

MINUTES OF THE MEETING
STATE ADMINISTRATION COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

March 8, 1985

The meeting of the State Administration Committee was called to order by Chairman Sales in Room 317 at 9:00 a.m. on the above date.

ROLL CALL: Seventeen members were present with Rep. Janet Moore excused for other hearings.

CONSIDERATION OF SENATE BILL NO. 124: Sen. Matt Himsl, Senate District #3, read the title of the bill which would revise and clarify the review and processing of unliquidated claims against the State. He stated that the bill would remove the requirement that the board of examiners review unliquidated claims and that all claims would be treated as ordinary claims under this bill. He also read his prepared testimony which is attached as Exhibit #1.

PROPONENTS: Sheryl Motl, speaking on behalf of Ellen Feaver, Director of the Department of Administration who is also executive secretary of the board of Examiners said they have no problems with the bill and would welcome the change.

OPPONENTS: There were no opponents to the bill.

There being no questions from the Committee, Sen. Himsl closed without further comment.

CONSIDERATION OF SENATE BILL NO. 10: Sen. Ted Neuman, Senate District #21, sponsored the bill at the request of the joint interim subcommittee number 3 which would submit to the voters an amendment to the Constitution removing the restrictions on investment of public funds. The objective of the board of investments is to get the highest total return for the State. They are restricted in investing some of the money in certain areas such as the coal tax trust fund which lost 11% because of inflation in the period from 1973 to 1983. This would allow the board of investments more flexibility in the program and areas in which they can invest the funds. This bill would strike that provision of the Constitution that restricts this.

PROPONENTS: Fritz Tossberg, County Commissioner from Ravalli County and member of the Board of Investments, gave his background in the securities and brokerage business. He told the Committee members that there is approximately \$2 billion to be managed, about \$800 million in the public employees retirement and teacher's retirement funds. The balance is in a number of different funds of which \$500 million is severely restricted by the present law. He handed out Exhibit #2 and explained the figures outlined in red. He said it appears that the best way of preserving the purchasing power of the State funds is to have a portion of the money in common stock where the return is greater. He also said the growth rate of Montana funds is exceedingly rapid and

estimated that it would be \$2.5 to \$2.75 billion two years from now. With the coal tax trust and the trust and legacy fund they are locked into using fixed income investments. He said they need more flexibility.

Dale Harris, Deputy Administrator of the Montana Economic Development Board, said that on the \$6 million first placed in the coal tax fund, the purchasing power of that \$6 million at the present time would be \$3 million taking inflation into account. He said they had no problem with the return but asked if they should also be concerned with preserving the value of the trust. This would authorize the board of investments to invest a portion in equities and would allow them to do with the coal tax trust and some other money what they have done with the retirement funds.

OPPONENTS: There were no opponents to the bill.

DISCUSSION OF SENATE BILL NO. 10: Rep. Cody asked Sen. Neuman how this was going to be explained to the public and said she was concerned that the minute they read "remove the restrictions" they would immediately be against it. Sen. Neuman said he felt it was an education problem and they would have to do a better job of educating the people of Montana. She asked if it could perhaps be handled some other way and Sen. Neuman said he would be willing to accept some other language.

Mr. Tossberg said he certainly agreed with Rep. Cody's feelings. Rep. Harbin also concurred with Rep. Cody. Rep. Harbin asked if this bill is passed if it would have an impact on the infrastructure bill. Sen. Neuman said the purpose of the bill is to increase the return and preserve the purchasing power. Mr. Tossberg said that within the last 5 years there was a \$300 million loss of long term bonds. They are probably just even on the bond portfolio today. They have \$170 million invested in common stocks right now of the retirement funds. They would probably have a \$50 million profit if they sold those out tomorrow, however, 6 months from now this \$50 million could have evaporated. They have some stocks that are returning 19%.

Mr. Howeth answered Rep. Peterson's question concerning small towns and said they do not invest in so-called local securities. The smaller cities have a problem with their bonding programs but fortunately the State has a program to help them.

In closing Sen. Neuman said these were probably the most significant bills of the session. He said how the State invests the money should probably be in the statutes and not in the Constitution was the feeling of the Senate.

CONSIDERATION OF SENATE BILL NO. 11: Sen. Neuman, also sponsor of this bill, said the bill strikes the list of investment limitations they must operate under and inserts the prudent expert rule.

He explained the proposed amendments which are marked as Exhibit #3. The amendments also strike the effective date and the bill would automatically become effective on October 1.

PROPOSERS: Fritz Tossberg, who appeared on SB 10, said if SB 10 fails, this bill would give them some help despite the failure of SB 10. Right now they operate under the prudent man rule. It would simply do what an intelligent person would do. The prudent expert rule would require a little greater care.

Dale Harris, Montana Economic Development Board, supported the bill and strongly supported the change to this approach. However, this would exclude the coal tax board and he told the committee that they might take a closer look at this and give it further consideration.

OPPOSERS: There were no opponents.

DISCUSSION OF SENATE BILL NO. 11: Mr. Howeth said if SB 10 doesn't pass they would still be restricted from purchasing equities. The long-term would cover retirement funds, coal tax fund, etc. Rep. Peterson asked why the language on page 9, line 15 was stricken to which Mr. Howeth replied the board of housing issues tax free bonds - the board of investments does not.

Sen. Neuman said that the question of how to invest the funds is better defined in statute rather than the Constitution. Mr. Howeth also stated they do not invest in any mortgage backed securities except for GNMA's which are backed by the U.S. government.

There being no further questions, Sen. Neuman closed asking that it be left at long-term and adopt the list of amendments. He told the committee that, by law, the board of investments could have invested in WHOOPS but the their credit they did not own any of WHOOPS.

CONSIDERATION OF SENATE BILL NO. 131: Sen. Jack Haffey, sponsor, explained the purpose of the bill which is to allow agencies that have money in their budgets for repairs and maintenance work to carry that over into the next fiscal year rather than have it revert to the general fund. They have the funds and submit their request to the architect and engineering division for authorization to do the work. However, if the supplies are not on hand at the end of the fiscal year the project cannot be done and the funds must revert. This bill provides an opportunity for those funds to be encumbered plus they must get the request in and it then encumbers the funds and they can get the job done in the next fiscal year. If the project is not done in the following fiscal year, the funds would still revert but it gives them that extra year. This would be true only in the first year of the biennium.

