

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 54th LEGISLATURE - REGULAR SESSION

JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT & TRANSPORTATION

Call to Order: By **CHAIRMAN ED GRADY**, on January 27, 1995, at 8:15 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: None
Executive Action: Department of Administration

{Tape: 1; Side: A; Approx. Counter: 000 ; Comments: n/a}

EXECUTIVE ACTION ON DEPARTMENT OF ADMINISTRATION

BUDGET ANALYSIS 1997 BIENNIUM VOL. 1 PAGE A-179 & 180

Budget Item: Risk Management and Tort Defense Division

Terri Perrigo, LFA, opened the hearing stating the LFA did not raise any issues regarding the Risk Management budget, but the administrator would like the committee to consider adding \$20,000 in FY97 for an actuarial evaluation.

REP. QUILICI asked if the division was required to have the evaluation done. **Ms. Perrigo** replied that it was, however, it is now required every year where previously it only had to be every two years.

Brett Dahl, Administrator, Risk Management and Tort Defense Division, said it is a general standards form requirement to have an actuary review their accounting system to project their losses.

{Tape: 1; Side: A; Approx. Counter: 39; Comments: n/a.}

Motion/Vote: **REP. QUILICI** moved to accept the base budget and present law adjustments for FY96 and FY97. **The motion carried unanimously.**

Motion/Vote: **SEN. BECK** moved to accept the new proposals. **The motion carried unanimously.**

Motion: **REP. QUILICI** moved to add \$20,000 for the actuarial evaluation in FY97.

CHAIRMAN GRADY asked **Mr. Dahl** to give a brief explanation of the actuarial evaluation and the reason for the increase in funds. **Mr. Dahl** said the division was performing the evaluation once a biennium until this biennium when it switched to every year because of a requirement in the state Comprehensive Annual Financial Report and to be in compliance with GASB 10 (General Accounting Standards for Requirement). He said this requires public entities, corporations, and other companies to recognize their losses at the time they are incurred, to project what those losses will be, and to approve the losses in the financial statements.

CHAIRMAN GRADY asked about the \$20,000 a year increase, and if the other funds are included in the base for the one year. **Mr. Dahl** said it is in the base for FY96, but not for FY97. **CHAIRMAN GRADY** asked if the committee just approved a \$6,282,241 budget. **Ms. Perrigo** replied yes.

SEN. BECK asked if the \$6 million included the \$20,000 for the actuarial evaluation. **Mr. Dahl** said the \$20,000 is in the contracted services funds. He said the authority the division currently has for contracted services is not sufficient to fund the additional actuarial evaluation because the cost defending cases and the costs associated with the cases are more than what the legislature has approved in previous biennia for those services.

CHAIRMAN GRADY asked if the contracted services was included in the above motion that was just approved. **Mr. Dahl** replied it was, but the \$20,000 is in addition to the Executive Budget for FY97.

REP. QUILICI asked **Dan Gengler, OBPP**, if he has examined this request. **Mr. Gengler** said the OBPP did review this issue, but the office thought the actuarial evaluation would be continuing once a biennium instead of every year. **Mr. Gengler** said he

discussed this with the department noting that this is being done due to new requirements, and that OBPP supported the request.

CHAIRMAN GRADY directed the same question to **Ms. Perrigo**. **Ms. Perrigo** said in regard to this division that it seems more than ever that the comprehensive annual financial report requirements are having implications on budgets.

Vote: The motion carried unanimously.

{Tape: 1; Side: A; Approx. Counter: 267; Comments: n/a.}

Budget Item: Mail & Distribution Program

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CHAIRMAN GRADY asked **Ms. Perrigo** if the mail distribution additional costs are budgeted into the other agencies budgets. **Ms. Perrigo** said yes, they are budgeted as postage costs in other agency budgets. There is a fixed rate for inter-agency (deadhead) mail included in the other agency budgets as messenger charges. She reminded the members that the capitol post office is operated under a contract with the U.S. Postal Service. Another source of funding for the central mail program is the difference between what the state agencies pay to have their mail processed and the cost charged by the USPS to mail "good mail." This difference in mail costs is referred to as a value-added refund.

Motion: **REP. QUILICI** moved to accept the base budget and present law adjustments.

REP. QUILICI spoke to his motion stating that consolidation of the Department of Labor mailroom with the Capitol mailroom is the reason for some of the increase.

Vote: The motion carried unanimously.

