

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 13, 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. Rick Laible (R)
Rep. Jon C. Sesso (D)
Sen. Corey Stapleton (R)
Rep. Janna Taylor (R)

Members Excused: Rep. Rosalie (Rosie) Buzzas (D)
Sen. Mike Cooney (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: Department of Administration
Executive Action:

HEARING

DEPARTMENT OF ADMINISTRATION

CHAIRMAN SINRUD passed out the Audit report on the Judicial Branch.

CHAIRMAN SINRUD asked the Committee to turn to Page A-174 for the hearing on the Department of Administration.

Mr. DeWitt explained the handout labeled, "Department of Administration Agency Profile." He explained the Agency functions, funding, and factors that influence the Department.

EXHIBIT(jgh09a01)

Mr. DeWitt directed the Committee to Page A-174 and reviewed the Agency Description.

Mr. DeWitt suggested that the Committee discuss the State Personnel Division, because of the several proprietary programs. He stated that the rates for the group benefit program are not approved by the Committee; however, they are approved separately in the pay plan bill.

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

Janet Kelly, Director of the Department of Administration, gave a brief presentation on a handout labeled, "Budget Presentation on the Department of Administration."

EXHIBIT(jgh09a02)

Mrs. Kelly explained the Department goals were to create a culture within the Department that promotes customer service and is responsive to customer needs. She commented that another goal of the Department is to continuously strive to provide efficient, effective, and reliable services.

Mrs. Kelly stated that many of the services the Department offers are centralized, because it saves money and frees up the other State departments.

Steve Bender, Deputy Director of the Department of Administration, explained the Department's funding, expenditures, and last session budget actions. He stated that the last session's budget actions were:

- The Department made a significant commitment to help with the general fund deficit
- General Fund "target" - no growth from the previous biennium
- Department reduced general fund budget by \$1.5 million

Mr. Bender commented that the major issues and challenges of this Department are:

- Rising health care costs and impact on group benefits
- Planning for the retirement of "Baby Boomers"
- Maturing IT governance and role of CIO
- Providing greater services electronically
- Addressing RMTD funding issues identified in the latest audit

{Tape: One; Side: A; Approx. Time Counter: 10 - 24}

HEARING

FINANCIAL SERVICES DIVISION

Paul Christofferson, Administrator of the Administrative Financial Services Division, gave a presentation on the handout labeled, "Administrative Financial Services."

EXHIBIT (jgh09a03)

Mr. Christofferson explained the Financial Service Division mission statement and organizational structure. He cited that there are many divisions that make up the organizational structure of the Department including:

- Director's Office (3.17 FTE)
- Legal Unit (2.08 FTE)
- Consumer Protection Office (8 FTE)
- Administrator (1 FTE)
- Accounting Bureau APFRS Support Unit (7.67 FTE)
- Warrant Writer (6.33 FTE)
- Management Support Bureau Personnel Unit (3 FTE)
- Accounting Budget (4 FTE)
- Treasury Unit (5 FTE)
- Local Government Services Bureau System Program (6.5 FTE)
- Audit Review Program (4 FTE)

Mr. Christofferson explained the responsibilities of each of the organizations of the Division.

CHAIRMAN SINRUD asked if the Department of Revenue has a bond, does the Department of Administration then have the responsibility to pay for that Bond. **Mr. Christofferson** stated that the Department does pay for that bond.

CHAIRMAN SINRUD asked if there is an accounting division in all the other Departments. **Mr. Christofferson** stated that each Department has their own accounting unit except small agencies attached to the department administratively.

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

CHAIRMAN SINRUD asked if the Judicial Branch has ever asked the Department of Administration what the State standards are for accounting practices. **Mr. Christofferson** stated that the Treasure unit provides central banking services to all agencies.

CHAIRMAN SINRUD asked when a department takes in revenue, is it to be deposited into a State approved account. **Mr. Christofferson** stated that is the policy imposed on State departments bringing in State revenue.

SEN. STAPLETON asked if the State has any ideas about what is being paid in credit card fees by all of the State departments. **Mr. Christofferson** explained that there is one bank and that the fees that are being tacked onto credit cards are fees associated with agencies that are required to provide that information.

