

MINUTES OF THE MEETING
GENERAL GOVERNMENT AND HIGHWAYS SUBCOMMITTEE
50TH LEGISLATIVE SESSION
HOUSE OF REPRESENTATIVES

The meeting of the General Government and Highways Subcommittee was called to order by Chairman Rehberg on January 22, 1987 at 8:00 a.m. in Room 132 of the State Capitol.

ROLL CALL: All committee members were present. Also present were Flo Smith, Budget Analyst from the Office of Budget & Program Planning (OBPP) and Pam Joehler, Senior Fiscal Analyst from the Office of the Legislative Fiscal Analyst. (LFA)

40A:0.00

DEPARTMENT OF ADMINISTRATION

Board of Investments

Flo Smith presented the budget for the OBPP. (Exhibit No. 1) The current level reflects an operational budget of \$908,000 for FY 88 and \$824,000 for FY 89 funded by the Investment Proprietary Account. Two modifications are included:

1. Two additional portfolio managers to be paid at Grade 17 amounting to \$64,000 in each year of the biennium.
2. \$250,000 in general funds for each year to continue the link deposits total grant created by the March Special Session.

Pam Joehler presented the budget for the LFA. (Exhibit No. 2) The current level provided a four percent decrease from the 87 to the 89 biennium. There was a decrease in full-time equivalent positions of 2 1/2 FTE. Operating expenditures are budgeted to increase 5 1/2 percent. Equipment expenditures decreased 67 1/2 percent. The LFA removed one FTE, security analyst. 2 1/2 FTE were removed by the agency to respond to the 1987 reductions and were also deleted in the 89 biennium. Legislative audit costs of \$72,000 were included in FY 88 only. The current level budget removed one-time expenditures due to relocation and remodeling. Small increases were included for insurance, payroll and maintenance costs. \$3,500 was included in 1988 for word processing equipment.

Ms. Joehler said she neglected to include the Board's per diem of \$4,550 each year and that should be added to the LFA.

Other differences are in contracted services and supplies and travel.

(7.29)

Jim Howeth, Investment Officer for the Board of Investments, reviewed the Fact Sheet. (Exhibit No. 3) Mr. Howeth addressed the budget issues and said the cost of the Link Deposit Program should not be included in the Investment Program. (Exhibits No. 4 and No. 5)

(14.10)

Fritz Tossberg, Board member, supported the Board's request for the two additional positions. Mr. Tossberg said someone should be hired at least six months prior to Mr. Howeth's retirement in June of 1988 in order to receive proper training. He referred to Senate Bill 15, requesting five additional exempt positions for the Board. Because of the growth in assets, he felt the agency needs to be restructured in the management area. Mr. Tossberg said he felt the security of the investments of the State of Montana are in jeopardy. He suggested the Board of Investments be funded by fixing their budget as a percentage of the assets managed. He said three-eighths of one percent would be adequate, or a little less, and that would allow them to hire the type of personnel needed.

Discussion followed regarding Mr. Tossberg's proposals.

(37.25)

Sen. Gage referred to the Bond Swap Program. Mr. Howeth responded.

Publications and Graphics Division

Flo Smith presented the budget for the OBPP. (Exhibit No. 6) In the Purchasing and Printing Coordination Program, there are 2.5 FTE. The 86 actual for Goods for Resale reflects approximately nine months of operation. The OBPP adjusted this figure to show a full twelve months. The total budget is approximately \$2,000,000 per year of the biennium.

In the Publications and Graphics Operation Program, the FTE level is 18.5 for FY 88 and 22.5 for FY 89. The additional four FTE are to accommodate four temporary hired during the legislative session. The only benefits paid and included in the OBPP budget are for unemployment insurance and workers' compensation.

In the Goods for Resale Category, an additional \$143,000 was included in the 89 biennium for the legislative session. This is to replace some worn out equipment and to purchase some additional office equipment. The total budget is \$1,100,000 in FY 88 in proprietary funds and \$1,400,000 in FY 89 in proprietary funds.

In Administration, there are 5.5 FTE. The Goods for Resale Category includes the copy machine pool and has not been adjusted for FY 89 to reflect increased costs anticipated for the legislative session. They requested some office equipment in FY 88. This total budget amounts to \$702,000 in FY 88 and \$715,000 in FY 89 in proprietary funds.

(9.10)

Pam Joehler presented the budget for the LFA. (Exhibit No. 7) The budget for the entire division provided a 4.6 percent decrease in total expenditures from the 87 to the 89 biennium. Personal services increased two percent and operating expenses decreased approximately seven percent.

The current level budget continued the agency's 1.25 FTE reduction. Four percent vacancy savings was applied to all three subprograms. As they do all the printing during the legislative sessions, operating expenses totaling \$237,900 were added in FY 89. \$375,000 was also included for equipment lease purchase contracts for each year of the 89 biennium.

In the Purchasing and Printing Coordination Program, the major difference is in Goods for Resale as the LFA left this cost at current level.

In the Publications and Graphics Operation Program, the LFA exceeded the OBPP recommendation by approximately \$22,500 in the 89 biennium, most of it in personal services. The LFA also included \$5,400 each year for repairs and maintenance which was not requested by the agency. This amount could be deleted.

In Administration, the OBPP is \$13,500 higher than the LFA, some of which is in computer processing charges. (The division combined expenditure IDs without indicating this on their request documents and Ms. Joehler did not pick it up). In building rent, the LFA did not make a base adjustment on a division basis to reflect the increased space now occupied. This should be corrected. Ms. Joehler will be making these corrections to the subprograms before executive session.

There was discussion regarding the rent.

Don Breiby, Administrator of the Publications and Graphics Division, gave an overview of the division. The division is a proprietary operation and their primary aim is to do their part to assure that the state receives the best value for its printing dollar. (Exhibit No. 8) Mr. Breiby said over the last two years after the acquisition of a high-speed typesetter, the division has saved the state \$122,380 on typesetting charges just for the legislative documents. The printing operation responds to the needs of the state in providing duplicating and binding of nearly 40 million copies each non-legislative year and over 60 million copies during legislative years. The division is also responsible for the procurement of printing from external sources.

Mr. Breiby referred to the budget differences and outlined his reasons for their request to adopt the OBPP recommendations. (Exhibits No. 9, No. 10 and No. 11) The exception would be in communications and goods for resale.

Mr. Breiby suggested the OBPP and LFA get together as he was not entirely clear on the differences in personal services for the Publications and Graphics Operations Program.

Mr. Breiby said he felt the audit should be continued and, if the committee agreed, he requested restoration of this spending authority.

41A:0.00

In response to Rep. Quilici's question regarding the \$500,000 that did not show up in the division's budget for the first nine months, Mr. Breiby stated they had cut purchase orders from agencies totaling \$549,300. This is pass-through printing as it shows up twice, in Publications and Graphics and in the budget for the ordering agency. However, the division came up \$500,000 short. This happened as a result of a chargeback system for purchasing and audit that became effective July 1, 1986. There was very little time to warn other agencies this was going to happen and the agencies did not have time to include this in their budgets. Anything prior to that date was done on the old system. Mr. Breiby could define these agencies. This would justify the request for spending authority.

(15.40)

In response to Sen. Gage's questions regarding the printing done by other agencies, Mr. Breiby said the Department of

Administration had always tried to encourage other agencies to consolidate with this division, and he indicated there is legislation stating that if there is to be a central printing facility, it shall be operated by the Department of Administration. The Department of Revenue and SRS have both given up their internal printing shops. Publications and Graphics cannot do continuous run forms, multi-color work, newsprint or long-run work. These requests go to outside vendors.

The committee recessed at 9:40 a.m.

The committee reconvened at 9:55 a.m.

Architecture and Engineering Division

41B:0.00

Flo Smith presented the budget for the OBPP. (Exhibit NO. 12) A position was eliminated for the pay cut. Also included in FY 89 is \$3,200 in printing for the Long Range Building Plan. The division requested some office equipment for their facility. Flo said although it appears the division requested \$1,100,000 budget for each year of the biennium, they actually requested \$552,000 and \$564,000. Cigarette tax money is put into the Long Range Building Program and the funds are transferred into a state special account for this division. On the comparison sheet, the 8000 expenditure category is equal to the amount of their total budget. This is an accounting transfer.

(2.00)

Pam Joehler presented the budget for the LFA. (Exhibit No. 13) The budget provided a 1.8 percent increase from the 87 to the 89 biennium. The FTE reduction was continued into the 89 biennium. Operating expenses increased sixteen percent between the 87 and the 89 bienniums primarily because the Department of Administration allocated a larger portion of the Director's Office legal staff costs to this division. This amounted to \$18,000. Other adjustments included expenditure reductions in travel. Office rent was increased to reflect a full year's rent for the division's move into the new DNRC building. Training registration fees were reduced to \$700.

One of the major differences between the two budgets is in personal services. The division received a FTE transfer, grade 14, from the Purchasing Division. The agency requested this position be graded at 17. The reason is the incumbent was at a grade 17 before the transfer and received an exception

from the Personnel Division to continue receiving pay at that level. The LFA took the position if the agency wanted to continue the pay at a grade 17, they could, but the legislature should budget this at a grade 14. The accounted for a \$9,000 difference each year in personal services.

(5.09)

Tom O'Connell, Administrator of the Architecture and Engineering Division, gave an overview of this division. (Exhibit No. 14) The division administers the state's Capital Construction Program. There are currently over 210 active projects. The division is not responsible for the day-to-day maintenance of state structures. He reviewed the division's three areas and the duties assigned. Mr. O'Connell stated while the amount requested for the 87-89 biennium has decreased from previous bienniums, the workload will remain the same. One reason is a single project in the Long Range Building Plan can be broken into over forty construction jobs throughout the state that the division must administer. Another reason is a large number of projects are approved by the Board of Regents which do not require legislative authorization. (i.e., revenue producing facilities). The money approved in the Long Range Building Plan portion is not available to the division to use for operations. It is approved for specific projects.

Mr. O'Connell referred to the Passenger Tramway Program. This function is in the process of being moved to the Department of Commerce.

(16.37)

Mr. O'Connell addressed the budget differences. (Exhibit No. 15) The largest one is in personal services. This exception was granted in 1982 and requested the budget be approved at a grade 17 for at least three years.

Ellen Feaver explained the request and the problems as she sees the situation.

42A:0.00

Mr. O'Connell said his observation of this individual has been for only nine months. He feels the job is being handled in a satisfactory manner. Ms. Feaver said when the individual retires, the job will be funded at a grade 14. They have requested it be funded at a grade 17, but it will stay on the books at a grade 14. Discussion continued.

Sen. Gage asked if Ms. Feaver had made a decision regarding program cuts. He said the department heads were in a much better position to determine the prioritization of programs. Ms. Feaver said there had been cuts made within divisions of the Department of Administration.

Rep. Quilici was excused.

Mr. O'Connell requested the monthly subscription fees on the personal computers be included. This was omitted by the LFA. He also requested the travel portion be fully funded. In other expenses, he said the \$2,000 was necessary to keep the staff trained in areas that could possibly involve litigation and he requested this be restored.

(27.30)

General Services Division

Flo Smith presented the budget for the OBPP. (Exhibit No. 16) There was a reduction of 1.5 FTE. The budget included some equipment. The OBPP requested some language be included in the appropriations bill allowing the Department of Administration to submit a budget amendment to cover additional utility costs should the amount budgeted be exceeded during the 89 biennium.

Money requested for this budget included approximately \$57,000 each year of the biennium in general fund associated with the Governor's security guards. In addition, the OBPP has requested \$363,000 and \$378,000 of general fund and \$58,801 each year of Capitol Projects Fund, out of the land grant, and \$2,700,000 and \$2,800,000 of proprietary funds. The OBPP also recommended twelve percent of the total program cost be allocated to the general fund based on what actually happened in FY86. At the end of FY 86, an adjustment was made by the agency in accordance with Section 17-2-108, requiring agencies to apply expenditures against non-general fund money whenever possible before using the general fund appropriation.

Mail and Distribution Bureau

Flo Smith presented the budget for the OBPP. (Exhibit No. 17) Included is approximately \$915,000 for FY 88 and \$1,013,000 in FY 89 for postage and mailing. The OBPP recommended this be line-itemed as it was in the 87 biennium. The bureau also requested \$3,552 each year of the biennium in overtime

be added back into the budget. This was an oversight and should have been included. The OBPP also recommended a modification in the mail program for two additional FTE and postage. This is also requested to be line-itemed. This is a result of the agency adding new departments to the service.

(32.15)

General Services Division

Pam Joehler presented the budget for the LFA. (Exhibit No. 18) There is essentially no difference between the two budgets for the security guards.

Because of a couple differences, (i.e., the total expenditures included in the current level budget and the common area proposed), there is a difference in the square footage rate in the General Services Program. The cost of maintaining this common area is borne by the general fund. The committee's action on the Governor's budget left the executive residence in the common area allocation. The 1985 Legislature determined that nineteen percent of the total square footage which is maintained by General Services was common area and assessed the general fund nineteen percent of the cost, which is not recovered from state agency rental payments or other sources. In FY 86, General Services spent only \$380,000 general fund for rent and maintenance expenditures, or about twelve percent of total expenditures. The seven percent difference was spent from the proprietary fund, which receives its funding from state agency rental payments. (Issue 1, page A-221 of the LFA Budget Analysis) The 89 biennium rental rate proposed by the OBPP allocated twelve percent of the cost to the general fund because of the way the general fund was actually spent in FY 86. This would also save general fund costs. There is no longer any relationship between the amount of general fund allocated to pay for the common area and the actual physical amount of common area in the Capitol complex. The LFA proposed that, if the goal is to save general fund, why not eliminate the common area altogether and chargeback the cost of this space to all agencies. This was offered as food for thought. The LFA calculated there is now, due to the action taken by the committee, eighteen percent common area space in the 89 biennium. This is down from the amount calculated in the 85 Session because of new space added since the last calculation. The LFA calculation of common area costs maintained the relationship of general fund allocated to pay for common space on the same basis as the actual amount of common area in the Capitol complex. (Table 10 on A-22 of the LFA Budget Analysis illustrates the differences in the calculated rate for each year of the 89 biennium and the total general fund

impact in the 89 biennium using the LFA current level budget and three levels of general fund allocation. The Table illustrates that as the general fund allocation decreases, the rental rate increases and the overall general fund savings increases). The numbers on Table 12, General Fund Impact, relate to the LFA current level budget. These numbers will change slightly as a result of the committee's action on the Governor's budget. At eighteen percent, the rates are \$2.77 and \$2.86. Under the other general fund allocations, the twelve percent and zero percent, the rates do not change, but the general fund impact does change. Under twelve percent, it is \$125,801 and under the zero percent column, it is \$377,404. The LFA current level budget included more general fund in the budget than the OBPP because the general fund allocation amount is eighteen percent instead of twelve percent.

