

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
59th LEGISLATURE - REGULAR SESSION**

**JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT AND
TRANSPORTATION**

Call to Order: By **CHAIRMAN JOHN SINRUD**, on January 14, 2005 at
8:00 A.M., in Room 317-B Capitol.

ROLL CALL

Members Present:

Rep. John Sinrud, Chairman (R)
Sen. Lane L. Larson, Vice Chairman (D)
Sen. Mike Cooney (D)
Sen. Rick Laible (R)
Rep. Jon C. Sesso (D)
Sen. Corey Stapleton (R)
Rep. Janna Taylor (R)

Members Excused: Rep. Rosalie (Rosie) Buzzas (D)

Members Absent: None.

Staff Present: Greg DeWitt, Legislative Branch
Esther Poor, Committee Secretary
Transcribed by Jamie Mickelson

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

Committee Business Summary:

Hearing & Date Posted: Hearing on the Department of
Administration

CHAIRMAN SINRUD opened the hearing on the Department of Administration.

HEARING ON THE DEPARTMENT OF ADMINISTRATION

STATE PERSONNEL DIVISION

Janet Kelly, Director of the Department of Administration, introduced Randy Morris and stated that he would be giving a presentation on the State Personnel Division.

Randy Morris, State Personnel Division for the Department of Administration, gave a brief overview of the handout, State Personnel Division Budget Presentation. He explained that there is a statutory authority regarding the Department programs and services. He explained that the Department is divided into five bureaus and has a centralized management service. He gave a brief description of each of the five bureaus.

EXHIBIT (jgh10a01)

{Tape: 1; Side: A; Approx. Time Counter: 0 -10}

Mr. Morris gave a brief presentation on the handout labeled, "2005 Legislative Session Report to the Joint Subcommittee on General Government and Transportation, Professional Development Center, Department of Administration."

EXHIBIT (jgh10a02)

SEN. LAIBLE asked if Mr. Morris writes one-third of the State checks for employees. **Mr. Morris** stated that he writes all checks for all employees, except for employees who work for the education system.

SEN. LAIBLE asked Mr. Morris if this Division hires for all State agencies and provides training for those employees. **Mr. Morris** explained that they assist agencies; however, most of the services and hiring take place within those agencies.

SEN. LAIBLE asked where the State jobs are listed. **Mr. Morris** commented that all State positions are listed through the statewide job listing program.

REP. TAYLOR asked Mr. Morris if there are human resource (HR) directors in the Department of Administration, how many HR directors there are in all of the State agencies. **Mr. Morris** said that there are 32 agencies that have a HR contact.

{Tape: 1; Side: A; Approx. Time Counter: 10 - 17}

REP. SESSO asked if the Department is getting better or worse in recruiting State personnel. **Mr. Morris** clarified that they are getting worse in the area of recruiting and that law enforcement and correctional officers are down; however, there is an improvement in the area of Information Technology (IT) positions.

SEN. LAIBLE commented that it looks like there is a reduction in some personnel in the present law portion of the Personnel Division. He stated that Mr. Morris should perform the training of the other agencies for the sake of productivity.

{Tape: 1; Side: A; Approx. Time Counter: 17 - 21}

REP. TAYLOR commented that it would be a good idea to offer early retirement to State employees and higher pay for new employees. **Mr. Morris** stated that this is the intent of the broadband pay plan system. He explained that the average age of State employees is 46 years of age and the average age of the new employee is 47 years of age. He stated that the people who are applying for State jobs are bringing in some valuable skills and training from their professional fields and previous employment. He said that in eight to ten years many State employees will be looking at retirement.

REP. TAYLOR asked if the State could make the retirement age higher, so that the Division could put money from benefits into salary. **Greg DeWitt, LFD**, stated that this is not a function of Mr. Morris's Division.

{Tape: 1; Side: A; Approx. Time Counter: 21 - 30}

HEARING

RISK MANAGEMENT & TORT DEFENSE Page A-253

Brett E. Dahl, Administrator of Risk Management and Tort Defense Division, gave a brief overview on the handout labeled, "Risk Management and Tort Defense Division Budget Presentation."

