MINUTES

MONTANA HOUSE OF REPRESENTATIVES
54th LEGISLATURE - REGULAR SESSION

JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT & TRANSPORTATION

Call to Order: By **CHAIRMAN ED GRADY**, on February 13, 1995, at 8:18 a.m.

ROLL CALL

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

Members Excused: None

Members Absent: None

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

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

Committee Business Summary:
Hearing: Montana Department of Transportation (MDT)
Executive Action: None

{Tape: 1; Side: A; Approx. Counter: 027; Comments: n/a.}

HEARING ON MDT - MAINTENANCE DIVISION

John Blacker, Administrator, Maintenance Division, MDT, said the Maintenance Division provides winter maintenance for safety, pavement preservation, safety features such as guard rails, illuminares, delineators. They provide maintenance to rest areas and respond to natural disasters such as earthquakes, floods, snow slides and fires. They also administer the equipment and motor pool programs along with long-range building projects.

Mr. Blacker described the budget as shown on page A-89 in the LFA book as follows:

Item #1, Personal Services, was described as follow: The transfer of 14.5 FTE and approximately $400,000 from the construction program; continuation of pay plan in the amount of $270,000 and $950,000 restoration of vacancy savings; and a reduction of $780,000 due to early retirement payments paid in fiscal 1994.

REP. FELAND asked about the transfer from the construction program. **Mr. Blacker** said the transfer is to return the FTE from the construction program who had borrowed them from the maintenance program.

CHAIRMAN GRADY asked if these FTE are people who are currently working. **Mr. Blacker** said yes, and if they approve this, these people will continue to work. They would be returning to their present law staffing. He said there will be some layoffs, but didn't know how many. The layoffs will consist of the following: 7.8 FTE from Missoula; 8 from Kalispell; 11 from Butte; 4.5 from Bozeman; 6 from Great Falls; 5 from Havre, 5 from Glendive; 4 from Wolf Point; 4.6 from Miles City; 5.1 from Billings; 5 from Lewistown; and 6 from Helena. About 10 or 11 of these positions are supervisory. The budget reflects the layoffs, but a new contract may allow them to reducing some of the supervisors, which may amount to 3.0 FTE.

CHAIRMAN GRADY asked how it works to transfer employees from one department to another. **Mr. Blacker** said the Reduction in Force (RIF) Program would help laid-off employees to have first choice when jobs become available.

{Tape: 1; Side: A; Approx. Counter: 290; Comments: n/a.}

Note: a handout with a summary of the 1997 biennium budget adjustment review is included and addresses items 4, 5, 6, 8, and 9. It is included as **EXHIBIT 1.**

Mr. Blacker discussed county weed control and the department's responsibility in this area. He mentioned HB 395 which would modify the law that requires MDT to contribute funding toward weed control. He stressed that the department has no control over the amount of money that is billed by county weed boards to MDT. State law allows the county weed boards to bill them as they see fit for noxious weed control. The weed control costs have increased over $190,000 and they're spraying 27,500 acres. He said they have to deal with the county weed districts in each of Montana's 56 counties. He described the arrangement they have with counties to maintain weed control. Increased communication and improved coordination with the weed districts has proven successful.

CHAIRMAN GRADY asked where funding comes from when the account runs out. **Mr. Blacker** said the statute allows them to take money out of pavement preservation--"instead of patching the pothole, we're going to kill the weed." They must comply with this state law and pay the bills from the counties. He said, whether or not HB 395 passes, they will still be under the guidelines set forth by previous legislation.

REP. QUILICI said, even with the passage of HB 395, it would only amend these sections, and in reality, MDT is just a pass-through agency to the counties. **Mr. Blacker** said that was correct. He said they believe the ability to coordinate better with the counties could result from passage of this bill.

{Tape: 1; Side: A; Approx. Counter: 580; Comments: n/a.}

Mr. Blacker discussed rest area maintenance and their request to cover increased costs. It has been privatized and contracts with the private sector are renewed every three years. Costs increase each time a site is bid. The budget request includes headquarters cleaning, maintenance, contract for a new rest area in Wibaux, and anticipated increases in Billings and Butte. The new rest area in Wibaux would not be built with this money; rather, it is for contracted services after it is built. They have spent $796,308 in rest area maintenance in fiscal 1994.

CHAIRMAN GRADY asked if there are any plans to close down rest areas. **Mr. Blacker** referred that question to **Mr. Tom Barnard** who said there are rest areas scheduled for closure and new ones to be built. The commission approved a rest area plan that includes this information. **CHAIRMAN GRADY** asked what the reasons for closure are, such as the rest area in Wolf Creek. **Mr. Barnard** said there are areas, particularly on the interstate, that are too close together. When a major problem arises, they close them down. At one time, there was a belief that rest areas should be built every 15-30 miles, and some were built that close together.

{Tape: 1; Side: A; Approx. Counter: 751; Comments: n/a.}

Mr. Blacker discussed field supplies, page A-90. The base figure is $454,410. He described the expenditures as follows: fuel facilities upgrading to meet federal regulations which now require on-going repairs and maintenance, including fuel pump replacements, upgrades to fuel monitoring and dispensing systems, electric system upgrades, and underground tank removal. License fees and upgrades to the 25 sites on the state fuel network. They've estimated the cost to be $2,500 per year per site. There are approximately 125 fuel sites statewide. The cost of repairing damages to roadway features, such as guard rails, signs, reflectors, have increased and the request amounted to $138,270 in each year of the biennium. He mentioned fence repairs that are necessary, and can sometimes be recovered through reimbursement. There are many unknown sources of damage that cannot be reimbursed.

CHAIRMAN GRADY asked how many sites are involved. **Mr. Blacker** said all the sites would be completed by fiscal year 1995, so they will not have any additional funds. He said there are some sites that will be eligible for removal, such as some underground storage sites, but don't perceive that happening in this biennium.

