

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 53rd LEGISLATURE - REGULAR SESSION**

#### **JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT & TRANSPORTATION**

**Call to Order:** By REP. MARY LOU PETERSON, CHAIRMAN, on February 2, 1993, at 8:00 AM.

#### **ROLL CALL**

##### **Members Present:**

Rep. Mary Lou Peterson, Chair (R)  
Sen. Harry Fritz, Vice Chair (D)  
Rep. Marjorie Fisher (R)  
Sen. Gary Forrester (D)  
Rep. Joe Quilici (D)  
Sen. Larry Tveit (R)

**Members Excused:** None

**Members Absent:** None

**Staff Present:** Clayton Schenck, Legislative Fiscal Analyst  
Dan Gengler, Office of Budget & Program Planning  
John Patrick, Office of Budget & Program Planning  
Elaine Benedict, Committee Secretary

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

##### **Committee Business Summary:**

Hearing: DEPARTMENT OF TRANSPORTATION  
Executive Action: STATE AUDITOR'S OFFICE

**Tape No. 1:A:005**

##### **Announcements/Discussion:**

**CHAIRMAN MARY LOU PETERSON**, stated that any subcommittee which has increased supplementals over \$22.3 million must subtract the excess amount from the base.

#### **EXECUTIVE ACTION ON STATE AUDITOR'S OFFICE**

**Tape No. 1:A:225**

##### **Informational Testimony:**

**Mr. Clayton Schenck**, Legislative Fiscal Analyst, reviewed the budget for the division, **EXHIBITS 1 and 2**, and referred the subcommittee to the agency's proposal. **EXHIBIT 3**. He

distributed a list of proposals by the agency. **EXHIBIT 4**

**Questions, Responses, and Discussion:**

**SEN. HARRY FRITZ** stated that he is inclined to accept the proposals on **EXHIBIT 4**. The proposal displays flexibility. He has concerns about the proposal for 2% vacancy savings because, although it reduces below the target, the savings are not permanent.

**REP. MARJORIE FISHER** agreed with **SEN. FRITZ** and stated that the reinstatement of the investment examiner and insurance investigator are good proposals because both positions produce revenue and are funded through the fees collected.

**CHAIRMAN PETERSON** asked if the agency had laid off seven people as it had stated it would. **Mr. Mark O'Keefe, State Auditor**, responded that the agency had laid these people off, but that the positions are still included in the base. The funding for the positions will be reinstated July 1. The agency is currently at 82% person power. Even with the additions, the agency would still be one FTE below the 1992-93 base. Phones are going unanswered because people are trying to assume multiple duties.

**REP. FISHER** asked what positions will be transferred to the Department of Administration. **Mr. O'Keefe** answered that all the central payroll positions will go except the executive secretary and the data processing coordinator.

**Mr. John Patrick, Office of Budget and Program Planning**, stated that .25 of the data processing coordinator's position is allocated to state payroll duties. This will be an issue if the payroll function is transferred to the Department of Administration because the payroll program is sparsely staffed. In reference to revised information from the Information Services Division of the Department of Administration, **Mr. Patrick** distributed a fact sheet. **EXHIBIT 5**. He expressed concern that \$58,262 would not be an adequate amount the fund the systems enhancement.

**REP. FISHER** asked how the 5% reduction within agencies will lessen the work load for ISD and state payroll. **Mr. Patrick** responded that if the number of payroll warrants is reduced, the variable cost will also be reduced. The fixed cost, however, will remain the same.

**Tape No. 1:B:100**

**Motion/Vote:** **SEN. FRITZ** moved to accept agency proposal, **EXHIBIT 4**, in its entirety. **THE MOTION CARRIED UNANIMOUSLY.**

**CENTRAL MANAGEMENT**

**Tape No. 1:B:270**

Informational Testimony:

Mr. Schenck reviewed the budget for the program. EXHIBIT 1, page 2

BUDGET ITEM GLACIER GENERAL LIQUIDATION COSTS-MODIFICATION:

Motion/Vote: REP. FISHER moved to accept the request. THE MOTION CARRIED UNANIMOUSLY.

INSURANCE

Tape No. 1:B:390

Informational Testimony:

Mr. Schenck reviewed the budget for the program. EXHIBIT 1, page 5

BUDGET ITEM INSURANCE EXAMINATION COSTS-MODIFICATION:

Motion: REP. FISHER moved that the statute concerning this issue be changed so that \$91,800 and \$38,000 for these costs go into a special account.

Questions, Responses, and Discussion:

Mr. O'Keefe stated that he was not aware of the statutory problem. He stated that, if REP. FISHER'S motion is carried, he could offer an amendment to the insurance clean-up bill which would change the statutory requirement in conjunction with the action of the subcommittee.

CHAIRMAN PETERSON asked how funding the insurance examination costs through proprietary funds would affect the subcommittee's target. Mr. Schenck responded that the normal procedure has been to fund these costs according to statute in HB 2. If the bill referred to by Mr. O'Keefe does not pass, the change would alter the target by \$91,800 and \$38,000. If the bill does not pass, HB 2 will have to be amended to change the funding back to general fund.

SEN. FRITZ supported the motion.

Mr. Schenck stated that a proprietary fund should recover all costs, including those for FTEs. Another option would be to have this be a state special revenue fund.

Mr. O'Keefe stated that no FTEs are involved and that this should therefore be funded through a proprietary account. If FTE are involved, the agency can meet the requirements for a proprietary account.

Vote: THE MOTION CARRIED with REP. JOE QUILICI and SEN. GARY FORRESTER opposing.

**FISCAL CONTROL AND MANAGEMENT**

**Tape No. 1:B:700**

**Informational Testimony:**

**Mr. Schenck** reviewed the budget for the program. **EXHIBIT 1**, pages 7 and 8

**BUDGET ITEM BAD DEBTS EXPANSION-MODIFICATION:**

**Mr. Patrick** supported this request, stating it will produce more revenue than will be expended if the request is passed.

**Motion/Vote:** **SEN. FRITZ** moved to accept the request. **THE MOTION CARRIED UNANIMOUSLY.**

**SUPPLEMENTALS**

**Tape No. 1:B:900**

**Informational Testimony:**

**Mr. Schenck** stated that the agency has received approximately \$200,000 in supplementals over those in HB 3.

**Questions, Responses, and Discussion:**

**REP. FISHER** asked why some of the costs were not taken from proprietary or state special revenue accounts. **Mr. Schenck** responded that the primary reason is that there was no fund balance available for this.

**Informational Testimony:**

**Mr. Tom Crosser**, State Auditor's Office, stated that the supplementals provided to the agency are \$183,254 over those in HB 3.

**Questions, Responses, and Discussion:**

**CHAIRMAN PETERSON** asked how the agency would be affected if the amount for supplementals were removed from the agency. **Mr. Crosser** responded that the postage supplemental is critical to the warrant writing system. The state payroll system is dependent on the computer processing from the Department of Administration. He calculated the shortfall personal services after removing the salaries for the seven positions that were removed. This could fluctuate if there are further vacancies before the end of the year. If the agency did not receive the additional supplemental requests, it would have to lay off another eight FTEs to meet the shortfall. He stated that, in the future, the division will be able to allocate some of the postage and data processing costs to non-general fund agencies.

**AGENCY PROPOSAL**

Tape No. 2:A:007

BUDGET ITEM PAYROLL ENHANCEMENT:

Questions, Responses, and Discussion:

Mr. Patrick requested that the subcommittee reconsider funding this item. This would serve as maintenance more than as enhancement and, even if this is funded, the agency will still be below the target.

REP. QUILICI stated that avoiding the issue now will simply create problems with it in the future.

SEN. FRITZ stated that he believes the agency has the adequate funding to maintain the system.

REP. QUILICI responded that it will become the Department of Administration's responsibility to maintain it.

REP. FISHER concurred with SEN. FRITZ, and feels the issue should be dealt with when an actual problem arises. The agency must try to downsize where possible.

SEN. LARRY TVEIT stated that the increased workload of this agency may not allow it to downsize in this area.

CHAIRMAN PETERSON and Mr. O'Keefe pointed out that the agency is already 5% below the recommended reductions.

BUDGET ITEM LANGUAGE:

Informational Testimony:

Mr. Schenck presented the option of contingency language to transfer specific appropriations upon the transfer of the state payroll program from the State Auditor's Office to the Department of Administration.

HEARING ON DEPARTMENT OF TRANSPORTATION

Tape No. 2:A:205

Informational Testimony:

Mr. Schenck presented an overview of the budget for programs within the agency. EXHIBITS 6 and 7. He referred the subcommittee to the overview in the LFA Budget Analysis, beginning on page A114, and distributed a chart outlining fuel tax increases. EXHIBIT 8

Mr. Marvin Dye, Department of Transportation, addressed the department's image. He attributes a portion of the negative response to misinformation about the department. The department

has received compliments from truck drivers and other citizens about the quality of design of the highway system and about the accomplishments of the staff. He believes it is important to expand the public awareness of the positive aspects of the department and to concentrate on correcting the negative aspects. The department emphasizes safety, environmental consideration and cost effectiveness. It will provide service oriented toward constituents, customers and the public.

**Tape No. 2:B:010**

**Mr. Dye** addressed the budget issues. The department has a pact with the subcommittee that it will not fill positions that are not necessary. The department has complied with this pact for the past 10 years. He read excerpts from a letter from **Mr. Hank Honeywell** concerning this issue. **EXHIBIT 9.** Through technology and efficiency, the department has been able to decrease its staff. The department has absorbed environmental duties such as hazardous waste and motor fuel activities. The "snap-shot" does not account for seasonal positions. Also, the management policy adopted by the previous director included double filling of positions, so some positions were inaccurately shown to be vacant. The impact of reductions in FTEs in the construction program will jeopardize the future of the department. The program must have projects ready to be let in order to receive Federal match funding. Reductions will also affect the economy because the department employs Montanans through contracting. The money generated by the department has an 87/13 matching ratio with the Federal government; reductions could jeopardize this.

The department has no choice but to comply with many of the modifications requests, such as those for striping, dust abatement and de-icing.

**Questions, Responses, and Discussion:**

**CHAIRMAN PETERSON** asked if there will be additional environmental practices which will have to be implemented by the department.

**Mr. Dye** responded that a majority of the responsibilities will be correcting the effects of previous procedures.

**REP. QUILICI** asked if **Mr. Dye** had spoken to **Mr. Honeywell** about the added Federal funding for highway construction projects. **Mr. Dye** answered that he had discussed this with **Mr. Honeywell** in casual conversation. **Mr. Dye** stated that the allocation of Federal funds is more than is appropriated. He believes this will change with the Clinton administration.

**REP. QUILICI** stated that, according to Federal guidelines, if the department does not have the match, Federal funds will not be received. FTE will be required to meet the guidelines of the Federal government. This needs to be considered in the decisions of the subcommittee.

**CHAIRMAN PETERSON** asked if the department still had the costs

saving engineers that had been approved in an earlier session.

Mr. Dye concurred with REP. QUILICI'S statement, adding that the department must be proactive rather than reactive. If the program does not have projects ready, Federal funding could be lost. If the projects are ready and the funding does not come through, the projects can be scaled back.

Mr. Tom Barnard, Administrator, Highways Division, responded to CHAIRMAN PETERSON'S question. He stated that the department received a pay plan exception because it was unable to hire professional engineers at standard salary rate. Within a year of receiving the exception the department hired 35 engineers, most of whom are still with the department. The engineers hired are graduate level and adequate training takes two to three years.

CHAIRMAN PETERSON asked if the department would have the match if the Federal government were to release ie. \$40 million, or if this is part of the shortfall being faced by the department. She also asked if the ratio would always be 87/13. Mr. Dye responded that the RTF program allows flexibility to leverage into a 87/13 ratio. The department can also work so that some of the state funded issues can be handled.

Mr. Bill Salisbury, Administrator, Administration, concurred with this but added that this is true only for those projects that are eligible for Federal aid.

#### Informational Testimony:

Mr. Dan Gengler, Office of Budget and Program Planning, cited changes in the executive budget recommendation. First, the Executive Office supports the 5 & 5 gas tax increase. The office believes it is likely that the Clinton administration will bring an increase in Federal funds as well as a possible increase in Federal gas tax. Second, the diversion of the Motor Vehicle Division, as recommended by the Executive Office, would "sunset" at the end of the 1995 biennium. There may also be other minor changes in the executive budget based on updated information from the agency.

#### Questions, Responses, and Discussion:

REP. QUILICI asked what the effect would be if the 5 cent tax was not passed for the second year of the biennium. Mr. Salisbury answered that the department would be unable to pay for the summer projects it had let for bids.

REP. QUILICI asked how a 4 cent and 3 cent gas tax would work. Mr. Salisbury answered that this would work only if there is no Motor Vehicle Division diversion.

**Informational Testimony:**

Mr. Schenck reviewed the budget for the program. EXHIBIT 5, page 7 and EXHIBIT 6

REP. QUILICI stated that positions were vacant because the department had complied with its pact to not fill positions unless necessary.

Mr. Barnard stated that some of the positions were vacant because of special session reductions. He presented an overview of the program. The cost of materials has risen. The general public has requested increased winter maintenance. The program has taken on hazardous waste activities. New environmental regulations have been imposed. There are new facilities and pavement systems which require maintenance. Pavement maintenance will require immediate care or a higher cost will have to be paid later. \$35 million in pavement maintenance hasn't been or can't be addressed. The program will require approximately \$15 million/year to stay even. He distributed a pamphlet stating maintenance needs. EXHIBIT 9. He reiterated the issues on the LFA presentation. He stated that counties regulate the cost of weed control.

Tape No. 3:A:200

**Questions, Responses, and Discussion:**

REP. FISHER asked if the statute could be changed which allows counties to assess cost of weed control. Mr. Barnard responded that the department has investigated this possibility. The issue is extremely controversial and portrays the department in negative light.

REP. QUILICI asked if the ice control material corrodes cars. Mr. Barnard answered that the chemical, magnesium chloride, is considerably less corrosive than salt, but is more expensive.

Mr. Gengler, in response to REP. FISHER suggested language which would state that counties' weed control costs are subject to legislative appropriation, causing the counties to have to justify expenditures to the subcommittee.

REP. FISHER concurred with this idea.

**EQUIPMENT PROGRAM**

Tape No. 3:A:353

**Informational Testimony:**

Mr. Schenck reviewed the budget for the program. EXHIBIT 5, page 10 and EXHIBIT 6

Mr. Bruce Barrett, Maintenance and Equipment Bureau, addressed



the issues of the program. The program has an automated equipment management system which estimates the miles of travel using actual figures for fuel economy. The estimate shows that the program will need 1,134,216 gallons of gasoline in each fiscal year and 1,280,025 gallons of diesel. The program needs test equipment and tune-up kits for the newer equipment. The accounting technician position is vacant because the individual transferred to another program. The position is being converted into a temporary mechanic/machinist because the legislative audit report was critical of the amount of time it was taking the program to get the new trucks built and into the field. A recommendation of the report was an increase in staff. The division shop superintendent position was vacant because the individual retired. The program is under-staffed with mechanical machinist in comparison with other states. The stockman position is necessary because it budgets out the equipment and keeps track of the inventory. The workshop foreman is required by the union.

He addressed the modification request. The sweepers are necessary to comply with requirements of the EPA and the Department of Health. The equipment replacement funding has remained the same for eight years. Truck manufacturers must meet Federal clean air standards, therefore increasing the price of trucks.

#### Questions, Responses, and Discussion:

REP. FISHER asked if the use of magnesium chloride will eliminate some of the need for sweeping. Mr. Barrett answered that it will reduce it somewhat, but what comes on to state maintained routes from other routes cannot be controlled.

CHAIRMAN PETERSON asked if the 10 sweepers will be additional or replacements. Mr. Barrett answered that they would be additional. He added that the chemical de-icer will be only one of three substances used by the department.

CHAIRMAN PETERSON asked where the chemicals from the de-icer go. Mr. Barrett answered that a portion evaporates and the rest goes into the soil and water. The chemical has been tested and shown to be as environmentally safe as anything else used.

REP. QUILICI asked if the program has a recycling repaver and if this is why the propane is needed. Mr. Barrett answered that the program does not have the machine to which the representative referred, but that it does utilize recycling plans for pothole patching etc. The propane is needed for drying, testing and heating of materials.

#### Informational Testimony:

Mr. Salisbury stated that the difference between the LFA and executive budget is based primarily on the method of budgeting. The department carefully calculates the equipment needs. The department has been continually under-budgeted for equipment by

the LFA. The department maintains its pact to follow the intent of the legislature and not purchase unnecessary items or products.

