

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON GENERAL GOVERNMENT AND HIGHWAYS

Call to Order: By Chairman Quilici, on February 6, 1989, at
10:05 a.m.

ROLL CALL

Members Present: All members were present with the exception of
Sen. Stimatz.

Members Excused: Sen. Stimatz.

Members Absent: None.

Staff Present: Clayton Schenck, LFA
Flo Smith, OBPP
Mary Liedle, secretary

Announcements/Discussion: Rep. Quilici announced the committee
would open the hearing on legislative agencies. Rep.
Quilici announced that the committee would travel to
Missoula Wednesday to tour the Forensic Science Lab. The
helicopters leave at 7:30 a.m. and will return at about
12:30 p.m.

Clayton Schenck told the committee that executive branch
agencies budgets for the LFA and executive are presented as
the agency requested. The LFA does not analyze these
budgets and the executive is required by statute to submit
them as submitted by the agency. In all cases these budgets
have been reviewed by each overseeing legislative committee
and approved by them.

HEARING ON LEGISLATIVE AUDITOR'S OFFICE

Tape No. 49A

Testifying Proponents and Who They Represent:

Sen. Judy Jacobson, chairman audit committee
Rep. John Cobb, vice chair audit committee
Scott Seacat, Legislative Auditor's Office
Mary Bryson, Legislative Auditor's Office

Proponent Testimony: (49A 7.14) Sen. Judy Jacobson said that
over the last few years the agency has met all state and
federal audit requirements. The agency has issued the first

federal single audit report. The agency has also submitted to a peer review which was required by federal mandate and the Office of the Legislative Auditor received no recommendations which is unusual for that kind of a peer review. The agency also received a national award from NCSL for performance audit. The State of Montana received a certificate of excellence in financial reporting for the comprehensive annual report.

The audit committee is asking only for the dollars they need for the coming biennium, reflecting no increase in the general fund. This would insure that the Legislative Auditor would continue to meet the audit standards and satisfy the legislative needs. The audit committee is concerned that the staff has possibly not requested adequate funding. The agency has experienced more legislative requests for space audits and extensive work in workers' compensation and the Department of Labor and Industry. The agency has not done any sunrise requests because of the cost although there have been about 14 inquiries and there is a committee bill in now that would take the fee off, in which case the committee will be doing more sunrise requests. Although it would not require as much work of the Legislative Auditor, it will require some work and thus, increase the workload.

(49A 11.19) Rep. John Cobb, vice chair audit committee, testified that in the last two years the committee has made hundreds of recommendations for improvements and most of them have been implemented to improve the state government. Generally, there is better overall management from the audits in the past. There's about a two year backlog on performance audits. They try to cut down the backlog but it keeps getting longer because more people want to do performance audits. Internally there was a reorganization to wipe out middle management so they can have more auditors out in the field. There is a problem with comp time, there is comp time built up in the equivalent of about 4 people that aren't there. There is more work being done with less people. In the future the Auditor's office is going to have more legislative requests with less people to do the work. You can't ask people to work overtime all the time. There may come a point when some of the requests have to be turned down. Rep. Cobb addressed the SRS computer program and said the Legislative Auditor's office may require a computer auditor to keep track of this program each step of the way. When the auditors ask for equipment, they buy it right up front rather than waiting till the end. They don't play games with transferring money back and forth. Rep. Cobb said the agency is doing a good job.

(49A 20.41) Scott Seacat said that although there is a significant amount of comp time in the office, the agency is not asking for FTE to solve that problem.

(49A 21.19) Mary Bryson addressed the agency's two modified requests. The first request is for an electronic data processing (EDP) auditor. This would be an additional FTE to the current budget. It would raise the total FTE from 60 to 61. This request is for an entry level EDP auditor. The continued computerization of state government prompted this request. The Legislative Auditor's Office has to stay on top of all the computer progression in the state agencies. Currently the office only has two EDP auditors on staff and they can't keep up with the workload ensuring they satisfy all the standards that exist. The state is moving to the on-line data entry for the statewide budget and accounting system. That will require additional work in audits. The cost for the biennium for the requested EDP auditor would be \$44,454 for the biennium.

The second modified request relates to the state's lottery system. State law currently requires the Legislative Auditor's Office to conduct a security audit on the state's lottery once every two years. If the state lottery converts to an automated lotto type system, there is not expertise in the office to conduct the audit work. So, the agency would request authority to hire consultants to assist the office in the completion of the security work for the lotto system. This request is a contingent. If the lottery does not go to a lotto system, the agency would not need the additional \$16,000 they are requesting.

