

MINUTES OF THE MEETING
GENERAL GOVERNMENT AND HIGHWAYS SUBCOMMITTEE
50TH LEGISLATIVE SESSION
HOUSE OF REPRESENTATIVES

The meeting of the General Government and Highways Subcommittee was called to order by Chairman Rehberg on February 5, 1987 at 8:00 a.m. in Room 132 of the State Capitol.

ROLL CALL: All committee members were present. Also present were Norm Rostocki, Budget Analyst from the Office of Budget and Program Planning (OBPP) and Pam Joehler, Senior Fiscal Analyst from the Office of the Legislative Fiscal Analyst. (LFA)

70A:0.00

DEPARTMENT OF REVENUE

Legal Division - Administration

Norm Rostocki presented the budget for the OBPP. (Exhibit No. 1) Three of the four budgets are affected by the Governor's proposal to transfer the video poker licensing function to the Department of Commerce and that becomes a central issue to the manner in which budgets are presented. The Administration and Investigation receive funding from the license fees to support the share of activity due to the video poker function. HB 189 transfers the video-poker licensing function to Commerce.

The Administration program reflects the same work priorities as used in FY 86 to the extent that the funds are available to support these priorities. In FY 86, the Department was given the responsibility to license and regulate video poker machines. However, the license fees available never provided the revenue to pay for the required services and the general fund was used to subsidize the video poker activity. The OBPP budget assumes the transfer of the video poker functions and the fees are included in the budget for the Department of Commerce. This becomes an issue immediately.

Pam Joehler presented the budget for the LFA. (Exhibit No. 2) The licensing and investigation functions are kept in the Department of Revenue in the LFA current level. The video poker license fees are used in the administration and investigation programs. Pam said she had a discussion with the agency and the administration function will relate in some ways to video poker activities. She felt it was appropriate funds from that revenue source to support that activity.

Child Support

Pam stated the biggest difference in this category is the time the administrator estimates will be spent on these activities and the LFA is a little lower than the OBPP. The administrator also

indicated they would be spending a portion of their time on welfare and medicaid fraud and she included approximately five percent of their time on each one of these activities and funded them accordingly. She told the committee that the child support, welfare fraud and medicaid fraud funding sources have to be matched with general fund. The general fund amount included in the LFA reflects the appropriate required match.

(7.58)

Legal Division

Norm Rostocki presented the budget for the OBPP. (Exhibit No. 3) The OBPP proposal reflects the video poker licensing function going to Commerce and the investigation function would remain in Department of Revenue and would be contracted. The difference between the two budgets reflects the changes due to the transfer of the licensing function and the end of the general fund subsidy for the investigations program. During the last biennium, the Department of Revenue carried out the mandate to investigate the machines, but, at the same time, they had to rearrange their priorities. The department was short revenue from the license fees to support the investigations activities. That is the reason behind the bill to retain the license fees at five percent level rather than dropping them to the three percent level.

The OBPP reflects the same priorities exercised in FY 86 by this program to the extent that the funds are available. The emphasis of the program has been shifted away from video poker, as reflected in the FTE reduction of 2.5, and this is directly attributable to the fact there are not enough licensing fees to support the current level of operation. The budget has been made to fit the funding sources available and the general fund remained the same. The program was reduced to fit within the funds available. HB 189 would have to be amended to keep the video poker licensing function in Revenue and to keep it at five percent. The LFA budget has only one of these options and they are not compatible.

Pam Joehler presented the budget for the LFA. The LFA did transfer 2.5 FTE from the video-poker sub-program into this sub-program and added sufficient appropriation authority to fund these positions. The large increase in general fund between 1986 and the 89 biennium is due to the decrease in liquor dollars. These liquor dollars had been used to subsidize other investigative functions in FY 86 and in the 89 biennium it more properly reflects the estimated amount of time the agency expects to spend on the liquor investigation function. The general fund is usually the last to be funded and it is the cumulative effect of the difference in gambling fees, license money and liquor division funding.

The welfare fraud and medicaid fraud funding in the amount of \$85,800.00 and \$23,800.00 included in the LFA has to be matched with state funds and Pam did not include enough general fund to properly match that. The alternative to using general fund would be to use liquor funds to match. She will let the agency address the impact should liquor funds be used. (Exhibit No. 4)

(15.30)

There was discussion regarding the funding.

Norm told the committee he did not include \$20,000.00 as an expenditure under local assistance. The LFA did include this amount and represents a passthrough to county attorneys.

Norm said the heart of the issue between the two budgets is what priorities the investigation will have. It was the position of the OBPP if the Legislature decided to spend five percent of the money on investigation and administration and, if there was not enough money, it would have to be made to fit within the intent of the Legislature. The OBPP did not make a change to subsidize it with other funds and that is why the OBPP budget is reduced. In FY 86, there was a large subsidy of both general fund and liquor monies to cover the cost of setting it up, licensing and doing the investigations in the field. The problem surfaced because the subsidy will have to continue or the program will have to be made to fit within the revenues.

(24.30)

Child Support Enforcement Bureau

Norm reviewed the program. (Exhibit No. 5) In the last session, the Legislature added thirteen new positions to this program and required they be removed from the current level base and be considered a modified budget in this biennium. This is reflected in both the OBPP and the LFA budgets. The difference is the OBPP also removed the associated operating expenses added last session for these employees and placed them in the modified request. This was not done by the LFA. So, in order to arrive at comparable budgets, the LFA adjusted their budget in a similar manner and there is now a comparable base. He said the additional FTE have paid for themselves as over \$2.00 in revenue is collected for each dollar expended in this program.

Norm addressed the modified request. The OBPP included nine FTE to come back of the original thirteen and emphasized the importance of this request. The FTE were added during the last session for the same reason they are needed now. It is a federal mandate to spend more time in certain child support enforcement

activities and, if the department does not comply with the mandate, the costs to the state are high. The federal government has informed the department that if the FTE are not continued, there is a risk of a five percent sanction on all AFDC funds, totaling approximately \$1,750,000.00 and, in addition, all federal child support funds will disappear from this program. These FTE are critical to the AFDC program in SRS. In contracted services, the OBPP included \$7,500.00 in FY 88 and \$10,500 in FY 89 for expert witnesses and hearing examiners to reflect the increased caseload they have for the child support activities. The OBPP also added approximately \$7,000.00 per year for lab tests to establish paternity and this is one of the new priorities requested at the federal level. An important issue is the increase of \$1,800.00 in FY 88 and \$4,000.00 in FY 89 in contracted services for payments to the IRS in an attempt to intercept persons delinquent in child support payments. For each successful intercept, the bureau is charged a flat rate.

(29.08)

Pam Joehler presented the budget for the LFA. (Exhibit No. 6) The modified FTE are removed as required by the General Appropriations Act. The LFA included computer communications charges identified by the Information Services Division Network in the amount of \$5,300.00 in FY 88 and \$4,800.00 in FY 89. This is not included in the OBPP. The OBPP did allow \$1,700.00 in FY 88 and \$3,700.00 in FY 89 for increased computer miscellaneous expenses. The OBPP also recommended funding a vehicle in both years of the biennium while the LFA included this funding in FY 88 only.

The funding for this program is \$160,000.00 in child support federal flow-thru monies that do not require a match, but \$805,000.00 in FY 88 and \$797,000.00 in FY 89 do need to be matched. The matching requirement is thirty-four percent federal funds and sixty-six percent federal funds.

(31.05)

There was discussion regarding the funding for the program.

Jack Ellery, Deputy Director of Operations, clarified the \$2.00 for \$1.00 issue, stating this 2 for 1 related to general fund dollars only and not total federal spending. (Exhibit No. 7) He reviewed the chart for the committee. The \$874,000.00 in FY 84 represents collections made on behalf of welfare recipients that were returned to the general fund to offset the cost of the AFDC program at SRS. The \$343,000.00 in FY 84 is the general fund cost of that specific program, for a return of \$2.55 for every \$1.00 expended. The reduction in ratio in FY 86 was due to the child support amendments passed requiring the Department of

Revenue to form non-welfare related activities, (Exhibit No. 8) shows what the new unit has done in the way of collecting for non-welfare recipients. In FY 84 and FY 85, the figures represent return to the general fund only. In FY 86, with the new staff added, the total collections increased by approximately \$1,000,000.00. There has been an increase in general fund costs that did not result in money going directly to the general fund causing a reduction in the dollar ratio to \$2.07 per \$1.00. When back child support payments are collected, the Department of Revenue has to share that refund with the federal government at the matching rate. He said he believed there will be more money going to the general fund over a period of time as a result of automation, as well as a more productive staff. Beyond that, the issue is if the department does not retain the nine FTE, they will not only lose the funding in child support, but also face sanctions on the AFDC side.

Jon Meredith, Administrator of the Investigations and Enforcement Division, read language pertaining to the federal requirement. The minimum staff and organizational requirements are defined as "sufficient staff to fulfill the following required state level functions: Administer the state plan; conduct intake procedures; locate absent parents; investigate obligor's background; perform financial assessments; establish support obligations; enforce child support obligations and collect child support debts." He said they had been audited in just the past few months and told the department was barely meeting the staffing requirements. If they do not increase efficiency through automation, the department may be in trouble. At the request of Rep. Poulsen, Jon will provide a copy of the audit to the committee.

Mr. Ellery told the committee the department was entitled to receive incentive payments over and above the normal match up to six percent, depending upon their performance. Mr. Meredith said the incentives are based entirely on the cost effective performance of the department. However, additional requirements with the 1984 amendments are less cost effective. This is the reason for the reduction in the 2 for 1 ratio. Incentives are based on collections and the minimal fee has not been collected due to the lack of automation in the department. The federal government requires that the department works seventy-five percent of the caseload. The department tries to work the most cost effective cases.

70B:17.45

Medical Fraud

Norm Rostocki said this function was reorganized and combined with the Investigations Program. There are no budgets for this area.

There was no budget from the OBPP in this area as this is the licensing portion of video-poker and the OBPP proposed this function go to the Department of Commerce.

Pam Joehler presented the LFA budget. (Exhibit No. 9) The current level funds four FTE as requested by the agency and this assumes the video-poker licensing function will stay within the Department of Revenue. It was the intent of the LFA, if the revenues are available, the FTE will be used for the video-poker licensing function. If sufficient funding is not available, then four will not be used. Out of the seven authorized in FY 86, there were five positions filled a portion of the year. About one-half of the personal services budget was expended.

Norm addressed the Modified request in the Legal Division, Investigations Program. (Exhibit No. 10) With the passage of the lottery, the investigation unit will contract with the Department of Commerce to provide this function for the lottery and the proposal is for two FTE to be funded from lottery revenues at approximately \$47,000.00 per year.

(23.30)

Liquor Division

Norm presented the budget for the OBPP. (Exhibit No. 11) The budget for this division has been appropriated by the Legislature in the pass-through language and no specific dollar amounts were used. (Exhibit No. 12) The OBPP put together their budget in the same fashion and they propose to continue the liquor division funding in that the division be allowed to use fifteen percent of the anticipated revenues for operating expenses. Because the operating costs are dependent primarily on the volume of liquor sold, this was the method chosen by the Legislature because the division can adjust its expenses to fit within available revenue. The OBPP recommended similar language be continued into the next biennium.

There has been a decrease in liquor unit sales and the OBPP projects the downward trend to continue.

(33.39)

In answer to Rep. Poulsen's questions regarding the issue of Montana being a controlled state, John LaFaver said the wineries and distilleries have to warrant that every sale to the state is

at the lowest price offered to any state. If the private wholesalers handle this, there will be no warranty and the price will increase. If the freight is split up among a number of wholesalers, there will also be an increase in this cost. The state will have to stay in the wholesale end of the liquor business in order to provide the consumer with liquor at the lowest price available. In the retail end, it is very hard to come up with a mechanism wherein the state will yield the same amount of revenue while the cost to the consumer remains the same.

71A:0.15

Income Tax Division

Norm presented the OBPP budget. (Exhibit No. 13) The OBPP includes automation of the current system. The primary difference between the two budgets is when the system development costs are funded. Both proposals plan for it to come on line in January 1989. The LFA funds the development costs in FY 88 and the OBPP puts those costs in FY 89. The OBPP includes these costs as a modified and the LFA has adjusted the current level. The final cost of the proposal is virtually the same in both budgets when the modified request is taken into account. The modified in the OBPP amounts to \$93,000.00 in FY 89 only.

Another modified request in the OBPP is to retain 15.5 FTE now on board that were added last session at a cost of approximately \$310,000.00 per year from the general fund. The staff is generating over \$3,000,000.00 in general fund revenue.

The third modified is tied to the bed tax bill. This program would administer that tax and proposed two FTE at approximately \$58,000.00 per year to administer this tax if it becomes law. The difference in communications is attributable to postage. The difference in repair and maintenance depends on what personal computers were assumed to be in the budget. The equipment in the OBPP is for a vehicle in FY 88 and two personal computers in FY 89.

(3.40)

Pam Joehler presented the LFA budget. (Exhibit NO. 14) The division now includes not only income tax, but also the former Miscellaneous Tax Division. The FTE required to be sunset by the 1985 Legislature are removed from the budget. Operating expenses increase twenty-one and one-half percent from the 87 to the 89 biennium as the agency will be installing the income tax computer systems authorized by the 85 Legislature. The division is funded from general fund and state special revenue. The state special revenue is an allocation from unclaimed property, non-game

wildlife account and cigarette enforcement tax. The budget does include \$35,000.00 in FY 88 and \$18,000.00 in FY 89 for multiuser terminals and printers needed to operate the new computer system. This is not included in the OBPP recommendation.

(6.20)

Jack Ellery told the committee the modification to retain the 15.5 FTE is absolutely necessary to the state if the present level of revenue collections is to be maintained. He emphasized the staff generates income to the state as a result of audits in determining that people who have not filed. Without this staff, these revenues would go uncollected. They are now generating slightly over \$3,000,000.00 in additional revenues.

As shown on the chart, the staff has generated approximately \$2,000,000.00 more than was collected two years ago. (Exhibit No. 15) He said the collections in 1987 will exceed 1985 by over \$3,000,000.00, thus a return of about 10 to 1. (Exhibit No. 16) Mr. Ellery explained the difference between the existing system and the new system and the advantages of the conversion. He said the department believed the systems will generate more revenue than the cost of operation.

(13,39)

Sen. Keating asked for an explanation as to the mechanics of the system. Ken Morrision, Administrator of the division, and Mr. Ellery, explained the operation.

The department is deferring development costs to FY 89 due primarily to budget restraints. Therefore, the \$56,000.00 allowed for development costs in FY 88 in the LFA budget can be deferred to FY 89. This system will allow the flexibility to react to federal law changes as well as changes in state statutes.

(26.00)

Corporate Tax Division

Norm compared the OBPP and the LFA recommendations. (Exhibit No. 17) In the last session, the Legislature added two FTE to this program and again asked they be broken out into a modified for this budget to review what they did over the last two years. The modified, therefore, includes \$16,000.00 for travel, pulled out of the base, and the two FTE now on staff. The difference in personal services is career ladder for the two auditor positions. It is taken out of the LFA budget. The operating expenses differ

for two reasons: 1) Travel; and 2) The OBPP budget includes increased funding for expert witnesses and specialized legal counsel totaling \$18,000.00 per year. The funds are requested to allow the division to defend itself when audits are protested.

(29.20)

Pam presented the LFA budget. (Exhibit No. 18) The current level budget provides a ten percent decrease from the 87 biennium. The FTE are reduced 4.16 from the 87 authorized level which reflects the five percent cuts. The sunset FTE are also removed.

Sen. Keating asked Pam if the two sunset FTE were part of the five percent cuts. She will check on this.

Pam continued. Operating expenses are budgeted to decrease twenty percent in the 89 biennium, as \$63,000.00 of expenses incurred in FY 86 for the Property Assessment Division were not carried forward in the next biennium. \$10,000.00 in travel expenses was removed as it was incurred by the two sunset FTE. The division is funded from the general fund, state a special revenue fund and federal funds. The state special revenue includes an allocation of the oil and gas special revenue account and the state lands resource development account. The federal funds include federal royalty audit funds and are used to support three FTE.

Pam reviewed the differences in the two budgets. The LFA does exceed the OBPP in the allowance for out-of-state travel for out-of-state audits. The \$18,000.00 difference in contracted services is in addition to the base expenditure level and was not included in the LFA. The funding for dues to the Multi-state Tax Commission in the amount of \$74,000.00 in the professional and consulting services category is included in the LFA.

Mr. LaFaver said the main reason for belonging to the Multi-state Tax Commission is the audits collected by the MTC staff. This represents a combined audit effort of nineteen states. This has resulted in additional revenues of \$358,000.00 per year for 1984 through 1987 from corporations doing business in the state but are headquartered out of state. Gerald Foster, Administrator of Natural Resource and Corporation Tax, told the committee the department paid the MTC two sets of monies, one for audit fees based on total collections in Montana to all states, and also MTC membership dues for approximately \$5,000.00 per year. Mr. LaFaver said he believed the department paid a total of \$63,000.00 in expenses last year to the MTC. Pam said the information submitted by the agency indicated the \$74,000.00 included \$67,000.00 for audit fees and \$7,000.00 in membership fees.

The committee recessed at 10:00 a.m.

The committee reconvened at 10:15 a.m.

Tape 71B:0.00

Motor Fuel Tax

Norm presented the budget for the OBPP. (Exhibit No. 19) The only difference between the two budgets is in contracted services. The OBPP included funds sufficient to run the automated fuel tax system for both gas and diesel during the 89 biennium. The original request included funds to run the diesel portion only. There has been a change and the LFA did not include the gas portion on that basis. It is funded from Highway Earmarked Special Revenue.

Pam presented the LFA budget. (Exhibit No. 20)

Mr. Ellery said it had always been the intent of the department to totally automate the functions in Motor Fuels. The diesel user portion represents approximately two-thirds and the gas user portion is about one-third. That would totally automate this function.

There was discussion regarding gasohol.

Property Valuation

Elected Assessors

Norm presented the OBPP budget. (Exhibit No. 21) This subprogram funds seventy percent of the salaries for the county assessors, which is an elected office at the county level. The only difference between the two budgets is the vacancy savings issue. The OBPP did not take vacancy savings on elected officials.

(10.26)

Pam presented the LFA budget. (Exhibit No. 22) In addition to the vacancy savings difference, there is also a difference in benefits of \$21,000.00 per year. The LFA provides salaries and benefits for the elected assessors at seventy percent, rather than just the salaries. The OBPP included one hundred percent of the health insurance. The LFA applied the four percent vacancy savings.

Gregg Groepper, Administrator of the Property Assessment Division, said twenty-two counties have sued the department over the issue of the state's responsibility.

Mr. Groepper said the last Legislature removed the vacancy savings from the budget. He said the division would not be held accountable for vacancy savings on officials and that is the policy issue. Fifty out of fifty-one assessors ran for office this past November and assumed office on January 5, 1987. They are in for four years. Montana statute requires that county commissioners appoint a replacement so there is no break in office. There is no statutory provision for vacancy in the elected assessor position. The department is paying one hundred percent of the health benefits.

Appraisers and Non-elected Assessors

Norm presented the budget for the OBPP. (Exhibit No. 23) This budget has a negative modified and the whole issue of the county computers is in this subprogram. The thrust of the OBPP proposal is that the method of real property appraisal be revamped. Instead of having the counties collect and store real property data, it would be centralized on the mainframe at the state. The big problem is the thirty-eight counties now automated do not have the same hardware or software and when there is a change in statutes, the software has to be changed in each of these systems. Some counties still process by hand. To complicate the matter, the question of how much to pay the counties for the state's use of their computer system comes up every time. The OBPP proposes to reduce the workload of the county computer system by three-fourths, centralizing the real property data at the state level and leaving the personal property at the county level. The personal property workload is about one-fourth the current workload the state is getting from the counties and , with that line of reasoning, the OBPP included \$60,000.00 per year for the use of the county computers.

Norm reviewed the differences in the budgets. In personal services there was an upgrade from a vacant grade 7 to a grade 16 when the division was reorganized in FY 86. Another position was created by downgrading a grade 18 to a grade 16.

In contracted services, the difference is actually \$140,000.00 greater than what is shown because the LFA included the county computer expenses in this category. The OBPP included county computer expenses in the repair and maintenance category. Norm summarized the differences.

Norm emphasized the expenses presented in the OBPP budget will not be necessary if the modified to centralize the real property

information is approved. The adjustment is made in the modified as a negative number. (The OBPP has included what the current level would be if the modified for the county computer centralization is not accepted).

The issue in communications is postage. Senate Bill 19 required several additional mailings to taxpayers regarding reappraisal of real property. The OBPP first reduced the budget to cut those expenses due to the reappraisal cycle and then adjusted it to allow for projected additional mailings. There is approximately a \$31,000.00 difference and the need for this can be documented.

The difference refers to space to park county vehicles.

The OBPP includes the expenses for county computers in repair and maintenance and this accounts for the primary difference. Other differences include \$5,000.00 for computer maintenance at the county level, which would be deleted if the modified is approved. The OBPP also includes \$5,000.00 for field vehicle tires and \$9,000.00 for maintenance of the department computer equipment.

In equipment, the OBPP includes sixteen vehicles per year. The LFA budgets for eight vehicles per year. Office equipment for the county offices is also included totaling \$22,000.00 in FY 88 and \$49,000.00 in FY 89 as compared to the LFA of \$25,000.00 in FY 88 and \$25,000.00 in FY 89. By law, the state is required to furnish the office equipment for the field offices. The OBPP includes \$27,000.00 per year for county computer terminals and this would be reduced if the modified is approved.

(26.40)

The modified request for \$60,000.00 each year is to defend the state's interest in the appraisal of railroad property. This is being contested.

(28.20)

Pam presented the LFA budget. (Exhibit No. 24) She emphasized the LFA maintained the current level with reductions for completing the end of the reappraisal cycle. The LFA did not include funding as requested by the agency functions as stated in Senate Bill 19. The agency did not receive \$84,000.00 of general fund from Special Session three to address this bill and she left it up to the agency to tell the committee why they requested \$100,00.00 per year to continue these functions. The LFA did include \$140,000.00 for county computer costs as opposed to \$120,000.00 included in the OBPP budget. The minutes from last session stated the Legislature had appropriated \$277,000.00 for this purpose in FY 86 and the Special Session reduced the FY 87

appropriation as part of the five percent cuts, leaving \$144,000.00. Pam said there was money in the budget for parking spaces of approximately \$1,600.00 and was not increased as the agency had requested. The LFA did not include the increase for tires as requested by the agency.

(30.45)

Gregg Groepper gave an overview of the department. There are some very specific statutory responsibilities for this division in terms of managing that responsibility. (Exhibit No. 25) Gregg referred to the summary of what the department does in reappraisal. (Exhibit No. 26) The graphs compare the reappraisal costs to the private sector both in total dollars and per parcel basis. The final page illustrates for every \$1.85 spent in administrative costs, \$100.00 is generated in revenue. In addition to reappraisal, the division has to assess all the personal property in the state annually. The division also has other responsibilities. (i.e., writing hail insurance policies, establishing mill levies, etc.)

72A:0.00

Mr. Groepper addressed the issues. He said the division has a number of statutes requiring certain things be done by a certain time, and the most demanding is the assessments to be out by the second Monday in July.

The two percent write out cuts presented a problem to the division. The choice was to either violate a number of laws by not getting the reappraisals completed or spend more than appropriated in order to complete these reappraisals and the division chose the latter. The division cannot defer these functions until next year.