Budget Item: Performance Based Budgeting Pilot Program (PBB)

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Ms. Perrigo addressed the PBB pilot program and said the reason there is not a personal services reduction in this program, and why there are FTE added through the present law adjustment. In order to maintain the same level of services that had been achieved in 1994, it was necessary to continue with the current FTE. She said the 0.6 FTE position is added to eliminate the need to pay overtime in order to process the mail on the day it is received. The Executive Budget has proposed language be added to the bill stating that the central mail appropriation is contingent on the funds being used to attempt to achieve the

performance targets outlined in the LFA budget analysis, and that the program will submit semi-annual reports on progress towards these goals to OBPP and the LFA.

Mr. Gengler informed the committee there are two other programs that are involved in the PBB pilot project. He said they are currently developing a list of programs to further expand this program. This will generate a systematic review of the accomplishments of specific programs.

REP. QUILICI asked if this is the same process the auditor uses in their legislative performance audits. **Mr. Gengler** replied that as government accounting standards start to require performance audits the auditor will be able to look back at the program results as they are reported to the legislature. He further stated that oversight of the PBB pilots is being done in the OBPP current level staff.

Lois Menzies, Director, Department of Administration, said the department volunteered for the pilot program. The work done by the unit can be measured and compared to a standard because it is a production-oriented operation.

Motion/Vote: **SEN. BECK** moved to accept the language for the PBB pilot project. **Motion carried unanimously.**

Budget Item: General Services Division (GSD)

Debra Fulton, Administrator, asked the subcommittee to approve language authorizing GSD to build a parking lot behind the Scott Hart Building. Because of the way current law is written, GSD needs specific legislative authority for any projects costing more than \$50,000. She said the funding for the parking lot is included in the package the committee approved yesterday, but due to statutory requirements, she needs the legislature's approval, too.

Terri Perrigo informed the committee that she had language that could be included in the Appropriations Act.

{Tape: 1; Side: A; Approx. Counter: 677; Comments: n/a.}

Motion/Vote: **SEN. BECK** moved to accept the legislative approval language. **The motion carried unanimously.**

Budget Item: Appellate Defenders Office

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Bill Hooks, Attorney, said the state of Montana defends people who cannot afford to hire their own attorney in certain criminal cases that are appealed to the Supreme Court. Since he started

in 1992, the number of cases have increased. The legal representation is funded through the District Court Criminal Reimbursement Fund. When an attorney is finished representing a person that cannot pay, the attorney files a claim with the county in which he/she was appointed. The county pays the attorney, and then files a claim for reimbursement with the Supreme Court. The state, through the district court, reimburses the county for the legal expenses incurred. The appellate defender program fund, has spent less than its \$100,000 annual allocation from the fund in each of the last two years.

Mr. Hook said their budget request is to continue to operate with one full-time attorney and one full-time paralegal. He said the office has reached its limit in the number of cases current staff is able to handle. If they are unable to increase staff, outside attorneys will be appointed, and those costs will also be paid for out of the district court criminal reimbursement fund, which will further reduce the amount of funds otherwise available for county court cost reimbursement. His additional request is to add another full-time attorney and a part-time secretary to take care of the increased workload. He said this will take more out of the reimbursement fund, but it will save money by not hiring outside attorneys.

SEN. BECK asked if each of the districts have a public defender. **Mr. Hook** said yes. He said there are some cities that have public defender offices while other smaller towns contract for these services.

{Tape: 1; Side: B; Approx. Counter: 174; Comments: None.}

CHAIRMAN GRADY asked **Mr. Hooks** about the request for \$194,000 each year of the biennium, and wanted to know what is included in the additional request as the program has been operating on \$100,000 per year. **Mr. Hooks** said they are requesting a grade 17 attorney, and a part time grade 9 secretary. The personal services for the additional staff is approximately \$52,000 per year. He said that the additional attorney and secretary will increase their operating expenses by approximately \$32,000 while an additional \$10,000 is needed for one-time only equipment purchases.

CHAIRMAN GRADY said the committee will not take any action on this issue today until they know the outcome of Senate Bill 83, which would eliminate the statutory appropriation for the Appellate Defender program.

Discussion:

Ms. Perrigo said that the committee still needed to address the Personal Services Contingency new proposal. **SEN. BECK** said without the contingency fund, they would have to lay off more employees in order to meet its vacancy savings requirement.

Dan Gengler, OBPP, distributed a copy of a letter that was sent to the agencies regarding requests from the contingency fund and also a schedule of distribution of general fund monies.