PROPOSERS: Bill Lannan, Montana University System, said the purpose of the Governor's State Building Construction Advisory Council was to look at the policies and laws relative to building construction and recommend some streamlining of those policies and laws. He said he supported the bill and the University System would like to support it. The workload of the A&E Division increases at the end of the fiscal year and sometimes these projects do not receive approval until after the end of the fiscal year so the agencies lose their funds to reversion.

OPPOSERS: There were no opposers.

DISCUSSION OF SENATE BILL NO. 131: There were no questions from the Committee.

Sen. Haffey closed without further comment, however, he did say that if the funds are there at the end of the fiscal year they are identified for a particular project and must be used for that purpose. Sen. Haffey said that Rep. Quilici could carry the bill in the House as he was on the Governor's Council.

CONSIDERATION OF SENATE BILL NO. 123: Sen. Dorothy Eck, Senate District #40, sponsor, explained the purpose of the bill which is to increase the award under the incentive award program from \$500 to \$1500 and to remove the sunset provision for the program. She said that two years ago she also carried the bill to keep the program going and said it has been in effect long enough for an evaluation and it is a successful program. The savings to the State in the past has been one-half million dollars and gave some examples of the past award winners and the savings incurred. She said this is one way of encouraging the employees to participate in the running of the agencies to a small degree.

Rep. Budd Gould, District #61, the original sponsor of this project spoke as a proponent to this bill. When the original bill was passed it took all session to get it through both houses. He said the sunset provision of the bill was extended for two years and this is a program that should be continued as long as there is a state of Montana. He asked that the Committee extend the program and raise the maximum award amount from \$500 to \$1500. Considering the amount of savings to the State the individual certainly deserves more than \$500.

Rod Sunsted, Chief of Labor Relations, Department of Administration, said the higher award would be an incentive for the employee to put more work and effort into the cost saving suggestion. The savings have so far been over \$400,000.

Bill Palmer, member of the Incentive Award Council, said the program deserves to be on-going as it saves the money in the process.

OPPONENTS: There were no opponents to SB 123.

There being no questions from the Committee, Sen. Eck closed saying that the award is important but the recognition is important also. She said this was a very good idea that Rep. Gould came up with and said it could become even more productive. She suggested that Rep. Budd Gould carry the bill in the House if it is passed out of the Committee.

FURTHER CONSIDERATION OF HOUSE BILL NO. 823: Rep. Mike Kadas appeared before the Committee with proposed amendments to his bill which was heard previously. He explained the amendments which would return the age requirement to 15-21 rather than 18-26 and the minimum work period would be eight weeks but they could serve up to one year. He also explained the disbursement of the license fees to the counties and the YCC. He said that Mr. Males agreed with the amendments.

Chairman Sales said if the arcade device is stricken the program would practically be back where it was and without any money it is not going to go anywhere. Rep. Smith said he had a problem with 15 year olds perhaps using dangerous tools such as chainsaws, axes, etc. Rep. Kadas said Mr. Males did not think this would be a problem as there are enough individuals over the age of 15 to carry out these duties.

Chairman Sales asked if these youths have to earn the bonus award and the educational grant. Rep. Kadas pointed out in the bill where it states they must have an evaluation by the group leader and must have worked for a period of one year before being eligible for the bonus or grant. He also stated there was no fiscal note with the bill because no one knows how many arcade devices there are.

Rep. Phillips had misgivings about licensing these machines as his area already has a \$65 tax on each machine which goes to the county fund. Rep. Harbin said that if no money is raised from these machines, no money will be spent. Rep. Smith agreed that the kids this age are having a hard time finding jobs.

Rep. Kadas said pool tables would be required to purchase a license under this bill and the pool table license section of the codes would be repealed through this bill. The Committee carried on a considerable discussion of the cities losing some money on the license but also the benefits the cities would reap because of the projects that could be done throughout the city.

Lois Menzies explained the other repealers in the bill pertaining to the \$2 appropriation for the YCC, the governor's appointment and the severability clause.

Rep. Cody said that some of the members were looking at this

purely from a monetary standpoint of what the cities would lose and were losing sight of the amount of work that would be done by the kids through these projects.

Rep. Phillips had serious misgivings about the funding of the bill, brought up the subject of juke boxes being included, and asked if the owner of the machines or the owner of the establishment in which the machine is located would pay for the license. It was stated that the owner of the machines would pay for the license.

There being no further discussion, the Committee took executive action on the bills.

DISCUSSION OF HOUSE BILL NO. 823: Rep. Harbin moved that HB 823 DO PASS, seconded by Rep. Garcia.

Rep. Harbin then moved ADOPTION OF THE AMENDMENTS, seconded by Rep. Garcia. The motion CARRIED UNANIMOUSLY.

The original motion DO PASS AS AMENDED, with Statement of Intent attached, CARRIED 11-6 with Reps. Phillips, Sales, Jenkins, Peterson, Hayne and Nelson voting "no".

DISPOSITION OF SENATE BILL NO. 124: Rep. O'Connell moved that SB 124 BE CONCURRED IN, seconded by Rep. Campbell. The motion CARRIED UNANIMOUSLY. Rep. Jenkins will carry the bill.

DISPOSITION OF SENATE BILL NO. 10: Rep. Phillips moved that SB 10 BE CONCURRED IN, seconded by Rep. Harbin.

Rep. Cody said that there should be some further work on this bill concerning the wording on the Constitutional Amendment. She said the way it is at the present it doesn't have a chance of passing. Chairman Sales said it honestly states the purpose and Rep. Harbin said it could be amended on the floor if it is necessary. He also said the board of investments had a \$50 million profit in the last two years and the restricted portfolio has just broken even. Rep. Phillips said that maybe this should be held for a couple of days for further study and therefore withdrew his motion. Rep. Garcia moved that SB 10 and 11 be PASSED FOR THE DAY, motion CARRIED UNANIMOUSLY.