REP. FELAND asked how they purchase their fuel and if they could make a deal to purchase fuel in the local areas. **Mr. Blacker** said **Bruce Barrett** should answer that question because he's more familiar with the subject. **Mr. Barrett** said they looked at the possibility of purchasing local fuel and one of the problems they have is when they established their sites, they made each one self-sustaining with heavy equipment, etc.

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

Mr. Barrett continued discussing the fuel sites and how they are equipped. **Mr. Blacker** added that part of the plan **Mr. Barrett** worked on shows that they have network sites with the gas card system supplying fuel for a number of government agencies and city and county governments. There was considerable discussion about the use of fuel sites and the arrangements that can be made to provide fueling services. He addressed **REP. FELAND'S** concerns and said their only experience was what other states have done to purchase fuel from local communities, they have found that contracting out to local service stations is more costly than providing the service themselves. **Mr. Barrett** said the gas card network is one of government and commercial sites, and they issue cards to most employees, so when they are in the area they can purchase commercial fuel the same as the average consumer. They are involving the private sector in the statewide fuel network.

{Tape: 1; Side: B; Approx. Counter: 130; Comments: n/a.}

Tom Guston, Department of Administration, was introduced as the program administrator for the statewide fuel network gas card, and he came forward to say that currently they have 90 sites that will accept the government gas card: 76 commercial sites and 14 MDT sites in 45 cities in Montana. A number of towns, cities and school districts currently use the system, and the gist of the program is to help agencies get out of the storage tank business.

CHAIRMAN GRADY asked if there are any additional costs placed on the department's gas to cover facility costs, for example. **Mr. Blacker** said the pricing is comparable to commercial prices. **Mr. Salisbury** said they had a 10% overhead added to the price. **CHAIRMAN GRADY** said that's what he wanted to know.

Mr. Blacker described the Present Law Adjustment #7 which is the increase in the base budget for rental cost paid for the use of equipment.

CHAIRMAN GRADY asked if they also have increased equipment replacement costs. **Mr. Blacker** said that was correct because as they purchase new equipment and through the equipment program, they establish the rental rates based on the replacement of that equipment. As costs escalate, the equipment program passes the increased rent back to the maintenance division. It's a "double-budgeted" item where the maintenance program rents the equipment from the equipment program which purchases the equipment.

CHAIRMAN GRADY said this confused him and he asked for a clarification. **Mr. Blacker** said the equipment program "is its own budget authority" and when they purchase equipment, the maintenance and tracking and replacement are given a rental cost and in essence, the maintenance program rents the equipment from the equipment program.

CHAIRMAN GRADY said he didn't think new equipment should be under the category of rent. It was acknowledged that the budget is confusing to understand and is just the way it is.

{Tape: 1; Side: B; Approx. Counter: 359; Comments: n/a.}

Mr. Blacker said that equipment is a zero-based item. Equipment is reduced by $316,000. This is not about trucks and back-hoes, etc., but equipment such as radios and fuel tanks that are fixed assets valued over $1,000 and considered as one-time-only purchases.

Mr. Blacker described that the increase for maintenance equipment is for the stockpile sites. this is for the royalty paid and for the purchase of stockpile sites.

{Tape: 1; Side: B; Approx. Counter: 470; Comments: n/a.}

Mr. Blacker described the New Proposals (see Exhibit 1).

CHAIRMAN GRADY asked how they are going to use the requested funds. **Mr. Bruce Barrett, Maintenance Division** said of the $2 million available to them, they can only spend between $250,000 and $500,000 because of the restrictive appropriation language, and the balance will revert because of the loss of authority. They are asking for that authority to be reinstated for the next two bienniums. They have identified the problems, but they have a lot of work to solve them. They have not spent what was allocated, because of the restrictive language. **CHAIRMAN GRADY** asked why they can't just change the language, rather than add more. **Mr. Curry** said the 1993 put restrictive language in the statute that means anything they don't utilize by the end of this biennium reverts and no longer exists. In order for MDT to have spending authority, the legislature specifically has to approve or they will not have that spending authority after June 30, 1995.

CHAIRMAN GRADY was confused about the reverting of funds and didn't think it went back to the general fund; he asked where it actually reverts to. **Mr. Curry** said what happens is the MDT has the authority to spend $2 million of highway special revenue funds for clean-up of hazardous materials. If they find they can't spend that money, it would remain in the highway state special revenue.

SEN. EVE FRANKLIN asked if there was a more detailed accounting of what kinds of hazardous waste clean-up projects are left undone. **Mr. Blacker** said there was and he mentioned a synopsis that he could provide (see Exhibit 1).

Mr. Gengler said he didn't think this problem will repeat itself in the next biennium and the reason is because if they make this a restricted appropriation, for the next biennium they are defining the restriction as only spending it for what they can identify.

CHAIRMAN GRADY said if it's an ongoing problem, why weren't they taking care of it in present law. **Mr. Gengler** replied that it is being offered as a new proposal because it won't go on forever, and rather than have it as part of the base, they are asking for reauthorization as a one-time-only appropriation. Eventually, they may not need $1 million annually. **Mr. Blacker** said they have been able to clean up the sites, but haven't been able to prevent problems from occurring again. The restrictive language allows them to clean up a site, but not take care of, for example, the floor drains situation and the necessary replacement of a tank that could hold the floor drain water, so it doesn't happen again. This is a stumbling block in this area.

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

Mr. Blacker said they are in the process of cleaning up 60-70 years of misuse and deterioration over the years. Environmental regulations are much stricter nowadays. There will be a time when they will have solved many of the problems with hazardous waste, but they will always have to monitor the problem.

New proposals, item #2, is for radio equipment in the amount of $124,000 each year of the 1997 biennium from the highway special revenue account, for the purchase of new radios, repeaters and communication test equipment. This would provide two-way radio communication throughout Montana. He explained the necessity of this item.

