

## MINUTES

### MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - 1st SPECIAL SESSION

#### SUBCOMMITTEE ON GENERAL GOVERNMENT & HIGHWAYS

Call to Order: By JOE QUILICI, CHAIR, on January 3, 1992, at  
8:07 a.m.

#### ROLL CALL

**Members Present:**

Rep. Joe Quilici, Chairman (D)  
Sen. Larry Stimatz, Vice Chairman (D)  
Sen. Harry Fritz (D)  
Rep. Mary Lou Peterson (R)  
Sen. Larry Tveit (R)  
Rep. Tom Zook (R)

**Staff Present:** Clayton Schenck, Senior Fiscal Analyst (LFA)  
Lois Steinbeck, Associate Fiscal Analyst (LFA)  
Dan Gengler, Budget Analyst (OBPP)  
Bill Mandeville, Budget Analyst (OBPP)  
John Patrick, Budget Analyst (OBPP)  
Lois O'Connor, Secretary

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

**Announcements/Discussion:** REP. QUILICI stated that the  
Subcommittee would be taking executive action on as many of  
the agencies that were heard in the meeting of January 2,  
1992. He hoped to resolve all controversial issues such as  
the district court reimbursement in the meeting. This issue  
may require a statutory change.

Clayton Schenck said that the budget office is recommending  
that the contingency language changes throughout HB 2 be  
removed because they are no longer applicable. He suggested  
that the Committee delete the language globally.

#### EXECUTIVE ACTION

Tape 1, Side A, 98

**Motion/Vote:** REP. MARY LOU PETERSON made the motion that all  
contingency language throughout HB 2, Section A be removed.

**MOTION CARRIED UNANIMOUSLY**

EXECUTIVE ACTION - DEPARTMENT OF TRANSPORTATION

Tape 1, Side A, 203

Motion/Vote: REP. ZOOK made the motion to accept the executive budget proposal reductions. See Exhibit 1, dated 1-2-92. **MOTION CARRIED UNANIMOUSLY**

Clayton Schenck informed the committee that the Budget Office made the recommendation that in HB 2 where it states Department of Highways should be changed to Department of Transportation.

Tape 1, Side A, 257

Motion/Vote: REP. ZOOK made the motion to change any language in HB 2 necessary to meet the recommendations of the Budget Office regarding the renaming of the Department of Highways. **MOTION CARRIED UNANIMOUSLY**

Bill Mandeville, Budget Analyst, Office of Budget and Program Planning, stated that the Department of Transportation was inadvertently named the receiving agency for HB 77. The Department recommends that it be changed to the Department of Justice.

Tape 1, Side A, 322

Motion/Vote: SEN. TVEIT made a motion that HB 77 be transferred from the Department of Transportation to the Department of Justice. **MOTION CARRIED UNANIMOUSLY**

HEARING - LEGISLATIVE AUDITOR

REP. MARY LOU PETERSON said that the executive proposal is \$104,000 and the Legislative Auditors submitted \$108,000 in their plan. She asked if the money was a paper transfer and not money going into the general fund. The two ending numbers are not the right comparisons, and she was concerned about this. REP. ZOOK said that those numbers are mythical dollars. This is money that has never been received. Scott Seacat, Legislative Auditor, stated that these are mythical dollars, but they represent a large cut in his office. It was not an actual cut but an oversight. When the pay plan was made, REP. KADAS told them to not fund exempt positions. After the decision was made and it went to the LFA, The LFA did not include any funding for the market-based portion of the pay plan for any legislative branch agency. If he implements the pay plan in FY 93, the Legislative Auditor's Office will be \$125,000 short. This represents six FTE's which have been filled. His choice is to not implement the pay plan or lay off people.

Terri Perrigo, Associate Fiscal Analyst, LFA, asked if there was

a possibility that the Committee could put the \$45,000 in as vacancy savings. REP. QUILICI said if the money was included as vacancy savings, they would no longer be mythical. Mr. Seacat said that he would pursue the \$30,600 regardless of what the Committee does. If the Attorney General rule is consistent with what their attorney says, then that money will go to the general fund.

REP. QUILICI held executive action on the Legislative Auditors Office.

EXECUTIVE ACTION - ENVIRONMENTAL QUALITY COUNCIL

Tape 1, Side A, 682

Motion/Vote: REP. TVEIT made the motion to accept the executive budget proposal reductions of \$6,900 FY 92, \$7,400 FY 93, and a funding switch of \$1,058. MOTION CARRIED UNANIMOUSLY

EXECUTIVE ACTION - COMMISSIONER OF POLITICAL PRACTICES

Tape 1, Side A, 834

Terri Perrigo, Associate Fiscal Analyst, LFA, said the Commissioner accepts the executive proposal and would like to some discretion to move the money around.

Motion/Vote: REP. ZOOK made the motion to accept the executive budget proposal reduction with the language that would give the Commissioner the discretion to move the money around. See Exhibit 7 dated 1-2-1992 MOTION CARRIED UNANIMOUSLY

EXECUTIVE ACTION - SECRETARY OF STATE

Tape 1, Side A, 918

Motion/Vote: SEN. TVEIT made the motion to accept the executive budget proposal reductions. See Exhibit 8 dated 1-2-1992 MOTION CARRIED UNANIMOUSLY

HEARING - JUDICIARY

Jim Oppedahl, Administrator, Supreme Court, provided written testimony. EXHIBIT 1

He asked the Committee to accept a 3 percent reduction for the last half of FY 92 and a 3 percent reduction for FY 93 in the programs of Supreme Court operations and Boards and Commissions. He asked that the cuts be made in personal services.

Mr. Oppedahl said that an 8 percent cut could be taken from HB 903 (Court Automation). This is one time money of \$33,600. The remaining money in HB 903 is matched by federal money. Any amount over the \$33,600 will be strongly rejected. Judiciary can accept 3 percent cuts to the entire budget when you exclude the elected official salaries. Thirty five percent of his budget is involved with salaries.

SEN. FRITZ asked if this proposal included all the recommendations of the executive budget. Mr. Oppedahl said no. Some of the other areas need specific recommendations.

#### EXECUTIVE ACTION - JUDICIARY

Motion/Vote: SEN. TVEIT made the motion to accept the executive budget proposal recommendation on HB 903 - Court Automation of \$36,000. MOTION CARRIED UNANIMOUSLY Tape 1, Side 1, 1313

Motion: REP. ZOOK made the motion to accept the 3 percent reduction in the last half of FY 92 and 3 percent in FY 93 for Supreme Court Operations and Boards and Commissions as recommended. See Exhibit 1 Tape 1, Side 1, 1420

#### Discussion:

SEN. FRITZ pointed out that this amount represents a significant reduction in the executive recommendations and it doesn't touch the other items that he thinks are even more questionable. He has some objections about the Water Court and District Court Reimbursement. Lois Steinbeck, Associate Fiscal Analyst, LFA stated that the Water Court judge said he would be willing to reduce the FY 92 budget \$30,000 by leaving positions open. The Law Library's proposal was to reduce its budget by \$10,000 in FY 92, \$15,000 in FY 93, and new fee revenue would be deposited to the general fund. If the Committee accepted this proposal, it would generate \$41,000 in FY 92 and \$31,000 in FY 93.

Vote: MOTION CARRIED 4 - 2 ON A ROLL CALL VOTE. EXHIBIT 2

Lois Steinbeck said that she reviewed the language changes suggested by the executive budget in HB 2 to both the Secretary of State and Judiciary. There are no changes that change the substance of any legislative intent or legislative direction.

#### HEARING - GOVERNOR'S OFFICE

Clayton Schenck, Senior Analyst, LFA explained the executive budget proposals. EXHIBIT 3

He stated that there are 15 proposals. Fourteen are for reductions or changes in HB 2 and one fund balance transfer. Items 1,4,5,7,10,12, and 14 are in the category of operational reductions within the office. The executive budget proposal does

include the program reductions in all of the seven programs that are funded by the general fund. This amounted to \$20,000 each fiscal year in personal services which is an added an average of 1 percent vacancy savings per program. The Governor's Office already has 4.5 vacancy savings. The operating expenses were reduced by \$18,500 in FY 92 and \$23,500 in FY 93. They also had equipment reductions of \$18,500 in FY 92 and \$18,000 in FY 93. This is 81 percent of the total equipment budget for these programs when you exclude the airplane debt service payment.

Item #2 is a recommended reduction in the Flathead Basin Commission support by general fund. This is within the executive office program and is support by an annual budget of \$78,000 in private funds and \$18,000 in general fund administrative support. This proposal would eliminate 2/3 of that fund support. There will some impact on local governments, and this commission has historically spent less than 50 percent of the total.

Item #3 is an indirect cost accounting change of \$5,000. It is changing the method that they are accounting for indirect cost reimbursements. It does not have a net impact on the general fund.

Item #6 is air transportation cost reimbursements. The executive proposal recommends a funding switch by establishing a state special revenue fund and charging fees to be charged to the agencies for the aircraft's use.

Item #8 is the NASBO 1992 National Meeting which is one of the budget modifications which was approved by the regular session. They are recommending elimination of the \$5,000 per year for this modification which would have gone toward the costs of posting the annual meeting of the National Association of State Budget Officers.

Item #9 recommends eliminating the IGR Intergovernmental Revue Clearinghouse function in the Office of Budget and Program Planning (OBPP) and the one FTE that performs those duties.

Item #11 deals with the Lt. Governor's Office and would be a funding switch. The executive proposal recommends reducing the general fund appropriation by \$6,000 in FY 92 and \$15,000 in FY 93. They would increase other fund sources by that same amount to maintain the same spending authority. An existing position would be used to provide support for an Economic Development task force organized by the Lt. Governor. The funding for this position would come from agencies that participate on this particular council.

Item #13 is Citizen's Advocate cost reimbursement. Spending authority remains the same, but they reduce general fund and increase state special revenue and charge certain agencies for the support.

Item #15 is an ARCO fund balance transfer. There is a \$28,000 balance remaining in the ARCO fund balance that was provided from the ARCO Coal Company. It was for the Clark Fork Demonstration Project. The project is completed and the funds can be transferred administratively. No legislative action is required; however, the Subcommittee chairs made the decision that all items that are dealt with are to go into HB 2 including administrative changes. The total executive budget proposal reductions offers a 3.1 percent cut in the operating budget. When you include the fund balance transfers and funding switches, their total reduction will be 5.6 percent.

John Kinna, Chief of Staff, Governor's Office, said that the Governor's Office came into the 1993 biennium with about the same budget as the 1991 biennium. They had no significant budget modifications or new programs that could be postponed. All the cuts have an impact on the base level of operation. He added that 67% of the Governor's Office budget is salaries and much of its operating expenses are fixed.

SEN. FRITZ asked if the NASBO meeting was still going to be held in Kalispell. Steve Yeakel, Budget Director, Governor's Office, said that he hoped so. It is an important organization. SEN. FRITZ asked if this proposal cuts the funding for the meeting in half. Mr. Yeakel said that the proposal takes it all. SEN. TVEIT said that this meeting was very important. He asked how this was going to be compensated. Mr. Yeakel said he had hoped to raise the money through national dollars and local contributions.

REP. QUILICI referred to the air transportation cost reimbursement. He said that other entities will be charged for cost of travel and asked John Kinna how they would pay for it. Mr. Kinna said the agencies have money budgeted for air travel so that they could reimburse the Governor's Office. It will be computed on an hourly basis. REP. ZOOK asked if it would be possible for the agencies using the plane to get the funds from sources other than general fund. Mr. Kinna said yes and special revenue is one.

SEN. TVEIT referred to the Flathead Basin Commission and asked where the money was coming from for this project. Mr. Kinna said that the Commission would be funded through private funds.

#### HEARING - DEPARTMENT OF JUSTICE

Clayton Schenck explained the executive budget reduction recommendations. EXHIBIT 4

He stated that there are 10 recommendations, five of which are in HB 2 and two in other appropriation bills. The recommended reductions represent a 2.1 percent in the operating budget. When

fund transfers and switches are included, the total reductions will be 5.9 percent.