[EXHIBIT \(jgh10a03\)](#)

Mr. Dahl explained that this Division is the smallest in the Department of Administration. He stated that tort means personal or property damage or injury

Mr. Dahl explained many important functions of the Division:

- The mission statement of the Division
- The scope and impact of services
- The goals and objectives of the Division
- Challenges of the 2007 Biennium
- Catastrophic Claims and Lawsuits
- Emergent Risks
- Funding for the Division

CHAIRMAN SINRUD asked how much it costs to take a lawsuit to the Supreme Court. **Mr. Dahl** explained that the cost depends upon the time and labor involved in a case.

CHAIRMAN SINRUD asked why a damage claim would go to the Supreme Court. **Mr. Dahl** explained that it is a three-step process. He stated that claims are filed with the Division and by law evaluated within 120 days. He said that if the claims are not handled fairly in the district court, they usually get sent to the Supreme Court.

{Tape: 1; Side: B; Approx. Time Counter: 0 - 10}

CHAIRMAN SINRUD asked if it is possible to get access to all of the payouts, or if this is sealed information. **Mr. Morris** explained that some are sealed files and some are not.

CHAIRMAN SINRUD stated that it would be difficult to gain knowledge of the amounts for which the State has been sued. **Mr. Dahl** commented that there is a data base for this and the Division knows what those figures are.

CHAIRMAN SINRUD requested information about what the State has paid out in the past biennium. **Mr Dahl** commented that he would be able to retrieve this information for CHAIRMAN SINRUD.

CHAIRMAN SINRUD asked if the Division gives different rates to different agencies, depending on the rate of risk each agency presents. **Mr. Dahl** stated that the risk management program is to work with agencies to lower their risk; however, the Division does not possess the working knowledge to tell the Department of Transportation, for example, how to maintain their highways.

CHAIRMAN SINRUD asked Mr. Dahl if the Division covers workers' compensation. **Mr. Dahl** commented that although the Division works with workers' compensation, it is not in charge of that function.

{Tape: 1; Side: B; Approx. Time Counter: 10 - 25}

Mr. DeWitt stated that the Committee asked the Department of Transportation for information regarding the increase in insurance costs. That question needs to be addressed to the Risk Management Division. **Mr. Dahl** stated that there were challenges for the Division when dealing with funding.

Mr. Dahl referred to Page 4 of Exhibit 3 and gave a brief description of the Risk Management and Tort Defense Division.

SEN. LAIBLE asked Mr. Dahl how he felt about funding from the past biennium. **Mr. Dahl** replied that he felt good about it in terms of the payouts, claims, and suits.

{Tape: 2; Side: A; Approx. Time Counter: 0 - 10}

REP. TAYLOR asked how many cases are received each year. **Mr. Dahl** replied that the Division receives about 800 cases per year.

Mr. Dahl explained Page 6 of Exhibit 3. He explained: 1) increased pricing, 2) restricted capacity, 3) reductions in coverage, 4) increasing litigation, 5) and inflationary increases in health care and legal costs.

Mr. Dahl also gave a brief description of emergent risks. He explained: 1) escalating workers' compensation costs, 2) employment practices litigation, 3) white collar crime, 4) medical malpractice, 5) law enforcement professional liability, and 6) large property losses.

{Tape: 2; Side: A; Approx. Time Counter: 10 - 15}

Mr. Dahl gave an explanation of Division funding and legislative audit findings.

{Tape: 2; Side: A; Approx. Time Counter: 15 - 20}

HEARING

STATE TAX APPEAL BOARD Page A-257

JereAnn Nelson, State Tax Appeal Board, gave a presentation on the handout labeled, " State Tax Appeal Board."

[EXHIBIT \(jgh10a04\)](#)

Mrs. Nelson explained that the State Tax Appeal Board:

- Provides a tax appeal venue for most actions of the Department of Revenue
- Hears appeals from the 56 county tax appeal boards--mostly residential and commercial valuation
- Hears appeals of corporation and income taxes
- Is responsible for paying the operating expenses of the county tax appeal boards
- Is funded through general fund

Mrs. Nelson explained that there are 7.00 FTE on the County Tax Appeal Board, including 3.0 aggregate FTE.

SEN. LAIBLE asked if the State Tax Appeals Board directs the County Tax Appeals Boards, why there are only 7.00 FTE. **Mrs. Nelson** explained that the 7.00 FTE cover 56 other people.

REP. TAYLOR asked how many appeals there are a year. **Mrs. Nelson** explained that she had 36 appeals this past year and 13 direct appeals.