Item #3 is a personal service reduction, proposed by the executive, in the amount of 72.95 FTE and $2.4 million each year to fund a proposed pay plan. The areas that would be reduced concern him, but they felt that in order to be responsible, they need to make an attempt at a reduction of FTEs. He discussed some of the areas that are proposed for reduction, and attempts they have made to consolidate positions in various work areas.

{Tape: 2; Side: A; Approx. Counter: 220; Comments: n/a.}

REP. FELAND asked if they would be ending up with a net reduction of 58 people, since they would be hiring back 14.5. **Mr. Blacker** replied that someone else should answer that. **Mr. Barrett** said it's a net reduction of 72 FTE over the present law, which was the level approved by the 1993 legislature. The 14 FTE in question were via a program transfer, a temporary move to the construction program with the intent that they would come back to the maintenance program.

Mr. Dye said the actions of the last budget subcommittee resulted in this situation, and when they talked to them last session, they review several sections of the budget and once they were done with certain areas, the subcommittee cut some positions. They cut about 70 FTE out of the construction program. They had to take 40 from maintenance because they couldn't afford that many from construction. The 14 employees is simply a redistribution of the cuts they suffered last session.

Mr. Blacker clarified that the supervisors being cut, 90% of them make a difference of about 80 cents per hour for salary of other workers. The supervisory salary difference isn't that great.

CHAIRMAN GRADY asked how many "warm bodies" are going and what are they going to end up with when this "all shakes out." **Mr. Dye** said it is a day-to-day situation and probably won't know until year end how many actual people will have to be laid off as a result of the cuts.

Mr. Curry said the governor's executive budget utilizes a combination of vacancy savings and FTE reductions on the pay plan. In MDT they are not able to apply vacancy savings as other agencies are able, so they take FTE reductions. In lieu of vacancy savings, they lost 88 FTE in the department.

{Tape: 2; Side: A; Approx. Counter: 415; Comments: The subcommittee took a break.}

HEARING ON MDT - PRIVATIZATION ISSUE

Mr. Jack Morgenstern, owner of Century Construction, Lewistown, provided some information on the privatization issue. He gave examples of cities that have privatized all their services. Century Construction does asphalt paving and maintenance. He is the current president of the Montana Contractors Association. He said he chaired a committee on privatization which was charged with approaching government in search of potential markets. There is a lot of interest this session in this issue and he was pleased to acknowledge their willingness to look at privatization. He said the maintenance division at MDT is a peer group and they've had good luck in developing private markets with the maintenance division in the "big ticket" areas.

Mr. Morgenstern said in the past ten years, MDT privatized the crushing of gravel and acquisition of asphalt materials. He described several other services contracted to the private sector. One of the more significant things done by MDT is the development of programs where they integrate the contractor's equipment with state-owned equipment. He described this arrangement where contractors and MDT collaborate to provide adequate equipment. He described task force studies on services such as minor patching, sanding, and snow removal, that could be privatized, but are not presently. They thought the maintenance division has done a good, objective job of looking at the potential in privatization and staying in touch with the industry.

CHAIRMAN GRADY asked about the increase in privatization, but wondered if snow plows were privatized, could they compete if they had to purchase the equipment. **Mr. Morgenstern** said they've seen that in other areas that were viable for privatization, and were essentially by-products.

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

Mr. Morgenstern said the snow plowing covers such a large geographical area and so specific that it would be a total entry business. The private contractor would have to bill the taxpayer sufficiently to cover the entire activity. It would also be very difficult to manage area-by-area. They like to establish trial projects to see if they are feasible. **CHAIRMAN GRADY** said it's always short-order with a certain amount of money, but it takes at least two years before the curve will go down. **Mr. Morgenstern** said viability is difficult because of the lack of equipment compatibility. Scheduling is another factor that is difficult to manage in the private world.

REP. QUILICI asked about the issue of privatization and whether or not it's in the best interest of the people of Montana. He asked how long a contract he would need to maintain their area. **Mr. Morgenstern** said about two years on an entry basis. **REP. QUILICI** said they would assume a two-year contract and the only way the state would let a contract is if they can prove that they can do a quality job and save taxpayers some money. He asked what would happen if they were underbid. **Mr. Morgenstern** said the next time it comes up, they would try to underbid that contractor.

REP. QUILICI asked what he would do with the equipment in the meantime; he went on to explain that contractors who depend upon state contracts can go out of business and contractors will bid low to "get their foot in the door" and then go "belly up." He asked what happens to the taxpayer when this happens, and the state has to buy equipment to get the job done because the contractors have bid themselves out of business.

Mr. Morgenstern said **REP. QUILICI** was arguing his argument, and said in the case of the maintenance work that is privatized, the contractor is providing a service that costs the taxpayer 50% of what they used to pay. The contractor is making a profit. The state's equipment was already antiquated and illegal to operate. He thought snow removal should not be privatized because of the scenarios described by **REP. QUILICI**, because the contractor would have invested a great deal of capital in specialized trucks, and if he lost the contract, he would go broke.

REP. QUILICI mentioned the independent privatization study that is being proposed, and he was sure that there are areas where privatization is the way to go. At MDT, gravel crushing can be done cheaper by contractors. He said MDT has already "bent over backward" to involve the private sector in the most economical way. **Mr. Morgenstern** reiterated his testimony and said he is a pro-privatization activist and the reason he came to the hearing is because they believe the maintenance division at MDT is well balanced and has a good program in terms of what they have privatized and what they have not.

SEN. TOM BECK reiterated previous testimony about snow removal not being a feasible area for privatization.

CHAIRMAN GRADY said contractors need more than two years to make it worth their while to do business with the state. **Mr. Morgenstern** agreed and said the programs that the state has are just now starting to pay off. He gave examples of the type of work private firms are doing and the quality and efficiency that is being provided.

{Tape: 2; Side: B; Approx. Counter: 390; Comments: n/a.}

Mr. Blacker thanked **Mr. Morgenstern** for his comments and stated that the department is not against privatization when it can be cost effective and have quality management.