REP. TAYLOR asked Mr. Christofferson if there was a limit on which credit cards were being allowed for use by State departments, because of the interest rates on some cards. **Mr. Christofferson** stated that it is a decision of each individual department or agency.

{Tape: 1; Side: B; Approx. Time Counter: 10 - 20}

REP. TAYLOR asked if it would be an option for a department to pay the card fees and all interest or a transaction fee be billed to the individual. **Steve Bender, Deputy Director of the Department of Administration**, stated that the contract for the card requires the Department to charge the fees to the public.

SEN. LAIBLE asked if there has been an analysis done to see if using credit cards has saved the State money. **Mr. Christofferson** commented that the Department has not done this study. He explained that a credit card is convenient, because there are no

bad checks, and the payment can be made immediately. He commented that a credit card is overall much more convenient.

{Tape: 1; Side: B; Approx. Time Counter: 20 - 30}

Mr. Christofferson explained the personnel unit to the Committee. He stated that this unit coordinates employee recruitment and selection, processes payroll and benefits, and provides personnel management training for the Department.

REP. TAYLOR asked what the total FTE is for the entire Department. **Mr. Christofferson** commented that there are 490 FTE.

CHAIRMAN SINRUD asked how many audits the Local Government Services (LGS) unit reviewed the past year. **Norm Klein, LGS Manager in the Department of Administration**, stated that they reviewed 450 audits this past year.

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

HEARING

DP 301 INDIRECT/ADMINISTRATIVE COSTS Page A-181

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

Mr. DeWitt asked the Committee to turn to Page A-182. He explained that according to information on the state accounting system, he was able to estimate that in FY 2004 the Legal Services Unit was funded 28% by State special revenue.

REP. SESSO asked if this is a fair understanding that more than 50% of the Legal Services unit is are paid through the general fund. **Mr. DeWitt** explained that he is not sure what percentage of the program is paid through the general fund.

REP. SESSO asked if the Legal Services unit is using general fund, because it supports other divisions that are funded with general fund. **Mr. DeWitt** commented that REP. SESSO is right.

CHAIRMAN SINRUD asked the Committee members to turn to Page A-178. He asked Mr. DeWitt to explain the LFD Issue.

Mr. DeWitt explained that this is on a refund to the Federal government for their participation in the Workers' Compensation Old Fund transfer to the general fund and it may not be necessary. He commented that in the opinion of the Legislative Branch legal staff the State does not owe this money. Furthermore, the State may have undercharged the Federal government for workers' compensation rates.

CHAIRMAN SINRUD asked if there was a downside to not approving the language with this issue. **Mr. Christofferson** stated that he was involved in negotiations and that this program would be underfunded if the Committee does not approve this language appropriation.

CHAIRMAN SINRUD stated that the Federal government is saying that the Department is charging them too much for the old fund liability, and now that it is being refunded they want part of it back.

CHAIRMAN SINRUD commented that the Committee should not take the money out of the general fund, but repay the people who paid for it.

{Tape: 2; Side: A; Approx. Time Counter: 10 - 25}

HEARING

ARCHITECTURE AND ENGINEERING PROGRAM

Page A-191

CHAIRMAN SINRUD commented that the Agencies are not explaining all of the decision packages, just overviews of their departments.

Tom O'Connell, Administrator of the Architecture and Engineering Division, asked the members of the Committee to turn their LFD books to Page A-191. He explained the slides of a handout labeled, "Architecture and Engineering Division Operating Budget Presentation 2006-07 Biennium."

EXHIBIT(jgh09a04)

Mr. O'Connell explained that the mission statement of the Division is to serve and assist all agencies and citizens of the State of Montana in the design and construction of quality facilities, repair, and alteration of existing facilities, and planning for their governmental and university system needs.