42B:0.00

There was discussion regarding the reduction to the general fund impact by the formula proposed by the LFA.

Ms. Joehler continued and addressed the vacant space issue. The 85 Legislature did not include vacant office and warehouse space in the calculation of rental space per square foot. The rate proposed by the OBPP does not include vacant space in its calculation. The rationale for this is some services, such as heat, still have to be provided to the unoccupied space. Therefore, the cost of unoccupied space still has to be borne by the occupied space. The LFA feels there are two fiscal impacts resulting from this method of calculating the rental rate. The first impact is the rate per square foot assessed state agencies if vacant space is not included. Assuming total costs remain the same, increasing the square footage will reduce the calculated rate and the total general fund used to fund the estimated cost. On the otherhand, decreasing the square footage will increase the calculated rate and the total general fund used to fund the estimated cost. There would be a \$142,684 general fund savings to the LFA budget if vacant space was included in calculating the rental rate. Pam said there should be some attention paid to some vacant space being determined "uninhabitable."

The second impact is the Department of Administration has no incentive to fill the vacant space because all the costs

are recovered through the rate which is assessed state agencies. The cost of this lost incentive appears in higher rent paid to private owners. For example, in the 87 biennium the Information Services Division moved its data entry personnel into private space owned by the Teacher's Retirement System. The rental rate for this space is \$7.00 per square foot and the space occupied was 2,285 square feet. The additional cost to the state in the 89 biennium will be almost \$18,000, using the OBPP recommended rates. The Department of Administration provided information during the budget development process indicating there is 25,120 square feet of vacant office space within the Capitol complex. Although this space is not all together in the same building, the information indicated there were two buildings which contain sufficient space to accommodate the space requirement. Does the Legislature want to include the vacant space in the calculation of the rental rate assessed state agencies?

(9.50)

Mail and Distribution Bureau

Ms. Joehler continued her presentation. The current level budget provided a thirteen percent increase in the 89 biennium. Personal services reflected a three percent biennial decrease as the program experienced very little vacancy savings in 86 and because one part-time position worked full time in 86. Four percent vacancy savings is included. Operating expenses are budgeted to increase almost seventeen percent. Non-operating costs include lease purchase payments for a mail processing machine acquired in FY 86 on a lease purchase contract.

This funding is provided by three sources:

1. Each agency is assessed a fee for mail sorting and delivery based on its volume.
(Deadhead)
2. The overhead costs collected on postage for outgoing mail.
3. A contract with the U. S. Postal Service.

All this revenue is deposited to a proprietary fund from which all program costs are paid.

Ms. Joehler addressed the issues. The bureau requested \$13,000 each year for administrative costs to reimburse the General Services Division. Since all of General Services costs are budgeted to be recovered without consideration of this administrative fee, there does not appear to be a need for the assessment. Eliminating this administrative charge from the Mail Program would save approximately \$14,000 in general fund in the 89 biennium. The other option would be to change rental rates to include this as a revenue source in General Services.

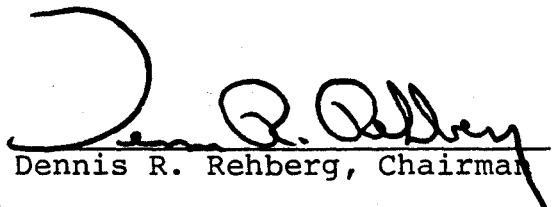
The second issue is revenue over-collection. An error was made by the LFA on the revenue on Table 16, page A-229 of the LFA Budget Analysis. The cost of the U. S. Postal Service contract was included in the messenger revenue as well. The over-collection for FY 88 should be \$103,639 and \$116,918 for FY 89. The deadhead fee or the overhead rate could be reduced significantly and still enable the program to operate at current level.

(14.55)

Sue Campbell, Administrative Officer for General Services, gave a brief overview of the division. (Exhibit No. 19) General Services is responsible for the operations, maintenance and security of thirty-six buildings in the Capitol complex and Helena area. Ms. Campbell requested supplemental language be included in the appropriations bill to allow for an increase in utility rates. (Exhibit No. 20)

Ms. Campbell referred to the budget issues. (Exhibit No. 21) The division anticipates an increase in contracted services for the sanitation contract and requested this be added to the LFA. They also requested \$5,689 in FY 88 and \$23,808 in FY 89 be added to the LFA as they will be rebidding the contracts.

ADJOURNMENT: The meeting was adjourned at 11:30 a.m.


Dennis R. Rehberg, Chairman

DAILY ROLL CALL

GENERAL GOVERNMENT & HIGHWAYS

SUBCOMMITTEE

DATE January 22, 1987

[illegible]

REPORT EBSR99
DATE : 01/07/87
TIME : 17/23/03

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

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AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 19 INVESTMENT PROGRAM
CONTROL : 00000

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	ORPP FY 88	LIA FY 88	DIFF FY 88	ORPP FY 89	LIA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FIL)	19.00	17.50	17.00	16.00	1.00	17.00	16.00	1.00
1100	SALARIES	441,110.18	470,504	477,769	458,070	19,699	476,523	456,899	19,624
1300	OTHER COMPENSATION	4,550.00	7,100	4,550		4,550	4,550		4,550
1400	EMPLOYEE BENEFITS	80,483.22	62,218	66,674	63,766	2,908	67,871	64,932	2,939
1500	HEALTH INSURANCE		23,894	23,460	22,080	1,380	23,460	22,080	1,380
1600	VACANCY SAVINGS		-11,239	-22,716	-21,627	-1,089	-22,714	-21,604	-1,110
(1)1900	PERSONAL SERVICES-OTHER	5,735.00							
	TOTAL LEVEL	531,878.40	552,477	549,737	532,289	27,448	549,690	522,307	27,383
2021	CONTRACTED SERVICES-INFLATI								
2023	COMMUNICATIONS-INFLATI								
2100	CONTRACTED SERVICES	193,397.93	129,900	-3,908	-3,852	-56	-7,720	-7,463	-257
2200	SUPPLIES & MATERIALS	2,522.12	5,275	255,797	225,176	30,621	182,428	153,176	29,252
2300	COMMUNICATIONS	24,007.55	13,501	6,495	2,522	3,973	6,495	2,522	3,973
2400	TRAVEL	7,662.04	11,663	14,102	15,019	366	15,385	15,019	366
2500	RENT	37,707.00	50,766	47,280	7,663	6,439	44,102	7,663	6,439
2700	REPAIR & MAINTENANCE	12,860.70	1,481	3,478	47,280		48,720	48,720	
(1)2800	OTHER EXPENSES	9,958.11	5,286	5,477	3,478	1,241	5,477	3,478	1,241
	TOTAL LEVEL	288,114.95	217,872	304,114	301,530	42,584	268,378	227,363	41,015
(1)3100	EQUIPMENT	3,148.49	7,200	5,259	3,500	1,759	1,759		1,759
	TOTAL LEVEL	3,148.49	7,200	5,259	3,500	1,759	1,759		1,759
9000	DEBT SERVICE	1,810.80		9,190	9,190		3,924	3,924	
	TOTAL LEVEL	1,810.80		9,190	9,190		3,924	3,924	
06527	INVESTMENT DIVISION	824,952.64	777,549	908,300	836,509	71,791	823,751	753,594	70,157
	TOTAL PROGRAM	824,952.64	777,549	908,300	836,509	71,791	823,751	753,594	70,157
	TOTAL PROGRAM	824,952.64	777,549	908,300	836,509	71,791	823,751	753,594	70,157

(1) Non-operating costs need to be excluded from FY'86 actual:

Personal services - liability for accrued vacation/sick leave. (\$5,735)

Other expenses - depreciation. (\$4,641)

Equipment - actual FY'86 expense should be \$3,575. \$ 427

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

REPORT EBSR99
DATE : 01/07/87
TIME : 17/26/09

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 19 INVESTMENT PROGRAM
CONTROL : 19001 ADDITIONAL FTE

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	MODIFIED LEVEL SERVICES ONLY		
							OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)			2.00		2.00	2.00		2.00
1100	SALARIES			55,658		55,658	55,446		55,446
1400	EMPLOYEE BENEFITS			8,466		8,466	8,578		8,578
1500	HEALTH INSURANCE			2,760		2,760	2,760		2,760
1600	VACANCY SAVINGS			-2,675		-2,675	-2,671		-2,671
	TOTAL LEVEL		64,209	64,209		64,209	64,113		64,113
	TOTAL PROGRAM		64,209	64,209		64,209	64,113		64,113
06527	INVESTMENT DIVISION		64,209	64,209		64,209	64,113		64,113
	TOTAL PROGRAM		64,209	64,209		64,209	64,113		64,113

REPORT EBSR99
DATE : 01/07/87
TIME : 17/26/09

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

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AGENCY : G101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 19 INVESTMENT PROGRAM
CONTROL : 19002 LINK DEPOSIT

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LTA FY 88	DIFF FY 88	OBPP FY 89	LTA FY 89	DIFF FY 89
5000	LOCAL ASSISTANCE			250,000		250,000	250,000		250,000
	TOTAL LEVEL			250,000		250,000	250,000		250,000
	TOTAL PROGRAM			250,000		250,000	250,000		250,000
01100	GENERAL FUND			250,000		250,000	250,000		250,000
	TOTAL PROGRAM			250,000		250,000	250,000		250,000

pay plan shortfall. The 1989 biennium expenditures reflect 14.5 FTE funded from the fiscal 1987 pay matrix. Additionally, the 0.5 FTE reduction between fiscal 1987 authorized and the 1989 biennium produced only a \$10,000 savings. Finally, the agency made a 1.0 FTE into two 0.5 FTE positions, each receiving health insurance benefits. This added \$2,760 to the personal services cost in the 1989 biennium.

Current level operating expenses decrease 13.8 percent from the 1987 biennium to the 1989 biennium primarily as audit costs will decrease from \$36,800 in the 1987 biennium to \$9,428 in the 1989 biennium. This \$27,372 savings is offset approximately \$6,500 for increased costs for insurance, maintenance contracts, and computer communication costs.

This program is funded from general fund and investment division proprietary funds. General fund decreases 1.9 percent. The proprietary fund increases 13.4 percent.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 16
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	15.00	14.75	0.25
Personal Service	\$379,513	\$373,003	\$ 6,510
Operating Expense	85,746	58,434	27,312
Equipment	2,823	9,638	(6,815)
Total Expenditures	<u>\$468,082</u>	<u>\$441,075</u>	<u>\$27,007</u>
<u>Funding</u>			
General Fund	\$440,156	\$413,184	\$26,972
Proprietary Funds	27,926	27,891	35
Total Funds	<u>\$468,082</u>	<u>\$441,075</u>	<u>\$27,007</u>

Fiscal 1986 expenditures were \$27,007 less than the appropriation. Personal services were \$6,510 less than appropriated primarily due to an accounting tech II position, originally budgeted at 1.0 FTE, being reduced to 0.75 FTE via a program transfer, and the remaining 0.75 FTE being filled only one-half the time.

Operating expenses were \$27,312 less than appropriated with the greatest savings coming in audit fees. The agency spent only \$12,567 of a \$36,800 audit appropriation.

1-22-87

Equipment expenditures exceeded the fiscal 1986 appropriation by \$6,815 due to the agency purchasing a personal computer and related software not specifically authorized by the legislature.

Current Level Adjustments

The current level budget applies a four percent vacancy savings factor to personal services for 14.5 FTE. Legislative Auditor fees of \$9,428 are included in fiscal 1988 only. Insurance fees paid to the department's tort claims division increase \$3,729 because the vault insurance policy is now paid annually, rather than on a three-year contract which was last paid in fiscal 1985. Additional fees for computer charges, totaling \$1,560 each year, were added to the current level budget.

BOARD OF INVESTMENTS

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>- - Current Level - -</u>		<u>% Change</u>
	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>1987-89</u>
	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Biennium</u>
F.T.E.	19.00	18.50	16.00	16.00	(2.50)
Personal Service	\$526,145	\$552,477	\$522,289	\$522,307	(3.2)
Operating Expense	283,475	217,872	301,530	227,363	5.5
Equipment	3,575	7,200	3,500	-0-	(67.5)
Total Operating Costs	\$813,195	\$777,549	\$827,319	\$749,670	(0.9)
Non-Operating Costs	7,021	-0-	9,190	3,924	86.8
Total Expenditures	\$820,216	\$777,549	\$836,509	\$753,594	(0.5)
	=====	=====	=====	=====	=====
<u>Fund Sources</u>					
Proprietary Funds	\$820,216	\$777,549	\$836,509	\$753,594	(0.5)
	=====	=====	=====	=====	=====

The Board of Investments has the authority to invest state funds in accordance with Article VII, Section 13 of the Montana Constitution and Section 17-6-201, MCA. The investment staff initiates the investment process for board approval and accounts for those investments.

The current level budget provides a 0.4 percent decrease from the 1987 biennium to the 1989 biennium. Full-time equivalent positions decrease by 2.5 FTE. Personal services decreases 3.2 percent while operating expenditures are budgeted to increase 5.5 percent. The relatively large operating expense increase is due primarily to fiscal 1988 audit costs being \$42,500 higher than the fiscal 1986 audit expenditure. Equipment expenditures decrease 67.5 percent. Non-operating costs include lease purchase payments for the board's telephone system and computer equipment. This program is funded from investment earnings.

Section 2-9-202(3), MCA states,

"Expenditures for actual and necessary expenses required for the efficient administration of the fund must be made from temporary appropriations, as described in 17-7-501 (1) or (2), made for that purpose."

Section 17-7-501 (1) and (2) refer to temporary appropriations enacted by the legislature as part of designated appropriation bills and valid budget amendments, respectively. Inclusion of the transfer authority in the general appropriations act eliminates the need for the agency to seek authorization through a budget amendment or administrative appropriation.