Testifying Opponents and Who They Represent:

None

Questions From Subcommittee Members: (49A 17.59) Rep. Quilici:

Is that SRS computer the TEAMS program where they'll computerize all the local agencies and then go right into the mainframe here, are they contemplating the cost of that to be \$14 million?

Rep. John Cobb said it was originally budgeted at \$3 million and the federal government said that wasn't enough. It's not going to cost the general fund any more because they'll move monies around. They say it's going to cost about \$14 million and it's also got to tie in to the Child Support Bureau.

(49A 23.53) Rep. Swysgood: Would the \$16,000 come out of the lottery's expenses?

Mary Bryson said yes, that is the intent.

(49A 24.34) Sen. Regan: How does your overseeing the computer progress interface with the ISD?

Mary Bryson responded that the Legislative Auditor's Office looks at the controls that are designed in the system after

the fact to make sure that controls do exist, that errors don't occur, that the data has integrity and the system is intact. The ISD basically does all the design work and the maintenance work on they system. The Legislative Auditor's Office function is that of an outsider in looking over what they have done and how they have designed it.

(49A 26.19) Rep. Swysgood: If the Legislative Auditors would have been involved in what you're proposing for the TEAMS concept in other systems that aren't working, do you feel these problems would not have occurred?

Mary Bryson said some of the design problems would have been identified at an earlier date.

(49A 27.56) Sen. Regan: There is an indication that you've had a rather high turnover. Is that because auditor's are much in demand or what's happening to you? You promote within so I would think there's an incentive for sticking around.

Scott Seacat said historically the office has had about a 30% turnover over the last 20 years. As soon as the salary freeze was put on, people started bailing out left and right. In the last three years the agency has lost 42 of the 59 employees. There is significant turnover, and many go out of state. The office loses many good, qualified, young people. The agency cannot hire experienced people in state so they hire entry level and promote within. Scott provided a handout showing the reasons for turnover. (See exhibit 1)

(49A 30.24) Sen. Regan: When you look at the audit function, it's obvious if you had 150 people you couldn't audit everything. You've indicated that there is a growing increase in the number of legislative requests and you've had to limit your performance audits or you're looking at doing something like that. Aside from that, do you have guidelines in which you determine what you will take on?

Scott Seacat said the audit committee sets the guidelines. The audit schedule for the financial audits is set by federal law and by state law. There is a large waiting list of performance audits that legislators have asked for or the audit committee has asked for. After the session Scott will go to the audit committee with the list and the audit committee will prioritize.

Sen. Mike Halligan, chair Environmental Quality Council
Rep. Bob Gilbert, vice chair Environmental Quality Council
Jim Jenson, Montana Environmental Information Center
Gary Langley, Montana Mining Association

Proponent Testimony: (49A 33.48) Sen. Mike Halligan said the EQC was created in 1971 and it's the only state agency that really takes an umbrella look at any environmental impact that might occur in the state of Montana and the significant impact it might have. As far as the agency goes, Sen. Halligan has been on and off for the last six years and chairman for the last two. The agency has done more with less than any other agency. The budget reflects the actual expenditures. There is nothing hidden in the budget, everything is straight forward. The agency spent less in the last biennium because instead of going out and buying equipment, they saved it by making sure the equipment they had kept working.

(49A 35.31) Rep. Bob Gilbert, vice chair of the Environmental Quality Council, said that unfortunately, most people do not understand what the operation is. The EQC's job is environmental oversight of all departments in state government. It's a big job. All the agencies deal with different environmental issues and the EQC's job is to make sure that they are handled properly. Some of the things the EQC has done are the review of the Montana major facility siting act rules and legislators guide, hazardous waste management, right to know of hazardous materials in the work place, leaking underground storage tank program, gas development oversight and ground water impacts.

(49A 40.46) Debbie Schmidt noted that Sen. Tveit serves on the EQC. This is one of the smallest agencies and there is nothing unusual in the budget this biennium. The EQC has two programs, the EQC program and the Water Policy Committee program. General fund supports the EQC program and resource indemnity trust special revenue funds supports the Water Policy Committee Program. Last biennium there was a special \$75,000 appropriation from the water development special revenue fund for a study of Montana Water Rights Adjudication Program. It was a one time study. The senate is now considering four bills resulting from that study. There will be a drop in the amount of money the general EQC program will be receiving for this biennium because that was a one time only study. The basic budget is essentially flat. In fact, the agency is requesting 2% less than what was requested last biennium. Actual expenses for this base year are lower than what the agency is requesting for the coming biennium for three reasons. First, in personal services, there was a short term vacancy in the half time clerical so there's a slightly smaller amount in actual 1988 personal services than what is being requested for 1990 and 1991. The agency has not budgeted for any salary increases.