Mr. O'Connell described the agency's organization. He stated that the positions include:

- Director
- Legal
- Division Administrator
- Accounting Division
- Chief engineer
- Mechanical engineer
- Architect
- Planning manager
- Field project manager
- Administrative support

Mr. O'Connell described the duties and responsibilities of the agency and the statewide perspective. He explained that the State has 4,154 buildings on inventory and that the buildings total more than 20,508 square feet.

SEN. COONEY asked if the 4,154 buildings included all different sites.

Mr. O'Connell stated that the number of buildings is only the number of insured buildings at all different sites. Many of these buildings include storage buildings, the Capitol building, as well as many university buildings.

CHAIRMAN SINRUD asked what effect an increase in cigarette tax will have on this program. **Mr. O'Connell** stated that this program has a neutral effect on this program.

Mr. O'Connell explained the cigarette tax. He commented that State special revenue is comprised of \$3.2 million from cigarette taxes and \$7 million in coal severance tax.

Mr. O'Connell gave a brief description of the revenue estimate for FY 2006 and FY 2007. He explained the revenues, expenditures, and funding proposals.

CHAIRMAN SINRUD asked if all of the buildings are handicapped accessible. **Mr. O'Connell** stated that they are not all handicapped accessible. He explained that they work continually to prioritize projects through requests to make buildings handicapped accessible as money is available.

CHAIRMAN SINRUD asked if the State has ever been sued over making buildings handicapped accessible. **Mr. O'Connell** stated that the State has never been sued concerning this issue.

{Tape: 2; Side: B; Approx. Time Counter: 0 - 15}

SEN. LAIBLE asked Mr. O'Connell how long-term the long-range building proposals are. **Mr. O'Connell** stated that there is a caveat on the general fund, and it does not come in one lump sum, so the Division will not have the money to complete the long-range projects for the next three or four bienniums.

SEN. LAIBLE stated that there is a commitment to those long-range projects over the next four or five bienniums.

SEN. LAIBLE asked if there is staff present, or if the Division needs to hire staff to design a building or plan a project for these long-range plans. **Mr. O'Connell** explained that the Division hires employees when they are needed.

REP. TAYLOR asked Mr. O'Connell if he hired staff for renovation and building on the university campus would they receive a refund. **Mr. O'Connell** stated that the university does have a renovation fund, however the funds go to the Department of Administration and the Department pays for the Division funding. He stated that in order to get a project paid for, the Division needs approval from state funding.

SEN. LAIBLE asked about the total indebtedness of the bonds that the Division has. **Mr. O'Connell** stated that his budget works with the proceeds of those bonds that are repaid through the general fund.

{Tape: 2; Side: B; Approx. Time Counter: 15 - 30}

Mr. O'Connell showed the Committee pictures of some of the buildings that are included in renovation over the next biennium. These buildings include:

- Chemistry Building Renovation, UM
- Canal Bridge Replacement, MSU-Billings
- State Liquor Warehouse Re-Roof, Helena
- MLEA Spruce Building Waterproofing, Helena
- Renne Library Renovation, MSU-Bozeman
- Capitol Building, North Entry Renovation

REP. TAYLOR asked how much the Chemistry Building Renovation cost. **Mr. O'Connell** stated that it cost \$5.38 million dollars in State bonds and that last session there was \$1.2 million in private money.

SEN. LAIBLE asked if they have ever prematurely signed off on a renovation project. **Mr. O'Connell** stated that they have signed

off on a renovation project when they ran out of funding for the project.

REP. TAYLOR asked if the university wanted a fancy building, then would that building be the division's responsibility to build it, or to simplify the building due to cost. **Mr. O'Connell** explained that the amount of money that the Division and university system has determines what they build.

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

Mr. O'Connell gave a brief summary of HB 5 and HB 299. He explained that if these pass then the budget will increase more than 50%. He stated that the Division is not asking for any increases in the budget beyond present law.

HEARING

BANKING AND FINANCIAL DIVISION

Page A-225

Anne Goodwin, Commissioner of the Banking and Financial Institutions, gave a presentation of the slides in the power point handout labeled, "Budget Presentation Division of Banking and Financial Institutions."