The agency has statutory appropriation authority to pay all claims submitted against the comprehensive state insurance plan. These costs are not included in the program's main table.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 21
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	9.00	8.50	0.50
Personal Service	\$ 289,285	\$238,404	\$ 50,881
Operating Expense	1,545,833	738,287	807,546
Equipment	<u>1,450</u>	<u>8,889</u>	<u>(7,439)</u>
Total Exp. and Funding	<u>\$1,836,568</u>	<u>\$985,580</u>	<u>\$850,988</u>

The fiscal 1986 expenditures were \$850,988 less than budgeted by the 1985 legislature. Major savings were in personal services and operating expenses. Personal services were underspent by \$50,881 because the division downgraded three positions, three positions were vacant over 50 percent of the year, and a 0.5 FTE was transferred out of the division.

The major savings in operating expenses was in contracted services. The division transferred a net \$63,910 contracted services expenditure authority out of the program and underspent the remaining appropriation for insurance premiums by \$447,750 and contracted legal services by \$242,808.

Equipment expenditures were \$7,439 higher than anticipated by the 1985 legislature. The agency purchased a personal computer which was not specifically authorized by the 1985 legislature.

Current Level Adjustments

The current level budget provides for 8.5 FTE funded from the fiscal 1987 pay matrix with four percent vacancy savings applied. Commercial insurance premiums are estimated at \$719,409 each year of the biennium, nearly double the actual cost in fiscal 1986. Contracted legal fees and associated operating expenses are provided at the actual fiscal 1986 level of \$417,211 each year of the biennium. Ten thousand dollars was provided in fiscal 1988 only for the actuarial report on the self-insurance fund.

PASSENGER TRAMWAY SAFETY PROGRAM

Budget Item	Actual	Appropriated	- - Current Level - -		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	0.00	0.00	0.00	0.00	0.00
Personal Service	\$ 425	\$ -0-	\$ 1,050	\$ 1,050	394.1
Operating Expense	11,361	18,765	13,081	13,081	13.2
Total Expenditures	<u>\$11,786</u>	<u>\$18,765</u>	<u>\$14,131</u>	<u>\$14,131</u>	<u>(7.5)</u>
Fund Sources					
General Fund	\$11,786	\$ -0-	\$ -0-	\$ -0-	(100.0)
State Special	-0-	18,765	14,131	14,131	50.6
Total Funds	<u>\$11,786</u>	<u>\$18,765</u>	<u>\$14,131</u>	<u>\$14,131</u>	<u>(7.5)</u>

The Passenger Tramway Safety Program regulates the design, construction, and operation of all passenger tramways in the state to insure public safety. The responsibility for the administration of this program lies within the Department of Administration.

The current level budget provides a 7.5 percent decrease from the 1987 biennium to the 1989 biennium primarily because contracted services are budgeted at \$15,778 in fiscal 1987 but reduced to the fiscal 1986 level of \$9,003 for each year of the 1989 biennium.

Beginning in fiscal 1987, the program is funded from fees assessed tramway owners for safety inspections.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

MONTANA BOARD OF INVESTMENTS
FACT SHEET

EXHIBIT 3
DATE 1-22-87
HD _____

FUND STATISTICS	<u>1971</u>	<u>1981</u>	<u>1986</u>	Percent Change <u>1986 - 1981</u>	Actual <u>1987</u>
Assets Managed (Bil.)	\$.3	\$1.1	\$2.1	91%	
Assets Transacted - Repos (Bil.)	.0	8.7	11.7	34	
Assets Transacted - Other (Bil.)	.6	1.6	3.6	125	
Income Earned (Mil.)	20	110	240	118	

PROGRAM COST (Thousands \$)

Fiscal Year Budget	\$ 142	\$530	\$ 821	55%	762
Security Lending Income	<u>-</u>	<u>33</u>	<u>714</u>	<u>2,063</u>	
Net Program Cost	142	497	107	NA	

STAFFING

Accounting Staff	1	6	8	33%	8
Investment Staff	<u>1</u>	<u>8</u>	<u>9</u>	<u>13</u>	<u>8</u>
	2	14	17	21%	16*

* 1 vacant position due to lack of funding.

PERFORMANCE (1977-1986)

Common Stock	15.8%
Bonds	11.9%
Inflation	6.8%

MONTANA INVESTMENTS (6/86)

Mortgages	\$ 125
Certificates of Deposit	28
Loan Commitments	<u>36</u>
	\$ 189 (Mil.)

GENERAL FUND IMPACT (1986)

Income Earned	\$ 49,349,522
Expenses Charged	\$ 135,000

4
1-22-87

MONTANA BOARD OF INVESTMENTS
Budget Issues
January 22, 1987

ISSUES WITHIN RECOMMENDED BUDGET

A. Grade 17 Portfolio Managers

Request monies to pay at Step 13. Budget amount assumed Step 3. The Board requests the ability to pay greater than step 3 to attract and maintain competent and professional portfolio managers.

<u>FY 88</u>	<u>FY 89</u>
\$17,500	\$17,500

B. Retirement Costs - Training Overlap

Mr. Howeth plans to retire 6/30/88. A replacement for him or the Assistant Investment Officer should be available six months before Mr. Howeth's retirement. Costs budgeted include salary and relocation expense. This is a one-time expense.

<u>FY 88</u>	<u>FY 89</u>
\$60,000	0

ISSUES RELATING TO PENDING LEGISLATION

A. Senate Bill 15

Senate Bill 15 authorizes exemption of five additional staff positions from employee classification. The salaries would be set annually by the Board. Passage of this legislation would require maximum incremental personal services funding of:

<u>FY 88</u>	<u>FY 89</u>
\$125,000	\$125,000

OTHER ISSUES

Linked Deposit Program Subsidy

The cost of the Linked Deposit Program, budgeted at \$500,000 per year in the Governor's proposed budget as part of the Investment Program, should not be included in the Investment Program for the following reasons:

- 1) The Linked Deposit Program costs are agricultural oriented, not investments related, and should logically be reflected with the costs of the agricultural counseling program. Both programs are designed to assist Montana's agricultural economy.

- 2) Inclusion of non-investment costs in the Investment Program budget distorts the cost effectiveness of Montana's Investment Program.
- 3) The Board of Investments administers only part of the Linked Deposit Program, specifically, the Certificates of Deposit. All mailings and promotion of this program are handled by the Department of Agriculture.

ALTERNATE BUDGET DETERMINATION

The Board of Investments recommends consideration be given to fixing the Board's budget as a percent of assets managed at book value. Justification for this method of fixing the Board's budget is as follows:

- 1) Proprietary Fund

Expenses for the Board of Investments are charged back to users by deducting expenses from income earned.

- 2) Legislative Control

Fixing the rate leaves the Board's budget under the scrutiny of the Legislature.

- 3) Secure Program Effectiveness

Montana's Investment Program has more than doubled over the past 5 years with no increase in investment staff.

Numerous budget reductions over the past two years threaten the well-being of Montana's Investment Program, with earnings exceeding \$240 million in fiscal '86.

Tying the Board's budget to asset growth will protect one of Montana's greatest assets, its Investment Program.

INVESTMENT DIVISION

BUDGET DIFFERENCES

CURRENT LEVEL

PERSONAL SERVICES

FTE and Salaries

LFA recommendation deletes 1.0 FTE security analyst position from current level. OBPP recommendation does not delete this position. Difference is \$23,987 in '88 and \$23,943 in '89.

Other Compensation

OBPP recommendation continues current level of \$4,550 each year for per diem for the seven members of the Board of Investments. LFA recommendation does not include these costs.

CONTRACTED SERVICES

OBPP recommendation reflects agency request for consultant and professional services of an outside investment advisor, financial markets quotation, and information system. LFA recommendation is at a reduced level. Difference is \$12,000 a year.

OBPP recommendation reflects maximum contractual amount for outside legal counsel for the Board in all matters and questions pertaining to investments. LFA recommendation is at a reduced level. Difference is \$7,225 a year.

OBPP recommendation provides for increase in data processing costs due to change in Information Services Division rates. LFA recommendation does not include this cost of \$1,369 for '88 only. OBPP recommendation also reflects increase for systems support of the in-house computer system. LFA recommendation does not include this increase of \$9,696 a year.

SUPPLIES

OBPP recommendation provides additional costs of \$3,973 each year to purchase data processing supplies. In FY '87 the division converted the short term investment program to run in-house. Additional supplies, such as computer paper will be required. LFA recommendation does not include these costs.

TRAVEL

OBPP recommendation reflects estimated in-state travel costs for seven board members to attend all monthly meetings. LFA recommendation shows these costs at a reduced level. Difference is \$3,737 each year.

OBPP recommendation also reflects estimated out-of-state travel costs for staff to attend national investment conferences to keep current on investment management trends. LFA recommendation shows these costs at a reduced level. Difference is \$2,703 a year.

OTHER EXPENSES

OBPP recommendation omitted agency request to delete relocation costs of \$995 a year. LFA recommendation deleted these costs.

OBPP recommendation includes \$320 a year for subscription to U.S. Government Cusip Directory to code information on securities. LFA recommendation excludes this cost.

EQUIPMENT

OBPP recommendation includes \$1,759 each year for division to purchase file cabinets, bookcases, and chairs. LFA recommendation does not include these costs.

MODIFIED LEVEL

ADDITIONAL FTE

OBPP recommendation includes request for two additional portfolio managers to accommodate a projected workload increase. Proprietary fund spending authority is requested. Cost is \$64,209 in '88 and \$64,113 in '89.

LINK DEPOSIT

OBPP recommendation includes request to continue general fund support of the agriculture loan linked deposit program created by the March, 1986 special session. Cost is \$250,000 each year.

InvDiff.KM

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

REPORT ENR99
DATE : 01/01/87
TIME : 17/23/43

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 05 "PUBLICATIONS AND GRAPHICS"
CONTROL : 00051 PURCHASING & PRINT COORD.

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LIA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)			2.50	2.50		2.50	2.50	
1100	SALARIES	50,220.59		44,599	44,398	201	44,585	44,383	202
1400	EMPLOYEE BENEFITS	10,888.61		6,554	6,555	-1	6,646	6,646	
1500	HEALTH INSURANCE			4,140	3,450	690	4,140	3,450	690
1600	VACANCY SAVINGS			-2,212	-2,168	-44	-2,215	-2,165	-50
	TOTAL LEVEL	61,109.20		53,081	52,235	846	53,156	52,314	842
2025	RENT-INFLATION				285	-285		396	-396
2100	CONTRACTED SERVICES	15,742.95		17,000	15,743	1,257	18,000	15,743	2,257
2200	SUPPLIES & MATERIALS	892.57		893	893		893	893	
2300	COMMUNICATIONS	6,308.26		6,308	6,308		6,308	6,308	
2400	TRAVEL	295.88		296	296		296	296	
2500	RENT	2,970.18		4,684	2,970	1,714	4,889	2,970	1,919
2700	REPAIR & MAINTENANCE	1,014.43		1,319	1,014	305	1,291	1,014	277
2800	OTHER EXPENSES	150.00		150	150		150	150	
2900	GOODS PURCHASED FOR RESALE	1,402,225.90		1,951,526	1,402,226	549,300	1,951,526	1,402,226	549,300
	TOTAL LEVEL	1,429,600.17		1,982,176	1,429,885	552,291	1,983,353	1,429,996	553,357
3100	EQUIPMENT								
	TOTAL LEVEL	1,993.00		2,487	2,487		1,115	1,115	
	TOTAL PROGRAM	1,492,702.37		2,037,744	1,484,607	553,137	2,037,624	1,483,425	554,199
06530	PUBLICATIONS & GRAPHICS	1,492,702.37		2,037,744	1,484,607	553,137	2,037,624	1,483,425	554,199
	TOTAL PROGRAM	1,492,702.37		2,037,744	1,484,607	553,137	2,037,624	1,483,425	554,199

#6
1-22-87

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

REPORT FBSR99
DATE : 01/07/87
TIME : 17/23/43

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 05 "PUBLICATIONS AND GRAPHICS"
CONTROL : 00000

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)	27.00	31.75						
1100	SALARIES		585,073						
1400	EMPLOYEE BENEFITS		87,300						
1500	HEALTH INSURANCE		33,954						
1600	VACANCY SAVINGS		-13,727						
1800			3,536						
.	TOTAL LEVEL		696,136						
2100	CONTRACTED SERVICES		13,054						
2200	SUPPLIES & MATERIALS		3,248						
2300	COMMUNICATIONS		27,362						
2400	TRAVEL		2,376						
2500	RENT		90,925						
2700	REPAIR & MAINTENANCE		184,376						
2800	OTHER EXPENSES		64,611						
2900	GOODS PURCHASED FOR RESALE		2,555,807						
	TOTAL LEVEL		2,941,759						
3100	EQUIPMENT		340,105						
	TOTAL LEVEL		340,105						
	TOTAL PROGRAM		3,978,000						
06530	PUBLICATIONS & GRAPHICS		3,978,000						
	TOTAL PROGRAM		3,978,000						

REPORT EBSR99
DATE : 01/07/87
TIME : 17/23/43

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

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AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 05 "PUBLICATIONS AND GRAPHICS"
CONTROL : 00052 PUBLICATION & GRAPHICS OPERATI

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)			18.50	18.50		22.50	22.50	
1100	SALARIES	325,605.54		342,517	342,517		418,679	415,676	3,003
1400	EMPLOYEE BENEFITS	77,552.52		62,772	62,772		68,887	72,974	-4,087
1500	HEALTH INSURANCE			25,530	25,530		25,530	31,050	-5,520
1600	VACANCY SAVINGS			-17,233	-16,529	-704	-20,524	-19,285	-1,239
1800					2,970	-2,970		7,231	-7,231
	TOTAL LEVEL	403,158.06		413,586	417,260	-3,674	492,572	507,646	-15,074
2021	CONTRACTED SERVICES-INFLATI			-85	-28	-57	-171	-54	-117
2025	RENT-INFLATION				3,367	-3,367		4,675	-4,675
2100	CONTRACTED SERVICES	4,289.03		4,290	2,653	1,637	4,290	2,653	1,637
2200	SUPPLIES & MATERIALS	167.91		168	168		168	168	
2300	COMMUNICATIONS	13,972.38		14,981	13,973	1,008	14,981	13,973	1,008
2400	TRAVEL	703.20		703	703		703	703	
2500	RENT	38,557.41		40,940	38,558	2,382	71,014	67,001	4,013
2700	REPAIR & MAINTENANCE	103,376.98		143,851	146,878	-3,027	168,976	172,226	-3,250
2800	OTHER EXPENSES	229.95		220	230	-10	220	230	-10
2900	GOODS PURCHASED FOR RESALE	378,520.62		378,521	378,521		520,574	521,574	-1,000
	TOTAL LEVEL	539,817.48		583,589	585,023	-1,434	780,755	783,149	-2,394
3100	EQUIPMENT	33,604.91		25,800	25,800				
	TOTAL LEVEL	33,604.91		25,800	25,800				
9000	DEBT SERVICE	123,912.16		123,913	123,913		123,913	123,913	
	TOTAL LEVEL	123,912.16		123,913	123,913		123,913	123,913	
	TOTAL PROGRAM	1,100,492.61		1,146,888	1,151,996	-5,108	1,397,240	1,414,708	-17,468
06530	PUBLICATIONS & GRAPHICS	1,100,492.61		1,146,888	1,151,996	-5,108	1,397,240	1,414,708	-17,468
	TOTAL PROGRAM	1,100,492.61		1,146,888	1,151,996	-5,108	1,397,240	1,414,708	-17,468

