

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 54th LEGISLATURE - REGULAR SESSION

JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT & TRANSPORTATION

Call to Order: By CHAIRMAN ED GRADY, on January 31, 1995, at
8:11 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
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: None

{Tape: 1; Side: A}

HEARING ON SECRETARY OF STATE

Mike Cooney, Secretary of State, introduced Chief Deputy Doug Mitchell who will present the Executive budget for the Secretary of State's office. EXHIBIT 1

Deputy Mitchell presented an overview of the Secretary of State budget. EXHIBIT 2 Both the Secretary of State and the Chief Deputy are statutory offices in the state constitution. The office has 37.3 FTE which is the same level as appropriated in 1988, with the addition of the records management office in 1991. One of the staff's biggest budget concerns is the low salaries in the office. The average salary in the Secretary of State's office is \$25,265, while the state average is \$33,493. The Secretary of State's average salary is less than the Executive proposal for FY96. One of the reasons for the low average is

that this agency has chosen to cut from upper management for vacancy savings, and many of the positions in the office are classified as grades five and six. At the same time the Secretary of State's office reverted approximately \$450,000 to the general fund from fees charged to customers.

REP. GARY FELAND asked what the employee turnover rate is. **Deputy Mitchell** answered it's about 10% per year--three staff members or so. Some staff have been there twenty years or more. The reason staff leave is because the highest grade level is a 10, so in order to move up, staff must move out of the division. This is encouraged by trying to teach staff skills needed to get higher grade positions.

CHAIRMAN GRADY asked if there is any salary flexibility outside of the pay plan. **Deputy Mitchell** answered there is some flexibility, but there are really no dollars available. The office wants to be fair, but can't offer raises to everyone across the board, so they don't offer any raises beyond the 2.5%. At times a new person is hired at greater rate, so they will accept the position as a lateral move. Exempt pay raises are handled differently, which means in a lot of instances exempt staff don't get raises. Because of this as some exempt staff move to other positions it appears they are getting a huge increase in wages. No one on this payroll makes \$40,000 per year.

CHAIRMAN GRADY asked how much overtime the office has. **Deputy Mitchell** explained there is a major need in the business services section for overtime because of statutory obligations. In 1994, there were 2,415 hours of non-exempt comp time, which is \$14,650 in overtime expenditures. The two statutory obligations are to process Uniform Commercial Code (UCC) documents on the same-day, and to process incorporation documents within ten days. Also, in the special session the FTE for processing annual reports was eliminated, so temporary employees had to be hired. It is less costly to hire temporary employees at \$6 per hour than to pay overtime.

Mr. Mitchell then went on to discuss the present law adjustments. The largest present law adjustment is for the computer system. To keep the computer system running at 1994 operating levels there are some fixes that must be made. The most pressing current problem is that the system only recognizes two digits in a year, so a lien filed in 1995 for the standard five year expiration in 2000 will, according to the computer's logic, be automatically expired since 00 is before 95. The bid from ISD to fix this was \$83,000, which the office can't afford. Furthermore, ISD said it really wasn't worth fixing because of all the other problems with the system. ISD's solution is a program that at the end of every day makes all the automatically expired liens valid again. This would be a daily solution until the end of the century.

REP. FELAND asked if this is going to be an ongoing expense through the end of the century. Deputy Mitchell answered it is anticipated this expense will be needed through the year 2000. It is being looked at as a three year project. The first two years will be the daily fix, at a cost of about \$150,000. In year three the system to facilitate "migration" to a mid-tier system should be on-line, and in year four there should be a significant decrease in expenses.

Terri Perrigo, Legislative Fiscal Analyst, said over the biennium computer processing through the Department of Administration (DOA) is almost \$87,000 each year in this agency.

REP. JOE QUILICI asked if the office was aware the network fees decreased from \$40 to \$36. Deputy Mitchell responded the office did know, and it will be a cost reduction of \$120 a month for the 40 computers in the office. The \$87,000 cost is for the on-line charges. Any changes made to the network are in addition to the network and on-line costs.

Mr. Mitchell then began discussing the new proposals. Several of the new proposals are actually a continuation of programs approved in the special session. These are programs currently operating in the office.

The number one priority is the information capture/records preservation new proposal which would add 3.0 FTE: two microfilm clerks and one data processing person. State law requires a duplicate of all corporate records be kept by the Secretary of State's office. This law has always been on the books, but until this year, it has never been followed. If the files were to burn or be stolen, there is no way to verify that a corporation did or ever had existed in Montana. Now all records are duplicated on microfilm. In the last biennium the office was approved funding for fire proof filing cabinets, but the state architect said the capitol building wouldn't support these types of files. That is when the decision to request that the money be used for duplication services was determined. The next part of the project is to put these duplicate records in accessible form. Right now they are just on a long strip of microfilm, which is very hard to access for research purposes. This is a huge job, with over 3.2 million records currently on file and 35,000 annual reports coming in each year. This is a service for which customers have already paid fees. The customers pay \$80 to get incorporated, some of which was reverted to the general fund when it could have been spent to keep their records safe.

