

MINUTES

MONTANA SENATE  
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON FINANCE AND CLAIMS

Call to Order: By Chairman Pete Story, on Thursday, March 2, 1989, at 8:00 a.m.

ROLL CALL

Members Present:

Senator Gary Aklestad, Senator Loren Jenkins, Senator Esther Bengtson, Senator Matt Himsl, Senator Paul Boylan, Senator Tom Keating, Senator Judy Jacobson, Senator H.W. "Swede" Hammond, Senator Pat Regan, Senator Larry Tveit, Senator Fred Van Valkenburg, Senator Dennis Nathe, Senator Greg Jergeson, Senator Gerry Devlin, Senator Richard Manning, Senator Sam Hofman, Senator Lawrence Stimatz, Senator Ethel Harding, Senator Pete Story

Members Excused: Senator Larry Tveit

Members Absent: Senator Dennis Nathe

Staff Present: Curt Nichols, LFA; Deb Thompson, Secretary

Announcements/Discussion: Money was collected for the coffee fund.

HEARING ON SENATE BILL 354

Presentation and Opening Statement by Sponsor:

Representative Mercer, District 50, presented HB 354. He explained that during the last legislative session, 120 thousand dollars was allocated for the University Funding Study. A lot of work was accomplished on the formula. He said there was insufficient time spent on other issues, such as governance within the system, duplication, priority of access vs. excellence and matters concerning personnel on classroom enrollment information systems. There is still \$75,000 left over after the appropriation for the study. The bill asks that the appropriation continue over so it can be used to continue this study. He pointed out the importance of the cooperation between the Board of Regents and the Governor.

List of Testifying Proponents and What Group they Represent:

Senator Judy Jacobson

Carrol Krause, Commission of Higher Education

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Senator Judy Jacobson distributed a memorandum written to the Legislative Fiscal Analyst and an amendment (Exhibit 1, 2). She gave background information about the funding study in the previous legislative session. She said concern throughout the study was with the inclusion of the university on the central payroll system. Other matters that need to be studied are listed in the memorandum.

Carrol Krause testified in support of the bill. He said the funding study was beneficial in the Boards' understanding of concerns the legislators have. The bill focuses on post-secondary education. He reminded the committee that the Vo-Tech's were transferred to the Board of Regents. He mentioned that funding for the Vo-Tech's needed to be set up.

Questions From Committee Members:

Senator Stimatz asked for clarification by Carrol Krause on the meaning of post-secondary in the bill. Carrol Krause replied that post-secondary was vo-tech and community colleges.

Senator Jergeson asked about page 3, line 11, subsection 4, about the enrollment system if the interim study required the generation of enrollment data by the University System. Representative Mercer replied that it was his understanding that this was a cooperative effort. Carrol Krause said the University System has filed with the LFA office a uniform personnel and enrollment system. The data is in but not on line yet, he stated. However, the information is being reported to the LFA.

Closing by Sponsor: Senator Mercer closed.

HEARING ON HOUSE BILL 74

Presentation and Opening Statement by Sponsor:

Representative John Cobb, District 42, presented HB 74. He explained the bill would allow SRS to pay bills first then bill the county. He said the counties have problems paying their bills.

List of Testifying Proponents and What Group they Represent:  
None

List of Testifying Opponents and What Group They Represent:  
None

Discussion:

Senator Aklestad and Representative Cobb discussed the time it takes for SRS and the counties to pay their bills and why the lapse of time. Representative Cobb said there is a problem with counties paying bills. Senator Aklestad pointed out that there was no interest charged to counties.

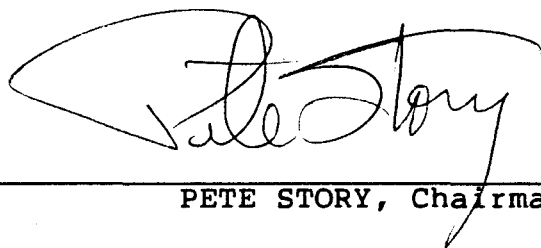
Closing by Sponsor: Representative Cobb closed.

DISPOSITION OF HOUSE BILL 74

Recommendation and Vote: Senator Keating moved that HB 74 Be Concurred In. The motion passed unanimously.

ADJOURNMENT

Adjournment At: 8:25 a.m.



PETE STORY, Chairman

PS/dt

FCS302

DAILY ROLL CALL

FINANCE AND CLAIMS

COMMITTEE - 1989

DATE 3-2-89

NAME	PRESENT	ABSENT	EXCUSED
Senator Gary Aklestad	✓		
Senator Loren Jenkins	✓		
Senator Esther Bengtson	✓		
Senator Matt Himsel	✓		
Senator Paul Boylan	✓		
Senator Tom Keating	✓		
Senator Judy Jacobson	✓		
Senator H.W. "Swede" Hammond	✓		
Senator Pat Regan	✓		
Senator Larry Tveit			✓
Senator Fred Van Valkenburg	✓		
Senator Dennis Nathe		✓	
Senator Greg Jergeson	✓		
Senator Gerry Devlin	✓		
Senator Richard Manning	✓		
Senator Sam Hofman	✓		
Senator Lawrence Stimatz	✓		
Senator Ethel Harding	✓		
Senator Pete Story	✓		

MEMORANDUM  
February 28, 1989

We contacted the six university units, the State Auditors Office (SAO), and the Systems Development Bureau (SDB) of the Information Services Division to determine what the implementation of HB 26 would entail. Personnel from SAO and SDB had talked about the project and developed some preliminary costs, but had not contacted university system personnel to determine their needs. We visited some of the units and it was evident university personnel do not know what financial and management information Central Payroll can provide. In addition the SAO and SDB personnel have not identified the needs of the university system, other executive agencies or the legislature.