**Mr. Schenck** referred to Item #1 (Motor Vehicle Division - Operations). The executive proposal recommends a vacancy savings reduction of \$288,275 in FY 92 through efficiencies from the automation of the vehicle registration system (HB 579).

Item #2 (HB 809 - Fire Marshal Bureau Expansion) is a modified budget request. It recommends the delay the hiring of authorized FTE. This represents a 39 percent of the total budget modification appropriation for the biennium.

Item #3 is a funding switch of state drug forfeiture funds. The Department has a state special revenue fund for the deposit of proceeds of property obtained from the seizure or forfeiture by state officials of property related to a criminal activity. Since the funds in the state special revenue account are statutorily appropriated, no legislative action is required to use the funds.

Item #4 is a funding switch of special investigation drug units. The executive proposal recommends reducing the general fund appropriation and increasing the federal fund appropriation for the state's western drug enforcement task force to reflect a 75 percent federal match rather than 100 percent general fund support. This will result in a \$343,649 reduction to the general fund for one time only.

Item #5 is the extradition and transportation of prisoners. The executive proposal recommends a \$50,000 per year reduction for the transporting and extradition of prisoners to Montana.

Item #6 is SB 232 (salvage vehicle inspections). The recommendation eliminates the appropriation in SB 232 and delays the implementation of the state wide vehicle identification number inspection program until after the 1993 biennium.

Item #7 is HB 579 (motor vehicle registration automation system. The recommendation is an 8 percent reduction in the appropriation of HB 579. This would result in a delay in the timetable for full implementation of the automated vehicle registration system.

Item #8 is a fund transfer by agency action. The proposal recommends transferring fund balances of two small state special revenue accounts administered by the Department of Justice to the general fund.

Item #9 is a fund transfer of the Highway Patrol ID card funds. This fund is protected in statute in the state's special revenue account. It would require amending Section 61-12-504, MCA, to authorize the transfer of the fund balance into the general fund.

Item # 10 is a fund transfer of driver's license collections. It would require amending Section 61-5-121, MCA, to authorize the transfer of this balance.

REP. ZOOK referred to Item #5. He said that the transferring of prisoners could be a big problem. Mark Racicot, Attorney General, said that all of this could be a big problem. He added that the Attorney General's Office would rely heavily on the Governor's Office. We may have to change methods of operations in transferring prisoners. He gave the example of a prisoner being extradited from Washington to Montana. They may have to look at the kinds of offenses for which the prisoners are being extradited and also the mode of transportation. He suggested that the fund be transferred to the Governor's Office because they are the agency that does everything when it comes to extradition in terms of approval. SEN. TVEIT asked if this would pertain to all out-of-state prisoners only. Mr. Racicot said no. The state pays for all transportation within the state as well. He suggested that the state create a process by which they run a milk run and have collection points around the state.

SEN. TVEIT asked if this cost would fall back on the counties. Mr. Racicot said if there is no reimbursement fund in place, the counties would have to pick up the cost.

Mark Racicot, Attorney General, reminded the Committee that his agency was assigned a 4 percent vacancy savings reduction and assessed a .5 percent across the board reduction in the Legislature. As a consequence, it will undercut his ability to deliver services.

REP. MARY LOU PETERSON referred to Item #7. She asked if the automation would be completed in December 1992. Mr. Racicot said that they have delayed hiring FTE's. He was hopeful that they would be able to fill that schedule.

SEN. TVEIT asked in going over the budget, where are the difficult spots? Mr. Racicot said SB 232 because he had hoped to be up and operating with a full measure of service, but the most difficult is HB 809 the Fire Marshall Bureau because they have been operating under a great disadvantage for a very long time. They have not been able to inspect all the public buildings that his office is charged with inspecting thus generating law suits to the state.

SEN. FRITZ said SB 232 was an effort to solve the hot car problem in the state and asked if the Attorney General's office would be asking for more appropriations in the next session. Mr. Racicot said he would not be asking for an added appropriation, just for the one that the Legislature provided in the first place.

REP. QUILICI asked how the reapportionment litigation would be paid for. Mr. Racicot said that his office is very fortunate to have a competent staff who have provided a great deal of economic

and accounting entities, they have utilized a professor from the Montana State University, and they have run all the programs on their own computer system to see which allocation method is appropriate. He added that all litigation have been done in Helena.

Gordon Morris, Executive Director, Montana Association of Counties (MACO), informed the Committee that HB 579 imposed a \$1.00 computer fee that was dedicated to the development and operation of the statewide motor computer system. The Committee will now be diverting fee revenues to fund general fund departments. SB 232 was funded by another fee of \$18.50 for the inspection of each salvage vehicle. It is now being delayed; and again, they are looking at fee revenues being generated to general fund programs. HB 494 doubled the license reinstatement fee from \$50.00 to \$100.00. One half of this revenue is to be deposited into the general fund to be used for funding county drinking and driving programs. The remaining revenue must be deposited in an account of the state special revenue fund to be distributed to the county for youth substance abuse programs facilities, adult chemical dependency programs, and equipment for local law enforcement agencies. These fees were adopted to go to specific purposes now being diverted to the general fund to fund general government in Montana. The irony is that the Legislature cannot go home and say that the 1991 Legislature did not increase taxes.

#### HEARING - BOARD OF CRIME CONTROL

Clayton Schenck explained the executive budget reduction proposal. EXHIBIT 5

He said that there are two recommendations for this agency. The total operating budget reduction result in a 5.2 percent and it took the full 8 percent reduction with the remainder being in terms of a funding switch.

Item #1 is an operational expense reduction which is an 8 percent reduction of the total general fund in FY 92. The agency would also reduce its central administration appropriation by the full amount, \$20,800 to vacancy savings in the first year and \$13,400 in FY 93.

Item #2 is a funding switch on the federal match of the drug enforcement program. It would decrease the general fund appropriation and increasing the federal fund appropriation for drug enforcement to reflect a 75 percent federal match rather than the 50 percent rate.

Edwin Hall, Administrator, Board of Crime Control, stated that his agency did contribute a full 8 percent in both years. He expects the 75 - 25 percent federal match to become permanent.

They are doing their best to contribute their fair share, but this makes them a bare-bones agency. He added that the Board does have a state special revenue fund to rob.

REP. MARY LOU PETERSON asked if reducing the general fund will in any way put the state in jeopardy in matching all the federal grant money. Mr. Hall said they are fully matched for all their funds.

#### HEARING - HIGHWAY TRAFFIC SAFETY

Clayton Schenck explained the executive budget reduction proposal. EXHIBIT 6

He stated that there are two proposals which involve pass through funds to local government. Item #1 is the DUI task force pass-through distribution. The executive proposal recommends an 8 percent reduction in the fees that are collected and deposited into the drivers license reinstatement account. There is language that earmarks these funds (Section 61-2-107, MCA). It would require legislative action to permanently divert the funds for other uses.

Item #2 is related to the fund transfer of DUI task forces. These funds were to go into a state special revenue account. The executive budget proposal recommends transferring the entire fund balance in the state special revenue account to the general fund. Since the funds are also earmarked, it would require a statutory amendment to transfer the funds.

REP. ZOOK said when the language is earmarked, if there is no legislative action to change it, would all the money wind up in the ending fund balance. Mr. Schenck said yes. It would remain in the general fund. REP. ZOOK said without legislative action, this money would be no benefit to anyone except to have an ending fund balance, part of which no one could touch. Mr. Schenck said that was correct with regard to the additional \$50.00 fee. It was inadvertently not appropriated after the bill was passed. It would, however, remain in the general fund and accrues to the counties. REP. ZOOK asked John Patrick, Budget Analyst, OBPP, asked if it was executive intent that some legislative action be taken to put this money into the general fund. Mr. Patrick said yes; it will need legislative action to be made available.

REP. QUILICI asked if rather than reverting back to the counties, it would be permanently put in the state general fund. Mr. Patrick said it would be put in the general fund permanently.

Albert Goke, Administrator, Highway Traffic Safety Division, stated the first \$50.00 reinstatement fee was initiated in 1987 with oversight placed upon his department to make sure that the fees were distributed back to local governments. The DUI task

forces came to the Legislature in 1991 and introduced a bill that would double the reinstatement fee. It left everything else as it was. There was no appropriation applied to the second \$50.00 reinstatement fee.

The law as amended has weaknesses. The second reinstatement fee was to be given to the counties for distribution with odd definitions as to what could be done with the money.

REP. QUILICI asked if the first \$50.00 is given back to the local governments. Mr. Goke said it is distributed quarterly based on two provisions: (1) if the county has a plan that the county commissioners have approved, and (2) that action is approved by the Governor. REP. QUILICI asked if legislation concerning the second \$50.00 would hurt the first \$50.00. Mr. Goke said not that he could see any problems.

REP. MARY LOU PETERSON asked if the restriction of the \$50,000 is going to restrict the work coming from his office. Mr. Goke said no.

#### HEARING - DEPARTMENT OF REVENUE

Lois Steinbeck, Associate Fiscal Analyst, LFA, explained the executive budget reduction proposal. EXHIBIT 7

She stated that the DOR would like any reductions adopted by the Committee to be recorded in personal services even though there will be operating reductions. This will give them maximum flexibility in using their funds. She added that HB 454 codified a provision in HB 2 saying that personal services cannot be expended under any other category of expenditures.

She made available to the Committee the original reductions submitted by the Department of Revenue at the request of REP. BARDANOUVE. EXHIBITS 8,9

Jack Ellery, Deputy Director for Operations, Department of Revenue (DOR), stated that 8 percent budget cuts are difficult particularly when an agency deals with so many people. The DOR is faced with some significant mandates. The biggest one being the statewide reappraisal of property which is due next year.

He added that the Department could eliminate a personnel technician at a savings of \$23,400 a year. This position has been consolidated within the support staff. They would revert general fund money from the liquor hearing funds that would have been expended to the Attorney General's Office. This \$35,000 does not offset existing programs within the Director's Office. They are eliminating several FTE in the accounting area of the Centralized Services Division. There will also be a \$180,000 cut in the accounting data processing system. The result of this

reduction is that long form refunds will not be sent as timely as they have in the past. **EXHIBIT 10**

**REP. MARY LOU PETERSON** said that **Mr. Ellery** mentioned that on the short income tax form, the DOR was going to keep to its reputation of a 15 day turn around and the long form is going to be longer. She asked how much longer. **Mr. Ellery** said it is difficult to nail that answer down. Last year was the first year it implemented its new computer system. While they were on top of the short forms, they received a back log in the long forms because of some of the problems they had with the new system. They never caught up. **REP. PETERSON** asked if the Committee could expect a similar time frame as last year. **Mr. Ellery** said that there were more complaints last year than they have ever had. They may be able to push them through the system, but there will still be a backlog of getting them into the system. If they do as well as last year, they will be doing good. **REP. PETERSON** said that the Department is dropping the toll-free assistance line. This is a direct customer service program that we like to have. She asked how much money would they be saving. **Mr. Ellery** said around \$10,000.

**REP. QUILICI** referred to the general fund budget modifications specifically the cyclical reappraisal costs of \$22,000 which were not implemented in FY 92. He asked what the DOR was going to do with the money. **Mr. Ellery** said the property assessment division is all general fund money. All the expenditures are set up against the appropriations, usually the largest one first. It is just a matter of timing that they have not yet spent any of the money. **REP. QUILICI** asked what the costs were supposed to do. **Mr. Ellery** said the \$22,000 in FY 92 was increased travel as part of the reappraisal cycle. The larger amount of \$249,000 is increased costs the DOR will incur to mail forms and additional staff travel that is involved in reappraisal.

