

**MINUTES**

**MONTANA HOUSE OF REPRESENTATIVES  
54th LEGISLATURE - REGULAR SESSION**

**JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT & TRANSPORTATION**

**Call to Order:** By **CHAIRMAN ED GRADY**, on January 20, 1995, at  
8:00 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:** Terri Perrigo, Legislative Fiscal Analyst  
Dan Gengler, 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: Department of Administration  
Executive Action: None

**Tape 1 - Side A**

The subcommittee members toured the Central Mailroom during the  
meeting. One 90-minute tape was used to record the meeting.

**BUDGET ANALYSIS 1997 BIENNIUM, VOL. I, PAGE A-150**

**Marvin Eicholtz, Administrator of Procurement and Printing  
Division, Department of Administration**, gave information on the  
bureaus that he administers: 1) Publications and Graphics  
Bureau; 2) Property and Supply Bureau; and 3) Purchasing Bureau.  
He said the Purchasing Bureau is involved with procurement for  
every agency with purchases over \$5,000. He said there are a few  
agencies that have more spending authority above the \$5,000  
amount, i.e., Department of Transportation and the University  
System have a \$25,000 procurement authority. The Purchasing  
Bureau has contract officers that take care of these purchases.

He discussed the Natural Gas and Fueling Program under the Purchasing Bureau. He said that three years ago the Public Service Commission (PSC) deregulated natural gas, which allowed the bureau to provide natural gas to the institutions different manner than had been done in the past. He said the service used to be "bundled service," which allowed various institutions to turn up their thermostats to receive heat. Three years ago, after deregulation, the service was "unbundled" which allowed the state to purchase the natural gas and pay to have it transported through the Montana Power Company lines. He said they were offered two choices, either bundled or transportation. The state chose transportation because of the savings involved.

The Purchasing Bureau purchases natural gas for seven units of state government. These units have to use over 60,000 BTUs per year. He listed the units that use this method: Montana State University (MSU), University of Montana (U of M), the Montana Developmental Center (MDC), Montana State Hospital (MSH), the Deer Lodge Prison, MSU Northern, and Pine Hills School. He said the bureau designates daily how much gas the producers need to run through the lines for these units. They also have storage gas that is purchased every year through MPC. **Mr. Eicholtz** said the department is asking for \$200,000 in spending authority to purchase the storage gas. He said the storage gas is needed because they are an "interruptable service," i.e., when it is very cold and the equipment isn't working well, the MPC will service homes who have "bundled service" first. He said if MPC doesn't have enough gas, then the gas for the institutions is shut down, and the storage gas is a backup for this purpose.

**Mr. Eicholtz** spoke of the Fueling Program. He said there are very stringent regulations on underground storage tanks. The state of Montana emulated the state of Idaho by proceeding to a fuel authorization which gets the state out of the underground storage business and places the liability into the private sector. He said that state government had approximately 500 underground storage tanks when the program started. The department is encouraging all state agencies, schools, and etc., to have the storage tanks removed because the gas can be purchased through DOT sites throughout Montana or filling stations that have the gas card software.

He informed the committee that the cards control who can fuel the cars and what can be purchased. He said at the end of the month the information is fed into computers in San Diego, California, and the state receives only one statement vs. 26 statements. He said there are five locations in Helena that offer this service. The state receives a savings of lower fuel prices than what is offered to the people across the state. **Mr. Eicholtz** said the state has saved over \$1 million since the deregulation came into effect three years ago.

**REP. FELAND** informed the committee that the state is purchasing gas out of Canada and there is no tax on it. **Mr. Eicholtz** said

the state government has a contract with Great Falls Gas who said the gas is from Montana.

**REP. QUILICI** asked **Mr. Eicholtz** if the state has enough gas in storage now to service the institutions if there is a cold winter. **Mr. Eicholtz** replied yes. He said the reason the department is asking for the \$200,000 for spending authority now is because the state usually purchases the gas in August or September, but in FY93 the state bought the gas out of the 1993 contract in July so it didn't show up in the department's base year budget.

**Budget Item: Personal Services**

**CHAIRMAN GRADY** asked about the increased demands for personal services during the legislative session. **Mr. Eicholtz** informed him that during the legislative session the department hires four additional FTE due to the hours involved. During the off year the department operates from 8:00 a.m. to 5:00 p.m., and during the legislature there are two shifts, one day shift and a night shift, plus the cost of increased paper needs.

**CHAIRMAN GRADY** asked if there are other costs throughout the state government due to the legislature session and asked if they are treated the same way. **Terri Perrigo, LFA**, said yes and gave the Legislative Council as an example. She said when the agencies are working off of the even-numbered year base budget, there are no legislative costs. Consequently, the costs associated with the legislature, which usually happens during the odd-numbered year, has to be added to the base.

