

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 54th LEGISLATURE - REGULAR SESSION

JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT & TRANSPORTATION

Call to Order: By CHAIRMAN ED GRADY, on February 1, 1995, at 8:10 a.m.

ROLL CALL

Members Present:

Rep. Edward J. "Ed" Grady, Chairman (R)
Sen. Thomas A. "Tom" Beck, Vice Chairman (R)
Rep. Gary Feland (R)
Sen. Eve Franklin (D)
Rep. Joe Quilici (D)

Members Excused: None

Members Absent: None

Staff Present: Skip Culver, Legislative Fiscal Analyst
Lorene Thorson, Legislative Fiscal Analyst
Terri Perrigo, Legislative Fiscal Analyst
Shirley Benson, Office of Budget & Program Planning
Dan Gengler, Office of Budget & Program Planning
John Patrick, Office of Budget & Program Planning
Rosa Fields, Committee Secretary

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

Committee Business Summary:

Hearing: Secretary of State
Executive Action: Secretary of State

HEARING ON SECRETARY OF STATE

Tape No. 1:A:000

Opening Statement: Ms. Terri Perrigo, Legislative Fiscal Analyst, gave an overview of the Secretary of State's budget. EXHIBIT 1 She provided an update of the projected net general fund transfer amounts in the 1997 biennium. EXHIBIT 2

Motion: REP. JOE QUILICI MOVED TO APPROVE THE BASE BUDGET PLUS PRESENT LAW ADJUSTMENTS FOR FY 96 AND FY 97.

Discussion: CHAIRMAN ED GRADY asked about the Systems Development, #4 on present law adjustments. Ms. Perrigo

explained that the systems development adjustment had been discussed the previous day by **Mr. Doug Mitchell, Chief Deputy, Secretary of State**, and was necessary to fix what he referred to as the "mahogany boat" (current data processing system). **Mr. Perrigo** wanted to inform the subcommittee that the implementation of the system should increase revenue. There also may be ongoing, at least in the next biennium, costs associated with the system development activities.

SEN. TOM BECK asked, "What are the fees or the income for the Secretary of State Office?" **Mr. Mitchell** explained that the Secretary had spending authority for \$1.7 million last year and earned about \$2.1 million in revenue. They reverted \$441,000 to the general fund, due in part to language added during the special session, instructing them to raise additional funds for the general fund.

SEN. BECK asked about the local government. **Mr. Mitchell** answered that they make very few transactions with local governments. Most of them involve the election section, and those transactions are free of charge. The others are for records management to provide microfilming services to certain non-state government agencies.

CHAIRMAN GRADY expressed that the Secretary of State's Office requires very little general fund money, but it does affect the general fund. He thinks they have to look at it that way. Even though they're not anticipating a need to raise fees, his understanding is that they could raise some fees without legislative action.

SEN. BECK asked if they could reduce fees without legislative action. **Mr. Mitchell** answered that they could, and in the last biennium that was the only change they made: reducing fees in their Records Management section to try and increase the services that they were able to provide.

REP. QUILICI asked **Mr. Mitchell** if he could explain to the subcommittee the FTE that are currently working. **CHAIRMAN GRADY** asked if he was talking about new proposals or present law. **REP. QUILICI** said present law. **Mr. Mitchell** explained that his agency had a number of issues that they deal with: priority handling for consumers, which is a guaranteed one-day service; and processing of annual reports. To meet the various requirements, they must work overtime, which cost them \$15,000 last year.

SEN. BECK asked that of the new proposals of the 7.5 FTE "How many of them do you have on deck?" **Mr. Mitchell** said that he had 3.0 FTE that are allocated to the Information Capture Record Preservation, a 0.5 that is allocated to the Administrative Rules Specialist, and 2.0 FTE that are allocated to the Additional Microfilm Staff. So, 5.5 FTE are currently working in the office.

REP. GARY FELAND asked that if they just accepted the present law adjustment, how many FTE would that add. **Mr. Mitchell** answered that the present law adjustment would not add any FTE to the agency.

REP. FELAND asked, "If that's all we accept, it would be just the 37.3. That's all you would have there." **Mr. Mitchell** responded, "That's correct, if you accepted that, he would have to lay off 5.5 FTE on July 1."

CHAIRMAN GRADY asked how long those employees had been employed. **Mr. Mitchell** answered that they had been employed for six months. So, they would have been employed for a year by the time they were laid off.

SEN. BECK asked if he had made that adjustment after the special session. He wanted to know when the 5.5 FTEs came on board. **Mr. Mitchell** explained that they were added through a budget amendment that was presented to the Finance Committee.