Exhibit No. 27 is a list of the different computer systems used by the various counties.

In personal services, Mr. Groepper said the division needed to do a much better job of supervising the field work. There was reorganization within the division, resulting in the upgrade of one position.

Mr. Groepper referred to Exhibit No. 25, Item No. 2172, Computer Processing Services/Department of Administration. The \$100,000.00 per year line item included in the budget deals with county computers for SB 19. This is tied to the modification and, if approved, the \$100,000.00 per year would be used to help pay off the modified. If it is not approved, the division will

have to fix county computers in order to generate an assessment list that is consistent with the intent of SB 19.

(6.05)

Mr. Groepper explained SB 19 to the committee. This bill requires Montana to provide a standard, uniform, informative and easily understood assessment list for every taxpayer on property subject to reappraisal.

He explained the problems involved for the division in conforming to this bill and the costs.

Mr. Groepper referred to Exhibit No. 29, a Memo to Norm Rystocki regarding the Division's budget for postage.

The rent issue for parking involves spaces to park the state-owned vehicle overnight.

Mr. Groepper referred to Exhibit No. 30. These are vehicles that will need to be replaced as of July 1, 1987. He said it was more cost effective to operate newer vehicles that get better mileage and do not have maintenance problems.

Mr. Groepper addressed the reclassification appeal issue. To date, they have not received any more requests for classification appeal from the clerical workers affected by the upgrade decision from the Department of Administration. The division does have a reclassification effort in to address that decision. This effort will cost more money in personal services in FY 88 and FY 89, but if the effort goes forward, they should not have to deal with a supplemental in this fiscal year.

Exhibit No. 31 is a letter from the Chairman of the Governor's Council on Management, Inc., and their report summarizing their findings and recommendations.

Exhibit No. 32 is the conclusion of the Legislative Auditor regarding reappraisals.

Mr. Groepper said if the division is granted the automation modification and they do not suffer unduly on the decision regarding the upgrade of clerks, they will be able to bring reappraisal in on time within the law over the next five years. If the committee takes further budget reductions, he stated the division would be happy to cooperate and work with the committee on this and laws would have to be changed. He offered suggestions.

(15.05)

Chairman Rehberg called for questions from the committee.

Sen. Gage requested Mr. Groepper to address the matter of assistant assessors as per their previous discussions. Gregg said the workload in some counties does not justify having a full-time assessor, plus a deputy. However, Montana statute allows the assessor to appoint a deputy. As it now stands, 51 elected assessors have 51 deputies. The salary for the deputy is directly tied to the assessor's salary, resulting in a wide disparity in salaries. The question is the responsibility of the state in the payment of the salaries for both the assessor and the deputy. The state now pays seventy percent of the assessor's salary and one hundred percent of the deputy's salary, plus all of the benefits for the deputy.

Sen. Keating requested a list indicating the fourteen classes of personal property and the total assessed value for each in tax year 1986.

Mr. Groepper gave the committee examples of notices sent out for SB 19 and SB 20. (Exhibit No. 32A)

(33.30)

Property Assessment - Helena

Norm Rostocki presented the budget for the OBPP. (Exhibit No. 33) The only adjustment between the two budgets is for gas. The OBPP includes this in the budget.

Pam Joehler from the LFA had nothing further to add. (Exhibit No. 34)

(35.00)

Property Assessment - Administration

Norm presented the budget for the OBPP. (Exhibit No. 35) The OBPP has an adjustment of \$1,300.00 per year for expert witnesses to do appeals resulting from the reappraisal process and \$2,500.00 for printing transcripts related to those appeals. The major difference in communications is due to the adjustment for postage. The LFA reduced this budget due to the end of the reappraisal cycle and the OBPP maintained at the 86 level.

Pam addressed the other differences. (Exhibit No. 36) In the category for repair and maintenance, the \$6,100.00 was an oversight on the part of the LFA and can be removed.

There was discussion regarding the reduction in FTE.

72B:0.35

Mr. Groepper addressed two issues.

1) There is a lot of major litigation going on and the division will need money for these transcripts. The division requested the amount reflected in the OBPP budget.

2) The division has spent \$15,000.00 in postage during the first six months of this year and they requested the amount reflected in the OBPP budget.

Mr. Groepper said this was an area in which he believed a savings could be generated if the modified is approved.

ADJOURNMENT: The meeting was adjourned at 11:30 a.m.


DENNIS R. REHBERG, Chairman

OFFICE OF BUDGET & PROGRAM PLANNING
 EXECUTIVE BUDGET SYSTEM
 AGENCY/PROGRAM/CONTROL -- BUDGET DETAIL COMPARISONS

REPORT EBSR99
 DATE : 01/07/87
 TIME : 17/23/43

AGENCY : 5801 DEPARTMENT OF REVENUE
 PROGRAM : 04 LEGAL DIVISION
 CONTROL : 00041 LEGAL ADMINISTRATION

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)		3.00	3.00	3.00		3.00	3.00	
1100	SALARIES	101,883.47	101,174	101,174	101,174		101,047	101,047	
1400	EMPLOYEE BENEFITS	18,552.11	15,096	15,096	15,096		15,310	15,310	
1500	HEALTH INSURANCE		4,140	4,140	4,140		4,140	4,140	
1600	VACANCY SAVINGS		-1,816	-1,816	-4,752	-64	-4,820	-4,745	-75
	TOTAL LEVEL	120,435.58	115,594	115,594	115,658	-64	115,677	115,752	-75
2022	SUPPLIES & MATERIALS-INFLAT				-7	7		258	-258
2100	RENT-INFLATION	524.00	126	126	186	-186	126	134	-8
2200	CONTRACTED SERVICES	1,299.66	1,200	1,200	1,299	-99	1,200	1,299	-99
2300	SUPPLIES & MATERIALS	2,749.22	2,457	2,457	2,749	-292	2,457	2,749	-292
2400	COMMUNICATIONS	1,506.18	1,506	1,506	1,506		1,506	1,506	
2400	TRAVEL	1,941.31	1,941	1,941	1,943	-2	1,941	1,943	-2
2500	RENT	444.86	445	445	445		445	445	
2700	REPAIR & MAINTENANCE	654.94	505	505	655	-150	505	655	-150
2800	OTHER EXPENSES								
	TOTAL LEVEL	9,120.17	8,180	8,180	8,910	-730	8,180	8,989	-809
3100	EQUIPMENT	256.82							
	TOTAL LEVEL	256.82							
	TOTAL PROGRAM	129,812.57	123,774	123,774	124,568	-794	123,857	124,741	-884
01100	GENERAL FUND	79,298.18	45,745	45,745	31,641	14,104	45,763	31,684	14,079
02074	GAMBLING LICENSE FEE ACCOUN	45,068.77	55,578	55,578	18,685	-18,685	55,576	18,711	-18,711
03050	CHILD SUPPORT	5,361.67	7,598	7,598	49,329	6,249	7,655	49,397	6,179
03051	WELFARE FRAUD				3,114	4,484		3,119	4,536
03053	LEGAL/MEDICAID FRAUD				3,114	-3,114		3,119	-3,119
06005	LIQUOR DIVISION	83.95	14,853	14,853	18,685	-3,832	14,863	18,711	-3,848
	TOTAL PROGRAM	129,812.57	123,774	123,774	124,568	-794	123,857	124,741	-884

2-5-87

OFFICE OF BUDGET & PROGRAM PLANNING
 EXECUTIVE BUDGET SYSTEM
 AGENCY/PROGRAM/CONTROL -- BUDGET DETAIL COMPARISONS

REPORT EBSR99
 DATE : 01/07/87
 TIME : 17/23/43

AGENCY : 5801 DEPARTMENT OF REVENUE
 PROGRAM : 04 LEGAL DIVISION
 CONTROL : 00045 ELECTRONIC POKER

CURRENT LEVEL SERVICES ONLY
 OBPP FY 89 LFA FY 89 DIFF FY 89
 OBPP FY 88 LFA FY 88 DIFF FY 88

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
1100	SALARIES	82,857.02							
1400	EMPLOYEE BENEFITS	12,838.42							
	TOTAL LEVEL	95,695.44							
2100	CONTRACTED SERVICES	7,659.14							
2200	SUPPLIES & MATERIALS	4,280.43							
2300	COMMUNICATIONS	5,031.34							
2400	TRAVEL	1,166.02							
2500	RENT	3,911.52							
2700	REPAIR & MAINTENANCE	1,238.57							
2800	OTHER EXPENSES	885.23							
	TOTAL LEVEL	24,172.25							
3100	EQUIPMENT	12,523.60							
3400	INTANGIBLE ASSETS	395.00							
	TOTAL LEVEL	12,918.60							
	TOTAL PROGRAM	132,786.29							
02074	GAMBLING LICENSE FEE ACCOUN	132,786.29							
	TOTAL PROGRAM	132,786.29							

REPORT EBSR99
 DATE : 01/07/87
 TIME : 17/23/43

OFFICE OF BUDGET & PROGRAM PLANNING
 EXECUTIVE BUDGET SYSTEM
 AGENCY/PROGRAM/CONTROL -- BUDGET DETAIL COMPARISONS

AGENCY : 5801 DEPARTMENT OF REVENUE
 PROGRAM : 04 LEGAL DIVISION
 CONTROL : 00044 MEDICAID FRAUD

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	CURRENT LEVEL SERVICES ONLY		
							OBPP FY 89	LFA FY 89	DIFF FY 89
1100	SALARIES	94,394.12							
1400	EMPLOYEE BENEFITS	18,837.60							
	TOTAL LEVEL	113,231.72							
2100	CONTRACTED SERVICES	1,928.18							
2200	SUPPLIES & MATERIALS	3,679.15							
2300	COMMUNICATIONS	2,362.42							
2400	TRAVEL	4,169.99							
2500	RENT	2,837.33							
2700	REPAIR & MAINTENANCE	3,728.92							
2800	OTHER EXPENSES	1,572.52							
	TOTAL LEVEL	20,278.51							
3100	EQUIPMENT	895.00							
	TOTAL LEVEL	895.00							
	TOTAL PROGRAM	134,405.23							
01100	GENERAL FUND	33,554.32							
03053	LEGAL/MEDICAID FRAUD	100,660.78							
06005	LIQUOR DIVISION	190.13							
	TOTAL PROGRAM	134,405.23							

REPORT EBSR99
 DATE : 01/07/87
 TIME : 17/26/09

OFFICE OF BUDGET & PROGRAM PLANNING
 EXECUTIVE BUDGET SYSTEM
 AGENCY/PROGRAM/CONTROL -- BUDGET DETAIL COMPARISONS

AGENCY : 5801 DEPARTMENT OF REVENUE
 PROGRAM : 04 LEGAL DIVISION
 CONTROL : 40042 ADDITIONAL INVESTIGATOR

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)		2.00	2.00		2.00	2.00		2.00
1100	SALARIES		39,821	39,821		39,821	39,669		39,669
1400	EMPLOYEE BENEFITS		6,109	6,109		6,109	6,201		6,201
1500	HEALTH INSURANCE		2,760	2,760		2,760	2,760		2,760
1600	VACANCY SAVINGS		-1,948	-1,948		-1,948	-1,945		-1,945
	TOTAL LEVEL		46,742	46,742		46,742	46,685		46,685
	TOTAL PROGRAM		46,742	46,742		46,742	46,685		46,685
02995	TOTAL PROGRAM		46,742	46,742		46,742	46,685		46,685

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The legislature allocated \$36,276 in fiscal 1986 for equipment purchases, all in computers. The division spent \$38,129 on computer hardware and software and \$585 on office furniture.

General fund exceeded the appropriation by \$183,533 in fiscal 1986. This results from the 10 FTE transfer. Liquor proprietary funds exceed the fiscal 1986 appropriation by \$95,327 for the same reason.

Current Level Adjustments

The current level budget reduced 1.0 FTE programmer/analyst as this position was vacant more than 50 percent of the time in fiscal 1986 and was still vacant as of November 7, 1986. There are 8.0 FTE programmer/analysts remaining on staff.

Fiscal 1986 actual operating expenses were reduced \$155,017; \$134,553 was reduced by the agency. The remaining \$20,464 was removed primarily from computer processing fees to reduce expenditures to the fiscal 1986 appropriated level. Six thousand five hundred dollars was added in fiscal 1989 for printing costs associated with the biennial report printed in odd numbered fiscal years.

INVESTIGATIONS AND ENFORCEMENT

Budget Item	Actual	Appropriated	- - Current Level - -		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	81.50	79.05	65.00	65.00	(14.05)
Personal Service	\$1,653,817	\$1,823,790	\$1,550,171	\$1,549,737	(10.86)
Operating Expense	436,647	495,163	464,240	462,276	(0.57)
Equipment	85,772	29,547	18,625	10,000	(75.18)
Total Operating Costs	\$2,176,236	\$2,348,500	\$2,033,036	\$2,022,013	(10.38)
Non-Operating Costs	120,694	160,000	180,000	195,000	33.60
Total Expenditures	<u>\$2,296,930</u>	<u>\$2,508,500</u>	<u>\$2,213,036</u>	<u>\$2,217,013</u>	<u>(7.81)</u>
<u>Fund Sources</u>					
General Fund	\$ 594,854	\$ 761,487	\$ 557,628	\$ 554,019	(18.04)
State Special	161,506	-0-	222,669	222,737	175.78
Federal Revenue	1,243,944	1,414,448	1,185,547	1,192,820	(10.53)
Proprietary Funds	296,626	332,565	247,192	247,437	(21.36)
Total Funds	<u>\$2,296,930</u>	<u>\$2,508,500</u>	<u>\$2,213,036</u>	<u>\$2,217,013</u>	<u>(7.81)</u>

The Investigations and Enforcement Division administers the Video Poker Control Program, Investigations Program, Child Support Enforcement Program, and the Medicaid Fraud Program. The division's budget is divided into four subprograms:

Administration, Investigations, Child Support, and Video Poker. Medicaid Fraud was eliminated as a separate function effective fiscal 1987.

The current level budget provides a 7.8 percent decrease from the 1987 biennium to the 1989 biennium. The 1985 legislature approved a modification request for additional child support personnel for this division in the 1987 biennium, but required the 13.0 additional FTE be removed from the agency's 1989 biennial budget request. The current level budget removes these 13.0 FTE as well as the 3.5 FTE removed by the agency in response to the five percent and pay plan funding cuts.

Non-operating costs include pass-through funds to local governments for reimbursement for prosecuting welfare fraud cases and child support enforcement activities. Non-operating costs are funded from federal funds.

This division's operating budget is funded from several sources: general fund, gambling license fee revenue, federal funds, and liquor division funds. The current level budget funds 4.0 FTE in the Video Poker Program, 2.0 FTE in the Investigations Program, and a portion of the expenditures in the Administration Program from gambling license fee revenue. Federal funds, including child support, welfare fraud, and medicaid fraud funds, support their respective functions in the various subprograms. All federal funds require a general fund match. Liquor division funds support portions of the investigation and Administration Program budgets.

General fund and liquor division funds decrease between the 1987 and 1989 bienniums because gambling license fees are budgeted to pay for the approximate expenses incurred on behalf of video poker. In fiscal 1986, the general fund and liquor funds partially subsidized the video poker investigation effort.

Federal funds decrease in the 1989 biennium as the department eliminated the medicaid fraud program as a separate program. The department will continue to investigate medicaid fraud cases as they are referred, but expect this will occur on a much-reduced scale.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 4
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	81.50	81.50	0.00
Personal Service	\$1,844,538	\$1,653,817	\$ 190,721
Operating Expense	498,271	436,647	61,624
Equipment	103,673	85,772	17,901
Total Operating Costs	\$2,446,482	\$2,176,236	\$ 270,246
Non-Operating Costs	155,000	120,694	34,306
Total Expenditures	<u>\$2,601,482</u>	<u>\$2,296,930</u>	<u>\$ 304,552</u>
Funding			
General Fund	\$ 813,760	\$ 594,854	\$ 218,906
State Special	-0-	161,506	(161,506)
Federal Revenue	1,446,777	1,243,944	202,833
Proprietary Fund	340,945	296,626	44,319
Total Funds	<u>\$2,601,482</u>	<u>\$2,296,930</u>	<u>\$ 304,552</u>

Fiscal 1986 expenditures were \$304,552 less than the legislative authorization. Personal services savings accounts for \$190,721 of this difference. The personal services savings were primarily the result of the agency transferring \$108,371 of personal services to other divisions. The remaining \$82,349 of personal services savings occurred in the child support subprogram where vacancy savings on the authorized additional positions exceeded 50 percent.

Operating expenses were \$61,624 less than budgeted in fiscal 1986 with virtually all of the savings coming from the child support program's operating expense budget.

Equipment purchases were \$17,901 less than budgeted. Savings of \$30,000 occurred in the investigations and child support programs while the video poker program expenses authorized by House Bill 236 offset the savings by \$12,000, leaving an approximate \$18,000 balance in the equipment budget authorized in House Bill 500.

INVESTIGATIONS AND ENFORCEMENT -- ADMINISTRATION

Budget Item	Actual	- - - - Current Level - - - -	
	Fiscal 1986	Fiscal 1987	Fiscal 1989
FTE	3.00	3.00	3.00
Personal Services	\$120,436	\$115,658	\$115,752
Operating Expenses	9,121	8,910	8,989
Equipment	257	-0-	-0-
Total Operating Costs	<u>\$129,814</u>	<u>\$124,568</u>	<u>\$124,741</u>
Fund Sources			
General Fund	\$ 79,299	\$ 31,641	\$ 31,684
State Special	-0-	18,685	18,711
Federal and Other	50,431	55,557	55,635
Other	<u>84</u>	<u>18,685</u>	<u>18,711</u>
Total Funds	<u>\$129,814</u>	<u>\$124,568</u>	<u>\$124,741</u>

The administration subprogram contains the division administrator, the investigation and enforcement bureau chief, and an administrative secretary. The current level budget provides for 3.0 FTE with 4 percent vacancy savings. Operating expenses are continued at the fiscal 1986 level with minor adjustments resulting in a \$211 lower expenditure level between fiscal 1986 and 1988.

Funding for this program changes from the fiscal 1986 level as the funding now reflects the approximate time spent on each program administered by the investigations and enforcement division. The agency indicated approximately 60 percent of the administration unit's time is spent on child support activities. Therefore, 60 percent of the program's budget is funded from federal child support funds which require a 34 percent general fund match.

The remaining 40 percent of the budget is divided between video poker, liquor, welfare fraud, and medicaid fraud activities. Welfare and medicaid fraud federal funds require a 50 percent general fund match.

REPORT EBSR99
 DATE : 01/07/87
 TIME : 17/23/43

OFFICE OF BUDGET & PROGRAM PLANNING
 EXECUTIVE BUDGET SYSTEM
 AGENCY/PROGRAM/CONTROL -- BUDGET DETAIL COMPARISONS

AGENCY : 5801 DEPARTMENT OF REVENUE
 PROGRAM : 04 LEGAL DIVISION
 CONTROL : 00042 INVESTIGATION

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)			14.50	17.00	-2.50	14.50	17.00	-2.50
1100	SALARIES	278,929.78		304,126	354,809	-50,683	303,230	353,797	-50,567
1400	EMPLOYEE BENEFITS	57,658.84		45,490	53,098	-7,608	46,073	53,805	-7,732
1500	HEALTH INSURANCE			20,700	23,460	-2,760	20,700	23,460	-2,760
1600	VACANCY SAVINGS			-14,813	-17,149	2,336	-14,800	-17,123	2,323
1800					120	-120		120	-120
	TOTAL LEVEL	336,588.62	414,338	355,503	414,338	-58,835	355,203	414,059	-58,856
2021	CONTRACTED SERVICES-INFLATI			-17	-17		-35	-33	-2
2022	SUPPLIES & MATERIALS-INFLAT			50	-605	655	129	6	123
2023	COMMUNICATIONS-INFLATION			60	60		93	92	1
2025	RENT-INFLATION				403	-403		559	-559
2100	CONTRACTED SERVICES	5,249.02		7,367	5,271	2,096	7,348	5,252	2,096
2200	SUPPLIES & MATERIALS	17,069.66		12,361	17,072	-4,711	10,338	17,072	-6,734
2300	COMMUNICATIONS	30,123.75		29,675	30,126	-451	29,675	30,126	-451
2400	TRAVEL	12,033.05		10,034	12,036	-2,002	10,034	12,036	-2,002
2500	RENT	12,143.04		14,327	13,728	599	15,238	13,728	1,510
2700	REPAIR & MAINTENANCE	11,451.48		6,826	3,213	3,613	6,826	3,213	3,613
2800	OTHER EXPENSES	2,169.33		2,048	2,169	-121	2,048	2,169	-121
	TOTAL LEVEL	90,239.33	83,456	82,731	83,456	-725	81,694	84,220	-2,526
3100	EQUIPMENT	21,165.65		8,652	10,000	-1,348	9,000	10,000	-1,000
	TOTAL LEVEL	21,165.65		8,652	10,000	-1,348	9,000	10,000	-1,000
5000	LOCAL ASSISTANCE				20,000	-20,000		20,000	-20,000
	TOTAL LEVEL				20,000	-20,000		20,000	-20,000
	TOTAL PROGRAM	447,993.60	527,794	446,886	527,794	-80,908	445,897	528,279	-82,382
01100	GENERAL FUND	52,642.30	93,102	49,430	93,102	-43,672	41,237	93,470	-52,233
02074	GAMBLING LICENSE FEE ACCOUN	28,719.00	76,500		76,500	-76,500		76,400	-76,400
02996				61,535		61,535	69,155		69,155
03051	WELFARE FRAUD	70,286.38	85,885	85,885	85,885		85,933	85,933	
03053	LEGAL/MEDICAID FRAUD		23,800	20,000	23,800	-3,800	20,000	23,750	-3,750
03162	WELFARE FRAUD-COUNTY REIMBU		20,000	20,000	20,000		20,000	20,000	
06005	LIQUOR DIVISION	296,345.92	228,507	210,036	228,507	-18,471	209,572	228,726	-19,154
	TOTAL PROGRAM	447,993.60	527,794	446,886	527,794	-80,908	445,897	528,279	-82,382

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Table 4
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	81.50	81.50	0.00
Personal Service	\$1,844,538	\$1,653,817	\$ 190,721
Operating Expense	498,271	436,647	61,624
Equipment	103,673	85,772	17,901
Total Operating Costs	\$2,446,482	\$2,176,236	\$ 270,246
Non-Operating Costs	155,000	120,694	34,306
Total Expenditures	<u>\$2,601,482</u>	<u>\$2,296,930</u>	<u>\$ 304,552</u>
Funding			
General Fund	\$ 813,760	\$ 594,854	\$ 218,906
State Special	-0-	161,506	(161,506)
Federal Revenue	1,446,777	1,243,944	202,833
Proprietary Fund	340,945	296,626	44,319
Total Funds	<u>\$2,601,482</u>	<u>\$2,296,930</u>	<u>\$ 304,552</u>

Fiscal 1986 expenditures were \$304,552 less than the legislative authorization. Personal services savings accounts for \$190,721 of this difference. The personal services savings were primarily the result of the agency transferring \$108,371 of personal services to other divisions. The remaining \$82,349 of personal services savings occurred in the child support subprogram where vacancy savings on the authorized additional positions exceeded 50 percent.