**NEW PROPOSALS:**

**Mr. Eicholtz** discussed the printing consolidation with the Department of Labor (DOL). The DOL had 3.5 FTE in printing before the consolidation and one of those moved over to the DOA. He said the department is saving approximately \$200,000 per biennium as a result of the consolidation.

**Mr. Eicholtz** said the second proposal reduces FTE by 1.17 FTE. He said the department eliminated a grade 13 purchasing position, grade 16 manager, and the .17 is an end result of a grade 12 material officer.

**EQUIPMENT:** **Mr. Eicholtz** said the negative figure shows that the division is not spending as much money on equipment for the biennium as they did during the last biennium.

**INSTALLMENT PURCHASE:** **Mr. Eicholtz** said this has been reduced due to the fact that computer systems are being paid off. He said this is handled in Property and Supply, because that program takes care of Central Stores and federal surplus. He said the equipment is depreciated in the print shop as it becomes old and is replaced because the maintenance becomes too expensive.

**Ms. Perrigo** said the present law table is being compared to the department's base budget expenditure. She said the division is spending \$4,195 less on equipment in FY96 than they did in FY94, and \$37,000 less in FY97 than was spent in FY94.

**Ms. Perrigo** informed the subcommittee members the issue she was concerned about was that the duplication rate for 1-20 copies has been reduced in FY96 and FY97, but agency budgets were not reduced to reflect the decreased amount. She said it is impossible to determine the cost savings per agency due to the fact that the accounting method used by the division does not break costs down in this manner. She said the legislature may want to direct in future bienniums to include any per unit printing cost reductions reflected in agency budgets.

#### GENERAL SERVICES PROGRAM

#### **BUDGET ANALYSIS 1997 BIENNIUM - VOL. I - PAGE A-164**

**Debra Fulton, Administrator, General Services Division, Department of Administration**, gave an overview of the General Services Division and stated that the mission of General Services is to contribute to the productivity of state employees by providing essential services in a cost efficient manner.

She said the division offers three basic services: 1) maintain a safe and comfortable work sites for state agencies; 2) assist the agencies in finding adequate space; and 3) process the state mail. She said they manage 1,100,000 sq. ft. of office space in 38 buildings located on the capitol complex. The division manages over 300 leases for state offices across Montana, and processes over 16 million pieces of mail every year. The division approves and coordinates all repair and remodeling for state facilities in Helena. She distributed a packet that contained an organizational chart of the division showing the specialty of each individual.

#### Discussion Item: Central Mailroom

She discussed the OCR (Optical Character Reader), or bar code, and how it has changed the operation of the mail room. She said the OCR was requested at the last legislature after a study was done to find the best cost effective means and the OCR was purchased. She said the program is funded through a proprietary account which provides a cost savings to the state agencies.

There are five sources that fund that this program: 1) the actual cost of the postage; 2) the work that is done; 3) the value added refund received from the post office (1½ cents for bar coding); 4) a contract through the post office to deliver mail to state agencies in Helena; and 5) payment from the United State Postal Service (USPS) operating the post office in the capitol building. The remainder of the funds are collected from each agency for the pro-rated use of delivering interagency mail.

Ms. Fulton said their efforts at postal automation have earned them the recognition from the USPS Partners and Progress Award, which was received by Governor Marc Racicot on behalf of the state of Montana earlier this year. The staff of the mailroom received an incentive award of a small dollar amount per employee for savings that had been generated in December 1994. She said the employees worked harder and longer to get 200,000 plus pieces of mail out before the postage increase became effective on January 1, 1995.

**Budget Item: Personal Services**

Ms. Fulton discussed the participation of the mail staff in the performance based budgeting process. She said the budget shows they are increasing their staff by 1.6 FTE. One of the FTE is already on board because of a modification and asked that this FTE be continued. The .6 FTE will save the state money because at this time they are paying overtime due to lack of staff to handle the 40% increased volume of mail.

Tape 1 - Side B

**Budget Item: Maintenance Services**

Ms. Fulton said the General Services Division manages all the state owned facilities in the Helena area. She gave a brief description of the staff's responsibility, i.e., janitor, repair, security, and etc. She said they contract for all major maintenance in state-owned buildings that they do not manage, i.e., the Fish, Wildlife and Parks building, State Fund, and Job Service offices which are done through the private sector. The overall cost in the division's budget shows that three-quarters of their budget is consumed by utility costs and contracted services.

Ms. Fulton said the maintenance staff receives about \$16 per hour salary, but the agencies are charged \$20 per hour to cover the overhead costs. She gave a comparison of their charge vs. the private sector showing in most cases their costs were either the same or lower.

**Budget Item: Lease and Space Approval**

Ms. Fulton said the division provides lease approval and space allocation services for state agencies. She said this position was created about five years ago after statutory language was mandated for lease approval by the D of A. No FTE were budgeted for the position, and the division had to reassign duties to add the services with no additional staff to their budget. She said they have a leasing officer who shows agencies how to negotiate favorable leases with private contractors and assures that all necessary provisions including fire codes, Americans Disabilities Act (ADA), and local laws are included in the lease documents.