CHAIRMAN GRADY commented that on 1-31-95 **Mr. Mitchell** had referred to the letter from **SEN. AKLESTAD** and **REP. ZOOK**. He realized **Mr. Mitchell** prioritized the new proposals, but thought the letter referred to possibly eliminating programs. That's the emphasis that a lot of legislators are working on, rather than making across-the-board cuts. He knows it's hard, and he guessed in the Secretary of State's Office they're probably looking at eliminating programs. **CHAIRMAN GRADY** asked "How did you understand that letter?" **Mr. Mitchell** responded that he provided a one-page response to the memo. He understood the letter to say "What would happen to your agency if you were forced to live by 1994 actual expenditures?" **Mr. Mitchell** provided written testimony. **EXHIBIT 3**.

Ms. Perrigo commented that part of the present law adjustment (#5, Cyclical Printing), pays for things necessary to administer election laws. The only thing in the Secretary of State's Office that's funded with general fund is elections. However, the cyclical printing adjustment is supported with proprietary funds. She brought this up so the committee could decide whether or not it wants to fund some election activities with proprietary funds derived from the fees charged to the public.

Mr. Mitchell stated that he agreed with **Ms. Perrigo**. He thought that as long as the agency is reverting funds to the general fund anyway, he could revert some of those internally to elections to help support the operation of state government.

SEN. BECK stated that they already have \$40,000 from the general fund in the 1994 base, and \$37,000 in executive budget for 1996 and 1997. He thought the present law adjustment was trying to replenish the \$37,000.

Ms. Perrigo explained that the \$37,000 general fund is already included in the Executive Budget for the next biennium.

Vote: The motion **PASSED** unanimously.

{Tape: 1; Side: A; Approx. Counter: 577.}

EXECUTIVE ACTION ON NEW PROPOSALS

Tape No. 1:A:595

Discussion: **CHAIRMAN GRADY** asked if all the FTE in the new proposals were added through budget amendments. **Mr. Mitchell** answered that 5.5 of the ones in the new proposals were to continue budget amendments they received.

REP. FELAND asked if it would be all right to wait on the proposals for awhile. **CHAIRMAN GRADY** remarked that he might want to take action on #4.

Motion/Vote: **REP. FELAND MOVED TO APPROVE #4, PERSONAL SERVICE REDUCTIONS NEW PROPOSAL.** The motion carried unanimously.

Discussion: **SEN. FRANKLIN** asked **REP. FELAND** if he had made a motion to sit on the proposals. **REP. FELAND** stated that he had just asked if it was possible.

SEN. FRANKLIN stated that **Mr. Mitchell** had made such a compelling argument for the need for their top priority proposals, that she didn't know how she would get any more information by waiting-- particularly on priority #1 Records Preservation, their Customer Service, and their new proposals. She said that the whole need for these additions is because the legislature asked the agency to operate like a business. It would cripple the agency if support was denied now.

Motion: **SEN. FRANKLIN MOVED TO APPROVE NEW PROPOSALS: #5 (ADDITIONAL MICROFILM STAFF), #6 (ARM SPECIALIST) AND #7 (INFORMATION CAPTURE/RECORDS PRESERVATION).**

Discussion: **CHAIRMAN GRADY** asked if all of the FTE in the new proposals were currently working. **Mr. Mitchell** answered that the 2.0 FTE which are Customer Service Representatives are not currently on staff. The 2.0 FTE for additional microfilm staff are currently on staff. He explained that **SEN. FRANKLIN** had moved the Information Capture, which has 3.0 FTE that are currently on staff. The Administrative Rules Specialist, which has a 0.5 FTE, is currently on staff.

REP. QUILICI asked what would happen if the legislature didn't approve the additional microfilm staff. **Mr. Mitchell** explained that their backlog of microfilming projects from local governments and state agencies would grow. Instead of having to

wait two to three weeks, they would probably have to wait two months for their microfilming.

REP. QUILICI asked what would happen to the proprietary fund if all the new proposals were approved. The projected general fund transfers shown in **EXHIBIT 2**, is \$373,137 for FY 95 and \$404,451 for FY 96, if only the present law budget is approved. With the new proposals the amount projected to be transferred to the general fund would be reduced. Microfilming generates a lot of that money. **Mr. Mitchell** agreed, and added that if the two microfilm clerks did not exist in the agency in the next biennium, their revenue transfer to the general fund will go down. **SEN. BECK** asked by how much. **Mr. Mitchell** guessed \$11,000 to \$12,000 per year.

REP. QUILICI called for the question on the motion.