Mrs. Nelson summarized a handout labeled, "State Tax Appeal Board, LFD page numbers A-257 and A-258."

EXHIBIT(jgh10a05)

Mr. DeWitt explained the major budget highlights of the State Tax Appeal Board.

CHAIRMAN SINRUD asked if the county secretaries are State employees. **Mrs. Nelson** stated that there are 26 secretaries that are State employees.

{Tape: 2; Side: A; Approx. Time Counter: 20 - 30}

CHAIRMAN SINRUD asked how many members are appointed to the Board by the Governor. **Mrs. Nelson** explained that there are three members that are appointed to the Board by the Governor.

CHAIRMAN SINRUD stated that he sees money in the budget that the Board will not use. He asked what will be done with the surplus money. **Mrs. Nelson** explained that the Board does not spend what they do not need and the appropriation has gone down over the years. She explained that any money that is not used goes back into the general fund.

CHAIRMAN SINRUD asked how many hours each board member spends in the office each day. **Mrs. Nelson** explained that each member spends eight hours in the office each day.

SEN. LAIBLE asked what an increase in the personal services budget would include. **Mr. DeWitt** stated that the \$65,000 increase in 2006 is based on how much they spent in 2004, which was lower than what was appropriated. They then grow the authority to spend based on Board member characteristics.

{Tape: 2; Side: B; Approx. Time Counter: 0 - 8}

HEARING
MONTANA STATE LOTTERY Page A-229

George Parisot, Director of the Montana State Lottery, gave a presentation to the Committee on the handout labeled, "Montana Lottery."

EXHIBIT(jgh10a06)

Mr. Parisot gave a brief presentation on the, "Montana Lottery Budget Presentation." Some of the main points that were included in this presentation were:

- Program Description
- Mission Statement
- Funding
- FY 2006-2007 Goals

EXHIBIT(jgh10a07)

Mr. Parisot discussed his scratch ticket vendors. He commented that the Beetle Baily scratch ticket is a \$1 scratch ticket, and features Beetle Bailey and Sarge. As part of the licensing fee Oberthur Gaming Technologies, Inc., the Lottery's instant ticket vendor, will provide a total of \$1,400 to veterans in the State of Montana. The Lottery will donate an additional \$450 in lieu of renting a Beetle Bailey costume for the media event schedule in early June.

EXHIBIT(jgh10a08)

REP. SESSO asked if the goal was to increase revenue by \$1.8 million and \$3 million, resulting in the \$4.8 million increase for this biennium.

Carol Swick, Montana Lottery, stated that it does not translate directly into \$4.8 million, because revenue is what a player pays for a ticket. She explained that by law the vendor has to pay a 45% commission to retailers and the operator of the betting system as well as many other operating expenses.

REP. SESSO asked if the increase of revenue by \$4.8 million in this biennium and the transfer to the general fund is \$400,000 more than expected, if a 10% return of dollars makes it to the general fund. **Mrs. Swick** stated that 20% is actually what they transfer. She explained that this is an ambitious goal that is tempered with reality.

REP. TAYLOR stated the retailers receive 5% off of a commission or \$4,833 a year and they receive 5%.

SEN. COONEY asked if a store can advertise Montana State Lottery for promotional purposes for their store. **Mr. Parisot** stated that a grocery store can use Montana Lottery to promote their sales.

Mrs. Swick gave a brief description of Figure 15A on Page A-231 of the LFD Budget Analysis labeled, "The Montana Lottery Report on Fiscal Year 2004 Financial Activity by Product."

{Tape: 2; Side: B; Approx. Time Counter: 8 - 30}

HEARING ON THE DEPARTMENT OF ADMINISTRATION DECISION PACKAGES

Mr. Bender gave an overview of The handout, "Department of Administration Report Summary."

EXHIBIT (jgh10a09)

Mr. Bender explained Recommendations one through ten:

- 1) The Department should collect certified weekly payrolls for projects to the Federal Davis Bacon Act in accordance with Federal regulations.
- 2) The Department implements controls to ensure Federal funds to expend in compliance with State and Federal regulations.
- 3) The Department should require employees to properly complete travel vouchers in accordance with State policy.
- 4) The Department provides appropriate staff training regarding administration of Federal grants and Federal grant requirements in order to improve compliance with those regulations.