**SEN. FRITZ** asked why does the DOR rank so low in the general fund reduction yet they rank so high in the total actions. **Mr. Ellery** said they are trying to concentrate on several things. One is maintaining and/or enhancing their revenue picture. They have also had some serious mandates one being the property reappraisals. When DOR made its proposal to the Governor's Office, it made a good case which said if your going to cut don't cut in places that generate revenue.

**REP. MARY LOU PETERSON** asked **Mr. Ellery** to review the increase in corporation and natural resources tax from out of state. **Mr. Ellery** said the corporation tax audits would generate an additional \$1.9 million in FY 92 and over \$3 million in FY 93.

HEARING - DEPARTMENT OF ADMINISTRATION

Lois Steinbeck said the Department of Administration would

explain the executive budget reduction proposal. She also gave the original agency response to the Governor's 8 percent reductions as requested by REP. BARDANOUE. EXHIBITS 11,12

She also provided the committee with the LFA's executive budget reduction proposals as it pertains to the Public Employee Retirement Division. EXHIBIT 13

Ms. Steinbeck referred the committee to p. A-59 of the LFA Budget Analysis. She said one of the tables included for each agency is an analysis of how much it expended from appropriations authorized in bills other than HB 2. HB 268 established an Appellate Defender Commission. When Gordon Morris testified at the 1/2/92 meeting, he mentioned this bill and its funding source. This Commission is given a general fund appropriation, but it is funded from the district court criminal reimbursement program. This bill establishes an appropriation from the district court criminal reimbursement funding that is superior to the funding of criminal costs of district courts. She called the Committee's attention to this because \$100,000 is appropriated each year into the general fund for that Commission who has been appointed by the Governor. Ms. Steinbeck suggested that the Committee may want to consider annualizing the FY 92 appropriation. This will reduce general fund appropriations, still leaving sufficient funding for the balance of the year.

Chuck Virag, Administrator, Accounting and Management Support Division, (DOA), gave an overview of the Department's general fund budget. EXHIBIT 14

SEN. TVEIT referred to the area of security and asked if things are just locked up tighter. Debra Kehr, Administrator, General Services Division, (DOA) said that her division has a foot patrol that watches the complex and also a person who drives around the outlying buildings. The amount of hours driven around the buildings and complex would be reduced. REP. MARY LOU PETERSON asked if Ms. Kehr felt good about doing this. Ms. Kehr said some has been duplication of service because they had to fill out a 40 hour work week. She felt very comfortable that the buildings would be covered.

REP. QUILICI referred to the tort claims. He asked what the status is in tort claims. Brett Dahl, Administrator, Risk Management and Tort Defense Division, DOA, stated that this is their year of living dangerously in the number of claims that have been brought against the state in terms of their fund balance. They are projecting some significant losses over the biennium. At the end of FY 93, they project a fund balance deficit.

REP. QUILICI referred to HB 509 (State Employee Pay Plan). He stated the personnel division received \$73,000 of general fund money to make the necessary changes in the PPD system. He asked

if the changes had been made and how much of the \$73,000 had been expended. **Lauri Ekanger, Administrator, Personnel Division, DOA,** stated through December, they have spent all but \$44,000. There are two phases to the project. Phase 1 converted over all of the formulas in the pay ranges, and everything that was necessary to actually issue the paychecks. This phase is completed. Phase 2 is not completed, and converts all of the edits and reporting systems that feed out of the payroll system from the old system to the new system.

**REP. QUILICI** asked **Linda King, Assistant Administrator, Public Employees' Retirement Division (PERD),** to explain how the balance got built up in PERD. **Ms. King** said the money was a balance in the social security fund, and is not part of their operating budget. Several year ago, the Division used to collect all social security contributions from state and local government employers, audit them, and send it on to the federal government. Since 1986, the federal government is collecting it directly. Prior to this time, there was a float on the money between when the PERD received it and when they gave it to the federal government. The state used the investment and income money to fund the administration of the retirement systems as well as the social security collections. We no longer collect this money, but there is money in the account. In 1986, the state transferred \$2 million of interest earnings out of the account into the general fund, and said any additional interest earnings would go to the general fund. Because some of the audits have not yet been closed out, no money since the \$2 million has been transferred. At the end of December, PERD transferred \$120,547.62 to the general fund.

EXECUTIVE ACTION - DEPARTMENT OF ADMINISTRATION

Tape 3, Side A, 846

**Motion/Vote:** **REP. ZOOK** made the motion to accept the executive budget reduction proposal including the proposal from the Public Employees' Retirement System. See Exhibits 10, 13 **MOTION CARRIED UNANIMOUSLY**

**Discussion:**

**REP. QUILICI** referred the Committee to the Appellate Defender Commission. **Lois Steinbeck** stated the Appellate Defender Commission is a five member commission that was established by HB 268. The Governor appointed the commission members in November. They will be filling its two staff positions sometime in March. Out of the \$100,000 appropriation, only \$367 has been expended to date. We could reduce this appropriation to \$50,000 at this point.

Tape 3, Side A, 1058

Motion/Vote: REP. ZOOK made the motion to amend the original motion and change the PERD portion to include \$120,547.62 in FY 92, \$24,000 in FY 93, and to deposit \$50,000 of the Appellate Defender Commission appropriation to the general fund. MOTION CARRIED UNANIMOUSLY

HEARING - DEPARTMENT OF MILITARY AFFAIRS

Lois Steinbeck submitted the executive budget reduction proposal. EXHIBIT 15

Gary Blair, Adjutant General, provided testimony. EXHIBIT 16

REP. QUILICI referred to repair and maintenance reduction. He asked if the \$57,000 was enough to maintain some its buildings. He added that many were in need of repair. General Blair said that new roofs would be funded, and they should be okay every where else.

Lois Steinbeck explained to the committee all the changes in the proposal so that a proper motion could be made. Item #2 would be reduced by half \$5,100 from \$10,200 and the \$17,700 would go to \$12,600. These decreases are the cuts to the uniform laws and will be picked up in #4 (reduced repair and maintenance). That amount will be increased to \$67,625.

EXECUTIVE ACTION - DEPARTMENT OF MILITARY AFFAIRS

Tape 3, Side 2, 563

Motion/Vote: REP. ZOOK made the motion to except the executive budget reduction proposal with all the changes mentioned by Ms. Steinbeck. MOTION CARRIED UNANIMOUSLY

HEARING - LEGISLATIVE FISCAL ANALYST

Teresa Cohea, Legislative Fiscal Analyst, provided written testimony. EXHIBIT 17

SEN. JUDY JACOBSON, Chair, Fiscal Analyst Committee, provided the Committee with an alternative proposal of a 5 percent reduction in the LFA budget. EXHIBIT 18

She stated her staff has been the lead agency through the special session; and they have given up this Christmas as well as last Christmas. She is concerned that the hours being put in at the Fiscal Analyst Office will not be able to be cut because it must

continue to monitor for the Revenue Oversight Committee as well as prepare for the full session approaching. If an 8 percent cut is taken, it means holding positions open; and the existing staff must put in more overtime than it has at present. The requests coming in are so heavy that it is unreasonable to ask them to build up that kind of comp-time. The only way we are able to meet the 8 percent cut is to limit what kind of requests they can honor. This will be a full 5 percent cut.

REP. MARY LOU PETERSON asked if the Fiscal Analyst Office has always honored those requests. Ms. Cohea said any request that takes more than two days of staff time must go to her Committee for approval. They have not had too much trouble to date.

Terri Perrigo, Associate Fiscal Analyst, LFA explained the executive budget reduction proposal. EXHIBIT 19

She stated Exhibit 18 shows a full 8 percent reduction in FY 93. The alternative proposal is 5 percent reduction for a \$27,000 difference.

#### EXECUTIVE ACTION - LEGISLATIVE FISCAL ANALYST

Tape 3, Side B, 944

Motion/Vote: SEN. FRITZ made the motion to accept the alternative proposal of 5 percent for FY 93 as requested by the LFA. MOTION CARRIED UNANIMOUSLY

Tape 3, Side B, 975

Motion/Vote: REP. ZOOK made a substitute motion to accept the executive budget proposal reductions for FY 92 and the alternative proposal of 5 percent for FY 93 as requested by the LFA. MOTION CARRIED UNANIMOUSLY

#### HEARING - STATE AUDITOR

Clayton Schenck explained the executive budget proposal reductions. EXHIBIT 20

He stated that there are 8 reduction proposals recommended amounting to \$69,000 in FY 92 and \$96,000 in FY 93. This is a 3.5 percent reduction in their operating budget. Items #1,3,4,6, and 8 are all vacancy savings.

Item #2 recommends the elimination of approximately 7 percent of the biennial amount appropriated in for the budget modification #1 for the computer system replacement at the Auditor's Office.

Items #5 and #7 are both for reductions in office equipment in

the insurance and securities programs.

Dennis Sheehy, Deputy Director, State Auditor's Office provided written testimony. EXHIBITS 21,22

REP. MARY LOU PETERSON said there would be 21,000 more warrants being issued this year. She asked what has caused the increase in issuances. Mr. Sheehy said that in one month, the Auditor Office had 11,000 warrants in the Income Tax Division of the Department of Revenue, SRS Child Support issued 6,500 warrants, and 1,500 issuances for other agencies.

REP. QUILICI said that the executive budget projects turn out to be a 3.5 percent cut. Other agencies are taking a 5 percent cut. He asked why is there such a curtailment in FTE's. Mr. Sheehy said the Auditor's Office has always been tight on their operations. It has historically had to ask for supplementals for warrant writing and the payroll system. The office has also been notorious for vacancy savings. This is the first year where they have had 100 percent staffing.

REP. ZOOK said that there is still \$4.7 million in general fund money in this office. We are talking about \$165,000 out of it.

#### EXECUTIVE ACTION - STATE AUDITOR'S OFFICE

Tape 4, Side A, 213

Motion/Vote: REP. ZOOK made the motion to accept the executive budget proposal reductions of \$69,000 in FY 92 and \$96,000 in FY 93. MOTION CARRIED 5 TO 1 WITH SEN. STIMATZ VOTING NO.

#### HEARING - STATE FUND

Lois Steinbeck said that there is no handout because the State Fund has no general fund money. The executive budget does not contain any recommendations.

Patrick Sweeney, Director, State Fund, said that his office has no general fund dollars. He added the statutory spending authority for benefits will be \$7 million low.

SEN. TVEIT asked when the increase would take affect. Mr. Sweeney said January 1 and they would be an across the board 11 percent increase. REP. QUILICI asked what rate does the state pay. Mr. Sweeney said it varies by class and includes all state agencies.

**SEN. TVEIT** asked how big is the debt fund to date. **Mr. Sweeney** said from the latest actuarial figures, approximately \$430 million.

**SEN. STIMATZ** asked how many other states are in as horrible condition as Montana. **Mr. Sweeney** said that there are 5 or 6 states that have gone to State Fund. **SEN. STIMATZ** asked if Worker' Compensation is in trouble every where. **Mr. Sweeney** said yes.

**SEN. FRITZ** said the Joint Interim Committee on Worker's Compensation has heard these numbers before. There are two more meetings scheduled. The first meeting will deal with the \$430 million unfunded liability. The second meeting will deal with the new fund. **REP. QUILICI** asked if the Committee worked with the Governor's Task Force. **SEN. FRITZ** said informally.

#### EXECUTIVE ACTION - DEPARTMENT OF JUSTICE

**REP. QUILICI** asked **Mark Racicot**, Attorney General, if he has had a chance to go over the executive budget proposal with the budget office and have they worked out the budget revisions. **Mr. Racicot** said they have come to agreement only at the point of a gun. His Department is as cooperative as possible without losing the integrity of various programs.

Tape 4, Side A, 805

Motion/Vote: **SEN. TVEIT** made the motion to accept the executive budget reduction proposal of 5.9 percent. **MOTION CARRIED UNANIMOUSLY**

#### Discussion:

**Clayton Schenck** told the committee that the executive budget proposal recommends one language change in HB 2. He referred the Committee to the Western Drug Task Force. In the last session, the language needed to be changed from partial federal funding on a match program to full general fund because it was anticipated that the federal funds would be lost at the end of FY 92. It has been confirmed that these funds will be available. Originally, the bill said that if federal funds became available, they should be put into the account and general fund reduced. It is being asked that this language be reversed to say if the federal funds don't become available that the Legislature go back in and put in general fund money. It will be a contingent liability.