Second, in operating expenses, during the middle of this biennium, the committee decided to curtail the subdivision study. They had budgeted contracted services and extra travel for some consultants to do the local government fiscal impact of the study. It became clear to the Council this last summer that consensus was not going to be reached on that issue and the agency didn't feel there was any reason to waste money if the parties weren't going to be willing to negotiate. So, the agency didn't spend all of the contracted services or travel. Finally, in equipment, the agency had budgeted \$3000 per year and they didn't spend it. The old equipment didn't break down and they continued to use it. The agency will need the \$3000 each year of the coming biennium. The agency is requesting \$6000 for rent for the coming biennium. The agency has not paid rent in the past but they will have to pay rent in the coming biennium.

The Water Policy Committee Program shows a significant decrease due to the completion of the Water Rights Adjudication Study. Otherwise, the Water Policy Committee budget is simply for personal services and operating expenses for the committee members. Staff costs are absorbed within the general EQC budget. The requested budget for this committee is essentially the same as that past in the last two bienniums since the committee was created in 1985.

(49B .21) Jim Jenson, executive director Montana Environmental Information Center, spoke in favor of the Environmental Quality Council. Over the years the EQC's purpose has been changed and it has changed in a good way, that is, to attempt to resolve conflict rather than to be an advocate for a point of view. Early in the genesis of the environmental movement, many of us in the environmental community thought that its purpose ought to be advocacy. That certainly doesn't work in this climate at this time in Montana and it oughtn't be. Because of the way studies are conducted and the makeup of the Council, we support the continuing function of the Council. It has certainly given credibility to the resolution of a number of issues. Many citizens have been able to become much more directly involved in the problems than they can be just during the short sessions of the legislature. That has worked better for industry and for members of the environmental community to resolve problems. Without them we would be up here in half hour hearings yelling at each other and that doesn't seem to work out very well.

(49B 2.17) Gary Langley, executive director Montana Mining Association, spoke in favor of the EQC budget. Over the years he has found it to be a very good resource for those involved in natural resource issues. The staff has been very helpful and courteous when doing research and very objective. The research is done fairly. The EQC used to be

quite a debating society but it is not that anymore. It is a good resource for everyone to use when involved in state government.

(49B 3.42) Sen. Tveit said he has served six years on the committee and there is a good staff on the EQC and they put good work for both sides. It's an area in state government that difficult spots can be worked out.

Testifying Opponents and Who They Represent:

None.

Questions From Subcommittee Members: (49A 39.08) Rep. Quilici:

We allocated a lot of funds to the Department of Highways and the Department of Justice because of these underground gas tanks and the problem they're having with them and the EPA ruling. Do these entities, specifically the Department of Highways, coordinate their efforts with you people?

Rep. Gilbert said not to his knowledge. He talked to the district commander about that. They missed the time period to get those tanks dug out. Now it's going to take a lot of money because they have to have them inspected in order to dig them out. To Rep. Gilbert's knowledge they did not coordinate. Had they, they probably would have had the information brought to them at an earlier date and they could have saved the state some money because the EQC did have the information.

HEARING ON LEGISLATIVE FISCAL ANALYST

Tape No. 49B

Testifying Proponents and Who They Represent:

Rep. Ray Peck, administrative advisory committee
Judy Rippingale, LFA

Proponent Testimony: (49B 7.06) Rep. Ray Peck spoke in favor of the LFA office. He has looked very critically at the LFA office. There's a good staff, the best since he has been in the legislature. They work very effectively. They work tremendous hours to do the work that the legislators request in addition to what must be done for the budget. The budget being presented doesn't have any fat in it. It is not a big agency but it is "our" agency as legislators. When you want work done, when you want examinations made, when you want information on agencies, the LFA will provide that to you. Probably all of you have been down there at one time or another to ask for information.