**Questions, Responses, and Discussion:**

**SEN. FORRESTER** stated that he had read newspaper articles that said the department had equipment sitting for as long as nine months before necessary equipment, such as snow plows, could be installed. He asked of the department informed the legislature about this or if it was aware of the magnitude of the problem. **Mr. Barrett** stated that the issues in question were in an audit report and a solution is being created. The program has spent some time designing a hydraulic system which would be cheaper than what could be purchased elsewhere. This was not reflected in the audit. He believes the problems are being overcome.

**SEN. FORRESTER** asked what an acceptable amount of time would be to get equipment out and how this is monitored. **Mr. Barrett** answered that the program has acquired software to track progress and that three months is a standard amount of time.

**Mr. Salisbury** stated that the department has several management systems and welcomes supervising measures and audits.

**Mr. Barnard** stated that the department often receives equipment at a reduced price if it takes the equipment early, therefore there is some back-up.

**SEN. FORRESTER** asked if the auditor is aware of this. **Mr. Barnard** responded that this was not an issue when the audit was done.

**Tape No. 3:B:023**

**Informational Testimony:**


**Mr. Schenck** stated that the LFA method of using a three year average to budget equipment needs shows an increase in the needs and brings it to the attention of the subcommittee, rather than taking exception to the request of the department.

**Mr. Gengler**, in regard to the gas and diesel request, stated that HB 23, sponsored by **REP. RAY PECK, DISTRICT 15**, would change the budget amendment law and preclude amendments in these instances. The agency has the option to request a supplemental if the estimate is incorrect. If the bill passes, it may be more critical that the budget estimate be correct.

ADJOURNMENT

Adjournment: 12:00 PM

  
\_\_\_\_\_  
REP. MARY LOU PETERSON, Chair

  
\_\_\_\_\_  
ELAINE BENEDICT, Secretary

MLP/EB

# HOUSE OF REPRESENTATIVES

Gen. Gov. & Hwys.

SUB-COMMITTEE

ROLL CALL

DATE 2/2/93

NAME	PRESENT	ABSENT	EXCUSED
Rep. Mary Lou Peterson Chair	X		
Sen. Harry Fritz Vice Chair	X		
Rep. Marjorie Fisher	X		
Sen. Gary Forrester	X		
Rep. Joe Quilici	X		
Sen. Larry Tveit	X		

## STATE AUDITORS OFFICE HB

3401 00 00000

## Agency Summary

Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	70.00	70.00	66.67	68.50	(1.83)	66.67	68.50	(1.83)
Personal Services	1,826,941	1,816,592	2,015,228	2,079,487	(64,259)	2,019,645	2,083,925	(64,280)
Operating Expenses	968,058	885,073	1,142,274	1,103,359	38,915	1,046,211	1,013,990	32,221
Equipment	3,331	13,551	25,437	16,616	8,821	0	0	0
Total Costs	\$2,798,331	\$2,715,216	\$3,182,939	\$3,199,462	(\$16,523)	\$3,065,856	\$3,097,915	(\$32,059)
<b>Fund Sources</b>								
General Fund	2,135,571	2,005,191	2,140,424	2,168,349	(27,925)	2,016,997	2,117,349	(100,352)
State Revenue Fund	509,725	559,208	882,102	870,704	11,398	889,562	821,274	68,288
Proprietary Fund	153,033	150,817	160,413	160,409	4	159,297	159,292	5
Total Funds	\$2,798,331	\$2,715,216	\$3,182,939	\$3,199,462	(\$16,523)	\$3,065,856	\$3,097,915	(\$32,059)

Page References

LFA Budget Analysis (Vol. I), A62-66 (Agency Summary)  
 Stephens Executive Budget, A34-39

Current Level Differences

Differences between the Executive Budget and LFA current level are detailed in the following program listings. Major current level issues in the State Auditor's Office include:

5 Percent Personal Services Reductions—3.33 FTE, \$190,000  
 Vacant Positions for Elimination—4.0 FTE, \$250,000  
 Operating Costs of the Warrant Writing System  
 Method of Funding, State Payroll and Warrant Writing System

Budget Modifications

Executive Budget Modifications — 2 modifications, \$140,000, 1.0 FTE  
 Elected Official Budget Modifications—3 modifications, \$151,000, 2.33 FTE

Other Issues

Fixed Cost Fee Allocations  
 Executive Policy Initiative—Transfer State Payroll program to the Department of Administration

Exec. Over(Under) LFA  
Fiscal 1994 Fiscal 1995

## TABLE OF CONTENTS

Central Management	Page 2
State Payroll	Page 3
Insurance	Page 5
Securities	Page 6
Fiscal Control and Management	Page 7

3401 01 00000 STATE AUDITORS OFFICE Program Summary								
Central Management								
Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	8.00	8.00	8.00	8.00	0.00	8.00	8.00	0.00
Personal Services	225,796	211,110	243,257	243,258	(1)	243,739	243,740	(1)
Operating Expenses	25,985	54,884	31,137	27,357	3,780	28,210	24,938	3,272
Equipment	0	11,256	330	330	0	0	0	0
Total Costs	\$251,782	\$277,250	\$274,724	\$270,945	\$3,779	\$271,949	\$268,678	\$3,271
<u>Fund Sources</u>								
General Fund	251,782	277,250	274,724	270,945	3,779	271,949	268,678	3,271
Total Funds	\$251,782	\$277,250	\$274,724	\$270,945	\$3,779	\$271,949	\$268,678	\$3,271

Page References

LFA Budget Analysis (Vol. I), A-67  
 Stephens Executive Budget, A35

Current Level Differences

Minor Differences (Net)

FIXED COST ADJUSTMENT—By action of the House Appropriations Committee, the grounds maintenance fee charged to the State Auditor's Office has been adjusted and a portion will be added to this program. No vote is required.

VACANT POSITION—The Joint Committee on Appropriations and Finance and Claims recommended the elimination of 1.0 FTE for this program that was vacant on December 11, 1992. The position, an administrative assistant, is funded by general fund and is shown on the attached position reduction listing. See agency justification on page 10 of agency handout.

Budget Modifications

None

Other Issues

GLACIER GENERAL LIQUIDATION COSTS—The agency is requesting a proprietary fund appropriation in this program to fund the administrative costs of the liquidation of Glacier General Insurance. In the past, these costs have not been accounted for on the state system.

Exec. Over(Under) LFA	
Fiscal 1994	Fiscal 1995
3,779	3,271
722	731
(22,542)	(22,575)
10,000	10,000

STATE AUDITORS OFFICE  
Program Summary

## State Payroll

DATE 2-2-93

Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	9.00	9.00	8.00	7.50	0.50	8.00	7.50	0.50
Personal Services	239,921	238,324	250,162	238,904	11,258	250,820	239,482	11,338
Operating Expenses	346,961	304,100	350,054	350,054	0	296,450	294,348	2,102
Equipment	0	0	0	4,500	(4,500)	0	0	0
Total Costs	\$586,882	\$542,424	\$600,216	\$593,458	\$6,758	\$547,270	\$533,830	\$13,440
<b>Fund Sources</b>								
General Fund	224,155	171,898	243,129	264,089	(20,960)	188,458	237,554	(49,096)
State Revenue Fund	362,726	370,526	357,087	329,369	27,718	358,812	296,276	62,536
Total Funds	\$586,882	\$542,424	\$600,216	\$593,458	\$6,758	\$547,270	\$533,830	\$13,440

Page References

LFA Budget Analysis (Vol. I), A68-69  
 Stephens' Executive Budget, A35

Current Level Differences

**ELIMINATION OF FTE**—The Executive Budget eliminated 1.0 FTE as part of the 5 percent personal services reduction. The LFA current level eliminated the same 1.0 FTE plus an additional 0.5 FTE due to savings that were anticipated by the legislature as a result of funding the conversion of the P/P/P system to an on-line system. The State Auditor stated during the 1991 session that at least 1.5 additional FTE could be eliminated when the P/P/P conversion was completed.

**SYSTEMS DEVELOPMENT COSTS**—The Executive Budget includes more funding for ISD systems development costs in fiscal 1995 than LFA current level, due to an expected fee increase. The fee increase occurs in fiscal 1994, and there is no additional increase in fiscal 1995.

**EQUIPMENT**—The LFA current level is higher in equipment as it allows funds for the purchase of office equipment requested by the agency but not included in the Executive Budget.

MINOR DIFFERENCES (NET)

**FUNDING**—As discussed under "Issues" below, the executive allocation plan for payroll service fees "overcharges" user agencies for non-general fund payroll services. The LFA current level funds the program at the level of services received as calculated by the agency (44.5 percent general fund/55.5 percent state special revenue fund), with the "overcharge" remaining in the account for carryover to the next biennium. The executive funds the program at an average 37.6 percent general fund/62.4 percent state special revenue fund, applying the full "overcharge" to offset general fund in the 1993 biennium.

TOTAL CURRENT LEVEL DIFFERENCES

**FIXED COST ADJUSTMENT**— By action of the House Appropriations Committee, the grounds maintenance fee charged to the State Auditor's Office has been adjusted and a portion will be added to this program.

Budget Modifications

None

Language and Other Issues

**FIXED COST FEE ALLOCATION**—The fixed cost allocation for payroll service fees charged to non-general fund agencies will result in an overcharge due to an overestimation of the costs to operate the program (see discussion in LFA Budget Analysis, Vol I, A65-66). The Joint House Appropriations/Senate Finance and Claims Committee has asked the General Govt. and Transportation Subcommittee to determine current level for the program so that the proper fee allocation plan can be adopted for all agencies.

Cost allocation plan options:

- A. Take no action. Leave the fee schedules for user agencies as presented in the Executive Budget.

Exec. Over(Under) LFA  
 Fiscal 1994 Fiscal 1995

11,258 11,338

0 2,078

(4,500) 0

0 24

— —

6,758 13,440

264 267

B. Establish current level and reduce allocations to generate only enough funds to operate the program.  
C. Allocate funding in the program budget at 44.5 percent general fund/55.5 percent state special revenue, allow "overcharges" to accumulate in the account, carry-over to next biennium. Include language in House Bill 2 requiring the State Auditor to use the carry-over fund balance to reduce fees charged to non-general fund agencies for the 1997 biennium. Suggested language:

"The department shall develop and submit a cost recovery plan for the state payroll program (and the warrant writing system) to the office of budget and program planning and the legislative fiscal analyst by August 1, 1994. The total program cost estimate used to allocate the fees shall be reduced by the estimated amount of the state special revenue fund balance for each program that will carry over from the 1995 biennium."

**TRANSFER 2.0 FTE TO CENTRAL MANAGEMENT**— The agency is requesting the transfer of a secretary and a data processing manager position from the State Payroll program to the Central Management program, since the majority of the duties of those positions are not properly allocated to the payroll function. See the agency justification on page 3 of the agency handout.

**POLICY INITIATIVE: TRANSFER PROGRAM TO DEPARTMENT OF ADMINISTRATION**—The Executive Budget recommends in a policy initiative that the State Payroll Program (and the Fiscal Management and Control Program) in the State Auditor's Office be transferred to the Department of Administration. A bill will be introduced to accomplish this transfer. See the Stephens' Executive Budget, Page A80.

EXHIBIT

DATE 2-2-93

FB

25,108	25,145
(25,108)	(25,145)



3401 03 00000

STATE AUDITORS OFFICE  
Program Summary

## Insurance

DATE 2-2-93

H8

Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	31.00	31.00	30.00	31.00	(1.00)	30.00	31.00	(1.00)
Personal Services	806,104	820,998	935,160	971,094	(35,934)	937,323	973,298	(35,975)
Operating Expenses	138,931	145,660	168,578	163,192	5,386	159,266	153,700	5,566
Equipment	284	1,995	3,300	6,000	(2,700)	0	0	0
Total Costs	\$945,320	\$968,653	\$1,107,038	\$1,140,286	(\$33,248)	\$1,096,589	\$1,126,998	(\$30,409)
<b>Fund Sources</b>								
General Fund	945,320	926,803	1,107,038	1,098,436	8,602	1,096,589	1,085,148	11,441
State Revenue Fund	0	41,850	0	41,850	(41,850)	0	41,850	(41,850)
Total Funds	\$945,320	\$968,653	\$1,107,038	\$1,140,286	(\$33,248)	\$1,096,589	\$1,126,998	(\$30,409)

Page References

LFA Budget Analysis (Vol. I), A-70  
 Stephens Executive Budget, A35

Current Level Differences

5 PERCENT PERSONAL SERVICES REDUCTION—The Executive eliminated 1.0 FTE (Insurance Investigator) in accordance with section 13, House Bill 2 requiring a 5 percent reduction in the 1995 biennium current level budget. The position is included in LFA current level. The Joint Committee recommended that the 5 percent reduction be permanently eliminated from the budget.

FUNDING—The LFA current level includes an annual appropriation of \$41,850 state special revenue each year for program costs, supported by revenues from collection of non-resident insurance producer license fees. This state special revenue appropriation was established by the January 1992 special session as a means of reducing general fund support. The Executive funds the program entirely from general fund.

## INFLATION DIFFERENCES

## MINOR DIFFERENCES (NET)

## TOTAL CURRENT LEVEL DIFFERENCES

VACANT POSITIONS—The Joint Committee on Appropriations recommended the elimination of 2.0 FTE for this program that were vacant on December 11, 1992. The agency states that one of the positions, administrator of the Compliance Division, was not vacant. The second position is the chief legal counsel for the department. See the agency handout, pages 4 and 7 for further information.

Budget Modifications

RESTORE 5 PERCENT REDUCTION— This elected official budget modification requests restoration of a 1.0 FTE insurance investigator removed from this program as part of the 5 percent personal services reduction. See the discussion above under "Current Level Differences" and the agency handout, page 8.

Other Issues

INSURANCE EXAMINATION COSTS—The agency is requesting a proprietary fund appropriation in this program to fund the cost of insurance examinations. Currently these expenditures are made outside the state accounting system. See the agency handout, page 4, for further information.

Exec. Over(Under) LFA  
 Fiscal 1994 Fiscal 1995

(35,934) (35,977)

— —

(8) (7)

2,694 5,575

(33,248) (30,409)

(79,236) (79,344)

35,934 35,977

91,800 38,000

DATE 2-2-93

3401 04 00000

## STATE AUDITORS OFFICE

## Securities

## Program Summary

Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	9.00	9.00	8.00	9.00	(1.00)	8.00	9.00	(1.00)
Personal Services	259,197	252,939	255,051	288,108	(33,057)	255,407	288,514	(33,107)
Operating Expenses	<u>40,196</u>	<u>42,260</u>	<u>47,882</u>	<u>47,675</u>	<u>207</u>	<u>45,152</u>	<u>44,871</u>	<u>281</u>
Total Costs	\$299,394	\$295,199	\$302,933	\$335,783	(\$32,850)	\$300,559	\$333,385	(\$32,826)
<u>Fund Sources</u>								
General Fund	<u>299,394</u>	<u>295,199</u>	<u>302,933</u>	<u>335,783</u>	<u>(32,850)</u>	<u>300,559</u>	<u>333,385</u>	<u>(32,826)</u>
Total Funds	\$299,394	\$295,199	\$302,933	\$335,783	(\$32,850)	\$300,559	\$333,385	(\$32,826)

Page References

LFA Budget Analysis (Vol. I), A-72  
 Stephens Executive Budget, A36

Current Level Differences

5 PERCENT PERSONAL SERVICES REDUCTION— The Executive eliminated 1.0 FTE (Investment Examiner) in accordance with section 13, House Bill 2 requiring a 5 percent reduction in the 1995 biennium current level budget. The position is included in LFA current level. The Joint Committee recommended that the 5 percent reduction be permanently eliminated from the budget.

## INFLATION DIFFERENCES

## MINOR DIFFERENCES (NET)

## TOTAL CURRENT LEVEL DIFFERENCES

Budget Modification

RESTORE 5 PERCENT REDUCTION—This elected official budget modification requests restoration of a 1.0 FTE investment examiner removed from this program as part of the 5 percent personal services reduction. See the discussion above under "Current Level Differences" and the agency handout, page 8.