HEARING ON MDT - MOTOR POOL

Mr. Blacker cited page A-93 in the LFA book, personal services and vacancy savings which are standard adjustments. There were no questions from the committee.

He discussed Item #3, fixed costs increased by $18,582 in fiscal 1996 and $18,730 in fiscal 1997. These increases are due to insurance premiums paid to the Department of Administration (DofA).

Item #4 is repair and maintenance of fleet vehicles, projected to increase $2,400 each year. This is basically a cost of living increase for repair of vehicles due to accidents.

Item #5 is vehicle replacement has an increase of $323,744 in fiscal 1996 and $406,632 in fiscal 1997. This proposal is for 53 vehicles in 1996 and 59 in 1997.

CHAIRMAN GRADY asked how they go about bidding the vehicles. **Mr. Blacker** asked **Mr. Guston** if vehicles are only bid in-state. **Mr. Guston** explained that all purchasing for vehicles is handled through the DofA and use their bid list. They develop the specifications and the DofA makes the award. **Mr. Blacker** said they discussed the criteria for vehicle replacement previously and he reiterated that testimony.

Mr. Guston further explained the department's vehicle purchasing policy and procedure. He said the motor pool use has increased to the point that they are running about 30,000 miles per year on mid-sized vans, so over a three-year period that van has gone 90,000 miles and needs major repairs and work. At that point, they'd rather dispose of the vehicle and replace it. The warranty also expires at about that time.

SEN. BECK noted that about half the vehicles are being proposed for replacement in the next biennium and it's more like a two-year turnover rather than a three-year turnover. **Mr. Barrett** said the motor pool operates in a cyclical manner. He said they have good credibility with the legislature and these figures were projections based on current use and if they don't need to replace vehicles, they won't. The funds would then be reverted.

SEN. BECK asked if they buy extended warranties for the vehicles. **Mr. Barrett** said they have looked at extended warranties, and have determined that it would be more costly. **SEN. BECK** suggested a warranty that goes 50,000 miles or five years might be a possibility. **Mr. Barrett** said their experience, on both the highway and motor pool, shows that if it gets by the original 12,000 miles, they have no problem with it. The problems they do have are usually covered by the manufacturer's recall to repair defects. In addition, both Ford and GM are registered factory warranty stations, which allows them to be reimbursed for work they do in their own stations.

Mr. Blacker continued with the motor pool's budget and said the executive new proposals include the new proposal for the Motor Pool to purchase vehicles and lease them back to state agencies, as opposed to having each state agency include the purchase of new vehicles in their budgets. He said the state motor pool would be responsible for the vehicles including routine maintenance and fueling. This item has to do with providing maintenance costs for leased vehicles. This budget proposal is for an additional $754,510 in 1996 and $548,555 in 1997. This would include the purchase of 53 vehicles in 1996 and 30 in 1997. The base budget for the four leasing will be reduced by the combined total of $616,581 out of general fund in 1996 and $173,900 out of general fund for 1997. He added that there is no additional funds from the state treasury for the purchase of these vehicles. The budgets of those agencies which will lease the vehicles budgets have been adjusted to reflect the executive new proposal. He said the department agrees that they are in a position to manage these vehicles.

{Tape: 2; Side: B; Approx. Counter: 781; Comments: n/a.}

Mr. Gengler said this is a new proposal that the department agreed to carry at their request. The reason is because they have agencies participating, such as the departments of Revenue, Labor, Family Services, and Corrections. These agencies have large fleets of vehicles they manage and are stationed throughout the state. The idea is that the costs can be minimized by having these vehicles managed by the motor pool rather than each individual agency. He said those agencies will experience a decrease in their budgets and a slight increase in the motor pool budget.

CHAIRMAN GRADY asked how many additional vehicles this would be. **Mr. Blacker** said it was 56 vehicles in 1996 and 30 in 1997. **CHAIRMAN GRADY** said with the 197 vehicles, it roughly adds up to 280 vehicles in the total fleet size.

SEN. BECK asked if it wasn't ironic that they need 53 in the present proposal, but 53 in vehicle replacement. **Mr. Blacker** said that was correct.

CHAIRMAN GRADY clarified the $250 per day fixed rate to maintain these vehicles, or 25 cents per mile. **Mr. Blacker** said that was correct, whatever is greater. If the vehicle is not being used, it would be $2.50 per day. But if they drive to Butte, they would be charged 19.5 cents.

{Tape: 3; Side: A; Approx. Counter: 000; Comments: n/a.}

Mr. Blacker said they would be responsible for maintenance and upkeep, but will not be treated the same as a "pool" vehicle stationed at the motor pool. **CHAIRMAN GRADY** said they would do the servicing at stations throughout the state and he said that was correct. **Mr. Blacker** clarified that the rental rate for a mid-sized car is 14 cents per mile (in earlier testimony he had guessed at this figure).

SEN. BECK said when they take over the care of vehicles for the Department of Corrections and Human Services, would they be maintaining the ranch vehicles as well. "Where is the line being drawn?" **Mr. Gengler** explained that he wasn't exactly sure what all the vehicles are, but said many of them are with probation and parole, because those employees must travel a great deal. They did not include prison system vehicles, because the inmates take care of them, and are typically used only on campus.

SEN. BECK asked why they didn't include the highway patrol vehicles in this proposal and **Mr. Gengler** explained that the reason the Department of Justice chose not to participate is because they are highly specialized vehicles. When they asked other agencies with their own fleets if they were interested in participating in this program, the four agencies that were included are the ones that expressed interest. **Mr. Blacker** added that this is a pilot project and they only took on vehicles currently compatible with motor pool. They did not get into farm tractors, 2½-ton trucks, etc.

SEN. BECK didn't think the highway patrol vehicles could be that specialized that they couldn't be covered under this program. He said they have equipment. **Mr. Guston (?)** explained that the highway patrol cars are purchased annually under the DofA's program and there are certain manufacturers that make a pursuit vehicle. They buy these cars for the cheapest possible price and it's not to their advantage to participate in this program. He said a statute precludes the governor's office and the highway patrol from being part of the motor pool operations.