Operating expenses were \$61,624 less than budgeted in fiscal 1986 with virtually all of the savings coming from the child support program's operating expense budget.

Equipment purchases were \$17,901 less than budgeted. Savings of \$30,000 occurred in the investigations and child support programs while the video poker program expenses authorized by House Bill 236 offset the savings by \$12,000, leaving an approximate \$18,000 balance in the equipment budget authorized in House Bill 500.

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INVESTIGATIONS AND ENFORCEMENT -- ADMINISTRATION

Budget Item	Actual	Current Level	
	Fiscal 1986	Fiscal 1987	Fiscal 1989
FTE	3.00	3.00	3.00
Personal Services	\$120,436	\$115,658	\$115,752
Operating Expenses	9,121	8,910	8,989
Equipment	257	-0-	-0-
Total Operating Costs	<u>\$129,814</u>	<u>\$124,568</u>	<u>\$124,741</u>
Fund Sources			
General Fund	\$ 79,299	\$ 31,641	\$ 31,684
State Special	-0-	18,685	18,711
Federal and Other	50,431	55,557	55,635
Other	84	18,685	18,711
Total Funds	<u>\$129,814</u>	<u>\$124,568</u>	<u>\$124,741</u>

The administration subprogram contains the division administrator, the investigation and enforcement bureau chief, and an administrative secretary. The current level budget provides for 3.0 FTE with 4 percent vacancy savings. Operating expenses are continued at the fiscal 1986 level with minor adjustments resulting in a \$211 lower expenditure level between fiscal 1986 and 1988.

Funding for this program changes from the fiscal 1986 level as the funding now reflects the approximate time spent on each program administered by the investigations and enforcement division. The agency indicated approximately 60 percent of the administration unit's time is spent on child support activities. Therefore, 60 percent of the program's budget is funded from federal child support funds which require a 34 percent general fund match.

The remaining 40 percent of the budget is divided between video poker, liquor, welfare fraud, and medicaid fraud activities. Welfare and medicaid fraud federal funds require a 50 percent general fund match.

INVESTIGATIONS AND ENFORCEMENT -- INVESTIGATIONS

Budget Item	Actual	Current Level	
	Fiscal 1986	Fiscal 1987	Fiscal 1989
FTE	13.50	17.00	17.00
Personal Services	\$336,589	\$414,338	\$414,059
Operating Expenses	90,250	83,456	84,220
Equipment	21,167	10,000	10,000
Total Operating Costs	\$448,006	\$507,794	\$508,279
Non-Operating Costs	-0-	20,000	20,000
Total Expenditures	<u>\$448,006</u>	<u>\$527,794</u>	<u>\$528,279</u>
Fund Sources			
General Fund	\$ 52,648	\$ 93,102	\$ 93,470
State Special	28,719	76,500	76,400
Federal and Other	70,288	129,685	129,683
Proprietary Funds	296,351	228,507	228,726
Total Funds	<u>\$448,006</u>	<u>\$527,794</u>	<u>\$528,279</u>

The investigations subprogram performs the criminal and regulatory investigative functions required by state and federal statute. Specific areas of responsibility are alcohol beverage control, video poker enforcement, welfare fraud investigations, cigarette tax enforcement, criminal income tax and intra-departmental investigation as well as special investigation when required.

The current level budget increases the authorized FTE 3.5 from the actual fiscal 1986 level. This increase is due to transferring 1.0 FTE from the medicaid fraud subprogram to the investigations subprogram upon elimination of the medicaid fraud subprogram in fiscal 1987. This FTE will assist the investigations subprogram in the medicaid fraud function, which will continue to be served on a limited basis. The remaining increase is due to the agency transferring 2.5 FTE from the video poker subprogram to the investigations subprogram to perform video poker investigations. The current level budget funds both transfers from the special funds allocated for these purposes.

Operating expenses are reduced slightly as \$2,329 for one-time remodeling costs were removed from the base, as was \$6,850 repair and maintenance on an agency vehicle. Base operating expense increases total \$2,523 for increased rent and computer maintenance costs. Each year of the 1989 biennium \$10,000 is included to purchase two new vehicles for the investigations subprogram.

Funding for this subprogram changes between fiscal 1986 and the 1989 biennium. While the funding sources remain the same, the contribution of each funding source changes.

The current level budget funds this subprogram based on the different investigative functions and the amount of time spent on those functions. State special revenue includes gambling license fee revenue from video poker licenses. Because the agency transferred 2.5 FTE into this subprogram from the video poker subprogram, the current level budget funds those positions from gambling license fee revenue. The 2.5 FTE and estimated operating costs total \$76,500 in fiscal 1988 and \$76,400 in fiscal 1989.

Federal revenue includes welfare fraud and medicaid fraud funds. Welfare fraud funds included in the current level budget reflect the agency's request of \$105,885 in fiscal 1988 and \$105,933 in fiscal 1989. Of this amount, \$20,000 each year is passed through to local governments for reimbursement for expenses incurred in prosecuting welfare fraud cases. Welfare fraud funds used to administer the program total \$85,885 in fiscal 1988 and \$85,933 in fiscal 1989. The remaining federal funds, \$23,800 in fiscal 1988 and \$23,750 in fiscal 1989, are medicaid fraud funds used to support the 1.0 FTE transferred into this subprogram from the medicaid fraud subprogram.

Proprietary funds are liquor funds and are allocated to this subprogram in the 1989 biennium on the basis of the amount of time that was spent on liquor related investigations in fiscal 1986. Approximately 45 percent of the time spent by this subprogram in fiscal 1986 was liquor related.

General fund is calculated on the basis of matching the federal funds used for operating costs and the balance of the program funding requirements after all other funding sources have been used. The welfare and medicaid fraud funds require a 50 percent match.

INVESTIGATIONS AND ENFORCEMENT -- CHILD SUPPORT

Budget Item	Actual Fiscal 1986	Current Level	
		Fiscal 1987	Fiscal 1989
FTE	54.00	41.00	41.00
Personal Services	\$ 987,865	\$ 917,031	\$ 916,669
Operating Expenses	289,913	347,534	344,698
Equipment	50,534	8,625	-0-
Total Operating Costs	\$1,328,312	\$1,273,190	\$1,261,367
Non-Operating Costs	120,694	160,000	175,000
Total Expenditures	<u>\$1,449,006</u>	<u>\$1,433,190</u>	<u>\$1,436,367</u>
Fund Sources			
General Fund	\$ 429,348	\$ 432,885	\$ 428,865
Federal and Other	1,019,657	1,000,305	1,007,502
Proprietary Funds	1	-0-	-0-
Total Funds	<u>\$1,449,006</u>	<u>\$1,433,190</u>	<u>\$1,436,367</u>

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for sums remaining due on unpaid collateral, together with costs of the collateral. The District Court is "liquidation of the assets and commercially reasonable and that the any deficiency judgment." It is entitled to declare a default in Weaver-Maxwell because the Bank had taken and destroyed Weaver-Maxwell's collateral that because of its tortious

Joint

Gen Gov +
Highways Sub.

Good example of
Poor micro - good
paper copy!

OFFICE OF BUDGET & PROGRAM PLANNING
 EXECUTIVE BUDGET SYSTEM
 AGENCY/PROGRAM/CONTROL -- BUDGET DETAIL COMPARISONS

REPORT EBSR99
 DATE : 01/07/87
 TIME : 17/26/09

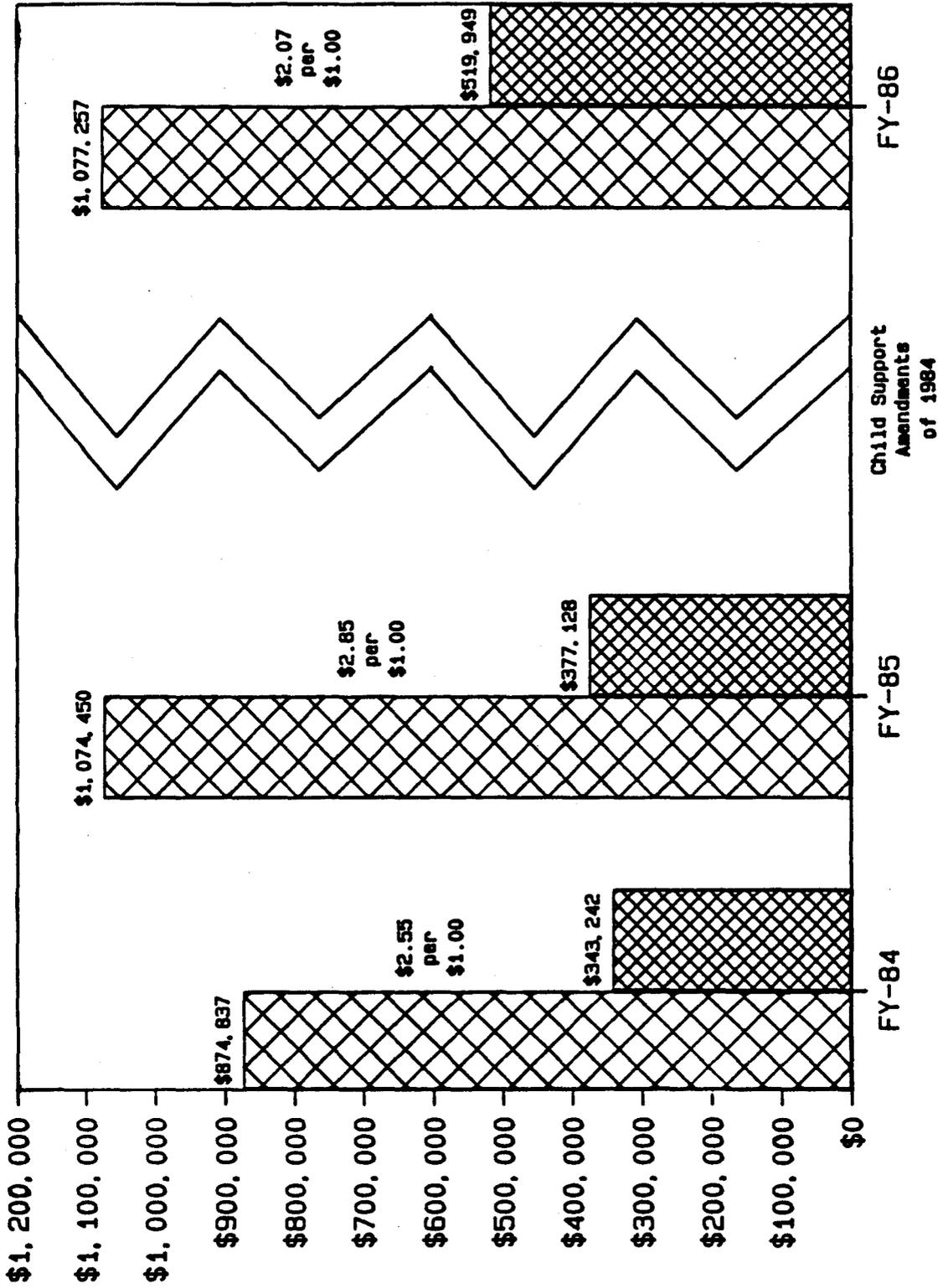
AGENCY : 5801 DEPARTMENT OF REVENUE
 PROGRAM : 04 LEGAL DIVISION
 CONTROL : 40043 CHILD SUPPORT-E.P.

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89	MODIFIED LEVEL SERVICES ONLY	
										0000 FULL TIME EQUIVALENT (FTE)	
1100	SALARIES		143,176	143,176		143,176	142,670		506		9.00
1400	EMPLOYEE BENEFITS		21,361	21,361		21,361	21,616		-255		9.00
1500	HEALTH INSURANCE		12,420	12,420		12,420	12,420		0		9.00
1600	VACANCY SAVINGS		-7,078	-7,078		-7,078	-7,068		-10		9.00
	TOTAL LEVEL		169,879	169,879		169,879	169,638		241		9.00
2021	CONTRACTED SERVICES-INFLATI		-691	-691		-691	-1,381		690		9.00
2100	CONTRACTED SERVICES		30,156	30,156		30,156	30,156		0		9.00
2200	SUPPLIES & MATERIALS		2,629	2,629		2,629	2,629		0		9.00
2300	COMMUNICATIONS		21,057	21,057		21,057	21,057		0		9.00
2400	TRAVEL		1,061	1,061		1,061	1,061		0		9.00
2500	RENT		5,207	5,207		5,207	5,207		0		9.00
2700	REPAIR & MAINTENANCE		1,231	1,231		1,231	1,231		0		9.00
2800	OTHER EXPENSES		1,800	1,800		1,800	1,800		0		9.00
	TOTAL LEVEL		62,450	62,450		62,450	61,760		690		9.00
	TOTAL PROGRAM		232,329	232,329		232,329	231,398		931		9.00
01100	GENERAL FUND		78,992	78,992		78,992	78,675		317		9.00
03050	CHILD SUPPORT		153,337	153,337		153,337	152,723		614		9.00
	TOTAL PROGRAM		232,329	232,329		232,329	231,398		931		9.00

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CHILD SUPPORT ENFORCEMENT PROGRAM COST/BENEFIT COMPARISON CHART

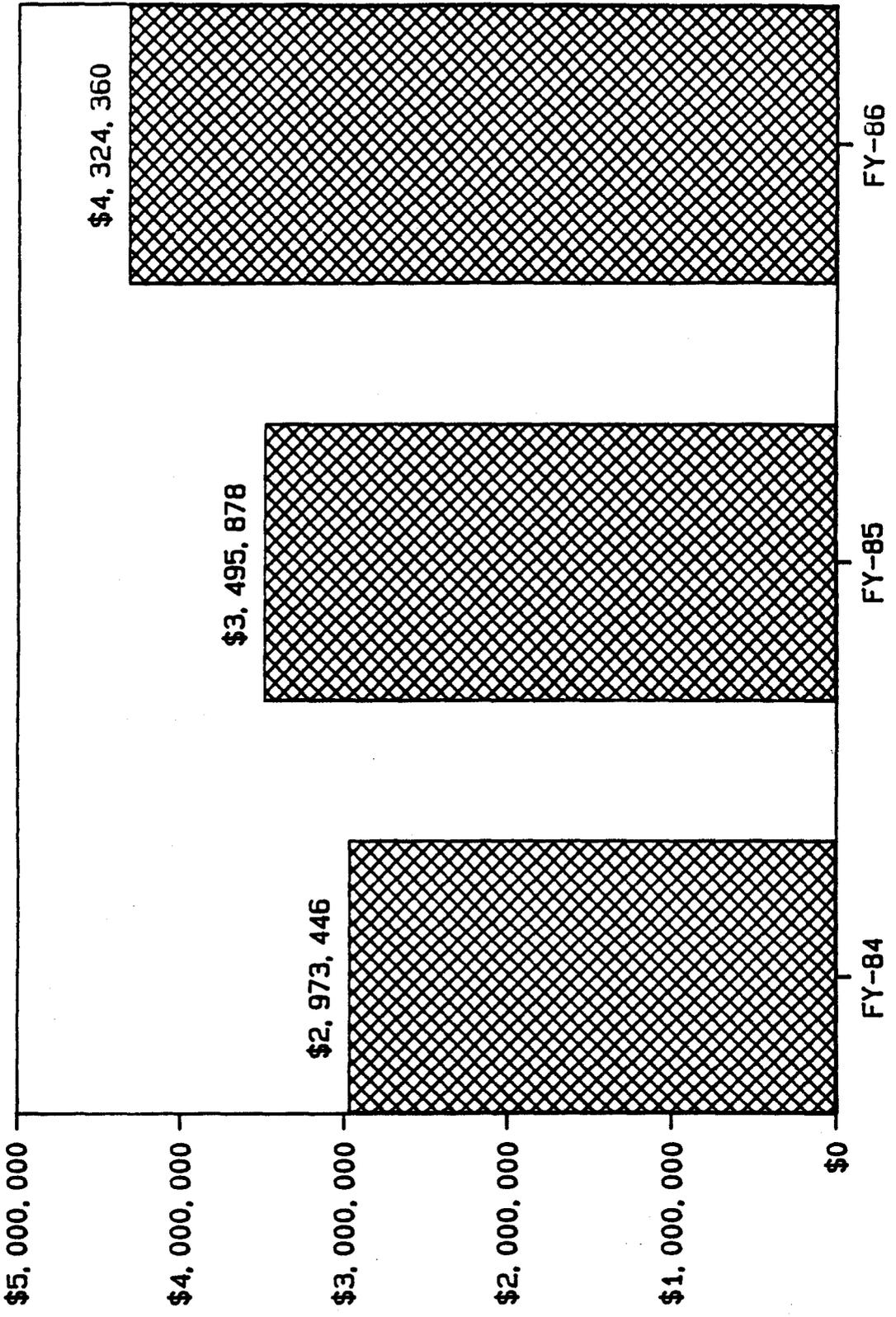
7
2-5-87



COLLECTIONS (Income Returned to State)
 COSTS

8
2-5-87

CHILD SUPPORT ENFORCEMENT PROGRAM TOTAL CHILD SUPPORT COLLECTIONS



The Child Support Enforcement subprogram was created for the purpose of establishing, enforcing, and collecting support obligations owed by absent parents to their children and the spouses with whom such children are living. The child support enforcement subprogram generates revenue from three sources: (1) recovered AFDC funds originally paid out by the State of Montana, (2) federal incentives paid to states for operating a cost effective program, and (3) fees generated in non-AFDC cases.

The current level budget provides for 41.0 FTE. This is 13.0 less than authorized by the legislature in fiscal 1986 as the "sunset" FTE positions are removed from the current level budget.

Base operating expenses were increased \$63,400 for computer processing costs to operate the child support computer system, which is expected to come on-line mid-year fiscal 1987, and \$1,941 for increased rent. Base operating expenses were decreased \$9,333 for estimated operating expenses relating to the sunset FTE removed from the current level budget.

Equipment expenditures include \$8,625 in fiscal 1988 to purchase a replacement vehicle.

Non-operating costs include pass-thru funds to local governments to reimburse them for child support enforcement activities at the local level.

INVESTIGATIONS AND ENFORCEMENT -- MEDICAID FRAUD

Budget Item	Actual	- - - - Current Level - - - -	
	Fiscal 1986	Fiscal 1987	Fiscal 1989
FTE	4.00	0.00	0.00
Personal Services	\$113,232	\$ -0-	\$ -0-
Operating Expenses	23,190	-0-	-0-
Equipment	895	-0-	-0-
Total Expenditures	<u>\$137,317</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Fund Sources			
General Fund	\$ 33,559	\$ -0-	\$ -0-
Federal and Other	103,568	-0-	-0-
Proprietary Funds	190	-0-	-0-
Total Funds	<u>\$137,317</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

This program was eliminated by the agency in fiscal 1987 and a portion of its function was combined with the investigations subprogram.

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2-5-87

INVESTIGATIONS AND ENFORCEMENT - VIDEO POKER

Budget Item	Actual	Current Level	
	Fiscal 1986	Fiscal 1987	Fiscal 1989
FTE	7.00	4.00	4.00
Personal Services	\$ 95,695	\$103,144	\$103,257
Operating Expenses	24,173	24,340	24,369
Equipment	12,919	-0-	-0-
Total Exp. and Funding	<u>\$132,787</u>	<u>\$127,484</u>	<u>\$127,626</u>

The video poker control subprogram is responsible for the control and regulation of Montana's video poker industry. The program examines and approves machines for operation in the state, licenses machines, and collects license fees. License fee monies are distributed to local and state governments as required by statute. The program has administrative responsibilities which include: conducting hearings concerning licenses and violations of laws and rules, promulgating administrative rules, and recommending legislation concerning video draw poker machines.

The current level budget funds 4.0 FTE as requested by the agency. Personal services increase from fiscal 1986 because the subprogram experienced vacancy savings. Operating expenses reflect the agency's request.

The current level budget funds this program from gambling license fees assessed video poker machine owners. The current law, Section 23-5-612, MCA, limits the administrative allocation of the gambling license fee revenue to 3 percent in the 1989 biennium.

LIQUOR DIVISION

The Liquor Division administers the statutes relating to the control, sale and distribution of alcoholic beverages and the licensing of manufacturers, wholesalers and retailers of alcoholic beverages.

For the past several sessions, the legislature has not appropriated the Liquor Division's budget by specific line-item, but has given authority in the general appropriations act for the division not to exceed a specific operating limit and to return a specified profit level.

The general appropriations act of the Forty-Ninth Legislature (House Bill 500) directed the Liquor Division to limit operational expenses of the liquor merchandising system to not more than 15 percent of net sales. Operational expenses did not include product costs, freight charges, expenses allocable to other divisions, or licensing bureau expenses. In fiscal 1986, the Liquor Division incurred \$5,764,641 of qualifying operational expenses, or 15.18 percent of net sales.

House Bill 500 also directed the Liquor Division to attempt to return as profit at least 13 percent of net sales. In fiscal 1986, the division earned \$4,698,814 net income on \$37,974,543 of net sales, or 12.37 percent.

The general appropriations act from Special Session III in June, 1986 directed the department to convert state liquor stores to agency stores in an orderly manner and restructure the liquor retail prices. Both processes are currently in progress. Converting state liquor stores to agency stores was expected to result in an annualized savings of \$1.3 million while the price restructuring was expected to increase revenue \$800,000.

INCOME AND MISCELLANEOUS TAX DIVISION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	108.30	109.94	90.65	90.65	(19.29)
Personal Service	\$2,142,754	\$2,187,774	\$1,938,756	\$1,938,234	(10.47)
Operating Expense	869,215	832,789	1,017,170	1,050,365	21.48
Equipment	107,649	54,599	35,100	18,400	(67.03)
Total Expenditures	<u>\$3,119,618</u>	<u>\$3,075,162</u>	<u>\$2,991,026</u>	<u>\$3,006,999</u>	<u>(3.18)</u>
Fund Sources					
General Fund	\$3,042,230	\$3,004,374	\$2,908,142	\$2,919,115	(3.63)
State Special	77,388	70,788	82,884	87,884	15.25
Total Funds	<u>\$3,119,618</u>	<u>\$3,075,162</u>	<u>\$2,991,026</u>	<u>\$3,006,999</u>	<u>(3.18)</u>

The department combined the functions of the Miscellaneous Tax Division into the Income Tax Division in fiscal 1987. The expenditures of both divisions and the combined request for the 1989 biennium are presented in the main table above so that biennial changes will be comparable.

The Income Tax Division administers and enforces the Montana personal income and withholding taxes, which includes partnership returns, fiduciary and trust returns, estimated income tax, filing extensions, and elderly homeowner/renter credit. These taxes constitute the largest payments to the general fund. The distribution of the taxes is 64 percent general fund, 25 percent school equalization fund, and 11 percent to the long-range building program.

The division is now responsible for the functions of the former Miscellaneous Tax Division. The miscellaneous tax function is currently responsible for the administration of seventeen licenses and taxes and the minimum cigarette price law. Some of the taxes administered by the miscellaneous tax function are proposed by the Governor to be eliminated as "nuisance" taxes.

The current level budget for the combined divisions provides a 3.2 percent decrease in the 1989 biennium from the 1987 biennium. The decrease is attributable primarily to the 19.29 FTE reduction from the fiscal 1987 level. The 20.0 FTE authorized by House Bill 500 for fiscal 1987 which are required to be deleted from current level are deleted.

Operating expenses increase 21.5 percent from the 1987 biennium to the 1989 biennium as the agency will be installing the income tax computer systems authorized by the 1985 legislature and funds are included to provide operating costs for the new systems.