Language

None

Exec. Over(Under) LFA	
Fiscal 1994	Fiscal 1995

(33,056)	(33,106)
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(8)	(12)
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<u>214</u>	<u>292</u>
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(32,850)	(32,826)
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33,056	33,106
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3401 10 00000

## STATE AUDITORS OFFICE

## Fiscal Control And Management

## Program Summary

Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	13.00	13.00	12.67	13.00	(0.33)	12.67	13.00	(0.33)
Personal Services	295,921	293,221	331,598	338,123	(6,525)	332,356	338,891	(6,535)
Operating Expenses	415,982	338,169	544,623	515,081	29,542	517,133	496,133	21,000
Equipment	<u>3,047</u>	<u>300</u>	<u>21,807</u>	<u>5,786</u>	<u>16,021</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Costs	\$714,950	\$631,690	\$898,028	\$858,990	\$39,038	\$849,489	\$835,024	\$14,465
<b>Fund Sources</b>								
General Fund	414,918	334,041	212,600	199,096	13,504	159,442	192,584	(33,142)
State Revenue Fund	146,999	146,832	525,015	499,485	25,530	530,750	483,148	47,602
Proprietary Fund	<u>153,033</u>	<u>150,817</u>	<u>160,413</u>	<u>160,409</u>	<u>4</u>	<u>159,297</u>	<u>159,292</u>	<u>5</u>
Total Funds	\$714,950	\$631,690	\$898,028	\$858,990	\$39,038	\$849,489	\$835,024	\$14,465

Page References

LFA Budget Analysis (Vol. I), A73-74  
 Stephens' Executive Budget, A38-39

Current Level Differences

**5 PERCENT PERSONAL SERVICES REDUCTION**—The executive eliminated 0.33 FTE as a result of the requirement that the agency include a 5 percent personal services reduction in their 1995 biennium budget. The position is included in LFA current level. The joint House Appropriations and Senate Finance and Claims Committee has directed that the 5 percent FTE reductions be eliminated from the budget.

**INCREASED OPERATING COSTS**—The executive provides additional funding for increased data processing due to an increase in the volume of warrants, new warrant stock for the new State Auditor, and higher system development costs. These costs were not included in the original agency request but were identified by the agency and added to the current level base for the Executive Budget.

**INCREASED POSTAGE COSTS**—The LFA current level provides more funding for increased postage costs from an anticipated increase in the volume of warrants processed by the department. The executive includes this increase in the budget modification discussed below.

**EQUIPMENT MAINTENANCE CONTRACTS**—The Executive Budget provides less funding for equipment maintenance contracts due to the anticipated purchase of new equipment included in the Executive Budget that will replace high maintenance old equipment.

INFLATION DIFFERENCES

**EQUIPMENT**—The LFA current level is lower for equipment as it does not include the replacement of a large piece of equipment for the warrant writing system (forms burster) requested by the agency and included in the Executive Budget.

**FUNDING**—As discussed under "Issues" below, the executive allocation plan for warrant writing service fees "overcharges" user agencies for non-general fund warrant writing services. The LFA current level funds the warrant writing program at the level of services received as calculated by the agency (approximately 28.5 percent general fund/71.5 percent state special revenue fund), with the "overcharge" remaining in the account for carry-over to the next biennium. The executive funds the warrant writing system at an average 26 percent general fund/74 percent state special revenue fund, applying the full "overcharge" to offset general fund in the 1993 biennium.

TOTAL CURRENT LEVEL DIFFERENCES

**FIXED COST ADJUSTMENT**—By action of the House Appropriations Committee, the grounds maintenance fee charged to the State Auditor's Office has been adjusted and a portion will be added to this program (general fund, state special, and proprietary).

**VACANT POSITION**—The Joint Committee on Appropriations recommended the elimination of 1.0 FTE for this program that was vacant on December 11, 1992. The position, a collection technician in the Bad Debts

Exec. Over(Under) LFA  
 Fiscal 1994 Fiscal 1995

(6,525) (6,535)

73,344 86,844

(25,753) (39,526)

(2,250) (1,547)

(15,799) (24,771)

16,021 0

— —

39,038 14,465

403 407

(23,411) (23,577)

### Budget Modifications

#### Executive Budget Modifications:

**WARRANT SYSTEM POSTAGE**—The Executive Budget includes this modification in anticipation of a 5 percent annual growth in postage costs due to the increased number of state warrants mailed by the department. The increase is funded by 29 percent general fund and 71 percent state special revenue fund. Funding for this modification is already included in LFA current level, as costs are considered essential to provide current level services. See LFA Vol. I, page A64.

25,753 39,526

**BAD DEBTS EXPANSION**—The Executive Budget recommends an expansion in the Bad Debts program by adding 1.0 FTE and related operating costs. This expansion began in a budget amendment in fiscal 1993, and is expected to increase bad debts collections by \$500,000 each year. Funding is from a proprietary account. See LFA Vol. I, page A64.

37,494 37,494

#### Elected Official Budget Modification:

**RESTORE % PERCENT REDUCTION**—The State Auditor requests restoration of an 0.33 FTE administrative clerk removed from this program as part of the 5 percent personal services reductions. See the discussion above under "Current Level Differences" and the agency handout, page 9.

6,520 6,520

### Language and Other Issues

**FIXED COST FEE ALLOCATION**—The fixed cost allocation for warrant writing fees charged to non-general fund agencies will result in an overcharge due to an over-estimation of the costs to operate the warrant writing system (see the discussion in the LFA Budget Analysis, Vol I, A65-66. The Joint House Appropriations and Senate Finance and Claims Committees have asked the General Government and Transportation Subcommittee to determine current level for the program so that the proper fee allocation can be adopted for all agencies.

#### Cost allocation plan options:

- A. Take no action. Leave the fee schedules for user agencies as presented in the Executive Budget.
- B. Establish current level and reduce allocations to generate only enough funds to operate the program.
- C. Allocate funding in the program budget at 28.5 percent general fund/71.5 percent state special revenue fund for the warrant writing system, allowing "overcharges" to accumulate in the account and carry-over to the next biennium. Include language in House Bill 2 requiring the State Auditor to use the carry-over fund balance to reduce fees charged to non-general fund agencies for the 1997 biennium.

#### Suggested language:

"The department shall develop and submit a cost recovery plan for the (state payroll program) and the warrant writing system to the office of budget and program planning and the legislative fiscal analyst by August 1, 1994. The total program cost estimate used to allocate the fees shall be reduced by the estimated amount of the state special revenue fund balance for each program that will carry over from the 1995 biennium."

#### POLICY INITIATIVE: TRANSFER PROGRAM TO THE DEPARTMENT OF ADMINISTRATION—

The Executive Budget recommends in a policy initiative that the Fiscal Control and Management Program, including the warrant writing and bad debts collection functions (and the State Payroll Program) in the State Auditor's Office be transferred to the Department of Administration. See the Stephens' Executive Budget, Page A80.

## STATE AUDITOR

Revised 1/7/93

Positions Removed by Joint Committee Action  
House Appropriations & Senate Finance and Claims  
January 6, 1993

EXHIBIT 2  
DATE 2-2-93

		Total Personal Services		FTE		Total FTE Removed	Non-Approp. FTE
Position #	Position Description	Fiscal 1994	Fiscal 1995	Removed by 5% Reduction	Removed by Being Vacant		
<b>General Fund Positions</b>							
Central Management Division:							
00004	Admin. Assistant II	\$22,542	\$22,575	0.00	1.00	1.00	
State Payroll Program:							
* 00025	Pay Benefits Clerk	8,789	8,802	0.45	0.00	0.45	
Insurance Division:							
00032	Personal Staff	35,874	35,929	0.00	1.00	1.00	
00045	Personal Staff	43,362	43,415	0.00	1.00	1.00	
00069	Insurance Investigator	35,934	35,977	1.00	0.00	1.00	
Securities Division:							
00049**	Investment Examiner III	33,056	33,106	1.00	0.00	1.00	
Fiscal Mgt. and Control (Warrant Writing)							
00021**	Administrative Clerk I	1,861	1,864	0.09	0.00	0.09	
Sub-Total		\$181,418	\$181,668	2.54	3.00	5.54	0.00
<b>Non-General Fund Positions</b>							
State Payroll Program:							
* 00025	Pay Benefits Clerk	10,743	10,758	0.55		0.55	
Fiscal Mgt. and Control (Bad Debts):							
60503	Collection Technician	23,411	23,577	0.00	1.00	1.00	
00021**	Administrative Clerk I	4,668	4,676	0.24	0.00	0.24	
Sub-Total		\$38,822	\$39,011	0.79	1.00	1.79	0.00
TOTAL		\$220,240	\$220,679	3.33	4.00	7.33	0.00

\* Already eliminated in the LFA current level.

\*\* Not on the joint committee vacancy list

01/07/93

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# MONTANA STATE AUDITOR'S OFFICE

STATE AUDITOR  
COMMISSIONER OF INSURANCE  
COMMISSIONER OF SECURITIES  
DIRECTOR OF STATE PAYROLL

CENTRAL ADMINISTRATION  
PERSONNEL  
ACCOUNTING  
AUDITING

DEPUTY  
STATE AUDITOR

CHIEF  
LEGAL  
COUNSEL

LEGAL SERVICES

EXECUTIVE  
ASSISTANT

EXECUTIVE  
SECRETARY

WORD PROCESSING

FISCAL  
CONTROL AND  
MANAGEMENT  
DEPARTMENT  
DIRECTOR

WARRANT  
WRITING  
DIVISION

MAIL  
DIVISION

BAD  
DEBT  
DIVISION

SECURITIES  
DEPARTMENT  
DEPUTY

ENFORCEMENT  
DIVISION

REGISTRATION  
DIVISION

STATE  
PAYROLL  
DEPARTMENT  
DEPUTY

PAYROLL  
PERSONNEL  
POSITION  
CONTROL  
DIVISION

PAYROLL  
PROCESS  
DIVISION

COMPLIANCE  
DIVISION  
CONSUMER  
SERVICES  
INVESTIGATIONS

INSURANCE  
DEPARTMENT  
DEPUTY

EXAMINATIONS  
DIVISION  
RATES  
AND  
FORMS

LICENSING  
DIVISION  
HIBIT 3  
DATE 2-2-93

# GENERAL GOVERNMENT AND TRANSPORTATION GENERAL FUND EXPENDITURE TARGETS

## 1995 BIENNIUM

Agy. #	(A) -- Target -- Current Level Fiscal 1992-93	(B) LFA Current Level Fiscal 1994-95	(C) -- Difference -- LFA C/L Dollar Cut	(D) Current Level Percent Cut	(E) Additional 5% Cuts	(F) Total Cuts To Identify
1101 Legislative Auditor	\$2,405,934	\$2,598,280	\$192,346	7.99%	\$120,297	\$312,643
1102 Legislative Fiscal Analyst	1,677,561	1,730,163	52,602	3.14%	83,878	136,480
1104 Legislative Council	3,807,150	4,948,118	1,140,968	29.97%	190,358	1,331,326
1111 Environmental Quality Council	557,134	599,665	42,531	7.63%	27,857	70,388
2110 Judiciary	16,463,815	18,046,448	1,582,633	9.61%	823,191	2,405,824
3101 Governor's Office	4,744,911	5,048,068	303,157	6.39%	237,246	540,403
3201 Secretary of State's Office	1,875,831	1,865,520	0	0.00%	83,481	83,481
3202 Comm. of Political Practices	278,961	251,177	0	0.00%	0	0
3401 State Auditor's Office	4,386,372	4,285,698	0	0.00%	118,645	118,645
4107 Crime Control Division	931,387	948,664	17,277	1.85%	46,569	63,846
4108 Highway Traffic Safety	366,160	420,000	53,840	14.70%	18,308	72,148
4110 Department of Justice	22,144,108	26,894,613	4,750,505	21.45%	1,107,205	5,857,710
5401 Department of Transportation	612,894	461,689	0	0.00%	0	0
5801 Department of Revenue	38,818,690	43,420,054	4,601,364	11.85%	1,940,935	6,542,299
6101 Department of Administration	6,452,040	7,020,738	568,698	8.81%	322,602	891,300
6701 Department of Military Affairs	4,114,086	4,321,645	207,559	5.05%	205,704	413,263
Totals	\$109,637,034	\$122,860,540	\$13,513,480	12.33%	\$5,326,274	\$18,839,754

EXHIBIT 1  
DATE 2-2-93

STATE AUDITOR  
STATE OF MONTANA

EXHIBIT 3  
DATE 2-2-93  
HB \_\_\_\_\_

Mark O'Keefe  
STATE AUDITOR



COMMISSIONER OF INSURANCE  
COMMISSIONER OF SECURITIES

Amendments to the State Auditor's Budget  
February 1, 1993

1) Transfer the executive secretary position and data processing manager position from Payroll to Central administration. (Position numbers 54 and 55.) The executive secretary position has not worked on payroll functions for many years. It has been improperly cost allocated to payroll since 1985. It should be removed from the Payroll Division, funded with general fund and moved to Central Administration.

The data processing position was full time in payroll in 1983, but has become a agency wide data processing manager and now spends less than 25% of his time on payroll. This position should also be moved to Central Administration. Because a portion of the DP position is spent in support of Fiscal and Bad Debts a portion of the cost can be allocated against those funds.

The table below details the DP position time in FY92.

		Funding Split		
		General	Special	Proprietary
25%	Payroll	11.25%	13.75%	
15%	Fiscal	4.35%	10.65%	
20%	Bad Debts			20%
25%	Insurance	25.0%		
15%	Securities	15.0%		
Total		55.60%	24.40%	20%

The general fund money can be transferred to Central Administration without problems, because the cost allocation plan can be adjusted next biennium to account for the transfer.

	FY94	FY95
	(2 FTE)	(2FTE)
General Fund	(\$54,359)	(\$54,440)
State Special (Payroll)	(\$10,950)	(\$10,967)



Central Administration

	2 FTE	2 FTE
General Fund	\$54,359	\$54,440
State Special (Fiscal)	\$ 3,650	\$ 3,656
Proprietary Funds (Bad Debts)	\$ 7,300	\$ 7,311

2) Insurance Examination Costs: Add proprietary fund authority to the Insurance Division to allow for properly recording the costs of insurance examinations. Currently these expenditures are made outside the state accounting system. The amendment will not change the amount or cost of examinations, but will allow the agency to comply with accounting standards and a legislative audit finding. The state must record expenditures and revenues on its books that are made in accordance with statutory requirements. The Auditor's Office has been contracting with private examiners and having the insurance companies pay the examiner directly. This amendment would have the companies pay the Auditor who would record the revenue and pay the examiner and record the expenditure.

Insurance companies are audited on a three year cycle. In addition, the Auditor has the authority to audit troubled companies annually and order emergency examinations as the need arises. The triannual cycle results in an amount of expected examinations to vary from year to year.

There is no general fund cost now or in the future.

Insurance	FY94	FY95
Proprietary Funds	\$91,800	\$38,000

3) Glacier General Liquidation Costs: Add proprietary fund authority to central management to allow for the administrative costs of the continuing liquidation of Glacier General. The costs will be paid from liquidation proceeds and will pay the state for costs incurred as part of the ongoing liquidation.

There is no general fund cost now or in the future.

Central Management	FY94	FY95
Proprietary Funds	\$10,000	\$10,000

4) Correct the error regarding the Administrator of the Compliance Division. The Administrator's position (#32) was listed in error as being vacant on December 11 in the documents presented to the full appropriations committee. The current incumbent was promoted to that position in August of 1992 and has filled the position continuously since that date.

STATE AUDITOR  
STATE OF MONTANA

EXHIBIT 3

DATE 2-2-93

HB

Mark O'Keefe  
STATE AUDITOR



COMMISSIONER OF INSURANCE  
COMMISSIONER OF SECURITIES

TO: Representative Mary Lou Peterson, Chair  
General Government Subcommittee

FROM: Mark O'Keefe, State Auditor

SUBJECT: Proposed Spending Response

DATE: January 29, 1993

I am responding to your memo of January 21, 1993, asking each agency to identify spending cuts. Your memo asks my office to identify \$118,645 of additional reductions.

First, I would ask your subcommittee to note that the LFA current level for FY94-95 is already more than \$100,000 below the FY92-93 base. Your request to identify cuts to bring us to 5% below the FY92-93 base would require your committee to reduce expenditures by only an additional \$18,000. However, I have identified the requested reductions because I believe there are positions targeted for cuts by the committee that are a higher priority than the items identified below.

The cuts proposed as part of the executive budget eliminate a securities investigator without which my office will not be able to enforce the broker-dealer provisions of the securities law or review security offerings for compliance. Vacant positions targeted for removal by the full committee include the agency's chief legal counsel, and an insurance investigator. Without legal staff or investigative staff the agency's ability to enforce insurance laws is limited. If the committee restores those three positions and takes the cuts identified below, the agency's FY94-95 general fund budget will be below the FY92-93 level.