DISPOSITION OF SENATE BILL NO. 131: Rep. Fritz moved that SB 131 BE CONCURRED IN, second received. The motion CARRIED with Rep. Campbell voting "no". Rep. Quilici will carry the bill.

DISPOSITION OF SENATE BILL NO. 123: Rep. Cody moved that SB 123 BE CONCURRED IN, second received. Motion CARRIED UNANIMOUSLY. Rep. Gould will carry the bill in the House.

State Administration Committee
March 8, 1985
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There being no further business, the Committee adjourned
at 11:00 a.m.



WALTER R. SALES, Chairman

ls

(Type in committee members' names and have 50 printed to start).

DAILY ROLL CALL

State Administration COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date 3/8/85

NAME	PRESENT	ABSENT	EXCUSED
Chairman Walter Sales	/		
V-Chairman Helen O'Connell	/		
Campbell, Bud	/		
Compton, Duane	/		
Cody, Dorothy	/		
Fritz, Harry	/		
Garcia, Rodney	/		
Hayne, Harriet	/		
Harbin, Raymond			
Holliday, Gay	/		
Jenkins, Loren	/		
Kennerly, Roland	/		
Moore, Janet			/
Nelson, Richard	/		
Peterson, Mary Lou	/		
Phillips, John	/		
Pistoria, Paul	/		
Smith, Clyde	/		

EX. #1
SB-124
3/8/85

BACKGROUND FOR UNLIQUIDATED CLAIMS BILL (SB 124)

This bill proposes to remove the Board of Examiners from the responsibility of reviewing unliquidated claims and instead treat all such claims as ordinary claims submitted to and reviewed by the Department of Administration.

The particular sections of law affected by this bill have been on Montana law books since 1891. At the time these laws were passed, the Board was responsible for examining all claims, with minor exceptions, against the state. In 1961 the legislature shifted this claims review function to the state controller, with the requirement that authorization for the expenditure be given by the concerned department. As a result, the Board was left with the responsibility of reviewing only unliquidated claims--claims in which either the liability and/or the amount of the claim is in dispute.

Historically, all such unliquidated claims could not be pursued in court because suit was barred by sovereign immunity. Since immunity on contracts was waived in 1955, and the complete waiver of immunity in torts occurred in 1973, all such claims have become anachronistic.

The current statutes require that the Board meet the first Monday of November preceding the meeting of each Legislature for the purpose of examining the claims presented to them over the course of the two year period. The Board is also required to hear evidence in support or against the claims and report to the legislature the facts and recommendations. The legislature in turn, follows the normal legislative process and concludes by either taking no action or appropriating funds for the claim. Under the proposed bill, any claim not covered by another law, such as the Tort Claims Act, will be likewise forwarded to the Legislature via the Governor's proposed budget.

In the past ten years, the Board has only had two unliquidated claims brought before them. The first case occurred in 1977 when a private consultant was contesting payment for services provided beyond what was agreed to in a contract. A hearing was held by the Board and the matter referred to the legislature without recommendation. The legislature took no action and the

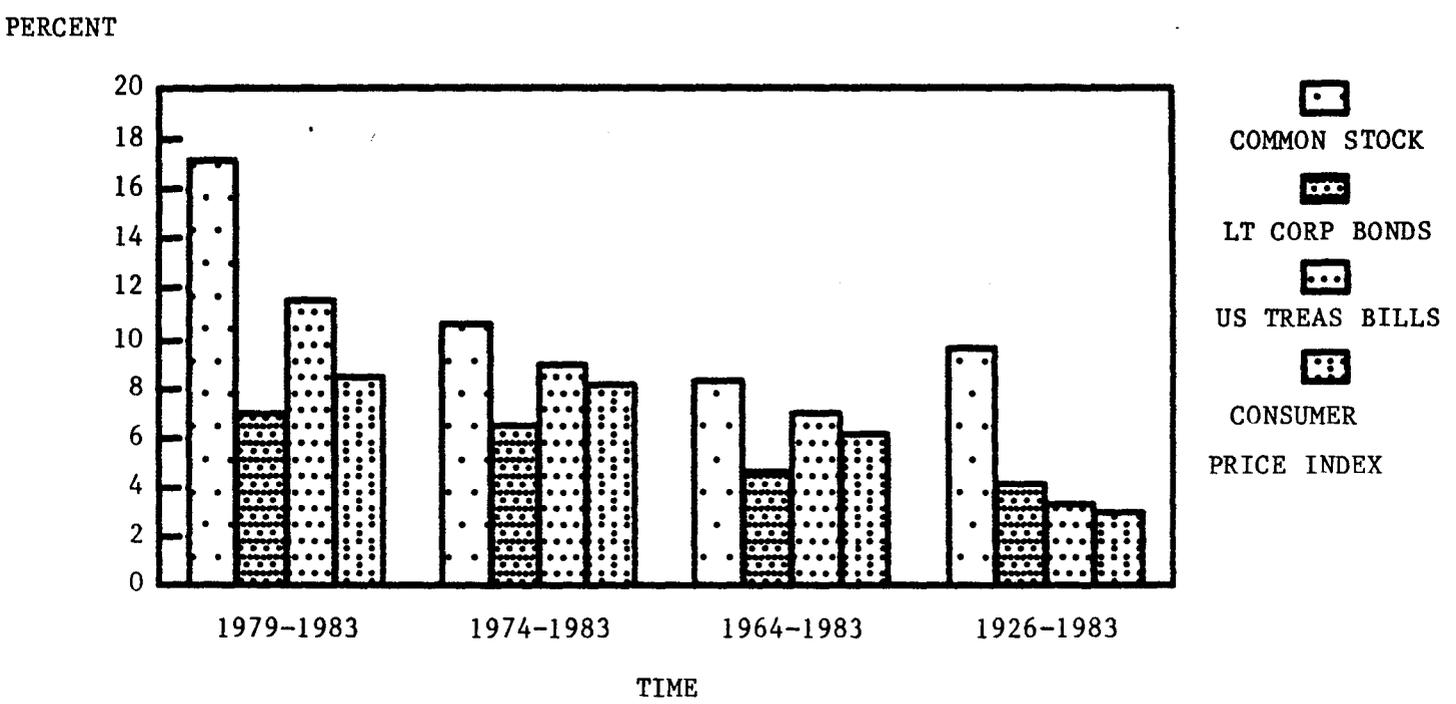
claim was eventually dropped. The second instance occurred following the 1982 Helena hail storm in which a state employee's personal car was damaged during the time it was parked in the state motor pool lot. A hearing was held by the Board and the matter referred to the legislature without recommendation. The legislature took no action on the claim.