CHAIRMAN GRADY explained that they weren't ready for the question yet. He then expressed that what he wanted to do was to raise salaries for existing staff, which according to the handout provided by the Secretary of State are the lowest in state government, instead of hiring more people or creating more programs.

SEN. BECK asked **Mr. Mitchell** if he was microfilming all the records he had in the Secretary of State's Office, or was he just starting now and going forward. **Mr. Mitchell** answered that state law says the Secretary of State has to have two copies of all documents filed in the office. The last time he counted, they had 3.2 million corporate records. What they're doing now is microfilming the files on every current corporation in the State of Montana; and then keeping the files updated on a regular basis as they amend their filing and change their statutes.

SEN. BECK asked if it took 3.0 FTE to make a copy of each corporation and preserve it, and how many documents they get in a day. **Mr. Mitchell** answered that they get 36,000 annual reports every year. In addition, they get an average of between 100 and 200 other business transactions per day. To preserve the records they need to create a micrographic copy. They type information on the jacket and keep that jacket current, so the information for the corporation is kept together. They need to be filed appropriately, duplicate copies need to be maintained, and 2.0 of the 3.0 FTE are responsible for that function, from the beginning of the document to making sure that as it goes through the system it is properly managed, to the end result when they to retrieve the records for public service. The third person is the computer technician, who is in charge of managing the list that they provide to the public.

SEN. BECK questioned if **Mr. Mitchell** needed all the extra FTE for the full biennium, and what happened to the people that had done this kind of the job. **Mr. Mitchell** answered that they never had people do the microfilming, they just took the document, filed

it, and put it away. They've never tried to maintain it in a safe environment.

REP. QUILICI asked **Mr. Mitchell** to explain how it had come about that the last legislature funded a fireproof storage cabinet as an alternative to microfilming all the documents. **REP. QUILICI** suggested that the subcommittee take a look at the storage in the Secretary of State's Office and see what is really going on. **Mr. Mitchell** explained that the background on the issue was very interesting. They were appropriated \$40,000 to buy fireproof cabinets, store the information and forget about it. The Department of Administration, after looking at the engineering studies, said no, the piece of equipment could not go in the building. So, they got the idea to hire the 2.0 FTEs to do microfilming instead of having fireproof storage for the original documents.

REP. FELAND asked if he had asked for any of things he was asking for now in the last biennium. **Mr. Mitchell** responded that he had. The only one he got in the last session was the modification to purchase the cabinets.

CHAIRMAN GRADY commented that he felt uncomfortable voting on the motion at this time. So he asked **SEN. FRANKLIN** if she would like to withdraw her motion to vote on three of the new proposals. If she withdrew her motion, they could go down and look at the Secretary of State's Office.

SEN. FRANKLIN withdrew her motion.

CHAIRMAN GRADY stated that no action would be taken until Monday, February 6, 1995.

APPELLATE DEFENDER PROGRAM

Tape No. 1:A:465

Ms. Perrigo presented information provided by the Department of Administration on the budget increases that the Appellate Defender Program was requesting. **EXHIBIT 4**

CHAIRMAN GRADY wondered aloud whether or not the state actually needs a program like this. If so, he wants to fund it properly.

REP. QUILICI stated that the District Court appoints somebody to defend the appellate, so they are going to be represented by somebody whether this program exists or not--and those costs, like the Appellate Defender Program, will be supported with district court reimbursement funds. He asked the subcommittee to consider whether it would cost more to have private attorneys defend the appellate instead of the Appellate Defender Program.

SEN. BECK commented that the District Court has their own private defender, just like they have prosecuting attorneys. He realized

that they're paying both and the Appellate Court picks up what the public defender can't do. **SEN. BECK** was wondering in what jurisdiction the Appellate Defender Program works.

REP. QUILICI thinks the question would be "Could the actual public defenders handle this program and do away with the Appellate Defender Program?" **REP. QUILICI** also thinks that they should find out.

SEN. BECK stated that he would call **Judge Mizner**, who's the District Court judge in his area, on where the prison is on this issue. And he would like to ask him how much of the Appellate Defender workload is defense of persons in the prison. He thinks it's a heavier load than what it is in a lot of the other district courts around the state.

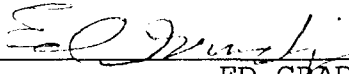
REP. QUILICI will also call **Judge Whalen** and ask him the same questions.

CHAIRMAN GRADY said that the subcommittee has to reduce spending, so the overall state budget comes down. The subcommittee has to prioritize some things.

The meeting adjourned so the subcommittee could tour the Secretary of State's Office.