Mr. Blacker said that concluded his presentation and wondered if there were questions from the committee.

{Tape: 3; Side: A; Approx. Counter: 105; Comments: n/a.}

CHAIRMAN GRADY asked how they came up with the specifications for the bid. **Mr. Blacker** said they worked with **Tom Guston, DofA**, in arriving at the specification and follows the guidelines under which motor pool operates. **CHAIRMAN GRADY** wondered why no bids were received and **Mr. Blacker** said what that told him was that the operation of the motor pool is not conducive to private sector operations. He said they queried other states and have found that other motor pools have not privatized. **CHAIRMAN GRADY** said he was only concerned about the bid itself, because the bid included activities that are not currently being done, such as providing a fenced-in lot. He wondered why this was incorporated into the bid when it's not being done now.

Mr. Blacker deferred this question to **Bruce Barrett**, who said that in 1985-87 they were asked to look if privatization of the motor pool would be cost effective. They conducted an informal survey of about 7-10 dealers in Montana and asked what their lease costs were and what would they charge for a certain number of miles. The responses from about 4-5 helped them arrive at the estimation that it would cost motor pool about $180,000 more per year to privatize.

In 1988-92, it came up again and they were criticized that this study didn't include more dealerships and didn't define the service they wanted. So they developed what they thought would have mirrored the motor pool operation, tailoring it to the private sector, and called it a request for information, not a bid, which was sent to 19 vendors both in state and out of state. They received two responses, one of them said there was no way private industry could buy the cars for the price the state buys them with government discounts, and operate at no profit, as the state does, and make any money. They were not interested. The other response was from Enterprise Car Rental that sent the prices they would charge and they determined it would cost the state $680,000 more per year.

In the 1993 session, this issue came up again, and the request for information was criticized because it was not an official, formal proposal for a bid, or RFP, and they were criticized for their bias as the Department of Transportation, so they solicited the Office of Budget and Program Planning, the purchasing services bureau of the Department of Administration to work collectively with MDT to develop an unrestrictive bid, but one that would still provide a service to the state. He said they went out with a request for quotation with the intent that if the price was less than what the state of Montana was charging, they would liquidate motor pool and privatize. They sent this to 31 companies and not one came back with a bid. Every bidder had the opportunity to call to ask questions, to write in questions, and no one did that. They are now at an impasse and have done everything they've been asked to do. They still don't have comparable prices and he does not believe there is a private business that can provide this type of service and do it for less than what the motor pool is doing it.

CHAIRMAN GRADY said he thought the bid should only include the existing services are and the cost should be included as well. He thought they should be comparing apples to apples, and he didn't think that's what went on there. **Mr. Barrett** replied that the items included in the RFP are things they are currently doing and they may have actually left some things out that currently exist. **Mr. Blacker** added that the security fence that is not now in place is something in the long range building program for this biennium. It was added in this proposal because it's an item in the works, and makes the comparison one of equity.

SEN. BECK asked if they could have a list of the 31 dealers the RFP was sent to. **REP. QUILICI** asked for all the information. **SEN. BECK** mentioned the department's ability to buy the cars at the lowest price and thought if someone got the bid, they would qualify for a volume discount. **Mr. Gengler** stated that the budget office participated in the development of the invitation for bids. They were concerned about having a fair bid, that would be an apples to apples comparison. If they believe something was done wrong, they are more than willing to do that and ask the DofA and MDT to develop another bid. He said if anyone can beat the prices that they currently work from, they will privatize the motor pool.

Mr. Blacker reiterated their willingness to privatize the motor pool, if it can be done cost effectively, and it is just a program they provide and that is all. **CHAIRMAN GRADY** stated that his concern is only that the bid process be done fairly and he was only trying to understand what had transpired to determine that aspect of this issue. He said people were present to testify and he asked that the first person come forward to speak to the committee.

{Tape: 3; Side: A; Approx. Counter: 448; Comments: n/a.}

Testimony:

Robert Ward, Enterprise Rent-A-Car, said they were not in the state when they received the last request for bids. They are the largest rental car agency in the U.S. and are able to buy in volume. They buy 200,000 new cars each year. The reason they found it difficult to bid on running a motor pool operation was because of maintenance requirements and how much they must pay their employees. They have been successful in the private sector because they provide a good service. The main reason they didn't bid was because of the restraints of the RFP and they could not abide by the requirements. He said they try to get rid of the cars they own right before the warranty runs out, 36,000 miles or three years. He said they do this because they start putting more money into the vehicles at about this time. The true cost of the car is not what they pay for it, but what they can earn from it and it's selling price. After 100,000 miles the car is probably worthless.

CHAIRMAN GRADY asked if he knew what the state pays for cars. He said he didn't know, but guessed that they could buy cars for the same or below that cost.

CHAIRMAN GRADY asked **Mr. Ward** about the amount of cars that a contractor would have to provide and he said it would not be a problem for them as they purchased approximately 500 cars in Montana in the last year.

CHAIRMAN GRADY asked about the mileage rate that motor uses to charge agencies. **Mr. Ward** said that is confusing, because the way they rent out cars is based upon usage. If the car isn't used, they don't charge. They would buy the rental cars, and if they weren't being utilized by the state, they would move them where they could be utilized.

SEN. BECK asked if they charge by the mile. **Mr. Ward** said they typically charge by the day. It's difficult to charge by the mile because one car may drive all day, and another may go two miles, so it's the use of the car, not the mileage that is charged.

CHAIRMAN GRADY asked who services their cars. **Mr. Ward** said that is contracted out to the private sector. He stated that he'd like to talk to the other agencies about their vehicle needs.

CHAIRMAN GRADY mentioned the survey that was conducted to which their was no reply from contractors. He asked **Mr. Ward** why his company did not respond to the bid inquiry. **Mr. Ward** said they assumed that the bid had been sent to all companies and if one of them "skewed" from the original specifications, they would have put in a lot of work developing the proposal for no reason.