This bill proposes to eliminate the distinction between liquidated and unliquidated claims, and require the department to review and process all claims. Therefore, the bill will repeal each of the sections referring to the review process by the Board, and amend just one section to require the Department of Administration to transmit valid claims with no appropriation directly to the governor for submission to the Governor for submission to the Legislature.

Furthermore, removing this function from the Board of Examiners by referring the claims directly to the legislature does not in any way affect an aggrieved citizen's avenue to recourse. Since the new Constitution was adopted in 1972, and sovereign immunity was abolished, citizens have been able to sue the state directly. Contract and tort claims, which constituted the majority of unliquidated claims against the state, can now go directly to court, unlike the days of 1891. Today, providing the Board of Examiners as a forum for hearing, when they can only refer the matter on to the Legislature, is no longer necessary to pursue claims against the state.

EX 22
 SB-10
 3/8/85

RATES OF RETURN VS. INFLATION
 1926 THRU 1983



SOURCE: SEI FINANCIAL SERVICES, CHICAGO

Table A AVERAGE ANNUAL RATES OF TOTAL RETURN

	1979-1983	1974-1983	1964-1983	1926-1983
COMMON STOCK	17.2%	10.6%	8.3%	9.6%
LONG TERM CORPORATE BONDS	6.9%	6.4%	4.7%	4.2%
U.S. TREASURY BILLS	11.6%	8.9%	6.9%	3.3%
CONSUMER PRICE INDEX	8.5%	8.2%	6.2%	3.0%

SB-11
3/8/85

Sponsor Amendments to SB 11 (blue copy):

1. Title, line 5.
Strike: "CONFORMING"
Insert: "REVISING LAWS CONCERNING"
2. Title, line 6.
Following: "PROGRAM"
Insert: " ;"
3. Title, lines 6 and 7.
Strike: "WITH" on line 6 through "REMOVE" on line 7
Insert: "REMOVING CERTAIN"
4. Title, line 8.
Strike: "PROVIDE"
Insert: "PROVIDING"
5. Title, lines 10 and 11.
Strike: " ;" on line 10 through "DATE" on line 11
6. Page 3, line 1.
Strike: "LONG-TERM"
Insert: "Retirement"
7. Page 3, line 4.
Strike: "LONG-TERM"
Insert: "Retirement"
8. Page 3, line 6.
Strike: "LONG-TERM"
Insert: "Retirement"
9. Page 3, line 8.
Strike: "SHALL PREVENT"
Insert: "prevents"
10. Page 10, lines 15 and 16.
Strike: section 4 in its entirety

GOVERNOR'S STATE BUILDING CONSTRUCTION ADVISORY COUNCIL

BACKGROUND INFORMATION

The 48th Legislature appropriated funds to support this Council and the Governor created the Council and appointed fifteen members representing the Legislature, the construction industry, the design professions, and state agencies. The Executive Order directed the Council to review and recommend improvements to existing policies and procedures to ensure they are effectively serving the needs of the state and providing a functional system of checks and balances.

The Council held nine meetings, conducted a comprehensive review of the state's construction process, and studied and made recommendations on forty issues, thirteen of which required legislation for implementation.

Council Members

Legislative Members

Senator Jack Haffey, Anaconda - Chairman
Representative W. Jay Fabrega, Great Falls - Vice-Chairman
Senator Harold Dover, Lewistown
Representative Joe Quilici, Butte

Design Professional Members

Martin Crennen, architect
Dave Davidson, architect
Jim Spring, engineer

Construction Industry Members

Duane "Bud" Anderson, supplier
Norman Carey, mechanical contractor
Wayne Edsall, general contractor
Robert Sletten, general contractor
Art Stuart, retired electrical contractor
Claude Wilson, heating, sheet metal contractor

State Agency Members

William "Bill" Lannan, Montana University System
Carroll South, Department of Institutions

GOVERNOR'S STATE BUILDING CONSTRUCTION ADVISORY COUNCIL
(GSBCAC)
RECOMMENDATIONS

The following recommendations were made by the GSBCAC. Those that require legislation to be implemented appear first followed by those that require administrative action. Recommendations that support current procedure appear last.

Recommendations Requiring Legislation:

1. Amend the current law that requires legislative consent to construct any building costing more than \$25,000 to increase this amount to \$100,000.
2. The Department of Administration should have the authority to appoint design professionals on projects costing under \$100,000 without concurrence or approval by the Board of Examiners.
3. The DOA should review and accept plans, specifications, and cost estimates.
4. The state should have the authority to waive bid, performance, and labor and materials bonds on projects up to \$25,000 on a project-by-project basis at the discretion of the contracting agency.
5. Dispense with the wording in the law that allows individual sureties.
6. Repeal the law that prevents a contractor from bidding on a public project when he is working past time on another public project.
7. When the bids cause the project cost to exceed the appropriation, the state should have the flexibility to negotiate with the low responsible bidder, or bidders, in the case of multiple contracts, to bring the cost within the budget as long as negotiation would not affect the scope of the project.
8. The Department of Administration shall award all construction contracts. However, any contract award which is protested or the contract is awarded to a bidder other than the lowest bidder, shall be subject to the approval of the Board of Examiners.
9. Make a statutory change placing the authority for approval of change orders with the Director of the Department of Administration unless the change order would:
 - a. Change the scope of the project, or
 - b. Force the cost of the project to exceed the appropriation.

Note: According to the legal staff, any change order that alters the scope of the project would be considered an invalid amendment to the contract. Any change order that causes the project cost to exceed the appropriation would require a budget amendment to be valid. Since the Board of Examiners could not approve these change orders, this motion has

the effect of removing the Board from approving change orders. The legislation is written to reflect this.