In most circumstances the development of an electronic data processing (EDP) system follows an established process. Each section of the process represents a separate phase of development and can be controlled and used as a measurement of completion. This process is commonly called the Systems Development Life Cycle (SDLC). The normal phases of the SDLC include a planning phase. This phase includes the initial request for system design, a feasibility study, and general system design. The proposed legislation does not contemplate completing the feasibility study. The users of the payroll information have not determined whether the proposed changes to the Central Payroll system and the changes to the university personnel systems would meet their needs.

During the interim, the Legislative Fiscal Analyst (LFA) conducted a study, required by House Bill 2 (Fiftieth Legislature), on university funding. The study included evaluating the personnel and class enrollment systems of the university units. The study concluded that basic payroll information is currently available on the Statewide Budgeting and Accounting System (SBAS) with minor modifications to the units' reporting process. These modifications were made and detailed payroll expenditure information is now on SBAS. Personnel information is also available from each units' personnel systems. This latter information was obtained by the LFA and used by the Office of the Legislative Auditor for a project in January 1989. The LFA study, published in January 1989, should be reviewed to determine if the needs identified by the legislature and the executive branch agencies would be met by using SBAS and the personnel information currently gathered.

The introduction of House Bill 26 indicates the needs of the legislature and the executive branch agencies are not being met with the information currently available. However, not all aspects of the personnel systems at

the university units were evaluated. We recommend a study be conducted to determine the feasibility and the cost of including the university units on Central Payroll Personnel from the State Auditor's Office, the Systems Development Bureau, Information Systems Division, the Montana University System, the Governor's Office, and the Legislature should meet to decide who should conduct the study, and the elements to be reviewed. At a minimum, the study should address the following issues:

1. Evaluate the information currently maintained on the personnel and payroll systems of the university units;
2. Identify the information currently available to the units from the Central Payroll system;
3. Identify the information the units believe they need on the Central Payroll system to maintain their current management information;
4. Complete a needs assessment to identify alternatives to meeting the needs of all involved parties; and
5. Compare and evaluate the feasibility of combining the Central Payroll system and individual unit systems. This includes costs associated with the units converting to the Central Payroll system; and the costs associated with providing the units with their current management information, either through the Central Payroll system or subsystems maintained at the units.

At this time SAO and SDB have not evaluated the needs of the units and the legislature and how these needs impact the Central Payroll system. Without a needs assessment, costs of the conversion can not be determined by any of the impacted parties.

University personnel indicated they are not adverse to converting to the Central Payroll system, but they did identify some questions concerning the conversion. Some of the most common questions pertain to:

1. Student/faculty payroll - Each unit wants central payroll to process both student payroll and faculty payroll. It would not be cost effective to have Central Payroll process only staff/faculty payroll, since each unit would have to maintain a system to pay students working at the unit.
2. Integration of payroll and personnel systems - The existing payroll systems at the units are not independent of other management systems maintained by the units. The payroll systems are integrated with other systems that provide management information at each of the units.

3. Accounting functions - The current university systems provide accounting functions, such as federal and state work-study splits, optional retirement plan splits, that would have to be provided by Central Payroll.
4. Timeliness of warrants - The units provide warrants to people at different times of the year for special circumstances. For example, the Actors Equity Payroll must be processed weekly, with warrants available Monday mornings, per the union agreement. The units were concerned these warrants could not be issued by Central Payroll.
5. Annuities - Some of the units provide up to 13 tax sheltered annuities. These would have to be accommodated by Central Payroll.

We created a chart indicating responses to our questions concerning whether costs would increase or decrease in specific areas. Each of the universities indicated the same response to the questions. Again, we did not include specific costs since the bill provides no specific requirements or implementation date.

INCREMENTAL COSTS

<u>FUNCTION</u>	<u>SAME</u>	<u>INCREASE</u>	<u>DECREASE</u>
Hardware	X		
Hardware maintenance	X		
Software		X	
Software maintenance	X		
Telecommunications Equipment		X	
Operating Cost		X	
Personnel	X		

Source: Compiled by the Office of the Legislative Auditor

We noted Interest Earnings would decrease since the money for payroll would not be invested as long. Universities currently pay employees monthly, while Central Payroll issues pay warrants every two weeks.

In summary, it does not appear that the legislature and the executive branch have identified what they need from the university systems regarding payroll information. In addition, the university system has not identified its needs in relation to management information and the Central Payroll system. As I mentioned earlier, the planning phase of the SDLC would include assessing the needs of the various users of the system. This aspect of the proposed legislation should be considered. If needed information cannot be obtained by the methods suggested in the LFA report, we recommend a study be conducted to determine the feasibility, necessity, and cost of including the university units on the Central Payroll system.



Amendments to House Bill 354

Prepared by the LFA  
For Senator Jacobson

March 1, 1989

1. Page 2, line 4.  
Following: "formulas"  
Strike: "and"  
Insert: ", "
2. Page 2, line 5.  
Following: "systems"  
Strike: "; and"  
Insert: ", and to study the inclusion of the university system on the central payroll system; and"
3. Page 3.  
Following line 13.  
Insert: "5. the feasibility and cost of including the university units on central payroll"