- 5) The Department should develop and implement a plan to operate its property and casualty insurance plan on an actuarially sound basis.
- 6) The Department record the mineral leasing transfer obligations at The conclusion of the fiscal year as required by section 17-3-240.
- 7) The Department reviews support for the long term notes and loans receivable balance in the surplus property fund and the fund balance-reserved balance in the trust fund.
- 8) The Department maintains records of the information provided to the consultant to document the State's compliance with terms of the SWCAP contract.
- 9) The Department should pay genetics program fee by March 1 as required by section 33-2-712, MCA.
- 10) The Department seeks legislation to amend section 17-5-302, MCA, to reflect current security industry practice.

{Tape: 3; Side: A; Approx. Time Counter: 0 - 10}

REP. TAYLOR asked about the genetics program. **Mr. Bender** explained that it is funding to allow Shodair to maintain their genetics testing program.

Mr. DeWitt asked The Committee to turn to Page A-176, which is the summary for The entire Department.

Mr. DeWitt drew a picture of a water tank with a drain valve and a fill valve. He explained the level of the water in the tank represented working capital. He commented that the output represented expenditures and the input represented revenue. He stated that the revenue is controlled through the fill valve, which represents the rates.

REP. SESSO asked what a 45-day working capital equates to. **Mr. DeWitt** stated that, the Program can function for 45 days using a 45-day working capital balance without any revenues.

{Tape: 3; Side: A; Approx. Time Counter: 10 - 20}

Mr. DeWitt stated that the Committee has the obligation to approve rates and charges.

SEN. STAPLETON commented that if the Committee allows freedom in adjusting the rates for the Department through working capital, it allows the rates to be changed.

Mr. Bender commented that the Department will need to justify appropriations if the Committee uses working capital, because

cost equals expenditures and expenditures require appropriations, which for proprietary funded programs are approved by the budget office.

{Tape: 3; Side: A; Approx. Time Counter: 20 - 30}

Mr. DeWitt asked the Committee to turn to Page A-178 and explained the language appropriations that need to be approved.

CHAIRMAN SINRUD asked why the language appropriations are needed.

Mr. DeWitt explained that there was a statute that required the expenditures, for which the language appropriations would be made.

{Tape: 3; Side: B; Approx. Time Counter: 0 - 7}

DP 301 INDIRECT ADMINISTRATIVE COSTS Page A-181

Mr. Bender explained that this reduction of \$6,168 general fund combined with increases of \$60,168 general fund, increases of \$60,749 State special revenue, and \$84 Federal special revenue for the biennium would fund increases in indirect cost payments for services from other proprietary funded centralized service functions of the agency.

Steve Bender, Department of Administration, gave a brief presentation on a handout labeled, " Department of Administration Supplemental to Figure 3C on Page A-188."

EXHIBIT (jgh10a10)

{Tape: 3; Side: B; Approx. Time Counter: 7 - 15}

Mr. DeWitt explained the LFD Issue on Page A-188. He explained that the rates are too high and that the program has no requirement to reserve the fund balance. It only needs a 45-day working capital balance.

Mr. Bender explained that the human resources function has a loan. He said that the function needs to bring in more money to pay off that loan.

{Tape: 3; Side: B; Approx. Time Counter: 15 - 20}

SEN. COONEY asked where the loans are approved. **Mr. Bender** commented that the loans are approved internally.

Mr. Bender said that since the Department can't be without funds for over seven days, if the Committee is still negotiating the

Department's funding, the question is whether the Department would shut down or take out a short-term loan. He explained that a short-term loan is required to be paid back within one year.

{Tape: 3; Side: B; Approx. Time Counter: 20 - 30}

SEN. STAPLETON asked how many loans the Department borrowed over the course of the last biennium. **Mr. Bender** stated that he is not sure, but he would get this information.

Mr. DeWitt stated that DP 301 would give the appropriation authority to pay for increases in indirect costs. This changes what is in their base, so that the Department will be able to pay indirect cost charges in FY 2006 and FY 2007.

{Tape: 4; Side: A; Approx. Time Counter: 0 - 5}

CHAIRMAN SINRUD asked how the Department is going to reduce the rates on page A-187 with the 60-day working capital.