10. The Department of Administration shall provide project administration for all projects over \$5,000. However, the department may delegate any or all of the project administration activities to a user agency on a project-by-project basis if that agency, as determined by the department, has the expertise to provide the administration.

11. Amend the current law to allow funds to be accrued through an inter- or intra-agency agreement between the DOA and the user agency wanting to have the work done. The funds must be expended by the end of the next fiscal year, but may not be carried over the biennium.

12. Montana should adopt a competency-based public contractor licensing law using the Nevada contractor licensing law as a guideline. The Council voted to:

- Prepare legislation to strengthen the existing public contractors licensing law and recommend that the concept of competency-based licensing apply to contractors engaged in private work.

- Establish a public contractor licensing board and have it consist of a membership which includes one member each: building, engineering, electrical, mechanical, and specialty contractors, and two public members.

- Require contractors to submit a certified financial statement prepared by a CPA for licensing purposes.

13. The state should accept the concept of utilizing federal funds, and let the Department of Administration (DOA) and the Legislature work out the legislation.

NOTE: Currently, the Department of Military Affairs may not accept 100% federal funds for work to be done on federal land without legislative approval. DOA may not act as contracting office for these projects because they are not owned or to be owned by the state as required in MCA 18-2-101. It is anticipated that the legislation mentioned above would expand the definition of the word "building" in MCA 18-2-101 to include facilities of benefit to the state, but not to be owned by the state. This would allow the DOA to act as the contracting officer for these federally funded projects.

14. Montana should adopt a reciprocal contractors' preference law for construction performed for the state and political subdivisions that are specified in 18-1-102, MCA.

Recommendations Requiring Administrative Action:

1. With the exception of the University System, facility planning should remain at the current level of centralization. The Department of Fish, Wildlife and Parks may do their own preplanning subject to DOA approval.
2. The user agency must notify all local architects or consulting engineers when such design services are required on projects under \$100,000. The notification method used should be at the agency's discretion.
3. The state should adopt a statement for design professionals to sign which certifies that they have not paid contingency fees to the contracting agency or its representatives to secure appointment.
4. The DOA should contract with private design firms rather than expanding its staff to accomplish work on small projects or larger repair and maintenance jobs that exceed current DOA staff resources. The design costs incurred should be charged to the project funding source.
5. The DOA should develop a standard format for the boilerplate of the contract so the information that is similar from project to project has a standard location and content and is kept up to date.
6. The DOA, in consultation with the user agency staff, should have the flexibility to decide whether single or multiple prime contracts should be used on a project.
7. The Council concurred that the state should have a written policy covering the bidding procedure, which should increase awareness of the DOA's policies and voted specifically that:
8. DOA should enforce a deadline of 7 days for issuance of addenda prior to bid opening.
9. Prebidding should be allowed if the DOA decides it is in the state's best interest to do so.
10. Change order requests from user agencies should be processed as follows:
From user agency to the design professional (DP), from the DP to the Architecture & Engineering Division (A/E), from A/E to the DP, from the DP to the contractor.

Recommendations that Support Current Procedure:

1. Encourage the use of preplanning of construction projects whenever appropriate.
2. The Board of Examiners should not be involved in reviewing or approving the Capital Construction Program.
3. The DOA should continue its current design professional selection procedure. Cost should not be part of the selection process nor should design professional services be bid.
4. The state should give preference to in-state design firms.
5. The state should not hire design professionals on an annual retainer basis to do small projects.
6. After-the-fact cost plus contracts for design professional services should not be used.
7. Leave the system as it is, with a ceiling of \$25,000 for in-house design and \$5,000 for construction.
8. At the present state of the art, the state should not engage in professional construction management.
9. The design-build/turnkey method of construction is not a practical option for the state. This concept of construction should be rejected.
10. The \$5,000 dollar limit on in-house construction should not be raised.
11. The time allowed for advertisement and solicitation of bids should remain unchanged.
12. The waiving of bid irregularities should be left to the discretion of DOA.
13. Alternates should be handled according to the best interests of the state on a project-by-project basis.
14. Upon substantial completion the state should determine how much retainage to hold on a project-by-project basis.
15. The state should not contract for any outside independent inspection on projects in addition to that done by the DP or state staff.
16. There should be one punch list submitted by the DP in consultation with DOA and the user agency at substantial completion, and at that time a deadline should be negotiated for completion of the punch list items.
17. Leave the system as it is, with the contract time and amount of liquidated damages stated in the agreement, and a deadline for completion of punch list items stated in the Certificate of Substantial Completion.

DEPARTMENT OF ADMINISTRATION
STATE PERSONNEL DIVISION



TED SCHWINDEN, GOVERNOR

ROOM 130, MITCHELL BUILDING

STATE OF MONTANA

(406) 444-3871

HELENA, MONTANA 59620

TESTIMONY OF ROD SUNDSTED, CHIEF, LABOR RELATIONS
AND EMPLOYEE BENEFITS BUREAU, DEPARTMENT OF ADMINISTRATION,
PRESENTED TO THE HOUSE STATE ADMINISTRATION COMMITTEE IN SUPPORT
OF SB 123 ON FRIDAY, MARCH 8, 1985.

Mr. Chairman, my name is Rod Sundsted, and I am the Chief of the Labor Relations and Employee Benefits Bureau in the Department of Administration. I appear before you today in support of SB123, sponsored by Dorothy Eck.

The Bill does two things: It makes the State Employee Incentive Award Program into an "ongoing" rather than a temporary program; and, it increases the maximum single award amount under the Program from \$500 to \$1,500.

This Program began as a bill introduced by Representative Budd Gould during the 1981 Legislative Session. In 1983, the Legislature extended the operation of this Program through this current biennium.

The Program has been fully operational for 33 months. As you can see from the information contained in the 1985 report to the Legislature, results of the program to date have been very positive. In these 33 months, expected benefits have exceeded costs by over \$400,000. Better than one of nine suggestions submitted results in an award and implementation. Each award results in an average savings of nearly \$19,000.