(49B 9.48) Judy Rippingale presented the LFA budget and

modified requests. The budget last time was tight enough with the vacancy savings taken out that the agency was forced to operate one person short. The agency attempted to fill the position at a level they felt if they moved some operating expenses up, they could get a position filled for this year. There was nobody willing to take the job at the salary the agency could offer and they couldn't offer anymore money because they didn't have it. So, the agency has been forced to do without a person who should be down there working. Judy presented the agency's four requests for budget modifications. The first involves committee meeting days. The modified request is for \$8,600 in committee salaries and \$5,000 in committee travel. The current level budget for the committee reflects the committee salary expended for FY88. Approximately \$1500 of the committee member salaries was charged to the University Funding Study appropriation and the remainder represents less meeting days than the previous biennium. The \$5000 for committee travel is the amount the budget was reduced in the House in the 1987 session. If salary and travel are approved, it will provide a budget for approximately 10 meetings in FY90. The second modified is a request for replacement of five analysts' personal computers which will be approximately five years old. It also includes a request in FY91 to replace the two secretaries' personal computers which receive heavy use and are anticipated to be in need of replacement after the 1991 session. One of the two network printers is beginning to have frequent breakdowns. This request includes software costs for converting from Displaywrite to WordPerfect for compatibility with the other legislative agencies. The third budget modification is for data processing mainframe time. The data processing costs for computer processing were reduced by \$12,443 under FY88 actual for the FY90 request. This is approximately the dollar amount spent on the K-12 education study. If the study continues and expands into transportation and debt service costs, or if other studies are done which require additional computer processing during the interim, \$15,000 is being requested as a modified. The final modification is for an intern analyst. The office is requesting an intern for six months to research and compile expenditure and personnel position information for all state agencies for the last ten years. This would allow the analysts to provide accurate historical information about agencies. Now, information is often distorted due to movement of FTE and related processes which may make it look like an agency has had a dramatic increase or decrease when, in fact, they have remained flat. Judy said this request is the least important in terms of priority.

Testifying Opponents and Who They Represent:

None.

Questions From Subcommittee Members: (49B 20.28) Rep. Swysgood:

How old are the system 80's?

The agency responded that they will be five years old when this budget comes in.

(49B 25.36) Sen. Tveit: You said you couldn't hire a person, what was your pay scale?

Judy Rippingale said the agency was offering \$24,000 per year. There were two excellently qualified people. The agency would have been happy with either one of them. They are both working in private businesses in Helena and neither one of them would take the job for that salary.

(49B 26.20) Sen. Tveit: What would it take to hire them?

Judy Rippingale said they tried to rehire one later when the education analyst left in January. They tried to rehire the same person who had applied earlier and she said she wanted \$33,000. The agency didn't have the money and didn't hire.

(49B 27.06) Rep. Swysgood: On the equipment wordperfect software, did you say you think it will handle the numbers that the LFA has or do you know for sure it will?

Judy Rippingale said she doesn't know if it will work for sure or not at this point. It will be tested before the agency moves to wordperfect. The other people working with wordperfect, the Legislative Auditor's Office and the consultants that the senate had, said wordperfect will do our work. Their sense of tension about how well it does our work is less than mine because they are not responsible for getting it off the machine. I want to see myself, with my own eyes, that it works and I haven't seen that yet.

ADJOURNMENT

Adjournment At: 11:20 a.m.


REP. JOE QUILICI, Chairman

JQ/ml

3122.min

DAILY ROLL CALL

GENERAL GOVERNMENT AND HIGHWAYS SUBCOMMITTEE

DATE 2/6/89

NAME	PRESENT	ABSENT	EXCUSED
Representative Joe Quilici, Chair	✓		
Representative Jerry Nisbet	✓		
Representative Chuck Swysgood	✓		
Senator Larry Tveit, Vice Chair	✓		
Senator Pat Regan	✓		
Senator Lawrence Stimatz	✓		

OFFICE OF THE LEGISLATIVE AUDITOR
 ANALYSIS OF PAST TURNOVER FISCAL YEARS 1986, 1987, 1988

Fiscal Year	Terminations	Percent of Staff	Reason For Termination					
			Follow Spouse	School/Other	State Agency Salary	Private Industry Salary	Out-of-state Salary	
Fiscal 1986	11	18.64%	8	1	0	0	2	
Fiscal 1987	13	22.03%	3	3	4	2	1	
Fiscal 1988	18	30.51%	0	2	5	3	8	
Total	42							

Three Primary Reasons for Turnover:

1. Historical High Turnover

Period	Average Annual Turnover
Last 10 years	21.68 %
Last 15 years	20.99 %
Last 20 years	18.14 %
2. 1985 Session Cuts
 - Staff cut but workload not reduced
 - Increased overtime required
 - Layoff
 - Management salary freeze for FY 1987
3. 1987 Session
 - Salary Freeze
 - Significant out-of-state migration
 - Job jumping to other agencies/private
 - Increased workload/8 new audits/no new FTE

VISITOR'S REGISTER

NAME	DATE	SUBCOMMITTEE
General Govt & Highways	3/16/68	

AGENCY (S) _____

DATE 2/6/89

DEPARTMENT _____

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT.
IF YOU HAVE WRITTEN COMMENTS, PLEASE GIVE A COPY TO THE SECRETARY.