Paul Christofferson, Administrator for Accounting and Financial Division, explained that he would be willing to look at a way to get the 60-day working capital down in FY 2007.

Mr. DeWitt suggested that the rates need to be lowered by 1%.

CHAIRMAN SINRUD asked for three calculations, one for a 60-day working capital, one for a 45-day working capital, and one for a 30-day working capital. **Mr. Christofferson** stated that he will recalculate those figures.

Mr. DeWitt asked the Committee to turn to Page A-182. He gave a brief overview of the Legal Services Unit, which is a proprietary-funded program.

{Tape: 4; Side: A; Approx. Time Counter: 5 - 10}

Mr. DeWitt asked the Committee to turn to page A-184 and gave a brief description to the Warrant Writer Program.

Mr. DeWitt explained that on Page A-186 Figure 3B, concerning the Non-Mailer in FY 2007, the decimal placement is incorrect; it needs to be \$0.17917, instead of \$0.017917.

Mr. DeWitt asked the Committee to turn to Page A-189 and explained the Audit Review Program. He explained that this program is responsible for administering the provisions of the Montana Single Audit Act (MSAA), which specifies the audit requirements for all Montana local governments entities (2-7-5, MCA).

CHAIRMAN SINRUD asked if these are audit requirements by law.
Mr. Christofferson stated that they are legal requirements by law.

{Tape: 4; Side: A; Approx. Time Counter: 10 - 15}

HEARING

GENERAL SERVICES PROGRAM 06 Page A-193

DP 604 INCREASE FTE IN STATE PROCUREMENT BUREAU Page A-195

Marvin Eicholtz, General Service Division of the Department of Administration, explained that this is a request for an increase of \$110,505 general fund for the biennium to fund: 1) the additional 1.00 FTE contracts officer and, 2) operating costs to address increased workload of the State Procurement Bureau. He commented that the workload has increased with the increased value and complexity of contracts going to the private sector by State agencies.

DP 608 FUND SWITCH Page A-196

Mr. Eicholtz, explained that this is a request for a reduction of \$9,509 general fund for the biennium to move .10 FTE purchasing agent from the funding in HB 2 to proprietary funding in the State Procurement Card Program.

{Tape: 4; Side: A; Approx. Time Counter: 15 - 22}

FIGURE 6A FACILITIES MANAGEMENT BUREAU BASE AND REQUESTED RATES
Page A-197

Mr. Eicholtz directed the Committee to Figure 6A on Page A-197. He explained that the rates for rent are charged per square foot. He stated that the numbers in this figure are the requested rates for rent for the Facilities Management Bureau for:

- Office rent
- Warehouse rent
- In-house project management
- Contracted project management

{Tape: 4; Side: A; Approx. Time Counter: 22 - 25}

REP. SESSO asked if all of the janitorial services are contracted out. **Mr. Eicholtz** stated that the services are contracted out and it has been this way since 1989.

REP. SESSO asked if Mr. Eicholtz thinks that contracting out janitorial services is the right thing to do, based on the significant increases in cost for the Department. **Mr. Eicholtz** stated that he thinks contracting janitorial services is the right thing to do.

PRINT AND MAIL SERVICES Page A-200

Mr. Eicholtz explained Figure 6B labeled, "Funding for Payments to Print and Mail Services," to the Committee.

Mr. DeWitt stated that the Department is asking for a 60-day working capital in everything, including deadhead main. He stated that there is an LFD Issue on Page A-202 that suggests that the Committee may want to approve a separate deadhead mail rate.

{Tape: 4; Side: A; Approx. Time Counter: 25 - 30}

REP. SESSO asked him if he had been with the Department for a long time. **Mr. Eicholtz** stated that he has been with the program for a long time.

REP. SESSO asked if e-mail has cut down on mail rates and if the expense of this function has gone down. **Mr. Eicholtz** stated that it is has had an effect on the funding needed for this function of the Department.

CHAIRMAN SINRUD closed the hearing on the Department of Administration and announced that the next Committee meeting would be at 8:30 A.M. on Monday January 17, 2005.

ADJOURNMENT

Adjournment: 11:50 A.M.

REP. JOHN SINRUD, Chairman

ESTHER POOR , Secretary
Transcribed by Jamie Mickelson

JS/jm

Additional Exhibits:

EXHIBIT ([jgh10aad0.PDF](#))