REPORT EBSR99
DATE : 01/07/87
TIME : 17/23/43

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

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AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 05 "PUBLICATIONS AND GRAPHICS"
CONTROL : 00053 ADMINISTRATION-P & G

AF/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)			5.50	5.50		5.50		
1100	SALARIES	127,466.93		135,256	135,256		135,126	135,126	
1400	EMPLOYEE BENEFITS	25,113.96		20,287	20,287		20,588	20,588	
1500	HEALTH INSURANCE			7,590	7,590		7,590	7,590	
1600	VACANCY SAVINGS			-6,525	-6,460	-65	-6,532	-6,452	-80
(1)1900	PERSONAL SERVICES-OTHER	-203.00							
	TOTAL LEVEL	152,377.89	156,608	156,608	156,673	-65	156,772	156,852	-80
2021	CONTRACTED SERVICES-INFLATI			-121	-44	-77	-241	-86	-155
2025	RENT-INFLATION				528	-528		733	-733
2100	CONTRACTED SERVICES	12,549.70		22,262	20,337	1,925	13,950	12,025	1,925
2200	SUPPLIES & MATERIALS	2,318.75		2,319	2,319		2,319	2,319	
2300	COMMUNICATIONS	4,771.52		4,771	4,771		4,771	4,771	
2400	TRAVEL	2,654.53		2,655	2,655		2,655	2,655	
2500	RENT	28,767.53		33,153	28,768	4,385	33,583	28,768	4,815
2700	REPAIR & MAINTENANCE	186,512.95		187,827	187,183	644	206,334	205,749	585
(1)2400	OTHER EXPENSES	318,709.72		1,368	1,368		1,368	1,368	
2900	GOODS PURCHASED FOR RESALE	37,668.65		37,668	37,668		41,435	41,435	
	TOTAL LEVEL	593,953.35	291,902	291,902	285,553	6,349	306,174	299,737	6,437
(1)3100	EQUIPMENT			1,608	672	936			
	TOTAL LEVEL	-32,241.41	1,608	1,608	672	936			
9000	DEBT SERVICE	-64,134.62		251,640	251,640		251,640	251,640	
	TOTAL LEVEL	-64,134.62		251,640	251,640		251,640	251,640	
	TOTAL PROGRAM	649,955.21	701,758	701,758	694,538	7,220	714,586	708,229	6,357
06530	PUBLICATIONS & GRAPHICS	649,955.21		701,758	694,538	7,220	714,586	708,229	6,357
	TOTAL PROGRAM	649,955.21	701,758	701,758	694,538	7,220	714,586	708,229	6,357

(1) Non-operating costs need to be excluded from FY'86 actuals:

Personal services - liability for accrued vacation/sick leave.

Other expenses - depreciation, inventory adjustment.

Equipment - FY'86 actual should be \$20,971

\$ 203
\$(317,343)
\$ 53,212

Table 3
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	15.50	14.96	(0.54)
Personal Service	\$ 442,738	\$ 418,278	\$ 24,460
Operating Expense	89,655	86,526	3,129
Equipment	4,345	26,356	(22,011)
Total Expenditures	<u>\$ 536,738</u>	<u>\$ 531,160</u>	<u>\$ 5,578</u>
Funding			
State Special	\$ 536,738	\$ 531,160	\$ 5,578
Capital Projects Fund	528,864	528,864	-0-
Total Funds	<u>\$1,065,602</u>	<u>\$1,060,024</u>	<u>\$ 5,578</u>
Additions			
Statutory Appropriation	<u>\$ 7,874</u>	<u>\$ 7,874</u>	<u>\$ -0-</u>

Actual fiscal 1986 expenditures were \$5,578 less than the legislative appropriation. Personal services were \$24,460 less than appropriated as two positions were vacant most of the year and a net 0.54 FTE was transferred out of the program. These savings offset the increased personal services due to the long time division administrator retiring and his resulting termination payout, and a 0.25 FTE purchasing agent being transferred into the program without any accompanying funds.

Operating expenses were \$3,128 less than appropriated. This was caused by contracted services, travel, and rent expenditures being \$13,921 less than budgeted. Supplies, communications, and other operating expenses were overspent \$10,793.

The division spent \$22,011 more for equipment than authorized by the legislature, primarily for personal computers.

Current Level Adjustments

Contracted services were increased \$8,856 in fiscal 1988 and \$10,582 in fiscal 1989 from fiscal 1986 base expenditures to cover cost increases in insurance and bonds, legal fees, payroll service fees, computer processing charges, printing, and photocopying charges. Travel expenditures were reduced \$1,500 by the agency as a cost saving measure. Fiscal 1986 office rent expenditures were increased \$4,289 to reflect a full year's rent for the division's move into the new DNRC building. Fiscal 1986 registration fee expenditures were reduced to \$700 to reflect an expenditure level more typical of fiscal 1984 and fiscal 1985 expenditures and there were \$1,491 of miscellaneous reductions.

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1-22-87

PUBLICATIONS AND GRAPHICS DIVISION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	27.00	30.50	26.50	30.50	0.00
Personal Service	\$ 616,850	\$ 696,136	\$ 626,168	\$ 716,812	2.3
Operating Expense	2,246,033	2,941,759	2,300,461	2,512,882	(7.2)
Equipment	56,569	340,105	28,959	1,115	(92.4)
Total Operating Costs	\$2,919,452	\$3,978,000	\$2,955,588	\$3,230,809	3.2
Non-Operating Costs	375,553	-0-	375,553	375,553	100.0
Total Expenditures	<u>\$3,295,005</u>	<u>\$3,978,000</u>	<u>\$3,331,141</u>	<u>\$3,606,362</u>	<u>(4.6)</u>
Fund Sources					
Proprietary Funds	<u>\$3,295,005</u>	<u>\$3,978,000</u>	<u>\$3,331,141</u>	<u>\$3,606,362</u>	<u>(4.6)</u>

The Publications and Graphics Division provides centralized duplicating and photocopying services, graphics design and layout, typesetting forms design, and other functions to provide camera-ready copy to state agencies.

The current level budget provides a 4.6 percent decrease in total expenditures from the 1987 biennium to the 1989 biennium. Personal services increases 2.3 percent as the salaries are calculated using fiscal 1987 pay matrices.

Operating expenses decrease 7.2 percent primarily because the fiscal 1988 and 1989 budget for the non-state printing claims auditor was based on fiscal 1986 expenditures rather than the appropriated level. The non-state printing appropriation was approximately \$650,000 more than expended.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

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1-22-87

Good morning, Mr. Chairman, members of the committee. For the record, my name is Don Breiby and I am the Administrator of the Publications & Graphics Division.

~~Generally speaking,~~ the division I represent is a proprietary operation responsible for administering to the printing needs of state government. ^{Simply put,} Our primary aim is to do our part to assure that the State receives the best value for its printing dollar. P&G operates in four service areas: Pre-press, Printing, Photocopy, and Purchasing.

Our Pre-press function is composed of those services necessary to create or "make ready" a document for printing. Pre-press services offered by P&G include publication design and illustrative art, typography, and reprographics, which consists of the photographic work necessary in the printing process. The major accomplishment of the division this biennium came in this area with the acquisition of a high-speed typesetter for the express purpose of typesetting the Montana Code Annotated. You may recall that last session P&G entered into an agreement with the Legislative Council for the purchase of an APS-Micro 5 ~~the~~ typesetter. At our last meeting, I testified as to the incredible speed and economy of the system. And I promised that we would save the taxpayer "over \$100,000 " each biennium. / It is with

a great deal of satisfaction (and a great deal of relief) that I am able to report to you today that over the last two years we have produced over 29,000 pages for the Council and that in comparing our charges against charges paid under the previous system, the state has saved \$122,380 on typesetting just for legislative documents. The bonus is that several other publications have enjoyed the benefit of this system as well. The Executive Budget, for example, was produced at a cost of \$5077.15, less than half of what it cost 10 years ago. And the document was typeset, printed, bound and delivered in just seven calendar days.

The Printing operation, our second service area, responds to the needs of the state to provide for the duplicating and binding of nearly 40 million copies each non-legislative year, and over 60 million copies during legislative years. (Please note that I said "responds to the needs of" and not "is responsible for". Last Session I made the mistake of saying P&G was responsible for the all the copies made by the state and the legislature and alot of folks decided all this paper was my fault. Let me assure you that the Publications & Graphics Division creates very little printing of its own. The copies we produce are created and ordered by other agencies, and our responsibility ends at producing them as economically and expeditiously as possible.)

P&G operates a central facility housed in the Old Liquor Warehouse on Front Street, a Quick Copy Center in the SRS building, and the Capitol Quick Copy Center in the basement of this building. Last session, our Capitol Copy Center, which is dedicated to your use each session, printed 15,999,911 copies for the legislature. That works out to 106,666 copies per legislator. I trust you all did your part in digesting that information.

Thirdly, the division operates the State Photocopy Pool. The Pool presently numbers 122 machines which are based primarily in the Helena area, although we do have equipment as far away as Billings. The Pool will be the focus of our attention for this next biennium. Last August we became acquainted with a new purchasing technique now being utilized by the federal government and by the State of Michigan which has the potential to reduce the more than one-half million dollar per year cost of Pool copiers by at least a third. By purchasing 'copies' instead of copiers and by utilizing our bulk purchasing power, we feel we can reduce the State's cost per copy from an average 4.2 cents to under 3 cents. If, indeed, I can make good on this projection (and this one is not a promise), the taxpayer will benefit from an additional \$100,000 per year savings.

And finally, P&G is responsible for the procurement of printing from external sources. Our Purchasing function is

charged with the duties of writing specifications, securing bids and awarding contracts on all printing obtained commercially. We also monitor contracts once awarded, perform a compliance inspection upon delivery of printed material and audit all claims prior to payment.

Mr. Chairman, on Tuesday I listened to a portion of the presentation on the Purchasing Division and was particularly interested in your discussion concerning the possibility of establishing a Proprietary Fund for that division. The Publications & Graphics Division has first hand knowledge of the workability of charge-back systems for purchasing programs which I'd be happy to share with you, if you're interested.

This brings us to our discussion of the differences between the Budget Office and LFA budgets addressed in the handout given you earlier. If I may, I would ask that we skip over the second item on the first page for now and do away with the other items first, as that one's a bit more complex. And it is not my intent here to dwell on any of the items in this handout. I will identify what we feel is the correct appropriation and why and I will, of course, be available for questions at this time or during Executive Session.

The first item is the health insurance expenditure in Control 51. The LFA budget budget for this expenditure is for 2 and one-half FTE and would be correct except that state policy requires that we extend full health benefits to half time positions. The OBPP budget shows the correct amount and I request that it be adopted.

Then, skipping the Contracted Services, Goods for Resale entry for now, the next item is Rent and Grounds Maintenance.

If you will note, all three Control Accounts, on the first, fourth, and seventh sheets, show a difference in Rent and Grounds Maintenance. This is because last session the Long Range Building Committee approved a remodeling project for the division which increased the square footage of our previously very cramped Central Facility. The OBPP figures reflect the existing and correct square footage while the LFA figures represent square footage for last fiscal year with no increase in space. We request that the OBPP budget be adopted.

The next item, under Control 52, Personal Services, relates to the calculation of benefits and overtime during the legislative session. In the first paragraph, the LFA correctly calculated benefits for overtime pay. This expenditure is for Workmens Compensation benefits and State

Unemployment Insurance. We request that the LFA figures be used. / The second paragraph relates to overtime for the 1989 session. Expenditures for overtime during the session are necessary to insure delivery of legislative documents in a timely fashion. I request the OBPP figure be adopted. / In the third paragraph, the LFA & OBPP differ in the calculation of overtime benefits for temporary employees added during the session. The first figure, \$4087, should be left in to cover Workers Comp. and Unemployment Insurance. The second, \$5520, is for health benefits and should be deleted as these benefits are not offered to temporary employees.

Contracted Services - computer costs. This expenditure and the same expenditure in the last section, Control 53, are important to us in that we try to encourage the cost effective telecommunication of documents to our typesetter. This avoids the re-keying of documents which are typeset and it is important that we make this service available. Had we not been able to perform this function, documents such as the MCA's would have been more costly and time consuming. We ask that the OBPP budget be adopted in both Control 52 & 53.

The \$1008 for postage and messenger service under the Communications category in the OBPP budget should not be there. We recommend the LFA figures be used. And, as well,

on the Goods for Resale on the next page. This was a mathematical error on our part and the LFA budget is correct.

Now back to the first page if we may.

Last session, the legislature approved a modified request for P&G for an additional \$2,097,000 in spending authority for each year of the biennium for the purpose of passing all printing claims through the division. You may remember, I indicated at that time I thought there might be a need to examine these claims for erroneous charges. The appropriation also brought us into compliance with Section 18-7-106 of the Codes which specifically requires that the Department of Administration approve all printing claims. In Fiscal Year 1986, the division received and reviewed 670 claims. Of these, we discovered 43 bills with errors. ~~IN THE TOTAL~~ In total, the errors were not substantial. In fact, it washed both ways. We found nearly as many errors in favor of the State as in the vendors' favor. The bottom line is that we gained \$5789.01 by auditing. Unfortunately, for that first year, it cost us \$11,263.84 to do so. At first blush, it seems it would be wise to discontinue the audit practice. However, I am here today to ask you to continue the function for another biennium for the following reasons:

Firstly, we have cut our cost of operating the function by almost half, reducing the Claims Auditor position to a half-time FTE. Thus far in FY87, the function is operating at break-even. That is, the money we have saved in disallowing errors have paid for the auditing of the claims.

