173,613	-136,132			
06902	DEPT OF ADMIN TRAN		41,000		-41,000							
	TOTAL PROGRAM	238,178	384,254	248,831	-135,423		309,745	173,613	-136,132			

DEPARTMENT OF ADMINISTRATION
Central Administration

Budget Issues

- 1) Administrative Officer to the Director was deleted by the Fiscal Analyst at a total personal services cost of \$25,613 in 1984, and \$25,490 in 1985. This position was formerly an Executive Secretary to the Board of Examiners, the duties of which were assumed by the Director of the Department of Administration. The position is critical to the department as a legislative liaison, a correspondent to respond to all inquiries regarding the department, and working with individual division administrators for general operational assistance.
- 2) A one-half secretarial position was eliminated in the Fiscal Analyst budget which was previously shared with Centralized Services. The secretarial position is needed because of the continuing duties of the Board of Examiners and the increased number of reports and analytical work done by the current management analyst and the two analysts transferred in from Consulting Services Bureau. Total cost of the position is \$8,071 in 1984, and \$8,013 in 1985, in personal services and employee benefits.
- 3) The Fiscal Analyst has moved an attorney from the Central Administration Division to the Insurance and Legal Division to recognize the physical placement of the attorney in the department's legal pool. No attorney fees were included in the budget to pay for the attorney's fees. The department requests that the attorney remain in the Central Administration budget to eliminate costly billing procedures that would have to be undertaken under a revolving fund concept. The cost in personal services for the attorney is \$32,074 in 1984, and \$31,866 in 1985.
- 4) Our executive budget request includes the addition of 2 management analysts formerly with the Consulting Services Bureau. The bureau is being terminated, but the department feels the need to retain two analysts for statewide and interagency management reviews. We have included personal service costs of \$58,311 in 1984, and \$58,181 in 1985, in our budget together with operating costs of \$4,713 in 1984, and \$4,653 in 1985 to support this activity.

The balance of the Consulting Services Bureau with a total 1983 general fund budget of \$277,181 has been deleted by a transfer of 3 FTE to Commerce, and reduction of 5 FTE, and associated operating costs.

- 5) The fiscal analyst has reduced operating expenditures by a negative amount ostensibly to reflect the over expenditure of operating costs budgets in 1982. The department used under expenditures in its personal services budget to pay for the overage. Those negative expenditures were \$3,647 in 1984 budget and \$3,866 in 1985.

- 6) A savings of 3.5% has been recommended by the Fiscal Analyst in this budget. The total cost based on our executive budget submission would be \$9,914 in 1984, and \$9,904 in 1985. This translates into one-half FTE reduction during each year of the biennium. This is further complicated by the unfunded pay plan. If we assume a $4\frac{1}{2}\%$ salary increase in each year of the biennium, those costs equate to \$11,542 in 1984, and \$23,165 in 1985.

DEPARTMENT OF ADMINISTRATION

Combination and Transfers of Consulting Services Bureau

	Budgeted 1983	1984				1985			
		LFA Budget 1984	LFA Budget 1985	Budget Office Director's Office	Dept. of Commerce	Total	Budget Office Director's Office	Dept. of Commerce	Total
Full Time Equivalent (FTE)	10.00	10.00	10.00	2.00	3.00	5.00	2.00	3.00	5.00
Salaries	\$ 233,434	\$ 234,685	\$ 233,833	\$ 49,318	\$ 72,369	\$ 121,687	\$ 49,132	\$ 72,072	\$ 121,204
Employee Benefits	28,159	32,520	32,395	7,073	12,317	19,390	7,129	12,252	19,381
Health Insurance	9,600	9,600	9,600	1,920	2,880	4,800	1,920	2,880	4,800
Total Level	<u>\$ 271,193</u>	<u>\$ 276,805</u>	<u>\$ 275,828</u>	<u>\$ 58,311</u>	<u>\$ 87,566</u>	<u>\$ 145,877</u>	<u>\$ 58,181</u>	<u>\$ 87,204</u>	<u>\$ 145,385</u>
Contracted Services	\$ 58,731	\$ 37,877	\$ 39,728	\$ 1,516	\$ 52,104	\$ 53,620	\$ 1,107	\$ 55,233	\$ 56,340
Supplies & Materials	22,244	3,259	2,248	200	1,356	1,556	212	1,437	1,649
Communications	6,000	7,707	8,690	1,600	5,007	6,607	1,822	5,307	7,129
Travel	2,500	4,588	4,769	375	2,721	3,096	398	2,884	3,282
Rent	10,000	5,950	5,950	656	2,395	3,051	726	2,539	3,265
Repairs & Maintenance	1,000	1,865	1,977	150	150	150	159	159	159
Other Expenses	2,500	1,872	1,984	366	1,126	1,492	388	1,194	1,582
Total Level	<u>\$ 102,975</u>	<u>\$ 63,118</u>	<u>\$ 65,346</u>	<u>\$ 4,713</u>	<u>\$ 64,859</u>	<u>\$ 69,572</u>	<u>\$ 4,653</u>	<u>\$ 68,753</u>	<u>\$ 73,406</u>
Equipment		167	-		3,500	3,500			
Total Level		<u>\$ 167</u>	<u>-</u>		<u>\$ 3,500</u>	<u>\$ 3,500</u>			
TOTAL PROGRAM	\$ 374,168	\$ 340,090	\$ 341,174	\$ 63,024	\$ 155,925	\$ 218,949	\$ 62,834	\$ 155,957	\$ 218,791
Funding									
General Fund	\$ 343,590	\$ 340,090	\$ 341,174	\$ 63,024	\$ 155,925	\$ 218,949	\$ 62,834	\$ 155,957	\$ 218,791
Federal & Private	30,578								
	<u>\$ 374,168</u>								

Net General Fund Savings - 1984	\$121,141
- 1985	122,383
Total Biennium	<u>\$243,524</u>

REPORT EL 00.00
DATE : 01/08/83
TIME : 16/25/25

OFFICE OF BUDGET & PROGRAM PLANNING
EXECUTIVE BUDGET SYSTEM
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

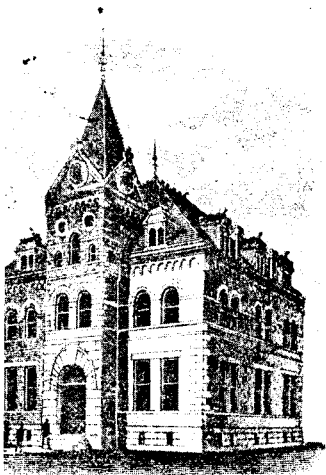
AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 10 PURCHASING PROGRAM
CONTROL : 00000

CURRENT LEVEL SERVICES ONLY									
AE/OE	DESCRIPTION	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE)	17.00	17.00			17.00	17.00		
1100	SALARIES	303,380	309,297	5,917		302,783	308,125	5,342	
1400	EMPLOYEE BENEFITS	43,990	43,749	-241		44,418	44,387	-31	
1500	HEALTH INSURANCE	16,320	16,320			16,320	16,320		
	TOTAL LEVEL	363,690	369,366	5,676		363,521	368,832	5,311	
2100	CONTRACTED SERVICES	72,926	79,474	6,548		74,253	84,192	9,939	
2200	SUPPLIES & MATERIALS	7,057	7,054	-3		7,481	7,475	-6	
2300	COMMUNICATIONS	29,489	29,482	-7		33,605	33,592	-13	
2400	TRAVEL	903	3,834	2,931		943	4,004	3,061	
2500	RENT	22,001	20,224	-1,777		24,128	21,437	-2,691	
2700	REPAIR & MAINTENANCE	887	887			940	940		
2800	OTHER EXPENSES	1,335	1,690	355		1,415	1,789	374	
	TOTAL LEVEL	134,598	142,645	8,047		142,765	153,429	10,664	
	TOTAL PROGRAM	498,288	512,011	13,723		506,286	522,261	15,975	
01100	GENERAL FUND	498,288	512,011	13,723		506,286	522,261	15,975	
	TOTAL PROGRAM	498,288	512,011	13,723		506,286	522,261	15,975	

Exhibit 2
2-8-83

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 09 CENTRAL STORES
CONTROL : 00092 SURPLUS PROPERTY

AE/OE	DESCRIPTION	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE)	5.50	5.00	- .50	---	5.50	5.00	- .50	---
1100	SALARIES	94,717	82,135	-12,582	---	94,376	81,820	-12,556	---
1400	EMPLOYEE BENEFITS	13,876	---	-13,876	---	13,987	---	-13,987	---
1500	HEALTH INSURANCE	5,280	4,800	-480	---	5,280	4,800	-480	---
	TOTAL LEVEL	113,873	86,935	-26,938	---	113,643	86,620	-27,023	---
2100	CONTRACTED SERVICES	16,077	15,468	-609	---	16,406	16,391	-15	---
2200	SUPPLIES & MATERIALS	12,111	12,104	-7	---	13,381	13,371	-10	---
2300	COMMUNICATIONS	4,922	4,919	-3	---	5,650	5,645	-5	---
2400	TRAVEL	1,776	4,061	2,285	---	1,813	4,096	2,283	---
2500	RENT	23,844	23,648	-196	---	25,275	25,066	-209	---
2600	UTILITIES	297	295	-2	---	315	312	-3	---
2700	REPAIR & MAINTENANCE	4,546	4,540	-6	---	4,818	4,810	-8	---
2800	OTHER EXPENSES	2,752	2,371	-381	---	2,917	2,502	-415	---
2900	GOODS PURCHASED FOR RESALE	9,997	9,995	-2	---	10,597	10,594	-3	---
	TOTAL LEVEL	76,322	77,401	1,079	---	81,172	82,787	1,615	---
3100	EQUIPMENT	7,500	600	-6,900	---	---	---	---	---
	TOTAL LEVEL	7,500	600	-6,900	---	---	---	---	---
	TOTAL PROGRAM	197,695	164,936	-32,759	---	194,815	169,407	-25,408	---
06517	SURPLUS PROPERTY	197,695	164,936	-32,759	---	194,815	169,407	-25,408	---
	TOTAL PROGRAM	197,695	164,936	-32,759	---	194,815	169,407	-25,408	---



