

MINUTES

Executive Board



Senator Gary Cammack, Chair
Representative Dean Wink, Vice Chair
Representative Spencer Hawley, Ranking Minority Member

**Fifth Meeting, 2016 Interim
Wednesday, July 13, 2016**

**LCR 2 – State Capitol
Pierre, SD**

The fifth meeting of the Executive Board for the 2016 Interim was called to order by **Senator Gary Cammack** at 2:30 p.m. in room LCR 2 of the State Capitol. Senator White attended the meeting in person and all other members attended via teleconference.

A quorum was determined with the following members answering the roll call: Senator Gary Cammack, Chair; Representative Dean Wink, Vice Chair; Representative Spencer Hawley, Ranking Minority Member; Senators Corey Brown, Phyllis Heineman, David Omdahl, Scott Parsley, Billie Sutton, and Jim White; Representatives Jim Bolin, Don Haggar, Roger Hunt, Tim Johns, and Fred Romkema. Excused: Representative Brian Gosch.

Representative Jeff Partridge, member of the Joint Committee on Appropriations, joined the meeting via telephone.

Staff members present included Jason Hancock, Director; Sue Cichos, Deputy Director; Annie Mehlhaff, Chief Analyst for Fiscal Research and Budget Analysis; Jeff Mehlhaff, Fiscal Analyst and Cindy Tryon, Senior Secretary.

Others in attendance were David Zolnowsky, Commissioner, Bureau of Information and Telecommunications; Brittini Skipper, Bureau of Finance and Management; and Matt Svendsen, Bureau of Finance and Management.

NOTE: For purpose of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents distributed at the meeting are attached to the original minutes on file in the Legislative Research Council office. This meeting was web cast live. The archived web cast is available at the LRC web site at <http://www.sdlegislature.gov/>.

Approval of the Agenda

A MOTION WAS MADE BY SENATOR HEINEMAN, SECONDED BY REPRESENTATIVE WINK, TO APPROVE THE AGENDA. The motion prevailed on a roll call vote with 12 voting AYE and 3 EXCUSED. Those voting AYE: Brown, Heineman, Omdahl, Sutton, White, Bolin, Haggar, Hunt, Johns, Romkema, Wink, Cammack. Those EXCUSED: Parsley, Gosch, Hawley.

Transfer of Funds

Mr. Jason Hancock, Director, explained the Legislative Contingency Fund established in statute, SDCL [4-8A-12](#). This Executive Board meeting was called to consider and take action on a request he submitted pursuant to a memo from Senator Deb Peters, Lead Co-Chair of the Joint Committee on Appropriations, requesting expenditure approval from the Board to fund a Lean Audit for the Bureau of Information and Telecommunications (BIT) ([Document #1](#)). According to Senator Peters' memo, "A lean audit identifies the most efficient and effective way to do specific processes in an organization with the emphasis being improved customer satisfaction." That funding, estimated to be between \$50,000 and \$200,000, would come from the Legislative Contingency Fund, upon approval of the Executive Board.

Representative Jeff Partridge, member of the Joint Committee on Appropriations (JCA), explained why the JCA is requesting this spending authority be transferred to LRC to do a Lean audit for the Bureau of Information and Telecommunications (BIT). When evaluating department budgets, the JCA looks at performance indicators. The information provided by BIT is not always easily understood because of the technological aspect, so the committee thought a Lean audit would help clarify how BIT uses their funding and help determine if there could be improved efficiencies. Anecdotal stories from various sources led to the belief that the BIT resources may not always be used in the best way. Senator Tidemann attempted to conduct meetings with those who have experience with Lean audits and BIT managers, but BIT did not seem to be interested in attending such a meeting until just recently.

Representative Partridge said the increase in the BIT budget over the past several years and the increase from 347 FTE in 2014 to 390 FTE in 2016 gives the JCA reason to want more detailed information from BIT. **Senator David Omdahl** said the objective is efficiency and accountability, and when this many new FTEs are added over a two-year period, the JCA members need to know why.