**Identified Reductions:**

- 1) Fiscal - Equipment Purchase \$6,215 general fund, \$21,807 all funds. The Fiscal Division has requested to purchase a new forms buster. The current machine passed its recommended life six years ago. It is currently operational and may make it one more biennium.
- 2) Payroll - System enhancements. \$58,262 general fund, \$130,928 total funds. The LFA current level includes \$78,964 each year

for system enhancements to the payroll system. Both enhancements of the system and programming charges to fix system crashes are included in the line item. In FY92 the agency spent \$13,500 to fix system crashes. If the committee is willing to see the payroll system operate for the 95 biennium with no enhancements, the line item could be reduced from \$78,964 to \$13,500 each year. Because Payroll is funded based on a cost allocation plan consisting of 44.5% general fund, \$58,262 is the net general fund savings.

3) Vacancy savings at 2% - \$56,672 general fund. The agency has operated with vacancy savings applied in past bienniums. Because of the cut backs, government wide historical rates of attrition and promotions probably will not occur. However, there will be attrition and a 2% vacancy savings rate could be achieved. I would prefer to attempt to manage the agency with vacancy savings rather than having additional positions removed.

General Fund Summary:

	FY 94	FY 95
Fiscal - Equipment	\$6,215	0
Payroll - Enhancements	\$29,131	\$29,131
2% Vacancy Savings	<u>\$28,186</u>	<u>\$28,486</u>
Totals	\$63,533	\$57,618
Biennium Total		\$121,151

STATE AUDITOR  
STATE OF MONTANA

EXHIBIT 3  
DATE 2-2-93  
MB

Mark O'Keefe  
STATE AUDITOR



COMMISSIONER OF INSURANCE  
COMMISSIONER OF SECURITIES

TO: Rep. Mary Lou Peterson, Chair  
General Government Subcommittee

FROM: Mark O'Keefe, State Auditor

SUBJECT: Position Justifications

DATE: January 29, 1993

The following justifications are for positions that are positions removed by joint committee action. I am requesting that the positions be restored to the Auditors Budget. I have listed the positions in priority order.

1) CHIEF LEGAL COUNSEL - POSITION #45 - 1.0 FTE  
The Auditor's Office is authorized four attorneys, three in insurance and one in securities. The enforcement work keeps all of them busy. The attorneys represent the Department in administrative enforcement hearings, aid county attorneys in criminal cases that agency has referred to them, draft administrative rules and provide counsel to the Department. When an insurance or securities case is referred to a county attorney for criminal prosecution the agency's attorney helps the county attorney with the prosecution. The investigative staff also supports the efforts of the county attorney and is almost always one on the major witnesses.

The chief legal counsel also provides other legal advise because the Auditor is a member of the State Land Board and the Hail Insurance Board. The Auditor is the liquidator of the Glacier General Insurance Company and relies on the chief legal counsel in these matters.

In calendar 1992 the Insurance Division asked for legal help in 85 cases, 41 of those were revocations or reinstatements, 21 were matters that required legal advise or direction, 23 were criminal or administrative cases where there was actual harm done to Montana consumers.

The Insurance Division currently has ten pending criminal cases, eight criminal complaints under investigation and twelve pending administrative complaints. Administrative fines are general fund revenue. Loss of this position will result in loss of general

fund revenue because fewer prosecutions will result in fewer fines.

2) SECURITIES INVESTIGATOR - POSITION 49 - 1.0 FTE

This position is responsible for reviewing applications of securities issuers who desire to sell securities to Montana residents, and those who wish to register as investment advisers. The position reviews applications for compliance with statutes regarding the sale of securities and investment advice. Loss of the position will result in applications being made effective without review. The outcome will be reduced protection, reduced refunds to consumers, and loss of general fund revenue.

Enforcement complaints will likely increase, as the level of pre-registration reviews declines. The Department's enforcement activities result in refunds to Montana residents who have been victimized by illegal securities promotions. The amount of such refunds will decline if the position is eliminated.

REGULATORY AND ENFORCEMENT ACTIVITIES:

<u>FY</u>	<u>ISSUERS</u>	<u>INVESTMENT ADVISORS</u>	<u>REFUNDS</u>
1991	546	27	\$429,840.00
1992	582	62	\$220,878.00
1993	610	64	\$488,855.05

General fund revenue impact:

The position initiates administrative enforcement actions which may result in fines being paid to the general fund. In FY 1993, to date, the Department has collected fines of \$59,000.00.

1. Estimated based on first six months
2. To date as of January 15, 1993

3) INSURANCE INVESTIGATOR - POSITION #69 - 1.0 FTE

This position investigates alleged infractions of Montana's insurance and criminal codes, and comprises one-third of the insurance investigative staff.

If this position is eliminated, consumer complaints of administrative wrongdoing cannot be investigated. Over the past twelve months, both criminal and administrative cases have been reported to the Insurance Investigations Bureau faster than they can be properly investigated by the two remaining investigators. Because complaints alleging criminal activity take priority over those that do not, loss of this position will mean that noncriminal cases will not be investigated. The Bureau is presently investigating eight criminal cases with ten more pending, it is likely that the two year statute of limitations on the noncriminal cases will expire before they will receive attention. Twelve such cases are now pending.

General Fund Impact. Unfortunately, it is the noncriminal investigations that are most likely to generate general fund revenue, in the form of administrative fines. Maximum fines for administrative violations are: \$25,000.00 per violation for insurers; \$500.00 per violation for resident producers; and \$50,000.00 per violation for nonresident producers. Legislation is currently proposed that would increase the maximum resident producer fine to \$5,000.00.

4) COLLECTION TECH (BAD DEBTS) - GRADE 9 - 1.00 FTE  
The Bad Debts Administration program currently has three collection tech positions. This position, funded totally by revenue generated by the collection of debts owed state and federal governments, cross references individual and corporate identification numbers with payments being made by various state agencies. If one of these payees owes money to the state, the payee is contacted and offered a repayment plan that begins with the check that is being drawn on the state treasury.

General Fund Revenue: Loss of this position will reduce the number of possible repayments of existing debt and will result in loss of General Fund revenue. Currently, each position generates approximately \$500,000 in collections annually. Of this amount, approximately 60% goes back to the General Fund.

5) ADMINISTRATIVE CLERK (FISCAL) - POSITION #14 - 0.33 FTE  
Fiscal Control currently has two administrative clerk positions performing work related to the warrant writing system. This would reduce one of these positions to .66 FTE.

This position specifically performs the following duties:

1. Informs agencies when warrants issued are returned due to errors in address or incorrect payments.
2. Issues documents to replace lost, destroyed, forged, or stale dated warrants.
3. Assembles and distributes state payroll warrants and direct deposit advises for all employees on the PPP system.
4. Receives and distributes daily "hold in office" warrants.
5. Process cancellation notices within the warrant system.
6. Provides technical assistance to state agencies regarding payments made through the warrant system.

In addition to the specific assigned duties, this position provides critical backup to the other warrant system functions. The current staff reductions have required this position to take on additional responsibilities for the timely distribution of state warrants.

Loss of a portion of this position will result in delays in processing warrants and potential violation of statutes that require prompt payment of vendors.

6) ADMINISTRATIVE ASSISTANT - POSITION #04 - 1.00 FTE  
CENTRAL ADMINISTRATION

Central Administration is budgeted for two administrative positions. The proposed reduction removes one of these positions. Central administration receipts in excess of \$30 million per year. Checks have to be processed and deposited within 24 hours, and the reports or applications then transferred to insurance or securities for processing. Loss of the position means the agency has to pull staff from other areas from their assigned duties to get the cash into the general fund. The agency can operate in this fashion for the short term, but the position has to be filled at the expense of other duties.

The position also assists in the development and execution of agency budget functions. The assistant provides ongoing budget review for planning agency expenditures in accordance with legislative appropriations and agency administrative needs.

Normal operational functions such as document processing for accounting, PAMS, and personnel duties are assigned to Central Administration. The assistant position provides backup for these functions.

7) PAYROLL TECHNICIAN - POSITION #27 - 0.5 FTE

This position is vital to the payroll system. It is the responsibility of this position to coordinate payroll processing with Computer Services Division and Information Services Division to insure adequate support of the Payroll/Personnel/Position Control System; to execute garnishments of employee's wages; prepare payroll data; to reconcile payroll totals; for the on-line entry and edit of SBAS transactions; maintain the integrity of payroll information on the Warrant system payee file; calculate the tax effect of refunds for the Premium Payment Plan; the distribution of the bi-weekly, monthly, quarterly payroll reports; for verifying signatures on payroll documents and memos, keep the memo log and authorized signature book up to date; to reissue W-2 and 1099 forms as requested; to verify and address W-4 forms for the Internal Revenue Service. This position is also responsible for training and supervision of subordinate staff and training of agency payroll clerks.

When on line entry and edit was initiated the agency stated it could do without this half FTE. Since then additional duties have been added. The position prepares electronic 1099 forms in compliance with an agreement with the IRS. If those forms are not prepared the IRS may institute a penalty against the state. Duties have also been added regarding garnishment of wages.

## STATE AUDITOR'S OFFICE

## INSURANCE DEPARTMENT COLLECTIONS FOR FISCAL YEARS 1975 - 1992:

NOVEMBER 17 , 1992

FISCAL YEAR	AGENT LICENSE FEES	COMPANY FEES	FIRE MARSHALL TAX	FIREMEN'S PENSION TAX	PROPERTY & CASUALTY PREMIUM TAX	LIFE & DISABILITY PREMIUM TAX	RETALI- ATION TAX	HEALTH SER. CORP. FEES & TAX	GENETICS PROGRAM	TOTAL
1975	\$279,201	\$319,064	\$182,858	\$	\$ 4,013,822	\$3,487,943	\$ 40,329	\$		\$ 8,323,217
1976	274,750	309,253	191,133	381,684	4,591,501	3,690,125	44,835			9,483,281
1977	268,138	311,295	236,459	472,924	5,804,292	4,054,309	67,425	24,809		11,239,651
1978	344,201	324,678	274,848	549,670	6,541,861	4,513,215	84,519	23,330		12,656,322
1979	556,908	338,501	310,103	619,082	7,380,643	5,059,252	77,113	25,706		14,367,308
1980	417,808	336,024	342,138	684,276	8,049,699	5,232,148	88,253	26,686		15,177,033
1981	531,513	341,134	357,624	713,031	8,459,202	5,425,895	108,662	30,008		15,967,069
1982	667,562	382,205	349,790	699,407	8,707,412	5,797,385	120,883	29,533		16,754,178
1983	784,054	395,665	364,053	713,724	9,280,260	6,025,691	60,925	100,846		17,725,218
1984	784,880	395,150	372,764	744,912	9,918,488	7,188,641	53,751	58,587		19,517,173
1985	745,576	411,804	397,459	794,559	10,871,775	7,451,857	67,629	56,912		20,797,571
1986	754,780	415,804	466,922	930,748	12,991,053	7,738,421	60,300	57,157	344,150	23,759,335
1987	712,109	436,573	514,815	1,022,820	14,263,922	7,823,354	106,779	52,482	366,683	25,299,537
1988	874,584	471,991	487,728	972,445	22,987,573	13,337,737	175,819	6,785	250,266	39,564,932
1989	861,165	459,528	498,718	974,124	15,573,567	9,292,618	153,734	4,365	267,629	28,085,448
1990	489,576	838,568	471,603	907,996	15,654,357	7,600,796	116,860	5,040	345,239	26,430,036
1991	581,301	1,079,561	438,417	876,091	17,064,096	6,890,685	115,493	335	386,573	27,432,552
1992	563,959	807,098	588,953	862,351	17,593,176	6,725,337	92,101	300	543,808	27,777,083
<b>ESTIMATED:</b>										
1993	600,000	820,000	600,000	900,000	19,260,000	6,875,000	75,000	300	540,000	29,670,300
1994	600,000	830,000	615,000	922,500	18,410,000	6,420,000	100,000	300	-0-	27,897,800
1995	600,000	840,000	630,000	945,000	18,830,000	6,650,000	100,000	300	-0-	28,595,300

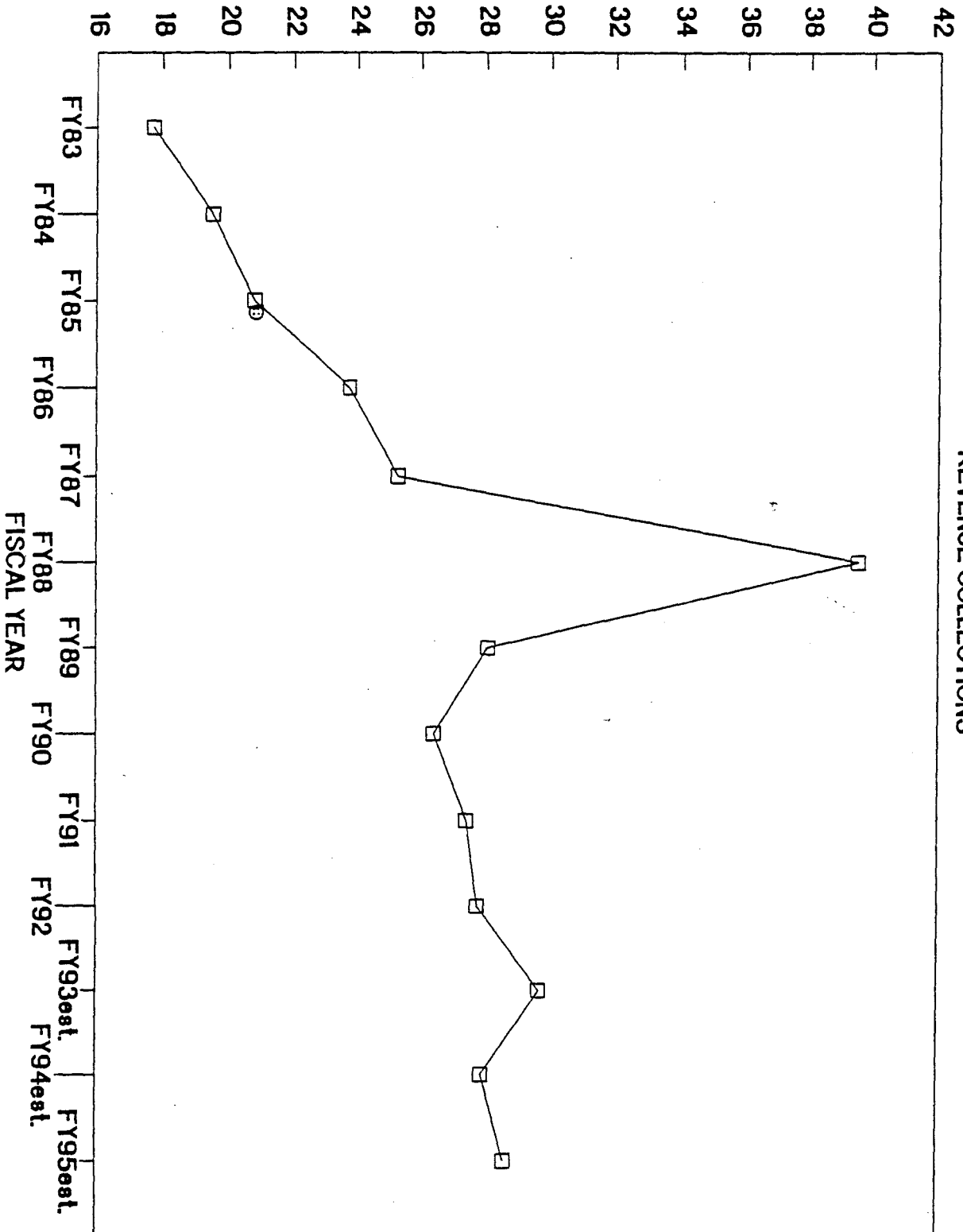
EXHIBIT  
DATE 1-2-93  
HJB



INS.DIV.REVENUE  
(Millions)

EXHIBIT 3  
DATE 2-2-93

INSURANCE PROGRAM  
REVENUE COLLECTIONS



## EXAMINATIONS DIVISION

**ACTIVITY STATISTICS****FY 93****FY 94****FY 95****Licensing Oversight****Processing Renewals:**

Insurers	1,420	1,460	1,500
Administrators	90	95	100
Surplus Lines Insurers	185	190	200
Other Insurance Entities	120	125	130

**Review of New Applications:**

Insurers	50	50	50
Administrators	20	20	20
Other Insurance Entities	15	15	15

**General Fund Revenue****Audit of:**

Premium Taxes	\$27,710,000	\$26,467,500	\$27,155,000
Related Company Fees	\$820,000	\$830,000	\$840,000

**Financial Oversight**

Review of non-Montana insurer exam reports.	300	300	300
Financial review of domestic insurers.	21	23	25
Oversight of domestic insurer examinations.	5	12	7
Issuing suspension & revocation Orders	30	30	30
Reviewing bulk reinsurance transfers.	35	35	30

**Administrative Oversight**

Confirm receipt of required documents.	9,400	9,600	9,800
Processing license amendments.	50	50	50
Review securities transactions.	25	25	25
Responding to telephone inquiries.	3,600	3,600	3,600
Preparing written responses to inquiries.	1,000	1,000	1,000

**RATES AND FORMS BUREAU****Product Oversight:**

Review of required policy submissions.	6,750	7,000	7,000
Number of forms reviewed.	21,000	23,000	23,000
Other forms reviewed.	1,000	1,000	1,000
Preparation of letters.	6,000	6,500	6,500
Responding to telephone inquiries.	2,800	2,900	2,900
Review of property/casualty rate filings.	5,000	5,000	5,000

# LICENSING DIVISION

The mission of the licensing division is the proper licensing of insurance producers and adjusters to prevent harm to the public by incompetent or untrustworthy individuals, while not restricting an applicant's ability to earn a living or depriving consumers of further product choices.