JEFFERSON COUNTY
Clerk and Recorder
Boulder, Montana 59632

February 7, 1983

2-8-83
Ex 4
Local Gov't

JOANNE P. McFARLANE
County Clerk and Recorder

CARLA MATLACK
Deputy

COMMISSIONERS:

Delbert M. Bullock, Chairman
Basin

Glen A. Stevens
Whitehall

Douglas K. Schmitz
Jefferson City

Mr. Joe Quilici
Legislative, Judicial & Administrative
Committee
Room 436, Capitol Station
Helena, Montana 59620

Dear Sir and members of the Committee:

I, Joanne P. McFarlane, County Clerk and Recorder in and for the County of Jefferson, State of Montana, wish to go on record as opposing any course of action which would devoid County Governments of access to the guidance and aid of Local Government Services. Mr. George Pendergast and his able staff are perhaps the only agency in the State Government Structure with the expertise to help us at the county level with the complexity of compliance with both the legal courses governing our offices, and the bookkeeping aspects within the legal systems we work within, on a daily basis.

We feel that audits conducted by a commercial firm, do not fully keep us within the legal confines of statutes governing budgets of tax payers monies, and since we wish to comply with these statutes, we prefer the kind of able help we have consistently received from Local Government Services throughout the many years I have been in office as well as the years my predecessor served. We need their guidance, their able help and since they are fully self-supporting, we can see no reason for them being absorbed to a less accessible agency of State Government.

Sincerely,

Joanne P. McFarlane
Jefferson County Clerk & Recorder

BILL DRISCOLL
Clerk and Recorder



2-8-83
Ex 4-B
local Gov

OFFICE OF
BUTTE - SILVER BOW
COUNTY CLERK and RECORDER
BUTTE, MONTANA 59701
February 4, 1983

TO WHOM IT MAY CONCERN:

As Clerk & Recorder of Butte/Silver Bow County, I wish to make it know that I fully support and appreciate the present Department of Local Government Services under the direction of George Prendergast.

This office has found Mr. Prendergast and his staff to be extremely dedicated and always eager and willing to assist us at the local level anytime that we've asked.

Personally, I feel that it would be a shame to have any changes made that might interfere with the services that we've enjoyed from that office. This becomes especially true since there seems to be so many changes affecting local government coming out of the legislature.

Sincerely,

Bill Driscoll
County Clerk & Recorder
Butte/Silver Bow, MT

CLERK & RECORDER

MINERAL COUNTY

SUPERIOR, MONTANA 59872

February 3, 1983

EX. 4C
2-8-83

Dear Mr. Joe Quilici,

I would like to express my support of the Local Government Services. This office, as well as the County Commissioners are constantly calling upon the Local Government Services for their interpretation of the laws, for budget problems, for various bookkeeping problems as well as other problems that occur. They are also very helpful when doing the county audits. We would much rather have the Local Government Services do our audit than a C.P.A. as they are more familiar with our problems and with the laws that pertain to us.

As Clerk & Recorder of Mineral County, I stongly urge the continued funding of the Local Government Services.

Sincerely,

Shirley Mancini

Shirley Mancini
Mineral Co. Clerk & Recorder

2-8-83
Ex 40
local C

County Clerk and Recorder

BROADWATER COUNTY

P. O. BOX 489

TOWNSEND, MONTANA 59644

February 7, 1983

Joe Quilici, Chairman
Joint Appropriation Subcommittee
State Capitol
Capitol Station
Helena, Montana 59620

RE: Budgetary, Accounting and Reporting System (BARS)

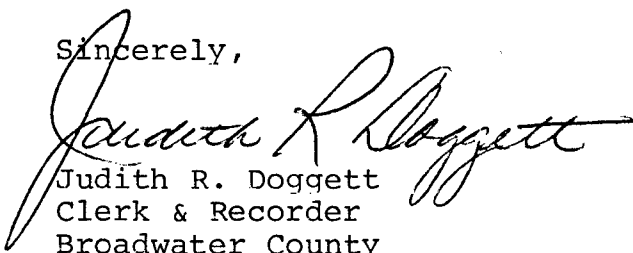
Dear Sir:

It has been brought to my attention that during the budgetary process that certain services may be eliminated or severely reduced and this year it appears to be the BARS staff. I feel that these people have been invaluable for local governments with their knowledge and guidance.

We have been on, what is commonly known among counties, the BARS system for several years and with the ever-changing laws in the accounting systems, we definitely need to keep this staff. They have given us guidance in accounting procedures and keep us abreast on any changes in accounting that have taken place.

I realize that the BARS system of accounting will be totally implemented throughout the state in the next few years and I understand that the school systems are also going to be involved in a similar system. This is all the more reason not to eliminate or reduce this staff of highly qualified and trained persons. With all of the counties, cities and schools on a similar accounting system, we must have guidance from someone and who better to guide than the staff that implemented the system.

Sincerely,



Judith R. Doggett
Clerk & Recorder
Broadwater County

Office of Broadwater County Treasurer

Doris Hossfeld, Treasurer

Townsend, Montana 59644

Feb. 8, 1983


Joint Appropriations Subcommittee
Joe Quilici, Chairman
State Capitol
Helena, MT 59620

Dear Sirs:

For purely financial reasons, I understand your thoughts of eliminating the BARS staff.

From the standpoint of a county official who very often needs knowledgeable guidance, this would be disastrous. All too often we are ostracized after having implemented a procedure incorrectly. Please do not remove our last hope of doing things the way our vaguely-written laws dictate.

Sincerely,



Irene Kemmer
Treasurer Elect

2-8-83
Ex 4 F
Local Govt

OFFICE OF THE
COUNTY TREASURER
MINERAL COUNTY
SUPERIOR, MONTANA 59872

February 3, 1983

Dear Mr. Joe Quillici,

I'm writing in regard to our need of the Dept. of Community Affairs or Local Government Services. So many times we have called them to explain some new law, help us interpret an old law and help bail us out of some unexpected problem that has never came up before. Mr. Don Dooley is somewhat of a "God" to us and he never lets us down. If he doesn't know the answer, he will call back when he gets it. If he is unavailable, many times auditors we have had in previous years come on the phone line and listen to our newest problem; and they are also very good at trying to help us out.

We prefer them as our auditors because we need to know what is expected and we can follow through. If there are different auditors or CPA's doing your books every 2 years, they each have their own interpretation of what should and should not be done.

Newly elected officials will need more help than ever, and they need to know that somewhere is someone who can patiently give them assistance.

Please keep this much needed department.

Sincerely,

Billye Ann Bricker

Billye Ann Bricker
Mineral Co. Treasurer

TREASURER

REPORT EBSR100
DATE : 01/08/83
TIME : 16/25/25

OFFICE OF BUDGET & PROGRAM PLANNING
EXECUTIVE BUDGET SYSTEM
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

PAGE 422

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 16 LOCAL GOVERNMENT SERVICES
CONTROL : 00000

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	FY 83	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE)	28.70	28.70	25.70	-3.00	25.70	28.70	25.70	-3.00	25.70
1100	SALARIES	596,111	632,861	577,585	-55,276		630,460	575,392	-55,068	
1400	EMPLOYEE BENEFITS	119,222	94,486	84,081	-10,405		95,263	85,396	-9,867	
1500	HEALTH INSURANCE		27,552	24,672	-2,880		27,552	24,672	-2,880	
	TOTAL LEVEL	715,333	754,899	686,338	-68,561		753,275	685,460	-67,815	
2100	CONTRACTED SERVICES	28,012	14,363	6,732	-7,631		15,094	7,021	-8,073	
2200	SUPPLIES & MATERIALS	16,589	16,977	14,318	-2,659		18,160	15,174	-2,986	
2300	COMMUNICATIONS	18,464	16,411	15,521	-890		19,165	18,138	-1,027	
2400	TRAVEL	81,625	107,444	65,005	-42,439		110,168	64,729	-45,439	
2500	RENT	20,240	15,718	15,717	-1		16,661	16,659	-2	
2600	Utilities	3,060								
2700	REPAIR & MAINTENANCE	10,516	6,447	6,315	-132		6,834	6,692	-142	
2800	OTHER EXPENSES	366	4,040	1,788	-2,252		4,282	1,893	-2,389	
	TOTAL LEVEL	178,872	181,400	123,396	-58,004		190,364	130,306	-60,058	
3100	EQUIPMENT	6,097	1,000	500	-500		1,000	500	-500	
	TOTAL LEVEL	6,097	1,000	500	-500		1,000	500	-500	
6100	FROM STATE SOURCES <i>Direct Fund</i>	1,650,000		375,000	-1,275,000		1,650,000	375,000	-1,475,000	
	TOTAL LEVEL	1,650,000		375,000	-1,275,000		1,850,000	375,000	-1,475,000	
	TOTAL PROGRAM	900,302	2,587,299	1,185,234	-1,402,065		2,794,639	1,191,266	-1,603,373	
01100	GENERAL FUND	200,260	1,730,000	464,640	-1,265,360		1,930,360	465,399	-1,464,961	
06521	LOCAL GOVERNMENT AUDIT SERVICE	700,042	857,299	720,594	-136,705		864,279	725,867	-138,412	
	TOTAL PROGRAM	900,302	2,587,299	1,185,234	-1,402,065		2,794,639	1,191,266	-1,603,373	

DEPARTMENT OF ADMINISTRATION

Local Government Services

Budget Issues

- 1) The executive budget request retains 3.00 FTE and applicable operating expenses for the municipal auditor positions. These positions are funded by proprietary funds and are necessary to handle the audit workload.
- 2) The executive budget request includes funds for staff training in order to meet generally accepted auditing standards. Also, additional management reports are needed to monitor variables which impact audit costs (\$6,822 in '84 and \$7,231 in '85).
- 3) The executive budget includes funds for professional publications on accounting standards (\$337 in '84 and \$357 in '85).