ADJOURNMENT

Adjournment: 9:00 a.m.



ED GRADY, Chairman



ROSA FIELDS, Secretary

ED/rf

3201 00 00000 SECRETARY OF STATES OFFICE Agency Summary								
BIENNIUM BUDGET COMPARISON								
Budget Item	Present Law Budget Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	Present Law Budget Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Biennium Fiscal 94-95	Total Exec. Budget Fiscal 96-97
FTE	37.30	7.50	44.80	37.30	7.50	44.80	39.63	44.80
Personal Services	977,105	154,787	1,131,892	981,336	155,155	1,136,491	1,941,171	2,268,383
Operating Expenses	811,955	69,542	881,497	758,506	71,986	830,492	1,225,964	1,711,989
Equipment	34,655	30,500	65,155	35,155	50,000	85,155	108,474	150,310
Total Costs	\$1,823,715	\$254,829	\$2,078,544	\$1,774,997	\$277,141	\$2,052,138	\$3,275,609	\$4,130,682
Fund Sources								
General Fund	37,119	0	37,119	37,490	0	37,490	186,281	74,609
Proprietary	1,786,596	254,829	2,041,425	1,737,507	277,141	2,014,648	3,089,328	4,056,073
Total Funds	\$1,823,715	\$254,829	\$2,078,544	\$1,774,997	\$277,141	\$2,052,138	\$3,275,609	\$4,130,682

Agency Description

The Office of the Secretary of State is established by Article VI, Section 1 of the Montana Constitution, and its duties are set forth in sections 2-6-203 and 2-15-401, MCA. The office: 1) files, maintains, stores, and distributes corporate documents, agricultural lien information, official records of the executive branch, and acts of the legislature; 2) publishes the Administrative Rules of Montana and the Montana Administrative Register; and 3) administers the state agency records management function, including operation of a central microfilm unit and the state records center. In addition, due to the Secretary of State's role as chief election officer of the state, the office is also responsible for the application, operation, and interpretation of election laws, except those pertaining to campaign finance.

Supplemental Requests

The executive is recommending a proprietary fund supplemental appropriation of \$92,000 for the Secretary of State for costs incurred preparing and publishing for the 1994 general election. This amount is in addition to approximately \$25,000 of election expenses charged to the fiscal 1995 appropriation, including printing of the VIP and motor voter forms.

3201 00 00000								
SECRETARY OF STATES OFFICE								
Agency Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	37.30	0.00	7.50	44.80	0.00	7.50	44.80	44.80
Personal Services	964,664	12,441	154,787	1,131,892	16,672	155,155	1,136,491	2,268,383
Operating Expenses	617,062	194,893	69,542	881,497	141,444	71,986	830,492	1,711,989
Equipment	76,062	(41,407)	30,500	65,155	(40,907)	50,000	85,155	150,310
Total Costs	\$1,657,788	\$165,927	\$254,829	\$2,078,544	\$117,209	\$277,141	\$2,052,138	\$4,130,682
Fund Sources								
General Fund	40,309	(3,190)	0	37,119	(2,819)	0	37,490	74,609
Proprietary	1,617,479	169,117	254,829	2,041,425	120,028	277,141	2,014,648	4,056,073
Total Funds	\$1,657,788	\$165,927	\$254,829	\$2,078,544	\$117,209	\$277,141	\$2,052,138	\$4,130,682

Funding

The Office of the Secretary of State is funded with general and proprietary funds. General fund supports administration of election laws within the business and government services function. The general fund decreases from the base budget level because the election administrator position was vacated in fiscal 1995 and is budgeted at a lower salary level in the 1997 biennium. Proprietary funds support the administrative code, state records management, and the remainder of the business and government services functions. These funds increase from the base budget level because of the present law adjustments discussed in the following "Executive Present Law" section.

The 1995 biennium is the first biennium in which all agency operations except administration of elections have been funded with proprietary funds. The 1993 legislature enacted HB 549, which directed that beginning in fiscal 1994: 1) all fees for services provided by the agency be deposited in a proprietary fund to support agency operations; and 2) within 120 days after the end of each fiscal year any revenue collected in the proprietary account during the previous fiscal year in excess of the current year's appropriation be transferred to the general fund.

The agency implemented the change in fiscal 1994 and estimated that sufficient fee revenue would be deposited to the proprietary account to support agency operations and transfer approximately \$350,000 to the general fund in both fiscal 1995 and 1996.