Subject	FY 93	FY 94	FY 95
I. Currently Licensed			
A. Agents and Agencies / Resident and Non-Resident	12,000	12,000	12,000
B. Adjusters	400	400	400
C. Motor Club Representatives	100	100	100
D. Surplus Lines Agents	75	75	75
E. Pre-Licensing Education Courses	19	19	19
II. New Items - Annually			
A. Agent/Agency Licenses	2150	2150	2150
B. License Amendments	1500	1500	1500
C. Adjusters	75	75	75
D. Motor Club Reps	50	50	50
E. Surplus Lines Agents	10	10	10
F. Company Appointments	11,000	11,000	11,000
G. Prelicensing Education Courses	3	3	3
III. Renewals			
A. Non-resident Producers	4200	4200	4200
B. Adjusters	400	400	400
C. Company Appointment Renewals	1300	1300	1300
IV. Additional items			
A. Certification and Clearance Letters	1100	1100	1100
B. Form requests mailed out	1400	1400	1400
C. Company Appointment Terminations	7500	7500	7500
D. Telephone calls	18,000	18,000	18,000
E. Correspondence			
V. Revenue Collected			
A. Premium Taxes on Surplus Lines	\$360,000	\$360,000	\$360,000
B. Licensing Fees	\$320,000	\$320,000	\$320,000
=====	=====	=====	=====
C. Total Collected	\$680,000	\$680,000	\$680,000

POLICYHOLDER SERVICES DIVISION

EXHIBIT 3  
DATE 2-2-93

Policyholder Services handles consumer inquiries and complaints involving insurance agents, insurance companies, insurance contracts and other related insurance matters. In addition Policyholder Services investigates Insurance Code and Rule violations, conducts Market Conduct Examinations and other insurance related duties as required by Title 33 MCA.

FY 90 - FY 92

1. Closed Complaint Files.	5,355
2. Telephone Inquiries.	67,282
3. Written Inquiries.	3,219
4. Monies recovered for Consumers in the form of premium refunds and insurance policy benefits.	\$6,803,643

	FY 93	FY 94	FY 95
1. Closed Complaint Files.	2,000	2,200	2,500
2. Telephone Inquiries.	22,000	25,000	28,000
3. Written Inquiries	1,200	1,500	1,800
4. Monies recover for Consumers in the form of premium refunds and insurance policy benefits.	\$2,500,000	\$3,000,000	\$3,500,000

EXHIBIT 3  
DATE 2-2-93  
48

SECURITIES DEPARTMENT

	FY93	FY94	FY95
<u>REGISTRATION</u>			
Broker-Dealers	768	791	815
Salesmen	17,264	17,514	17,764
Investment Advisers	190	195	200
Investment Adviser Representatives	522	537	552
Issuers (New)	610	628	647
Issuers (Total)	1,931	1,989	2,049

FEEs

Broker-Dealers	\$ 153,600	\$ 158,200	\$ 163,000
Salesmen	863,200	875,700	888,200
Investment Advisers	38,000	39,000	40,000
Investment Adviser Representatives	26,100	26,850	27,600
Issuers	1,124,198	1,157,923	1,192,660
Other	<u>43,403</u>	<u>44,705</u>	<u>46,046</u>
Total Fees	<u>\$2,248,501</u>	<u>\$2,302,378</u>	<u>\$2,357,506</u>

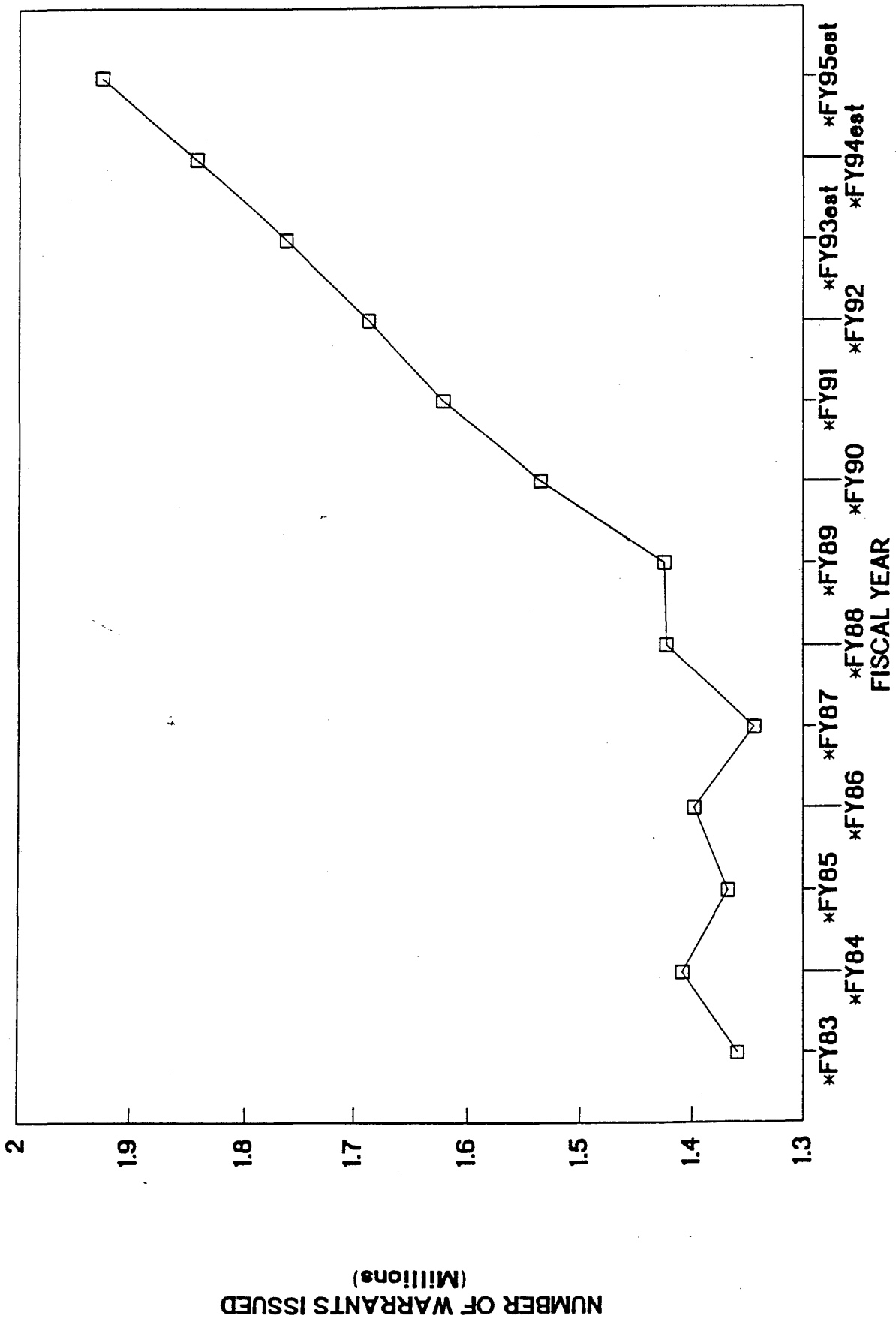
ENFORCEMENT

FISCAL YEAR 1993 TO DATE

Investigations	23
Fines	\$ 59,212.43
Rescission offers to Montana investors	\$ 488,855.05
Criminal convictions	2
Pending criminal cases	5

# WARRANT PRODUCTION FY83-95

EXHIBIT 1  
DATE 2-2-93  
15

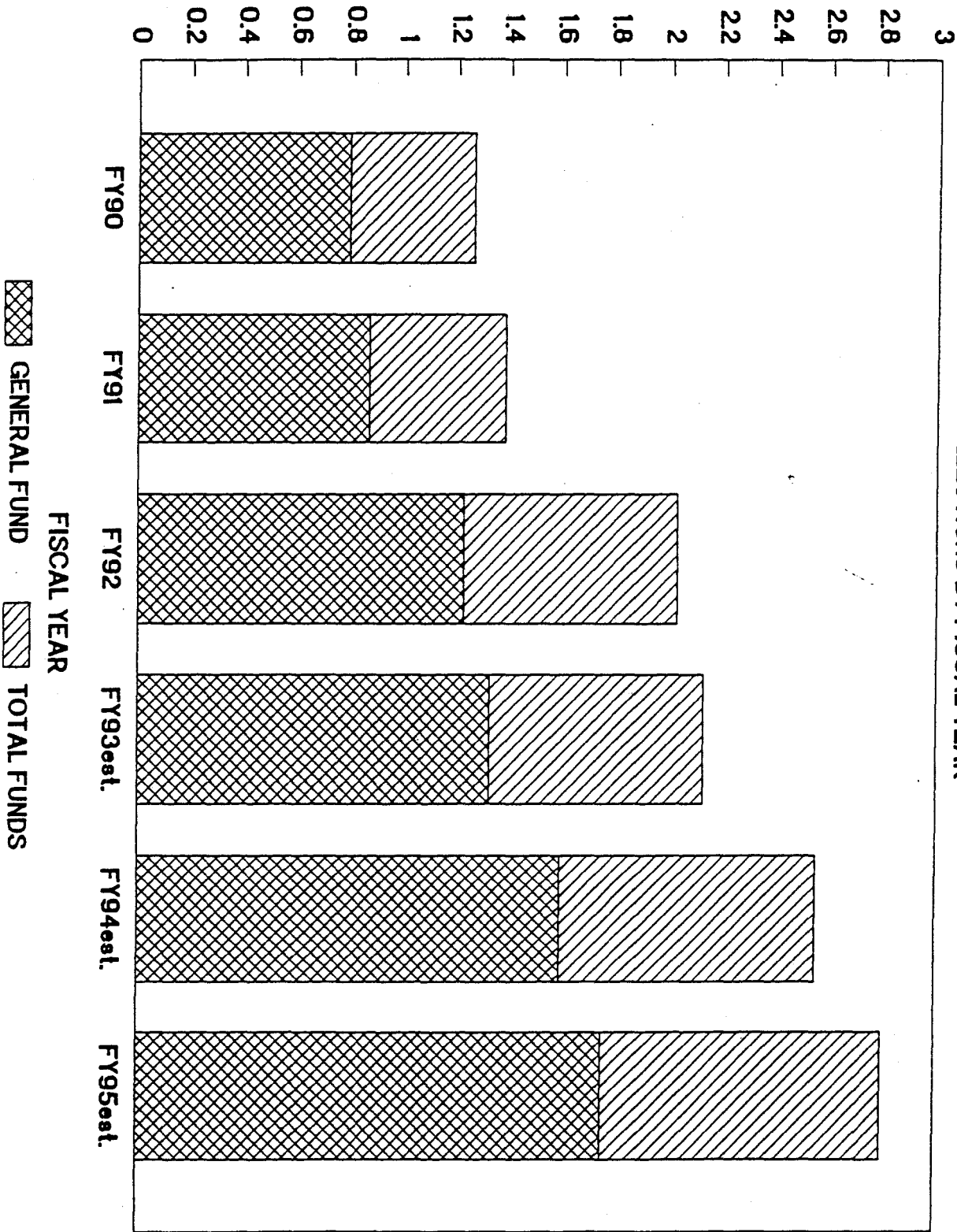


E.A. 10

EXHIBIT 3  
DATE 2-2-93  
BY                     

AMOUNT COLLECTED  
(Millions)

*BAD DEBT PROGRAM*  
COLLECTIONS BY FISCAL YEAR







Analysis of proposed cuts in enhancements in Payroll budget  
January 29, 1993

Jim Sheehy and I compared the State Auditors' proposed reductions identified in their 01/27/93 memo to Representative Mary Lou Peterson with PPP billing history maintained by ISD. Here's our quick analysis:

1. Misinterpretation of Charges to Billing Number 11-107. The memo refers to \$13,500 spent to fix system crashes. All but \$207 of the charges to 11-107 was for computer time, not personnel time. Because the bulk of the \$13,500 was computer time, it would have been charged to SBAS Object of Expenditure 2172 (Computer Processing Production/DofA), not 2175 (Information System Development (DofA), the budget category in question.

2. Actual PPP Support Costs. ISD's billing records for work on production recovery and essential system maintenance tasks show the following actual costs, segregated into two basic categories:

Amount	Description
\$36,900	This amount is the actual amount of personnel time (Object 2175) charged "to fix system crashes", not the \$13,500 as mistakenly used by the State Auditors' Office.
\$36,651	This amount was charged for essential maintenance that if not done would have caused PPP to generate incorrect payrolls. Examples include changes to federal income tax tables, state income tax tables, retirement contribution rates, worker's compensation rates, W-2's, etc. This amount also includes the fixing of "bugs" that are discovered throughout the year. It could be argued that some of the projects that were worked on were not absolutely essential but it is my understanding that we have been in a mode of working on only high priority tasks for a long time, including all of FY92.
=====	
\$73,551	This is the total of the personnel charges (2175). It differs slightly from the LFA's current level of \$78,964, the bulk of which would be explained by the 8% inflation granted for ASB's hourly rate (FY92-\$36/hr; FY94-\$39/hr; FY95-\$39/hr).

The Bottom Line. The proposed reductions would leave PPP under funded for production recovery and essential maintenance by the amounts proposed in their memo (\$29,131 in each year).

Jeff Brandt, Chief, Application Support Bureau

5401 02 00000

DEPARTMENT OF TRANSPORTATION  
Program Summary

## Construction Program

Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	913.94	898.24	796.59	890.79	(94.20)	796.59	890.79	(94.20)
Personal Services	27,905,333	28,382,179	28,720,119	30,735,526	(2,015,407)	28,804,917	30,823,069	(2,018,152)
Operating Expenses	162,522,605	180,060,563	178,895,202	176,892,625	2,002,577	180,754,267	178,746,385	2,007,882
Equipment	716,203	774,285	858,040	858,040	0	683,220	683,220	0
Capital Outlay	4,526,381	3,944,800	6,150,000	5,400,000	750,000	6,150,000	5,400,000	750,000
Grants	44,938	0	100,000	100,000	0	100,000	100,000	0
Debt Service	255	3,069	0	0	0	0	0	0
Total Costs	\$195,715,717	\$213,164,896	\$214,723,361	\$213,986,191	\$737,170	\$216,492,404	\$215,752,674	\$739,730
<b>Fund Sources</b>								
State Revenue Fund	59,981,204	67,292,235	56,353,994	55,624,191	729,803	56,531,664	55,799,315	732,349
Federal Revenue Fund	135,734,513	145,872,661	158,369,367	158,362,000	7,367	159,960,740	159,953,359	7,381
Total Funds	\$195,715,717	\$213,164,896	\$214,723,361	\$213,986,191	\$737,170	\$216,492,404	\$215,752,674	\$739,730

**Page References**

LFA Budget Analysis (Vol. I). A-133  
 Stephens Executive Budget, A57

**Current Level Differences**

**5 PERCENT PERSONAL SERVICES REDUCTION**—The Executive eliminated 94.2 FTE in compliance with section 13. House Bill 2 requiring a 5 percent personal services reduction in the 1995 biennium. The positions are included in LFA current level. The Joint Committee recommended that the 5 percent reductions be permanently eliminated from the budget.