The budget also includes \$301 in '84 and \$319 in '85 for the cost of paper stock necessary for the operation of the division.
- 4) Executive budget includes costs for telephone (local and STS), postage and mailing. A portion of these costs were reduced by the Fiscal Analyst (\$861 in '84 and \$913 in '85).
- 5) The executive budget includes travel costs for authorized auditor positions to be filled during FY '83 (\$28,670 in '84 and \$29,436 in '85). Also, the Fiscal Analyst reduced the '82 base by \$15,356. These travel cuts should be restored.
- 6) The executive budget request includes costs for professional training to assure staff awareness of generally accepted accounting principles (\$2,252 in '84 and \$2,389 in '85).
- 7) The executive budget request includes equipment expenses of \$1,000 to replace four calculators (both '84 and '85). The Fiscal Analyst only approved the purchase of two calculators. The additional two calculators are necessary for the operation of the division.
- 8) The executive budget request includes the general fund support for the district court system (\$1,650,000 in '84 and \$1,850,000 in '85).
- 9) Vacancy savings of 3.5% has been recommended by the Fiscal Analyst. The total cost based on our executive budget submission would be \$26,421 in '84 and \$26,365 in '85. This translates into a reduction of one FTE during each year of the biennium.

Lewis and Clark County

Office of Clerk and Recorder

HELENA, MONTANA 59623

Sue Bartlett

CLERK AND RECORDER

2-8-83
EX 6
Local Gov't

443-1010

TESTIMONY GIVEN BY SUE BARTLETT, LEWIS & CLARK
COUNTY CLERK & RECORDER, BEFORE THE JOINT SUB-
COMMITTEE ON LEGISLATIVE, JUDICIAL, ADMINISTRA-
TIVE APPROPRIATIONS; February 8, 1983

My name is Sue Bartlett. I am the Clerk and Recorder for Lewis and Clark County. I am testifying on two parts of the budget proposals for the Local Government Services Division in the Department of Administration: the Accounting and Management System Program and the Local Government Services Program.

First, let me address the proposals for the Accounting and Management System Program. Both the Executive and the Legislative Fiscal Analyst budget documents note that the local government Budgetary Accounting and Reporting System (known as BARS) is scheduled for completion by June 30, 1984. Both budgets propose General Fund support through FY 1984. The Legislative Fiscal Analyst proposes no funding for FY 1985 and the Executive proposes that the BARS program be supported on a revolving fund basis by charging local governments for installation or enhancements to the system. Neither proposal appears to recognize the need to maintain BARS on a continuing basis.

Regular maintenance is needed to keep BARS current with changes in generally accepted accounting principles; with changes in governmental accounting, auditing, and financial reporting practices; with changes in State and Federal legislation that affect services to be provided by local governments; and with changes in local government revenue sources. As an example of the maintenance required, I have attached to my testimony a memo from the Local Government Services Division to all cities and counties on BARS concerning updates in the BARS chart of accounts. Along with this memo we received nine pages detailing the changes to be made to update the BARS chart of accounts. The second attachment is a memo detailing the accounting entries necessary to distribute the taxes protested by Burlington Northern and recently released by the Federal Court in Billings. I have included this memo as an example of the on-going technical assistance we receive from the BARS program.

State law requires local governments to conform to the accounting and financial reporting standards prescribed by the State. BARS establishes those standards, but implicit in the State's requirement is the assumption that the State will maintain

those accounting and financial reporting standards. I do not see how they can be maintained if the BARS program is eliminated, as the Legislative Fiscal Analyst has proposed.

If the BARS program is placed on a revolving fund basis, as the Executive budget proposes, I think the eventual result would be the same: that is, elimination of the program. Installation of the system by local governments was mandated by State law. The accounting section of my office estimates that BARS installation cost Lewis & Clark County about \$106,500. Maintenance of the system since then has cost an additional \$15,000. BARS has not been a cost-free item for the County and, frankly, it does not make sense to me for the State now to ask that the County pay a State agency to maintain a State-mandated system so that we can spend more money at the County level to implement the changes we paid the State to make solely to keep the State-mandated system current and functional.

BARS maintenance is essential, but I believe it's the State's responsibility to maintain the system and to do so with a State General Fund appropriation. At a minimum, BARS maintenance and BARS training for local government personnel would require 3 FTE and operating expenses. A minimum appropriation of \$100,000 is warranted for continuation of the BARS program in FY 1985.

Now I would like to speak briefly about the portion of the Local Government Services budget proposals that would fund administrative support and technical assistance to local governments. Lewis & Clark County has used these services of the Division and finds them valuable. Generally, we call upon this program for assistance and advice about the impact of State and Federal actions on the county; for example, the impact of changes in Federal revenue sharing, payments-in-lieu-of-taxes, and the implementation of the flat fee system of licensing motor vehicles.

Valuable as this service is, however, I oppose placing it on a revolving fund basis, a possibility suggested in the Legislative Fiscal Analyst's budget narrative. The revenue is simply not available at the local government level to pay for this service. Requiring local governments to fund this program is comparable to requiring school districts to fund portions of the Office of Public Instruction because the districts use the services provided by that Office.

Particularly because the majority of the assistance we request from the Local Government Services Program is stimulated by State and Federal actions which affect local governments, I ask the Subcommittee to approve a General Fund appropriation for this program. Thank you.

DEPARTMENT OF ADMINISTRATION
DIVISION OF LOCAL GOVERNMENT SERVICES

Received
11-29-82 JLB



TED SCHWINDEN, GOVERNOR

CAPITOL STATION

STATE OF MONTANA

(406) 449-3010

HELENA, MONTANA 59620

EB ✓

TO: All Montana Cities and Counties on BARS

FROM: Glenn Haugo, Bureau Chief
Division of Local Government Services

DATE: November 12, 1982

SUBJECT: BARS Chart of Accounts Update

Enclosed are the changes to the Budgetary, Accounting and Reporting System Chart of Accounts. Please note that there are changes to the fund structure, general ledger, revenue, expenditure and object classification within the Chart of Accounts.

Generally speaking, these changes were affected to accomodate:

1. GAAFR Restatements
2. Statutory Directives
3. Automation Considerations
4. New Revenue Sources

These changes should be implemented as soon as possible during the fiscal year 1982-83. The fiscal year 1982-83 Budget and Annual Report will reflect these changes.

These changes will help streamline the Chart of Accounts while conforming to the standards of generally accepted accounting principles.

DEPARTMENT OF ADMINISTRATION
DIVISION OF LOCAL GOVERNMENT SERVICES



TED SCHWINDEN, GOVERNOR

CAPITOL STATION

STATE OF MONTANA

(406) 449-3010

HELENA, MONTANA 59620

MEMORANDUM

DATE: January 24, 1983
TO: County Treasurers and Clerks on BARS
FROM: Glenn Haugo, Chief
Accounting and Management Systems Bureau
RE: Distribution of Protested Taxes (BN)

Glenn Haugo

The recent release of Burlington Northern protested taxes by the Federal Court in Billings has caused a deluge of calls requesting help in making the necessary accounting entries for distribution. The following discussion is offered to assist with the problem.

Original Entries

When the tax was originally protested the following entries should have been made:

<u>Tax Receiving Funds</u>	DR	CR
11600 Protested Taxes Receivable	XX	
11380, 81, 82 Taxes Receivable Real		XX
<u>Protested Tax Fund</u>		
10400 Cash on Deposit with Federal Court*	XX	
20350 Protested Taxes Payable**		XX

*Some may have receipted into their 10100 cash account. In that case the cash reconciliation would have had to include an item for this cash that was with the court, rather than in hand or in bank.

**Some have used 20300 Judgements Payable

Receipt of Cash From Court

<u>Protested Tax Fund</u>	DR	CR
10100 Cash	XX	
10400 Cash on Deposit with Federal Court		XX
20610 Accrued Interest Payable		XX

Note: If the cash had already been receipted in and included in the 10100 cash account it cannot be receipted again. It will just move from Cash With District Court to Cash in Bank on the Treasurer's monthly cash reconciliation. Only the interest would be receipted.

copy to Account
Rec'd 1/26/83

Distribution

To distribute the cash received from the court to the funds for which the tax was originally levied, the following entries are made:

<u>Protested Tax Fund</u>	<u>DR</u>	<u>CR</u>	<u>Sub</u>
20350 Protested Taxes Payable	XX		
20620 Accrued Interest Payable	XX		
10100 Cash		XX	
<u>Tax Receiving Funds</u>			
10100 Cash	XX		
11600 Protested Taxes Receivable		XX	
17200 Revenue		XX	
31200 Penalty and Interest on Delinquent Tax			XX

Write-Off of Amount Returned to Taxpayer

The amount of the settlement given back to the taxpayer is still on the county's books, at this point, and must be written off. This is accomplished by the following entries:

<u>Protested Tax Fund</u>	<u>DR</u>	<u>CR</u>
20350 Protested Taxes Payable	XX	
10400 Cash on Deposit with Federal Court*		XX

*If the protested amount was receipted into the 10100 cash account, that will have be written off.