Ms. Annie Mehlhaff, Chief Analyst for Fiscal, said a letter of intent was drafted in March regarding this Lean audit of BIT. The JCA, however, wanted to wait to send the letter until they had a chance to discuss this Lean process with BIT. The JCA did not get the response from BIT they preferred and that is why it has taken until now for the JCA to request spending authority for these funds. The next JCA meeting is July 22 and they would like to have the Executive Board's response to this request prior to that meeting.

Senator Phyllis Heineman said Senator Tidemann recently held a meeting with representatives from SDSU and Daktronics who have experience with the Lean process and some staff from BIT including Commissioner Zolnowsky. BIT was much more receptive to the Lean process after hearing from those who have used it. Senator Heineman added that the use of the word audit almost gives this a negative connotation and calling it a Lean process or study would probably be more appropriate.

Senator Billie Sutton asked if any other money has been used out of this fund and if it is stated in statute for what these funds can be used. Mr. Hancock said none of the million dollars has been used, and statute explains how to access the money but does not give restrictions on what or how it can be spent.

Representative Roger Hunt said that there is no list of things the money can be used for but under some statutes a request for proposal (RFP) is required, and there does not seem to be an RFP for this project. Mr. Hancock said that there are four options for developing a contract using the legislative contingency fund: writing a request for proposal (RFP), using a company under GSA contract, using a contractor under MHEC contract, or contracting with another governmental agency. The RFP process would be the most time consuming.

Representative Don Haggar asked if the JCA had considered other state agencies for a Lean audit. Representative Partridge said JCA would like to apply it to several departments but decided to start with one pilot project and agreed BIT would benefit the most from such a program.

Representative Fred Romkema added that JCA wants a more efficient government and this is a valid pilot project that can produce better efficiency.

Representative Spencer Hawley asked where BIT stands on this proposed Lean audit.

Mr. David Zolnowsky, Commissioner, Bureau of Information and Telecommunications, said BIT has been looking at ways to improve their delivery service. Commissioner Zolnowsky agreed with Senator Heineman in that the

meeting with Senator Tidemann and representatives from SDSU and Daktronics did help BIT better understand how they can use the Lean methodology to improve the BIT development division.

In response to Senator Cammack's question, Commissioner Zolnowsky said BIT views this offer to fund a Lean audit as a collaboration rather than an intrusion.

A MOTION WAS MADE BY SENATOR BROWN, SECONDED BY REPRESENTATIVE WINK, TO HAVE LRC STAFF DRAFT A MEMO ON BEHALF OF THE EXECUTIVE BOARD TO THE JOINT COMMITTEE ON APPROPRIATIONS THAT THE BOARD IS SUPPORTIVE OF THE CONCEPT OF A LEAN AUDIT OF THE BUREAU OF INFORMATION AND TELECOMMUNICATIONS AND THE JOINT COMMITTEE ON APPROPRIATIONS SHOULD USE WHATEVER LEGAL MEANS NECESSARY TO IDENTIFY AN APPROPRIATE CONTRACT AT WHICH POINT IF THE CONTRACT MEETS THE OBJECTIVE THE BOARD IS WILLING TO AUTHORIZE THE FUNDING NOT TO EXCEED \$200,000. The motion prevailed on a roll call vote with 12 voting AYE, 2 voting NAY, and 1 EXCUSED. Those voting AYE: Brown, Heineman, Parsley, Sutton, White, Bolin, Hawley, Hunt, Johns, Romkema, Wink, Cammack. Those voting NAY: Omdahl, Haggar. EXCUSED: Gosch.

Adjourn

A MOTION WAS MADE BY REPRESENTATIVE WINK, SECONDED BY SENATOR BROWN, THAT THE EXECUTIVE BOARD BE ADJOURNED. The motion prevailed on a roll call vote with 14 voting AYE and 1 EXCUSED. Those voting AYE: Brown, Heineman, Omdahl, Parsley, Sutton, White, Bolin, Haggar, Hawley, Hunt, Johns, Romkema, Wink, Cammack. EXCUSED: Gosch.

The Board adjourned at 3:50 p.m.