Table 1 shows the amount of proprietary funds projected to be transferred to the general fund in fiscal 1995 through fiscal 1997. As shown in the table, support of the new proposals contained in the Executive Budget will reduce general fund revenues from agency operations to significantly less than \$350,000 in fiscal 1996 and 1997.

Table 1
General Fund Revenue from Agency Operations

	FY 95*	FY 96**	FY 97**
PRESENT LAW			
General Fund Revenues			
Transfer of Proprietary Account Revenue	\$459,060	\$426,404	\$528,503
General Fund Expenditures - Elections	(68,433)	(37,119)	(37,490)
Net General Fund Revenue - Present Law Budget	\$390,627	\$389,285	\$491,013
NEW PROPOSALS			
New Proposals	\$0	(\$177,364)	(\$198,840)
Total General Fund Revenue from Agency Operations	\$390,627	\$211,921	\$292,173

* FY 95 general fund expenditures based on HB 2 appropriation.

**FY 1996 and 1997 general fund expenditures based on Executive Budget present law recommendation.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

The present law budget proposed for the Office of the Secretary of State increases over base expenditures by 10 percent in fiscal 1996 and 7 percent in fiscal 1997 due to additional funds for systems development, cyclical printing and fixed costs. These additions are partially offset by a decrease in equipment. However, when the equipment decrease is excluded, the agency operational budget increases over base expenditures by approximately 31 percent in fiscal 1996 and 23 percent in fiscal 1997.

1) Personal Services - The Executive Budget adds proprietary funds of \$16,289 in fiscal 1996 and \$17,254 in fiscal 1997 for overtime and longevity pay increases. Overtime comprises \$15,122 per year of the increase.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$16,289		\$17,254
2 Inflation/Deflation		(564)		1,319
3 Fixed Costs		39,416		19,004
<i>Other Executive Present Law Adjustments</i>				
4 Systems Development		\$95,602		\$40,602
5 Cyclical Printing		46,900		66,680
6 Maintenance Contracts		8,199		8,199
7 Equipment		(41,407)		(40,907)
8 Miscellaneous		1,492		5,058
<i>Total Executive Present Law Adjustments</i>	<i>0.00</i>	<i>\$165,927</i>	<i>0.00</i>	<i>\$117,209</i>

LFA Issues With Executive PL Adjustments

4 Systems Development

The agency is requesting overtime for non-exempt employees instead of continuing the current practice of awarding compensatory time at the rate of 1.5 hours for every 1 hour worked. There were no overtime expenditures in fiscal 1994, but non-exempt employees earned a total of 1053 hours of compensatory time. The amount requested for overtime is based on a grade 8 entry level salary and an average of historical compensatory time hours earned by non-exempt staff. According to State Personnel Division staff, the federal Fair Labor Standards Act (FLSA) allows the award of compensatory time to non-exempt employees if: a) the employee volunteers to work for compensatory time instead of overtime payments; and b) the compensatory time is awarded at time and a half.

4) Systems Development - The executive adds proprietary funds of \$95,602 in fiscal 1996 and \$40,602 in fiscal 1997 to modify current data processing systems through conversion to mid-range computer technology.

The executive adjustment is in addition to fiscal 1994 expenditures of \$81,200 for systems development costs associated with changes necessary to: a) implement SB 146, the Montana Limited Liability Company Act; and b) temporarily fix the corporate system's two-digit identification code.

The executive adjustment would enable the agency, in conjunction with the Information Services Division (ISD) of the Department of Administration (DofA), to: a) begin planning and developing a fully integrated mid-range data processing system that utilizes in-house instead of mainframe applications to store and manipulate data (some components of the existing system will be incorporated into the mid-range system); b) make temporary fixes to current systems to keep them operational until the mid-range system is installed; and c) purchase the hardware and software necessary to facilitate the mid-range system.

While the systems development costs are included as a present law adjustment, the agency has submitted new proposals requesting the addition of 1.5 FTE to assist in the systems development planning process (a full-time computer programmer and a part-time administrative rules specialist). If approved, the additional FTE would be

supported with proprietary funds of \$56,502 in fiscal 1996 and \$56,698 in fiscal 1997. For a further discussion of the requested FTE, see the "Executive New Proposals" section below.

LFA Issue - Agency staff state that the mid-range system should increase revenue and reduce operating expenses, resulting in an eventual increase in the amount of proprietary fund revenue transferred to the general fund. However, the agency has not estimated the net general fund revenue impact associated with implementation of the mid-range system. While the majority of the systems development work would be completed in the 1997 biennium, agency staff state that some additional systems development funding may again be requested in the 1999 biennium to complete the project.