<u>Tax Receiving Funds</u>	<u>DR</u>	<u>Sub</u>	<u>CR</u>
17200 Revenue*	XX		
311010 Real Property Taxes		XX	
27100 Unreserved Fund Balance**	XX		
11600 Protested Taxes Receivable			XX

*The amount debited to the revenue account is the amount of the 1982 taxes which were protested and are now being returned to the taxpayer.

**The amount deposited to Fund Balance is the amount of the 1980 and 1981 taxes protested and returned, for which the revenue was already closed to Fund Balance.

Note: Of special interest, next year when Interpretation No. 3 is in effect, 22300 Deferred Revenue will be debited instead of Fund Balance (As we discussed in the December BARS seminar, any delinquent taxes will be offset by deferred revenue instead of recognizing the revenue in the year billed.)

Agency Funds

In the agency funds there is no revenue recognition to correct, so the write off entry is simply:

	<u>DR</u>	<u>CR</u>
21200 Due to _____	XX	
11600 Protested Taxes Receivable		XX

The cities in your county that use the BARS system also maintain taxes receivable. They don't keep track of protested receivables, but need to know how much BN's settlement was, so that they can adjust their receivables, revenues, and fund balances. If you could let them know with your distribution, it would be a help to them.

Hopefully this explanation will answer your questions. If it doesn't please call.

TESTIMONY

Mr. Dick Reich, Clerk of the School Districts in Billings:
(Original exhibit was lost, this statement was taken from
the tape of the meeting.)

"Over the past several years it has been the responsibility of the Department of Administration, Local Government Services Systems Bureau, to design accounting systems for all levels of local government. This bureau has completed the installation of the unified accounting system for all towns in Montana and is presently in the process of completing the accounting, budgeting and reporting system for all counties within the state.

Over the past year this department has developed a unified accounting system for all schools within Montana. Over 600 school districts would convert to this new accounting system within the next several years. This process cannot be completed without the help and guidance of this bureau.

Since school districts have been assigned the responsibility of converting from the new chart of accounts effective July 1, 1983 and to be fully implemented into a double entry accounting system within three to five years, we, as school administrators, must seek the guidance of those people who are responsible for the development of the system, mainly the people in the Systems Bureau.

The Billings Public Schools is presently in the conversion process to the new accounting system. It would not have been possible if the expertise and efforts of the Systems Bureau were not available for my consultation.

I can assure you that as other school districts begin the challenge of a new unified accounting system for schools, questions will arise that only the Systems Bureau can answer. It will be necessary for this bureau to have on-site visitations to assist in the establishment of accounts receivable, accounts payable, fixed assets, inventory and accounting entries that will be utilized in the unified chart of accounts. Secondly, it is becoming more and more evident that data accumulated by school districts and transmitted to other agencies must be precise, accurate and meaningful. This commitment, standardization of all school district accounting information, cannot be complete without the guidance of the Systems Bureau over the next several years.

We, as school district administrators, feel that this is a definite responsibility on behalf of the state to provide guidance to school districts, through the system changes that we are about to undertake. Without this help there will be utter confusion among and between school administrators regarding the intent and the effort that there are accurate data necessary for all levels of government to interpolate school district financial information.

I strongly urge that you continue your support in the efforts of the Systems Bureau and their support to local governments."

2-6-83
Ex 8
Dist. Ct.

COMPARISON OF STATE GENERAL FUND COSTS

SB 19 VS HB 120

1985 BIENNIUM

	<u>SB 19</u>	<u>HB 120</u>
<u>Revenues</u>		
6-Mill Statewide Levy		
FY 84 Est.	\$ 13,515,216	
FY 85 Est.	<u>14,112,906</u>	
Biennial Total	\$ -0-	\$ 27,628,122
Total Revenues	\$ -0-	<u>\$ 27,628,122</u>
<u>Expenditures</u>		
District Court Expenditures:		
FY 84 Est.	\$ 14,234,196	
FY 85 Est.	<u>15,230,592</u>	
Biennial Total	\$ -0-	\$ 29,464,788
District Court Grants:		
FY 84 Est.	\$ 1,650,000	
FY 85 Est.	<u>1,850,000</u>	
Biennial Total	<u>3,500,000</u>	<u>-0-</u>
Total Grants	\$ <u>3,500,000</u>	\$ <u>29,464,788</u>
Net Cost to State General Fund	(\$ <u>3,500,000</u>)	(\$ <u>1,836,666</u>)
Difference - Additional State Cost of SB 19 over HB 120		<u>\$1,663,334</u>

NOTE: Expenditures do not include approximately \$2 million per year currently paid by the State for District Court Judges' salaries and travel. These costs would continue under either bill.

STATUS OF BILLS - as of 2/7/83:

SB 19 - Transferred to House 1/31
 Referred to Local Government Committee

HB 120- Referred to House Local Government Committee.
 Hearing 2/8/83 at 12:30 p.m. in Room 325

DEPARTMENT OF ADMINISTRATION

2-8-83
Ex 9
Dist. Cts.

DISTRICT COURT
FINANCIAL ASSISTANCE GRANTS AWARDED
1982

<u>County</u>	<u>Amount Requested</u>	<u>Amount Awarded</u>
1. Anaconda/Deer Lodge	\$ 54,176.00	\$ 15,900.00
2. Beaverhead	12,349.00	3,624.00
3. Broadwater	3,606.00	1,058.00
4. Butte/Silver Bow	219,179.00	64,327.00
5. Carter	32,979.00	9,679.00
6. Cascade	264,187.00	77,536.00
7. Custer	6,970.00	2,045.00
8. Fergus	12,348.00	3,624.00
9. Granite	15,607.00	4,580.00
10. Jefferson	24,226.00	7,110.00
11. Lake	45,272.00	13,287.00
12. Lewis and Clark	124,582.00	36,563.00
13. Lincoln	104,825.00	30,765.00
14. Meagher	6,864.00	2,014.00
15. Mineral	15,165.00	4,450.00
16. Missoula	95,662.00	28,076.00
17. Park	36,711.00	10,774.00
18. Powell	33,202.00	9,744.00
19. Ravalli	150,309.00	44,114.00
20. Sweet Grass	5,317.00	1,560.00
21. Wheatland	<u>14,211.00</u>	<u>4,170.00</u>
Total	\$ <u>1,277,747.00</u>	\$ <u>375,000.00</u>

DEPARTMENT OF ADMINISTRATION

DISTRICT COURT
FINANCIAL ASSISTANCE GRANTS AWARDED
1981

<u>County</u>	<u>Amount Requested</u>	<u>Amount Awarded</u>
1. Broadwater	\$ 35,175.00	\$ 21,795.00
2. Butte/Silver Bow	155,017.00	96,075.00
3. Cascade	156,013.00	96,675.00
4. Fergus	38,809.00	24,048.00
5. Granite	13,676.00	8,475.00
6. Jefferson	29,438.00	18,240.00
7. Lewis and Clark	54,242.00	33,611.00
8. Lincoln	64,351.00	39,877.00
9. Meagher	12,408.00	7,687.00
10. Park	18,804.00	11,663.00
11. Powell	21,890.00	13,563.00
12. Treasure	580.00	360.00
13. Wheatland	<u>4,728.00</u>	<u>2,928.00</u>
Total	\$ <u>605,131.00</u>	\$ <u>374,997.00</u>

2-8-83
Ex 10
Dist. Ct.

DISTRICT COURTS

FACT SHEET

ISSUE:

The state mandates the governing of district courts. The legislative branch of county government has very little, if any, authority in the operation of the courts. Court reporters' and probation officers' salaries are set by statute. Several counties levy taxes over and above the statutory limit for funding district courts as a result of court order.

BACKGROUND:

Funding district courts and related activities at the county level has become increasingly critical in recent years. Property tax revenue to fund district courts has increased 69.7% since 1978. In FY 1982 property taxes financed 67% of the courts' budget. Twelve counties use only general fund monies to fund district courts. Forty-four counties levied a tax, and 33 of these supplement from other funds. Twenty-five are at their maximum levy. In FY 1973 counties financed 71% of a \$2.4 million budget; in FY 1980 counties financed 83% of an \$8 million budget; and in FY 1982 counties financed 87% of a \$12 million budget.

FACTS:

1. The current grant-in-aid program is totally inadequate and limiting. The state appropriated \$375,000 per year for FY 1981 and FY 1982. For FY 1981 the state was \$230,000 short and for FY 1982 \$538,000 short. All indicators show that more and more counties will be requesting state grant-in-aid.

2. Fees are charged for services such as marriage license fees and fees for filing of documents which are distributed in compliance with state statute. The county gets 40% of the fees the clerk of court collects, and the state 60% to distribute to the judges retirement and state general fund. Of the fees sent to the state, the state general fund received \$183,000 in FY 1979, \$243,000 in FY 1980, and \$214,000 in FY 1981. Counties must receive most of the fees collected to offset costs.

COURTS/2

SOLUTIONS

The state should totally or substantially fund the courts as 22 other states do.

As a step in that direction, one approach is an adequately funded state grant-in-aid program. The state grant in aid should be fully funded for expenditures in excess of the revenue generated by six mills, including costs of registering warrants, law libraries, capital outlay, and building costs.

2-8-85
Ex. 11
Dist. Cts.