This division is funded from general fund and state special revenue. General fund decreases 3.6 percent from the 1987 biennium to the 1989 biennium following the overall expenditure decrease. State special revenue, which includes cigarette tax enforcement revenue and unclaimed property revenue is budgeted to increase 15 percent. This increase reflects the agency's request.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding of the Income Tax Division to allocations as anticipated by the 1985 legislature.

Table 4
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.F.	94.15	89.65	4.50
Personal Service	\$1,904,605	\$1,752,401	\$152,204
Operating Expense	732,313	771,651	(39,338)
Equipment	102,169	98,023	4,146
Total Expenditures	<u>\$2,739,087</u>	<u>\$2,622,075</u>	<u>\$117,012</u>
<u>Funding</u>			
General Fund	\$2,728,901	\$2,613,220	\$115,681
State Special*	10,186	8,855	1,331
Total Funds	<u>\$2,739,087</u>	<u>\$2,622,075</u>	<u>\$117,012</u>

*The division received \$3,760 of unanticipated special revenue funds in fiscal 1986. The division reverted general fund of a like amount. The \$3,760 is included in the state special category in this table.

Fiscal 1986 total expenditures for the Income Tax Division were \$117,012 less than authorized because the agency transferred \$113,852 of its personal services allocation out of the division to the Data Processing Division. The remaining \$38,352 difference in personal services was vacancy savings.

Operating expenses were \$39,338 greater than the level authorized by the 1985 legislature. The agency utilized its personal services savings to mitigate the shortfall in operating expenses.

REPORT EBSR99
 DATE : 01/07/87
 TIME : 17/26/09

OFFICE OF BUDGET & PROGRAM PLANNING
 EXECUTIVE BUDGET SYSTEM
 AGENCY/PROGRAM/CONTROL -- BUDGET DETAIL COMPARISONS

AGENCY : 5801 DEPARTMENT OF REVENUE
 PROGRAM : 04 LEGAL DIVISION
 CONTROL : 40042 ADDITIONAL INVESTIGATOR - Lottery

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)		2.00	2.00		2.00	2.00		2.00
1100	SALARIES		39,821	39,821		39,821	39,669		39,669
1400	EMPLOYEE BENEFITS		6,109	6,109		6,109	6,201		6,201
1500	HEALTH INSURANCE		2,760	2,760		2,760	2,760		2,760
1600	VACANCY SAVINGS		-1,948	-1,948		-1,948	-1,945		-1,945
	TOTAL LEVEL		46,742	46,742		46,742	46,685		46,685
	TOTAL PROGRAM		46,742	46,742		46,742	46,685		46,685
02995	- Lottery		46,742	46,742		46,742	46,685		46,685
	TOTAL PROGRAM		46,742	46,742		46,742	46,685		46,685

REPORT EBSR99
 DATE : 01/07/87
 TIME : 17/23/43

OFFICE OF BUDGET & PROGRAM PLANNING
 EXECUTIVE BUDGET SYSTEM
 AGENCY/PROGRAM/CONTROL -- BUDGET DETAIL COMPARISONS

AGENCY : 5801 DEPARTMENT OF REVENUE
 PROGRAM : 05 LIQUOR DIVISION
 CONTROL : 00000

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	CURRENT LEVEL SERVICES ONLY		
							OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)	199.08	199.08	116.50		116.50	101.30		101.30
1100	SALARIES	2,410,650.72	3,477,463	2,187,014		2,187,014	1,905,381		1,905,381
1200	HOURLY WAGES	278,708.40							
1400	EMPLOYEE BENEFITS	633,337.80	629,848	401,170		401,170	357,947		357,947
1500	HEALTH INSURANCE		238,800	160,770		160,770	139,794		139,794
1600	VACANCY SAVINGS			-109,958		-109,958	-96,125		-96,125
1900	PERSONAL SERVICES-OTHER	-11,044.00							
	TOTAL LEVEL	3,311,652.92	4,346,111	2,638,996		2,638,996	2,306,997		2,306,997
2021	CONTRACTED SERVICES-INFLATI			-2,052		-2,052	-4,103		-4,103
2022	SUPPLIES & MATERIALS-INFLAT			67		67	291		291
2023	COMMUNICATIONS-INFLATION			754		754	1,167		1,167
2026	UTILITIES-INFLATION			8,136		8,136	12,315		12,315
2100	CONTRACTED SERVICES	1,164,312.81	1,286,485	1,795,546		1,795,546	2,033,920		2,033,920
2200	SUPPLIES & MATERIALS	52,224.41	112,124	63,869		63,869	98,869		98,869
2300	COMMUNICATIONS	115,590.39	157,452	108,806		108,806	108,133		108,133
2400	TRAVEL	29,804.21	30,534	30,665		30,665	30,665		30,665
2500	RENT	752,677.28	757,342	406,855		406,855	289,876		289,876
2600	UTILITIES	142,556.16	178,939	83,171		83,171	62,853		62,853
2700	REPAIR & MAINTENANCE	54,918.62	63,165	42,849		42,849	38,275		38,275
2800	OTHER EXPENSES	2,009,020.18	20,950	11,988		11,988	8,792		8,792
2900	GOODS PURCHASED FOR RESALE	24,798,276.66	27,240,000	25,358,836		25,358,836	24,450,538		24,450,538
	TOTAL LEVEL	29,119,380.72	29,846,991	27,909,490		27,909,490	27,131,591		27,131,591
3100	EQUIPMENT	15,047.17	187,000	32,450		32,450	14,450		14,450
3200	LIVESTOCK	99.76							
	TOTAL LEVEL	15,146.93	187,000	32,450		32,450	14,450		14,450
8000	TRANSFERS	14,071,392.50	14,330,000	12,993,486		12,993,486	12,268,807		12,268,807
	TOTAL LEVEL	14,071,392.50	14,330,000	12,993,486		12,993,486	12,268,807		12,268,807
06005	LIQUOR DIVISION	46,517,573.07	48,710,102	43,574,422		43,574,422	41,721,845		41,721,845
	TOTAL PROGRAM	46,517,573.07	48,710,102	43,574,422		43,574,422	41,721,845		41,721,845
	TOTAL PROGRAM	46,517,573.07	48,710,102	43,574,422		43,574,422	41,721,845		41,721,845

2-57-87

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2-5-87

	Fiscal 1986				Fiscal 1987					
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total
HIGHWAY TRAFFIC SAFETY										
1. Operations										
a. Audit	70,247	1,485,698			1,555,945	67,156	1,480,936			1,548,092
	1,219	1,218			2,437					
Total	71,466	1,486,916			1,558,382	67,156	1,480,936			1,548,092
BOARD OF CRIME CONTROL										
1. Operations										
a. Audit	483,905	80,929			564,834	461,780		82,500		544,280
	8,245	1,571			9,816					
Total	492,150	82,500			574,650	461,780		82,500		544,280
DEPARTMENT OF REVENUE										
1. Director's Office										
a. Operations	265,340	83,941		2,836	352,117	236,425	86,856		2,836	326,117
b. Audit	70,000	5,000		24,750	99,750					
2. Central Services	870,973		5,000		875,973	819,810		5,000		824,810
3. Research and Information Division	957,533			319,178	1,276,711	914,298			319,733	1,234,031
4. Legal and Investigation Program	813,142		1,223,378	337,212	2,580,032	753,903	1,397,529	328,870		2,480,302
5. Income Tax Division	2,585,839	6,426			2,792,265	2,568,878	6,844			2,575,722
6. Natural Resources and Corporation Tax	1,241,959	56,588	141,572		1,439,219	1,230,445	55,236	139,338		1,425,019
7. Miscellaneous Tax	17,179	63,384			538,843	391,102	62,162			455,264
8. Motor Fuel Division		713,013			713,013		655,957			655,957
9. Property Assessment Division	11,252,843				11,252,843	9,958,174				9,958,174
a. Equipment	193,670				193,670					
b. Airline Litigation	120,000				120,000					
c. Property Tax Reappraisal						81,151				81,151
Total	19,041,158	933,352	1,575,950	683,976	22,234,436	16,959,186	867,055	1,541,867	651,439	20,019,547

Item 9a is a biennial appropriation. Item 9b is a biennial appropriation to deal with legal issues arising under federal non-discriminatory taxation acts such as the Tax Equity and Fiscal Responsibility Act, the Railroad Revitalization and Regulatory Reform Act, and any subsequent federal legislation that directs the state to take a nondiscriminatory posture in the taxation of entities doing business within the state. This appropriation may be used only for attorney fees, expert witnesses, and extraordinary expenses associated solely with resolving disputes related to such legal issues.

Liquor Division proprietary funds necessary to maintain adequate inventories of liquor and wine and to operate the state liquor operation are appropriated. During the 1987 biennium, the Division shall attempt to return at least 13 percent of net sales. Net sales are gross sales less discounts and all taxes collected. The Division shall limit operational expenses of the liquor merchandising system to not more than 15 percent of net sales. Operational expenses may not include product cost, freight charges, or expenses allocable to other divisions or licensing bureau expenses.

The Division retains full authority to determine store operating hours and the number and location of stores and employees. Nonprofitable or marginally profitable state stores shall be closed or converted to agency stores in an orderly manner. Agency stores shall be closed if the Division considers them marginally profitable and other state stores or agencies are located within a reasonable distance. The Division is directed to implement the recommendations of the Revenue Oversight Committee dated June 19, 1986, with respect to Liquor Division Recovery, provided the Department shall hold timely public hearings prior to closing any state store or agency and prior to implementing a price restructuring.

The appropriation for item 4 includes 13 FTE support staff added to the Child Support Bureau. The agency is prohibited from including these 13 FTE in its current level budget request presented to the 1987 Legislature.

The appropriation for the Income Tax Division includes the additional 19 FTE added. These FTE include 4.5 FTE systems development positions, 6.0 FTE audit staff, and 8.5 FTE collection staff. The agency is prohibited from including these 19 FTE in its current level budget request presented to the 1987 Legislature.

The Department may, through the use of program transfer authority, fund the 7 FTE deleted from the Income Tax Division by House Committee of the Whole Amendment during Special Session III.

The appropriation for item 6 includes 2 FTE added to the Natural Resources and Corporation Tax Division. These FTE include a 1 FTE natural resources tax auditor and a 1 FTE corporate tax auditor. The agency is prohibited from including these 2 FTE in its current level budget request presented to the 1987 Legislature.

Item 9c is to fund the action taken in Senate Bill 19, Special Session III. If Senate Bill 19 does not pass, these funds are to revert to the general fund.

2-6-87

11

Jon Meredith explained that the burea had no idea as to the amount of income from the machines in FY 86. People were hired slowly, thus the vs, to try to meet what the funding would allow. There was \$132,000 spent in the licensing function, \$28,000 in the investigation fundtion, for a total of \$160,000. There was approximately a \$13,000 of administrative money balance/which was carried over to this year. There was a dispute over the grandfather machines in FY 86. Until that was resolved, those funds were held and they have now been disbursed to the local governments.

Ex. Action

Sen. Gage moved the committee adopt the LFA budget.

A voice vote was passed and the motion PASSED unanimously.

Liquor Division (33.15)

Mr. LaFaver urged that if liquor sales fall or come back ~~that~~ the operating costs would move accordingly.

Pam Joehler handed out ~~the~~ copies of the language included in the current general appropriations act. It would require committee action to put it into the bill. EXHIBIT NO. 4.

Ex. Action

Rep. Quilici moved the committee ~~xxxxxx~~ include the language as on Exhibit No. _____.

A voice vote was taken and the motion PASSED unanimously.

LFA

EX 4

Language

2-6

REPORT EBSR99
 DATE : 01/07/87
 TIME : 17/23/43

OFFICE OF BUDGET & PROGRAM PLANNING
 EXECUTIVE BUDGET SYSTEM
 AGENCY/PROGRAM/CONTROL -- BUDGET DETAIL COMPARISONS

AGENCY : 5801 DEPARTMENT OF REVENUE
 PROGRAM : 06 INCOME TAX
 CONTROL : 00000

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	CURRENT LEVEL SERVICES ONLY		
							OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)	89.65	95.15	90.65	90.65		90.65		
1100	SALARIES	1,418,684.83	1,550,877	1,648,163	1,648,163		1,644,264	1,644,260	4
1200	HOURLY WAGES	24,949.24							
1400	EMPLOYEE BENEFITS	308,766.51	218,086	246,241	246,242	-1	249,502	249,504	-2
1500	HEALTH INSURANCE		114,000	124,407	124,407		124,407	124,407	
1600	VACANCY SAVINGS		-78,040	-80,752	-80,056	-696	-80,727	-79,937	-790
1800		606							
	TOTAL LEVEL	1,752,400.58	1,805,529	1,938,059	1,938,756	-697	1,937,446	1,938,234	-788
2021	CONTRACTED SERVICES-INFLATI			-13,475	-10,812	-2,663	-26,950	-20,948	-6,002
2022	SUPPLIES & MATERIALS-INFLAT			32	-223	255	141	2	139
2023	COMMUNICATIONS - INFLATION			59	59		91	91	
2025	RENT-INFLATION				5,069	-5,069	746	7,038	-7,038
2026	UTILITIES-INFLATION			384	384		746	747	-1
2100	CONTRACTED SERVICES	430,247.84	394,122	579,195	627,935	-48,740	579,192	665,523	-8,331
2200	SUPPLIES & MATERIALS	50,933.72	47,839	57,149	57,370	-221	57,149	57,370	-221
2300	COMMUNICATIONS	184,407.49	197,445	202,825	201,720	1,105	202,825	201,720	1,105
2400	TRAVEL	20,213.12	21,044	27,867	27,867		27,867	27,867	
2500	RENT	61,431.77	63,413	76,114	69,328	6,786	78,467	69,328	9,139
2600	UTILITIES	1,942.00	2,059	1,942	1,942		1,942	1,942	
2700	REPAIR & MAINTENANCE	13,643.02	15,288	28,183	25,533	2,650	31,337	28,687	2,650
2800	OTHER EXPENSES	8,829.48	11,043	10,158	10,998	-840	10,158	10,998	-840
	TOTAL LEVEL	771,648.44	752,253	970,433	1,017,170	-46,737	962,965	1,050,365	-87,400
3100	EQUIPMENT	98,023.88	53,989	8,260	35,100	-26,840	5,000	18,400	-13,400
	TOTAL LEVEL	98,023.88	53,989	8,260	35,100	-26,840	5,000	18,400	-13,400
	TOTAL PROGRAM	2,622,072.90	2,611,771	2,916,752	2,991,026	-74,274	2,905,411	3,006,999	-101,588
01100	GENERAL FUND	2,613,218.49	2,604,927	2,833,532	2,908,142	-74,610	2,817,191	2,919,115	-101,924
02025	UNCLAIMED PROPERTY			60,000	60,000		65,000	65,000	
02061	NONGAME WILDLIFE ACCOUNT			8,220	7,884	336	8,220	7,884	336
02441	CIGARETTE ENFORCEMENT		6,844				15,000	15,000	
02930	PROPERTY VALUE TRAINING PRO	3,760.00							
	TOTAL PROGRAM	2,622,072.90	2,611,771	2,916,752	2,991,026	-74,274	2,905,411	3,006,999	-101,588

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OFFICE OF BUDGET & PROGRAM PLANNING
 EXECUTIVE BUDGET SYSTEM
 AGENCY/PROGRAM/CONTROL -- BUDGET DETAIL COMPARISONS

AGENCY : 5801 DEPARTMENT OF REVENUE
 PROGRAM : 06 INCOME TAX
 CONTROL : 60002 INCOME TAX AUTOMATION

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	ORPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
2021	CONTRACTED SERVICES-INFLATI						-7,000		-7,000
2100	CONTRACTED SERVICES						100,000		100,000
	TOTAL LEVEL						93,000		93,000
	TOTAL PROGRAM						93,000		93,000
01100	GENERAL FUND						93,000		93,000
	TOTAL PROGRAM						93,000		93,000

OFFICE OF BUDGET & PROGRAM PLANNING
 EXECUTIVE BUDGET SYSTEM
 AGENCY/PROGRAM/CONTROL -- BUDGET DETAIL COMPARISONS

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AGENCY : 5801 DEPARTMENT OF REVENUE
 PROGRAM : 06 INCOME TAX
 CONTROL : 60001 ASSESSMENT/COLLECTION STAFF

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89	MODIFIED LEVEL SERVICES ONLY	
										0000 FULL TIME EQUIVALENT (FTE)	15.50
1100	SALARIES	242,957	242,957	242,957	242,957	242,957	242,120	242,120	242,120	15.50	15.50
1400	EMPLOYEE BENEFITS	36,253	36,253	36,253	36,253	36,253	36,685	36,685	36,685		
1500	HEALTH INSURANCE	20,838	20,838	20,838	20,838	20,838	20,838	20,838	20,838		
1600	VACANCY SAVINGS	-12,002	-12,002	-12,002	-12,002	-12,002	-11,986	-11,986	-11,986		
	TOTAL LEVEL	288,046	288,046	288,046	288,046	288,046	287,657	287,657	287,657		
2021	CONTRACTED SERVICES-INFLATI			-87		-87					
2022	SUPPLIES & MATERIALS-INFLAT			6		6					
2100	CONTRACTED SERVICES	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500		
2200	SUPPLIES & MATERIALS	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700		
2300	COMMUNICATIONS	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500		
2400	TRAVEL	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800		
2700	REPAIR & MAINTENANCE	400	400	400	400	400	400	400	400		
2800	OTHER EXPENSES	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400		
	TOTAL LEVEL	21,219	21,219	21,219	21,219	21,219	21,150	21,150	21,150		
	TOTAL PROGRAM	309,265	309,265	309,265	309,265	309,265	308,807	308,807	308,807		
01100	GENERAL FUND	309,265	309,265	309,265	309,265	309,265	308,807	308,807	308,807		
	TOTAL PROGRAM	309,265	309,265	309,265	309,265	309,265	308,807	308,807	308,807		

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OFFICE OF BUDGET & PROGRAM PLANNING
 EXECUTIVE BUDGET SYSTEM
 AGENCY/PROGRAM/CONTROL -- BUDGET DETAIL COMPARISONS

AGENCY : 5801 DEPARTMENT OF REVENUE
 PROGRAM : 06 INCOME TAX
 CONTROL : 60006 LODGING TAX

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)			2.00		2.00			2.00
1100	SALARIES			35,442		35,442			35,307
1400	EMPLOYEE BENEFITS			5,437		5,437			5,520
1500	HEALTH INSURANCE			2,760		2,760			2,760
1600	VACANCY SAVINGS			-1,746		-1,746			-1,743
	TOTAL LEVEL		41,893			41,893			41,844
2021	CONTRACTED SERVICES-INFLATI			-280		-280			-560
2100	CONTRACTED SERVICES			9,700		9,700			9,500
2200	SUPPLIES & MATERIALS			400		400			400
2300	COMMUNICATIONS			840		840			620
2400	TRAVEL			5,100		5,100			5,100
2500	RENT			670		670			670
	TOTAL LEVEL		16,430			16,430			15,730
	TOTAL PROGRAM		58,323			58,323			57,574
02984	TOTAL PROGRAM		58,323			58,323			57,574
	TOTAL PROGRAM		58,323			58,323			57,574

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The general appropriations act from Special Session III in June, 1986 directed the department to convert state liquor stores to agency stores in an orderly manner and restructure the liquor retail prices. Both processes are currently in progress. Converting state liquor stores to agency stores was expected to result in an annualized savings of \$1.3 million while the price restructuring was expected to increase revenue \$800,000.

INCOME AND MISCELLANEOUS TAX DIVISION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	108.30	109.94	90.65	90.65	(19.29)
Personal Service	\$2,142,754	\$2,187,774	\$1,938,756	\$1,938,234	(10.47)
Operating Expense	869,215	832,789	1,017,170	1,050,365	21.48
Equipment	107,649	54,599	35,100	18,400	(67.03)
Total Expenditures	\$3,119,618	\$3,075,162	\$2,991,026	\$3,006,999	(3.18)
Fund Sources					
General Fund	\$3,042,230	\$3,004,374	\$2,908,142	\$2,919,115	(3.63)
State Special	77,388	70,788	82,884	87,884	15.25
Total Funds	\$3,119,618	\$3,075,162	\$2,991,026	\$3,006,999	(3.18)

The department combined the functions of the Miscellaneous Tax Division into the Income Tax Division in fiscal 1987. The expenditures of both divisions and the combined request for the 1989 biennium are presented in the main table above so that biennial changes will be comparable.

The Income Tax Division administers and enforces the Montana personal income and withholding taxes, which includes partnership returns, fiduciary and trust returns, estimated income tax, filing extensions, and elderly homeowner/renter credit. These taxes constitute the largest payments to the general fund. The distribution of the taxes is 64 percent general fund, 25 percent school equalization fund, and 11 percent to the long-range building program.

The division is now responsible for the functions of the former Miscellaneous Tax Division. The miscellaneous tax function is currently responsible for the administration of seventeen licenses and taxes and the minimum cigarette price law. Some of the taxes administered by the miscellaneous tax function are proposed by the Governor to be eliminated as "nuisance" taxes.

The current level budget for the combined divisions provides a 3.2 percent decrease in the 1989 biennium from the 1987 biennium. The decrease is attributable primarily to the 19.29 FTE reduction from the fiscal 1987 level. The 20.0 FTE authorized by House Bill 500 for fiscal 1987 which are required to be deleted from current level are deleted.

Operating expenses increase 21.5 percent from the 1987 biennium to the 1989 biennium as the agency will be installing the income tax computer systems authorized by the 1985 legislature and funds are included to provide operating costs for the new systems.

This division is funded from general fund and state special revenue. General fund decreases 3.6 percent from the 1987 biennium to the 1989 biennium following the overall expenditure decrease. State special revenue, which includes cigarette tax enforcement revenue and unclaimed property revenue is budgeted to increase 15 percent. This increase reflects the agency's request.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding of the Income Tax Division to allocations as anticipated by the 1985 legislature.