EXHIBIT(jgh09a05)

Mrs. Goodwin stated that the mission statement of the Agency is to protect the public's interest through the regulation of all State-chartered financial institutions. She explained the Division responsibilities for the charter and licensure, supervision, regulation, and examination of:

- State-chartered banks, trust companies, savings and loans, and credit unions
- Consumer loan and sales finance companies
- Escrow companies
- Foreign capital depositories
- Deferred deposit loan companies
- Title loan lenders
- Mortgage brokers and loan originators

Mrs. Goodwin gave a brief explanation of the statewide impact of the Division. She explained that Montana has 67 State-chartered banks and trust companies with 186 full-service branches. She commented that Montana has 13 State-chartered credit unions with 18 full service branches. She said that the State has 353 consumer finance offices, 153 sales finance offices, 111 deferred

deposit lenders, 45 title loan offices, and nine escrow companies. Montana has 240 licensed mortgage brokers, 260 licensed loan originators, and four approved mortgage education providers.

Mrs. Goodwin explained the growth of the number of financial institutions and State regulated banks and trust companies.

Mrs. Goodwin asked the Committee members to turn to slide 10 (Page 5) of Exhibit 5. She gave a brief overview of restitution in the State of Montana over the past Biennium.

{Tape: 3; Side: A; Approx. Time Counter: 10 - 25}

Mrs. Goodwin explained the career ladder plan for bank examiners. She explained the retention problem of bank examiners in the past few years. She commented that this career ladder plan is nice, but the education and career opportunities are not in the State of Montana.

Mrs. Goodwin explained the organizational chart on Page 8 of Exhibit 5.

{Tape: 3; Side: A; Approx. Time Counter: 25 - 30}

Mrs. Goodwin explained the Division funding. She stated that the Division is completely funded by the State special revenue and that all money comes from fees and assessments on banks, credit unions, consumer finance companies, and other licensees.

Mrs. Goodwin stated the 2006-2007 goals of the Division. These goals include:

- Recruitment and retention of qualified well-trained examiners
- Meet statutorily mandated examination requirements for the increasing number of financial institutions and licensees
- Efficiently and effectively provide statutorily mandated services

SEN. LAIBLE asked if the Division was still going to implement the ladder career system, even though the Division has lost employees through this system. **Mrs. Goodwin** stated that this plan is a good one and will need further funding to go forward.

SEN. LIABLE asked if this program was not a one-time-only program last biennium. **Mrs. Goodwin** explained that it was not a one-time-only program last session and the Division would like to continue the funding of this program.

Phil Johnson, First Interstate Bank, stated that the career ladder is a good program, it keeps Montana banking corporations competitive with other states.

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

HEARING

GENERAL SERVICE DIVISION

Marvin Eicholtz, Administrator for the General Service Division for the Department of Administration, gave a presentation on the handout labeled "General Services Division Budget Presentation."

EXHIBIT(jgh09a06)

Mr. Eicholtz explained the Division mission statement to the Committee. He stated that the mission statement is to deliver superior and responsive services to government agencies and the public while maximizing effectiveness and minimizing cost in the areas of facilities management, procurement, printing, mailing, and surplus property management.

Mr. Eicholtz gave an explanation of the Division organization, State Procurement Bureau.

Mr. Eicholtz informed the Committee about the two programs in the bureau that are not funded through the general fund. These two programs are the Public Vehicle Fueling and the Procurement Card. He stated that these two programs are requested to be funded through Proprietary funding and 45-day working capital rates.

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

Mr. Eicholtz gave a brief presentation on the Print and Main Services Bureau and the Property and Supply Bureau.

Mr. Eicholtz explained that Central Stores involves a decision to privatize the Central Store Program, preparing a privatization plan as required by 2-8-302 MCA, and other decision factors.

Mr. Eicholtz explained the supply contract management projected expenditures. He stated that this Bureau is retaining two FTEs to manage supply contracts and provide administrative support for the surplus program and is requesting to be funded through proprietary funding with a 45-day working capital rate.

Mr. Eicholtz explained the Facilities Management Bureau. He commented that this is a statewide lease service that is funded through a proprietary program. He explained that the office rent

has increased, and their project management fees are requested to remain the same at 5% for contracted project management and 15% for in-house project management.