(2,015,491) (2,018,244)

**OPERATING COSTS**—The Executive Budget is \$4.0 million higher for operating expenses. Although the 1995 biennium construction plan shows only a modest increase over fiscal 1992 levels, and the DOT Construction Management System projected a need for 25.45 fewer FTE in the 1995 biennium, the Executive provides for an \$8.2 million increase over fiscal 1992 expenditures in construction administrative and overhead operating costs (excluding contractor payments) for the 1995 biennium. The lower LFA current level provides for a significant increase in operating expenses, but is still \$4.0 million below the Executive Budget.

2,000,000 2,000,000

**CAPITAL OUTLAY**—The Executive Budget includes more for the purchase of right-of-way for construction projects in the 1995 biennium than LFA current level. The LFA current level provides funding for right-of-way based on the budgeted construction plan, using a formula for estimating costs provided by the department.

750,000 750,000

**INFLATION DIFFERENCES**

2,577 7,882

**MINOR DIFFERENCES (NET)**

84 92

**TOTAL CURRENT LEVEL DIFFERENCES**

737,170 739,730

**VACANT POSITIONS**—The Joint Committee on Appropriations recommended the elimination of 48.0 FTE for this program that were vacant on December 11, 1992. The positions are non-general fund, and are shown on the attached position reduction listing.

(1,522,542) (1,526,619)

**Budget Modifications**

**CITY PARK REST AREAS**—This budget modification would expand the City Park Rest Area program which began as a budget modification in the 1993 biennium. This modification would use highways special revenue funds to expand the program \$300,000 per year to supplement the \$200,000 per year in current level. The DOT contracts with localities to upgrade city parks as rest areas along major highways rather than constructing more expensive new rest areas.

300,000 300,000

**ANALYTIC STEREO PLOTTER**—This modification uses highways special revenue funds to purchase a third analytical stereo plotter for mapping and cross-section data.

225,000 0

**RESTORE 5 PERCENT REDUCTION: CONSULTANTS OPTION**—This modification is presented by the Executive as an alternative to the 5 percent personal services restoration modification discussed below. Using 25 percent highways special revenue and 75 percent federal funds, this modification would use contracted services for design work in lieu of restoring the 94.2 FTE removed as part of the 5 percent personal services reduction, with the intent that if the FTE were not restored, this option would be needed to continue the current level construction plan.

**RESTORE 5 PERCENT REDUCTION**—This modification would restore the 94.2 FTE deleted in the Executive Budget in accordance with section 13, House Bill 2. See LFA Vol. I, page A-120.

### Other Issues

**OVERTIME**—The Executive Budget may be revised to include a larger request for overtime costs.

4,030,982 4,036,488

EXHIBIT 6

DATE 2-2-93

13

2,015,491 2,018,244

DATE 2-2-93HB

5401 03 00000

## DEPARTMENT OF TRANSPORTATION

## Maintenance Program

## Program Summary

Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	651.88	654.88	614.43	651.88	(37.45)	614.43	651.88	(37.45)
Personal Services	21,358,889	22,836,530	22,590,878	23,758,195	(1,167,317)	22,903,899	24,087,021	(1,183,122)
Operating Expenses	25,655,696	26,830,776	25,574,693	25,435,043	139,650	25,285,373	25,120,323	165,050
Equipment	417,425	187,214	458,588	320,000	138,588	374,565	320,000	54,565
Capital Outlay	<u>177,227</u>	<u>118,400</u>	<u>108,434</u>	<u>108,434</u>	<u>0</u>	<u>108,434</u>	<u>108,434</u>	<u>0</u>
Total Costs	\$47,609,239	\$49,972,920	\$48,732,593	\$49,621,672	(\$889,079)	\$48,672,271	\$49,635,778	(\$963,507)
<b>Fund Sources</b>								
State Revenue Fund	47,609,239	49,972,920	48,643,679	49,532,758	(889,079)	48,583,357	49,546,864	(963,507)
Federal Revenue Fund	<u>0</u>	<u>0</u>	<u>88,914</u>	<u>88,914</u>	<u>0</u>	<u>88,914</u>	<u>88,914</u>	<u>0</u>
Total Funds	\$47,609,239	\$49,972,920	\$48,732,593	\$49,621,672	(\$889,079)	\$48,672,271	\$49,635,778	(\$963,507)

**Page References**

LFA Budget Analysis (Vol. I), A-136  
 Stephens Executive Budget, A59

**Current Level Differences**

**5 PERCENT PERSONAL SERVICES REDUCTION**—The Executive eliminated 37.45 FTE in compliance with section 13, House Bill 2 requiring a 5 percent personal services reduction in the 1995 biennium. The positions are included in LFA current level. The Joint Committee recommended that the 5 percent reductions be permanently eliminated from the budget.

(1,168,616) (1,184,467)

**COUNTY WEED CONTROL**— The Executive Budget includes a 38 percent increase in operating expenses for the county weed control program along state highways. The state contracts with counties for weed control, and increases are anticipated for insurance and chemical prices. The LFA current level provides for a 10 percent increase.

139,650 165,050

**EQUIPMENT**—The Executive Budget includes funding for equipment at a level much higher than an average year, including large amounts for portable radios and other field communications equipment. LFA current level provides for a lower budget for the priority purchase of equipment based on average equipment expenditures in recent years.

138,588 54,565

**MINOR DIFFERENCES (NET)**

1,299 1,345

**TOTAL CURRENT LEVEL DIFFERENCES**

(889,079) (963,507)

**VACANT POSITIONS**—The Joint Committee on Appropriations recommended the elimination of 31.2 FTE for this program that were vacant on December 11, 1992. The positions are non-general fund, and are shown on the attached position reduction listing.

(1,031,054) (1,044,582)

**Budget Modifications**

**ROADWAY STRIPING**—This modification provides highways special revenue funds for roadway striping to address a deficiency noted by the Federal Highway Administration, that Montana is failing to maintain road striping year around.

1,000,000 1,000,000

**ICE CONTROL MATERIAL**—This modification provides highways special revenue funds to purchase chemical de-icer and washed sand for ice control on state highways. The new ice control materials are required to attain compliance with federal and state air quality regulations in areas designated as "non-attainment" areas.

1,285,091 1,373,391

**HAZARDOUS WASTE**—This modification provides highways special revenue funds to hire a consultant to develop a plan for DOT waste management disposal and to reduce existing hazardous waste materials in the department.

1,000,000 1,000,000

**PAVEMENT PRESERVATION**—This modification provides highways special revenue funds for the expansion of the pavement preservation program, including patching, crack sealing, seal and cover, and pavement

6,500,000 6,500,000

rejuvenation. This modification results in a 13.3 percent expansion of the Maintenance program. Funding for this modification alone requires the equivalent of a 1.3 cent fuel tax increase.

DATE 2-2-93

REST AREAS—This modification would use highways special revenue funds to maintain 10 new rest areas that DOT plans to add statewide. The modification provides funding for the entire biennium although the rest areas will not likely be open until near the end of the 1995 biennium.

165,000	165,000
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RESTORE 5 PERCENT REDUCTION—This modification will restore the 37.45 FTE deleted in the Executive Budget in accordance with section 13, House Bill 2.

1,168,615	1,184,476
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Language

None

5401 07 00000

DEPARTMENT OF TRANSPORTATION  
Program Summary

## State Motor Pool

Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	5.00	5.00	5.00	5.00	0.00	5.00	5.00	0.00
Personal Services	155,522	149,900	162,244	162,243	1	164,481	164,480	1
Operating Expenses	240,303	241,929	287,401	287,401	0	317,428	317,428	0
Equipment	<u>333,776</u>	<u>0</u>	<u>443,300</u>	<u>443,300</u>	<u>0</u>	<u>284,800</u>	<u>284,800</u>	<u>0</u>
Total Costs	\$729,601	\$391,829	\$892,945	\$892,944	\$1	\$766,709	\$766,708	\$1
<u>Fund Sources</u>								
Proprietary Fund	<u>729,601</u>	<u>391,829</u>	<u>892,945</u>	<u>892,944</u>	<u>1</u>	<u>766,709</u>	<u>766,708</u>	<u>1</u>
Total Funds	\$729,601	\$391,829	\$892,945	\$892,944	\$1	\$766,709	\$766,708	\$1

Page References

LFA Budget Analysis (Vol. I), A-137  
 Stephens Executive Budget, A60

Current Level Differences

## MINOR DIFFERENCES

Budget Modifications

MOTOR POOL FLEET INCREASE - This modification provides motor pool proprietary funds to purchase 20 vehicles to expand the size of the motor pool fleet. Funding will be by an inter-entity loan from the highways special revenue fund and be repaid by a surcharge on rental rates paid by state agencies that use the vehicles. A recent legislative audit recommendation called for reduction of the motor pool fleet to its present size, and the July 1992 special session reduced the program equipment appropriation to accomplish this reduction.

Language

None

Exec. Over(Under) LFA
Fiscal 1994    Fiscal 1995

1	1
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228,000	0
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DATE 2-2-93

5401 08 00000

DEPARTMENT OF TRANSPORTATION  
Program Summary

## Equipment Program

Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	122.00	121.00	122.00	122.00	0.00	122.00	122.00	0.00
Personal Services	4,043,691	4,109,662	4,390,450	4,390,483	(33)	4,453,779	4,453,829	(50)
Operating Expenses	4,385,091	4,625,845	5,174,444	4,969,167	205,277	5,319,555	5,105,730	213,825
Equipment	<u>4,907,914</u>	<u>4,905,659</u>	<u>4,899,245</u>	<u>4,899,245</u>	<u>0</u>	<u>4,899,245</u>	<u>4,899,245</u>	<u>0</u>
Total Costs	\$13,336,698	\$13,641,166	\$14,464,139	\$14,258,895	\$205,244	\$14,672,579	\$14,458,804	\$213,775
<u>Fund Sources</u>								
Proprietary Fund	<u>13,336,698</u>	<u>13,641,166</u>	<u>14,464,139</u>	<u>14,258,895</u>	<u>205,244</u>	<u>14,672,579</u>	<u>14,458,804</u>	<u>213,775</u>
Total Funds	\$13,336,698	\$13,641,166	\$14,464,139	\$14,258,895	\$205,244	\$14,672,579	\$14,458,804	\$213,775

Page References

LFA Budget Analysis (Vol. I), A-139  
 Stephens Executive Budget, A61

Current Level Differences

GAS AND DIESEL—The Executive Budget provides a 28 percent increase for gasoline over fiscal 1992 and an 8.5 percent increase for diesel fuel. The LFA current level provides smaller increases of 20 percent for gasoline before inflation and no increase for diesel before inflation (fiscal 1992 was a high year).

154,996 154,996

SUPPLIES—The Executive Budget includes higher amounts for shop tools, parts supplies, and propane. The LFA current level retained shop tool and parts supplies at base levels since there was no historical justification for an increase. LFA current level does not include the executive increase for propane, since it was related to the budget modification for expansion of the pavement preservation program and is not a current level expense.

39,958 39,958

## INFLATION DIFFERENCES

7,782 16,330

## MINOR DIFFERENCES (NET)

2,508 2,491

## TOTAL CURRENT LEVEL DIFFERENCES

205,244 213,775

VACANT POSITIONS—The Joint Committee on Appropriations recommended the elimination of 5.0 FTE for this program that were vacant on December 11, 1992. The positions are proprietary fund supported, and are shown on the attached position reduction listing.

(168,167) (170,697)

Budget Modifications

EQUIPMENT REPLACEMENT—This modification will fund 10 street sweepers in fiscal 1994 plus mowers, graders and other equipment in fiscal 1995 from the proprietary fund. This modification is in addition to the \$9.8 million equipment request in the Executive Budget current level.

1,000,000 1,000,000

Language

None

5401 11 00000 DEPARTMENT OF TRANSPORTATION Program Summary		Interfund Transfers Program						
Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transfers	<u>11,417,089</u>	<u>17,149,771</u>	<u>12,702,221</u>	<u>14,625,413</u>	<u>(1,923,192)</u>	<u>17,270,632</u>	<u>15,691,130</u>	<u>1,579,502</u>
Total Costs	\$11,417,089	\$17,149,771	\$12,702,221	\$14,625,413	(\$1,923,192)	\$17,270,632	\$15,691,130	\$1,579,502
<u>Fund Sources</u>								
State Revenue Fund	<u>11,417,089</u>	<u>17,149,771</u>	<u>12,702,221</u>	<u>14,625,413</u>	<u>(1,923,192)</u>	<u>17,270,632</u>	<u>15,691,130</u>	<u>1,579,502</u>
Total Funds	\$11,417,089	\$17,149,771	\$12,702,221	\$14,625,413	(\$1,923,192)	\$17,270,632	\$15,691,130	\$1,579,502

**Page References**

LFA Budget Analysis (Vol. I), A-140  
 Stephens Executive Budget, A62

**Current Level Differences**

This program provides appropriation authority to transfer sufficient funds from the highways special revenue fund to the RTF fund for budgeted RTF projects. The Executive Budget has been revised to concur with the LFA current level.

**Budget Modifications**

None

**Other Issues**

None

Exec. Over(Under) LFA  
 Fiscal 1994    Fiscal 1995

(1,923,192)    (1,579,502)



5401 12 00000

DEPARTMENT OF TRANSPORTATION  
Program Summary

## Stores Inventory

DATE 2-2-93

Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	<u>14,227,849</u>	<u>14,901,886</u>	<u>14,452,195</u>	<u>14,452,195</u>	<u>0</u>	<u>14,611,934</u>	<u>14,611,934</u>	<u>0</u>
Total Costs	\$14,227,849	\$14,901,886	\$14,452,195	\$14,452,195	\$0	\$14,611,934	\$14,611,934	\$0
<b>Fund Sources</b>								
State Revenue Fund	<u>14,227,849</u>	<u>14,901,886</u>	<u>14,452,195</u>	<u>14,452,195</u>	<u>0</u>	<u>14,611,934</u>	<u>14,611,934</u>	<u>0</u>
Total Funds	\$14,227,849	\$14,901,886	\$14,452,195	\$14,452,195	\$0	\$14,611,934	\$14,611,934	\$0

**Page References**

LFA Budget Analysis (Vol. I), A-141  
 Stephens Executive Budget, A63

**Current Level Differences**

None

**Budget Modifications**

ROADWAY STRIPING: STORES—See below.

ICE CONTROL MATERIALS: STORES—See below.

PAVEMENT PRESERVATION: STORES—See below.

The three budget modifications listed above are companions to Maintenance program modifications discussed on page 7. They provide purchase authority in the Stores Inventory program to use \$17.7 million highways special revenue funds for roadway striping, ice control, and pavement preservation materials. The materials are then transferred and billed to the Maintenance program. A legislative appropriation is necessary for both the purchase and transfer of the materials under the existing DOT system.

**Other Issue**

STATEWIDE FUEL USER SYSTEM NETWORK—Former Governor Stephens signed an executive order creating a Statewide Fuel User System Network. The DOT may operate up to 80 percent of the fuel dispensing facilities in the network, and would have to purchase fuel for all users and then be reimbursed for fuel used by other governmental entities. The DOT will need additional spending authority in the Stores Program to purchase the additional fuel required when the network is initiated. The amount of the additional authority needed has not yet been determined.