**Table 4
Comparison of Actual Expenses to Appropriated Expenses**

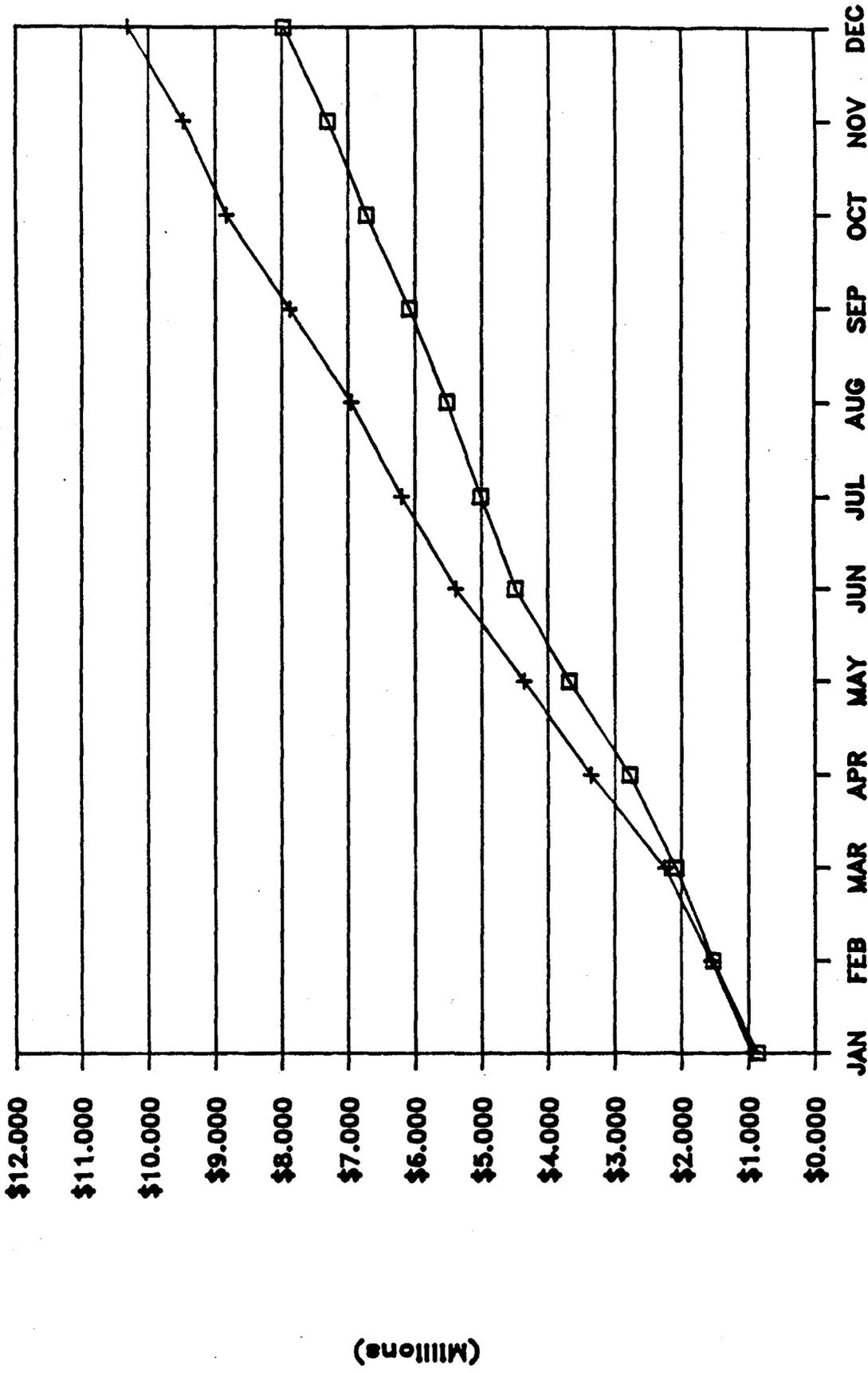
<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F. T. E	94.15	89.65	4.50
Personal Service	\$1,904,605	\$1,752,401	\$152,204
Operating Expense	732,313	771,651	(39,338)
Equipment	102,169	98,023	4,146
Total Expenditures	<u>\$2,739,087</u>	<u>\$2,622,075</u>	<u>\$117,012</u>
Funding			
General Fund	\$2,728,901	\$2,613,220	\$115,681
State Special*	10,186	8,855	1,331
Total Funds	<u>\$2,739,087</u>	<u>\$2,622,075</u>	<u>\$117,012</u>

*The division received \$3,760 of unanticipated special revenue funds in fiscal 1986. The division reverted general fund of a like amount. The \$3,760 is included in the state special category in this table.

Fiscal 1986 total expenditures for the Income Tax Division were \$117,012 less than authorized because the agency transferred \$113,852 of its personal services allocation out of the division to the Data Processing Division. The remaining \$38,352 difference in personal services was vacancy savings.

Operating expenses were \$39,338 greater than the level authorized by the 1985 legislature. The agency utilized its personal services savings to mitigate the shortfall in operating expenses.

INDIVIDUAL INCOME TAX CUMULATIVE REVENUE COLLECTIONS



□ JAN 85 TO DEC 85 + JAN 86 TO DEC 86

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INCOME TAX DIVISION

Assessment revenues to date FY 1987

<u>Month</u>	<u>Collections</u>	<u>Refund Decrease</u>	<u>Total</u>
July	\$700,206	\$107,997	\$808,203
August	\$714,090	\$42,604	\$755,694
September	\$865,882	\$60,048	\$925,930
October	\$894,731	\$54,950	\$949,681
November	\$594,474	\$55,228	\$649,702
December	\$819,042	\$20,654	\$839,696
January	\$1,157,270	\$62,101	\$1,219,371
February			
March			
April			
May			
June			
TOTALS	\$5,745,695	\$403,582	\$6,149,277

PRODUCTIVITY REPORT

Comparison of assessment revenues for year to date

	<u>FY 1984</u>	<u>FY 1985</u>	<u>FY 1986</u>	<u>FY 1987</u>	<u>FY 1987 TO FY 1984</u>	<u>FY 1987 TO FY 1985</u>	<u>FY 1987 TO FY 1986</u>
July	\$424,754	\$751,140	\$518,544	\$808,203	\$383,449	\$57,063	\$289,659
August	\$951,584	\$1,483,892	\$1,021,245	\$1,564,897	\$613,313	\$81,005	\$543,652
September	\$1,567,028	\$1,962,492	\$1,587,903	\$2,490,827	\$923,799	\$528,335	\$902,924
October	\$2,009,787	\$2,649,611	\$2,224,113	\$3,440,508	\$1,430,721	\$790,897	\$1,216,395
November	\$2,472,244	\$3,319,454	\$2,804,343	\$4,090,210	\$1,617,966	\$770,756	\$1,285,867
December	\$3,033,711	\$4,094,349	\$3,481,635	\$4,929,906	\$1,896,195	\$835,557	\$1,448,271
January	\$3,639,114	\$4,970,183	\$4,422,552	\$6,149,277	\$2,510,163	<u>\$1,179,094</u>	\$1,726,725
February	\$4,321,690	\$5,619,930	\$5,045,259				
March	\$5,072,873	\$6,177,758	\$5,731,482				
April	\$5,881,806	\$6,877,179	\$6,845,049				
May	\$6,686,678	\$7,773,153	\$7,650,080				
June	\$7,410,144	\$8,596,765	\$8,877,202				

PRODUCTIVITY REPORT

Comparison of assessment revenues by the month

	<u>FY 1984</u>	<u>FY 1985</u>	<u>FY 1986</u>	<u>FY 1987</u>	<u>FY 1987</u>	<u>FY 1987</u>	<u>FY 1987</u>
					TO FY 1984	TO FY 1985	TO FY 1986
July	\$424,754	\$751,140	\$518,544	↓ \$808,203	\$383,449	\$57,063	\$289,659
August	\$526,830	\$732,752	\$502,701	↑ \$756,694	\$223,864	\$23,942	\$253,993
September	\$615,444	\$478,600	\$566,658	+ \$925,930	\$310,486	\$447,330	\$359,272
October	\$442,759	\$687,119	\$636,210	+ \$949,681	\$506,922	\$262,562	\$313,471
November	\$462,457	\$669,843	\$580,230	- \$649,702	\$187,245	<u>(120,141)</u>	\$69,472
December	\$561,467	\$774,895	\$677,292	↓ \$839,696	\$278,229	\$64,801	\$162,404
January	\$605,403	\$875,834	\$940,917	↔ \$1,219,371	\$613,968	\$343,537	\$278,454
February	\$682,576	\$649,747	\$622,707				
March	\$751,183	\$557,828	\$686,223				
April	\$808,933	\$699,421	\$1,113,567				
May	\$804,872	\$895,974	\$1,005,031				
June	\$723,466	\$823,612	\$1,027,122				

OFFICE OF BUDGET & PROGRAM PLANNING
 EXECUTIVE BUDGET SYSTEM
 AGENCY/PROGRAM/CONTROL -- BUDGET DETAIL COMPARISONS

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)	35.83	37.66	33.00	33.00		33.00	33.00	
1100	SALARIES	740,596.00	877,793	790,905	781,307	9,598	797,566	780,209	17,357
1400	EMPLOYEE BENEFITS	149,540.24	125,042	118,429	116,999	1,430	121,327	118,609	2,638
1500	HEALTH INSURANCE		45,192	45,540	45,540		45,540	45,540	
1600	VACANCY SAVINGS		-37,843	-38,195	-37,462	-733	-38,577	-37,412	-1,165
	TOTAL LEVEL	890,136.24	1,010,184	916,679	906,384	10,295	925,856	907,026	18,830
2021	CONTRACTED SERVICES-INFLATI			-651	-651		-1,302	-1,262	-40
2023	COMMUNICATIONS-INFLATION			8	8		13	13	
2100	RENT-INFLATION				1,958	-1,958	127,102	2,718	-2,718
2200	SUPPLIES & MATERIALS	174,905.72	145,500	127,102	108,982	18,120	127,102	108,982	18,120
2300	COMMUNICATIONS	19,040.62	15,066	18,622	14,074	4,548	18,622	14,074	4,548
2400	TRAVEL	30,586.51	29,871	30,488	30,586	-98	30,488	30,586	-98
2500	RENT	129,722.77	188,405	112,795	137,669	-24,874	112,795	137,669	-24,874
2700	REPAIR & MAINTENANCE	20,408.25	34,793	20,408	20,408		20,408	20,408	
2800	OTHER EXPENSES	3,323.48	2,518	3,324	3,323	1	3,324	3,323	1
	TOTAL LEVEL	1,934.40	7,927	2,384	1,934	450	2,384	1,934	450
3100	EQUIPMENT	379,921.75	424,080	314,480	318,291	-3,811	313,834	318,445	-4,611
	TOTAL LEVEL	9,993.51	7,001	2,500		2,500			
5000	LOCAL ASSISTANCE	9,993.51	7,001	2,500		2,500			
	TOTAL LEVEL	5,639,761.97							
	TOTAL PROGRAM	6,919,813.47	1,441,265	1,233,659	1,224,675	8,984	1,239,690	1,225,471	14,219
01100	GENERAL FUND	1,110,272.13	1,244,901	1,056,757	1,045,499	11,258	1,062,520	1,046,295	16,225
02046	CORP TAX-FIN INST	5,639,761.97							
02432	OIL & GAS ERA	23,602.00	24,010	22,699	24,010	-1,311	22,810	24,010	-1,200
02450	ST LANDS RES DEV	33,330.00	31,611	32,075	33,038	-963	32,232	33,038	-806
03928	ROYALTY AUDIT - NRCT	112,847.37	140,743	122,128	122,128		122,128	122,128	
	TOTAL PROGRAM	6,919,813.47	1,441,265	1,233,659	1,224,675	8,984	1,239,690	1,225,471	14,219

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OFFICE OF BUDGET & PROGRAM PLANNING
 EXECUTIVE BUDGET SYSTEM
 AGENCY/PROGRAM/CONTROL -- BUDGET DETAIL COMPARISONS

AGENCY : 5801 DEPARTMENT OF REVENUE
 PROGRAM : 07 CORPORATION TAX
 CONTROL : 70001 TWO REVENUE AGENTS

AE/OE	DESCRIPTION	FULL TIME EQUIVALENT (FTE)	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	MODIFIED LEVEL SERVICES ONLY			
								OBPP FY 89	LFA FY 89	DIFF FY 89	
0000				2.00			2.00	2.00			2.00
1100	SALARIES			43,948			43,948	43,780			43,780
1400	EMPLOYEE BENEFITS			6,558			6,558	6,634			6,634
1500	HEALTH INSURANCE			2,760			2,760	2,760			2,760
1600	VACANCY SAVINGS			-2,131			-2,131	-2,127			-2,127
	TOTAL LEVEL			51,135			51,135	51,047			51,047
2200	SUPPLIES & MATERIALS			624			624	624			624
2300	COMMUNICATIONS			1,042			1,042	1,042			1,042
2400	TRAVEL			26,280			26,280	26,280			26,280
2800	OTHER EXPENSES			188			188	188			188
	TOTAL LEVEL			28,134			28,134	28,134			28,134
	TOTAL PROGRAM			79,269			79,269	79,181			79,181
01100	GENERAL FUND			79,269			79,269	79,181			79,181
	TOTAL PROGRAM			79,269			79,269	79,181			79,181

The agency spent \$115,681 less general fund than authorized by the 1985 legislature because the program transfers to the other departments were from the general fund.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding of the Miscellaneous Tax Division to allocations as anticipated by the 1985 legislature.

Table 5
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	19.32	18.65	0.67
Personal Service	\$420,787	\$390,353	\$ 30,434
Operating Expense	84,642	97,564	(12,922)
Equipment	17,338	9,626	7,712
Total Expenditures	<u>\$522,767</u>	<u>\$497,543</u>	<u>\$ 25,224</u>
<u>Funding</u>			
General Fund	\$453,312	\$429,010	\$ 24,302
State Special	69,455	68,533	922
Total Funds	<u>\$522,767</u>	<u>\$497,543</u>	<u>\$ 25,224</u>

Fiscal 1986 total expenditures for the Miscellaneous Tax Division were \$25,224 less than authorized by the 1985 legislature. Following a \$22,653 program transfer to the data processing division, the miscellaneous tax division spent \$2,571 less than authorized. Personal services and equipment were underspent while operating expenses were overspent.

The agency transferred 0.67 FTE and \$22,653 personal services to the data processing division to centralize the data processing services. The remaining \$7,781 difference in personal services was vacancy savings above the amount budgeted by the legislature.

Operating expenses were \$12,922 higher than budgeted primarily because the agency spent \$17,250 on a consultant contract for reviewing the present manual systems and developing an automation plan. Development of an automated system was specifically rejected by the 1985 legislature. Cost savings were achieved in travel, where the agency spent only 57 percent of its travel budget.

Equipment expenditures were \$7,712 less than budgeted. The agency did not purchase office equipment as requested and as approved by the 1985 legislature.

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Current Level Adjustments

Current level adjustments include transferring 16.0 FTE and \$62,951 in operating costs from the miscellaneous tax division to the income tax division. The overall base reduction resulting from the transfer was \$34,615. Fiscal 1986 expenditures incurred by the miscellaneous tax division which were not transferred include \$17,250 for the unauthorized automation plan study, approximately \$6,600 of expenditures reduced by the agency in its request, \$5,000 of expenditures paid by the miscellaneous tax division on behalf of the property assessment division, \$616 for telephone charges for moving or changing telephones, \$2,896 for one-time remodeling costs, \$948 for relocation costs, and approximately \$1,300 for miscellaneous costs.

Current level adjustments for the income tax function include a net base adjustment of \$53,676 for the accounts receivable and withholding tax computer systems which are to be operational both years of the 1989 biennium. Additionally, \$128,375 and \$165,963 were added in fiscal 1988 and 1989, respectively, for operating costs for the current income tax system and the new income tax system planned to be operational by January 1989. Maintenance funds were increased \$12,435 in fiscal 1988 and \$15,589 in fiscal 1989. The current level budget reduced base operating expenses \$3,729 for telephone moving charges and \$2,179 for remodeling costs.

A biennial total of \$53,500 was included for computer equipment purchases.

As mentioned briefly earlier, the agency did delete the 20 sunset FTE from its current level budget request. Two and one-half of these FTE were eliminated in fiscal 1987 as part of the department's reduction plan to meet the 5 percent cuts and pay plan funding shortfall.

NATURAL RESOURCES AND CORPORATION TAX DIVISION

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>- - Current Level - -</u>		<u>% Change</u>
	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>1987-89</u>
	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Biennium</u>
F.T.E.	35.83	37.16	33.00	33.00	(4.16)
Personal Service	\$ 890,136	\$1,010,185	\$ 906,384	\$ 907,026	(4.6)
Operating Expense	379,924	424,080	318,291	318,445	(20.8)
Equipment	9,994	7,000	-0-	-0-	(100.0)
Total Expenditures	<u>\$1,280,054</u>	<u>\$1,441,265</u>	<u>\$1,224,675</u>	<u>\$1,225,471</u>	<u>(10.0)</u>
<u>Fund Sources</u>					
General Fund	\$1,110,273	\$1,244,901	\$1,045,499	\$1,046,295	(11.2)
State Special	56,934	55,621	57,048	57,048	1.4
Federal Revenue	<u>112,847</u>	<u>140,743</u>	<u>122,128</u>	<u>122,128</u>	<u>(3.7)</u>
Total Funds	<u>\$1,280,054</u>	<u>\$1,441,265</u>	<u>\$1,224,675</u>	<u>\$1,225,471</u>	<u>(10.0)</u>

The Natural Resources and Corporate Tax Division administers 17 different taxes, including corporate license tax, oil and gas severance tax, coal severance tax, metal mines tax, gross and net proceeds tax, electrical energy license tax, and the resource indemnity trust tax. The division also administers the state and federal royalty audit programs related to mineral production from state and federal lands located in Montana.

The current level budget provides a 10 percent decrease from the 1987 biennium to the 1989 biennium. All major expenditure categories decrease between bienniums. FTE are reduced 4.16 from the fiscal 1987 authorized FTE level following the 5 percent cut. Personal services decrease 4.6 percent from the 1987 biennium to the 1989 biennium because of the FTE reductions.

Operating expenses are budgeted to decrease 20.8 percent in the 1989 biennium as \$63,000 of expenses incurred by this division in fiscal 1986 for the property assessment division are not carried forward into the next biennium. Additionally, travel expenses incurred by the two sunset FTE are removed from the base.

The division is funded from general fund, the state special revenue fund, and federal funds. The state special revenue includes an allocation of the oil and gas special revenue account and the state lands resource development account.

The federal funds include federal royalty audit funds and are used to support 3.0 FTE federal mineral royalty auditors and operating costs. These funds decrease 3.7 percent from the 1987 biennium to the 1989 biennium.

General fund is budgeted to decrease 11.2 percent in the 1989 biennium.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 21
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	37.99	35.83	2.16
Personal Service	\$ 963,261	\$ 890,136	\$ 73,125
Operating Expense	395,259	379,924	15,335
Equipment	12,669	9,994	2,675
Total Expenditures	<u>\$1,371,189</u>	<u>\$1,280,054</u>	<u>\$ 91,135</u>
Funding			
General Fund	\$1,171,191	\$1,110,273	\$ 60,918
State Special	56,981	56,934	47
Federal Revenue	143,017	112,847	30,170
Total Funds	<u>\$1,371,189</u>	<u>\$1,280,054</u>	<u>\$ 91,135</u>

Fiscal 1986 total expenditures were \$91,135 less than authorized due primarily to program transfers removing \$52,149 from this division in fiscal 1986, vacancy savings exceeding the budgeted amount by approximately \$21,000, and operating expense savings of \$15,335.

Before program transfers, the agency spent \$73,125 less on personal services than authorized by the 1985 legislature. The agency transferred a total of 2.16 FTE and \$52,149 to other programs during fiscal 1986. After program transfers, the agency spent \$20,976 less on personal services than authorized by the 1985 legislature. This difference represents vacancy savings in excess of the amount budgeted by the 1985 legislature.

Operating expenses were \$15,335 less than authorized by the 1985 legislature. The agency overexpended its budget in contracted services, supplies, communications, and maintenance expense. Savings were realized in travel, rent, and other costs.

Equipment expenditures were \$2,675 less than authorized.

General fund savings of \$60,918 were realized before program transfers. As all the transfers were from the general fund, the real general fund savings in this program was \$8,769. The agency expended \$30,170 less of federal funds as the reimbursable expenditures were not as high as anticipated during the 1985 session.

Current Level Adjustments

The agency deleted a 0.5 FTE administrative clerk in fiscal 1987 to accommodate the 5 percent and pay plan cuts. This deletion is continued into the 1989 biennium. In addition, the agency transferred 2.16 FTE to other divisions for the 1989 biennium. The 2.0 sunset FTE authorized by the 1985 legislature were also removed from the current level budget.

The agency has requested position upgrades for 9 auditor positions at an annual personal services increase of approximately \$19,300. The upgrades are not included in the current level budget.

One-time contracted services were reduced \$66,337. Travel expenses were increased \$17,945 to allow for more out of state audit trips in the 1989 biennium and decreased \$10,000 due to the sunset FTE being deleted. Supplies were reduced approximately \$3,200 as the fiscal 1986 expenditures were higher than normal, possibly due to the sunset FTE.

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OFFICE OF BUDGET & PROGRAM PLANNING
 EXECUTIVE BUDGET SYSTEM
 AGENCY/PROGRAM/CONTROL -- BUDGET DETAIL COMPARISONS

AGENCY : 5801 DEPARTMENT OF REVENUE
 PROGRAM : 10 MOTOR FUEL TAX
 CONTROL : 00000

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)	26.50	27.17	25.00	25.00		25.00	25.00	
1100	SALARIES	448,159.88	463,482	437,739	437,739		436,720	436,720	
1200	HOURLY WAGES	11,628.58							
1400	EMPLOYER BENEFITS	103,782.52	61,308	65,612	65,612		66,509	66,509	
1500	HEALTH INSURANCE		33,204	35,880	35,880		35,880	35,880	
1600	VACANCY SAVINGS		-22,428	-21,569	-21,311	-258	-21,564	-21,281	-283
	TOTAL LEVEL	563,570.98	535,566	517,662	517,920	-258	517,545	517,828	-283
2021	CONTRACTED SERVICES- INFLATI			-3,336	-2,237	-1,099	-7,393	-4,334	-3,059
2022	SUPPLIES & MATERIALS-INFLAT			9	-60	69	38		38
2023	COMMUNICATIONS-INFLATION			14	14		22	22	
2100	CONTRACTED SERVICES	17,422.96	48,118	104,724	75,411	29,313	114,989	74,910	40,079
2200	SUPPLIES & MATERIALS	7,756.67	5,759	7,557	7,657	-100	7,557	7,657	-100
2300	COMMUNICATIONS	34,886.35	34,671	34,086	34,022	64	34,086	34,022	64
2400	TRAVEL	21,674.46	25,169	21,676	21,676		21,676	21,676	
2500	RENT	10,795.00	10,419	11,872	12,248	-376	11,872	12,248	-376
2700	REPAIR & MAINTENANCE	3,806.83	4,373	5,587	5,606	-19	5,587	5,606	-19
2800	OTHER EXPENSES	1,693.85	2,948	1,694	1,694		1,694	1,694	
	TOTAL LEVEL	98,036.12	131,457	183,883	156,031	27,852	190,128	153,501	36,627
3100	EQUIPMENT	19,450.15		8,952	8,620	332	300		300
3400	INTANGIBLE ASSETS	300.00							
	TOTAL LEVEL	19,750.15		8,952	8,620	332	300		300
	TOTAL PROGRAM	681,357.25	667,023	710,497	682,571	27,926	707,973	671,329	36,644
02422	HIGHWAYS SPECIAL REVENUE	681,357.25	667,023	710,497	682,571	27,926	707,973	671,329	36,644
	TOTAL PROGRAM	681,357.25	667,023	710,497	682,571	27,926	707,973	671,329	36,644

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PROPERTY ASSESSMENT -- ADMINISTRATION

Budget Item	Actual	Current Level	
	Fiscal 1986	Fiscal 1987	Fiscal 1989
FTE	19.90	13.50	13.50
Personal Services	\$508,909	\$421,518	\$421,520
Operating Expenses	285,124	196,054	196,116
Equipment	6,595	1,036	432
Total Expenditures	\$800,628	\$618,608	\$618,068
Fund Sources			
General Fund	\$800,628	\$618,608	\$618,068

The administration subprogram contains the administrative and legal function of the division. The 1989 biennial budget provides for 13.5 FTE, down 6.4 FTE from the fiscal 1986 level. The reduction results from reorganization and pay plan reductions.