The division has developed standardized contract language and guidelines for lease approval. This allows them to decentralize the majority of the work that would otherwise require additional staff. **Ms. Fulton** said this program has realized a cost savings to the state of \$1,691,344 or \$388,000 per year.

**Ms. Fulton** said the issue for this biennium general services budget is how to increase the maintenance efforts on the capitol complex and what is the appropriate funding source for this increase. She said it has been agreed that major maintenance can no longer be deferred on many of the state buildings. The Executive Budget recommends a new proposal of \$732,000 for the biennium. This amounts to \$113,000 a year more than the average the division spent in the last three years. In the past they had to depend on utility savings or the Long Range Building Program to provide funding for major maintenance, and this biennium avoids this dependency and assures that the maintenance work will be done.

**Budget Item: Facility Program**

**Ms. Fulton** said the facility program is funded through three sources: 1) proprietary funds derived from special projects and rent payments from state agencies that occupy division managed space; 2) capitol land grant funds; and 3) general fund. The Executive Budget recommends reducing the funds from general funds by approximately 50%; or from 12% of the division's budget to about 6%. She said 94% of the funding comes from the proprietary account for rent that is charged to the agencies for their office space. The executive proposal represents a significant increase in maintenance expenditures, but the amount budgeted for maintenance remains below the standards. Studies show that maintenance costs average 3% of the appraised value of the building. General Services current funding amounts to approximately 1.94% of the appraised value of the building. She said the proposed Executive Budget will increase it to 2.3%.

**REP. QUILICI** asked **Ms. Fulton** to give an overview of the present law maintenance budget of \$120,000 proposed by the executive, not including the \$100,000 for contingency. It is over 50% less than the division's average annual repair and maintenance expenditure. He also asked her to review the new proposals in regard to the executive proposal on the capitol building.

**Ms. Fulton** said they reduced present law in their budget for day-to-day maintenance fund to show the legislature where specific funds will be going. She said the division did not intend to reduce it by 50%, but included it in the new proposal to show what is needed for major maintenance. The present law adjustment only shows the day-to-day repairs, while major maintenance of \$120,000 is included in the new proposal.

**Budget Item: Contracted Services**

**Ms. Fulton** informed the subcommittee that proprietary rates are set long before the budget is set. Since the budget was set, the division was able to renegotiate one of their major maintenance contracts and are now able to reduce the maintenance appropriation requests by \$59,000 each year of the biennium. She asked that the amount stay in the rental rate because of the ADA modifications that have already been approved by the Long Range Building committee who worked on HB 5. The division wants to pay the ADA out of the extra cash generated by the maintenance contract reduction, which will free up \$100,000 in the Long Range Building Program for another facility in Montana and places the cost of the ADA modifications in the rental rates which are charged to agencies.

**REP. FELAND** asked **Ms. Perrigo** if there is an excess of the proprietary funds will it be transferred back into the general fund. **Ms. Perrigo** said no. She reminded the committee members of the \$145,000 of general fund that had to be paid to the federal government because previous legislative action transferred proprietary account funds to the general fund.

**Budget Item: Fire District Assessment**

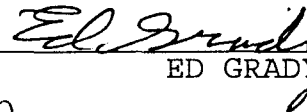
**Ms. Fulton** addressed the increased fire assessment. She believed there is legislation that will require them to pay the \$60,000 per year, but didn't know at this time if they will be required to pay it or not. There is a current restriction that does not allow local governments to assess this type of fee, and thought there is legislation to remove that restriction. If it passes, General Services will be required to pay this fee. **CHAIRMAN GRADY** said the legislature cannot budget anything on contingency. **Ms. Fulton** said they do know that they will receive this bill, the question is if they legally have to pay it. She said if they are required to pay this bill and there is no appropriation provided they will have to reduce maintenance services to pay the bill.

**Budget Item: Capitol Complex Major Maintenance**

**Ms. Perrigo** said in the actual Executive Budget the first proposal for capitol complex major maintenance would have added \$241,000 per year. **Ms. Perrigo** said when the executive budget was all but finalized, there was an additional \$250,000 added to the new proposal, but this figure is not reflected in the budget. She said the new proposal for major maintenance has been changed from \$241,000 per year to a \$482,000 biennia appropriation plus \$250,000, for a total of \$732,000.

ADJOURNMENT

Adjournment: 11:40 a.m.



ED GRADY, Chairman



ROSA FIELDS, Secretary

EG/rf

Note: These minutes were written by CJ Johnson and edited by Terri Perrigo, LFA.



HOUSE OF REPRESENTATIVES  
VISITORS REGISTER

General Government

SUB-COMMITTEE

DATE 1-20-75

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NAME AND ADDRESS	REPRESENTING	Support	Oppose
Debra Fulton	DOA		

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