Increasing the maximum award amount is recommended to accomplish two objectives:

1. The first is to make awards more equitable to savings generated. Several awards presented thus far have resulted in substantial savings to the State of Montana. These ideas were awarded \$500 each -- the same award for a suggestion generating \$5,000 savings. Increasing the maximum award amount to \$1,500 is expected to increase costs by only 1.5% of expected cost savings generated, whereas cost savings should increase significantly.

TESTIMONY OF ROD SUNDSTED - SB123
March 8, 1985

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2. The second is to encourage participation by more state employees. Ideas having a chance for success must be fairly well-developed by the employees presenting them. With a \$1,500 maximum, more employees will be more apt to invest their time and efforts into developing constructive ideas.

If you have any questions concerning the Incentive Awards Program, my staff and I will try to answer these for you. I hope you will give SB123 a "do pass" recommendation.

Thank you for your consideration.

EMPLOYEE
INCENTIVE
PROGRAM

Dennis M. Taylor
Administrator

State Personnel Division
Department of Administration
January 25, 1985

Prepared by:
Joe Michaud
Program Coordinator

STATE EMPLOYEE
INCENTIVE AWARDS PROGRAM
LEGISLATIVE REPORT
AS OF 01/01/85

As of January 1, 1985, the State Employee Incentive Awards Program has been in operation for thirty-three months. In this time, state employees have submitted two hundred thirty-two suggestion applications. One hundred ninety-one of these have been fully evaluated. There have been one hundred sixty-nine ideas denied awards for various reasons and twenty-two successful suggestions resulting in a total of at least \$436,400 first year savings. Forty-one applications are still in various stages of the evaluation process.

S U G G E S T I O N A P P L I C A T I O N S

<u>Number Received</u>	<u>Number Approved</u>	<u>Number Denied</u>	<u>Number Being Evaluated</u>	<u>Number Being Tested/Awaiting Legislation</u>
232	22	169	33	8

The following graphics illustrate various statistics relevant to the Incentive Awards Program. Suggestions offered have been tabulated by agency of the employees offering suggestions and by agency determined to be impacted by implementation of suggestions. Suggestions are being received by employees of various state agencies with the larger agencies such as Highways (50), SRS (42) and Revenue (36) generating the greatest number of ideas.

The ideas being submitted tend to impact various state agencies. One in six ideas submitted impacts more than one state agency (42). Seventy-three ideas were submitted which require judgment or implementation by the Department of Administration. Many of these also impact more than one state agency.

232 Suggestions Submitted

Agency of Suggestor:

- Legislative Council (1)
- Supreme Court (1)
- Governor's Office (2)
- State Auditor's Office (4)
- Office of Public Instruction (1)
- Justice (7)
- State Universities (3)
- Historical Society (1)

Agency of Suggestor (continued):

Fish, Wildlife, and Parks (4)
Health and Environmental Sciences (9)
Highways (50)
State Lands (4)
Natural Resources and Conservation (3)
Revenue (36)
Administration (19)
Institutions (17)
Commerce (7)
Labor and Industry (21)
Social and Rehabilitation Services (42)

Agency of Potential Impact:

Legislative Council (2)
Governor's Office (1)
State Auditor's Office (3)
Justice (1)
State Universities (2)
Fish, Wildlife, and Parks (5)
Health and Environmental Sciences (1)
Highways (45)
State Lands (3)
Revenue (7)
Administration (73)
Institutions (10)
Commerce (2)
Labor and Industry (13)
Social and Rehabilitation Services (22)
More than one agency (42)

Stage of Evaluation:

Pending agency evaluation (25)
Pending Advisory Council evaluation (8)
Pending possible legislation (5)
Pending outcome of pilot program or further
determination of cost savings estimates (3)
Completely evaluated (191)

Since the program began in April, 1982, Governor Schwinden has presented awards to 24 different employees for 22 award-winning ideas (2 were shared). In total, \$6,315 was awarded, which averages \$263 per recipient. 11.5% of those ideas evaluated have resulted in awards and, more importantly, cost savings to the state.

The total amount of first year savings generated by these 22 ideas has been conservatively estimated at \$436,400. Average savings per evaluated suggestion is \$2,285, while average savings per award-winning suggestion is \$18,925. Despite these benefits, costs to administer the program are relatively negligible (7% of first year costs savings). Award amounts represented only 1.5% of first year cost savings.

PROGRAM COSTS / SAVINGS EVALUATION

<u>First Year Savings From Suggestions</u>	<u>Award Costs</u>	<u>Administrative Costs* - State Personnel Division/Advisory Council</u>	<u>Administrative Costs* Agencies</u>	<u>Net Savings First Year</u>
\$436,372	\$6,315	\$10,700	\$13,500	\$406,067

* Costs include personal service, printing, and mailing costs which were absorbed by respective agency budgets.

All costs have been absorbed by the respective agency budgets. Personnel service costs include salaries and benefits. Operating costs mainly consist of travel, printing, and mailing expenses. It is expected that future personal services costs will depend on the number of suggestions evaluated and also on the increases to salaries and benefits.

The savings realized in the first year (\$436,372) less all absorbed program costs (\$30,515) represent the net benefit of the program to date (\$406,067).

The table on the following pages provides some basic information on each idea that has resulted in implementation and awards.

* * * * *

MEMBERS OF THE INCENTIVE AWARDS ADVISORY COUNCIL

Mike Abley, Court Administrator, Supreme Court of Montana.

Jim Adams, Director of Field Services, Montana Public Employees Association.

Mary Blake, Administrative Officer, Program and Planning, Department of Social and Rehabilitation Services.

Russell G. McDonald, Administrator, Personnel Division, Dept. of Highways.

Lois A. Menzies, Research Division, Legislative Council.

John H. Noble, Deputy Commissioner for Management and Fiscal Affairs, University System.

William R. Palmer, Assistant Administrator, Workers' Compensation Division, Department of Labor and Industry.