Exec. Over	(Under) LFA
Fiscal 1994	Fiscal 1995

1,000,000	1,000,000
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1,285,091	1,373,391
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6,500,000	6,500,000
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DEPARTMENT OF TRANSPORTATION  
GENERAL OPERATIONS PROGRAM

EXHIBIT 7  
DATE 2-2-93

Positions Removed by Joint Committee Action  
House Appropriations & Senate Finance and Claims  
January 6, 1993

		Total Personal Services		FTE		Total FTE Removed	Non-Approp. FTE
Position #	Position Description	Fiscal 1994	Fiscal 1995	Removed by 5% Reduction	Removed by Being Vacant		
All or Partial General Fund Positions							
	None					0.00	
Sub-Total		\$0	\$0	0.00	0.00	0.00	0.00
Non-General Fund Positions							
91735	Administrative Clerk I	\$9,651	\$9,663	0.50		0.50	
92101	Administrative Clerk I	9,893	9,905	0.50		0.50	
92113	Accounting Clerk	20,418	20,447	1.00		1.00	
98115	Information Systems Specialist	45,801	45,861	1.50		1.50	
08006	Civil Engineer Specialist III	37,750	37,939		1.00	1.00	
16001	Administrative Assistant II	22,178	22,209		0.90	0.90	
17004	Editorial Assistant	22,552	22,584		1.00	1.00	
20017	Word Processing Technician	21,538	21,568		1.00	1.00	
20018	Administrative Assistant II	22,552	22,584		1.00	1.00	
20031	Word Processing Technician	20,459	20,487		1.00	1.00	
21001	Accounting Technician	6,099	6,109		0.33	0.33	
21014	Accounting Technician	29,579	29,621		1.00	1.00	
21043	Accounting Technician	22,252	22,584		1.00	1.00	
21051	Administrative Clerk II	21,386	21,521		1.00	1.00	
23001	Print Shop Worker I	19,080	19,106		1.00	1.00	
24005	Mail Clerk II	16,225	16,247		0.83	0.83	
26009	Planner II	28,026	28,281		1.00	1.00	
26021	Planning Technician III	23,608	23,641		1.00	1.00	
26026	Planning Manager II	42,707	44,881		1.00	1.00	
26034	Planning Technician III	26,337	26,418		1.00	1.00	
26055	Planning Technician II	24,475	24,509		1.00	1.00	
81017	Temporary Class, Exception	37,628	37,939		1.00	1.00	
81022	Information Systems Specialist	38,459	38,576		1.00	1.00	
Sub-Total		\$568,653	\$572,680	3.50	18.06	21.56	0.00
TOTAL		\$568,653	\$572,680	3.50	18.06	21.56	0.00

DEPARTMENT OF TRANSPORTATION  
CONSTRUCTION PROGRAM

Page 1

Positions Removed by Joint Committee Action  
House Appropriations & Senate Finance and Claims  
January 6, 1993

01-Feb-93

EXHIBIT 7  
DATE 2-2-93

		Total Personal Services		FTE		Total FTE Removed	Non-Approp. FTE
Position #	Position Description	Fiscal 1994	Fiscal 1995	Removed by 5% Reduction	Removed by Being Vacant		
General Fund Positions							
	None						
Sub-Total		0	0	0.00	0.00	0.00	0.00
Non-General Fund Positions						0.00	
40061	Civil Engineer Spec. IV	\$35,886	\$35,939	1.00		1.00	
54015	Materials Lab Technician II	24,274	24,309	1.00		1.00	
55026	Materials Lab Technician II	22,552	22,584	1.00		1.00	
55068	Accounting Clerk	19,541	19,568	1.00		1.00	
60032	Program Assistant II	22,552	22,584	1.00		1.00	
60047	Right-of-way Supervisor II	36,565	36,617	1.00		1.00	
90812	Planning Technician I	44,491	44,552	2.00		2.00	
93200	Drafter II	21,851	21,881	1.00		1.00	
94030	Materials Lab Aide II	35,628	35,675	2.00		2.00	
94032	Materials Lab Aide II	11,134	11,149	0.50		0.50	
94035	Accounting Clerk	9,102	9,115	0.50		0.50	
94069	Research Aide II	12,262	12,279	0.59		0.59	
95055	Drafter I	1,954	1,956	0.10		0.10	
95120	Administrative Clerk I	13,789	13,808	0.81		0.81	
95133	Survey Aide III	89,069	89,188	5.00		5.00	
95232	Materials Lab Aide II	22,624	22,654	1.27		1.27	
95261	Engineering Technician II	94,753	94,884	3.75		3.75	
95333	Survey Aide II	114,543	114,695	6.43		6.43	
95360	Engineering Technician II	24,274	24,309	1.00		1.00	
95421	Materials Lab Aide II	65,442	65,529	3.59		3.59	
95430	Administrative Clerk I	17,024	17,047	1.00		1.00	
95520	Office Clerk II	15,924	15,945	1.00		1.00	
95533	Survey Aide II	172,507	172,741	8.30		8.30	
95560	Engineering Technician II	7,282	7,292	0.30		0.30	
95633	Materials Lab Aide II	11,333	11,349	0.58		0.58	
95733	Survey Aide II	261,825	262,182	12.15		12.15	
95735	Engineering Technician II	45,480	45,541	2.40		2.40	
95930	Administrative Clerk I	12,768	12,785	0.75		0.75	
95933	Survey Aide II	431,058	431,648	19.11		19.11	
95960	Engineering Technician I	53,642	53,715	2.25		2.25	
97126	Typist I	7,962	7,972	0.50		0.50	
97133	Materials Lab Aide II	55,781	55,855	3.06		3.06	
97233	Materials Lab Aide II	129,701	129,878	5.75		5.75	
98099	Engineering Technician III	70,918	71,019	2.51		2.51	
Sub-Total		\$2,015,491	\$2,018,244	94.20	0.00	94.20	0.00

DEPARTMENT OF TRANSPORTATION  
CONSTRUCTION PROGRAM (Continued)

		FTE					
		Total Personal Services		Removed by	Removed by	Total FTE	Non-Appro
Position #	Position Description	Fiscal 1994	Fiscal 1995	5% Reduction	Being Vacant	Removed	FTE
Non - General Fund Positions (Continued)						0.00	
30001	Administrative Assistant I	5,607	5,616		0.30	0.30	
30002	Civil Engineer Spec.	28,004	28,004		0.70	0.70	
32009	Designer II	28,254	28,295		1.00	1.00	
32028	Designer I	26,183	26,220		1.00	1.00	
32024	Design Technician I	22,552	22,584		1.00	1.00	
32035	Designer III	39,659	39,717		1.00	1.00	
32037	Designer II	28,254	28,295		1.00	1.00	
32039	Designer II	28,254	28,295		1.00	1.00	
32044	Designer I	26,183	26,220		1.00	1.00	
32071	Drafter II	20,970	20,999		1.00	1.00	
32075	Designer I	25,454	25,490		1.00	1.00	
32076	Designer III	36,801	36,854		1.00	1.00	
33004	Cultural Env. Spec.	32,664	32,710		1.00	1.00	
33008	Civil Engineer Spec.	42,670	42,923		1.00	1.00	
36003	Designer II	28,254	28,295		1.00	1.00	
36014	Traffic Engineer Spec.	39,334	39,392		1.00	1.00	
36032	Civil Engineer Spec.	35,886	35,939		1.00	1.00	
36044	Designer III	30,546	30,590		1.00	1.00	
36045	Designer III	30,546	30,590		1.00	1.00	
39008	Designer III	32,800	33,097		1.00	1.00	
39024	Designer III	30,546	30,590		1.00	1.00	
39025	Designer III	30,546	30,590		1.00	1.00	
40046	Designer III	30,546	30,590		1.00	1.00	
40055	Civil Engineer Spec.	36,989	37,042		1.00	1.00	
40056	Information Systems Specialist	32,664	32,837		1.00	1.00	
50029	Civil Engineer Spec.	38,602	38,657		1.00	1.00	
50042	Civil Engineer Spec.	38,602	38,858		1.00	1.00	
53015	Materials Lab Technician II	27,990	28,029		1.00	1.00	
54064	Designer III	30,546	30,590		1.00	1.00	
55010	Engineering Technician I	22,552	22,584		1.00	1.00	
55209	Accounting Clerk	24,042	24,075		1.00	1.00	
57220	Accounting Technician	23,421	23,455		1.00	1.00	
59209	Accounting Clerk	21,168	21,198		1.00	1.00	
59219	Purchase/Supply Assistant	25,450	25,486		1.00	1.00	
60003	Career Executive Assignment	46,372	46,440		1.00	1.00	
60024	Design Technician II	25,144	25,179		1.00	1.00	
60039	Right-of-Way Supervisor II	47,793	48,175		1.00	1.00	
60048	Designer II	31,306	31,351		1.00	1.00	
60052	Right-of-Way Agent IV	33,142	33,189		1.00	1.00	
60056	Review Appraiser	33,693	33,741		1.00	1.00	
60072	Review Appraiser	33,693	33,741		1.00	1.00	
60078	Utility Agent	31,116	31,160		1.00	1.00	
80021	Engineering Technician III	36,142	36,420		1.00	1.00	
80027	Civil Engineer Specialist	32,961	33,008		1.00	1.00	
91258	Civil Engineer Specialist	61,092	61,180		2.00	2.00	
91858	Civil Engineer Specialist	30,546	30,590		1.00	1.00	
92468	Civil Engineer Specialist	77,003	77,739		2.00	2.00	
Sub-Total		\$1,522,542	\$1,526,619	0.00	48.00	48.00	0.00
TOTAL		\$3,538,033	\$3,544,863	94.20	48.00	142.20	0.00

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**DEPARTMENT OF TRANSPORTATION  
MAINTENANCE PROGRAM**

Page 1

Positions Removed by Joint Committee Action  
House Appropriations & Senate Finance and Claims  
January 6, 1993

01-Feb-93

EXHIBIT 7  
DATE 2-2-93

		Total Personal Services		FTE		Total FTE Removed	Non-Approp. FTE
Position #	Position Description	Fiscal 1994	Fiscal 1995	Removed by 5% Reduction	Removed by Being Vacant		
General Fund Positions							
	None						
Sub-Total		0	0	0.00	0.00	0.00	0.00
Non-General Fund Positions						0.00	
74047	Equipment Operator	\$33,183	\$33,645	1.00		1.00	
74058	Truck Driver, Under 5-Ton	32,681	33,304	1.00		1.00	
90320	Office Clerk II	3,184	3,189	0.20		0.20	
90381	Laborer	6,013	6,096	0.20		0.20	
94125	Custodian II	23,303	23,334	1.20		1.20	
94130	Truck Driver, Under 5-Ton	61,715	62,571	1.92		1.92	
97380	Truck Driver, Under 5-Ton	192,859	195,535	6.00		6.00	
97480	Truck Driver, Under 5-Ton	128,573	130,357	4.00		4.00	
97580	Truck Driver, Under 5-Ton	154,288	156,429	4.80		4.80	
97581	Laborer	36,075	36,573	1.20		1.20	
97625	Office Clerk II	8,006	8,006	0.50		0.50	
97680	Truck Driver, Under 5-Ton	72,966	73,978	2.27		2.27	
97780	Truck Driver, Under 5-Ton	83,572	84,732	2.60		2.60	
97781	Laborer	6,013	6,096	0.20		0.20	
97827	Administrative Clerk I	8,325	8,352	0.40		0.40	
97880	Truck Driver, Under 5-Ton	64,287	65,179	2.00		2.00	
97881	Laborer	21,044	21,335	0.70		0.70	
97980	Truck Driver, Under 5-Ton	51,429	52,143	1.60		1.60	
97981	Laborer	6,013	6,096	0.20		0.20	
98780	Truck Driver, Under 5-Ton	51,429	52,143	1.60		1.60	
98781	Laborer	6,013	6,096	0.20		0.20	
98880	Truck Driver, Under 5-Ton	53,358	54,099	1.66		1.66	
98980	Truck Driver, Under 5-Ton	64,287	65,179	2.00		2.00	
Sub-Total		\$1,168,616	\$1,184,467	37.45	0.00	37.45	0.00

DEPARTMENT OF TRANSPORTATION  
MAINTENANCE PROGRAM (Continued)

Position #	Position Description	Total Personal Services		FTE		Total FTE Removed	Non-Appro FTE
		Fiscal 1994	Fiscal 1995	Removed by 5% Reduction	Removed by Being Vacant		
Non-General Fund Positions (Continued)						0.00	
02003	Painter	34,511	35,239		1.00	1.00	
03020	Laborer	28,135	28,175		1.00	1.00	
03030	Field Maintenance Supervisor	38,170	38,829		1.00	1.00	
03043	Div. Maintenance Supervisor	42,917	43,524		1.00	1.00	
03045	Truck Driver, Under 5-ton	31,653	31,698		1.00	1.00	
41001	Administrative Assistant III	24,274	24,309		1.00	1.00	
41014	Custodian II	21,424	21,710		1.00	1.00	
73042	Truck Driver, Under 5-ton	32,319	32,862		1.00	1.00	
73045	Truck Driver, Under 5-ton	32,143	32,589		1.00	1.00	
73082	Truck Driver, Under 5-ton	32,143	32,758		1.00	1.00	
74009	Equipment Operator I	34,295	34,774		1.00	1.00	
74013	Field Maintenance Supervisor	37,659	38,366		1.00	1.00	
74037	Truck Driver, Under 5-ton	32,681	33,147		1.00	1.00	
74045	Truck Driver, Under 5-ton	32,350	32,862		1.00	1.00	
74072	Truck Driver, Under 5-ton	32,412	32,862		1.00	1.00	
74075	Truck Driver, Under 5-ton	32,908	33,407		1.00	1.00	
75101	Equipment Operator I	32,412	32,458		1.00	1.00	
76014	Truck Driver, Under 5-ton	32,143	32,589		1.00	1.00	
77012	Equipment Operator II	34,511	34,992		1.00	1.00	
77024	Div. Maintenance Supervisor	42,564	43,165		1.00	1.00	
78028	Truck Driver, Under 5-ton	32,143	32,589		1.00	1.00	
79005	Laborer	5,557	5,640		0.20	0.20	
87023	Equipment Operator II	34,589	35,284		1.00	1.00	
87028	Truck Driver, Under 5-ton	32,143	32,589		1.00	1.00	
88012	Truck Driver, Under 5-ton	31,398	31,463		1.00	1.00	
88020	Truck Driver, Under 5-ton	31,398	31,442		1.00	1.00	
88024	Truck Driver, Under 5-ton	32,143	32,589		1.00	1.00	
88033	Equipment Operator I	33,461	33,927		1.00	1.00	
88052	Field Maintenance Supervisor	38,922	39,469		1.00	1.00	
89016	Equipment Operator I	33,183	33,645		1.00	1.00	
89028	Truck Driver, Under 5-ton	32,143	32,768		1.00	1.00	
89032	Equipment Operator I	32,350	32,862		1.00	1.00	
Sub-Total		\$1,031,054	\$1,044,582	0.00	31.20	31.20	0.00
TOTAL		\$2,199,670	\$2,229,049	37.45	31.20	68.65	0.00

02/01/93

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DEPARTMENT OF TRANSPORTATION  
EQUIPMENT PROGRAM

EXHIBIT 7  
DATE 2-2-93  
~~418~~

Positions Removed by Joint Committee Action  
House Appropriations & Senate Finance and Claims  
January 6, 1993

Position #	Position Description	Total Personal Services		FTE		Total FTE Removed	Non-Approp. FTE
		Fiscal 1994	Fiscal 1995	Removed by 5% Reduction	Removed by Being Vacant		
All or Partial General Fund Positions							
	None					0.00	
Sub-Total		\$0	\$0	0.00	0.00	0.00	0.00
Non-General Fund Positions							
43016	Accounting Technician	\$20,970	\$20,999		1.00	1.00	
67006	Division Shop Superintendent	41,858	42,449		1.00	1.00	
67011	Machinist/Mechanic	35,401	36,057		1.00	1.00	
84002	Stockman with Terminal	32,588	33,136		1.00	1.00	
84005	Working Shop Foreman	37,350	38,056		1.00	1.00	
Sub-Total		\$168,167	\$170,697	0.00	5.00	5.00	0.00
TOTAL		\$168,167	\$170,697	0.00	5.00	5.00	0.00

02/01/93

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DEPARTMENT OF TRANSPORTATION  
GROSS VEHICLE WEIGHT (GVW) PROGRAM

EXHIBIT 7  
DATE 2-2-93

Positions Removed by Joint Committee Action  
House Appropriations & Senate Finance and Claims  
January 6, 1993

		Total Personal Services		FTE		Total FTE Removed	Non-Approp. FTE
Position #	Position Description	Fiscal 1994	Fiscal 1995	Removed by 5% Reduction	Removed by Being Vacant		
<i>All or Partial General Fund Positions</i>							
	None					0.00	
Sub-Total		\$0	\$0	0.00	0.00	0.00	0.00
<i>Non-General Fund Positions</i>							
22097	GVW Compliance Officer I	\$30,580	\$30,623		1.00	1.00	
92225	Office Clerk II	436	436		0.03	0.03	
Sub-Total		\$31,016	\$31,059	0.00	1.03	1.03	0.00
TOTAL		\$31,016	\$31,059	0.00	1.03	1.03	0.00

02/01/93  
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DEPARTMENT OF TRANSPORTATION  
AERONAUTICS PROGRAM

EXHIBIT 7  
DATE 2-2-93

Positions Removed by Joint Committee Action  
House Appropriations & Senate Finance and Claims  
January 6, 1993