Secondly, I think there are savings with the existence of the audit beyond what we see in black and white. The fact that we are checking claims is becoming well known and this in itself assures a more careful billing by the vendors. And it relieves the individual agencies of the necessity to examine claims when they have very limited expertise to do so. *THE INSPECTION OF GOODS DELIVERED IS A VALUABLE SERVICE TO AGENCIES AND COST SAVINGS FOR THIS HAVE NOT BEEN CALCULATED INTO SAVINGS (JOB REPORTED).*

Thirdly, the audit gives the State something it has never had before, a reasonably accurate accounting of what the State spends on printing. Prior to the existence of this appropriation, we had no control on printing dollars spent. Today, I can tell you that, with the exception of other agency in-house duplicating facilities, the State spent \$3,822,276 on printing and copying in FY86.

And finally, the appropriation does bring us into compliance with existing state law.

Now the discrepancy between the two budget recommendations involves \$549,300 worth of printing in FY86 that did not

pass through the division. We began issuing all contracts in our name effective July 1, 1985. All bills submitted by vendors for those contracts were received by, and paid by, P&G. However, a number of requisitions from agencies were received by the division prior to the July 1st starting date and those contracts were issued in the agencies' name rather than the Division's name, even though they were FY86 expenditures. These purchases did not pass through the division accounts and are not included in the base year. If the audit function is to be continued it is necessary to restore this spending authority.

Thank you, Mr. Chairmen. This concludes my presentation.

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1-22-87

PUBLICATION & GRAPHICS

BUDGET DIFFERENCES

CONTROL 51 - PURCHASING AND PRINT COORD.

HEALTH INSURANCE

LFA recommendation does not include enough Health Insurance for current level FTE. Short fall is \$690 a year.

CONTRACTED SERVICES, GOODS FOR RESALE

LFA recommendation reflects current level. OBPP recommendation provides increases for the contract printing program. The base year does not reflect a full year's activity because the program took a few months to begin operation. The following increases are needed in the LFA recommendation:

	<u>FY 88</u>	<u>FY 89</u>
Contracted Services	\$ 1,257	\$ 2,257
Goods for Resale	<u>549,300</u>	<u>549,300</u>
Total	<u>\$550,557</u>	<u>\$551,557</u>

RENT, REPAIRS AND MAINTENANCE

OBPP recommendation includes square footage rate increases under Rent, and the Grounds Maintenance under Repairs. LFA recommendation includes increases in these two areas under Rent-Inflation.

The division did some remodeling which resulted in additional square footage. LFA did not adjust for the increase in square feet. The correct figures are in OBPP recommendation, as follows:

	<u>FY 88</u>	<u>FY 89</u>
Building Rent	\$4,684	\$4,889
Grounds Maintenance	305	277

CONTROL 52 - PUBLICATIONS & GRAPHICS OPERATIONS

PERSONAL SERVICES

LFA recommendation includes benefits related to overtime pay. OBPP recommendation does not include this cost. Difference is \$2,970 in '88 and \$7,231 in '89 (1800 category on comparison sheet).

OBPP recommendation reflects agency request for overtime to handle printing during legislative session. LFA recommendation has overtime at a reduced level. Difference is \$3,003 in '89 only.

The two budgets differ in their categories for benefits and health insurance for the 4 FTE added in '89 for the legislative session. Difference is \$4,087 in benefits and \$5,520 in health insurance. The agency requests that the proper amounts be shown for the additional FTE.

CONTRACTED SERVICES

OBPP recommendation reflects current level. LFA recommendation deletes costs for computer charges to enable other agencies to electronically transfer printing jobs to Publications & Graphics. Cost is \$1,637 in both years.

COMMUNICATIONS

LFA recommendation reflects current level. OBPP recommendation has doubled the postage and messenger services for the quick copy print shops. This error is \$1,008 a year.

RENT, REPAIRS & MAINTENANCE

OBPP recommendation includes square footage rate increases under Rent, and the Grounds Maintenance under Repairs. LFA recommendation includes increases in these two areas in rent-inflation.

The division did some remodeling which resulted in additional square footage. LFA did not adjust for the increase in square feet. The correct figures are in OBPP recommendation as follows:

	<u>FY'88</u>	<u>FY'89</u>
Building Rent	\$ 37,477	\$ 39,108
Grounds Maintenance	\$ 2,441	\$ 2,218

LFA recommendation also reflects current level of \$5,468 a year for maintenance on buildings. OBPP recommendation deleted this cost.

GOODS FOR RESALE

Agency made a \$1,000 addition error on its request for 1989. LFA caught the error and corrected. The amount relates to increased purchases necessary to handle printing for the 1989 legislative session.

PGPUB.KM

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1-22-87

CONTROL 53 - ADMINISTRATION - P & G

CONTRACTED SERVICES

Agency combined two expenditure categories for data processing into one category. LFA did not realize the combination and omitted a portion of the cost. OBPP recommendation has the correct amount. Difference is \$1,925 a year.

RENT, REPAIRS & MAINTENANCE

OBPP recommendation includes square footage rate increases under Rent, and the Grounds Maintenance under Repairs. LFA recommendation includes increases in these two areas under Rent-Inflation.

The division did some remodeling which resulted in additional square footage. LFA did not adjust for the increase in square feet. The correct figures are in OBPP recommendation, as follows:

	<u>FY 88</u>	<u>FY 89</u>
Building Rent	\$9,890	\$10,320
Grounds Maintenance	644	585

EQUIPMENT

OBPP recommendation includes \$936 ('88 only) to replace two desks. LFA recommendation excludes this cost.

PGAdmin.KM

REPORT EBSR99
DATE : 01/07/87
TIME : 17/23/43

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

PAGE 275

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 04 ARCH & ENGINEERING PCM
CONTROL : 00000

CURRENT LEVEL SERVICES ONLY

AT/01	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)	14.96	15.50	15.25	15.25		15.25	15.25	
1100	SALARIES	351,378.84	397,394	398,395	390,462	7,933	397,235	389,333	7,902
1400	EMPLOYEE BENEFITS	66,900.19	60,376	59,660	58,453	1,207	60,469	59,246	1,223
1500	HEALTH INSURANCE		18,864	20,700	20,700		20,700	20,700	
1600	VACANCY SAVINGS		-9,359	-19,150	-18,533	-617	-19,136	-18,507	-629
	TOTAL LEVEL	418,279.03	467,275	459,605	451,082	8,523	459,268	450,772	8,496
2021	CONTRACTED SERVICES-INFLATI			-42		-42	-84		-84
2025	RENT-INFLATION				2,562	-2,562		3,557	-3,557
2100	CONTRACTED SERVICES	17,787.03	14,543	27,811	26,643	1,168	29,536	28,368	1,168
2200	SUPPLIES & MATERIALS	8,228.65	4,294	6,467	6,467		6,467	6,467	
2300	COMMUNICATIONS	15,265.90	14,129	14,830	15,266	-436	14,830	15,266	-436
2400	TRAVEL	15,582.46	15,328	15,328	14,083	1,245	15,328	14,083	1,245
2500	RENT	22,423.46	28,186	27,364	26,705	659	28,542	26,705	1,837
2700	REPAIR & MAINTENANCE	2,697.58	3,462	3,626	2,955	671	3,450	2,955	495
2800	OTHER EXPENSES	4,540.13	798	4,369	1,299	3,070	3,895	1,299	2,596
	TOTAL LEVEL	86,525.21	80,740	99,753	95,980	3,773	101,964	98,700	3,264
3100	EQUIPMENT								
3400	INTANGIBLE ASSETS	25,977.89	3,704	2,428	2,428	378	2,060	2,060	378
	TOTAL LEVEL	26,355.89	3,704	2,806	2,428	378	2,438	2,060	378
8000	TRANSFERS								
	TOTAL LEVEL	536,737.00	544,106	562,164	549,490	12,674	563,670	551,532	12,138
	TOTAL PROGRAM	1,067,897.13	1,095,825	1,124,328	1,098,980	25,348	1,127,340	1,103,064	24,276
02030	ARCH & ENGINEER CONSTRUCTION	531,160.13	551,719	562,164	549,490	12,674	563,670	551,532	12,138
02007	LONG RANGE BUILDING PROGRAM	536,737.00	544,106	562,164	549,490	12,674	563,670	551,532	12,138
	TOTAL PROGRAM	1,067,897.13	1,095,825	1,124,328	1,098,980	25,348	1,127,340	1,103,064	24,276

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AGENCY : 6101 DEPARTMENT OF ADMINISTRATION		CURRENT LEVEL SERVICES ONLY				
PROGRAM : 25 PASSENGER TRAMWAY SAFETY						
CONTROL : 00000						
AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LJA FY 88	DIFF FY 88
					LFA FY 89	DIFF FY 89
1300	OTHER COMPENSATION	425.00				
	TOTAL LEVEL	425.00				
2100	CONTRACTED SERVICES	9,003.27	15,778			
2200	SUPPLIES & MATERIALS		331			
2300	COMMUNICATIONS	54.77	63			
2400	TRAVEL	2,253.68	2,417			
2800	OTHER EXPENSES	48.00	176			
	TOTAL LEVEL	11,359.72	18,765			
	TOTAL PROGRAM	11,784.72	18,765			
01100	GENERAL FUND	11,784.72	18,765			
02069	PASSENGER TRAMWAY RECEIPTS					
	TOTAL PROGRAM	11,784.72	18,765			

a \$10,505 shortfall in the pay plan, and the 12.0 FTE in the 1989 biennium reflect fiscal 1987 pay matrix salaries.

Operating expenses decrease 6.1 percent. The agency removed funding for part of its key verification of SBAS documents function to absorb the 5 percent reduction in fiscal 1987. This reduction is continued into the 1989 biennium.

The accounting division is funded from general fund.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 2
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	12.50	12.25	0.25
Personal Service	\$319,080	\$316,110	\$ 2,970
Operating Expense	512,469	499,650	12,819
Equipment	-0-	12,982	(12,982)
Total Exp. and Gen. Fund	<u>\$831,549</u>	<u>\$828,742</u>	<u>\$--2,807--</u>

Fiscal 1986 total expenditures were \$2,807 less than the appropriation. Personal services expenditures were \$2,970 less than the appropriation as one FTE worked only 1803 hours of the year, or 86 percent. Operating expenditures were \$12,819 less than appropriated with the majority of savings coming in computer processing fees. The savings in operations was used to purchase office equipment, a personal computer, and software not authorized by the legislature.

Current Level Adjustments

The current level budget provides for fiscal 1987 services in the 1989 biennium. A 0.25 FTE clerk is reduced at a biennial \$7,800 general fund savings. The contract with Information Services Division to provide key verification of SBAS documents was reduced \$29,000 by the agency in fiscal 1987. This is also continued into the 1989 biennium.

Additional general fund, \$875, is provided to allow for insurance increases and maintenance for two personal computers purchased in fiscal 1986. A total of \$2,760 was removed from supplies and materials to provide for average expenditures in fiscal years 1984 and 1985. In fiscal 1988, \$18,000 is provided for legislative audit costs.

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ARCHITECTURE AND ENGINEERING DIVISION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	14.96	15.59	15.25	15.25	(0.25)
Personal Service	\$ 418,278	\$ 467,275	\$ 451,082	\$ 450,772	1.8
Operating Expense	86,526	80,740	95,980	98,700	16.4
Equipment	26,356	3,704	2,428	2,060	(85.1)
Total Operating Costs	\$ 531,160	\$ 551,719	\$ 549,490	\$ 551,532	1.7
Non-Operating Costs	536,737	544,106	549,490	551,532	1.9
Total Expenditures	\$1,067,897 =====	\$1,095,825 =====	\$1,098,980 =====	\$1,103,064 =====	1.8 =====
Fund Sources					
State Special	\$ 531,160	\$ 551,719	\$ 549,490	\$ 551,532	1.7
Capital Projects Fund	536,737	544,106	549,490	551,532	1.9
Total Funds	\$1,067,897 =====	\$1,095,825 =====	\$1,098,980 =====	\$1,103,064 =====	1.8 =====

The Architecture and Engineering Division oversees construction, renovations, and repair of state-owned buildings. The division also formulates a long-range building plan for legislative consideration each session.

The current level budget provides a 1.8 percent increase from the 1987 biennium to the 1989 biennium. The FTE decreases 0.25 from fiscal 1987 to fiscal 1989 as the division eliminated a 0.25 FTE file clerk and a 1.0 FTE Secretary II position from their request and added a 1.0 FTE Purchasing Agent III.

Operating expenses increase 16.4 percent between the 1987 and 1989 biennium primarily because the department of administration is allocating a larger portion of the director's office legal staff costs to the architecture and engineering division. The current level budget provides \$18,138 in fiscal 1988 and \$17,996 in fiscal 1989 for these legal costs compared to \$8,583 spent for these services in fiscal 1986.

Equipment expenditures in the 1989 biennium are budgeted to decrease 85.1 percent. Equipment expenditures in fiscal 1986 were extraordinarily high. This is discussed in the comparison section following Table 3.

The non-operating costs reflect the amount of spending authority necessary to transfer funds from the long range building cash program account to the state special revenue account to support the Architecture and Engineering Division.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 3
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	15.50	14.96	(0.54)
Personal Service	\$ 442,738	\$ 418,278	\$ 24,460
Operating Expense	89,655	86,526	3,129
Equipment	<u>4,345</u>	<u>26,356</u>	<u>(22,011)</u>
Total Expenditures	<u>\$ 536,738</u>	<u>\$ 531,160</u>	<u>\$ 5,578</u>
Funding			
State Special	\$ 536,738	\$ 531,160	\$ 5,578
Capital Projects Fund	528,864	528,864	-0-
Total Funds	<u>\$1,065,602</u>	<u>\$1,060,024</u>	<u>\$ 5,578</u>
Additions			
Statutory Appropriation	<u>\$ 7,874</u>	<u>\$ 7,874</u>	<u>\$ -0-</u>

Actual fiscal 1986 expenditures were \$5,578 less than the legislative appropriation. Personal services were \$24,460 less than appropriated as two positions were vacant most of the year and a net 0.54 FTE was transferred out of the program. These savings offset the increased personal services due to the long time division administrator retiring and his resulting termination payout, and a 0.25 FTE purchasing agent being transferred into the program without any accompanying funds.

Operating expenses were \$3,128 less than appropriated. This was caused by contracted services, travel, and rent expenditures being \$13,921 less than budgeted. Supplies, communications, and other operating expenses were overspent \$10,793.