CHAIRMAN GRADY asked if Enterprise Rent-a-Car contracts with other state agencies in other states. **Mr. Ward** said they have not taken over the entire motor pool, but do provide rental cars as an overflow service.

{Tape: 3; Side: A; Approx. Counter: 825; Comments: n/a.}

REP. QUILICI said, in reference to the specifications that are shown on the RFP, the state better live up to those specifications or the agency or someone is going to make sure they do, so he didn't think **Mr. Ward** had a good reason for not submitting the bid information that was requested. **Mr. Ward** said for that time, at that price, they could not fulfill the obligation at a competitive price.

REP. QUILICI wondered what the constraints were that he expressed. **Mr. Ward** said those constraints were what they had to pay their employees per hour, providing a fenced lot, oil changes.

REP. QUILICI asked how much they pay their employees. **Mr. Ward** said it depends, but typically start out at $1,400 per month, based on 50 hours per week. Employees have the opportunity to advance in their jobs.

REP. QUILICI said he could understand why they wouldn't want to change the oil until 7,500 miles as long as the vehicle is safe, and he asked about the liability. **Mr. Ward** said the issue of liability has not yet been worked out. He said it depends; they are a self-insured company and do not have to be primary for liability. If the state were liable and assumed the primary position, that would cut down on the amount of premiums they would pay, so the savings would be passed on to the state.

REP. QUILICI asked if they could provide a half-ton pickup for 19.5 cents per mile. **Mr. Ward** said yes. **REP. QUILICI** asked if they could do it better and cheaper than that price. **Mr. Ward** said they could and that's why he came to the hearing.

{Tape: 3; Side: B; Approx. Counter: 000; Comments: n/a.}

Kurt Lance, General Manager, Helena Chrysler Plymouth Dodge Nissan, Helena, said he had 25 years of automotive experience, including the operation of a national fleet management leasing company in Seattle. He said that the likelihood of fulfillment of the requirements in the bid were such that they did not want to place a bid and felt others in the private sector felt the same way. The proximity to the Capitol Building, facilities, security, 24-hour on-site personnel are some of the requirements that made it restrictive. From his experience, he concurred with Enterprise Rent-a-Car that the state takes the vehicles and runs them "to near death" and then sells them at little or nothing at auction prices. He stated that the sale of the vehicles at a higher price and proper fleet management can upgrade the service considerably.

SEN. BECK asked if they asked the department about his concerns. **Mr. Lance** said they have been involved in the bid process with the state for a number of years and have been awarded a number of bids. First, bids where they are required to make changes in specifications, they are careful to be very specific. They didn't desire to do that with the bid in question.

CHAIRMAN GRADY asked if they could match the state's purchase price for vehicles. **Mr. Lance** said as far as being a national fleet and as a representative of a manufacturer, they would have similar discounts to fleet quantities. The cost per mile is not something he has considered, because of the many restrictions placed on the bid.

CHAIRMAN GRADY asked if they would be interested in preparing a bid. **Mr. Lance** said as an individual dealer he didn't know if they would be involved, but there are companies that do manage large fleets and mentioned as good examples, Enterprise, Ryder, and others. They incorporate vehicle availability as well and operate on that basis.

CHAIRMAN GRADY asked about the five-mile radius for the motor pool location and wondered if the lease of the existing facility was a viable option. **Mr. Lance** said they did not consider that as an alternative.

REP. FELAND asked **Mr. Ward** what kind of bid request would they want to bid on. **Mr. Ward** said all they'd want is the type of vehicles specified and the price. That's all they are looking for. Flexibility in the bid requirements is important as well. He said insurance coverage is a factor in determining cost. He said they don't charge by the mile, but by the day. When cars get a lot of use in one area, they switch them around so the cars get used at a more moderate level.

CHAIRMAN GRADY asked if they can be competitive on the insurance costs. **Mr. Ward** said they probably couldn't, but it would depend on many factors. Some large corporations provide their own insurance. He said the state would have an advantage in terms of licensing costs, which are about $300 per year.

REP. FELAND asked if it was possible for the state to insure employees when they drive a leased vehicle. **Mr. Ward** said that was possible.

CHAIRMAN GRADY asked if the five-mile proximity was a problem for Enterprise and **Mr. Ward** said it wasn't, they are already within two miles of the Capitol Building. He also said they can deliver cars to drivers.

REP. FELAND asked **Mr. Blacker** if the insurance on cars was workable. He responded that it was, but said if they are covering the liability insurance, it still needs to be factored in on the costs of the vehicle rental. From a legal standpoint, they would have to research the liability that belongs with the provider. If the cars have a defect for which they are responsible that might cause harm or damage, or for someone to be late for an important meeting, some sort of liability is there. He didn't know if any private provider would be solely out of the liability responsibility. **Mr. Ward** said they wouldn't be out of the liability issue altogether, and liability due to negligence would be their concern.

CHAIRMAN GRADY said they know they have to compare apples to apples and liability insurance is another issue to consider.

REP. FELAND asked **Mr. Blacker** if the rental agency could provide a service as good or even better than the motor pool. **Mr. Blacker** said he had no doubt that they could provide a good service, but the difference is that they are comparing the same things. They're wanting to get 100,000 miles out of a vehicle and they are turning the vehicle over at 36,000 miles.

REP. FELAND wanted to address that difference and asked if he wouldn't feel safer driving a car with 30,000 miles on it as opposed to one with 98,000 miles up around Wolf Point at 2:00 a.m. **Mr. Blacker** said he probably would, and most people would like to drive a new vehicle, but their economic replacement model shows the value of the vehicle, the down time, repairs, cost of new vehicle, and is used on a national level to determine the "best bang for their buck" at the 85,000-100,000 mile range.

SEN. EVE FRANKLIN predicted that if they privatized, the citizens of Montana would be asking why state employees are driving brand new cars. It was just a thought.