{Tape: 3; Side: B; Approx. Time Counter: 10 - 30}

SEN. LAIBLE asked how many FTE the Central Stores Program employed until privatization of the Program. **Mr. Eicholtz** stated that he had a total of nine FTEs and that the Program will keep two.

REP. TAYLOR asked Mr. Eicholtz if she would be able to print letterhead on demand. **Mr. Eicholtz** stated they are able to print things on demand; however, it saves the Program money when things are printed in bulk.

SEN. LARSON asked why the Program is privatizing Central Stores. **Mr. Eicholtz** explained that instead of all of the Agencies having to buy their supplies separately, it would be more cost efficient and convenient to have one central store.

SEN. LARSON asked if the supplies for the Central Stores Program will be ordered from Idaho. **Mr. Eicholtz** stated that the Agencies will order the supplies through the Central Stores and the Central Store will get the supplies from the most convenient vendor.

SEN. LAIBLE requested a report of how effective Central Stores privatization is the next biennium. **Mr. DeWitt** commented that there would need to be some language added into the narrative.

{Tape: 4; Side: A; Approx. Time Counter: 0 - 10}

HEARING

INFORMATION TECHNOLOGY SERVICES DIVISION (ITSD)

Jeff Brandt, Acting Chief Information Officer of the ITSD for the Department of Administration, gave a brief overview of the handout labeled, "Information Technology Services Division Budget Presentation."

EXHIBIT (jgh09a07)

Mr. Brandt explained the Division mission statement. He commented that the Division provides the underlying computer, data, and telephone infrastructure and the rates charged to other agencies.

Mr. Brandt listed the ITSD goals and gave the organizational overview of the Division.

Mr. Brandt summarized the major responsibilities and services of the Division that it includes:

- Strategic planning, policies, and agency project approval
- Computing technologies
- Desktop services
- Voice communications
- Data network communications
- Internet technologies
- SABHRS support
- Enterprise software support services
- GIS services
- Interactive video
- Centralized imaging workflow
- Statewide 9-1-1 coordination
- Statewide public safety radio coordination

{Tape: 4; Side: A; Approx. Time Counter: 10 - 25}

Mr. Brandt explained that the Division expenses, some of which include:

- Personal services including benefits
- IT consulting and professional services
- Supplies
- Communications-voice and data circuits, long distance
- Hardware and software maintenance
- Education training
- Depreciation
- Fixed costs

Mr. Brandt explained the usage of mainframes. He stated that there are several major agencies that have a significant reliance on the mainframe computer.

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

SEN. LAIBLE asked what agencies would be dependant on a mainframe computer system. **Mr. Brandt** stated that DPHHS is an agency that strongly relies on this program.

SEN. COONEY stated that he appreciates the efforts of the Division to make the systems user friendly for State employees in the internet.

REP. SESSO asked what the Division is going to do about the two State agencies that currently do not receive services from them.

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Mr. Brandt stated that his Division has spent three-and-a-half years trying to get an answer from those two agencies. He stated that it is a long-term effort to get the other two agencies to work with the Division.

REP. SESSO asked if the Agencies are fulfilling an obligation to check with the CIO before making large purchases for computers.

Mr. Brandt stated that he believes most agencies are.

SEN. LAIBLE asked if there are some environmental problems, because the Department is unable to put computer parts in landfills anymore. **Mr. Brandt** stated that monitors are the largest concern and that there are some companies that are buying computer monitors and extracting some of the metals and reusing them.

CHAIRMAN SINRUD closed the hearing on the Department of Administration and announced that the Committee would be meeting for a hearing on the Department of Administration on 01/14/05 at 8:00 A.M.

{Tape: 4; Side: B; Approx. Time Counter: 0 - 15}

ADJOURNMENT

Adjournment: 11:45 A.M.

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REP. JOHN SINRUD, Chairman

JAMIE MICKELSON, Secretary

JS/jm

Additional Exhibits:

EXHIBIT ([jgh09aad0.PDF](#))