5) Cyclical Printing - This adjustment adds proprietary funds of \$46,900 in fiscal 1996 and \$66,680 in fiscal 1997 for cyclical printing and publishing costs: a) \$40,000 to reprint the Administrative Rules of Montana (ARM) and \$6,900 to print motor voter registration forms in fiscal 1996; and b) \$43,680 to publish all proposed constitutional amendments in all counties prior to elections and \$23,000 to publish the Voter Information Pamphlet (VIP) in fiscal 1997.

LFA Issue - This adjustment uses proprietary funds to pay expenses associated with administration of election laws. The elections bureau is general fund supported in the Executive Budget. Although the proprietary funds requested are similar to general fund (because excess collections are transferred to the general fund and additional expenditures reduce the amount of the general fund transfer), the legislature may wish to consider whether duties required by election laws should be financed by fee paying customers of the office of the Secretary of State.

6) Maintenance Contracts - This present law base adjustment adds \$8,199 per year of proprietary funds for the cost of new maintenance contracts entered into in the 1997 biennium. This amount is in addition to \$3,262 per year included in the base. Approximately \$4,000 per year of the increase is for maintenance on a new microfilm imaging camera purchased in fiscal 1994. The remaining increase is for older equipment coming off of extended warranties in the 1997 biennium.

7) Equipment - The executive reduces base year equipment expenditures by \$41,407 in fiscal 1996 and \$40,907 in fiscal 1997. The approximate \$35,000 per year included in the Executive Budget for equipment is more than double the agency's average annual equipment expenditure for the five years prior to fiscal 1994. Fiscal 1994 equipment expenditures include the special circumstance purchase of a microfilm imaging camera.

3201 00 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Comm/Customer Service Represen	2.00	\$0	\$55,942	2.00	\$0	\$56,724
2 Bankruptcy Coordinator	1.00	0	34,567	1.00	0	35,009
3 Equipment - Discretionary	0.00	0	30,500	0.00	0	50,000
4 Personal Services Reductions	(1.00)	0	(48,099)	(1.00)	0	(48,414)
5 BA3 Add'l Microfilm Staff	2.00	0	39,422	2.00	0	39,961
6 BA4 ARM Specialist	0.50	0	27,939	0.50	0	28,127
7 BA851 Info Capture/Record Pres	3.00	0	114,558	3.00	0	115,734
Totals	7.50	\$0	\$254,829	7.50	\$0	\$277,141

Executive New Proposals

1) Customer Service Representatives - This new proposal would add 2.0 FTE per year and proprietary funding of \$55,942 in fiscal 1996 and \$56,724 in fiscal 1997. These FTE would work in the business and government services function. Agency staff state these positions are necessary because: a) regular filings and information requests have increased by 15 percent over fiscal 1994 levels due to increased business activities in the state; b) the additional workload associated with implementation of SB 146 has not diminished as anticipated; and, c) existing staff has high compensatory time balances which must be reduced.

2) Bankruptcy Coordinator - This new proposal would add 1.0 FTE per year and proprietary funds of \$34,567 in fiscal 1996 and \$35,009 in fiscal 1997 to hire a bankruptcy coordinator. This person would: a) coordinate bankruptcy proceedings for the state of Montana; b) work with state and local officials, the federal bankruptcy court, and corporate customers to ensure that proper liens are filed to protect secured interests; c) ensure that information regarding bankruptcy filings is properly disseminated, and d) investigate implementation of a central state lien file for both agricultural and commercial liens.

LFA Issue - There is no information available regarding the: a) need for a statewide bankruptcy coordinator; b) possible fiscal impact associated with such a position; or c) benefits of housing such a position in this agency as opposed to others. The Secretary of State currently administers the agricultural lien program, which is a centralized filing and access system for security interests on agricultural products and property, but has no official duties in regard to commercial liens.

A similar new proposal is being made by the Department of Justice, which is proposing to add 4.0 FTE and \$150,000 of general fund each year to create a legal unit that specializes in collection of money due the state. The unit would place emphasis on bankruptcy practice. It is unknown how this proposed legal unit would interact with: a) the bankruptcy coordinator position requested by the Secretary of State; or b) the bad debts collection function in the State Auditor's office, which also collects money due the state.

3) Equipment - Discretionary - This new proposal would add proprietary funds of \$30,500 in fiscal 1996 and \$50,000 in fiscal 1997 to purchase the following new equipment: a scanner, microfilm processor, a microfilm camera, and surplus property. When this new proposal is coupled with present law, the equipment budget is over \$65,000 in fiscal 1996 and \$85,000 in fiscal 1997.