Base operating expenses were reduced approximately \$88,700 of which approximately \$75,000 was at the agency's request to reflect reorganization savings and reappraisal expenditures not needed in the next biennium. The remaining base reductions included in the current level budget reflect printing and postage expenditure reductions to the fiscal 1986 appropriated level.

Equipment expenditures include \$1,036 in fiscal 1988 and \$432 in fiscal 1989 for office equipment.

MOTOR FUELS DIVISION

Budget Item	Actual	Appropriated	Current Level		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	26.50	25.76	25.00	25.00	(0.76)
Personal Service	\$563,571	\$535,566	\$517,920	\$517,828	(5.8)
Operating Expense	98,036	131,457	156,031	153,501	34.9
Equipment	19,751	-0-	8,620	-0-	(56.4)
Total Expenditures	\$681,358	\$667,023	\$682,571	\$671,329	0.4
Fund Sources					
State Special	\$681,358	\$667,023	\$682,571	\$671,329	0.4

The Motor Fuel Tax Division administers and enforces the motor fuel tax law including the issuance of licenses and permits, collection of taxes, enforcement of the bonding requirements, and payments of refunds. The division is funded from an allocation of highways special revenue.

The current level budget provides a 0.4 percent increase in the 1989 biennium. Personal services decrease 5.8 percent due to the 0.76 FTE reduction from fiscal 1987 and because personal services expenditures were higher than budgeted in fiscal 1986. The 0.76 FTE reduction includes a 0.67 FTE transfer to the data processing division. The remaining 0.09 FTE difference relates to further reductions made by the agency in response to the 5 percent and pay plan cuts in fiscal 1987.

Operating expenses are budgeted to increase 34.9 percent. The increase results from computer operating costs relating to the automated fuel tax collection system authorized by the 1985 legislature.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations anticipated by the 1985 legislature.

Table 7
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	27.17	26.50	0.67
Personal Service	\$557,819	\$563,571	\$ (5,752)
Operating Expense	161,536	98,036	63,500
Equipment	5,700	19,751	(14,051)
Total Expenditures	<u>\$725,055</u>	<u>\$681,358</u>	<u>\$ 43,697</u>
<u>Funding</u>			
State Special Revenue	<u>\$725,055</u>	<u>\$681,358</u>	<u>\$ 43,697</u>

Fiscal 1986 expenditures were \$43,697 less than authorized. The agency transferred 0.67 FTE data processing staff and \$22,554 to the data processing division in fiscal 1986 to consolidate services. Taking into consideration the program transfer, actual expenditures were \$21,143 less than authorized.

Personal services were \$28,306 higher than budgeted. This total differs from the table because the program transfer was all in personal services. The agency funded portions of four positions budgeted in other programs from the modified contracted services appropriation for the computer system development.

Operating expenses were \$63,500 less than budgeted by the legislature primarily because the division spent approximately \$34,000 of the contracted services modified to fund portions of four positions to develop the computer system. Therefore, the

OFFICE OF BUDGET & PROGRAM PLANNING
 EXECUTIVE BUDGET SYSTEM
 AGENCY/PROGRAM/CONTROL -- BUDGET DETAIL COMPARISONS

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)			35.70	35.70		35.70	35.70	
1100	SALARIES			637,564	637,564		637,564	637,564	
1400	EMPLOYEE BENEFITS			89,210	92,717	-3,507	90,680	94,182	-3,502
1500	HEALTH INSURANCE			70,380	49,266	21,114	70,380	49,266	21,114
1600	VACANCY SAVINGS				-31,182	31,182		-31,240	31,240
	TOTAL LEVEL			797,154	748,365	48,789	798,624	749,772	48,852
	TOTAL PROGRAM			797,154	748,365	48,789	798,624	749,772	48,852
01100	GENERAL FUND			797,154	748,365	48,789	798,624	749,772	48,852
	TOTAL PROGRAM			797,154	748,365	48,789	798,624	749,772	48,852

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PROPERTY ASSESSMENT -- ELECTED ASSESSORS

Budget Item	Actual	Current Level	
	Fiscal 1986	Fiscal 1987	Fiscal 1989
FTE	36.40	35.70	35.70
Personal Services	\$ -0-	\$748,365	\$749,772
Fund Sources			
General Fund	\$ -0-	\$748,365	\$749,365

The elected assessors subprogram, newly created in this budget cycle, contains the personal services budget for elected assessors. There were 52 (36.4 FTE) elected assessors in fiscal 1986 and 51 (35.7 FTE) are budgeted for the 1989 biennium. The state pays 70 percent of the elected assessors' salaries.

The FTE reduction in the 1989 biennium occurs as Flathead County is combining its assessor and treasurer office into one office; therefore, the salary for the assessor will not be needed.

PROPERTY ASSESSMENT -- APPRAISERS AND NON-ELECTED ASSESSORS

Budget Item	Actual	Current Level	
	Fiscal 1986	Fiscal 1987	Fiscal 1989
FTE	395.10	334.05	334.05
Personal Services	\$ 8,771,135	\$6,873,283	\$6,870,732
Operating Expenses	1,263,527	1,261,930	1,211,619
Equipment	212,039	105,000	105,000
Total Expenditures	\$10,246,701	\$8,240,213	\$8,187,351
Fund Sources			
General Fund	\$10,221,701	\$8,240,213	\$8,187,351
State Special	25,000	-0-	-0-
Total Funds	\$10,246,701	\$8,240,213	\$8,187,351

The appraisers and non-elected assessors subprogram contains the expenses necessary to operate the county offices and eight area offices. Between fiscal 1986 and each year of the 1989 biennium, FTE are budgeted to decrease 61.05. This occurs because 24.0 FTE were authorized for fiscal 1986 only to assist in completing the reappraisal cycle and because most of the agency reductions for the five percent and pay plan cuts were in this subprogram.

Operating expense adjustments include a \$53,483 base reduction for postage expense. The 1985 legislature approved \$231,788 in fiscal 1986 for postage costs because the completion of the reappraisal cycle necessitated sending out large volumes of mail. The division actually spent \$132,604. Because the reappraisal cycle has ended, the current level base adjustment to the actual fiscal 1986 expenditure will provide funds at the fiscal 1985 expenditure level.

In fiscal 1986, other divisions paid \$190,000 for data processing costs attributable to the property assessment division. These costs were added to the data processing base operating costs in this subprogram for the 1989 biennium.

Base operating costs for county computer support were reduced approximately \$126,000, leaving \$140,000 for county computer support each year of the 1989 biennium. The legislature in Special Session III reduced the division's original fiscal 1987 appropriation for county computer support from \$265,400 to \$144,000.

The current level equipment budget includes \$160,000 in the 1989 biennium to replace 16 vehicles and \$50,000 in the biennium for office equipment.

PROPERTY ASSESSMENT -- HELENA

Budget Item	Actual Fiscal 1986	- - - - Current Level - - - - Fiscal 1987	Fiscal 1989
FTE	14.00	11.00	11.00
Personal Services	\$403,603	\$299,878	\$300,104
Operating Expenses	113,007	53,624	53,581
Equipment	<u>24,213</u>	<u>9,025</u>	<u>373</u>
Total Expenditures	<u>\$540,823</u>	<u>\$362,527</u>	<u>\$354,058</u>
<u>Fund Sources</u>			
General Fund	<u>\$540,823</u>	<u>\$362,527</u>	<u>\$354,058</u>

Between fiscal 1986 and the 1989 biennium the current level budget reduces the FTE in this subprogram by 3.0 FTE. This reduction results from 1.0 FTE being transferred to the appraisers and non-elected assessors subprogram, 1.0 FTE being transferred to the director's office, 2.0 FTE being transferred to the administration subprogram, and 1.0 FTE being transferred in from the administration subprogram. Accompanying the FTE reduction is an operating expense decrease in this subprogram of approximately \$50,000 each year, which reflects the agency's request. Not included was the agency's request totaling approximately \$5,900 for increased computer processing, printing, and travel costs above the fiscal 1986 actual level.

Equipment includes the purchase of a replacement vehicle in fiscal 1988 and \$373 each year for office equipment.

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OFFICE OF BUDGET & PROGRAM PLANNING
 EXECUTIVE BUDGET SYSTEM
 AGENCY/PROGRAM/CONTROL -- BUDGET DETAIL COMPARISONS

AGENCY : 5801 DEPARTMENT OF REVENUE
 PROGRAM : 08 PROPERTY VALUATION
 CONTROL : 00081 APPRAISERS & NON-ELE ASSESSORS

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LIA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)		334.05	334.05	334.05		334.05		
1100	SALARIES	6,663,479.15	5,828,254	5,828,254	5,810,373	17,881	5,813,740	5,795,883	17,857
1200	HOURLY WAGES	533,501.53							
1400	EMPLOYEE BENEFITS	1,574,153.32	869,503	869,503	866,328	3,175	881,102	878,123	2,979
1500	HEALTH INSURANCE		465,060	465,060	464,922	138	465,060	464,922	138
1600	VACANCY SAVINGS		-286,513	-286,513	-283,709	-2,804	-286,396	-283,312	-3,084
1800			15,369		15,369	-15,369		15,116	-15,116
	TOTAL LEVEL	8,771,134.00	6,876,304	6,876,304	6,873,283	3,021	6,873,506	6,870,732	2,774
2021	CONTRACTED SERVICES-INFLATI		-11,217	-11,217	-8,208	-3,009	-22,435	-15,903	-6,532
2022	SUPPLIES & MATERIALS-INFLAT		467	467	-3,240	3,707	2,054	30	2,024
2023	COMMUNICATIONS-INFLATION		968	968	968		1,495	1,496	-1
2026	UTILITIES-INFLATION		91	91	91		176		-1
2100	CONTRACTED SERVICES	220,499.83	562,745	562,745	534,448	28,297	523,745	504,448	19,297
2200	SUPPLIES & MATERIALS	231,885.43	233,980	233,980	231,729	2,251	233,980	231,729	2,251
2300	COMMUNICATIONS	259,529.30	236,926	236,926	206,047	30,879	236,926	206,047	30,879
2400	TRAVEL	163,877.11	163,840	163,840	163,871	-31	163,871	163,871	-58
2500	RENT	38,383.86	45,029	45,029	38,384	6,645	45,029	38,384	6,645
2600	UTILITIES	316,528.32	528	528	528		528	528	
2700	REPAIR & MAINTENANCE	316,154.34	187,952	187,952	50,825	137,127	177,952	50,825	127,127
2800	OTHER EXPENSES	32,664.70	48,543	48,543	46,487	2,056	32,043	29,987	2,056
	TOTAL LEVEL	1,263,522.89	1,469,852	1,469,852	1,261,930	207,922	1,395,306	1,211,619	183,687
3100	EQUIPMENT	212,038.64	209,000	209,000	105,000	104,000	236,000	105,000	131,000
	TOTAL LEVEL	212,038.64	209,000	209,000	105,000	104,000	236,000	105,000	131,000
01100	GENERAL FUND	10,246,695.53	8,555,156	8,555,156	8,240,213	314,943	8,504,812	8,187,351	317,461
02930	PROPERTY VALUE TRAINING PRO	25,000.00	8,555,156	8,555,156	8,240,213	314,943	8,504,812	8,187,351	317,461
	TOTAL PROGRAM	10,246,695.53	8,555,156	8,555,156	8,240,213	314,943	8,504,812	8,187,351	317,461
	TOTAL PROGRAM	10,246,695.53	8,555,156	8,555,156	8,240,213	314,943	8,504,812	8,187,351	317,461

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OFFICE OF BUDGET & PROGRAM PLANNING
 EXECUTIVE BUDGET SYSTEM
 AGENCY/PROGRAM/CONTROL -- BUDGET DETAIL COMPARISONS

AGENCY : 5801 DEPARTMENT OF REVENUE
 PROGRAM : 08 PROPERTY VALUATION
 CONTROL : 00000

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)	464.40	425.80						
1100	SALARIES		7,177,374						
1400	EMPLOYEE BENEFITS		979,193						
1500	HEALTH INSURANCE		538,800						
1600	VACANCY SAVINGS		-316,037						
1800			661						
	TOTAL LEVEL		8,379,991						
2100	CONTRACTED SERVICES		529,396						
2200	SUPPLIFS & MATERIALS		362,406						
2300	COMMUNICATIONS		355,713						
2400	TRAVEL		255,317						
2500	RENT		70,517						
2600	UTILITIES		1,052						
2700	REPAIR & MAINTENANCE		198,317						
2800	OTHER EXPENSES		20,736						
	TOTAL LEVEL		1,793,454						
3100	EQUIPMENT		57,466						
	TOTAL LEVEL		57,466						
	TOTAL PROGRAM		10,230,911						
01100	GENERAL FUND		10,230,911						
	TOTAL PROGRAM		10,230,911						

OFFICE OF BUDGET & PROGRAM PLANNING
 EXECUTIVE BUDGET SYSTEM
 AGENCY/PROGRAM/CONTROL -- BUDGET DETAIL COMPARISONS

REPORT EBSR99
 DATE : 01/07/87
 TIME : 17/26/09

AGENCY : 5801 DEPARTMENT OF REVENUE
 PROGRAM : 08 PROPERTY VALUATION
 CONTROL : 80081 ON-LINE DATA SYSTEM

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89	MODIFIED LEVEL SERVICES ONLY	
										1.00	1.00
0000	FULL TIME EQUIVALENT (FTE)		1.00			1.00				1.00	
1100	SALARIES		21,515			21,515				21,433	
1400	EMPLOYEE BENEFITS		3,210			3,210				3,248	
1500	HEALTH INSURANCE		1,380			1,380				1,380	
1600	VACANCY SAVINGS		-1,044			-1,044				-1,042	
	TOTAL LEVEL		25,061			25,061				25,019	
2021	CONTRACTED SERVICES- INFLATI		-1,667			-1,667				-6,313	
2100	CONTRACTED SERVICES		-57,361			-57,361				-26,814	
2200	SUPPLIES & MATERIALS		-500			-500				-3,752	
2300	COMMUNICATIONS		1,020			1,020				17,104	
2700	REPAIR & MAINTENANCE		-7,120			-7,120				-37,680	
	TOTAL LEVEL		-65,628			-65,628				-57,455	
3100	EQUIPMENT		-7,400			-7,400				109,600	
	TOTAL LEVEL		-7,400			-7,400				109,600	
	TOTAL PROGRAM		-47,967			-47,967				77,164	
01100	GENERAL FUND		-47,967			-47,967				77,164	
	TOTAL PROGRAM		-47,967			-47,967				77,164	

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 DATE : 01/07/87
 TIME : 17/26/09

OFFICE OF BUDGET & PROGRAM PLANNING
 EXECUTIVE BUDGET SYSTEM
 AGENCY/PROGRAM/CONTROL -- BUDGET DETAIL COMPARISONS

AGENCY : 5801 DEPARTMENT OF REVENUE
 PROGRAM : 08 PROPERTY VALUATION
 CONTROL : 86501 RAILROAD APPRAISAL

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	MODIFIED LEVEL SERVICES ONLY		
							OBPP FY 89	LFA FY 89	DIFF FY 89
2100	CONTRACTED SERVICES		51,000	51,000		51,000	51,000		51,000
2200	SUPPLIES & MATERIALS		3,000	3,000		3,000	3,000		3,000
2400	TRAVEL		6,000	6,000		6,000	6,000		6,000
	TOTAL LEVEL		60,000	60,000		60,000	60,000		60,000
	TOTAL PROGRAM		60,000	60,000		60,000	60,000		60,000
01100	GENERAL FUND		60,000	60,000		60,000	60,000		60,000
	TOTAL PROGRAM		60,000	60,000		60,000	60,000		60,000

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PROPERTY ASSESSMENT -- ELECTED ASSESSORS

Budget Item	Actual	- - - - Current Level - - - -	
	Fiscal 1986	Fiscal 1987	Fiscal 1989
FTE	36.40	35.70	35.70
Personal Services	\$ -0-	\$748,365	\$749,772
Fund Sources			
General Fund	\$ -0-	\$748,365	\$749,365

The elected assessors subprogram, newly created in this budget cycle, contains the personal services budget for elected assessors. There were 52 (36.4 FTE) elected assessors in fiscal 1986 and 51 (35.7 FTE) are budgeted for the 1989 biennium. The state pays 70 percent of the elected assessors' salaries.

The FTE reduction in the 1989 biennium occurs as Flathead County is combining its assessor and treasurer office into one office; therefore, the salary for the assessor will not be needed.

PROPERTY ASSESSMENT -- APPRAISERS AND NON-ELECTED ASSESSORS

Budget Item	Actual	- - - - Current Level - - - -	
	Fiscal 1986	Fiscal 1987	Fiscal 1989
FTE	395.10	334.05	334.05
Personal Services	\$ 8,771,135	\$6,873,283	\$6,870,732
Operating Expenses	1,263,527	1,261,930	1,211,619
Equipment	212,039	105,000	105,000
Total Expenditures	\$10,246,701	\$8,240,213	\$8,187,351
Fund Sources			
General Fund	\$10,221,701	\$8,240,213	\$8,187,351
State Special	25,000	-0-	-0-
Total Funds	\$10,246,701	\$8,240,213	\$8,187,351

The appraisers and non-elected assessors subprogram contains the expenses necessary to operate the county offices and eight area offices. Between fiscal 1986 and each year of the 1989 biennium, FTE are budgeted to decrease 61.05. This occurs because 24.0 FTE were authorized for fiscal 1986 only to assist in completing the reappraisal cycle and because most of the agency reductions for the five percent and pay plan cuts were in this subprogram.

Operating expense adjustments include a \$53,483 base reduction for postage expense. The 1985 legislature approved \$231,788 in fiscal 1986 for postage costs because the completion of the reappraisal cycle necessitated sending out large volumes of mail. The division actually spent \$132,604. Because the reappraisal cycle has ended, the current level base adjustment to the actual fiscal 1986 expenditure will provide funds at the fiscal 1985 expenditure level.

In fiscal 1986, other divisions paid \$190,000 for data processing costs attributable to the property assessment division. These costs were added to the data processing base operating costs in this subprogram for the 1989 biennium.

Base operating costs for county computer support were reduced approximately \$126,000, leaving \$140,000 for county computer support each year of the 1989 biennium. The legislature in Special Session III reduced the division's original fiscal 1987 appropriation for county computer support from \$265,400 to \$144,000.

The current level equipment budget includes \$160,000 in the 1989 biennium to replace 16 vehicles and \$50,000 in the biennium for office equipment.

PROPERTY ASSESSMENT -- HELENA

Budget Item	Actual	- - - - Current Level - - - -	
	Fiscal 1986	Fiscal 1987	Fiscal 1989
FTE	14.00	11.00	11.00
Personal Services	\$403,603	\$299,878	\$300,104
Operating Expenses	113,007	53,624	53,581
Equipment	<u>24,213</u>	<u>9,025</u>	<u>373</u>
Total Expenditures	<u>\$540,823</u>	<u>\$362,527</u>	<u>\$354,058</u>
Fund Sources			
General Fund	<u>\$540,823</u>	<u>\$362,527</u>	<u>\$354,058</u>

Between fiscal 1986 and the 1989 biennium the current level budget reduces the FTE in this subprogram by 3.0 FTE. This reduction results from 1.0 FTE being transferred to the appraisers and non-elected assessors subprogram, 1.0 FTE being transferred to the director's office, 2.0 FTE being transferred to the administration subprogram, and 1.0 FTE being transferred in from the administration subprogram. Accompanying the FTE reduction is an operating expense decrease in this subprogram of approximately \$50,000 each year, which reflects the agency's request. Not included was the agency's request totaling approximately \$5,900 for increased computer processing, printing, and travel costs above the fiscal 1986 actual level.

Equipment includes the purchase of a replacement vehicle in fiscal 1988 and \$373 each year for office equipment.

25
2-5-81

Part 7 — Assessment and Map Books

- 15-8-701. Assessment book — definition — listing property in.
- 15-8-702. Persons desiring to be listed.
- 15-8-703. Repealed.
- 15-8-704. Map book.
- 15-8-705. Assessment and map book delivered to and kept by clerk.
- 15-8-706. Statement by agent to the department.
- 15-8-707. Correction of defects in form of assessment book.
- 15-8-708. Omissions in delinquent lists — correction by publication.
- 15-8-709. Statement of changes to be sent to county clerk.
- 15-8-710. Assessment and delinquent books prima facie evidence.

Chapter Cross-References

Property tax administration, Art. VIII, sec. 3. 15-8-512. Taxation of condominium units, 15-8-511.
 Mont. Const. Hard-rock mining impact property tax base sharing, Title 90, ch. 6, part 4.
 Equal valuation, Art. VIII, sec. 4, Mont. Const.

Part 1

General Provisions

15-8-101. Department responsibilities. The department of revenue shall have full charge of assessing all property subject to taxation and equalizing values and shall secure such personnel as is necessary to properly perform its duties.

History: En. Sec. 1, Ch. 61, L. 1925; re-en. Sec. 2001.1, R.C.M. 1935; amd. Sec. 1, Ch. 100, L. 1939; amd. Sec. 2, Ch. 405, L. 1973; amd. Sec. 49, Ch. 566, L. 1977; R.C.M. 1947, 84-402(2).

Cross-References

Assessment of Department basis for taxation of cities and towns, 7-6-4409.

15-8-102. County assessor as agent of department — counties to furnish office space. (1) The county assessors of the various counties of the state are agents of the department of revenue for the purpose of locating and providing the department a description of all taxable property within the county, together with other pertinent information, and for the purpose of performing such other administrative duties as are required for placing taxable property on the assessment rolls. The assessors shall perform such other duties as are required by law, not in conflict with the provisions of this subsection.

(2) The county commissioners of the various counties shall provide existing office space in the county courthouse for use by the county assessor, his deputies and staff, and the state appraiser and staff, if such space is reasonably available. If such space is not reasonably available in the courthouse and the same must be contracted for, the department shall pay the cost thereof. Additional personal property required by the department for the assessor to perform his duties as agent of the department shall be provided by the department.

(3) The department must provide maps for the use of its agents, showing the private lands owned or claimed in the county and, if surveyed under authority of the United States, the divisions and subdivisions of the survey.

Maps of cities and villages or school districts may in like manner be provided. The cost of making such maps is a state charge and must be paid from the state general fund.

History: (1), (2)En. Sec. 1, Ch. 61, L. 1925; re-en. Sec. 2001.1, R.C.M. 1935; amd. Sec. 1, Ch. 100, L. 1939; amd. Sec. 2, Ch. 405, L. 1973; amd. Sec. 49, Ch. 566, L. 1977; Sec. 84-402, R.C.M. 1947; (3)En. Sec. 3732, Pol. C. 1895; re-en. Sec. 2551, Rev. C. 1907; re-en. Sec. 2056, R.C.M. 1921; Cal. Pol. C. Sec. 3658; re-en. Sec. 2056, R.C.M. 1935; amd. Sec. 32, Ch. 405, L. 1973; Sec. 84-509, R.C.M. 1947; R.C.M. 1947, 84-402(1), (4), 84-509.

Cross-References

Agent required to submit form for state land equalization payment, 77-1-503.

Agent required to explain and determine if taxpayer wishes to be covered under crop hail insurance levy, 80-2-204.

Agent required to add irrigation district assessment to assessment book, 85-7-2136.

Agent required to add drainage district assessment to assessment book, 85-8-601.