Tape 4, Side A, 1071

Motion/Vote: **SEN. FRITZ** made the motion that the language be inserted into HB 2. **MOTION CARRIED UNANIMOUSLY**

securities programs.

Mr. Sweeney  
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uty Director, State Auditor's Office provided  
EXHIBITS 21,22

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ATIVE ACTION - STATE AUDITOR'S OFFICE

Tape 4, Side A, 213

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HEARING - STATE FUND

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REP. QUILICI asked what rate does the state  
said it varies by class and includes all state

le A, 1071

language be

EXECUTIVE ACTION - GOVERNOR'S OFFICE

Tape 4, Side A, 1179

Motion/Vote: REP. ZOOK made the motion to accept the executive budget reduction proposal. See Exhibit 3 MOTION CARRIED UNANIMOUSLY

HEARING - LEGISLATIVE AUDITOR

REP. QUILICI stated that the Legislative Fiscal Analyst and the Legislative Council are giving recommendations comparable to what the LFA has come in with. We are trying to treat every Legislative agency fairly and in the same way.

Scott Seacat, Legislative Auditor, provided the committee with a target reversion for FY 92 and FY 93. EXHIBIT 23

REP. QUILICI referred to the market-based adjustments. He stated that the Legislative Auditors Office is exempt and at the time the Legislature put on a 4 percent vacancy savings on the office. He asked if the \$125,000 is a deletion of the 4 percent vacancy savings. Mr. Seacat said that at the eleventh hour his office found out it was approximately \$125,000 short. The Governor had already signed off on the pay plan deal. There was nothing his office could do to get money put into his budget. To mitigate the problem, the legislature took off the 4 percent vacancy savings. If you take the \$125,000 less the 4 percent (approximately \$80,000), this gets his office to the \$45,000 credit that they asked for in the meeting of 1-2-1992.

SEN. TVEIT asked what they would be voting on. REP. QUILICI said that the Legislative Auditors Office accepted the 1992 recommendation of the executive budget. In 1993, they took 5 percent. Terri Perrigo said that the Committee voted to implement the 5 percent reduction in 1993. REP. QUILICI said it was accepted by the Committee that all Legislative agencies give appropriately and do it alike. REP. ZOOK said if the 5 percent is taken in 1993 and they add in the possibility of the \$30,600 that may be collected, The Legislative Auditors Office come very close to the executive proposal.

REP. QUILICI said \$65,063 in FY 93 constituted 5 percent of the budget. All that needed to be looked at is the difference between the \$82,125 and the \$63,016. Terri Perrigo said if the Committee chooses to do it that way that would be correct; but the Committee may choose to vote on a FY 92 reduction of \$82,148 plus the \$18,512 which would show \$100,640 and \$46,551 in FY 93. This way there would be no difference between what is shown on paper and what is really going to happen in the bill. REP. QUILICI said that was the proper way to do this.

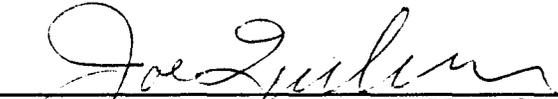
EXECUTIVE ACTION - LEGISLATIVE AUDITOR

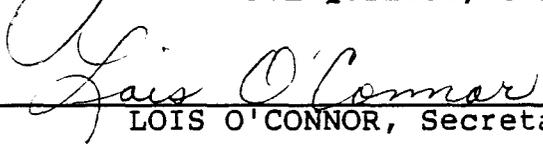
Tape 4, Side A, 184

**Motion/Vote:** SEN. TVEIT made the motion to accept the executive budget proposal reduction for FY 1992 of \$100,640 and to accept the target revision of \$46,551 proposed by the Legislative Auditor's Office for FY 1993. See Exhibit 22 **MOTION CARRIED UNANIMOUSLY**

**ADJOURNMENT**

Adjournment: 4:55 p.m.

  
\_\_\_\_\_  
JOE QUILICI, Chair

  
\_\_\_\_\_  
LOIS O'CONNOR, Secretary

JQ/LOC

HOUSE OF REPRESENTATIVES

GENERAL GOVERNMENT AND HIGHWAYS SUBCOMMITTEE

ROLL CALL

DATE ~~1-3-92~~ - 1-3-92

NAME	PRESENT	ABSENT	EXCUSED
REP. JOE QUILICI, CHAIRMAN	X		
SEN. LARRY STIMATZ, VICE-CHAIRMAN	X		
REP. TOM ZOOK	X		
SEN. LARRY TVEIT	X		
REP. MARY LOU PETERSON	X		
SEN. HARRY FRITZ	X		

EXHIBIT 1  
DATE 1-3-92

HB Gen Horn +  
Trans Subcom  
Special Session

X SUPREME COURT OPERATIONS

Reductions: Fiscal 1992

Vacancy Savings .....	\$ 5,000
Telephone service .....	1,000
Travel .....	2,000
Supplies .....	1,000
Equipment .....	<u>3,000</u>
Total .....	FY 92 ... \$ 16,060

Reductions: Fiscal 1993

Vacancy Savings .....	\$ 5,000
Telephone service .....	2,000
Travel .....	4,000
Supplies .....	378
Equipment .....	<u>21,000</u>
Total .....	FY 93 .... \$32,378

X Boards and Commissions

Reductions: Fiscal 1992

Vacancy Savings .....	\$ 2,000
Travel .....	<u>1,737</u>
Total .....	FY 92 ..... \$ 3,737

Reductions: Fiscal 1993

Vacancy Savings .....	\$ 2,000
Travel .....	3,000
Contracted Services .....	<u>2,564</u>
Total .....	FY 93 ... \$ 7,564

EXHIBIT 2  
 DATE 1-3-92  
 HB Sub Com Gen  
Gov. + Trans  
Special Session

HOUSE OF REPRESENTATIVES  
 GENERAL GOVERNMENT AND HIGHWAYS SUBCOMMITTEE

ROLL CALL VOTE

DATE 1-3-92 AGENCY \_\_\_\_\_ NUMBER \_\_\_\_\_

MOTION: \_\_\_\_\_

move to accept 1 + 2 as recommended  
(Rep Zook) by Supreme Court Administrator  
J. m oppelahl

NAME	AYE	NO
REP. JOE QUILICI, CHAIRMAN	X	
SEN. LARRY STIMATZ, VICE-CHAIRMAN	X	
REP. TOM ZOOK	X	
SEN. LARRY TVEIT		X
REP. MARY LOU PETERSON		X
SEN. HARRY FRITZ	X	
TOTAL	4	2

EXHIBIT 3  
 DATE 1-3-92  
 HB Sub Comm Item  
Down + Trans  
Special Session

Governor's Office X  
 P:\3101\0000000.LBP

1993 Biennium Adjustments  
 Legislative Budget Action

Description	Pgm	Executive Budget Proposal			Legislative Budget Action			Difference (Leg. - Exec.)				
		Fiscal 1992	Fiscal 1993	Other Funds	Fiscal 1992	Fiscal 1993	Other Funds	Fiscal 1992	Fiscal 1993	Other Funds		
House Bill 2												
1 Executive Office Operations	01	(\$16,507)	(\$21,476)					16,507	21,476			
2 Flathead Basin Commission	01	(12,000)	(12,000)					12,000	12,000			
3 Indirect Cost Accts. Change	01	(5,000)	(5,000)	5,000				5,000	5,000	(5,000)		(5,000)
4 Mansion Operating Reductions	02	(5,176)	(5,212)					5,176	5,212			
5 Air Transportation Operations	03	(2,815)	(2,823)					2,815	2,823			
6 Air Transp. Cost Reimb.	03	(10,000)	(10,000)	10,000				10,000	10,000	(10,000)		(10,000)
7 OBPP Operating Reductions	04	(25,254)	(24,718)					25,254	24,718			
8 MASBO 1992 National Meeting	04	(5,000)	(5,000)					5,000	5,000			
9 Eliminate Clearinghouse	04	(1,000)	(34,000)					1,000	34,000			
10 Lt. Governor Operations	12	(5,431)	(5,418)					5,431	5,418			
11 Lt. Governor-Funding Switch	12	(6,000)	(15,000)	15,000				6,000	(6,000)			(15,000)
12 Citizen's Advocate Vac. Svgs.	16	(422)	(421)					422	421			
13 Citizen's Advocate Cost Reimb.	16	(15,000)	(15,000)	15,000				15,000	15,000	(15,000)		(15,000)
14 Board of Visitors Operations	20	(1,395)	(1,813)					1,395	1,813			
Other												
15 ARCO Fund Balance Transfer	01	(28,000)						28,000				
Totals		(\$139,000)	(\$157,881)	\$45,000	\$0	\$0	\$0	\$139,000	\$157,881	(\$36,000)		(\$45,000)

EXHIBIT 4  
 DATE 1-3-92  
 HB Sub Comm Jan  
Goon + Brana  
Special Session

5,990

Dept. of Justice  
 \110\W000000.LBP

Description	Pgm	Executive Budget Proposal			1995 Biennium Adjustments Legislative Budget Action			Difference (Leg. - Exec.)		
		Fiscal 1992 General Fund	Other Funds	Fiscal 1993 General Fund	Fiscal 1992 General Fund	Other Funds	Fiscal 1993 General Fund	Fiscal 1992 Other Funds	Fiscal 1993 Other Funds	
Motor Vehicle Div.-Operations 12		(\$288,275)				288,275				
HB 809-Fire Marshal Bur. Exp. 12		(90,667)				90,667				
Fund Switch-Drug Forfeitures 18		(8,385)				8,385				
Fund Switch-Drug Investig. 18		(343,649)	343,649						(343,649)	
Extr./Transp. of Prisoners 30		(50,000)				50,000				
her Appropriation Bills										
SB 232-Salvage Vehicle Insp. 12		(42,750)				42,750				
HB 579-Motor Vehicle Registr. 12		(67,032)				51,144			67,032	
her										
Fund Transfers-Agency Action N/A		(24,400)							24,400	
Fund Tfr-Hwy. Patrol ID Cards N/A		(11,400)							11,400	
Fund Tfr-Driver's Lic. Coll. N/A		(25,000)							25,000	
Totals		(\$531,221)	\$0	(\$614,857)	\$343,649	\$531,221	\$0	\$0	(\$614,857) (\$343,649)	

EXHIBIT 5  
 DATE 1-3-92  
 HB Shubert  
Don + Dign  
Special

Crime Control Div.  
 P:\4107\40000000.LBP

1993 Biennium Adjustments  
 Legislative Budget Action

Description	Executive Budget Proposal			1993 Biennium Adjustments Legislative Budget Action			Difference (Leg. - Exec.)		
	Fiscal 1992 General Fund	Fiscal 1993 General Fund	Other Funds	Fiscal 1992 General Fund	Fiscal 1993 General Fund	Other Funds	Fiscal 1992 General Fund	Fiscal 1993 General Fund	Other Funds
1 Operational Expense Reduction 01									
2 Funding Switch-Federal Match 01									
Totals	(\$40,547)	(\$13,400) (29,573)	\$29,573				40,547	13,400 29,573	(29,573)
	(\$40,547)	(\$42,973)	\$29,573	\$0	\$0	\$0	\$40,547	\$42,973	(\$29,573)