{Tape: 2; Side: A; Approx. Counter: 000; Comments: n/a.}

SEN. BECK was concerned about why the Department of Justice got so much general fund from the contingency fund when it's a large agency and he thought the fund was for small agencies. Ms. Perrigo said it may be due to early retirement costs or reducing the vacancy saving requirement on the highway patrol division, but will have to check. She has raw data from the retirement systems in regard to early retirement costs by agency. This will give the committee an idea of the early retirement cost in all of the agencies. She said that most agencies made the choice of paying off their early retirement obligations due to the 8% interest rate.

Ms. Perrigo then distributed a handout showing language the committee had approved conceptually for the Department of Administration. She said the language in item #2 had not yet been approved due to no action yet on Personal Services Contingency Fund. Ms. Perrigo said the committee also has not yet approved the language in #1 of the handout that addresses the governor-elect program. SEN. BECK asked if this is only when a new governor is elected. Ms. Perrigo said that is correct.

Budget Item #1: Language for a new elected Governor Program

Motion/Vote: REP. QUILICI moved to accept the language in #1. Motion carried unanimously.

Budget Item #2: Language for Accounting and Management Support

Ms. Perrigo said this language addresses any funds that remain in the capital land grant account, and states they will be placed in the Long Range Building Debt Service Fund. This motion was conceptually accepted in previous executive action, and the Committee agreed and accepted this actual language.

Budget Item: Language re: Flexible Spending Account New Proposal

Ms. Perrigo said this addresses the Flexible Spending Account (FSA) self-administration new proposal. The requested funding would allow the department to operate the program themselves if they cannot negotiate a cheaper contract with the current provider. When the department was before the committee previously, they informed the members that the fiscal 1996 funding could be eliminated. Ms. Perrigo said this language indicates that the appropriation will be lined-item, and is only to be used if the department determined that self-administration

is more cost effective than contracting with the current provider.

Motion/Vote: SEN. BECK moved to accept the language. Motion carried unanimously.

{Tape: 2; Side: A; Approx. Counter: 547; Comments: n/a.}

Budget Item: Information Services Division

Discussion:

Ms. Perrigo addressed the language associated with the potential federal grant for SummitNet. She said the committee should provide direction regarding whether or not proprietary spending authority should be reduced by an amount equal to federal grant funds if the grant is approved. She said at this time the SummitNet project is totally funded with proprietary funds amounting to \$1 million per year. The department may be successful in obtaining the federal grant, and the language provided states the department can ask for a budget amendment for that grant.

SEN. BECK asked if the committee could fund SummitNet with proprietary funds excluding the anticipated federal grant amount, and if the grant doesn't come through, the department can go before the Finance Committee and ask for a budget amendment for the difference. Ms. Perrigo said the current funding of the SummitNet is sufficient to support the SummitNet activities. Mr. Gengler suggested the committee include in the language a statement directing the department to reduce proprietary revenue authority "accordingly."

Motion/Vote: SEN. BECK moved to accept the language to "reduce the proprietary revenue authority accordingly if the department receives the federal grant." Motion carried unanimously.

Budget Item: Language re: Mail and Distribution Program

Discussion:

Ms. Perrigo said the language in the handout is what OBPP has proposed be inserted in all of the programs that participate in the PBB pilot project. She suggested the language be changed by inserting "Legislative Appropriations Act" in place of "outlined in the Executive Budget."

Motion/Vote: SEN. BECK moved to accept the language change. Motion carried unanimously.

Budget Item: General Services

Discussion:

Ms. Perrigo said the language states that in future biennia, the program's general fund appropriation should be equal to 6.5% of the total operating budget. She said that the general fund appropriation is used to support maintenance of the common area, and has historically been 12% of the program's operating budget. A study done by General Services showed that the actual maintenance cost amounted to 6.5% of everything General Services spends on maintenance.

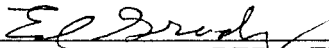
Motion/Vote: SEN. BECK moved to accept the language change.
Motion carried unanimously.

Budget Item: Approval to spend funds (\$50,000) authorized by the committee in previous executive action to improve the Scott Hart Parking Lot.

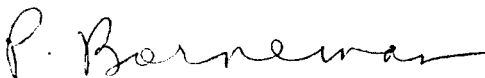
Motion/Vote: SEN. BECK moved to approve the language authorizing a \$50,000 expenditure of funds to improve the Scott Hart building parking lot. **Motion carried unanimously.**

ADJOURNMENT

Adjournment: 10:41 a.m.



REF. ED GRADY, Chairman



for CLAUDIA JOHNSON, Recording Secretary

EG/cj