15-8-103. Department to conduct assessing schools. The department of revenue shall schedule and hold area schools within the state for appraisers and assessors as often as it considers necessary. The costs of such appraisers and assessors attending shall be borne by the state. The department shall notify all assessors and appraisers at least 6 months before such school is scheduled. All assessors and appraisers shall attend.

History: En. 84-708.1 by Sec. 53, Ch. 405, L. 1973; amd. Sec. 1, Ch. 134, L. 1975; amd. Sec. 1, Ch. 381, L. 1975; amd. Sec. 1, Ch. 465, L. 1975; amd. Sec. 9, Ch. 98, L. 1977; amd. Sec. 53, Ch. 566, L. 1977; R.C.M. 1947, 84-708.1(part).

15-8-104. Department audit of taxable value — costs of audit paid by department. (1) When in the judgment of the director of revenue is necessary, audits may be made for the purpose of determining the taxable value of net proceeds of mines and oil and gas wells and all other types of property subject to ad valorem taxation.

(2) The department of revenue shall conduct audits of the assessment of all commercial personal property to assure that the value of the property in those classes reflects market value. Because the assessed value of commercial personal property is defined as market value under 15-8-111(2), the audits conducted by the department shall be primarily directed toward ensuring that all taxable personal property is reported to the department.

(3) The cost of any audit performed under subsection (1) or (2) shall be paid by the department.

History: (1)En. 84-708.9 by Sec. 1, Ch. 235, L. 1975; amd. Sec. 1, Ch. 40, L. 1977; Sec. 84-708.9, R.C.M. 1947; (2)En. 84-708.10 by Sec. 2, Ch. 235, L. 1975; Sec. 84-708.10, R.C.M. 1947; R.C.M. 1947, 84-708.9, 84-708.10; amd. Sec. 1, Ch. 222, L. 1979; amd. Sec. 10, Ch. 634, L. 1979; amd. Sec. 3, Ch. 613, L. 1981; amd. Sec. 9, Ch. 743, L. 1985.

Compiler's Comments

1985 Amendment: Inserted (2); and in (3) substituted "any audit performed under subsection (1) or (2)" for "the audit". Amendment effective January 1, 1986.

1981 Amendment: In (1), deleted "business inventories" after "gas wells"; and deleted subsections (2) and (3) relating to business inventories.

15-8-105 through 15-8-110 reserved.

15-8-111. Assessment — market value standard — exceptions. (1) All taxable property must be assessed at 100% of its market value except as provided in subsection (5) of this section and in 15-7-111 through 15-7-114.

26
2-5-87

During each five-year reappraisal cycle, we contemplate revaluing the following volumes and types of property:

51,000,000	acres of agricultural land
3,500,000	acres of timber land
259,025	residences including mobile homes
43,630	commercial properties
51,680	farmsteads
800	industrial properties

A review of private sector prices required to appraise property indicates that current prices for these services would generate the following costs:

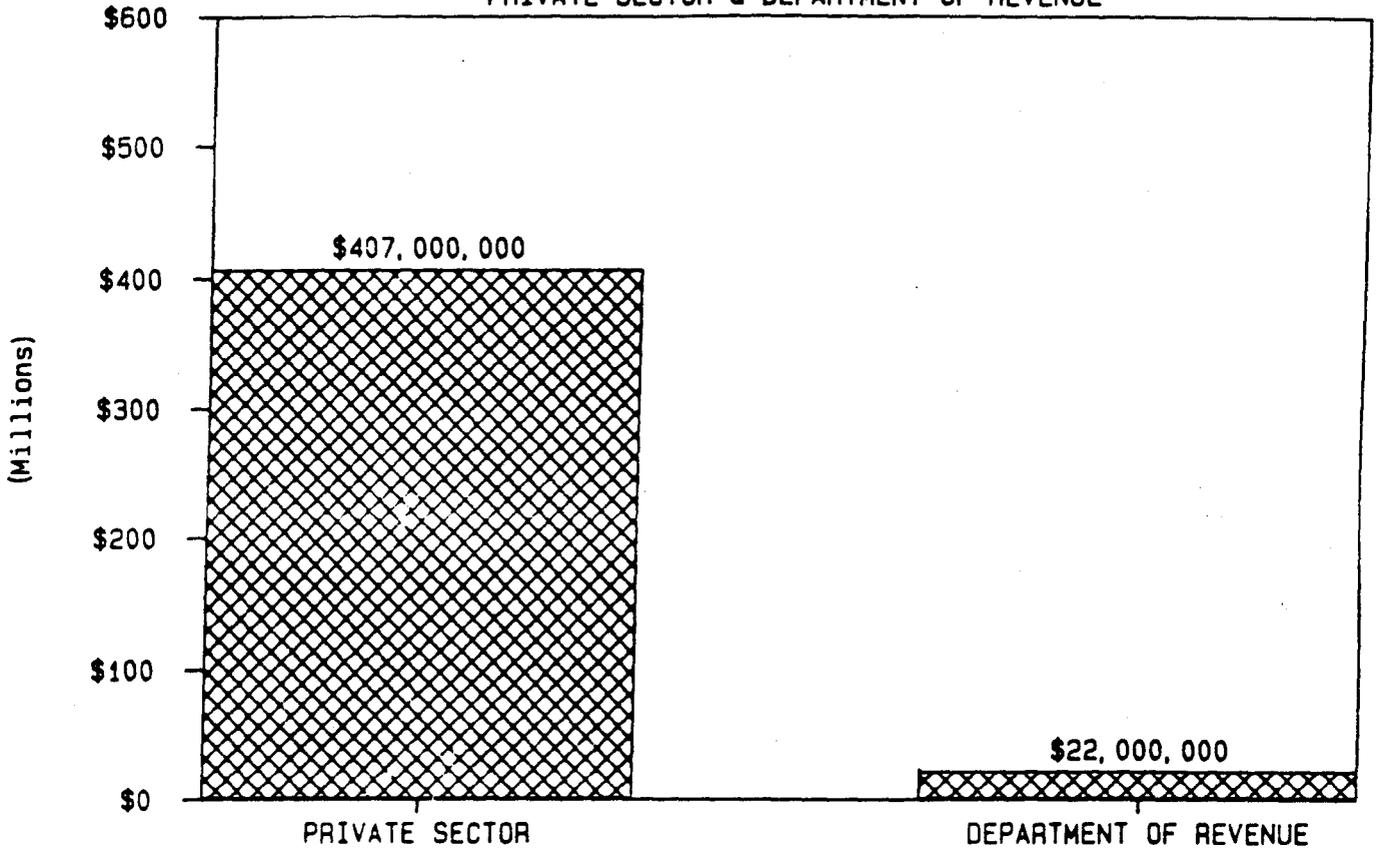
<u>Property Type</u>	<u>Number of Properties</u>	<u>Average Appraisal Cost Per Property*</u>	<u>Total Cost</u>
Residential/ Mobile Home	259,025	\$ 250	\$ 64,756,250
Commercial	43,630	\$ 3,000	130,890,000
Farms	51,680	\$ 3,000	155,040,000
Industrial	800	\$70,000	<u>56,000,000</u>
		Total Cost:	\$406,686,250

*Source: Compiled by a Property Assessment Division survey of fee appraisers.

For comparison, the Property Assessment Division budget attributable to the appraisal of these properties over the last 5 years was \$22,207,005.

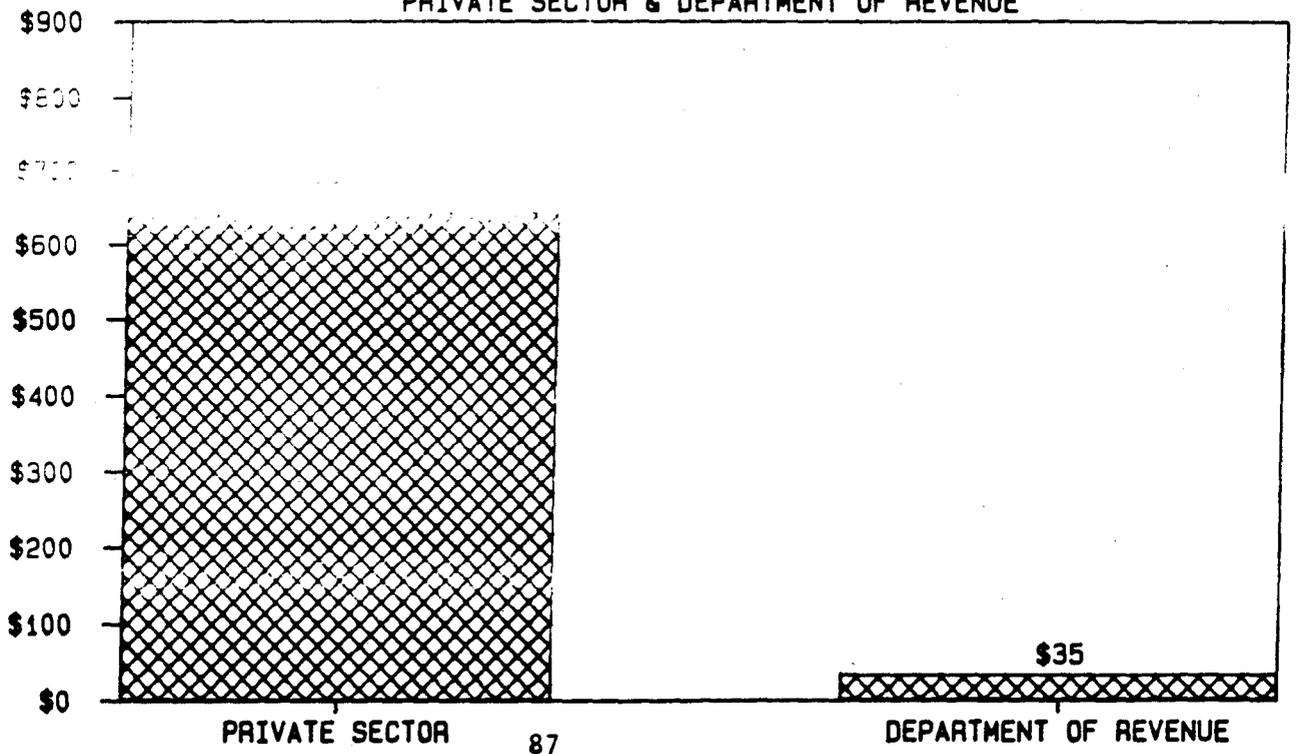
COMPARISONS OF REAPPRAISAL COSTS

PRIVATE SECTOR & DEPARTMENT OF REVENUE



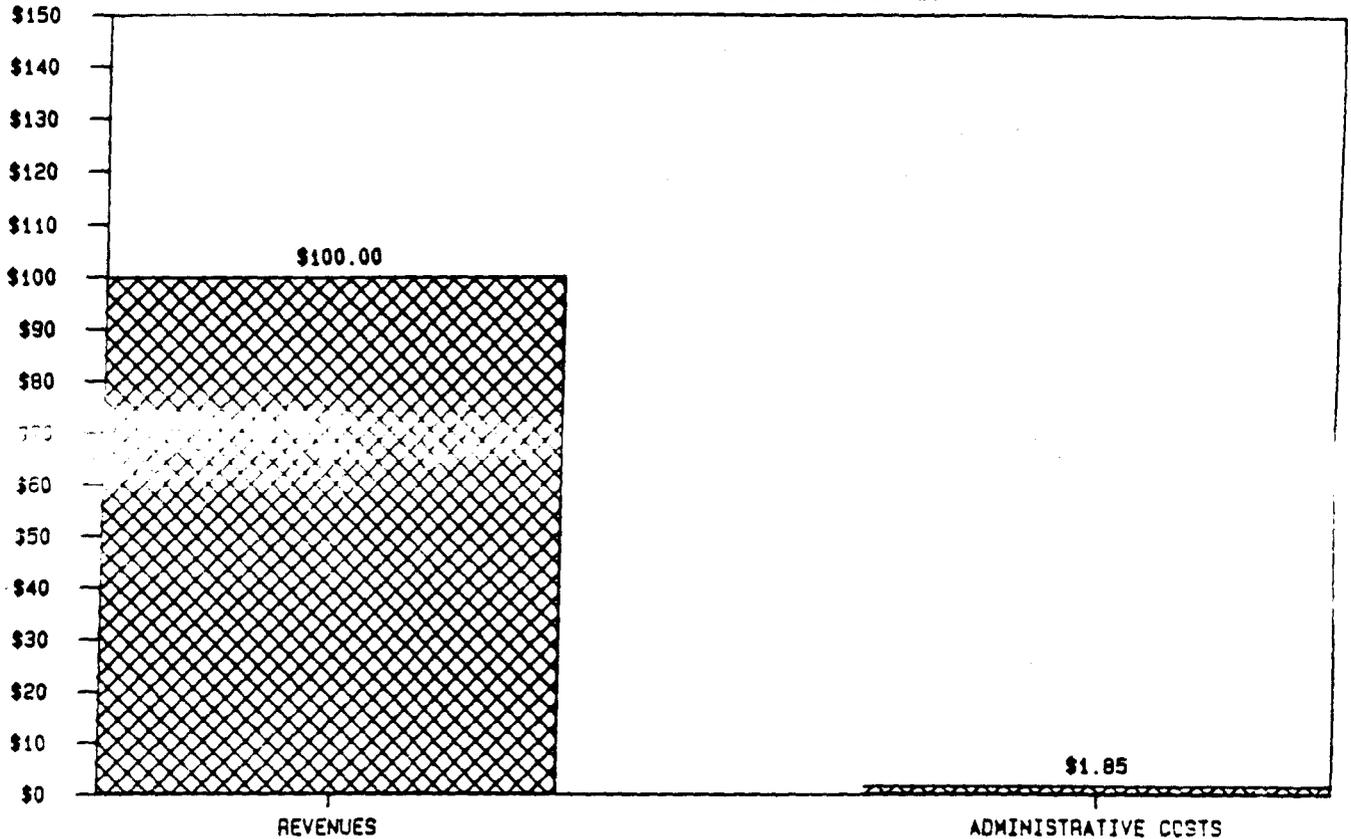
REAPPRAISAL COSTS FOR EACH PARCEL

PRIVATE SECTOR & DEPARTMENT OF REVENUE



PROPERTY ASSESSMENT ADMINISTRATIVE COST

FOR EACH \$100 OF REVENUE GENERATED



FOR FISCAL YEARS 1981 THROUGH 1986

Over the last six years property tax collections in Montana have totaled \$3,151,653,795. Of that amount, \$585,021,593 were raised to support school equalization while \$80,316,586 were collected for the university system. During the same period \$58,453,280 were spent to operate the property assessment process. For every \$1.85 spent on property assessment, \$100 in revenue is generated.

27
2-5-87

COUNTY COMPUTER SYSTEMS
FY'88 CONTRACT \$'s REQUESTED
FY'86 ACTUAL PAID \$'s (COUNTIES AND COUNTY VENDORS)

		<u>Spent FY'86</u>	<u>Requested FY'88</u>
Beaverhead	Alpha Micro	2,000	6,380
Big Horn			13,820
Blaine	IBM 23	3,100	6,970
Broadwater	Alpha Micro	2,000	2,150
Carbon	Alpha Micro	2,000	2,000
Cascade	IBM 38	25,000	25,000
Chouteau	IBM 23	3,100	3,900
Custer	NCR	3,500	3,830
Daniels	Alpha Micro	2,000	1,680
Dawson	NCR	3,500	5,759
Deer Lodge	IBM 36	1,400	4,900
Fergus	IBM 36	2,000	2,200
Flathead	Burroughs	25,000	30,000
Gallatin	NCR	25,000	27,700
Glacier	Alpha Micro	2,000	5,794
Hill	Alpha Micro	4,520	5,414
Jefferson	ADDCO (IBS)	1,700	3,500
Lake	IBC	1,500	1,500
Lewis and Clark	IBM 38	25,000	25,000
Liberty	Alpha Micro	2,000	---
Lincoln	Alpha Micro	2,000	3,500
Madison	IBM 23	3,100	4,200
Meagher	Alpha Micro	2,000	2,000
Missoula	Burroughs	32,000	64,000
Park	IBM 36		3,400
Pondera	IBM 23	3,100	3,600
Powder River	ADDCO (IBS)	1,300	1,077
Powell	Alpha Micro	2,000	6,200
Ravalli	IBM 34	1,400	1,400
Richland	Alpha Micro	2,000	3,485
Roosevelt	NCR	3,500	2,660
Rosebud	Alpha Micro	2,396	3,650
Sheridan	Burroughs	2,500	3,450
Silver Bow	IBM 34	8,500	15,000
Stillwater	Alpha Micro	2,000	1,600
Teton	IBM 23	3,100	3,100
Toole	IBM 23	3,100	3,190
Yellowstone	Alpha Micro	25,000	25,750
Total		235,316	328,759

jt5c

2172 Computer Processing Services/D of A (FY'86 spent \$305,933)

This object of expenditure code has been reduced by \$88,433 through the completion of the reappraisal cycle. Additional funds had been budgeted for FY'86 to fund the additional duties associated with the last year of an appraisal cycle.

Data processing services associated with computer assisted appraisal are essential to accomplish reappraisal. Approximately 630,000 records exist on the Inter-County, Industrial, Timber and Residential- Commercial property files. Approximately 220,500 records will be changed each year through the addition of new construction, reappraisal, ownership changes, and regular file maintenance. Included in this object of expenditure are the following:

Processing costs for adding records to master files, maintenance of systems programs, manage reports.	\$178,740	\$178,740
Bursting and Deleaving	4,800	4,800
TSO Time for Program Maintenance		
Submission of Jobs	20,700	20,700
Text Printing	40	40
Tape Storage	6,000	6,000
On-Line Disk Costs	9,500	9,500
Communications Charges	720	720

This object of expenditure also includes an increase of \$100,000 to develop the standard assessment notice required by SB19. The \$100,000 will be transferred from object of expenditure #2743. LFA disallowed because they thought the appropriation received to enact SB19 was to be used for this purpose. The fiscal note for SB19 was for personal services and operating costs needed to generate notices of mainframe.

29
2-5-87

November 14, 1986

TO: Norm Rystocki, Budget Analysis
Budget Office

FROM: Gregg Groepper, Administrator
Property Assessment Division

RE: Division Budget for Postage

I thought I would document the numbers I gave you over the phone Monday concerning the division budget for postage.

Postage Expenses

<u>Item</u>	<u>Number of Mailings</u>	<u>Dollars</u>
Annual Assessments 150,000 farmstead and commercial assessments, 50,000 mobile homes, 40,304 residences	240,304	\$ 55,000
Revised Assessments	4,583	\$ 1,054
Supplemental Assessments	150,000	\$ 34,501
Estimated Assessments	11,540	\$ 14,425
Regular Correspondence	21,739	\$ 5,000
Reminders	22,500	\$ 5,175
Appeals (Renotification due to adjustments by CTAB or STAB)	2,300	\$ 10,000
		<u>\$125,155</u>

As I mentioned earlier, our before end-of-year SBAS showed us expending \$163,779 on this line item. We cancelled sending out \$6,000 worth of reminders.

For additional information there are approximately 540,000 properties in classes 4, 12 and 14. Additionally, there are 51 million acres of agricultural land and 3.5 million acres of timber land. The 3.5 million acres in timber land constitute some 12,800 property owners. Since the agricultural land values are not automated, we don't have that information for agricultural land at present.

GG:cr

gglli

cc: Jack Ellery
John LaFaver

7/25/84

32 Vehicles That Will Need To Be Replaced As Of July 1, 1987

Vehicle	Vehicle Type	County	Projected Mileage	High Maintenance Cost	Poor Condition + Age
M-4608	1975 Dodge Grant	Dawson	92000		X
M-4595	" "	Flathead	73500		X
M-4594	" "	Flathead	57000		X
M-4573	" "	Lewis+Clark	84000		X
M-4598	" "	Liberty	70,000	138.6¢/Mile	X
M-4598	" "	Roosevelt	68000	35.2¢/Mile	X
M-4583	" "	Silver Bow	58200		X
M-4622	" "	Silver Bow	74500	34.6¢/Mile	X
M-4606	" "	Deer Lodge	92300	88.6¢/Mile	X
M-4576	" "	Wibaux	71000		X
M-4627	" "	Yellowstone	75000	28.2¢/Mile	X
M-4609	" "	Yellowstone	62000		X
M-4617	" "	Yellowstone	70200		X
M-4626	" "	Yellowstone	99500		X
M-5147	1980 Plym. Uplare	Area 8 Manager	93000		X
M-5149	" "	Cascade	114500		X
M-5153	" "	Cascade	93200		X
M-5150	" "	Custer	107100		X
M-4581	1978 Plym. Uplare	Lewis+Clark	106500		X
M-5148	1980 Plym. Uplare	Lewis+Clark	123700		X
M-5146	" "	Missoula	103300		X
M-5152	" "	Ravalli	77400		X
M-5151	" "	Yellowstone	114000		X
M-4572	1983 Ford LTD	Area 3 Manager	117500		
M-4605	1982 Dodge Dip	Cascade	96200		
M-4625	1977 Ford LTD	Cascade	118000	33.7¢/Mile	X
M-4592	1981 Plym Grant	Cascade	95200	20.7¢/Mile	X
M-4621	1982 Dodge Dip	Gallatin	89000		
M-4571	1982 Dodge Dip	Lewis+Clark	94500	34.8¢/Mile	
M-4574	1983 Ford LTD	Park	92100		
M-4611	1982 Dodge Dip	Yellowstone	86600		
M-4620	1982 Dodge Dip	Yellowstone	97000		

30
2-5-87

16 Vehicles To Be Replaced As Of July 1, 1988

7/23/86

1	2	3	4	5	6	
Vehicle	Vehicle Type	County	Projected Mileage	High Maintenance Cost	Poor Condition + Age	
1	M-5704	1983 GMC 4x4	Fallen	—	X	Wrecked
2	M-4600	1975 Dodge Coronet	Roosevelt	—	X	Surplused
3	M-4597	1982 Dodge Dip.	Gallatin	89100		
4	M-4614	1982 Dodge Dip.	Gallatin	88300		
5	M-4616	1981 Plym. Gen F	Silver Bow	81900	25.9¢/Mile	X
6	M-5648	1980 Ford LTD	Yellowstone	84160		X
7	M-5532	1982 Dodge 4x4	Cascade	69660	26.8¢/Mile	
8	M-5490	" "	Rosebud	70900		
9	M-4416	1983 GMC 4x4	App/Assess Bar	71800		
10	M-5488	1982 Dodge 4x4	Cascade	56000		
11	M-5503	1982 Dodge 4x4	Teton	55700		
12	M-5534	" "	Hill	58500		
13	M-4623	1983 GMC 4x4	Gallatin	55100		
14	M-4584	" "	Silver Bow	53000		
15	M-5699	1983 GMC 4x4	Mineral	59900		
16	M-5505	1982 Dodge 4x4	Danials	47500		
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U 31
2-5-87

GOVERNOR'S COUNCIL ON MANAGEMENT, INC.
P.O. BOX 233, CAPITOL STATION
HELENA, MONTANA 59620

October 1982

James B. Spring, Chairman
President: Christian-Spring-Seibath & Associates

Warren P. Schmechel, Vice-Chairman for Finance
President: Montana Power Company

Allen Donohue, Vice-Chairman for Personnel
President: KMON & The Heritage Inn

Edwin H. Jasmin, Treasurer
President: Northwestern Bank of Helena

Edward A. Nurse, Secretary
President: Foundation Materials Consultants, Inc.