Another current program is the data processing person, which is included in the information capture records preservation new proposal. There is a significant untapped source of revenue that may eventually allow for the lowering of fees to business filing customers. Currently business filing customers pay to process information given to the public. For instance, Dun & Bradstreet gets a monthly report of all new corporations and UCC

statements, for which they pay the state \$.50 a copy. If the same information can be provided to Dun & Bradstreet electronically, they'll pay \$10,000 a month. It may cost \$20,000 the first time it's produced, but eventually it will cost the office nothing. The office answers between 200-400 phone calls a day. If these callers could access information electronically, for which they'd pay a fee, it would increase revenue collection and decrease staff time.

{Tape: 2; Side: A}

In the next biennium this could generate \$150,000 of additional revenue, which would pay for the entire data processing function.

The administrative rules specialist new proposal would provide the liaison to contract with a private vendor who will provide administrative rules via CD ROM to the Montana taxpaying public at a reasonable price. This specialist would work with agencies to get them on-line, and work with the vendor to be sure the information is presented in way appropriate for the state. This is a public-private partnership. There's some concern that at the point CD ROM becomes a normal appliance in peoples lives, the state's ability to sell information on paper will be reduced which will cut state revenue.

The second priority for the office is the 2.0 FTE requested in the Customer Service Representatives new proposal. Currently, the down-side of the office is customer service. There are too many phone calls for the two customer service representatives currently employed. They get calls every 90 seconds that last from 30 seconds to 10 minutes. Oftentimes callers, who are paying the phone toll, are on hold as long as 12 minutes. The proposal is to add 2.0 FTE to handle telephone inquiries and priority filings. The one-day priority filing is in jeopardy. One day in December there were 58 priority filings, which meant the mail literally was not opened that day, which in turn put the office behind a day in all the other filings. There are several dozen customers, including state agencies, that make phone inquiries on a regular basis. Recently the Department of Revenue looked into getting a program that accesses the system, but the bid from ISD of \$110,000 was too high. The customer service FTE would be reduced in the future when a new computer system comes in, because there will be dial-up programs and access to electronic information will be easier.

Another new proposal is a request for microfilm equipment. This is state-of-the art, new equipment. A few other agencies in state government do their own microfilming, but for the most part state agencies come to the Secretary of State's office for microfilm services. This equipment will increase productivity and decrease repair needs.

{Tape: 2; Side: B}

Deputy Mitchell then explained the bankruptcy coordinator new proposal, which would fund a staffperson to handle the legal end of bankruptcy proceedings and to serve as a central information center for bankruptcy issues. The Department of Justice will handle the legal end of bankruptcy proceedings and will probably be the biggest customer for this service.

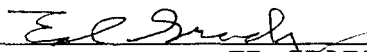
The Secretary of State's office is asking the subcommittee to consider an increase in the training budget, although this was not included by the Office of Budget and Program Planning in the Executive request. The changes taking place in the computer system makes training a very important item in the Secretary of States office, and with mostly grade six employees being hired, the staff does not have much background in computer systems. Although the Chief Deputy is willing to sit down with new staff to help them learn Word Perfect and the other systems, it is not a effective use of the Chief Deputy's time. The office is currently installing Windows per a DofA request, and is trying to shift to Oracle. There isn't the budget to provide staff the training necessary for these new programs. In the over all intent of the Secretary of State's office to provide better customer service, it is important that staff can fully utilize the computers.

The personal services reduction new proposal is the lowest priority of the office. Since no staff member makes \$48,000, vacancy savings has to be considered as a fund reduction, not an FTE reduction.

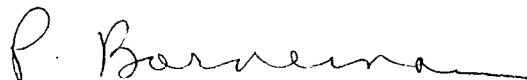
Mr. Mitchell then went on to discuss the transfer of excess revenue to the general fund. He stated that the legislative fiscal analyst has a reasonable point that says if the new proposals are granted, it will lower the "profit" transferred to the general fund. Yet, it is not the Secretary of State's job to make money for the general fund; the job is to provide services to the public. The state statute says the Secretary of State provides services to the public at the cost of doing business. It doesn't say the Secretary of State's job is to make a whole lot of money for the general fund. If making money for the general fund is the best thing for the Secretary of State office to do, a very different budget can be presented that will make more revenue. Making additional revenue is not a bad thing to do, but it is not currently the purpose of the Secretary of State office. The office understands who its customers are and wants to provide the best service possible. The way to gain people's confidence in government is to provide the services for which they pay.