4) Personal Services Reductions - This new proposal would generate proprietary fund savings of \$48,099 in fiscal 1996 and \$48,414 in fiscal 1997 through a combination of FTE elimination and vacancy savings. The eliminated FTE would save approximately \$18,900 per year. Additional savings would be generated through a 2.6 percent vacancy savings reduction of approximately \$29,500 each year. From fiscal 1992 through fiscal 1994, the agency experienced an average vacancy savings rate of approximately 1.5 percent per year.

LFA Issue - There are two issues in regard to this proposal.

a) The 1.0 FTE the executive plans to eliminate was one of 2.5 FTE added to implement SB 146, and **should** have been eliminated in fiscal 1995, as per legislative intent expressed in the fiscal note to that bill. No funding for the position was included in the fiscal 1995 budget and the position is currently vacant. Therefore, no actual savings result from this reduction.

b) The executive is proposing to eliminate FTE and impose vacancy savings. Elsewhere in the budget, the executive adds approximately \$15,000 for overtime and 8.5 FTE in new proposals, of which 6.0 will be used to address workload increases and a microfilming backlog.

5) Additional Microfilm Staff - This new proposal would add 2.0 FTE and proprietary funds of \$39,422 in fiscal 1996 and \$39,961 in fiscal 1997, to continue a budget amendment added in fiscal 1995 for additional staff in the records management function to address the backlog of state agency microfilming requests. While the additional 2.0 FTE are reducing the original backlog, the agency states that their efforts have resulted in: a) a new backlog resulting from supplemental requests made by agencies whose records are finally being microfilmed; and b) an approximate 1 percent increase in new microfilming requests from other state agencies.

6) ARM Specialist - This new proposal would add a 0.5 FTE and proprietary funds of \$27,939 in fiscal 1996 and \$28,127 in fiscal 1997, to continue a budget amendment added in fiscal 1995 to facilitate provision of public electronic access to the ARM. Currently, publication of the ARM is not automated. Continuation of the 0.5 FTE would allow the agency to proceed with planning and development of an ARM data processing system and text base in conjunction with agency efforts to fully integrate all office data processing systems.

7) Information Capture - Records Preservation - This new proposal would add 3.0 FTE and proprietary funds of \$114,558 in fiscal 1996 and \$115,734 in fiscal 1997 to continue a budget amendment added in fiscal 1994 that provided an alternative to the purchase of fireproof storage cabinets.

EXHIBIT 2
 DATE 2-1-95
 HB Secretary of State

Projected Net General Fund Revenue from Secretary of State Operations			
	FY 95*	FY 96**	FY 97**
	PRESENT LAW		
Amount Anticipated for Transfer to General Fund	\$441,570	\$441,570	\$441,570
General Fund Expenditures—Elections	(68,433)	(37,119)	(37,490)
Net General Fund Revenue—Present Law Budget	\$373,137	\$404,451	\$404,080
	NEW PROPOSALS***		
New Proposals	\$0	(\$258,379)	(\$280,691)
Net General Fund Revenue from Total Agency Operations	\$373,137	\$146,072	\$123,389

* FY 95 general fund expenditures based on HB 2 appropriation.

**FY 1996 and 1997 general fund expenditures based on Executive Budget present law recommendation.

***Includes Elected Official New Proposal for Training—NOT included in Executive Budget

FISCAL YEAR 1994 BASE
The Zook-Aklestad Memo

As you know, Senator Aklestad and Representative Zook asked agencies to come to sub-committee prepared to discuss what would happen if agencies were budgeted only the amount actually expended in Fiscal Year 1994. It has always been this Agency's policy to answer these types of inquiries as openly and honestly as possible and that's why we've dedicated this section of our presentation to this issue.

In order for this office to reach the expenditure limitations required under an FY 94 scenario, reductions in necessary expenditures would be required and would negatively impact the services this office provides to the public. To be more specific, critical computer changes must be made during this biennium to maintain the current functionality of a system that is critical to the mission of the office and to communication with the business community.

In short, the current mainframe applications used by this office to process Uniform Commercial Code financing statements and registration of corporations, trademarks, limited liability companies and other business entities have significant problems that require attention during this biennium.

The Secretary of State has worked closely with the Department of Administration, Information Services Division in this regard and has developed a unique working partnership to create cost effective modifications to the system. During this biennium that meant avoiding expensive maintenance through short term patches and manual fixes. This situation cannot continue through the next biennium. Expenditures will have to be made to ensure that the information this office provides for the business community is accurate and timely. This type of system maintenance was not contained in 1994 expenditures and must be made in this biennium.