House Bill 2

EXHIBIT 6  
 DATE 1-3-92  
 BY John Gannon +  
Trans  
Special Session

Heavy Traffic Safety Div.  
 1081000000.LBP

Description	Executive Budget Proposal			1993 Biennium Adjustments Legislative Budget Action			Difference (Leg. - Exec.)		
	Fiscal 1992 General Fund	Other Funds		Fiscal 1992 General Fund	Other Funds		Fiscal 1992 General Fund	Other Funds	
Pgm									
DUJ Task Forces Pass-Through 36	(\$15,920)						15,920		15,920
Fund Transfer-DUI Task Forces 36			(400,000)						400,000
Totals	(\$15,920)	\$0			\$0	\$0	\$15,920	\$0	\$415,920

see Bill 2

er

EXHIBIT 7

DATE 1-3-92

HB 2446

Boivin + Tran

Special Deal

DEPARTMENT OF REVENUE P:\5801\4000000.LBP	DEPARTMENT OF REVENUE						1993 Biennium Adjustments						Difference (Leg. - Exec.)					
	Executive Budget Proposal			Legislative Budget Action			Fiscal 1992			Fiscal 1993			Fiscal 1992			Fiscal 1993		
Description	Pgm	General Fund	Other Funds	General Fund	Other Funds		General Fund	Other Funds	General Fund	Other Funds		General Fund	Other Funds	General Fund	Other Funds			
House Bill 2																		
1 Director's Office Reduction	01	(\$76,100)		(\$75,900)										73,900				
2 Centralized Services	02	(72,000)		(75,000)								76,100		75,000				
Division Reduction																		
3 Data Processing Division	03	(90,000)		(90,000)								90,000		90,000				
4 Income Tax Division	06	(32,200)		(136,595)								32,200		136,595				
5 Corporation and Natural Resources Tax Division	07	101,954		114,123								(101,954)		(114,123)				
Other																		
6 Liquor Enterprise Transfer	05		(1,000,000)											1,000,000				
7 Revenue Estimate Increase	06	(560,000)		(957,547)								560,000		957,547				
Income and Miscellaneous Tax Division																		
8 Revenue Estimate Increase	07	(1,916,250)		(3,083,750)								1,916,250		3,083,750				
Corporation and Natural Resource Tax Division																		
Totals		(\$2,644,596)	(\$1,000,000)	(\$4,302,669)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,644,596	\$1,000,000	\$4,302,669	\$0	\$0		

# State of Montana

Stan Stephens, Governor

EXHIBIT 8

DATE 1-3-92

HB Sub Com Gen  
Gov + Trans  
Special Session



Department of Revenue

Denis Adams, Director

Room 455, Sam W. Mitchell Building

Helena, Montana 59620

**RECEIVED**

**AUG 22 1991**

**OBPP**

To: Steve Yeakel, Director  
Office of Budget and Program Planning

From: Denis Adams, Director *Denis Adams*

Subject: 8% General Fund Reductions

Date: August 22, 1991

Attached is a program by program discussion of proposed general fund reductions and their associated impact on the revenue generating capabilities and service levels of the department.

Additionally, there are several significant issues faced by the department and the administration which weigh heavily on the proposed reductions. They are:

1. Completion of statewide property reappraisal by December 31, 1992;
2. Generating an additional \$4.1 million that is already counted in the FY93 biennium revenue estimates; and
3. Maintaining adequate service levels to Montana taxpayers.

Our ability to address these issues is already acerbated by a \$639,000 (3.63%) vacancy savings requirement. The vacancy savings requirement coupled with 8% general fund cuts of \$1,678,000 reduces total department spending authority by a full 10%. A ten percent reduction now, combined with the budget reductions experienced over the past several years, will have a very dramatic impact on agency operations and consequently state revenues. The specific proposals from each division program illustrate the magnitude of and the sacrifices required by the proposed spending cuts.

The following summarizes where we propose to reduce expenditures in the biennium.

Department of Revenue  
8% Reductions in FY92 and FY93

Director's Office

FY92 Reduction: ..... \$ 76,100  
FY93 Reduction: ..... \$ 73,900  
  
Total FY93 Biennial Reductions: ..... \$ 150,000

Centralized Services Division

FY92 Reduction: ..... \$ 72,000  
FY93 Reduction: ..... \$ 75,000  
  
Total FY93 Biennial Reductions: ..... \$ 147,000

Data Processing Division

FY92 Reduction: ..... \$ 90,000  
FY93 Reduction: ..... \$ 90,000  
  
Total FY93 Biennial Reductions: ..... \$ 180,000

Liquor Enterprise

FY92 General Fund Transfer Increase - Bailment Completion ..... \$ 1,000,000  
FY93 Reduction: ..... \$ 0  
  
Total FY93 Biennial General Fund Increase ..... \$ 1,000,000

Income and Miscellaneous Tax Division

FY92 Reduction: ..... \$ 186,000  
FY93 Reduction: ..... \$ 295,600  
  
Total FY93 Biennial Reductions: ..... \$ 481,600

Natural Resource and Corporation Tax Division

FY92 Reduction: ..... \$ 113,000  
FY93 Reduction: ..... \$ 96,300  
  
Total FY93 Biennial Reductions: ..... \$ 209,300

Property Assessment Division

FY92 Reduction: ..... \$ 140,874  
FY93 Reduction: ..... \$ 1,016,247  
  
Total FY93 Biennial Reductions: ..... \$ 1,157,121

Department Total

FY92 Reduction: ..... \$ 1,677,974  
FY93 Reduction: ..... \$ 1,647,047  
  
Total FY93 Biennial Reductions: ..... \$ 3,325,021

Ex. 8  
1-3-92

**Department of Revenue  
8% Reductions in FY92 and FY93**

**Division: Director's Office - Administration**

<b>FY92 Reduction:</b> .....	<b>\$ 20,400</b>
<b>FY93 Reduction:</b> .....	<b>\$ 23,000</b>
<b>Total FY93 Biennial Reductions:</b> .....	<b>\$ 43,400</b>

**Proposed Reduction**

Eliminate our Personnel Technician II position and reassign duties to other Director's Office clerical staff.

**Rationale For Reduction**

The Director's Office clerical staff workload varies considerably, especially in non-legislative years. Adequate backup of office functions and procedures is critical at all times to insure the timely and accurate support of the Director and his staff. As a result, the current staffing in the office is fully capable of assuming additional duties in support of Department Personnel activities during routine periods. The transfer of personnel related functions, particularly at a time when recruitment and hiring activities will be curtailed, will level the workload for existing clerical staff and allow them to become more productive during slack times.

**Program / Agency Impact**

The need for well trained clerical backup is a priority in the Director's Office. This requires additional staffing even though the workload fluctuates considerably. Additional workloads can be assumed and prioritized to insure staff are highly productive at all times. Support of department-wide personnel activities should not be diminished.

**Department of Revenue  
8% Reductions in FY92 and FY93**

**Division: Director's Office - Administration**

<b>FY92 Reduction:</b> .....	<b>\$ 2,600</b>
<b>FY93 Reduction:</b> .....	<b>\$ 0</b>
<b>Total FY93 Biennial Reductions:</b> .....	<b>\$ 2,600</b>

**Proposed Reduction**

Reduce general fund portion of legislative audit funding.

**Rationale For Reduction**

All agencies in state agencies should share in the general fund reductions equally.

**Program/Agency Impact**

None.

EXHIBIT 8  
DATE 1-3-92  
HB SubCom Gen  
Gov + Trans  
Special Session

**Department of Revenue  
8% Reductions in FY92 and FY93**

**Division: Director's Office - Office of Legal Affairs**

**FY92 Reduction: ..... \$ 9,200**  
**FY93 Reduction: ..... \$ 9,200**  
**Total FY93 Biennial Reductions: ..... \$ 18,400**

**Proposed Reduction**

Maintain the current level of funding for position #1017 which will result in a savings of \$9,200 in each fiscal year in general fund revenues.

**Rationale For Reduction**

Position #1017 is currently funded at a grade 17. However, the current incumbent in the position was hired as a grade 14. This difference could be reverted to the general fund.

**Program/Agency Impact**

The impact of this proposal may result in greater turnover in legal staff. If the position is maintained at an entry level it will be difficult to retain qualified staff in the position.

**Department of Revenue  
8% Reductions in FY92 and FY93**

**Division: Director's Office - Office of Legal Affairs**

<b>FY92 Reduction:</b> .....	<b>\$ 0</b>
<b>FY93 Reduction:</b> .....	<b>\$ 3,300</b>
<b>Total FY93 Biennial Reductions:</b> .....	<b>\$ 3,300</b>

**Proposed Reduction**

Eliminate the contracted services for a summer legal intern budgeted in FY93 for \$3,300.

**Rationale For Reduction**

The Summer intern is assigned research and legal drafting projects. The research and writing could be performed by existing staff either staff attorney or para-legal.

**Program/Agency Impact**

The Summer Intern is usually assigned either research projects, requiring in-depth research or legal writing projects. The legal research projects are complex legal issues requiring the research to devote large blocks of time to the project. For example, legal interns, in the past, have researched indian law issues, complex corporate tax matters, and other issues requiring large blocks of time. Summer Interns have also participated in the drafting of pleadings. For example, our current intern has drafted several briefs for use in the current round of property tax litigation. If these funds are eliminated, essentially eliminating the Summer Intern position, the work will have to be done by existing staff. It is more cost effective to have this done by a Summer intern rather than tying up an attorney's time which could more productively spent on other matters. Thus the Department would have staff attorneys performing research ranging from \$12.32 per hour to \$22.40 per hour rather than a legal intern performing the research at \$7.00 per hour.

Ex. 8  
1-3-92

**Department of Revenue  
8% Reductions in FY92 and FY93**

**Division: Director's Office - Office of Legal Affairs**

<b>FY92 Reduction:</b>	.....	<b>\$ 35,000</b>
<b>FY93 Reduction:</b>	.....	<b>\$ 35,000</b>
<b>Total FY93 Biennial Reductions:</b>	.....	<b>\$ 70,000</b>

**Proposed Reduction**

Cancel the Department's contract with Department of Justice Agency Legal Services Bureau for providing Hearing Examiner Services to the Department's Liquor Division. This would generate approximately \$35,000 per fiscal year in income from liquor's proprietary funds. Thus reducing the demand on the General Fund for an equal amount.

**Rationale for Reduction**

Because the Liquor Licensing function is now a separate program with an exact appropriation, this money is as good as general fund. If it is removed from the Liquor Licensing budget it can be directly transferred to the general fund.

**Program/Agency Impact**

The time available for current staff attorneys to prosecute tax litigation would be reduced. Staff case loads would increased. However, the change over from using Agency Legal Services to staff attorneys would not require any reduction in legal staff to meet the necessary reduction in general fund expenditures. On the other hand, taxpayer service would increased by faster turn around on case decisions.

**Note:**

**Our Chief Legal has not had an opportunity to review this proposal. Based upon prior discussions with him, there may be a conflict of interest in having the department hear and approve licensing actions.**

**Department of Revenue  
8% Reductions in FY92 and FY93**

**Division: Director's Office - Office of Investigations**

<b>FY92 Reduction:</b> .....	<b>\$ 1,900</b>
<b>FY93 Reduction:</b> .....	<b>\$ 1,900</b>
<b>Total FY93 Biennial Reductions:</b> .....	<b>\$ 2,800</b>

**Proposed Reduction**

Vacancy savings in investigator positions and reduction in vehicle maintenance.

**Rationale For Reduction**

General Funds represent only 5% of the total funding for this program. Through careful management of normal vacancies and reduced vehicle maintenance (if vehicle purchases are allowed), this program will revert its targeted amount of general funds.

**Program / Agency Impact**

Because it is anticipated that the Investigations Program will be able to absorb the budget cuts through naturally occurring events, it is not anticipated that the reductions will adversely affect this program's ability to deliver services to the Liquor Division or S.R.S.