CASCADE COUNTY
ANALYSIS OF CASH POSITION- DISTRICT COURTS
July 1, 1980 to December 31, 1982

FISCAL
YEAR
1981

Receipts	\$595,057.00
Disbursements	<u>726,609.58</u>

Deficit Fiscal Year 1981 (\$131,552.58)

Grant-In-Aid FY 1981 103,117.96

Carry over deficit FY 1981 (\$ 28,434.62)

1982

Receipts	603,442.01
Disbursements	<u>809,766.37</u>

Deficit Fiscal Year 1982 (206,324.36)

Grant-in-aid FY 1982 77,536.00

Carry over deficit FY 1982 (128,788.36)

Total of 1981-1982 deficit not reimbursed by state (157,222.98)

1983

6 months ending 12-31-82	
Receipts	304,809.55
Disbursements	<u>396,889.12</u>

Deficit for 6 mo. ending 12-31-82 (92,079.57)

Total deficit December 31, 1982 (\$249,302.55)

Cash on hand	\$ 2,773.89
Registered warrants	(245,540.71)
Short-term payables	(<u>6,535.43</u>)

Net cash position December 31, 1982 (\$249,302.55)

In FY 1980, District Court was budgeted through the General Fund and 6 mills were levied for it there. The state of Montana appropriated no funds for grant-in-aid that year.

In FY 1981, two public defenders were paid \$37,000 through the General Fund and P.E.R.S. and Health Insurance of about \$45,000 were levied separately. These amounts were not reflected above.

In FY 1982, P.E.R.S. and health insurance were again levied separately. Costs rose in part because 1) additional staffing in the Clerk of Court's office; 2) juror and witness fees were doubled, more than doubling the cost in 1982; and 3) restitution program, previously funded by grants was carried over 9 months in FY 1982.

In 1983, P.E.R.S. and Health are again levied separately in the amount of \$55,557. Disbursements to 12-31-82 are running slightly less than the previous year, (\$66,148 per month compared to \$67,481 per month in 1982.) At current rate of spending, the operating deficit for FY 1983 will be \$180,000 to \$200,000.

Delinquent taxes receivable were not considered in the above analysis because by statute, they can be carried several years past when they are due. Delinquent taxes were \$67,063 at 6-30-82 and Protest taxes were \$12,960.18.

DISTRICT COURT Costs in Cascade County - FY 1980 to 1983

	Actual 1980	Actual 1981	Actual 1982	Estimated 1983	Budget 1983	Actual 12-31-83
Clerk of Court	\$168,737	\$174,008	\$241,823	\$290,135	\$106,518	\$119,927
Public Defender	130,236	142,813	156,378 (2)	145,000	68,455	56,086
Juvenile Probation	188,977	209,025	214,406	269,940	86,644	101,955
Family Court Services	42,112	71,774	17,276 (2)	30,000	11,060	-0-
District Judges	171,193	167,508	165,624 (2)	175,603	49,737	102,222
Restitution (1)				35,831	13,211	14,772
Total District Courts	\$701,255	\$765,128	\$795,507	\$946,509	\$335,625	\$394,962
PERS		29,147	29,902	41,850		12,396
Health Insurance		20,000	20,160	25,056		15,020
Levied separately in 1981, 1982, 1983						
		<u>\$814,275</u>	<u>\$845,569</u>	<u>\$1,013,415</u>		<u>\$422,378</u>

(1) Restitution was funded by grants through FY 1982

(2) During FY 1982, costs of Family Court Services and Public Defender were run through District Judges' budget after the offices were terminated on 8-31-81. Total Public Defender costs for 1982 were available and are shown above but Family Court costs after 8-31-81 aren't available.

Costs of transcripts, psychiatric evaluations, etc. are run through District Judges, line item 350. Professional Services. Expenditures for this line item were: 1981, \$57,067; 1982, \$41,171. In FY 1982, jurors and witness fees were increased. Cost of other Purchased Service for Clerk of Court increased from \$19,902 in 1981 to \$51,302 in FY 1982.

DISTRICT COURT Costs FY 1976-1983

	1976	1977	1978	1979	1980	1981	1982	Estim. 1983	Actual 12-31-82
District Judges	\$142,752	\$151,719	\$ 93,795	\$134,628	\$171,193	\$167,508	\$165,624	\$175,603	\$102,222
Clerk of Court	98,942	125,320	129,357	153,625	168,737	174,008	241,823	290,135	119,927
Probation Office	81,760	114,547	126,104	215,810	188,977	209,025	214,406	269,940	101,955
Family Court	34,929	32,109	44,590	50,508	42,112	71,774	17,276	30,000	-0-
Public Defender			73,874	104,648	130,236	142,813	156,378	145,000	56,086
Restitution								35,831	14,272
TOTAL	\$358,383	\$423,695	\$468,001	\$659,219	\$701,255	\$765,128	\$795,507	\$946,509	\$394,962

.. In 1980,
levied 6 mills
in General
Fund for
District Court

..

..

MEMORANDUM

TO: Representative Quilici, Chairman
Legislative, Judicial and Administrative Committee
Room 437
State Capital Building

FROM: Local Government Services Division
Department of Administration

DATE: February 2, 1983

The attached information is presented in response to the LFA's proposals regarding this Division's budget for the 1985 biennium.

We appreciate the Committee's consideration of this information and we are available to respond to any questions or concerns the Committee may have.

Thank you.

2

DEPARTMENT OF ADMINISTRATION
DIVISION OF LOCAL GOVERNMENT SERVICES

Local Government Services Program

Current Level Adjustments

Proposed Reduction of FTE's From 28.7 to 25.7

The six FTE positions cited by LFA as being less than 50 percent expended at year-end were Municipal Auditor positions which are funded from proprietary funds, not the State General Fund.

As a result of the last legislative session's debate regarding the audit program, the division's staff morale was extremely low during and immediately following the session. Staff turnover, especially among senior type auditors, was unusually high. Because of that, and the uncertainty as to how the program would operate on a proprietary fund basis, it seemed advisable to proceed slowly in restaffing to the maximum allowable number of FTE's.

The extraordinary turnover of senior personnel, combined with normal turnover, prevented refilling of vacancies by curtailing our ability to train and supervise new hires.

The audit workload continues to justify the current number of FTE's. With the staff becoming more stabilized, we are now beginning to fill the vacant auditor positions. When these proprietary fund positions are filled, their costs must be recovered by the audit fees they generate. Vacant propriety fund positions create no dollar savings.

Because of the foregoing, we ask that due consideration be given to the FTE and funding level as proposed in the Executive Budget.

Issue 1: District Court Funding

County requests for district court grant assistance during this biennium amounted to \$1,277,747.00 for 1982 and \$605,131.00 for 1981.

This program was transferred to the Local Government Services Division during Fiscal 1982. There are costs associated with administering this program, for which no general fund appropriation has been included.

Local Government Services Program - cont.

Issue 2: Funding

The suggestion that the division currently provides "ad hoc consulting services" for which a fee could be charged is not an accurate reflection of those divisional duties which justifiably require general fund support.

The division is assigned over 60 sections of law to administer. The division is also regularly called upon to assist in the application of the myriad of state laws which involve local government or state-local relations. The division serves as a referral agency and a broker of information between local government and State government.

Over time, the Local Government Services Division has become accepted as the central repository of local government data and expertise. Demands for the division's time and resources come from the Executive and Legislative Branches of State government and the general public, as well as local government.

Examples of ongoing Executive Branch activities performed by the division include research and development of fiscal notes on legislation which impacts local government finance; serving as the Governor's liaison to local government for the Federal Office of Revenue Sharing; certifying data required of the Governor by the Federal Bureau of Land Management for use in allocating grants to counties under the Federal Payment-in-Lieu-of-Taxes (PILT) program.

The division serves as resource to the Montana Association of Counties and the Montana League of Cities and Towns on local government matters. It also provides administrative, research and liaison services to those Certified Public Accountants that contract with the division to perform local government audits.

For the most part, the foregoing duties and responsibilities are carried out for the benefit of the State or for local governments in their role as administrative agents for the State. It would, therefore, be unfair to consider charging a fee for services which legitimately require general fund support. We request that, at a minimum, the Executive recommendation for general fund support of \$80,000.00 be retained.

Accounting and Management Systems Program

Current Level of Adjustments

The LFA Analyst Report contains several comments intended as justification for the proposal to discontinue funding for the Accounting and Management Systems Program beginning July 1, 1985. These comments follow, together with the agency response.

Legislative Fiscal Analyst Comments:

- "The Accounting and Management Systems Program is responsible for the development and implementation of uniform accounting systems in counties, cities and towns."
- "No fiscal 1985 funding has been included in current level because of the representations made to the 1981 Legislature which resulted in the completion deadline being extended through fiscal 1984."
- "The agency request included full funding for fiscal 1985."

The LFA comments regarding the Accounting and Management Systems program imply that the responsibilities of this program are limited to providing uniform accounting systems to only counties, cities and towns. The enabling statutes for this program, however, mandate that the Department of Administration prescribe uniform budgetary, accounting, and reporting systems for numerous governmental entity types. Besides counties, cities and towns, such entities include school districts, school district extracurricular funds, irrigation districts, fire districts and fire department relief associations.

Accounting and Management Systems Program - cont.

The enabling legislation for the Accounting and Management Systems Program partially fulfills Article VIII, Section 12, of the Montana Constitution which states:

"The legislature shall by law insure strict accountability of all revenue received and money spent by the State and counties, cities, towns, and all other local governmental entities."

The LFA commentary is correct in that the county and city systems project is to be completed by June 30, 1984. However, this statement ignores the fact that the Accounting and Management Systems Program is charged with installing budgetary, accounting and reporting systems in school districts and other taxing districts.

The local school district is the largest taxing entity in any community, yet their current accounting system is so out of date as to preclude any serious financial control. At present, school district accounting activity is limited to paying bills. Their total emphasis is on making expenditures and charging such expenditures to a budgetary account. The system permits no account arrangement which would allow school administrators a means of combining costs for budgetary planning. An even greater shortfall of the present method of accounting is that there is no way to arrive at a financial position. Since no general ledger exists, the schools cannot keep track of their assets and liabilities. Financial resources and obligations are not tied to the budget process, so that administrators are left to plan a budget without knowing whether their financial position will support such a budget.