The division spent \$22,011 more for equipment than authorized by the legislature, primarily for personal computers.

Current Level Adjustments

Contracted services were increased \$8,856 in fiscal 1988 and \$10,582 in fiscal 1989 from fiscal 1986 base expenditures to cover cost increases in insurance and bonds, legal fees, payroll service fees, computer processing charges, printing, and photocopying charges. Travel expenditures were reduced \$1,500 by the agency as a cost saving measure. Fiscal 1986 office rent expenditures were increased \$4,289 to reflect a full year's rent for the division's move into the new DNRC building. Fiscal 1986 registration fee expenditures were reduced to \$700 to reflect an expenditure level more typical of fiscal 1984 and fiscal 1985 expenditures and there were \$1,491 of miscellaneous reductions.

PUBLICATIONS AND GRAPHICS DIVISION

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>- - Current Level - -</u>		<u>% Change</u>
	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>1987-89</u>
	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Biennium</u>
F.T.E.	27.00	30.50	26.50	30.50	0.00
Personal Service	\$ 616,850	\$ 696,136	\$ 626,168	\$ 716,812	2.3
Operating Expense	2,246,033	2,941,759	2,300,461	2,512,882	(7.2)
Equipment	56,569	340,105	28,959	1,115	(92.4)
Total Operating Costs	\$2,919,452	\$3,978,000	\$2,955,588	\$3,230,809	3.2
Non-Operating Costs	375,553	-0-	375,553	375,553	100.0
Total Expenditures	<u>\$3,295,005</u>	<u>\$3,978,000</u>	<u>\$3,331,141</u>	<u>\$3,606,362</u>	<u>(4.6)</u>
<u>Fund Sources</u>					
Proprietary Funds	<u>\$3,295,005</u>	<u>\$3,978,000</u>	<u>\$3,331,141</u>	<u>\$3,606,362</u>	<u>(4.6)</u>

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Operating expenses decrease 7.2 percent primarily because the fiscal 1988 and 1989 budget for the non-state printing claims auditor was based on fiscal 1986 expenditures rather than the appropriated level. The non-state printing appropriation was approximately \$650,000 more than expended.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

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ARCHITECTURE & ENGINEERING DIVISION
OPERATION BUDGET PRESENTATION
1987-89 BIENNIUM

The Architecture & Engineering Division administers the State's Capital Construction Program. This includes buildings constructed with state, federal, or private moneys at university campuses, state institutions, or any other location for a state agency such as the Department of Fish, Wildlife & Parks, Department of Military Affairs or the Department of Highways. Currently, we have approximately 210 active projects throughout the State ranging from a new Forensic Building at Montana State Hospital to the improvement of various fishing access sites for the Department of Fish, Wildlife & Parks. Contrary to what some people think, we are not responsible for day-to-day maintenance of State structures. This is handled by the physical plant operations at the various campuses.

To administer the construction program, the Division is organized into three areas which generally coincide with the flow of projects through the office:

1. Planning, which has 2 professional positions (usually architects);
2. Design, which has 6 professional and semi-professional positions; and
3. Construction, which has 2 professional positions (usually architects or construction tech. graduates).

In general, Planning's work includes things such as:

- Providing preplanning and feasibility studies i.e., (MLEA) (prison alternatives) (Capitol Complex master plan);
- estimating construction costs for potential projects;
- compiling the Capital Construction Program and the L.R.B.P.;
- writing programs for building projects; and
- working with the Capitol Building and Planning Committee.

Design's duties include:

- Conducting architectural and engineering interviews for State projects;
- writing contracts with consultants and contractors;
- negotiating contracts;

- approving pay requests for consultants;
- reviewing plans and specifications from consultants for State building construction projects;
- providing plans and specifications and construction administration on projects under \$25,000., and on repair and maintenance projects (i.e., conducting pre-construction meetings, approving contractors' pay requests, evaluating change orders, providing construction inspections and accepting completed projects);
- advertising and bidding projects;
- representing State interests in design process; and
- monitoring building project budgets and program requirements to insure they meet legislative intent.

Finally, Construction is responsible for projects after the bids have been awarded and their work includes:

- Conducting pre-construction meetings;
- approving contractor pay requests;
- evaluating contract change orders;
- solving job related problems;
- serving as State's representative in arbitration claims; and
- accepting completed projects and coordinating the close-out of projects.

All of the functions are served by two secretarial positions and two accounting related positions. These positions are responsible for all clerical support to the division as well as fiscal control for all construction projects.

The Division administers a program that was appropriated \$64,388,290 in 1983-85 biennium, and \$32,574,404 in 1985-87 biennium.

While the program requested for the 1987-89 biennium is only \$14,590,087., the total number of projects we expect to complete will probably be close to the same. One reason for this is due to the fact that a single project in the LRBP, such as Fishing Access Site Improvements, can be broken into over 40 construction jobs throughout the State that we must administer. Another reason is that a large number of projects are approved by the Board of Regents which do not require legislative authorization. These two examples are the main reason for the large discrepancy between the 64

projects listed in the LRBP last biennium and the 200+ projects I mentioned earlier. There is no reason to expect this situation will change significantly in the future. The only thing that will change is the total dollar value of projects - which will be significantly less than in previous biennia. It will not change the procedures we must follow which are basically the same regardless of project size.

To summarize, the Architecture & Engineering Division has two budgets before the legislature.

1. The operational portion before this committee;
2. The LRBP portion which is heard by the Long-Range Planning Committee (none of the funding appropriated for specific projects in this program is available for use by the general operation of the office, but it is basis for the office workload).

In closing, I should mention the responsibility we presently have for the Passenger Tramway program. I did not include it earlier because Senate Bill #78 proposes moving the function to the Department of Commerce. It regulates the design, construction and operation of Tramways (generally meaning ski lifts of all types). Its purpose is to provide better safety for the using public.

OPERBUDG/C:

15
1-22-87

ARCHITECTURE & ENGINEERING

BUDGET DIFFERENCES

PERSONAL SERVICES

A pay exception for one position was approved by the State Personnel Division. This division has the authority to grant these exceptions for state government. OBPP recommendation recognizes the higher pay for the position. LFA recommendation does not include the costs of \$9,140 in '88 and \$9,125 in '89.

CONTRACTED SERVICES

LFA recommendation includes \$600 a year for one personal computer to be connected to the mainframe. OBPP recommendation does not include this cost.

OBPP recommendation includes \$1,200 a year for monthly computer subscription charges paid to Information Services Division. These charges are assessed all computer users. LFA recommendation does not include this cost.

The division combined two current level expenditure categories for photocopy pool services. An addition error of \$543 was made by the division in this combination. OBPP caught the error and made the adjustment. Through an oversight, the division did not inform the LFA of the error. Therefore, LFA recommendation does not include the \$543 cost each year.

TRAVEL

OBPP recommendation reflects \$1,245 increase each year for motor pool usage. This cost was charged in error (in base year) to the prison project instead of the division's operating budget. We do not want to set a precedence that project funds pay for operating costs of the division. LFA recommendation excludes the increase.

RENT, REPAIRS AND MAINTENANCE

OBPP recommendation has increases in square footage costs under Rent category, and the Grounds Maintenance under Repairs. LFA recommendation includes the increases under Rent-Inflation. Dollar amounts are similar so no issue.

OTHER EXPENSES

OBPP recommendation reflects current level for staff training. LFA recommendation has this cost at a reduced level. Difference is \$3,180 a year.

EQUIPMENT

OBPP recommendation provides for purchase of one software package a year to use in architectural drafting. LFA recommendation does not include this cost of \$378 a year.

A&EDiff.KM

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 08 GENERAL SERVICES PROGRAM
CONTROL : 00083 GENERAL SERVICES

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)			46.00	46.00	-13	810,113	810,112	1
1100	SALARIES	773,265.25		812,623	812,636	-13			
1200	HOURLY WAGES	53.95							
1400	EMPLOYEE BENEFITS	188,646.87		154,327	154,350	-23	158,705	158,706	-1
1500	HEALTH INSURANCE			62,100	63,480	-1,380	62,100	63,480	-1,380
1600	VACANCY SAVINGS			-41,162	-40,435	-727	-41,237	-40,488	-749
1800					2,692	-2,692		2,692	-2,692
1900	PERSONAL SERVICES-OTHER	16,972.00							
	TOTAL LEVEL	978,938.07	987,888	987,888	992,723	-4,835	989,681	994,502	-4,821
2021	CONTRACTED SERVICES-INFLATI			-56	-14	-42	-129	-27	-102
2022	SUPPLIES & MATERIALS-TRILAT			1	-6	7	4		4
2023	COMMUNICATIONS-INFLATION			120	120		185	185	
2026	UTILITIES-INFLATION				106,625	-106,625		212,220	-212,220
2100	CONTRACTED SERVICES	746,878.41		787,273	781,729	5,544	799,438	781,969	17,469
2200	SUPPLIES & MATERIALS	61,559.71		60,208	61,565	-1,357	60,208	61,565	-1,357
2300	COMMUNICATIONS	8,012.19		7,757	8,012	-255	7,757	8,012	-255
2400	TRAVEL	11.20			11	-11		11	-11
2500	RENT	363,256.60		9,685	9,644	41	9,685	9,644	41
2600	UTILITIES	899,591.45		1,146,366	1,038,597	107,769	1,252,360	1,038,597	213,763
2700	REPAIR & MAINTENANCE	78,729.02		64,778	44,073	20,705	74,778	44,073	30,705
2800	OTHER EXPENSES	25,522.45		14,559	14,584	-25	14,559	14,584	-25
	TOTAL LEVEL	2,183,561.03	2,090,691	2,090,691	2,064,940	25,751	2,218,845	2,170,833	48,012
3100	EQUIPMENT	338.30		5,150	5,150				
3400	INTANGIBLE ASSETS	560.67							
8000	TRANSFERS			5,150	5,150				
	TOTAL LEVEL	148,390.00			568,998	-568,998		586,765	-586,765
	TOTAL LEVEL	148,390.00			568,998	-568,998		586,765	-586,765
	TOTAL PROGRAM	3,311,788.07	3,083,729	3,083,729	3,631,811	-548,082	3,208,526	3,752,100	-543,574
01100	GENERAL FUND	380,324.97		362,991	510,197	-147,206	377,967	527,964	-149,997
05008	CAPITOL BUILDING SR	20,608.73		58,801	58,801		58,801	58,801	
06528	RENT AND MAINTENANCE	2,910,854.37		2,661,937	3,062,813	-400,876	2,771,758	3,165,335	-393,577
	TOTAL PROGRAM	3,311,788.07	3,083,729	3,083,729	3,631,811	-548,082	3,208,526	3,752,100	-543,574

(1) Non-operating costs should be excluded from FY'86 actuals:

Personal services -liability for accrued vacation/sick leave. (\$16,972)

Other expenses - depreciation. (\$10,939)

Equipment - actual FY'86 expense should be \$8,635. \$ 7,736

#16
122-89

REPORT EBSR99
DATE : 01/07/87
TIME : 17/23/43

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

PAGE 287

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 08 GENERAL SERVICES PROGRAM
CONTROL : 00000

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)	49.75	49.50						
1100	SALARIES		870,282						
1400	EMPLOYEE BENEFITS		140,026						
1500	HEALTH INSURANCE		64,135						
1600	VACANCY SAVINGS		-26,235						
	TOTAL LEVEL		1,048,208						
2100	CONTRACTED SERVICES		867,778						
2200	SUPPLIES & MATERIALS		66,396						
2300	COMMUNICATIONS		10,800						
2500	RENT		10,965						
2600	UTILITIES		879,315						
2700	REPAIR & MAINTENANCE		119,300						
2800	OTHER EXPENSES		12,185						
	TOTAL LEVEL		1,967,239						
8000	TRANSFERS		147,685						
	TOTAL LEVEL		147,685						
	TOTAL PROGRAM		3,163,132						
01100	GENERAL FUND		527,952						
05008	CAPITOL BUILDING SR		58,801						
06528	RENT AND MAINTENANCE		2,576,379						
	TOTAL PROGRAM		3,163,132						

REPORT EBSR99
DATE : 01/07/87
TIME : 17/23/43

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

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AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 08 GENERAL SERVICES PROGRAM
CONTROL : 00082 SECURITY

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)			2.00	2.00		2.00	2.00	
1100	SALARIES	45,094.92		47,218	47,218		47,038	47,038	
1400	EMPLOYEE BENEFITS	9,141.27		7,182	7,182		7,278	7,278	
1500	HEALTH INSURANCE			2,760	2,760		2,760	2,760	
1600	VACANCY SAVINGS			-2,286	-2,270	-16	-2,283	-2,266	-17
	TOTAL LEVEL	54,236.19		54,874	54,890	-16	54,793	54,810	-17
2100	CONTRACTED SERVICES	121.69		153	153		153	153	
2700	REPAIR & MAINTENANCE			2,286		2,286	2,283		2,283
	TOTAL LEVEL	121.69		2,439	153	2,286	2,436	153	2,283
	TOTAL PROGRAM	54,357.88		57,313	55,043	2,270	57,229	54,963	2,266
01100	GENERAL FUND	54,357.88		57,313	55,043	2,270	57,229	54,963	2,266
	TOTAL PROGRAM	54,357.88		57,313	55,043	2,270	57,229	54,963	2,266

REPORT EBSR99
DATE : 01/07/87
TIME : 17/23/43

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

PAGE 292

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 13 MAIL & DISTRIBUTION BUREAU
CONTROL : 00000