{Tape: 3; Side: B; Approx. Counter: 450; Comments: n/a.}

REP. FELAND asked if someone from a car rental agency and the department could get together to put together something they'd want to bid on. **Mr. Gengler** said a few weeks ago they extended an invitation to Enterprise to take the bid and mark it up as they would like to see it, and he offered information to them for their use. If there is any restriction that they have control over, they are willing to negotiate.

CHAIRMAN GRADY asked about the Davis Bacon (?) act and how it impacts the bid process. He said he thought **Mr. Gengler's** suggestion was good and didn't know if they took him up on it, but he would encourage them to do it.

Mr. Dye said they can't just work with one company, such as Enterprise, because each company is going to have their own specifications that work best for them. They have to develop something they can all live with. He said the motor pool is being operated economically and the state is getting a good bang for the buck. He said the specifications were written to make sure the vehicles were well maintained, had been property checked over at regular intervals, etc. He's afraid that if the state gets out of the business of providing this service, and it's privatized, the costs will go up.

{Tape: 3; Side: B; Approx. Counter: 600; Comments: n/a.}

CHAIRMAN GRADY said he thought the department should come up with more information on how they come up with the specifications. He asked if 24-hour security is provided at the motor pool lot now. **Mr. Dye** said they do not. They have had vehicles vandalized, so for future projections they are planning to upgrade security.

CHAIRMAN GRADY said the employees' cars are another concern, those that are parked in the lot while the motor pool cars are out on the road. He would think that is up to the employee and is their property. **Mr. Blacker** said they do have security because of the watch that goes on at the Capitol Complex and do check the area. **Mr. Salisbury** said they have put in additional lights and have tightened up security in general. If they consider another location, they will have to secure it because Capitol security will not be available. **Mr. Salisbury** also said the salary in the bid, $25,000, is a prevailing wage rate. The motor pool is a proprietary account, so they are required by law to recover all operating costs, including overhead, so the rental rates are based on that. He said when they recently went out to bid in Helena and leased three vehicles from Capitol Ford. The costs for those vehicles could only be recovered if they were driven just under 5,000 per month to equal the bid prices.

{Tape: 3; Side: B; Approx. Counter: 750-830; Comments: CHAIRMAN GRADY discussed with the committee and MDT the time needed to finish discussion and executive action for this agency.}

ADJOURNMENT

Adjournment: 11:47 a.m.

Rep. Ed Grady

ED GRADY, Chairman

P. Borneman

PATTI BORNEMAN, Recording Secretary

EG/pb

EXHIBIT 1
DATE 2/13/95
HB

'97 BIENNIUM BUDGET ADJUSTMENT REVIEW

4 - County Weed Control - The additional authority requested is based on efforts between the department and county weed boards to develop an acceptable noxious weed control program. Because of limited funds, weed control boards have not been able to perform necessary noxious weed control on department property. During the base year the department directly reimbursed weed boards $606,351 for weed control (2123) and expended an additional $124,519 on weed control chemicals (2243) that were either provided to weed boards, contractors, or were applied by the department. The $730,870 spent in the base year is inadequate to eradicate noxious weeds on department property.

5 - Rest Area Maintenance - This request is to cover increased costs of rest area maintenance. Rest area maintenance has been privatized for many years and is contracted through the private sector. Contracts generally run for up to three years, and prices increase each time a site is bid. The budget amount also includes the Glendive headquarters maintenance cleaning contract, the contract for a new rest area in Wibaux, and anticipated increases in Billings and Butte.

6 - Field Supplies - A base year increase of $454,410, in each year of the biennium, is predicated on changes in the following objects of expenditure:

Fuel Facilities -- 39599

In the current biennium, the department, for the most part, has upgraded all its fuel facilities to meet federal regulations. The upgraded facilities now require ongoing repairs and maintenance. Repair and maintenance includes such things as fuel pump replacement, upgrades to fuel monitoring and dispensing systems, electrical system upgrades, underground tank removals, licensing fees, and upgrades to the 25 sites on the state fuel network. It is estimated that the above repair, maintenance, and licensing, will cost $2,500 per year per site. The department has approximately 125 fuel sites statewide which includes the 25 statewide fuel network sites.

Accounts Receivable -- 39594

The cost of repairing damages to roadway features is increasing. The increased costs are a result of two things. More complexity, and subsequent cost, in roadway safety items such as guardrail, and an increase in the cost of repair materials. An additional $138,270 has been requested in each year of the biennium. Examples of damage typically repaired are guardrail, signs, impact attenuators, bridge beams, fence, etc.

Total additional requested 2000 authority is $454,410. $316,140 for the Fuel Facility and $138,270 for Accounts Receivable.

8 - Equipment - 3000 objects were zero based for the '97 biennium. The reduction of $316,000 was the result of reductions in fuel tank acquisition, two-way radio equipment, and maintenance tools.

9 - Maintenance Facilities - the requested increase is for royalty paid on state optioned gravel sources and for the purchase of gravel stockpile sites. In the past few years, leased stockpile site have become involved in estate settlements, farm/ranch sales, lease terminations, etc. These actions have required either the removal or forfeiture of materials on a particular site. The cost of standard lease agreement have also dramatically increased in some locations. In a number if instances, it has become cheaper to purchase a materials site than to lease it. The purchase of material sites reduces long term lease problems and ensures the department will have a material site and will not be faced with the expense of relocating stockpiles because a lease was terminated.

ENVIRONMENTAL ISSUES

Current Biennium Progress

During the 53rd Legislature, the department offered testimony that many of its facilities were in violation of federal hazardous material regulations. It further requested $1 million dollars in each year of the biennium to address the situations as they were identified. The department advised the legislature that it was going to retain a consultant to conduct a hazardous material audit and then develop an action plan based on the audit.

Because the department was unable to determine the magnitude of the problem at the time, it requested restrictive appropriation bill language regarding use of the $1 million dollars.

To date, the department has conducted the audit, developed an action plan, and disposed of the more blatant hazardous material problems. Unfortunately, we have discovered that we have only begun the clean-up process.