The product of any adequate accounting system is a set of financial statements that meet Generally Accepted Accounting Principles (GAAP). Such systems are virtually non-existent in Montana school districts. This absence of GAAP statements results in extraordinary audit time and cost, and will impede the successful implementation of the new Federal "Single Audit" concept.

Accounting and Mangement Systems Program - cont.

All Budgetary, Accounting and Reporting (BARS) systems, including schools, require maintenance. It was stressed during the 1979 and 1981 legislative sessions that without adequate maintenance, the updated county and city BARS would soon become as antiquated as the 1917 and 1932 systems it replaced. The division currently spends a substantial amount of time responding to requests for assistance received from local government officials. System maintenance is a vital and ongoing requirement, if the State is to comply with its Constitutional and statutory mandate to assure the accountability of local government finances.

The analyst report states that "The agency request includes full funding for Fiscal 1985." The proposed funding is in fact to be from proprietary funds, whereby fees would have to be generated sufficient to cover program costs. Since the Accounting and Management Systems program had planned to install a BARS system in school districts, proprietary funding would require that we charge each district for its systems installation. It is highly doubtful that more than a handful of school districts would pay for the installation of modern accounting systems. By the same token, it would not be feasible to charge counties and cities for the maintenance of their systems after July 1, 1985. The prevailing attitude of local government seems to be that uniform accounting systems are the State's responsibility and should be paid for out of the State General Fund. Moreover, the data which will be generated statewide through the use of uniform systems will provide, for the first time, a reliable base upon which the Executive and Legislative branches of both State and Federal governments may make informed decisions on local government fiscal matters.

The Accounting and Management Systems program has received wide and active support from people in and out of local government based on its demonstrated need. We, therefore, welcome close legislative scrutiny of

Accounting and Management Systems program - cont.

the program, and request that a decision be made on the continuance of the program based on its merits. In an era where major fiscal planning is being transferred from the Federal to the State and local level, uniform local government budgetary, accounting and reporting systems should be a priority State interest.

Issue I: Vehicles

Options

Of the options presented, option "a" would seem preferable in that it affords a greater degree of safety to State personnel. By the same token, potential State liability is much less under this option than by the continued use of vehicles which are inherently unsafe. The economies implied for option "b" may not be realized if maintenance costs continue to rise at an increasing rate.

Reorganization

House Bill No. _____, as introduced, would transfer the Local Government Services Division from the Department of Administration to the Department of Commerce. We are informed by the Department of Commerce that a charge is made of each division to cover the indirect costs of providing centralized administrative services. Should this reorganization bill be enacted, appropriations to pay these costs will need to be added to the division budget.

2-8-83
Ex 13
Pendergast

LOCAL GOVERNMENT SERVICES DIVISION
DEPARTMENT OF ADMINISTRATION

AUDIT REVOLVING FUND

Viewed by itself, the Division's Revolving Fund balance of \$289,000.00 on June 30, 1982, might appear to be in excess of audit function needs. Several unique factors, however, contributed to this condition. Since the 1981 fiscal year was our first experience on a revolving fund, the audit billing rate set was based not on past history but on conservative estimates of the number of hours we expected to bill out. In actuality, our ability to bill out auditor's time during fiscal 1982 far exceeded our original expectations. Further, staff training scheduled for 1982 was deferred pending various Divisional program reviews, resulting in approximately \$30,000.00 in added billable time. Also, a one-time \$157,500.00 start-up appropriation was made available by the 1981 Legislature when the audit function was first placed on Revolving Fund status.

These favorable conditions are being somewhat reversed during the current 1983 fiscal year, in that:

1. The percentage of audit staff billable time has thus far been reduced compared to last year, due in part to the illness of three senior staff people and the loss of time on two audits involving major defalcations.
2. Personal service costs are higher this fiscal year due to the cost-of-living and step increases, while our audit hourly billing rate is unchanged from fiscal 1982.
3. Concentrated staff training will be required to ensure that our audits meet generally accepted auditing standards, and to implement the "single audit" as required by the Federal Office of Management and Budget in Circular A-102, Attachment P.
4. Outlays of \$40,000.00 have been made for payment of a word processing system, and for a "peer review" of our audit functions by a national accounting firm.
5. The shift of 3.7 FTE's from general funding to revolving funding, as recommended in the Executive budget, will have a significant financial impact in the subsequent fiscal year.
6. The proposed transfer of the Division to the Department of Commerce, should it materialize, will also have a financial impact in the subsequent year due to the indirect charges assessed each division for central services.

The balance in the Revolving fund on December 31, 1982, was \$229,000.00 and we expect the balance to be further reduced by June 30, 1983. Based on our present monthly expenditure requirements, this balance would provide us with about a four month operating reserve. This does not consider the financial impact of the 3.7 FTE's or the transfer to the Department of Commerce.



Workers' Compensation Court

Exhibit 14
2-8-83

TIMOTHY W. REARDON
JUDGE

NOTES ON FISCAL YEAR 1984, 1985 APPROPRIATION REQUEST

I. PROPOSED FY 84 AND FY 85 FUNDING:

The Workers' Compensation Court has requested a substantial increase in funding. The bulk of the funding is attributable to the requested addition of two FTE's. If the FTE's are added there would be a corresponding increase in operation expenses, such as: travel, rent, supplies and equipment, and postage.

It is anticipated that a full-time hearing examiner would write decisions in up to 50 percent of all cases, subject of course to the approval of the Judge. That should result in a substantial increase in the number of decisions and should allow the Court to move toward becoming current.

The funding source for the expense of the Workers' Compensation Judge and office should be explained. There are no general fund monies involved in the operation of the Court. No tax dollars are appropriated to the Court.

The Division of Workers' Compensation funds the Court from its administrative assessment funds. Section 39-71-201 MCA authorizes the Division to levy administrative assessments to pay for operating costs based on equitable allocation procedures. The funds for the Court are but a small percentage of the total assessment. The assessment is made against all three plans of insurance: Plan I - Self Insurers; Plan II - Private Insurance Companies; Plan III - State Compensation Insurance Fund. In FY 82 there were 59 Plan I employers; 9,556 Plan II employers; and 22,399 Plan III employers. The assessment for the whole Division operation was based on .061 percent of the total payroll for Plan I employers; 3.21 percent of Plan II premiums (\$26,392,869); and a direct assessment against Plan III premiums of \$3,091,013.81 out of the total premium collected of some \$33,130,000.00.

The expense of the Court is a small percent of the total assessment by the Division. Any increase to the Court will be reflected in the Division's assessment, but so far as any impact on individual employers, it would be fractional.

II. CASELOAD STATISTICS:

The following statistics are presented to indicate the growing caseload of the Court:

	<u>FY 80</u>	<u>FY 81</u>	<u>FY 82</u>
Petitions for Hearing Docketed (filed) for Hearing	200	211	351
Pretrial Conferences	205	192	294
Minute Book Entries	223	190	258
Decisions:			
(A) Findings of Fact and Conclusions of Law	39	51	57
(B) Substantive Orders	30	67	54
Procedural Orders	298	356	432
Compromise Settlements	672	580	747
Trial Days (includes travel)	102.5	88	141

The Court has received a copy of a portion of the legislative fiscal analyst's report regarding the Court which essentially relates the above figures in terms of percentages. At Page No. 255 of that report the LFA states at Paragraph No. 3:

The Court should present workload statistics by FTE to the legislature to show the need for additional FTE.

Such a breakdown would be all but impossible. The requested FTE's consist of a hearing examiner (an attorney) and a legal secretary. The legal secretary would not be needed if the hearing examiner is not added, as the projected work for two legal secretaries relates to the work of the hearing examiner.

Right now the Judge is responsible for all substantive orders and decisions, as well as review and approval of all compromise settlements. The current staff hearing examiner conducts all pretrial conferences, handles all scheduling and is responsible for review of all Court rules, as well as other duties.

II. CASELOAD STATISTICS (Cont'd):

The problem at present is that delays are becoming more frequent and longer because the Court is hearing more cases and spending less and less time in Helena writing decisions. If the purpose of this Court is to speed adjudication as suggested by the Interim Study Commission, it is not being met. As of January 3, 1983, there were 75 cases that had been heard but not decided, in addition to 8 cases awaiting the setting of an attorney fee. To complete a decision it is necessary to have a thorough understanding of the file, read all depositions thoroughly, complete any research, review the briefs of the parties, draft a decision, type it, proof it, make any corrections or changes, and finalize it. On an average it probably takes one or two days to complete a decision in a case, beginning to end. To be sure, most research is done by the Law Clerk as well as the actual preparation of the decision under the direction and supervision of the Judge, nonetheless, it is a time consuming process. In addition, as of January 10, 1983, there were 18 cases set for hearing in the month of January alone. Beginning March 7, 1983, the Court will begin a new travel term going to 8 cities besides Helena to conduct hearings.

In the past the Court has contracted with attorneys to act as hearing examiners on a case-by-case basis. In the 1981 special session money was appropriated to reduce a backlog of cases by contracting with a hearing examiner. At that time there were over 50 cases awaiting decision with some 90 cases pending trial. The Court achieved the goal of resolving the 50 cases which were pending on the date of the appointment of the present Judge by contracting with a hearing examiner. However, the substantial increase in caseload over FY 82 offset the ability of the Court to become current. In effect the supplemental funding simply prevented the Court from falling even further behind.

The first quarter of FY 83 noted an increase of petitions filed over the record year FY 82 of 126 compared to 83. If that is indicative of the balance of the year, the Court anticipates further increases over FY 82.

The LFA recommendation that the Court seek space in State owned buildings is both practical and commendable. Unfortunately, it is not realistic.