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)	9.25	9.25	9.25	9.25		9.25	9.25	
1100	SALARIES	137,534.88	132,544	130,140	130,140		129,896	129,896	
1400	EMPLOYEE BENEFITS	37,416.67	22,990	27,229	27,229		28,149	28,149	
1500	HEALTH INSURANCE		12,576	13,800	13,800		13,800	13,800	
1600	VACANCY SAVINGS		-3,191	-6,847	-6,807	-10	-6,874	-6,825	-49
1800			1,159						
1900	PERSONAL SERVICES-OTHER	-449.00							
	TOTAL LEVEL	174,502.55	166,078	164,322	164,362	-40	164,971	165,020	-49
2025	RENT-INFLATION				860	-860		1,194	-1,194
2100	CONTRACTED SERVICES	4,160.43	1,245	6,615	6,605	10	4,173	4,163	10
2200	SUPPLIES & MATERIALS	1,116.38	4,052	1,127	1,117	10	1,127	1,117	10
2300	COMMUNICATIONS	747,526.38	861,494	915,888	915,898	-10	1,014,206	1,014,216	-10
2500	RENT	20,742.71	26,514	23,749	23,418	331	24,263	23,418	845
2700	REPAIR & MAINTENANCE	4,796.32	3,489	5,812	4,797	1,015	5,994	4,797	1,197
2800	OTHER EXPENSES	18,476.48	26,147	13,283		13,283	13,283		13,283
	TOTAL LEVEL	796,818.70	922,941	966,474	952,695	13,779	1,063,046	1,048,905	14,141
3100	EQUIPMENT		8,875	6,420		6,420	6,195	6,195	
	TOTAL LEVEL		8,875	6,420		6,420	6,195	6,195	
9000	DEBT SERVICE	255.00		3,276	3,276		2,457	2,457	
	TOTAL LEVEL	255.00		3,276	3,276		2,457	2,457	
	TOTAL PROGRAM	971,576.25	1,097,894	1,140,492	1,120,333	20,159	1,236,669	1,222,577	14,092
06523	MAIL & MESSENGER	971,576.25	1,097,894	1,140,492	1,120,333	20,159	1,236,669	1,222,577	14,092
	TOTAL PROGRAM	971,576.25	1,097,894	1,140,492	1,120,333	20,159	1,236,669	1,222,577	14,092

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

REPORT EBSR99
DATE : 01/07/87
TIME : 17/26/09

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 13 MAIL & DISTRIBUTION BUREAU
CONTROL : 13001 INCREASED WORKWORK/MAIL & DIST

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)			2.00		2.00	2.00		2.00
1100	SALARIES			23,862		23,862	23,772		23,772
1400	EMPLOYEE BENEFITS			4,992		4,992	5,152		5,152
1500	HEALTH INSURANCE			2,760		2,760	2,760		2,760
1600	VACANCY SAVINGS			-1,264		-1,264	-1,267		-1,267
	TOTAL LEVEL		30,350			30,350	30,417		30,417
2100	CONTRACTED SERVICES			432		432	432		432
2300	COMMUNICATIONS			368,549		368,549	401,718		401,718
	TOTAL LEVEL			368,981		368,981	402,150		402,150
	TOTAL PROGRAM			399,331		399,331	432,567		432,567
06523	MAIL & MESSENGER			399,331		399,331	432,567		432,567
	TOTAL PROGRAM			399,331		399,331	432,567		432,567

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GENERAL SERVICES PROGRAM

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	49.75	48.75	48.00	48.00	(0.75)
Personal Service	\$1,016,203	\$1,048,208	\$1,047,613	\$1,049,312	1.57
Operating Expense	2,172,758	1,967,199	2,065,093	2,170,986	2.33
Equipment	8,636	-0-	5,150	-0-	(40.36)
Total Operating Costs	\$3,197,597	\$3,015,407	\$3,117,856	\$3,220,298	2.01
Non-Operating Costs	148,390	147,685	568,998	586,765	290.36
Total Expenditures	<u>\$3,345,987</u>	<u>\$3,163,092</u>	<u>\$3,686,854</u>	<u>\$3,807,063</u>	<u>(15.13)</u>

Fund Sources

General Fund	\$ 434,694	\$ 527,912	\$ 565,240	\$ 582,927	19.28
Other Funds	<u>2,911,293</u>	<u>2,635,180</u>	<u>3,121,614</u>	<u>3,224,136</u>	<u>14.41</u>
Total Funds	<u>\$3,345,987</u>	<u>\$3,163,092</u>	<u>\$3,686,854</u>	<u>\$3,807,063</u>	<u>15.13</u>

ISSUES:	Fiscal 1988		Fiscal 1989	
	General Fund	Other Funds	General Fund	Other Funds
1. Common Area Allocation				
Option A:	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Option B:	(54,920)	54,920	(56,833)	56,833
Option C:	(178,569)	178,569	(184,787)	184,787
2. Vacant Space				
Option A:	(69,867)	69,867	(72,817)	72,817

The General Services Division provides maintenance, janitorial, and security services for 36 buildings with a total of 1,173,198 square feet located primarily in the capitol complex.

The current level budget provides a 15.1 percent increase in the 1989 biennium from the 1987 biennium. Non-operating costs increase 290.4 percent because accounting entity transfers through administrative appropriation authority in the 1987 biennium are included for legislative authorization in the 1989 biennium. To comply with generally accepted accounting principles, the department issued a management memo which requires any non-proprietary fund revenue used to support a proprietary fund be transferred into the proprietary fund. Since general fund and capitol building special revenue supports the general services budget, it is necessary to transfer these funds into the proprietary fund, and all operating costs be paid from the proprietary fund.

General fund will increase 19.3 percent in the current level budget because general services division did not spend all of its general fund appropriation in fiscal 1986. This is discussed following Table 9.

Other funds include \$58,801 each year from the capitol building account for use on capitol building maintenance, \$60,000 each year from direct reimbursement from state agencies for special projects performed by general services, \$2,433,815 in fiscal 1988 and \$2,518,570 in fiscal 1989 of proprietary funds which receives its revenue from the rental rates assessed state agencies in the capitol complex, and \$568,998 in fiscal 1988 and \$586,765 in fiscal 1989 of proprietary fund authority for the general fund and capital projects fund transfer into the proprietary fund.

The office space square footage rates resulting from the current level budget is \$2.79 per square foot in fiscal 1988 and \$2.89 in fiscal 1989.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 9
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	49.75	49.75	0.00
Personal Service	\$1,047,946	\$1,016,203	\$ 31,743
Operating Expense	1,910,905	1,798,534	112,371
Equipment	10,200	8,636	1,564
Total Operating Costs	\$2,969,051	\$2,823,373	\$ 145,678
Non-Operating Costs	148,390	148,390	-0-
Total Expenditures	<u>\$3,117,441</u>	<u>\$2,971,763</u>	<u>\$ 145,678</u>
<u>Funding</u>			
General Fund	\$ 541,336	\$ 434,694	\$ 106,642
Proprietary Funds	2,520,749	2,516,460	4,289
Other	55,356	20,609	34,747
Total Funds	<u>\$3,117,441</u>	<u>\$2,971,763</u>	<u>\$ 145,678</u>
<u>Additions</u>			
Admin. Appropriation	<u>\$ 510,768</u>	<u>\$ 374,224</u>	<u>\$ 136,544</u>

Fiscal 1986 expenditures were \$145,678 less than the legislative appropriation with savings occurring in all major expenditure areas. The program realized \$31,743 savings in personal services due to employee turnover. This was in addition to the \$22,488 vacancy savings budgeted for this program.

Total operating savings was \$112,371. The majority of this savings occurred in contracted janitorial services, audit costs, supplies and materials, and buildings and grounds maintenance.

Equipment expenditures were \$1,564 less than appropriated due primarily to security equipment authorized by the 1985 legislature not being purchased.

General fund expenditures were \$106,642 less than authorized by the legislature because the agency returned general fund at fiscal year end rather than reduce the rental rate or rebate rental payments which would have had the effect of reducing the amount of proprietary fund collected in fiscal 1986.

This was also the case with the capital projects fund, classified in Table 9 as other funds. The 1985 legislature authorized the general services division to spend up to \$55,356 from the capitol building account in the capital projects fund for maintenance projects impacting the state capitol building. The division spent \$34,747 less than authorized and returned that amount to the capitol building account at fiscal year end.

Proprietary fund expenditures were \$4,289 less than authorized.

General Services Division received an administrative appropriation in fiscal 1986 for \$510,768 to accommodate the requirements of management memo 2-86-5. This memo requires non-proprietary funds to be transferred to the proprietary fund so that all expenditures come from the proprietary fund. The division expended \$374,224 of this administrative appropriation which reflects the amount of general fund and capitol building funds transferred to the proprietary fund in fiscal 1986.

ISSUE 1: COMMON AREA ALLOCATIONS

A portion of the 1,173,198 square feet within the capitol complex for which the general services division is responsible includes areas not allocated to specific state agencies and which are considered "common areas". The third and fourth floors of the state capitol building and the Original Governor's Mansion are examples of common areas. The cost of maintaining this common area space is borne by the general fund. The 1985 legislature determined that 19 percent of the total square footage maintained by general services was common area and assessed the general fund 19 percent of the costs not recovered from state agency rental payments or other sources.

In fiscal 1986, general services division spent only \$380,336 general fund for rent and maintenance expenditures, or approximately 12 percent of total expenditures. The 7 percent difference was spent from the proprietary fund which receives its funding from state agency rental payments funded from several fund types, including general fund, state special revenue, federal funds, and other proprietary funds.

The 1989 biennium rental rate proposed by the Office of Budget and Program Planning allocates 12 percent of the costs to the general fund because of the way the general fund was spent in fiscal 1986 and to save general fund costs. There is no longer any relationship between the amount of general fund allocated to pay for the common area and the actual amount of common area in the capitol complex. If the goal is to save general fund, why not eliminate the common area and charge back the cost of this space to all agencies?

The Legislative Fiscal Analyst calculates that there is 17.33 percent common area in the 1989 biennium. This is down from the amount calculated in the 1985 session because of new space added since the calculation was last made, and because the LFA transferred the executive residence to the Governor's Office budget. The LFA calculation maintains the relationship of allocating general fund to pay for common space on the same basis as the actual amount of common area in the capitol complex.

Table 10 illustrates the differences in the calculated rate for each year of the 1989 biennium and the total general fund impact in the 1989 biennium using the LFA current level budget, and three levels of general fund allocation. As shown in the table, as the general fund allocation decreases, the rental rate increases, and the overall general fund savings increases.

Table 10
Rates and General Fund Impact Resulting
From Various General Fund Allocations
1989 Biennium*

	<u>0 Percent</u>	<u>12 Percent</u>	<u>17.33 Percent</u>
Fiscal 1988 Rate	\$3.39	\$2.97	\$2.79
Fiscal 1989 Rate	3.51	3.08	2.89
Total General Fund Impact to LFA Current Level Budget	<u>\$(363,356)</u>	<u>\$(111,753)</u>	<u>\$ -0-</u>

*Rates and general fund impact based on LFA current level budget.

ISSUE 1: SHOULD THE LEGISLATURE CHANGE THE BASIS FOR ALLOCATING COMMON SPACE COSTS TO THE GENERAL FUND IN THE 1989 BIENNIUM?

- Option A: Use the same methodology used in the 1985 session and apply it to the LFA current level budget. This would reduce the proposed OBPP rates to \$2.79 per square foot in fiscal 1988 and \$2.89 per square foot in fiscal 1989.
- Option B: Use the methodology proposed by OBPP and apply it to the LFA current level budget. This would increase the LFA current level rental rates to \$2.97 in fiscal 1988 and \$3.08 in fiscal 1989 and reduce the LFA current level general fund cost by \$111,753 in the 1989 biennium.
- Option C: Discontinue allocating common area costs to the general fund. This would increase the proposed LFA current level rates to \$3.39 per square foot in fiscal 1988 and \$3.51 per square foot in fiscal 1989. The general fund impact would be a savings of \$363,356 from the LFA current level budget.

ISSUE 2: VACANT SPACE

In the 1985 session, the legislature did not include vacant office and warehouse space in the calculation of the rental rate per square foot assessed each state agency in the capitol complex. The rate proposed by OBPP also does not include vacant space in its calculation. The rationale for this approach is that general services still has to provide some services to unoccupied space, such as heat; therefore, the cost of unoccupied space has to be borne by occupied space.

There are two fiscal impacts resulting from this method of calculating the rental rate. These are discussed in this issue.

The first impact is that the rate per square foot assessed state agencies increases when vacant space is not included. This is a function of the formula: Total Costs : Square Footage = Rate Per Square Foot.

Assuming total costs remain the same, increasing the square footage will reduce the calculated rate and the total general fund used to fund the estimated costs. Conversely, decreasing the square footage will increase the calculated rate and the total general fund used to fund the estimated costs. The fiscal impact in the 1989 biennium of not including the vacant space in the square footage is shown below in Table 11.

Table 11
Rate and General Fund Change Resulting from Vacant Space
Inclusion/Exclusion in Rate Calculation
1989 Biennium*

	<u>Vacant Space Included</u>	<u>Vacant Space Excluded</u>
Fiscal 1988 Rate	\$2.59	\$2.79
Fiscal 1989 Rate	\$2.67	\$2.89
General Fund Impact to LFA Current Level Budget	<u><u>\$(142,684)</u></u>	<u><u>\$ -0-</u></u>

*Rate and general fund impact calculated with LFA current level budget.

The second impact is that the department of administration has no incentive to fill the vacant space because all costs of vacant space are recovered through the rate assessed state agencies. The cost of this lost incentive appears in higher rent paid to private owners.

For example, in the 1987 biennium Information Services Division moved its data entry personnel into private space owned by the Teacher's Retirement System. The rental rate in this space is \$7.00 per square foot and the space occupied is 2,285 square feet. The additional cost to the state in the 1989 biennium will be \$17,891 using OBPP rates. The department of administration provided information during the budget development process which indicates there is 25,120 square feet of vacant office space within the capitol complex. Although not all this space is grouped to-

gether in the same building, the information indicated there were two buildings which contained sufficient space to accommodate this space requirement.

ISSUE 2: SHOULD THE LEGISLATURE INCLUDE THE VACANT SPACE IN THE CALCULATION OF RENTAL RATE ASSESSED STATE AGENCIES?

Option A: Change the rent calculation methodology to include vacant space in total square footage for a general fund savings of \$142,684.

Option B: Maintain the status quo.

PURCHASING DIVISION -- PURCHASING PROGRAM

<u>Budget Item</u>	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	16.25	15.50	15.00	15.00	(0.50)
Personal Service	\$409,059	\$356,976	\$373,342	\$372,902	(2.6)
Operating Expense	83,677	98,980	89,127	89,931	(2.0)
Equipment	2,082	850	-0-	-0-	(100.0)
Total Expenditures	<u>\$494,818</u>	<u>\$456,806</u>	<u>\$462,469</u>	<u>\$462,833</u>	<u>(2.3)</u>
<u>Fund Sources</u>					
General Fund	<u>\$494,818</u>	<u>\$456,806</u>	<u>\$462,469</u>	<u>\$462,833</u>	<u>(2.3)</u>

The Purchasing Division includes the Purchasing Bureau and the Property and Supply Bureau. Each bureau is presented separately in the Budget Analysis.