John J. Orzinger, Counsel
Jackson, Orzinger and Murdo, Helena

The Honorable Ted Schwinden
Governor, State of Montana
State Capitol
Helena, Montana 59601

Dear Governor Schwinden:

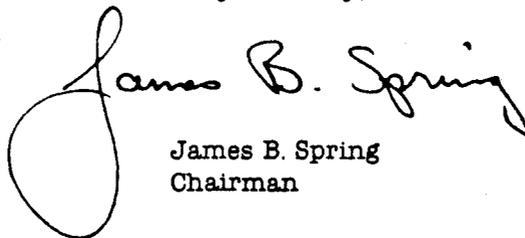
On behalf of the Governor's Council on Management, it is a pleasure to submit to you and the people of Montana this final report summarizing our findings and recommendations. The comprehensive and intensive review of the Executive Branch by 34 volunteer, private sector management specialists produced 344 specific proposals for improving the management of state government operations.

Council members found this experience challenging and rewarding. The cooperation and enthusiasm of the many dedicated state employees was very gratifying. Department administrators and staff participated actively in the evaluation process and contributed numerous helpful suggestions. This relationship also provided the private sector representatives with a realistic insight into the problems faced daily by public administrators.

The Montana business community should be commended for its enthusiastic sponsorship of this undertaking. As a result, the Council completed the entire program at no cost to the taxpayers. This commitment indicates a willingness to cooperate in efforts that can be beneficial to our state.

By requesting this review, you have taken another step forward in your efforts to achieve more cost-effective management of state government. The content of this report is impressive; however, the ultimate success of this effort will be measured by the results realized through implementation. The members of the Governor's Council on Management will be available to assist you in achieving this goal.

Very sincerely,



James B. Spring
Chairman

Governor's Council on Management

Chairman	James B. Spring	
Vice Chairman-Personnel	Al Donohue	
Vice Chairman-Finance	Warren P. Schmechel	
Secretary	Edward A. Nurse	
Treasurer	Edwin H. Jasmin	
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Team Members	Luckie Bethel Jim Bordelon Lee Conwell Vernon E. Daniels William W. "Wes" Eyer A. W. Fitzpatrick Cheryl Gillespie Robert E. Griffin Victor D. Harwood Jim Haworth Gene Hess Ivan Howard Polly Junkermier Earl D. Lovick Lewis A. McArthur	Jerry Miller John H. Morrison, Sr. Stephen R. Murphy William G. Peters William G. Preston Peter Rice Sharyn L. Robinson Dennis Schanz Steve Schmidt Bruce T. Simon Doyle Snyder Ray Spanning Norm Stedje Richard L. Thomas Harold Ude
Program Consultants	Warren King and Associates, Inc., a Subsidiary of A. S. Hansen, Inc.	
General Counsel	John J. Oitzinger	
Auditor	Anderson ZurMuehlen & Co., CPA's	
Office Manager	Jo Schmitz	
Support Staff	Kerry Johnson Janet Oitzinger	

To increase profits, all state-owned sales outlets graded between seven and 10 should be immediately converted to agency operation. While the costs of agency commissions are estimated at \$1.5-million, the saving in salary and operating cost will be about \$1.8-million, producing a net saving of approximately \$300,000 annually.

307. Change special order procedures.

A special order service was initiated because of the state's monopoly on liquor. When a customer requests a non-standard item, an entire case is bought even though the customer may buy only a single unit. Store managers also misuse the procedure to test market products. In both instances, inventory is burdened with slow moving stock.

To control operations and reduce inventories, a central special ordering system should be designed exclusively for customer use. This should include requirements for a deposit and a one case minimum order. Implementation will eliminate slow moving inventory items for an estimated annual saving of \$140,000.

308. Develop a complaint procedure.

Problems go undetected because stores lack a formal customer complaint procedure. One should be developed so complaints can be centrally processed in division offices, then responsibility for corrective action assigned to district managers. Implementation will identify difficulties and improve service.

Property Assessment Division

This division appraises taxable property and ensures uniform county valuations. An \$8.4-million fiscal 1982 budget supported 430 employees plus 15 vacancies. The administrator supervises five bureaus for assessing intercounty, personal, industrial, residential-commercial, and agricultural properties.

High administrative turnover has resulted in a lack of clear direction and has generated an employee morale problem. However, a number of positive steps have recently been initiated to strengthen operations. Inadequate certification procedures and a poor timber assessment system were noted. Also, staff assignments for the statewide reappraisal in progress are not appropriate while time-consuming manual processing is required for real and personal property assessments.

Recommendations

309. Centralize property assessment activities in the state office.

In most counties, complex property tax processing and reporting systems are time consuming and involve many manual procedures. Furthermore, the state pays personnel and operating expenses for assessments. Cascade County has installed an advanced computer program for property assessments which has simplified procedures. However, attempts by 14 other counties to automate have resulted in high costs, little equipment compatibility, and few staff reductions.

To increase efficiency and control costs, property assessment activities should be centralized. The following measures are required for implementation:

- Place the Cascade County system, with modification, on the Department of Administration computer so all forms will be centrally initiated and processed.
- Enter all personal and real property data from the 56 counties.
- Employ a staff of 20 to enter data on a regular basis.
- Create an audit and information section to supervise compliance and provide information.
- Use computer printouts for county taxable property reports.
- Retain county assessors at reduced compensation until a constitutional amendment can eliminate their necessity. Transfer existing support staff to the mass property reappraisal program in progress, leaving county offices permanently staffed with only one clerk and required appraisers.

One-time equipment and programming costs are estimated at \$289,000 while annual operating costs will be an additional \$1.8-million. However, an annual saving of \$4.7-million in supplies, equipment and salaries will offset this.

310. Require staff assessor certification.

Personal property assessments vary throughout the state. A lack of training and certification programs for staff assessors causes these inequities and resulting taxpayer appeals. Therefore, the Personal Property Bureau should establish certification standards and initiate a required training program.

The initial one-time training cost for the current staff will be approximately \$29,000. Continued training for new employees will require an additional \$4,000 annually. However, implementation of this proposal will reduce appeals by ensuring statewide uniformity in assessment procedures.

311. Reevaluate the timber appraisal system.

Outdated timberland assessment methods encourage poor timber management. Valuations are based on the number of trees remaining in a given area. Therefore, clear-cutting produces a tax advantage and reforestation causes assessments to raise.

To solve this problem, a productivity system should be substituted. Since all timberlands must be reevaluated to provide an assessment base, a study should be commissioned to develop a cost/benefit analysis for an appropriate reclassification procedure. The one-time cost is estimated at \$15,000. However, implementation will ensure timberland assessment accuracy on a fair basis.

noted the attorney for the division had a compensatory time balance of 1,158 hours and the chief of the Residential-Commercial Property Bureau had a balance of 564 hours.

CONCLUSION

Since most field appraisal work was completed prior to our audit visits, we were only able to observe a minimal amount of field appraisal work. Therefore, we were unable to determine an accurate estimate of time and resources needed to complete reappraisal responsibilities, and to determine if the division effectively allocated available resources between counties during the entire reappraisal cycle. However, the available information indicates the division, with current resources and present responsibilities, will not be able to adequately complete property reappraisal in a timely manner as required by legislative mandates. With less staff and time to complete reappraisal during the 1986-1990 cycle, the division's ability to effectively address other reappraisal problems which may occur may also be affected.

DEPARTMENT OF REVENUE



TED SCHWINDEN, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

HELENA, MONTANA 59620

Important Information on Property Reappraisal

Within the past few weeks you have received your property assessment. It reflected the 1986 reappraisal values.

The June Special Session of the Montana Legislature asked us to be sure you understand your opportunity to appeal the new appraisal. These rights are particularly important to you because our records show that your appraised land value per acre is higher than your county average. The attached fact sheet explains your property values compared to the county average.

If you disagree with the appraisal, the Legislature has extended the appeal deadline to 15 days after you receive this notice.

Our appraisal office in your county will be happy to explain how your values were determined. Please give them a call and set up a time to discuss your questions or concerns.

Sincerely,

A handwritten signature in cursive script that reads "John D. LaFaver".

John D. LaFaver
Director

Attachment

Deer Lodge County
 GEO-CODE XX-XXXX-XX-X-XX-XX-XXXX
 MUNICIPALITY XXXXXXXXXXXXXXXXXXXXXXXX
 ADDITION XXXXXXXXXXXXXXXXXXXXXXXX
 ADDITION BLK XXX
 ADDITION LOT XXX

PROPERTY STREET ADDRESS
 NUMBER XXXXX
 NAME XX XXX XXXXXXXXXXXXXXXXXXXX
 SHORT LEGAL DESCRIPTION

XXXXXXXXXXXXXXXXXXXXXXXXXXXX
 XXXXXXXXXXXXXXXXXXXXXXXX
 XXXXXXXXXXXXXXXXXXXXXXXX
 XXXXXXXXXXXXXXXXXXXXXXXX XXXXX

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The statewide property reappraisal indicates that the taxable value of your land is \$ 0 per acre. This exceeds the average taxable value per acre in Deer Lodge County by \$ 0.

Because your average value per acre exceeds Deer Lodge County's average value per acre of \$ 1,706, the Legislature has asked us to remind you of your change in value.

To estimate how much the taxes might be per acre on your land, multiply the taxable value per acre by the mill levy set by local government. We've used 250 mills in the example below. You should use your local mill levy, which may be higher or lower than 250 mills.

Example Calculation:

Taxable Value Per Acre	X	Mill Levy (250 Mills)	=	Estimated Tax Per Acre
\$47.00	X	.250	=	\$11.75

Your Calculation:

Your Taxable Value Per Acre	X	Your Mill Levy	=	Your Estimated Taxes Per Acre
\$ 0	X	_____	=	\$ _____

The market value appraisal of the land described above is \$ 0 for your 0.000 acres. If you think this amount exceeds what the property would have sold for in 1982, please call your Deer Lodge County appraiser at (406) 563-8421 to schedule a time to review your appraisal.

If you have already discussed this issue with your appraiser or appealed your property value, you may disregard this notice.

DEPARTMENT OF REVENUE



TED SCHWINDEN, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

HELENA, MONTANA 59620

Important Information on Property Reappraisal

You recently received your 1986 property assessment. It reflected the 1986 reappraisal values.

The June Special Session of the Montana Legislature asked us to be sure you understand your opportunity to appeal the new appraisal. These rights are particularly important to you because our records show that your property values increased more than the state-wide average.

The attached fact sheet explains the increase in taxable value for your property.

If you disagree with the appraisal, the Legislature has extended the appeal deadline to 15 days after you receive this notice.

Our appraisal office in your county will be happy to explain how your values were determined. Please give them a call and set up a time to discuss your questions or concerns.

Sincerely,

A handwritten signature in cursive script that reads "John D. LaFavor".

John D. LaFavor

Director

Attachment

Yellowstone County
GEO-CODE XX-XXXX-XX-X-XX-XX-XXXX

MUNICIPALITY XXXXXXXXXXXXXXXXXXXX
ADDITION XXXXXXXXXXXXXXXXXXXX
ADDITION BLK XXX
ADDITION LOT XXX

PROPERTY STREET ADDRESS
NUMBER XXXXX
NAME XX XXX XXXXXXXXXXXXXXXXXXXX
SHORT LEGAL DESCRIPTION

XXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXX
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The statewide property reappraisal indicates that the taxable value of your property has increased by \$ 0.

To estimate how much your taxes might increase, multiply the increase listed above by the mill levy set by local government. We've used 250 mills in the example below. You should use your local mill levy, which may be higher or lower than 250 mills.

Example Calculation:

Increase In Taxable Value	X	Mill Levy (250 Mills)	=	Estimated Increase In Taxes

\$1,000	X	.250	=	\$250

Your Calculations:

Your Taxable Value Increase	X	Your Mill Levy	=	Your Estimated Increase In Taxes

\$ 0	X	_____	=	\$ _____

The deadline for appealing your property value has been extended to 15 days after receiving this notice.

The new market value appraisal is \$ 0 for your land and \$ 0 for buildings and other improvements on the land.

If you think this amount exceeds what the property would have sold for in 1982, please call your Yellowstone County appraiser at (406) - 256-2750 to schedule a time to review your appraisal.

If you have already discussed this issue with your appraiser or appealed your property value, you may disregard this notice.

REPORT EBSR99
 DATE : 01/07/87
 TIME : 17/23/43

OFFICE OF BUDGET & PROGRAM PLANNING
 EXECUTIVE BUDGET SYSTEM
 AGENCY/PROGRAM/CONTROL -- BUDGET DETAIL COMPARISONS

AGENCY : 5801 DEPARTMENT OF REVENUE
 PROGRAM : 08 PROPERTY VALUATION
 CONTROL : 00082 PROPERTY ASSESSMENT-HELENA

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)			11.00	11.00		11.00	11.00	
1100	SALARIES	338,519.74		258,425	258,424	1	258,072	258,071	1
1400	EMPLOYEE BENEFITS	65,083.21		38,707	38,707		39,270	39,269	1
1500	HEALTH INSURANCE			15,180	15,180		15,180	15,180	
1600	VACANCY SAVINGS			-12,492	-12,433	-59	-12,501	-12,416	-85
	TOTAL LEVEL	403,602.95		299,820	299,878	-58	300,021	300,104	-83
2021	CONTRACTED SERVICES-INFLATI			-319	-319		-639	-618	-21
2022	SUPPLIES & MATERIALS-INFLAT			36	-248	284	156	2	154
2023	COMMUNICATIONS-INFLATION			10	10		16	16	
2100	CONTRACTED SERVICES	55,610.10		10,771	10,403	368	10,671	10,403	268
2200	SUPPLIES & MATERIALS	12,505.02		11,450	9,354	2,096	11,450	9,354	2,096
2300	COMMUNICATIONS	2,041.57		2,041	2,041		2,041	2,041	
2400	TRAVEL	33,657.11		26,474	26,537	-63	26,474	26,537	-63
2500	RENT	3,660.00							
2700	REPAIR & MAINTENANCE	2,285.44		2,210	3,277	-1,067	2,210	3,277	-1,067
2800	OTHER EXPENSES	3,249.56		2,569	2,569		2,569	2,569	
	TOTAL LEVEL	113,008.80		55,242	53,624	1,618	54,948	53,581	1,367
3100	EQUIPMENT	24,212.09		8,652	9,025	-373	500	373	127
	TOTAL LEVEL	24,212.09		8,652	9,025	-373	500	373	127
	TOTAL PROGRAM	540,823.84		363,714	362,527	1,187	355,469	354,058	1,411
01100	GENERAL FUND	540,823.84		363,714	362,527	1,187	355,469	354,058	1,411
	TOTAL PROGRAM	540,823.84		363,714	362,527	1,187	355,469	354,058	1,411

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Operating expense adjustments include a \$53,483 base reduction for postage expense. The 1985 legislature approved \$231,788 in fiscal 1986 for postage costs because the completion of the reappraisal cycle necessitated sending out large volumes of mail. The division actually spent \$132,604. Because the reappraisal cycle has ended, the current level base adjustment to the actual fiscal 1986 expenditure will provide funds at the fiscal 1985 expenditure level.

In fiscal 1986, other divisions paid \$190,000 for data processing costs attributable to the property assessment division. These costs were added to the data processing base operating costs in this subprogram for the 1989 biennium.

Base operating costs for county computer support were reduced approximately \$126,000, leaving \$140,000 for county computer support each year of the 1989 biennium. The legislature in Special Session III reduced the division's original fiscal 1987 appropriation for county computer support from \$265,400 to \$144,000.

The current level equipment budget includes \$160,000 in the 1989 biennium to replace 16 vehicles and \$50,000 in the biennium for office equipment.

PROPERTY ASSESSMENT -- HELENA

Budget Item	Actual Fiscal 1986	- - - - Current Level - - - - Fiscal 1987	Fiscal 1989
FTE	14.00	11.00	11.00
Personal Services	\$403,603	\$299,878	\$300,104
Operating Expenses	113,007	53,624	53,581
Equipment	<u>24,213</u>	<u>9,025</u>	<u>373</u>
Total Expenditures	<u>\$540,823</u>	<u>\$362,527</u>	<u>\$354,058</u>
Fund Sources			
General Fund	<u>\$540,823</u>	<u>\$362,527</u>	<u>\$354,058</u>

Between fiscal 1986 and the 1989 biennium the current level budget reduces the FTE in this subprogram by 3.0 FTE. This reduction results from 1.0 FTE being transferred to the appraisers and non-elected assessors subprogram, 1.0 FTE being transferred to the director's office, 2.0 FTE being transferred to the administration subprogram, and 1.0 FTE being transferred in from the administration subprogram. Accompanying the FTE reduction is an operating expense decrease in this subprogram of approximately \$50,000 each year, which reflects the agency's request. Not included was the agency's request totaling approximately \$5,900 for increased computer processing, printing, and travel costs above the fiscal 1986 actual level.

Equipment includes the purchase of a replacement vehicle in fiscal 1988 and \$373 each year for office equipment.

AGENCY : 5801 DEPARTMENT OF REVENUE
 PROGRAM : 08 PROPERTY VALUATION
 CONTROL : 00083 PROPERTY ASSESSMENT-ADMIN

AE/OE	DESCRIPTION	ACTUAL FY 86	BUDGET FY 87	OBPP FY 88	LFA FY 88	DIFF FY 88	OBPP FY 89	LFA FY 89	DIFF FY 89
0000	FULL TIME EQUIVALENT (FTE)			13.50	13.50		13.50	13.50	
1100	SALARIES	410,517.69		365,019	365,020	-1	364,088	364,087	1
1200	HOURLY WAGES	15,972.32							
1400	EMPLOYEE BENEFITS	82,419.55		54,551	54,556	-5	55,473	55,472	1
1500	HEALTH INSURANCE			19,320	19,320		19,320	19,320	
1600	VACANCY SAVINGS			-17,556	-17,378	-178	-17,555	-17,359	-196
	TOTAL LEVEL	508,909.56	421,334	421,518	421,518	-184	421,326	421,520	-194
2021	CONTRACTED SERVICES-INFLATI			-357	-357		-714	-691	-23
2022	SUPPLIES & MATERIALS-INFLAT			20	-251	271	88	2	86
2023	COMMUNICATIONS-INFLATION			265	265		408	408	
2100	CONTRACTED SERVICES	100,022.80		26,386	22,159	4,227	26,386	22,159	4,227
2200	SUPPLIES & MATERIALS	25,788.01		25,789	27,389	-1,600	25,789	27,389	-1,600
2300	COMMUNICATIONS	77,754.89		74,245	62,401	11,844	74,245	62,401	11,844
2400	TRAVEL	22,284.86		19,634	19,664	-30	19,634	19,664	-30
2500	RENT	42,002.02		50,465	50,465		50,465	50,465	
2700	REPAIR & MAINTENANCE	12,315.53		6,244	12,315	-6,071	6,244	12,315	-6,071
2800	OTHER EXPENSES	4,954.22		2,004	2,004		2,004	2,004	
	TOTAL LEVEL	285,122.34	204,604	204,542	196,054	8,457	204,542	196,116	8,436
3100	EQUIPMENT	6,594.50		1,036	1,036		432	432	
	TOTAL LEVEL	6,594.50		1,036	1,036		432	432	
	TOTAL PROGRAM	800,626.39	627,065	627,065	618,608	8,457	626,307	618,068	8,239
01100	GENERAL FUND	800,626.39	627,065	627,065	618,608	8,457	626,307	618,068	8,239
	TOTAL PROGRAM	800,626.39	627,065	627,065	618,608	8,457	626,307	618,068	8,239

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PROPERTY ASSESSMENT -- ADMINISTRATION

Budget Item	Actual	- - - - Current Level - - - -	
	Fiscal 1986	Fiscal 1987	Fiscal 1989
FTE	19.90	13.50	13.50
Personal Services	\$508,909	\$421,518	\$421,520
Operating Expenses	285,124	196,054	196,116
Equipment	6,595	1,036	432
Total Expenditures	<u>\$800,628</u>	<u>\$618,608</u>	<u>\$618,068</u>
<u>Fund Sources</u>			
General Fund	\$800,628 =====	\$618,608 =====	\$618,068 =====

The administration subprogram contains the administrative and legal function of the division. The 1989 biennial budget provides for 13.5 FTE, down 6.4 FTE from the fiscal 1986 level. The reduction results from reorganization and pay plan reductions.

Base operating expenses were reduced approximately \$88,700 of which approximately \$75,000 was at the agency's request to reflect reorganization savings and reappraisal expenditures not needed in the next biennium. The remaining base reductions included in the current level budget reflect printing and postage expenditure reductions to the fiscal 1986 appropriated level.

Equipment expenditures include \$1,036 in fiscal 1988 and \$432 in fiscal 1989 for office equipment.

MOTOR FUELS DIVISION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	26.50	25.76	25.00	25.00	(0.76)
Personal Service	\$563,571	\$535,566	\$517,920	\$517,828	(5.8)
Operating Expense	98,036	131,457	156,031	153,501	34.9
Equipment	19,751	-0-	8,620	-0-	(56.4)
Total Expenditures	<u>\$681,358</u>	<u>\$667,023</u>	<u>\$682,571</u>	<u>\$671,329</u>	<u>0.4</u>
<u>Fund Sources</u>					
State Special	<u>\$681,358</u>	<u>\$667,023</u>	<u>\$682,571</u>	<u>\$671,329</u>	<u>0.4</u>

The Motor Fuel Tax Division administers and enforces the motor fuel tax law including the issuance of licenses and permits, collection of taxes, enforcement of the bonding requirements, and payments of refunds. The division is funded from an allocation of highways special revenue.

The current level budget provides a 0.4 percent increase in the 1989 biennium. Personal services decrease 5.8 percent due to the 0.76 FTE reduction from fiscal 1987 and because personal services expenditures were higher than budgeted in fiscal 1986. The 0.76 FTE reduction includes a 0.67 FTE transfer to the data processing division. The remaining 0.09 FTE difference relates to further reductions made by the agency in response to the 5 percent and pay plan cuts in fiscal 1987.

Operating expenses are budgeted to increase 34.9 percent. The increase results from computer operating costs relating to the automated fuel tax collection system authorized by the 1985 legislature.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations anticipated by the 1985 legislature.

Table 7
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	27.17	26.50	0.67
Personal Service	\$557,819	\$563,571	\$ (5,752)
Operating Expense	161,536	98,036	63,500
Equipment	5,700	19,751	(14,051)
Total Expenditures	<u>\$725,055</u>	<u>\$681,358</u>	<u>\$ 43,697</u>
<u>Funding</u>			
State Special Revenue	<u>\$725,055</u>	<u>\$681,358</u>	<u>\$ 43,697</u>

Fiscal 1986 expenditures were \$43,697 less than authorized. The agency transferred 0.67 FTE data processing staff and \$22,554 to the data processing division in fiscal 1986 to consolidate services. Taking into consideration the program transfer, actual expenditures were \$21,143 less than authorized.

Personal services were \$28,306 higher than budgeted. This total differs from the table because the program transfer was all in personal services. The agency funded portions of four positions budgeted in other programs from the modified contracted services appropriation for the computer system development.

Operating expenses were \$63,500 less than budgeted by the legislature primarily because the division spent approximately \$34,000 of the contracted services modified to fund portions of four positions to develop the computer system. Therefore, the