ADJOURNMENT

Adjournment: 10:00 a.m.



ED GRADY, Chairman

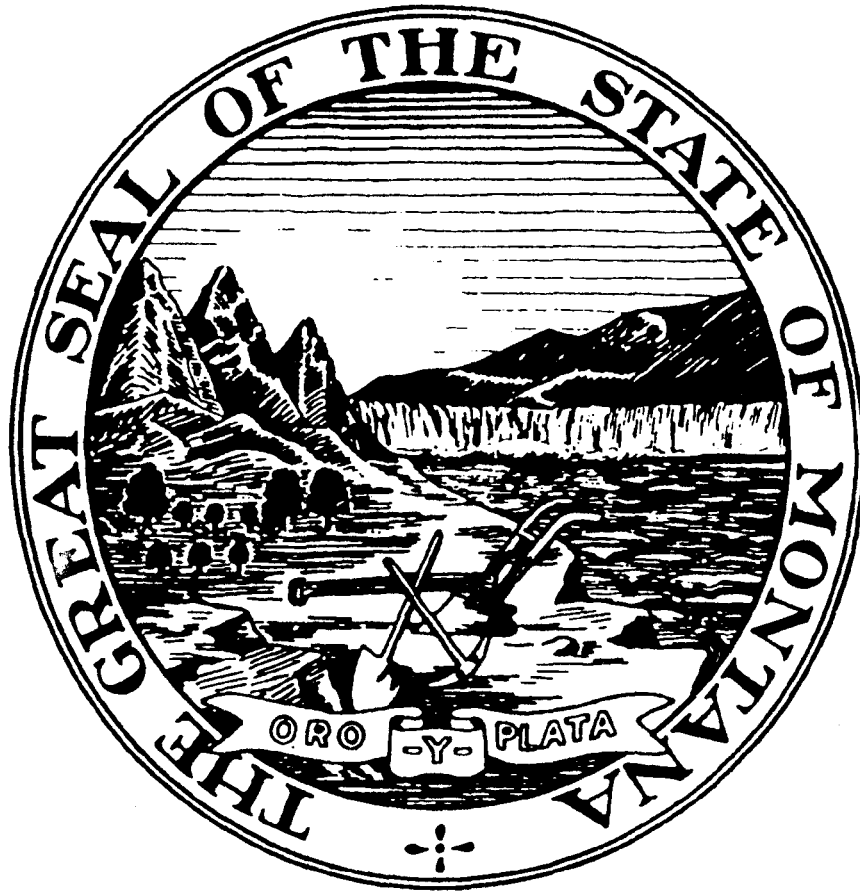


for PAULA CLAWSON, Recording Secretary

EG/pc

1995 Biennial Report

EXHIBIT 2
DATE 1/31/95
SB _____



We Mean Business!!

Office Of The Secretary of State

Budget Presentation
Secretary of State Mike Cooney

Two years ago, I asked this committee to make my office operate more like a business, and less like a bureaucracy. I asked that the amount of General Fund support received by the Secretary of State be reduced by 1.7 million dollars. I asked that you make my office directly responsible to provide quality services for affordable fees.

Today, I am happy to report that it's working -- and working well. In 1994 we processed more business filings, more efficiently than ever before. At the same time, we maintained the lowest fees in the nation and reverted over 450,000 to the General Fund.

The Budget Information you have been given by the LFA and the Governor's Budget office represent a blue print that enables the office of the Secretary of State to continue to provide quality services to the public.

As you review the specific proposals I've made and which appear in your documents as modifications of current level, I hope you'll remember one thing about the operation of this office. Namely, that the main duty of the Secretary of State is to enable and assist businesses to conduct their affairs as quickly and efficiently as possible. We do not regulate businesses, we process documents that help them conduct their business. The more efficiently we do our work, the better it is for Montana businesses. It's that simple.

Before I come to the legislature with any Budget request, I put that request to a test. That test is this: Does this help cut red tape and improve the service to Montana? I'm confident you will find my request pass this test.

With thanks to all of you for a good hearing. I will leave you in the hands of my Chief Deputy Doug Mitchell.

Doug will give you a more detailed look at our request and both he and I will be available to you at any time should you have any questions.

Sing In. Sheet. 1-31-95

Gen. Gov and Trans.

PLEASE PRINT

DOUG MITCHELL - SECRETARY OF STATE
MIKE COONEY - SECRETARY OF STATE