The Purchasing Bureau investigates possible sources for products, determines alternate product possibilities, prepares specifications, and enforces the terms and conditions outlined in purchase orders issued. The bureau ensures compliance with purchasing law and rule for agencies with delegated purchasing authority and provides technical assistance on agency purchases.

The current level budget results in a 2.3 percent decrease from the 1987 biennium to the 1989 biennium. A 0.5 FTE management analyst deleted by the agency to address the fiscal 1987 reductions was also deleted from current level in the 1989 biennium. Personal services decrease 2.6 percent and operating expenses decrease 2 percent. The purchasing bureau is funded from the general fund.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

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MAIL AND MANAGEMENT PROGRAM

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	9.25	9.25	9.25	9.25	0.00
Personal Service	\$174,953	\$ 166,078	\$ 164,362	\$ 165,020	(3.4)
Operating Expense	791,241	922,941	952,695	1,048,905	16.8
Equipment	3,254	8,875	-0-	6,195	(48.9)
Total Operating Costs	\$969,448	\$1,097,894	\$1,117,057	\$1,220,120	13.1
Non-Operating Costs	819	-0-	3,276	2,457	600.0
Total Expenditures	<u>\$970,267</u>	<u>\$1,097,894</u>	<u>\$1,120,333</u>	<u>\$1,222,577</u>	<u>13.3</u>
Fund Sources					
Proprietary Funds	<u>\$970,267</u>	<u>\$1,097,894</u>	<u>\$1,120,333</u>	<u>\$1,222,577</u>	<u>13.3</u>
<div style="display: flex; justify-content: space-between;"> - - - - - Fiscal 1988 - - - - - - - - - - Fiscal 1989 - - - - - </div>					
ISSUES:	General Fund	Other Funds	General Fund	Other Funds	
1. Administrative Costs	\$ -0-	\$13,283	\$ -0-	\$13,283	
2. Revenue Overcollection	(142,615)	-0-	(155,894)	-0-	

The Mail and Management Program serves as the state's central mail operation. Both outgoing U.S. mail and inter-office mail are routed and delivered by this program for a majority of Helena-based agencies.

The current level budget provides a 13.3 percent increase in the 1989 biennium from the 1987 biennium. Personal services reflect a 3.4 percent biennial decrease as the program experienced very little vacancy savings in fiscal 1986 and because one part-time position was worked full time. Four percent vacancy savings is included in the current level budget.

Operating expenses increase 16.8 percent from the 1987 biennium to the 1989 biennium primarily as a result of an anticipated 11 percent increase each year in the volume of mail sent by user agencies.

Non-operating costs increase 600 percent from the 1987 biennium. Costs in this category include lease purchase payments for a mail processing machine acquired in fiscal 1986 on a lease purchase contract.

This program is funded by three sources. Each state agency is assessed a fee for mail sorting and delivery based on its volume of mail. This is known as "deadhead" mail. The second revenue source is the overhead cost collected on postage for outgoing U.S. mail. In the 1989 biennium, the program is proposing to charge 17.5 percent overhead on postage costs. The third revenue source is a contract with the U.S. Postal Service which covers the costs of normal operating hours of the Capitol post office and other services provided for the U.S. Post Office. All revenue is deposited to a proprietary fund from which all program costs are paid.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 15
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	9.25	9.25	0.00
Personal Service	\$165,314	\$174,953	\$(9,639)
Operating Expense	813,759	791,241	22,518
Equipment	<u>7,122</u>	<u>3,254</u>	<u>3,868</u>
Total Operating Costs	\$986,195	\$969,448	\$16,747
Non-Operating Costs	<u>-0-</u>	<u>819</u>	<u>(819)</u>
Total Costs and Funding	<u>\$986,195</u>	<u>\$970,267</u>	<u>\$15,928</u>

The fiscal 1986 expenditures for the mail program were \$15,928 less than the appropriation. Personal services were overspent \$9,639 because the program experienced very little vacancy savings and spent approximately \$6,500 more on salaries and benefits than appropriated. Most of the additional \$6,500 was caused by a 0.5 FTE working in a full-time capacity all year.

Operating expenses were \$22,518 less than appropriated, with most of the savings coming in the communications, rent, and general expense categories.

Equipment purchases were \$3,868 less than appropriated. The agency did not purchase outright a mail processor as originally requested and approved by the legislature. It did purchase mail processor software and a bundling machine.

A mail processor was purchased on a lease purchase contract which explains the \$819 non-operating cost variance. The interest paid during the three year lease purchase will add \$3,060 to the total purchase price.

ISSUE 1: ADMINISTRATIVE COSTS

The agency is requesting \$13,283 each year for administrative costs to reimburse the general services division for the time and effort spent on providing billing and accounting services for the mail program.

Although the costs are requested in the mail program, the \$13,283 does not appear as a revenue source to offset costs in the general services program budget request. All of general services costs are recovered through general fund, rental rates, special projects, or the capitol building fund. Since all of general services' costs are budgeted to be recovered without consideration of this administrative charge to the mail program, there does not appear to be a need for general services to assess the administrative charge on the mail program.

Eliminating this administrative charge from the mail program budget would save approximately \$14,000 of general fund in the 1989 biennium. This savings would come in the form of lower deadhead rates or a lower administrative overhead rate assessed on all outgoing U.S. mail.

The executive includes this administrative cost in its recommendation; the Legislative Fiscal Analyst excludes this cost.

Option A: Approve the LFA current level budget and direct the agency to pass on the cost savings to agencies in the form of either lower deadhead rates or a lower administrative overhead rate.

Option B: Keep the cost in the mail program budget but include this reimbursement to general services as a revenue in that program, thereby reducing the rental rate charged to agencies.

Option C: Take no action.

ISSUE 2: REVENUE OVERCOLLECTION

The projected collections from the three revenue sources exceed LFA current level costs by \$142,615 in fiscal 1988 and \$155,894 in fiscal 1989. This is based on the anticipated revenue from "deadhead" fees, overhead rate collections from outgoing U.S. mail, and the U.S. Postal Service contract compared to the current level budget. This is detailed in Table 16.

Table 16
Calculation of Excess Revenue in Mail Program
1989 Biennium

	FY 87	FY 88	FY 89
Estimated Postage	\$ 805,222	\$ 893,796	\$ 992,114
UPS	<u>20,774</u>	<u>20,774</u>	<u>20,774</u>
Total Communications Revenue	\$ 825,996	\$ 914,570	\$1,012,888
Overhead (17.5%)	144,549	160,050	177,255
Messenger	149,352	149,352	149,352
USPS Contract	<u>38,976</u>	<u>38,976</u>	<u>38,976</u>
Total Est. Revenue	\$1,158,873	\$1,262,948	\$1,378,471
LFA Current Level Cost	\$1,097,894	\$1,120,333	\$1,222,577
Excess Revenue Over Costs	<u>\$ 60,979</u>	<u>\$ 142,615</u>	<u>\$ 155,894</u>

The revenue from the U.S. Postal Service is from a fixed contract so the agency does not need to collect this from the deadhead fee or overhead rate. However, the deadhead fee and the overhead rate proposed by the agency collect \$298,509 more revenue in the 1989 biennium than necessary to operate the program.

The deadhead fee or the overhead rate could be reduced significantly and still enable the program to operate at the current level. If the deadhead fee were reduced to the extent of the overcollection, the fee would drop by 95 percent in fiscal 1988 and be eliminated in fiscal 1989. If the overhead rate were reduced to the extent of the overcollection, the rate could be reduced from 17.5 percent in fiscal 1987 to 1.9 percent in fiscal 1988 and 2.1 percent in fiscal 1989.

The general fund impact of the revenue overcollection is approximately \$83,850 in the 1989 biennium.

Option A: Direct the Department of Administration to reduce either the proposed deadhead fee or overhead rate for the 1989 biennium so that the expected revenue collection equals the legislatively approved budget.

Option B: Take no action.

TREASURY CENTRAL SERVICES

Budget Item	Actual	Appropriated	- - Current Level - -		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	14.75	15.00	14.50	14.50	(0.50)
Personal Service	\$373,003	\$380,133	\$386,160	\$386,206	2.6
Operating Expense	58,434	74,794	61,918	52,879	(13.8)
Equipment	9,638	123	-0-	-0-	(100.0)
Total Expenditures	\$441,075 =====	\$455,050 =====	\$448,078 =====	\$439,085 =====	1.0 =====
<u>Fund Sources</u>					
General Fund	\$413,184	\$428,384	\$417,114	\$408,176	(1.9)
Proprietary Funds	27,891	26,666	30,964	30,909	13.4
Total Funds	\$441,075 =====	\$455,050 =====	\$448,078 =====	\$439,085 =====	(1.0) =====

The Treasury Central Services Division is divided into two functions. The central services function contains central budget and personnel functions for the department. The treasury function is the state's central bank. It receives and disburses funds and monitors the records of accounts for all approved commercial depositories throughout the state.

The current level budget provides a 1 percent total decrease from the 1987 biennium to the 1989 biennium. FTE was reduced 0.5 in the 1989 biennium to reflect the agency's reduction for the fiscal 1987 pay plan shortfall.

Personal services increase 2.6 percent from the 1987 biennium to the 1989 biennium due to several factors. Fiscal 1986 expenditures were \$6,510 less than budgeted after vacancy savings and the fiscal 1987 appropriation reflects the \$12,175

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GENERAL SERVICES DIVISION
PROGRAM 08

1. THE GENERAL SERVICES PROGRAM IS RESPONSIBLE FOR THE OPERATIONS, MAINTENANCE, AND SECURITY OF 36 BUILDINGS, CONSISTING OF 1,173,198 SQUARE FEET IN THE CAPITOL COMPLEX AND HELENA AREA.

A. TO ACCOMPLISH THE RESPONSIBILITIES THE PROGRAM PROVIDES A WIDE RANGE OF SERVICES THAT INCLUDE SECURITY, SPACE MANAGEMENT, UTILITIES, MECHANICAL MAINTENANCE (HVAC, ELECTRICAL, PLUMBING), ELEVATOR MAINTENANCE, LOCK/KEY SERVICE, SANITATION SERVICE, GENERAL REPAIR AND MAINTENANCE, PAINTING, REMODELING/CONSTRUCTION, PARKING FACILITIES, JANITORIAL AND PEST CONTROL SERVICES. THESE SERVICES ARE PROVIDED THROUGH A COMBINATION OF IN-HOUSE STAFF AND CONTRACTED SERVICES.

2. FOR THE BIENNIUM HB 500 AUTHORIZED THE DEPARTMENT TO CHARGE STATE AGENCIES \$2.98 PER SQUARE FOOT IN F.Y. '86 AND \$3.10 PER SQUARE FOOT IN F.Y. '87 FOR OFFICE SPACE. DUE TO BUDGET CUTS THE RATE OF \$2.98 PER SQUARE FOOT WAS REDUCED TO

\$2.92 IN FEBRUARY 1986 AND IS STILL AT THAT RATE FOR F.Y.
'87.

A. THE PROPOSED RATES PER SQUARE FOOT FOR THE COMING
BIENNIUM ARE: F.Y.'88 \$3.02 AND F.Y.'89 \$3.15. THEREFORE
I WOULD RESPECTFULLY REQUEST THE COMMITTEE CONSIDER
INCLUDING SUPPLEMENTAL LANGUAGE IN THE APPROPRIATIONS
TO ALLOW FOR INCREASES IN UTILITY RATES OR CONSUMPTION.

PROG08.TXT

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122-87

PROGRAM 08 - GENERAL SERVICES - LANGUAGE REQUESTED IN
APPROPRIATIONS BILL:

DURING THE 1989 BIENNIUM IF UTILITY COSTS EXCEED
THE BUDGETED AMOUNT THE DEPARTMENT MAY SUBMIT A
BUDGET AMENDMENT TO COVER THE INCREASE IN UTILITY
COSTS.

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CONTROL 83 - GENERAL SERVICES

Personal Services

LFA recommendation includes benefits related to overtime and differential pay. OBPP recommendation does not include these costs.

Difference is \$2,692 a year.

Contracted Services

The two budgets differ in their calculations for contracts in pest control, elevator maintenance, mechanical and janitorial. Difference is \$5,689 in '88 and \$23,808 in '89.

The remaining difference in '89 is in audit fees. This cost should be in '88 only but the LFA recommendation includes in both years. Cost is \$6,259.

Utilities

OBPP recommendation includes inflation for utilities in the utilities category. LFA recommendation has this increase under utilities-inflation.

The main difference in the amounts is in the sanitation contract. This contract will be rebid in '89 for a probable increase. Also, the legislative session requires extra garbage service for those months. An increase of \$919 is needed in '89 only for the sanitation service. LFA recommendation does not include this cost.

Repairs and Maintenance

LFA recommendation adjusts the base for expenses recorded twice to comply with generally accepted accounting principles (GAAP). OBPP recommendation did not adjust the base. Difference is \$20,609 a year.

In '89, OBPP recommendation includes \$10,000 to purchase paint. The paint is bought in large quantities to obtain price savings. The last purchase was in '85 and thus was not reflected in the '86 base. LFA recommendation does not include this cost.

Transfers

LFA recommendation includes this authority to eliminate the need for the agency to seek authorization for an administrative appropriation to comply with GAAP. GAAP requires a proprietary operation's activity to be reported within one fund to determine the total cost of providing that service and the extent to which user charges cover that cost.

GAAP requires the recording of expenses and not transfers. To provide for proper accounting treatment, the LFA recommendation should be adjusted as follows:

	<u>'88</u>	<u>'89</u>
Rent	\$ 510,197	\$ 527,964
Repairs & Maint.	58,801	58,801
Transfers	<u>\$(568,998)</u>	<u>\$(586,765)</u>
	<u>-0-</u>	<u>-0-</u>

Funding

The two budgets used different percentages for the general fund share. OBPP recommendation uses 12% and LFA recommendation is for 17.33%.

VISITORS' REGISTER

GENERAL GOVERNMENT & HIGHWAYS COMMITTEE

BILL NO. _____

DATE Jan. 22, 1987

SPONSOR _____

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
W. I. Z. Tossberg	210 GRANTBURY Rd HAMILTON, MT		
Tim Hawthorn	Heleena		
Jim Penner	"		
Ellie Sch			
Nels Hendley	Heleena		
Don BREIBY	HELEENA		
Tom O'Connell	Heleena		
Wesley R. Hester	Heleena		
Donnelly	Heleena		
Kirby Munn	D. H.		
Wesley Campbell	D. H.		
Deane Blanton	D. H.		

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.