I am not aware of the reasons why the Court located in its present space. My predecessor entered into a lease on these premises in 1979 which will not expire until January of 1984. Through informal discussions with legal counsel at the Department of Administration it is apparent that the lease cannot be broken.

II. CASELOAD STATISTICS (Cont'd):

I would be happy to move into suitable State owned space, but until the lease terminates it is not practical. In point of fact, the Court in the past has not met its obligations under its current lease. Rent is \$800 per month which is being paid, but in addition, the Court is supposed to share in costs of maintenance, taxes and utilities, none of which the Court has ever paid. What arrangements existed between my predecessor and the former landlords are unknown to me.

In addition the LFA suggested rent for space comparable to what we now have. If the requested FTE's are approved that would obviously not suffice. The Court needs individual offices for its personnel, rather than one big room because of the nature of the work. Also, ready access to a conference room for pretrials is essential. The solution posed by the LFA is certainly agreeable as to moving into State owned space, but not at the same square footage and not unless additional space is made available. A practical alternative would be State space but in line with the amount of rent money now available.

III. HISTORY AND PURPOSE:

The Workers' Compensation Court had its beginnings in July, 1975, following passage of a bill creating the office which had been recommended by the 1974 Interim Study of the Select Committee on Workmen's Compensation.

As part of the legislation the Legislature provided that appeals from the Workers' Compensation Court would be direct to the Supreme Court. Prior to the creation of the Workers' Compensation Court hearings were held before the Division of Workers' Compensation. From that decision, appeal could be to the District Court and then to the Supreme Court. An interesting comment by the Select Committee reads as follows:

The select committee decided in favor of direct appeal to the supreme court for several reasons. First the members sought to have an injured worker's claim adjudicated as expeditiously as possible and they felt this would help speed adjudications. Second since the [workers'] compensation judge would not only have all the qualifications of a district court judge but also be an expert in his field, the committee members felt that an appeal to the district court would not only be merely a lateral movement but that it would also

III. HISTORY AND PURPOSE (Cont'd):

cause unnecessary expense and delay. Third since the judge will be an expert in the field of [workers'] compensation, the committee members felt that there would not be a great volume of cases appealed.

Clearly the committee members were concerned about a prompt resolution of disputed claims. Such has not been the case.

IV. ALTERNATIVES:

The Court has been aware of what it perceives as a problem for some time. Since the resolution of disputed workers' compensation claims is critical to workers whose sole income may be dependent on the decision, it is imperative that the decision be made as promptly as possible. Delays cause considerable hardship to families and the purpose of the act may be thwarted. To resolve the problem there are several alternatives.

1. No increased funding - this option would result in continued delay and as the caseload continues to grow the delays will grow longer.

2. Fund the requested FTE's - the Court has offered this as a possible solution. The advantage is that a continuity of the decisions will be retained because the decisions of a hearing examiner must be approved by a Judge. The disadvantage is that parties taking exception to the hearing examiner's decision can ask for oral argument before the Judge, which probably would be granted, thereby causing some delay in any event.

3. The third alternative, and one urged by some members of the Bar, is to add another judge. It is thought that this would quickly bring the Court current and allow decisions to be made, hopefully within 30-60 days of hearing. Opponents of this proposal suggest that two judges create the potential of diverse lines of authority resulting in possible different decisions on similar fact situations being presented to the Supreme Court.

4. Increase the funding as requested, but instead of hiring one hearing examiner, hire the legal secretary and add two additional law clerks who can get the decisions from the Judge drafted and researched much more rapidly. Proponents of this alternative cite the fact that a consistency in decisions would remain as there would be only one judge to decide every case. A possible problem would be that unless the terms of

IV. ALTERNATIVES (Cont'd):

the clerks were staggered, there would be constant changes in June of each year, as the past clerks all have chosen to work as a clerk for only one year. If two additional clerks were added it would be expected that the Court could become current in the biennium.

LAW OFFICES OF
HOYT AND TRIEWEILER
P.C., A Partnership

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John C. Hoyt
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Erik B. Thuesen
Kurt M. Jackson

PLEASE REPLY TO WHITEFISH OFFICE

Whitefish Office
211 Second Street
Whitefish, Montana 59937
Telephone 406/863-4377

February 6, 1983

Appropriations Joint Subcommittee
Montana State Legislature
Capitol Building
Helena, MT 59601

Re: Workers' Compensation Court Appropriations

Dear Committee Members:

A large part of my legal practice involves representing workers who have been injured and become disabled during the course of their employment. These people have given up all of their common law rights to their employer or fellow employees who might negligently have caused their injury in exchange for what were originally intended to be the more immediate benefits provided by Workers' Compensation Insurance. These benefits do not provide compensation for all the elements of an injured person's losses, but are supposed to pay the medical bills and provide some income on which an injured worker and his family can subsist during the period of his disability. Many private disability and medical insurance policies provide exclusions for disability or expenses that are caused by an industrial accident, and most workers have no other source of income with which to support themselves or their family if they are unable to work due to a physical injury.

In order for the humanitarian and intended purposes of Workers' Compensation legislation to be fulfilled, it is important that the payments to which workers are entitled are not unduly delayed. In many cases these payments are a matter of survival for the people affected.

However, speedy payment of these benefits is, at the present time, totally dependent on the voluntary compliance of this state's self-insured employers and insurance companies.

In many cases, benefits are wrongfully denied to workers who are entitled to them. In that event, the worker's only remedy is the Workers' Compensation Court. For that reason, the Workers' Compensation Court was intended to be a court which operated more simply and expeditiously than our District Court system.

However, due to increasingly more complicated Workers' Compensation legislation and due to many Supreme Court decisions, this court can no longer function as simply as was originally intended. In addition, due to an increasing case load, this court can no longer do its work conscientiously and still provide expeditious treatment of the claims that are presented before it.

I personally do not feel that more hearing examiners are going to solve the present problem and backlog. All of the cases that are considered by hearing examiners ultimately have to be reviewed by the Workers' Compensation Judge.

At the present time, we have one Workers' Compensation Judge responsible for hearing cases throughout the entire State of Montana. Much of his time is wasted travelling to remote parts of the state when it could otherwise be spent writing opinions or considering evidence that has already been submitted.

One additional judge would probably solve the current backlog in the short term. However, there will still be a substantial amount of travelling involved for both judges. Additionally, I see a time in the not too distant future when two judges will be unable to handle an ever-increasing case load.

I believe that the only manner in which the original intention of Workers' Compensation legislation can be fulfilled are to establish three Workers' Compensation judicial districts in the State of Montana. The most logical geographical locations for these districts seems to be Billings, Helena, and Missoula.

Some have criticized adding more Workers' Compensation Judges on the basis that it presents the possibility of inconsistent decisions. However, the Montana Supreme Court will ultimately have to decide issues that have not previously been decided and all three judges will be bound by the precedent set by the Montana Supreme Court. In our District Court system, there are at least nineteen judicial districts at this time and that has not created a problem of inconsistency in that judicial system.

Although any solution to the current backlog is going to

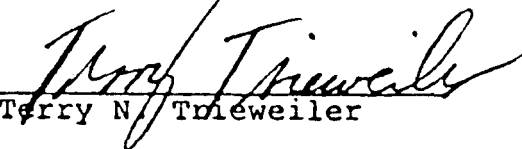
Appropriations Joint Subcommittee
February 6, 1983
page three

involve additional expenditures by the taxpayers of the State of Montana, it is extremely important that these expenditures be incurred if this system is going to provide any protection to the workers in this state. At the present time, an injured worker or an insurer can expect a six to ten month delay from the time a Petition is filed until an ultimate solution is arrived at. Although the Court tries to take emergency situations into consideration, there are more emergencies at the present time than can be heard on an emergency basis. Most families cannot sustain themselves during the intervening period of time. Therefore, the purposes for which this type of compensation was originally intended cannot be satisfied under the present system.

Thank you for any consideration you might give to the Court's current budget requests.

Sincerely,

TERRY N. TRIEWELER, P.C.



Terry N. Trieweler

TNT:jks

cc: Karla Gray

LAW OFFICES OF
MURRAY, KAUFMAN, VIDAL & GORDON, P.C.
240 FIRST AVENUE WEST
P. O. BOX 899
KALISPELL, MONTANA 59901

Exhibit 16
2-8-83

TELEPHONE
406 - 755-5700

MARSHALL MURRAY
LEONARD L. KAUFMAN
JAMES E. VIDAL
JOHN R. GORDON
JAMES M. RAMLOW

February 4, 1983

Hon. Timothy W. Reardon
Judge of the Workers' Compensation Court
P. O. Box 4127
Helena, MT 59604-4127

Dear Judge Reardon:

I am aware that the Workers' Compensation Court has requested additional funding from the current legislature. I am also aware, based on my constant contact with the Division and the Court, there is certainly a need for an additional hearings examiner or an additional judge to assist you in handling your extremely heavy workload.

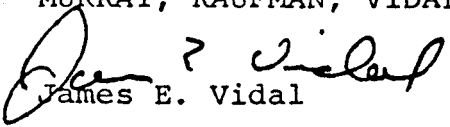
As we are all aware, no general fund monies are involved in the operation of the Court.

It would seem to me that any increases to the Court would not have great impact on individual employers. In return, if a new hearings examiner or additional judge could be authorized, the employers would be better served because obviously, there would be less delays in rendering decisions.

It is certainly my hope that the legislature will authorize an additional judge. I am sorry I cannot be in Helena to support such a proposal on February 8th.

Very truly yours,

MURRAY, KAUFMAN, VIDAL & GORDON, P.C.