Dennis M. Taylor, (Chairperson), Administrator, State Personnel Division, Department of Administration

Joseph M. Michaud, Program Coordinator
 Violet Pigman, Administrative Assistant

AWARD-WINNING IDEAS

Idea	Recipient(s)	Agency	Location	Award Amount	Est. First Year Savings
1. New method of replacing concrete median barriers on state highways.	Swede Jensen	Highways	Bozeman	\$ 200	\$ 2,000
2. Method for withholding medicaid cards from ineligible clients.	Terryanne McCoy	SRS	Missoula	\$ 500	\$ 18,000
3. Redesign of forms used in Veterans Affairs Division.	Thomas Hamilton	SRS	Helena	\$ 25	\$ 250
4. Modification of material used on low-speed, low-traffic highways.	Donald Fallang	Highways	Helena	\$ 500	\$ 87,372
5. Put a switch on thermostats of buildings with overhead doors.	Joe Wayne Finch	Highways	Great Falls	\$ 500	\$ 5,000
6. SRS and Job Service share office space in Livingston.	Valerie Newton	SRS	Livingston	\$ 150	\$ 1,500
7. Design of steel tripod to use for stable alignments by survey crews.	Donald Taylor	Highways	Billings	\$ 25	\$ 250
8. Conduct telephone rather than mail interviews of state hunters.	John Cada	FW&P	Bozeman	\$ 500	\$ 36,000
9. Design of device used to straighten bent sign and delineator posts.	Gilbert Paulson and William Spracklin	Highways	Glendive	\$ 500	\$ 55,000
10. Negotiated with land owner to convert two cattle bridges to culverts to reduce snow-drifting on state highways.	Phillip Hensel	Justice	Harlowton	\$ 500	\$ 13,000
11. Implemented Kardex file system for storing and reordering medications used by long-term care facilities.	Orlynda Goodman and Jennie Ladenburg	Veterans Home	Columbia Falls	\$ 250	\$ 2,500
12. Print computer archive notices to users weekly or monthly as opposed to daily.	Gregg Wheeler	Administration	Helena	\$ 50	\$ 500
13. Eliminate 10% of existing (unnecessary) highway approaches.	Marvin Nelson	Highways	Helena	\$ 250	\$ 2,500

AWARD-WINNING IDEAS

Idea	Recipient(s)	Agency	Location	Award Amount	Est. First Year Saving
14. Have local Job Service Office mail claimant copies of monetary determinations with first packet of cards.	Bill Lubke	Labor & Industry	Hamilton	\$ 160	\$ 1,600
15. Combined some forms used by SRS.	Diane Skelton	SRS	Missoula	\$ 80	\$ 800
16. Wrote a program to list tape setups needed by discount class jobs.	Michael Plovanic	Administration	Helena	\$ 500	\$ 5,000
17. Devised system for computer matching Social Security Numbers to recover medical payments late approved under Medicaid.	Nita Freeman	SRS	Livingston	\$ 500	\$175,000
18. Train computer users to delete or purge unneeded reports to save paper.	Teresa Lundberg	Administration	Helena	\$ 25	\$ 250
19. Devised a "bin sander" to patch highway ruts.	Eugene Hanson	Highways	Roundup	\$ 500	\$ 10,000
20. Devised a computer system used as an aid to manage state fish hatcheries.	Gary Shaver	FW&P	Lewistown	\$ 500	\$ 18,850
21. Combined Secretary of State and State Auditor mailings to new Montana corporations.	Valerie Flansaas	State Auditor's Office	Helena	\$ 75	\$ 750
22. Changed system for classifying file folders used in AFDC program.	Lyn Van Arsdale	SRS	Billings	\$ 25	\$ 250
TOTALS				\$6,315	\$436,372

NOTE: By law, the state legislature has the discretionary authority to increase award amounts for suggestions estimated to save the state more than \$5,000 during the first year of implementation.

21, 76
HB-823
3/8/85

Sponsor Amendments to HB 823:

1. Title, lines 4 and 5.
Strike: "CREATING" on line 4 through "ELIMINATING" on line 5
Insert: "REVISING LAWS CONCERNING"
2. Title, lines 6 and 9.
Strike: "MONTANA"
Insert: "YOUTH"
3. Page 2, lines 8 and 10.
Page 3, line 7
Strike: "Montana"
Insert: "youth"
4. Page 2, line 9.
Strike: "Montana"
Insert: "Youth"
5. Page 2, lines 10 and 21.
Page 4, line 1
Page 10, line 25
Strike: "Montana"
Insert: "youth"
6. Page 11, line 3.
Strike: "18"
Insert: "15"
Strike: "26"
Insert: "21"
7. Page 12, line 10.
Strike: "Montana"
Insert: "youth"
8. Page 12, line 11.
Strike: "1-year period"
Insert: "minimum of 8 weeks"
9. Page 12, line 14.
Strike: "The" through "a"
Insert: "A"
10. Page 12, line 15.
Following: "leader"
Strike: "is"
Insert: "may serve in the program for a maximum of"
11. Page 12, lines 15 and 16.
Strike: "The" on line 15 through "a" on line 16
Insert: "A"
12. Page 12, line 17.
Strike: "for"
13. Page 12, line 18.
Strike: "is"
Insert: "may serve for a maximum of"

14. Page 12, lines 19 and 20.

Strike: "normal" on line 19 through "period" on line 20

Insert: "maximum service periods"

15. Page 15, line 8.

Strike: "a"

Insert: "an incorporated"

16. Page 15, line 10.

Strike: "a"

Insert: "an incorporated"

17. Page 15, line 13.

Strike: "a"

Insert: "an incorporated"

18. Page 15, line 23.

Strike: "The"

Insert: "If an arcade amusement device is located in an
incorporated city or town, the"

19. Page 15, line 24.

Following: line 23

Strike: "thereof"

Insert: "of the license fee"

20. Page 15, line 25.

Following: "city"

Insert: "or town"

21. Page 16, line 3.

Strike: "Montana"

Insert: "youth"

Following: "."

Insert: "If the device is located in an unincorporated area, the
county treasurer shall retain 50% of the license fee for the
use of the county and pay over the remainder thereof to the
state special revenue fund to the credit of the department
of labor and industry to be used for the youth conservation
corps."