EXHIBIT 8  
 DATE 1-3-92  
 HB SubCom Gen  
Gov + Trans  
Special Session

**Department of Revenue  
 8% Reductions in FY92 and FY93**

**Division:** Director's Office - Office of Research and Information      **Priority:**

<b>FY92 Reduction:</b> .....	<b>\$ 7,000</b>
<b>FY93 Reduction:</b> .....	<b>\$ 1,500</b>
<b>Total FY93 Biennial Reductions:</b> .....	<b>\$ 8,500</b>

**Proposed Reduction**

Eliminate publication of the Taxpayer's Digest .....	\$ 3,000
Eliminate the Taxpayer's Bill of Rights pamphlet .....	\$ 4,000
Reduce copies of Biennial Report from 1,000 to 750 copies .....	\$ 1,000
Reduce copies of Tax Expenditure Report from 400 to 200 copies .....	\$ 500
 Total Biennium Savings .....	 \$ 8,500

**Rationale For Reduction**

The Taxpayer's Digest is not required by statute and has not been published for several years now. While it is a useful and popular document, nothing requires us to publish it, and the lack of publication in recent years has reduced expectations of its publication.

The Taxpayer's Bill of Rights already will receive widespread publication by being placed on the front of this year's income tax booklet. The need for additional, alternative forms of publication of this material may not be necessary in the face of 8 percent budget cuts.

We can reduce the number of copies of the Biennial Report published and still provide legislators, administrators, other agencies, etc. with sufficient copies. Several individuals on our mailing list request multiple copies. We can either provide each individual with one copy only, or start charging a fee for additional copies, as is done in several other states.

We usually have excess copies of the Tax Expenditure Report. Publishing only 200 (rather than 400) copies would still provide each legislator with a copy, and leave 50 copies to be distributed to key personnel in the department and other state agencies.

## **Program/Agency Impact**

**The Office of Research and Information is funded entirely with state general fund. In addition, fully 90% of the Office's budget is in personal services. Clearly, implementing 8% cuts in this Office would entail either eliminating nearly our entire operating expense budget, or cutting personal services. Neither of these options is viable without severely impairing our ability to meet the Offices' minimum duties and obligations.**

**In this regard it should be noted that this Office in the past has been authorized up to 7.0 FTE. In recent years this has been eroded to the point where currently we are now operating with 4.5 FTE, after losing 1 FTE just recently during the 1991 Legislative Session budgeting process.**

**On the other hand, cutting 8% from the Office's operating budget would leave us without an operating budget; also an unacceptable situation.**

Ex. 8  
1-3-92

**Department of Revenue  
8% Reductions in FY92 and FY93**

**Division: Centralized Services Division**

<b>FY92 Reduction:</b> .....	<b>\$ 72,000</b>
<b>FY93 Reduction:</b> .....	<b>\$ 75,000</b>
<b>Total FY93 Biennial Reductions:</b> .....	<b>\$ 147,000</b>

**Proposed Reduction**

Maintain a reduced level of staff resources in the Accounting Bureau. One position would continue to work 25 hours per week and a vacant grade 7 position would remain unfilled. The administrative assistant grade 9 position that was being reclassified to a grade 11 accountant position would remain unfilled.

In the Cashiers Office maintain at least a .50 grade 6 position unfilled.

We can anticipate division turnover savings of about \$10,000.

**Rationale For Reduction**

We are currently getting by with this staffing level. Some problems we were planning to solve by reclassifying or hiring additional staff will remain.

**Program/Agency Impact**

We had determined during FY92 that many of the missed deadlines and backup of accounting documents occurred at the accounting supervisor level. Our solution to this problem was to reclassify a position as a technical accounting position. This problem will remain unsolved at the present time if we cannot fill that position.

We avoided requesting resources for several workloads that will result from legislative changes because we felt we had adequate resources to turn to. If the workloads materialize as expected we may not be able to process all cashiering documents as rapidly as we currently do.

**Department of Revenue  
8% Reductions in FY92 and FY93**

**Division:      Data Processing Division**

**8FY92 Reduction: ..... \$ 80,000**  
**FY93 Reduction: ..... \$ 90,000**  
**Total FY93 Biennial Reductions: ..... \$ 170,000**

**Proposed Reduction**

This item represents reduced staffing in the Data Entry Section by 4.5 FTE in FY92 and 5 FTE in FY93.

**Rationale For Reduction**

It is possible to reduce the FTE levels in the Department of Revenue data entry section, however, it would necessitate a significant deterioration of taxpayer service and ability to process tax refunds on a timely basis.

**Program/Agency Impact**

Currently the staffing and management of the Data Entry Section of the Department of Revenue has been performed with the goal to process all timely filed refund returns within 6-8 weeks of the April 15th deadline and to have all returns completed by December 1 such that audit staff in the Income Tax Division would have time to complete edit correction and auditing in preparation for the start of the next filing season. This requires that a large number of temporary staff be put on for the early portion of the year that are released after the refunds are processed and projections indicate that the permanent staff can meet the December deadline. It also has typically required some amount of overtime during the refund season. Since our experience indicates that it takes a new employee an average of three months to become reasonably proficient keying Income Tax returns, a significant amount of time is spent every year training new staff and operating with a number of FTE that are only performing a fraction of the work of our permanent staff. These employees are then released shortly after they reach a reasonable production level and never return for a subsequent processing season. This is necessary, however, to realize the target timeframe for return of refund monies to taxpayers. It should be noted that the final timely filed refund returns were completed this year on June 26, 1991.

EXHIBIT 8  
DATE 1-3-92  
HB Sub Comm Gen  
Gov + Trans  
Special  
Session

**This item represents a 25.6% reduction in the number of FTE devoted to key entering the Department's data. In order to make a reduction of this magnitude, entirely permanent staff would be required on a full year basis to eliminate the retraining and low productivity hit that is incurred each year. Obviously, this would mean that there would not be nearly as many FTE working during the refund season and taxpayers would see refunds significantly delayed from the service that they enjoy today. It should be noted that the Department at times receives an enormous number of taxpayer inquiries (many irate) at what they feel is too much delay in the current refund processing timeframes. This proposal also would require that staff perform data entry on tax returns through the year end closing period in December and January of each cycle. This would compress the time during which Income Tax Division staff performs their year end functions and would mean that many filing and clerical tasks that the data entry staff now perform for other Divisions during this time would have to be absorbed or restaffed by the various Divisions. It should additionally be noted that analysis indicates that the commitment for 15 day turnaround for an error free short form tax return will still ordinarily be attainable if they continue to be the priority work for data entry and the current filing numbers and submission trends continue. It is possible, however, that there will now be a few days when the reduced staff would not be able to meet their portion of this commitment.**

**Department of Revenue  
8% Reductions in FY92 and FY93**

**Division: Data Processing Division**

**FY92 Reduction: ..... \$ 10,000**  
**FY93 Reduction: ..... \$ 0**  
**Total FY93 Biennial Reductions: ..... \$ 10,000**

**Proposed Reduction**

This item represents monies that will return to the Division from the Department of Transportation for a small portion of the systems development work that will be performed by Division staff to move the Motor Fuels, Revenue Control and Accounts Receivable Systems and to continue ongoing maintenance for this software until the transition is completed.

**Rationale For Reduction**

This represents monies that will return to the Division and will offset some of the vacancy savings requirement.

**Program/Agency Impact**

Since the Department transferred the FTE related to ongoing maintenance of computer systems for the Department of Transportation but will retain responsibility for performance of these functions until the systems are actually extracted from the Revenue database and turned over to the DOT staff in the second quarter of calendar 1992, it was agreed that the DOT will reimburse a prorated share of the salary and benefits for this position. This will allow the Department of Revenue to offset the vacancy savings requirements and keep positions filled for a larger portion of the year to assist with this work.

Ex. 8  
1-3-92

**Department of Revenue  
8% Reductions in FY92 and FY93**

**Division: Liquor Enterprise**

<b>FY92 General Fund Transfer .....</b>	<b>\$ 1,000,000</b>
<b>FY93 Reduction: .....</b>	<b>\$ 0</b>
<b>Total FY93 Biennial Reductions: .....</b>	<b>\$ 1,000,000</b>

**Proposed Increase in General Fund**

Allow the Department to transfer an additional \$1,000,000 to the general fund and receive credit towards its 8% general fund reduction requirement. This transfer is not in the revenue estimates. The revenue estimates for the FY93 Biennium for the liquor enterprise will be achieved.

**Rationale For Reduction**

The Department's initiative to implement a liquor inventory bailment system saved the State \$4 million in FY91. The total implementation of this project is now completed and we are now in a position to transfer an additional \$1,000,000 to the general fund in FY92. Given the serious impact the 8% reduction have on the Department as a whole, it seems appropriate to accept this proposal.

**Program/Agency Impact**

The full impact of this proposal, **if not accepted**, is discussed in the Property Assessment Division's proposed reductions.

**Department of Revenue  
8% Reductions in FY92 and FY93**

**Division:      Income and Miscellaneous Tax Division**

<b>FY92 Reduction:</b> .....	<b>\$ 91,700</b>
<b>FY93 Reduction:</b> .....	<b>\$ 78,400</b>
<b>Total FY93 Biennial Reductions:</b> .....	<b>\$ 170,100</b>

**Proposed Reduction**

Representative Cobb's Amendment to HB2 added 3 new Grade 12 FTE to the Division. These examiners were added with the expectation of increased revenues from expanded activities in auditing and compliance work in the Individual Income Tax area.

**Rationale For Reduction**

Although the increase in FTE was expected to have a significant payback, the estimated revenues are based on historical averages and are therefore not a guarantee of future collections. While we believe the opportunity costs of this reduction are high, these are nonetheless new expenditures and an expansion of current level which must now be reconsidered.

These positions were not approved by the Governor's original budgeting process.

**Program/Agency Impact**

Based on an average of FY89 and FY90 historical assessment revenues and a staffing level of 43 persons directly involved in examination and assessment activities, we have seen an average return of \$241,000 for each position. The estimated loss in general fund revenues in each year of the biennium is \$723,000; biennial loss \$1.5 million. Acceptance of this alternative will require a reduction of the official revenue projections.

EXHIBIT 8  
DATE 1-3-92  
HB Sub Com Gen  
Gov + Trans  
Special Session

**Department of Revenue  
8% Reductions in FY92 and FY93**

**Division: Income and Miscellaneous Tax Division**

<b>FY92 Reduction:</b> .....	<b>\$ 94,300</b>
<b>FY93 Reduction:</b> .....	<b>\$ 80,700</b>
<b>Total FY93 Biennial Reductions:</b> .....	<b>\$ 175,000</b>

**Proposed Reduction**

**Elimination of the Accounts Receivable Budget Modification (3 FTE - 2 Phone Collectors;  
1 Legal Collector)**

**Rationale for Reduction**

**Our Collections Section is improving its effectiveness each year as evidenced by last year's record \$6.4 million in collections. We believe that although there is a surplus of work which these new positions were to address, we can maintain program collections at or near current levels.**

**The expansion of our Collection unit consistent with this modification was in progress at the time of the budget reduction request. We will therefore suspend further recruiting activities until this proposal is acted upon.**

**This modification was approved as an expansion of our current program. In light of the projected budgetary shortfall, and in spite of what we believe will be a very high opportunity cost, it nonetheless must also be reconsidered.**

**Program/Agency Impact**

**Outstanding accounts receivable totalled \$34 million at the end of FY91. The new positions were intended to curtail growth in this balance as well as increase current collections. Consistent with previous estimates, a loss of these positions is expected to correlate in lost revenues of \$2.608 million over the biennium. Acceptance of this proposal will require a revision to the official revenue projections.**

**Department of Revenue  
8% Reductions in FY92 and FY93**

**Division: Income and Miscellaneous Tax Division**

**FY92 Reduction: ..... \$ 0**  
**FY93 Reduction: ..... \$ 136,500**  
**Total FY93 Biennial Reductions: ..... \$ 136,500**

**Proposed Reduction**

Significantly curtail current level activities and taxpayer services in FY93.

**Rationale for Reduction**

The following areas have been identified as areas of potential General Fund expenditure savings with the least adverse revenue impact.