James E. Vidal

JEV:mm

Barry L. Hjort
Dennis R. Lopach
Roger Tippy

LAW OFFICES
Hjort, Lopach & Tippy

P.O. Box 514
Helena, Montana 59624-0514

2-8-83
W.C. Judge
ex. 17 Telephone
(406) 442-8070
Suite 3J
Arcade Building
111 N. Last
Chance Gulch

February 8, 1983

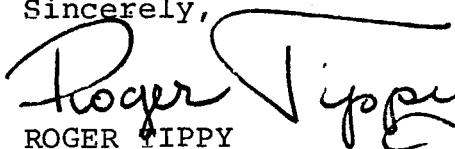
To the Subcommittee on Elected Officials' Budgets:

I served as a hearing examiner for the Workers' Compensation Judge last year, conducting 10 trials in seven days in Butte and Great Falls. My billing for hearing and recommending decisions in these cases was \$6,831.25, or an average of \$683.00 per case.*

It is clear that a state agency should move from contracting for services to hiring an employee to perform those services as the cost of contracting out approaches or exceeds all the costs of adding an additional FTE. As Judge Reardon's caseload approaches the point where he would need to assign fifty or sixty trials a year to a hearing examiner, the case is clear that he should have a hearing examiner employed on his staff. The Executive Budget recommendation should be sustained in this area.

Thank you for your consideration.

Sincerely,


ROGER TIPPY

RT:ah

- * This figure excludes (1) services performed for district judges in several cases on which Judge Reardon had disqualified himself, and (2) the time needed to finish writing findings and conclusions on the tenth of these cases, which was just submitted by counsel in December. This would probably make the average cost \$700 per case.

Department of Administration

Mail and Messenger Services

Exhibit 18
2-8-83Financial Plan for 1985 BienniumRevenue and Expense

	<u>Fiscal 1983</u>	<u>Fiscal 1984</u>	<u>Fiscal 1985</u>	
<u>Sales</u>				
Outgoing mail	\$697,022	\$677,083	\$739,904	
Incoming mail	24,800	34,800	34,800	
Deadhead mail	87,408	87,408	87,408	
	<u>\$809,230</u>	<u>\$799,291</u>	<u>\$862,112</u>	
<u>Expense</u>				
Salaries & benefits	125,305	131,570	138,148	
Contracted services	7,468	7,617	7,769	
Supplies	5,193	4,795	5,172	
Communications	600,708	582,687	636,750	
Travel	180	180	180	
Rent	16,619	18,951	20,399	
Repair	3,461	3,197	3,448	
Other	850	850	850	
Depreciation	3,352	4,672	5,415	
	<u>\$763,136</u>	<u>\$754,519</u>	<u>\$818,131</u>	
Net Income	<u>\$46,094</u>	<u>\$44,772</u>	<u>\$43,981</u>	
<u>Cash Flow</u>				
Net Income	\$46,094	\$44,772	\$43,981	
Add depreciation	3,352	4,672	5,415	
Total Cash Available	<u>\$49,446</u>	<u>\$49,444</u>	<u>\$49,396</u>	
Equipment Purchases	(3,500)	(9,242)	(5,200)	
Loan Payment	<u>(35,000)</u>			
Addition to working capital	\$10,946	\$40,202	\$44,196	
<u>Working Capital Beginning of Fiscal Year</u>				
Cash	8,444	7,674	53,672	92,362
Accounts Receivable	56,763	69,503	63,707	68,943
Accounts Payable	(15,326)	(16,350)	(16,350)	(16,350)
Accrued Liabilities	<u>(1,024)</u>	<u>(1,024)</u>	<u>(1,024)</u>	<u>(1,024)</u>
Working Capital Ending of Fiscal Year	<u>\$59,803</u>	<u>\$100,005</u>	<u>\$144,201</u>	<u>\$144,201</u>

633 Accounts -

Proprietary Fund.

Department of Administration
Mail & Messenger

Notes to Forecast

Our financial plan to assess the solvency of the mail and messenger proprietary fund includes several basic assumptions funded in historical operations and estimate of future events.

Note 1 General Operations

Essentially, the organization provides four services; outgoing mail, (sorting, marking, stamping and delivery to the main postal station the state's outgoing mail), incoming mail, (sorting and delivery to state agencies incoming correspondence), deadhead mail (sorting and delivery of intragency documents), and operation of a U.S. postal station in Capitol Building. Over the last 18 months the service has added approximately 14 new customers to the outgoing mail service, while the number of employees processing mail has decreased by one-half full time equivalent.

This increase in business has strained the financial and human resources of the mail service to the point that it can no longer accept new agencies for its outgoing mail service. Any new services added will necessitate the addition of another employee. The cost of which cannot be recaptured by additional revenue. This occurs because of the fixed spread between the presort mail discount we receive and the actual rate which is charged to agencies. Currently, that spread is 2 3/4¢ per ounce of first class postage. The additional employee would cost \$14,200, which translates into 516,363 pieces of mail. Therefore, our plan is predicated on servicing only our present customers.

The other basic problem with the operation is the flow of funds. Our major expenditure is postage which must be prepaid while our revenues are generated after the postage is used. Translated into days, this means the first letter mailed at the first of any month has been paid for by mail and messenger, and revenues will not be recognized as cash until the fifteenth of the succeeding month at the time the agency pays our billing.

This is an approximate six week time period between provision service and utilization of resources and conversion into cash. This time and resource conversion lag was further pressured by two postal rate increases by the U.S. Postal Service, a 3¢ increase on March 22, 1981, and 2¢ increase November 1, 1981. By the spring of 1982, a combination of rate increases and additional customers crushed the cash flow of the mail service.

As of January, 1982, a slight surplus has been accumulated and the loan payable has been reduced to \$28,000. This surplus was accomplished by increased rates. The deadhead mail rate was increased 35% between fiscal 1982 and fiscal 1983, and the outgoing postage rate was increased from 19.04¢ per ounce, a 12% markup on cost, to 19.38¢ per ounce, a 14% markup on cost. On January 1, 1982, an additional outgoing mail increase to 19.75¢ per ounce, a 16% markup, was instituted. With this last increase; it appears sol-

gency will be assured at least through fiscal 1985. Also, we are opening negotiations with the U.S. Postal Service for a \$10,000 increase in their contract with us for operation of the Capitol Post Office and incoming and outgoing mail assistance.

Note 2 Revenue and Expense

Revenue for outgoing mail is based on postage used. For fiscal 1983, we are projecting an overall 6% demand increase from fiscal 1982. During the off legislative year, a 3% demand decrease has usually been experienced and then another 6% demand increase over fiscal 1983. Our markup on postage, under this premise, can remain constant at 16% or 19 3/4¢ per first class ounce.

Incoming mail was adjusted upward by \$10,000 annually to reflect proper cost of services provided to the U.S. Postal Service.

Dead mail rates have been projected to remain constant over the biennium.

Salaries and benefits are projected to increase 5% in 1984, and 10% in 1985 over our 1983 costs.

Contracted services are primarily administration charges by general services for monthly billing services and telephone costs. A slight increase in this cost was projected.

Supplies and materials and repairs have been historically directly variable to sales in amounts of .6% and .4% respectively.

Postage costs are based on demand indicated in revenue comments above. Discussions with the U.S. Postal Service indicate a general postage rate increase may occur in July, 1984. We have not forecast this item, but it will have a negative impact on our cash flow for fiscal 1985, if it occurs.

Rent expense is estimated utilizing an additional 1,000 square feet of space vacated by Central Stores and increasing vehicle rent slightly over the biennium.

Depreciation costs are calculated using a seven depreciable life on a straight line basis with no salvage value.

Note 3 Cash Flow

Cash flow schedule presents the conversion of income into a utilization of financial resources. It is intended that the interentity loan will be paid off at various times during fiscal 1983, and equipment purchases will take place in the years budgeted.

Note 4 Working Capital

Working capital is those financial resources used in day-to-day operation of a proprietary entity. The pro-forma schedule assumes that approximately thirty days of sales are always in accounts receivable. Accounts payable and accrued liabilities are assumed

to remain fairly constant and the balance of net income will be in cash. With the prospect of a marginal cash balance at the end of fiscal 1983, \$7,674, a portion of the loan may have to be renewed into fiscal 1984. Under the current price and production estimates, the needed operating cash balance will be achieved at the end of fiscal 1985. However, the financial situation requires close monitoring due to the thinly financed operations of past years. Any additional business will require the addition of more employees which will have to be financed by an increase in deadhead mail rates.

VISITOR'S REGISTER

HOUSE Elec-Officials Sub-COMMITTEE

BILL _____

DATE 2-8-83

SPONSOR _____

NAME	RESIDENCE	REPRESENTING	SUP- PORT	OP- POSE
AN Woodruff	Anaconda	COUNTIES		X
Nathaniel B. McLee	Helena	Treasurers		X
James P. McFarlane	Boulder	Co. Clerk & Records		X
Andy Deggett	Townsend	Clerk - Recorder		X
Debbie Deggett	Townsend	student		X
GEORGE BOUSLIMM	HELENA	URBAN COALITION	H3.5m DIST courts	
Mike Stephen	Helena	MHCs	Distr.	
Darryl Meyer	St. Falls	Cascade County	Distr. court	
Gus Bartlett	Helena	L & C Clerk & Rec		X 1.2008 Secret
Pam A. Kelly	"	Dog Admin		
Barbara Kelly	"	"		
John Zuehl	Billings	School District Clerk		
Brian McFulloy	Dept of Commerce Helena		✓	
Jack Whitte	Cascade County	Cascade County	✓	
Patrick L. Ryan	St. Falls	Cascade County	X	
RL Lasorda	Cascade Co.	Cascade Co.	3.5 m D. Courts	
Roger Tippy	Helena	self	X Work Comp.	
Melanie Blanton	Helena	D/A		

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.