		Total Personal Services		FTE		Total FTE Removed	Non-Approp. FTE
Position #	Position Description	Fiscal 1994	Fiscal 1995	Removed by 5% Reduction	Removed by Being Vacant		
<i>All or Partial General Fund Positions</i>							
	None					0.00	
Sub-Total		\$0	\$0	0.00	0.00	0.00	0.00
<i>Non - General Fund Positions</i>							
04002	Training Service Manager I	\$49,010	\$50,310		1.00	1.00	
04008	Airport Manager	18,092	18,112		0.50	0.50	
04010	Firefighter Supervisor	8,241	8,251		0.39	0.39	
04011	Administrative Clerk I	1,474	1,477		0.10	0.10	
04016	Airplane Mechanic	35,787	36,982		1.00	1.00	
Sub-Total		\$112,604	\$115,132	0.00	2.99	2.99	0.00
TOTAL		\$112,604	\$115,132	0.00	2.99	2.99	0.00

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DEPARTMENT OF TRANSPORTATION  
RAIL AND TRANSIT PROGRAM

EXHIBIT 7  
DATE 2-2-93

Positions Removed by Joint Committee Action  
House Appropriations & Senate Finance and Claims  
January 6, 1993

~~HB~~

		Total Personal Services		FTE		Total FTE Removed	Non-Approp. FTE
Position #	Position Description	Fiscal 1994	Fiscal 1995	Removed by 5% Reduction	Removed by Being Vacant		
<i>All or Partial General Fund Positions</i>							
05011	Planning Manager I	\$49,717	\$50,077		1.00	1.00	
05022	Railroad Operations Officer	20,418	20,447		1.00	1.00	
05034	Economist II	33,071	33,119		1.00	1.00	
Sub-Total		\$103,206	\$103,643	0.00	3.00	3.00	0.00
<i>Non-General Fund Positions</i>							
70009	Attorney Specialist III	\$42,492	\$42,554	1.00		1.00	
92601	Research Aide III	1,869	1,872	0.10		0.10	
26008	Planner III	29,991	30,110		1.00	1.00	
Sub-Total		\$74,352	\$74,536	1.10	1.00	2.10	0.00
TOTAL		\$177,558	\$178,179	1.10	4.00	5.10	0.00

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Highways Special Revenue Account  
Minimum Fuel Tax Increase – Incremental\*  
For Anticipated Budget Issues

EXHIBIT 8  
DATE 2-2-93

Budget Issue	----- Equivalent Fuel Tax -----				
	Fiscal 1994	Fiscal 1995	Fiscal 1996	Fiscal 1997	Fiscal 1998
To Meet Federal Match Requirement Only – No RTF Program	\$0.000	\$0.000	\$0.000	\$0.000	\$0.010
To Retain RTF Program (Current Level) (\$20 million/year) beyond 1993	\$0.012	\$0.012	\$0.067	\$0.067	\$0.057
To fund 1995 Biennium DOT/Executive Budget Modifications – \$10.8 Million/year	\$0.022	\$0.022	\$0.022	\$0.022	\$0.022
Executive Budget Policy Issues:					
To Fund Motor Vehicle Division (Dept Justice) – Fund Switch from Gen. Fund – \$7.1 mil/yr	\$0.014	\$0.014	\$0.014	\$0.014	\$0.014
To Fund State Parks Roads/Access – Dept Fish, Wildlife and Parks – \$1.25 mil/yr	<u>\$0.002</u>	<u>\$0.002</u>	<u>\$0.002</u>	<u>\$0.002</u>	<u>\$0.002</u>
Total Equivalent Fuel Tax Increase	\$0.050	\$0.050	\$0.105	\$0.105	\$0.105
Current Fuel Tax	<u>\$0.200</u>	<u>\$0.200</u>	<u>\$0.200</u>	<u>\$0.200</u>	<u>\$0.200</u>
Total Fuel Tax Equivalent Needed (Cur. Level plus Exec Budget Recommend.)	<u>\$0.250</u>	<u>\$0.250</u>	<u>\$0.305</u>	<u>\$0.305</u>	<u>\$0.305</u>

\* Assumes 2 percent inflation, 1994 and beyond, no budget growth after 1995

# DEPARTMENT OF HIGHWAYS

EXHIBIT 9

DATE 2-2-93

68



STAN STEPHENS, GOVERNOR

2701 PROSPECT AVE.

STATE OF MONTANA

HELENA, MONTANA 59620

## Memorandum

To: Honorable Stan Stephens  
Governor of Montana

From: John Rothwell  
Director of Highways

Date: February 28, 1991

Subject: Recruitment and Retention Dilemma

Prior to our recent discussion of pay and manning problems in the Department of Highways, I had a discussion with Hank Honeywell, the new Division Administrator for FHWA, regarding his feelings about the MDOH operation. We talked at length about how this department was handling the federal program and the quality of work done here in Montana as compared to other states where he had been assigned. Generally, Honeywell felt our performance was on a par.

He did, however, voice some concern over our ability to continue to perform in an economical and expeditious manner due to manning problems in certain areas.

I find Mr. Honeywell to be a very well-informed and cooperating member of our state-federal highway partnership, and thought that you would be interested in his formal comments.

JR:ks:s:u

Action	Info	Circulate	Date
			2-29-91
			Barnard
			Gibson
			Larson
			Engineering Bur. Chief
			Operations Bur. Chief
			GVW
			Maintenance & Equip.
			District Engineers
			CAUD
			Project Management
			Return to Engineering & Operations
			File

101-22  
46



U.S. Department  
of Transportation  
Federal Highway  
Administration  
Region Eight

## MONTANA DIVISION

91 MAR -4 AM 9:03  
DEPARTMENT OF HIGHWAYS

EXHIBIT 9  
DATE 2-2-93  
HB  
400 Seventh St., S.W.  
Washington, D.C. 20590  
301 S. Park  
Drawer 10056  
Helena, MT 59626

February 27, 1991

HDA-MT

Mr. John Rothwell  
Acting Director of Highways  
Montana Department of Highways  
Helena, Montana 59620

Dear Mr. Rothwell:

Subject: Recruitment and Retention of Personnel

The success of the Federal-aid Highway Program is heavily predicated upon the organization, staffing and equipping of each state highway administration. This aspect is so important that Congress, in Title 23, U.S.C. 302(a), directed that..."any state desiring to avail itself of the provisions of ...(Title 23) shall have adequate powers, and be suitably equipped and organized to discharge the duties required by this title."

What is adequately staffed and equipped? Unfortunately that question is usually easier to answer negatively after problems develop, and Federal funds are in jeopardy.

We have a definite concern over the diminishing ability of the Montana Department of Highways (MDOH) to recruit, train and retain qualified professionals serving in all phases of the highway program. If the age and experience level of the professional and technical positions in the Department are examined, it is very apparent that a problem exists in recruiting and retaining adequate staff. Currently, the Department has personnel not trained to the professional level, inexperienced personnel or vacancies in many critical positions. In addition, a large number of the experienced professional staff are at or approaching retirement age and there are very few qualified replacements for them when they retire.

We have seen the Department being forced to rely more and more on consultant forces to do the types of work performed by highway personnel not too long ago. This is not so much because of an emphasis on privatization, but more because there is insufficient in-house staff to do it properly. We recognize and appreciate the

need for expanding the use of contract personnel (even if it costs more) in environmental statement preparation, design, right-of-way acquisition and other activities, during a period of increased project development activity. However, being forced to rely on consultants due to the lack of adequately trained personnel is disturbing. Limiting government expansion is also acknowledged; however, the Department must maintain adequate professional management and state-of-the-art expertise in order to do its job well and provide prudent and timely oversight of the highway program. Failure to do so not only jeopardizes Federal-aid funds but also the public investment in a quality, safe and efficient highway system.

Your efforts to improve career opportunities for Department personnel and to seek pay scales commensurate with professional skill requirements can contribute substantially to assurance that the State will maintain adequate staffing. Since most positions in the Department, when working on Federal-aid projects, are salaried at a minimum of 70% Federal funds, we are chagrined to learn that job recruitment and retention is particularly difficult because of low salaries. There are certainly no caps upon salary ranges dictated by Federal-aid policy.

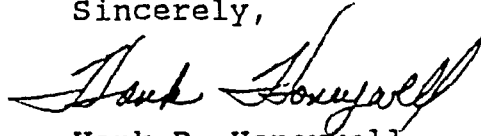
We commend your staffing efforts, but must express our concerns over the future of the Department's progress, particularly in the following areas:

- Project Engineering
- Project Inspection
- Materials Inspection
- Hydraulics Engineering
- Geotechnical Engineering
- Right-of-Way Acquisition and Supervision
- Research
- Bridge and Roadway Design
- Consultant Review/Monitoring
- Planning

If the Department cannot satisfactorily demonstrate it's ability to meet Federal-aid program requirements, it would require FHWA to restrict Federal-aid funds. An option would be for the MDOH to scale back its project development efforts to achieve a program level commensurate with the Department's current staffing capability. With this option, the MDOH would likely not be able to obligate all Federal funds that are now allocated to it. While this may not be a desirable or acceptable course of action, we are afraid that without some significant changes very soon, whether it be staffing up or slowing down to make do with existing staff, your Department is headed for a more serious consequence where possibly all Federal funds would have to be withdrawn. Of course, the option of scaling back to a lesser program level will not solve your staff recruitment/retention problems.

We plan no official action at this time, but are compelled to express our concerns over the existing situation. If you wish to discuss this matter further, or if FHWA can be of assistance in reversing this apparent trend, please do not hesitate to call.

Sincerely,



Hank D. Honeywell  
Division Administrator

# Highway Needs

The Montana Department of Highways produced its first "needs study" in 1974. That study, completed by a professional consultant and the department, determined that from a construction viewpoint a major funding effort would be needed to offset the poor conditions of the roadway. Thus, the Reconstruction Trust Fund was born in 1983 and the improvement of the roadway is a matter of history.

In 1992, the Maintenance Program is faced with such the same dilemma it saw with the construction program in 1983. While the past 10 years of construction increased the sufficiency of the roadway, it also added to the mission of the Maintenance Program by adding plant and levels of service. These additions were wider roads, increased lane mileage, more safety features and a winter maintenance program highly impacted by environmental concerns such as air and water quality. The Maintenance Program uses expensive washed sanding material and liquid de-icers to prevent airborne and water-borne particulate accumulations in cities and waterways of the state. All these items, plus the policy of maximizing state dollars for use in the construction program, put a downward pressure on the maintenance budget.

Consequently, the challenge for the Maintenance Program is to maximize its current resources and to lay the foundation for long-term planning in conjunction with the construction program. Conjointive planning will allow maintenance to do more preventive work, such as crack sealing, rejuvenation, and maintenance improvements. In turn this preventive work is more cost-effective and will allow the construction program to limit reconstruction and other high-cost measures.

In an effort to identify the magnitude of the problem facing the Maintenance Program, a needs assessment from a maintenance perspective was undertaken in the fall of 1991. The purpose of this brochure is to provide a summarization of the basis of that study and to recap some of the major results.

John Rothwell  
Director

# Objectives And Results

Maintenance is committed to using needs as priority objectives that guide us in fulfilling our responsibility to the taxpayers.

## Inventory All Lane Miles

### Objective

Maintenance Program's most important objective is to do a thorough inventory of all roadway it maintains. This is done to identify and document distressed sections where they exist, regardless of the type of roadway.

The results shown below reflect the number of lane miles and total percent that are scheduled for the construction program (FY92 FY95), number of lane miles and percent of total under the care of the maintenance program; both distressed and non-distressed.

### Result (percent of total)

Total Lane Miles In State	Distressed Lane Miles
19,462	9,511
Total Construction Program	100%
2,919	15%
Total Maintenance Program	7,031
16,543	85%

## Preventative Maintenance

### Objective

Maintenance Program's objective is to maintain the integrity of the pavement after construction and to extend the life of the roadway until the next reconstruction cycle. This insures taxpayers will get the most out of their dollars. This extension is typically done through activities like crack sealing—to prevent water from entering the road, and rejuvenation, which restores life to brittle pavements.

The table below shows where this work is needed.

### Result (lane miles)

	Crack Sealing	Rejuv.	Crack Seal.	Rejuv.
Missoula	810	82	760	77
Kalispell	763	189	667	60
Butte	1,444	150	937	210
Bozeman	756	285	1,261	365
Great Falls	980	89	689	62
Lewistown	44	72		

## Program Maintenance

### Objective

Maintenance Program's objective is to identify areas where distresses have progressed to the point where preventive activities are no longer effective. Even though maintenance uses machine work and sealing to improve these areas, they are still more expensive than preventive activities and are still candidates for the construction program. Careful attention and placement of the areas into the proper program are essential to insure maximum use of tax dollars.

### Result (lane miles of machine work and sealing)

Missoula	386	Glendive	385
Kalispell	309	Wolf Point	500
Butte	585	Miles City	505
Bozeman	447	Billings	706
Great Falls	634	Lewistown	387
Havre	412		

## Financing

### Objective

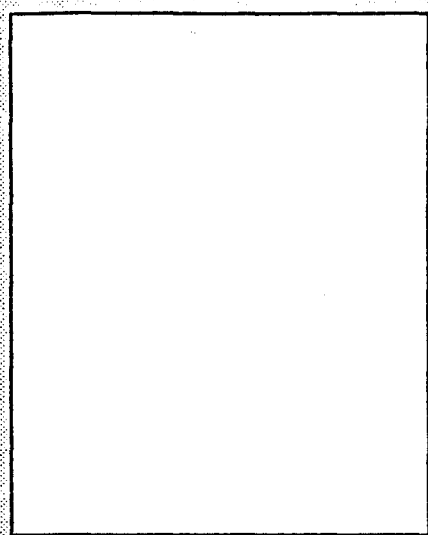
Maintenance Program's primary financing objective is to maximize the effectiveness of state and federal tax dollars. This can be done through emphasis on preventive maintenance (low cost, high benefit) activities, identifying high distress areas that could properly be addressed by maintenance with higher cost activities and areas that would best be addressed by the construction program. The maintenance needs study taken from a maintenance perspective has accomplished these objectives.

### Potential Program Management Costs (\$ based on Maintenance unit costs)

Rejuvenation	\$ 778,400
Crack Sealing	\$ 4,378,950
Machine Work and Sealing	\$ 22,908,946



# Maintenance Pavement Needs Assessment

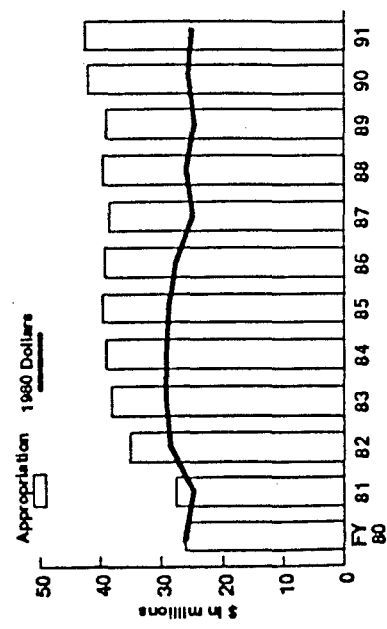


Montana Department of Transportation  
Maintenance Division  
2701 Prospect Avenue  
Helena, Montana 59620-9726

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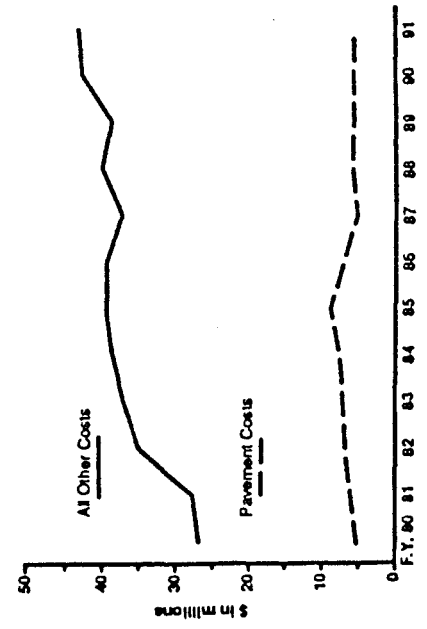
## Financial Highlights

Maintenance Program Budgets  
FY 80 — FY 91  
*Actual budget appropriations  
vs. budgets based on 1980 dollars*



Calculations based on GNP Price Deflator Index

Maintenance Budgets FY 80—FY 91  
*Pavement Preservation Costs vs. All Other Costs*



HOUSE OF REPRESENTATIVES  
VISITOR REGISTER

GEN. GOV. & HWYS. SUBCOMMITTEE DATE 2/2/93

DEPARTMENT(S) State Auditor  
Dept of Transport DIVISION

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NAME	REPRESENTING	
Bill Salisbury	MDT	
MARV DYE	MDT	
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Tom Barnard	MDT	
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