	<b>FY93</b>
Expected system processing savings .....	\$41,000
Communications - Eliminate Toll Free .....	\$10,000
Printing - Return envelopes .....	\$3,400
Travel - all personnel .....	\$37,445
Vehicle operating expenses .....	\$4,000
Replacement Vehicles .....	\$12,000
Personal Services - ABC Clinics (1 FTE) .....	\$28,750
<b>Total Reductions .....</b>	<b>\$136,500</b>

**Program/Agency Impact**

Taxpayers have come to expect certain services from state government such as toll-free phone lines and taxpayer education services. Our efforts in these areas facilitate collection efforts and improve the working relationship between government and the private sector. Other service elements include providing filing materials and convenience return envelopes.

Ex. 8  
1-3-92

**These improve taxpayer convenience but they also aid in revenue identification when payments are received. These "conveniences" result in receipts being more quickly deposited for investment.**

**Another taxpayer convenience is our conducting audits at their place of business. Conducting audits by mail is inconvenient to the taxpayer and is cumbersome but it can be done and will save travel expense. Field audits have produced approximately \$1.5 million in assessments per year. A complete curtailment of Division travel will reduce our assessment levels because of the cumbersome nature of in-house audits.**

**Replacement vehicles will not be required if travel is eliminated.**

**Department of Revenue  
8% Reductions in FY92 and FY93**

**Division:     Natural Resource and Corporation Tax Division**

<b>FY92 Reduction:</b> .....	<b>\$ 60,300</b>
<b>FY93 Reduction:</b> .....	<b>\$ 60,300</b>
<b>Total FY93 Biennial Reductions:</b> .....	<b>\$ 120,600</b>

**Proposed Reduction**

**Vacancy Savings** - The division currently has two positions which are vacant. We propose leaving this positions vacant for the remainder of the biennium. Except for these vacancies, the division is fully staffed and we are not anticipating any turnover.

**Rationale For Reduction**

Needless to say, the most preferred and painless method of dealing with budget reductions is to leave vacant positions vacant.

**Program/Agency Impact**

The positions which will remain vacant are Revenue Agent positions. The impact of not filling these positions is lost revenue to the state. One agent was to have performed nexus work in the area of Corporation License Tax or Corporation Income Tax. This type of audit work has historically generated substantial revenue, while at the same time increasing taxpayer compliance. The other agent was to have preformed regular audit activities. We anticipate both agents would have generated approximately \$600,000 in revenue from office audit activities alone. We have not attempted to determine the lost revenue from field audit activities, since the legislature did not fund travel at the requested executive budget amount.

EXHIBIT 8  
 DATE 1-3-92  
 #3 Sub Com. For  
Gov. + Trans  
Special Session

**Department of Revenue  
 8% Reductions in FY92 and FY93**

**Division: Natural Resource and Corporation Tax Division**

<b>FY92 Reduction:</b>	.....	<b>\$ 17,700</b>
<b>FY93 Reduction:</b>	.....	<b>\$ 14,000</b>
<b>Total FY93 Biennial Reductions:</b>	.....	<b>\$ 31,700</b>

**Proposed Reduction**

**Contracted Services - We propose the following reductions in contracted services:**

	FY92	FY93
1. MTC Nexus Program	\$ 9,675	\$10,650
2. MTC Unitary Program	3,025	3,325
3. Expert Witnesses/Depositions	<u>5,000</u>	<u>          </u>
Total	\$17,700	\$14,000

**Rationale For Reduction**

**MTC Nexus Program** - The MTC Nexus program is a new program that is currently in the start-up phase. If need be, now would be the best time to cease our participation before any additional funds are committed to the project.

**MTC Unitary Program** - Again, this is a new program in the start-up of phase. Now would be the best time to end our participation before additional funds are committed.

**Expert Witnesses/Depositions** - As of this time, we are not anticipating the need to an expert witness or depositions.

**Program/Agency Impact**

**MTC Nexus & Unitary Programs** - The state has already invested approximately \$11,000 in these programs. Dropping out of these programs results in a loss of our initial investment and valuable information which would have lead to additional revenue through the identification of non-filers and potential audit candidates.

**Expert Witnesses/Depositions** - Although we do not currently anticipate a need for expert witnesses or depositions, they may be required. Failure to have funding for these two items will result in the division not being able to properly defend its position in litigation.

**Department of Revenue  
8% Reductions in FY92 and FY93**

**Division: Natural Resource and Corporation Tax Division**

**FY92 Reduction: ..... \$ 35,000**  
**FY93 Reduction: ..... \$ 22,000**  
**Total FY93 Biennial Reductions: ..... \$ 57,000**

**Proposed Reduction**

**Travel - We propose reducing travel expenditures by \$35,000 in FY92 and \$22,00 in FY93.**

**Rationale For Reduction**

As stated earlier, travel is one of the three areas where the division can look for budget savings. It makes sense to reduce travel before reducing staff, since even if our audit staff is not traveling they will still be generating revenue from office audit activities. We can reduce travel expenditures by taking the following steps:

1. Increase our efforts to prioritize all audits and conduct only those audit in FY92/93 which have the highest priority.
2. Obtain statute waivers on all potential audit candidates which will not be audited in the biennium do to the reduction in travel.
3. We will try to conduct as much audit work as possible in the office.
4. We will reduce or eliminate all administrative and legal travel and concentrate solely on audit travel.

**Program/Agency Impact**

Even with these measures, we do expect audit collections will be effected by this size reduction in travel. However, the vast majority of lost revenue resulting from a reduced audit schedule will not be felt in FY92/93, but rather in FY94/95 and beyond. It has consistently been our experience that from the time an audit is conducted to the time the revenue is actually received is at least 1 year. The estimated revenue loss is computed as follows:

1. A reduction of \$57,000 in the biennium would translate to 20 fewer audits being conducted. (Our costs average \$2,900/trip)

Ex. 8  
1-3-92

2. **The average field audit assessment over the prior 5 year period is \$375,000. However, since the audits we would be foregoing would be lower priority audits the revenue associated would be approximately \$175,000.**
3. **The amount of lost revenue would \$3,500,000. (\$175,000 x 20 trips)**

**Department of Revenue  
8% Reductions in FY92 and FY93**

**Division:     Property Assessment**

<b>FY92 Reduction:</b> .....	<b>\$140,874</b>
<b>FY93 Reduction:</b> .....	<b>\$138,022</b>
<b>Total FY93 Biennial Reductions:</b> .....	<b>\$278,896</b>

**Proposed Reduction**

Reduce the state's contribution for county assessors' and deputies' salaries by \$278,896 for the biennium.

**Rationale For Reduction**

The assessment of property is a service provided by the state to local governments. This service gives local governments the basis for generating revenues. Currently, the state provides approximately 70 percent of the funding for these salaries. Since local governments receive the benefit of these positions perhaps they should carry a greater responsibility for funding the positions. This proposal reduces the state funding for these position to approximately 64 percent.

**Program/Agency Impact**

Reducing the state's share of funding for these positions increases costs for local governments and may result in increased local government mill levies. Local governments have set mill levies for FY92 making it difficult for them to pay the increased costs this fiscal year.

EXHIBIT 8  
DATE 1-3-92  
HB Sub Com on  
Gov + trans  
Special Session

**Department of Revenue**  
**8% Reductions in FY92 and FY93**

**Division: Property Assessment**

<b>FY92 Reduction:</b> .....	<b>\$ 0</b>
<b>FY93 Reduction:</b> .....	<b>\$ 878,225</b>
<b>Total FY93 Biennial:</b> .....	<b>\$ 878,225</b>

**Note:** The following proposal is predicated upon using the \$1,000,000 transfer of liquor enterprise funds to the general fund as part of our budget reduction. This transfer would offset the majority of the reduction requirement for FY92 in property assessment reappraisal effort. If credit for the transfer is not allowed, an additional \$896,375 would have to be trimmed from the property assessment program. The scenario below illustrates the magnitude of the proposal for both fiscal years.

It is our proposal, that since the budget shortfall will occur in FY93, that we be allowed to operate in FY92 as close to current level as possible. As FY93 approaches we will be in a much better position to assess our reappraisal status and propose appropriate actions.

**Proposed Reduction**

Delay the completion of reappraisal until December 31, 1994. The current deadline is December 31, 1992. Effective October 1, 1991 terminate or release all temporary/emergency hire employees and impose a hiring freeze for all positions. Exceptions to the "freeze" would be made only with the prior approval of the Director's Office.

**Rationale For Reduction**

For the Division to reduce its expenditures by \$ 896,375 for FY92 and \$878,225 in FY93 it must make major reductions in funding for reappraisal, selective reappraisal and the sales assessment ratio study program. The completion of reappraisal must be delayed until December 31, 1994, selective reappraisals should be discontinued and the reliance on the sales assessment ratio study program should be reviewed since staff will be unavailable for sales verification and validation.

In FY91, the Division had 101 vacancies. The average salary with benefits for those positions was \$ 20,480 per position. If FY91 is indicative of FY92, then a hiring freeze effective October 7, 1991 on 58 positions is estimated to save \$ 896,375 in FY92. To maintain the savings requirement in FY93 would require a hiring freeze on 43 positions.

**Program/Agency Impact**

The proposal requires changes in the law since there is a completion date for reappraisal specified in law. Selective reappraisals are also triggered by certain criteria specified in law. Delaying the completion of reappraisal will have significant monetary affects on local and state government. The equalization responsibility of the Department will be compromised resulting in additional litigation. Much of the significant litigation affecting the Department and local government will be resolved only through completion of the

**current reappraisal cycle.**

**Staff reductions and a hiring freeze will result in the decay of data on the computer assisted appraisal system and a decay in the Department's credibility with taxpayers and local governments. The ability to simply restore the data to its current state and the restoration of the Department's credibility will cost much more than this budget reduction.**

## One Time Transfers and Ideas For Legislative Change

- Transfer an additional \$1,000,000 from Liquor Enterprise in FY93 to general fund (full implementation of bailment).
- Reduce computer processing and network charges to ISD by an additional 8% per year.
- Review all proprietary accounts in state government for excess operating balances.
- Negotiate settlements on large tax assessments and attempt to settle outstanding court challenges.
- Propose estimated tax payments in next legislature.
- Contact major taxpayers and solicit their cooperation in estimating their individual tax liabilities in FY92 & FY93.

## Accelerating Revenues

- Adopt the Federal calendar for filing and penalty provisions related to quarterly individual estimated income tax filings.

If it can be operationally implemented and supported, adopt a requirement for electronic funds transfer and employer reporting for quarterly withholding and payroll tax filings.

## Refining General Fund Expenditures

- Require, Nursing Facility Tax, Consumer Counsel and Public Service Commission and Cigarettes administrative costs to be paid from tax collections rather than general fund monies.

Nursing Facility Tax - The Legislature did not fund the administration of HB93. Although collections are deposited to the General Fund, the legislation appropriated the collections to fund the Medicaid Program. Administrative costs should remain in the General Fund.

A total of \$1,400 in both years of the biennium could be saved.

- Consumer Counsel and Public Service Commission Fees - These fees are intended to fund the offices of the Consumer Counsel and the Public Service Commission. Substantial compliance is required. Collections are deposited directly into the special revenue funds. Administrative costs should be retained. A total of \$3,800 in both years of the biennium could be saved.

## General Fund Reversions

- Escheated Estates and Unclaimed Property revenues result from sale of property or funds owing by a banking or financial organization, business, or other "holder" which have remained unclaimed for more than 5 years. The property is turned over to the State as a central clearing house, converted to cash and the proceeds deposited in the nonexpendable education trust fund. The interest generated from these deposits is expendable by the schools prorated on the basis of enrollment. Although it would be analogous to taking money from one pocket and placing it in the other, having this interest revert to the General Fund is an option. No estimate of annual impact.