22. Page 16, line 21.

Page 17, line 4

Strike: "Montana"

Insert: "youth"

23. Page 17, line 23.

Strike: "Montana"

Insert: "Youth"

STANDING COMMITTEE REPORT

March 9 19 35

MR. SPEAKER

We, your committee on State Administration

having had under consideration Senate Bill No. 131

Third reading copy (Blue color)

**ESCUMBRANCE OF APPROPRIATIONS FOR BUILDING REPAIR MAINTENANCE
REMOVATION**

Respectfully report as follows: That Senate Bill No. 131

BE CONCURRED IN

EXPASS

STANDING COMMITTEE REPORT

March 8

19 65

MR. **SPEAKER**

We, your committee on **State Administration**

having had under consideration **Senate**

Bill No. **133**

Third reading copy (**Blue**)
color

EMPLOYEE INCENTIVE AWARD PROGRAM; REMOVE SUNSET PROVISION

Respectfully report as follows: That **Senate**

Bill No. **123**

BE CONCURRED IN

~~DO PASS~~

STANDING COMMITTEE REPORT

March 9 1985

MR. SPEAKER

We, your committee on State Administration

having had under consideration Senate Bill No. 124

Third reading copy (Blue)
color

REVISE PROCEDURES RELATING TO UNLIQUIDATED CLAIMS AGAINST THE STATE

Respectfully report as follows: That Senate Bill No. 124

BE CONCURRED IN

~~INDIGRASSY~~

STATEMENT OF INTENT

HOUSE BILL NO. 823

This bill requires a statement of intent because section 16 requires the commissioner of labor and industry to adopt administrative rules relating to the ~~Montana~~^{YOUTH} conservation corps.

The legislature contemplates that the rules should address the following items:

(1) procedures for recruitment and employment of corpsmembers;

(2) the establishment of residential and nonresidential centers throughout the state;

(3) the establishment of procedures for review and approval of projects;

(4) the establishment of a corpsmember code of conduct and grievance procedure;

(5) an application procedure for agencies applying for projects;

(6) standards and procedures to evaluate performance of corpsmembers;

(7) training procedures and programs for corpsmembers; and

(8) such other rules as necessary to accomplish the purposes of the ~~Montana~~^{YOUTH} conservation corps program.

STANDING COMMITTEE REPORT

Page 1 of 4
March 8

19 35

MR. SPEAKER

We, your committee on State Administration

having had under consideration House Bill No. 323

First reading copy (White)
color

CREATING A MONTANA CONSERVATION CORPS; ARCADE AMUSEMENT DEVICE LICENSE AND FEE

Respectfully report as follows: That House Bill No. 323

BE AMENDED AS FOLLOWS:

be amended as follows:

1. Title, lines 4 and 5.

Strike: "CREATING" on line 4 through "ELIMINATING" on line 5

Insert: "REVISING LAWS CONCERNING"

2. Title, lines 6 and 9.

Strike: "MONTANA"

Insert: "YOUTH"

3. Page 2, lines 3 and 10.

Page 3, line 7

Strike: "MONTANA"

Insert: "youth"

DO PASS

CONTINUED on page 2

4. Page 3, line 9.

Strike: "Montana"
Insert: "Youth"

5. Page 2, lines 10 and 21.

Page 4, line 1
Page 10, line 25
Strike: "Montana"
Insert: "youth"

6. Page 11, line 3.

Strike: "19"
Insert: "15"
Strike: "26"
Insert: "21"

7. Page 12, line 10.

Strike: "Montana"
Insert: "youth"

8. Page 12, line 11.

Strike: "1-year period"
Insert: "minimum of 8 weeks"

9. Page 12, line 14.

Strike: "The" through "a"
Insert: "A"

10. Page 12, line 15.

Following: "leader"
Strike: "is"
Insert: "may serve in the program for a maximum of"

11. Page 12, lines 15 and 16.

Strike: "The" on line 15 through "a" on line 16
Insert: "A"

12. Page 12, line 17.

Strike: "for"

13. Page 12, line 18.

Strike: "is"
Insert: "may serve for a maximum of"

14. Page 12, lines 19 and 20.

Strike: "normal" on line 19 through "period" on line 20
Insert: "maximum service periods"

CONTINUED on page 3

15. Page 15, line 8.

Strike: "a"

Insert: "an incorporated"

16. Page 15, line 10.

Strike: "a"

Insert: "an incorporated"

17. Page 15, line 13.

Strike: "a"

Insert: "an incorporated"

18. Page 15, line 13.

Strike: "The"

Insert: "If an arcade amusement device is located in an incorporated city or town, the"

19. Page 15, line 24.

Following: line 23

Strike: "thereof"

Insert: "of the license fee"

20. Page 15, line 25.

Following: "city"

Insert: "or town"

21. Page 16, line 3.

Strike: "Montana"

Insert: "youth"

Following: "."

Insert: "If the device is located in an unincorporated area, the county treasurer shall retain 50% of the license fee for the use of the county and pay over the remainder thereof to the state special revenue fund to the credit of the department of labor and industry to be used for the youth conservation corps."

22. Page 16, line 21.

Page 17, line 4

Strike: "Montana"

Insert: "youth"

23. Page 17, line 23.

Strike: "Montana"

Insert: "Youth"

AND AS AMENDED,

DO PASS

STATEMENT OF INTENT ATTACHED

This bill requires a statement of intent because section 16 requires the commissioner of labor and industry to adopt administrative rules relating to the youth conservation corps.

The legislature contemplates that the rules should address the following items:

- (1) procedures for recruitment and employment of corpsmembers;
- (2) the establishment of residential and nonresidential centers throughout the state;
- (3) the establishment of procedures for review and approval of projects;
- (4) the establishment of a corpsmember code of conduct and grievance procedure;
- (5) an application procedure for agencies applying for projects;
- (6) standards and procedures to evaluate performance of corpsmembers;
- (7) training procedures and programs for corpsmembers; and
- (8) such other rules as necessary to accomplish the purposes of the youth conservation corps program.

Sponsor Amendments to HB 823:

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Strike: "CREATING" on line 4 through "ELIMINATING" on line 5

Insert: "REVISING LAWS CONCERNING"

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Strike: "Montana"

Insert: "youth"

4. Page 2, line 9.

Strike: "Montana"

Insert: "Youth"

5. Page 2, lines 10 and 21.

Page 4, line 1

Page 10, line 25

Strike: "Montana"

Insert: "youth"

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