As the whole hazardous material situation unfolded, new issues that had never been considered began to surface. Injection wells being a prime example. Because of the restrictive appropriation bill language, the department was not able to use the $1 million dollars to address the new environmental problems.

All of these things contributed to underrunning the $1 million dollar appropriation in the present biennium.

'97 BIENNIUM BUDGET ADJUSTMENT REQUEST

MDT Maintenance Facilities Statewide Hazardous Materials Cleanup

The purpose of the request is to provide funding to clean up and correct hazardous materials deficiencies and to bring the department into compliance with federal laws and regulations. The cleanup and monitoring will involve, but will not be limited to, the following types of activities:

- Connect injection wells (floor drains) to municipal sewer systems.
- Install floor drains and waste water collection systems when facilities cannot be connected to municipal sewer systems. This may include, holding tanks, disposal costs, or processing equipment to treat the water.
- Leak detection wells, monitoring equipment, and electronic leak detection equipment for those sites on the statewide fuel network.
- Surface and Subsurface contamination assessments, remediation plans, and actual removal, storage or disposal of hazardous materials.
- Spill Prevention Control and Counter measures (SPCC) plan for all fuel sites.
- Asbestos abatement.
- Recycling of stoddard and other recyclable cleaning solvents.
- Purchase and instillation of furnaces that will burn used oil, thus recovering the heat and reducing the cost of waste oil disposal.
- Preparation of required state and federal reports and meeting reporting and tracking requirements.
- Acquisition of necessary safety equipment and materials. This includes such items as containment barrels, repackaging barrels, spill pillows,

secondary containment barrels, safety clothing, respirators, and training.

- Closing, and subsequent remediation, of any hazardous floor drains.
- Purchase of recycling equipment to recycle waste water.
- Installation of site monitoring equipment, including monitoring wells, to determine the extent, or limits, of contamination.

KNOWN PROJECTS

Sewer and water connections to municipal systems. The estimated cost per site is $50,000 - 75,000. The number of sites is not known at this time. Approximately $300,000 is estimated.

Complete identification and location of paint wastes, and arrange for transportation and disposal. Actual costs are unknown. Approximately $100,000 is estimated

Bring bulk paint storage facilities into compliance with fire codes. The estimated cost per site is $5,000. There are 12 sites for a total estimated amount of $60,000.

Laboratory fees for tests of gas monitoring wells at 26 sites and acquisition of 5 detection units. The total estimated cost is $10,000.

Spill Prevention Control and Countermeasure Plans are required at each maintenance site. This is a one-time cost and is estimated at $260,000.

Sump drains will require periodic testing to ensure they are meeting water quality standards. This is estimated at $200,000 the first year, and $50,000 in the second year if all the first year tests pass.

Solvent recycler, trailer mounted -- $40,000.

Materials laboratory testing equipment so that the department will be able to conduct some of its own tests -- $50,000.

Wash bay recyclers. The estimate is $25,000 per site and 10 sites per year, or $250,000.

Required safety training for employees dealing with hazardous materials. $20,000 for the 40 hour course and $10,000 for the refresher, or $30,000 each year.

Required medical tests for personnel that work with hazardous materials -- $100,000 per year.

CURRENT PROJECTS AND ESTIMATED COSTS

Alberton:	Land farming and testing of contaminated soil -- $1,000 annually until released.
Drummond:	Monitoring of test wells, $2,000 annually until released.
Missoula:	Waiting for report. Additional cleanup at a waste oil site is estimated to cost $250,000.
Libby:	Excavation and test pits at a fueloil sump site -- $10,000.
Butte:	Groundwater samples. Depending on sample results an air sparging system may have to be installed -- $50,000.
Helena:	Additional wells for soil and groundwater contamination monitoring -- $15,000 annually until released.
Townsend:	Land farming and testing of contaminated materials and groundwater monitoring -- $10,000 annually until released.
Bozeman:	Groundwater monitoring -- $1,000 annually until released.
Belgrade:	Land farming and testing of contaminated soil -- $500 annually until released.
Three Forks:	Installation of vapor extraction piping at both the gasoline and diesel UST excavation sites -- $50,000.
	Land farming and testing of contaminated soil -- $500 annually until released.
Havre:	Extent and magnitude of contamination from old pipes is unknown and cannot be determined until sloughing bank is stabilized -- $10,000. Depending on contamination found this site may cost $100,000 or more to clean up.
Jordan:	Continued monitoring of four test wells associated with a UST site -- $5,000 annually until released.

Wolf Point:	Latest groundwater results indicate significant contamination is still present -- $150,000.
Miles City:	Excavation of sludge from old daylight well -- $10,000.
Billings:	Removal of old dry well at steam shed -- $20,000.
Columbus:	Vapor extraction remediation at a UST leak site and a buried waste site -- $100,000.
Hardin:	Land farming and testing of contaminated soil -- $10,000 annually until released.
Lewistown:	Additional monitoring wells to determine the extent of solvent contamination -- $100,000.
Winnett:	Land farming and testing of contaminated soil -- $1,000 annually until released.

POTENTIAL ADDITIONAL PROJECTS

Lewistown, Havre, Miles City, Missoula, Billings, Helena Fairgrounds, and the Hangar at the airport:

> Cleanup assessments have not been completed. Actual cleanup may involve the removal and disposal of large quantities of contaminated material. Until testing is complete, cost estimates are premature.

Asbestos abatement is required at Great Falls and Rogers Pass. Costs are unknown.

Glendive has buried waste in two of its yards and potentially contaminated remnants from sand blasting operations. The extent of the contamination and actual cleanup needs have not been determined.

There are barrels of leaking materials at Lodge Grass. The extent and type of contamination are not known at this time.

If all of the projects listed above, that already have an estimated cost, were paid today, the total value would be approximately $2,250,000.

The department is requesting continuation of the $1 million dollars in each year of the biennium for all aspects of environmental clean up.