Therefore, should FY 94 expenditures be adopted as the budget for the office of the Secretary of State, the subsequent cuts required not only to meet the \$59,000 in inflationary adjustments, but also the \$136,000 in computer modifications would represent a cut of 20% of the entire personal services budget of the Agency.

EXHIBIT 4
DATE Mar 2-1-95
HB Appellate Defender
Program

APPELLATE DEFENDER PROGRAM
FY96/97 BIENNIUM

EXPENDITURE	FY94 ACTUALS	FY96 REQUEST	FY97 REQUEST
-------------	-----------------	-----------------	-----------------

Personal Services	68,289	120,791	121,211
-------------------	--------	---------	---------

Currently the program has 2 FTE
This request would add one Grade 17 attorney and one half-time Grade 9 admin support

Operations

Other Services	4,916	16,926	16,926
----------------	-------	--------	--------

Consultative and professional services, printing, copying, janitorial, records storage, etc., are included in this category. Costs as of 12/30/95 were much higher (\$4,541) than FY94 actuals as we were forced to retain expert witnesses for post-conviction cases, and an additional \$800 is expected in expert costs in FY95. Non-expert costs of approximately \$4,314 are also projected in FY95. Total estimated to be expended in consulting services in FY95 is \$9,655.

Printing, copying, janitorial and records storage costs were \$4,269 in FY94. Additional costs expected to be incurred in this area with a second attorney are \$3,002.

Supplies & Materials	1,404	2,600	2,600
----------------------	-------	-------	-------

Projected expenditures in this area in FY95 are \$1,300. An increase of 1.5 FTE would double supplies expenses to \$2,600.

Communications	5,325	9,200	9,200
----------------	-------	-------	-------

Postage costs, messenger service through the Central Mail, telephone equipment charges and long distance charges are covered in this category. Long distance

is high as over 90 percent of our clients are in prison and must call collect.

The addition of another attorney and half-time secretary would double the telephone equipment costs and long distance charges. Also, more mail would be processed as work output would double.

Travel	7,795	10,000	10,000
--------	-------	--------	--------

In-state travel consists of trips to Montana State Prison three to four times a month, usually with a motor pool car.

Out-of-state travel consists of one national seminar with appellate defenders from other states at a cost of approximately \$1,000. These seminars also provide 15 legal education credits to maintain status as an attorney in Montana.

In two cases, my program was required by the District Court to pay travel costs of a co-counsel and thus save the county from having to pay those costs.

An additional attorney would have the same caseload and be required to travel at approximately the same level as myself. An increase in budget of \$2,205 would cover those additional travel costs.

Rent	4,178	7,322	7,322
------	-------	-------	-------

The Appellate Defender Program rents space at \$8.50 per square foot as no State space is currently available. The program rents 425 square feet, which is adequate for two FTE, but the addition of two additional staff would require another 250 square feet of space. Included in this rent cost is the cost of two parking spaces at \$33 each as the office is downtown where no free public parking is available.

Repair/Maintenance	211	940	1,361
--------------------	-----	-----	-------

Maintenance on one computer is reflected in FY94. Additional maintenance costs in FY96 include \$211 for one more computer, and \$518 to cover the laserjet printer and laptop computer. Two additional computers would be purchased in FY96 for the additional 1.5 FTE. Maintenance of \$211 per computer would not occur until FY97 when warranty had expired.

Other Expenses	2,842	4,142	4,142
----------------	-------	-------	-------

Other Expenses includes \$400 for training costs. Another attorney would increase this training cost by \$400. Increased use of Lexis, an on-line system for legal research, would occur with an additional attorney. FY94 actuals for Lexis research was \$2,100. FY96/97 costs are projected at \$3,000 or an increase of \$900 per fiscal year.

Total Operations	26,671	51,130	51,551
------------------	--------	--------	--------

Equipment	705	8,271	0
-----------	-----	-------	---

An increase of 1.5 FTE would necessitate purchase of the following:

- Two computers at \$1,800 each including software
- Two desks and chairs, a computer workstation and a bookcase at \$2,971
- Two file cabinets at \$650 each
- Two telephones at \$100 each
- One bookcase at \$200

Totals	95,665	180,192	172,762
--------	--------	---------	---------

HOUSE OF REPRESENTATIVES
VISITORS REGISTER

Gen. Gov. & Trans.

SUB-COMMITTEE

DATE 2-1-95

BILL NO. _____

SPONSOR(S) _____

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	Support	Oppose
LEG MITCHELL	SECRETARY OF STATE	✓	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS
ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

HR:1993

wp:visbcom.man

CS-14