## Accelerate Corporation Tax Payments

- One means of increasing revenue for the FY92/93 biennium without increasing taxes would be to tighten up estimated tax payment requirements for corporations. The following changes would accelerate revenue into the current biennium:
  1. Prohibit "large corporations" from using exception #1 in making their estimated tax payments. Exception #1 allows estimated tax payments to be made in an amount equal to last years tax liability, rather than being based on the current years tax liability. The Internal Revenue Code currently has a similar provision. "Large corporations" are more likely to have sophisticated accounting systems and could readily compute their estimated tax payments based on current years tax liability. A "large corporation" would be defined as having Montana taxable income in excess of \$250,000 in any three previous tax years.
  2. Amend exception 1 to state that a minimum tax liability of \$50 would be considered a no tax liability return for estimated tax payment purposes. A corporation incurring a net operating loss for federal purposes the corporation has no tax liability and could not use exception #1. For Montana purposes the corporation does have a minimum tax liability of \$50 and could make estimated tax payments for the current year equal to \$50. The above change would bring Montana closer to conformity with federal estimated tax payment requirements.

**Abatement of Operating Expenses**

- HB562, passed during the 1991 Legislative Session authorizes state agencies to charge a fee for the cost of purchasing electronic media provided to persons requesting information, expenses incurred as a result of mainframe processing, and "other out-of-pocket expenses directly associated with the request for information".

This bill could provide an avenue to defray expenses associated with providing information, not only for this Department but for the entire State. The extent to which expenses can be defrayed will depend on the State's policy regarding what can be charged for, and who should be charged.

EXHIBIT ~~8~~ 9  
DATE 1-3-92  
HB Sub Com Gen  
Gov. + Trans  
Special  
Session



Department of Revenue  
Denis Adams, Director

Room 455, Sam W. Mitchell Building  
Helena, Montana 59620

September 5, 1991

To: Steve Yeakel, Director  
Office of Budget and Program Planning

From: Denis Adams, Director *Denis Adams*

Subject: Summary of 8% Budget Reductions

The following outlines our understanding of the decisions made in yesterday's meeting with the Governor.

1. The department will implement portions of its original submission and most of its revised submission to generate additional general fund revenues.
2. The additional resources (current level vacancy savings, 2 Audit FTE, travel and equipment) needed for increased Corporation Tax activities will be funded internally by netting the increased costs against proposed reductions in other programs.
3. The department commits to generating \$5.0 million in additional revenue by accelerating its out-of-state corporate audit program in the Natural Resource and Corporation Tax Division.
4. The department commits to generating \$1.4 million in additional revenue by refocusing its resources in the Individual and Miscellaneous Tax Division on general fund revenue sources.
5. The department will transfer \$1,000,000 from the Liquor Enterprise to the general fund in FY92.
6. The department will generate the \$4.1 million resulting from modified budget requests approved by the legislature.
7. The department will track and report progress on revenue collections to the Office of Budget and Program Planning.

The final biennial budget reductions for the department are as follows:

Director's Office . . . . .	\$150,000
Centralized Services <sup>1</sup> . . . . .	51,760
Data Processing <sup>2</sup> . . . . .	84,760
Income and Miscellaneous Tax <sup>3</sup> . . . . .	83,350
Natural Resource and Corporation Tax . . . . .	0
Property Assessment . . . . .	<u>278,900</u>
 Total . . . . .	 \$648,770

xc: Judy Rippingale  
Jack Ellery  
All Division Administrators

- 
- <sup>1</sup> Original reduction netted against a program transfer of \$95,240 for 1 grade 14 FTE and vacancy savings to fund additional corporation tax audits.
  - <sup>2</sup> Original reduction netted against a program transfer of \$95,240 for 1 grade 14 FTE and vacancy savings to fund additional corporation tax audits.
  - <sup>3</sup> Original reduction netted against a program transfer of \$51,150 for increased travel and equipment expenses for additional corporation tax audits.

EXHIBIT 10  
 DATE 1-3-92  
SubCom the  
Gov + trans  
Special sess

**Department of Revenue**  
 Executive Budget  
 General Fund Reductions

	Appropriations (1)		Proposed Reductions (2)		Percentage Reduction	
	FY92	FY93	FY92	FY93	FY92	FY93
Director's Office	914,809	882,891	(76,100)	(73,900)	-8.32%	-8.37%
Centralized Services	844,826	846,802	(72,000)	(75,000)	-8.52%	-8.86%
Data Processing	1,042,322	1,049,696	(90,000)	(90,000)	-8.63%	-8.57%
Income & Miscellaneous Tax	4,038,985	3,901,676	(32,200)	(136,595)	-0.80%	-3.50%
Natural Resource & Corporate Tax	1,167,892	1,204,081	101,954	114,123	8.73%	9.48%
Property Assessment	12,965,568	12,703,092	0	0	0.00%	0.00%
<b>Total Department of Revenue</b>	<b>20,974,402</b>	<b>20,588,238</b>	<b>(168,346)</b>	<b>(261,372)</b>	<b>-0.80%</b>	<b>-1.27%</b>

(1) Includes HB2, HB509, and "cat and dog" appropriations.  
 (2) Net changes to operating budgets. Excludes additional revenue resulting from proposed initiatives.

EXHIBIT 11  
 DATE 1-3-92  
 +B SubCom Item  
Item + transfer  
Special Session

PARTMENT OF ADMINISTRATION  
 \6101\W000000.LBP

DEPARTMENT OF ADMINISTRATION

1993 Biennium Adjustments

Executive Budget Proposal

Legislative Budget Action

Difference (Leg. - Exec.)

Description	Pgm	Fiscal 1992		Fiscal 1993		Fiscal 1992		Fiscal 1993		Difference (Leg. - Exec.)	
		General Fund	Other Funds	General Fund	Other Funds						
use Bill 2											
Input/Output Operator	03	(\$4,000)		(\$4,000)				4,000		4,000	
Eliminate Printing of Selected Hardcopy Reports	03	(8,390)		(11,710)				8,390		11,710	
Printing and Procurement	06	(10,100)		(6,541)				10,100		6,541	
Vacancy Savings											
Reductions in Security and Maintenance	08	(30,000)		(30,000)				30,000		30,000	
General Reduction	23	(30,000)	30,000	(45,273)	45,273			30,000	(30,000)	45,273	(45,273)
General Reduction	37	(53,024)		(52,288)				53,024		52,288	
Other											
Fund Balance Transfer	06	(46,000)		(46,000)				46,000		46,000	
Photocopy Pool											
Fund Balance Transfer	07	(100,000)						100,000			
Computer Services and Telecommunications											
Totals		(\$281,514)	\$30,000	(\$195,812)	\$45,273	\$0	\$0	\$281,514	(\$30,000)	\$195,812	(\$45,273)

DEPARTMENT OF ADMINISTRATION  
DIRECTOR'S OFFICE

EXHIBIT 12  
DATE 1-3-92  
HB Deh Com Gen  
Govn + trans  
MITCHELL BUILDING,  
Special Session



STAN STEPHENS, GOVERNOR

STATE OF MONTANA

(406) 444-2032

HELENA, MONTANA 59620

TO: Steve Yeakel, Director  
Office of Budget & Program Planning

FROM: Bob Marks *BM*  
Director

DATE: August 21, 1991

SUBJECT: Budget Reductions

I am submitting the following proposals to you in response to your memorandum of August 12, 1991, regarding General Fund budget reductions. In addition to addressing each category of potential budget impact identified in your memorandum, we have also provided recommendations for other revenue generating or budget reducing actions.

Targeted Budget Reductions - Department of Administration (See Attachment 1)

<u>Recommended Action</u>	<u>Related Fiscal Impact</u>	<u>Consequences</u>
<b>Accounting &amp; Management Support Division</b>		
1) Eliminate use of daytime I/O operator.	92 (\$4,000) 93 (\$4,400)	Will divert minimal staff time & may require schedule changes.
2) Eliminate the printing of select hardcopy reports.	92 (\$8,390) 93 (\$11,710)	This will eliminate backup reports that have been retained by the Acct. Bur. May affect Acct. Bureau's ability to assist agencies & agencies will have to pay for the costs of running another report if they lose theirs.

### Architecture & Engineering Division

- |  |                      |   |
|--|----------------------|---|
| 1) Reduce funding for the Univ. System's deferred maintenance & equipment projects (HB 5). | Biennial (\$600,000) | University System maintenance problems. |
|--|----------------------|---|

### Procurement & Printing Division

- |  |                               |  |
|--|-------------------------------|--|
| 1) Leave vacant positions in the Purchasing Bureau open longer to accrue additional vacancy savings. | 92 (\$10,100)<br>93 (\$6,541) | Existing staff will have to absorb additional work load. |
|--|-------------------------------|--|

### Information Services Division

- |  |                      |   |
|--|----------------------|---|
| 1) The only General Fund budget for this Division is related to the MT. Educational Telecommunications Network. We do not recommend this action. | 92 (\$0)<br>93 (\$0) | Delay the implementation of long distance learning & potentially lose private funds for this program. |
|--|----------------------|---|

### General Services Division

- |  |                                |   |
|--|--------------------------------|---|
| 1) Reduce security coverage on the Capitol Complex.  | 92 (\$15,000)<br>93 (\$15,000) | Less motor patrol, manageable impact.   |
| 2) Reduce maintenance & construction services.   | 92 (\$15,000)<br>93 (\$15,000) | Maintenance & construction projects delayed, but essential services maintained. |
| 3) Reduce Parking lot repair & maintenance. This will allow for a greater transfer of funds from the Capitol Land Grant Account to the General Fund. | Biennial (\$50,000)            | Parking lot deterioration will continue to occur.                               |

**State Personnel Division**

- |    |   |                                |  |
|----|---|--------------------------------|--|
| 1) | Shift General Fund supported activities that are related to the Employee Benefits Program and Professional Dev. Center to the Proprietary Fund. | 92 (\$30,000)<br>93 (\$45,273) | Would require additional Proprietary Fund appropriation authority. |
|----|---|--------------------------------|--|

**State Tax Appeal Board**

- |    |  |                                |  |
|----|--|--------------------------------|--|
| 1) | Reduce County Tax Appeal Board budget. | 92 (\$53,024)<br>93 (\$52,288) | No consequence if appeal load does not increase above last year's level. If appeals increase, this action could adversely affect the tax base of all counties in which appeals are filed. Failure of a county tax appeal board to hear a timely filed appeal results in the granting of the taxpayer's requested value, pursuant to Section 15-15-103 (2), MCA. Should this budget reduction result in an approp. shortfall, this Board will have to curtail county tax appeal board activity. |
|----|--|--------------------------------|--|

Unrestricted Fund Balances Which May Be Available

<u>Agency</u>	<u>A/E</u>	<u>Explanation</u>
6101	06522	Due to the efficiencies resulting from the consolidation of the Computer Services & Telecommunications Internal Service Funds, we anticipate that we will enhance our cash flow. We estimate that we could transfer

\$100,000 to the General Fund in FY 92. This benefit may be offset by a reduction in the SWCAP receipts as the Federal Government will require a credit for a portion of this transfer.

6101            06530            Due to favorable rates on the new photocopy term contract, we believe our ownership commitment can be reduced. Consequently, we do not anticipate purchasing 8 photocopiers as previously planned. This will allow us to transfer cash reserves of approximately \$46,000 in each year of the 1992-1993 biennium to the General Fund. These transfers will represent a return of contributed capital.

6104            07021            The Public Employees' Retirement Board is the State's administrator of the Social Security Act. Section 19-1-602, MCA, provides for the transfer of interest earned on social security contributions received by the Board to the General Fund. We estimate, that with the Board's approval, \$110,964 of interest earnings on these monies could be transferred to the General Fund in FY 92, \$28,000 in FY 93 & \$25,000 in August, 1993.

Potential Legislative Action Regarding Fund Balances

We have no recommendations in this area at this time.

Potential Legislative Action to Shift from General Fund to Other Funds

<u>Agency</u>	<u>Program</u>	<u>Explanation</u>
6101	Personnel	Eliminate time consuming classification appeal procedure and replace with administrative rule procedure. This could result in the elimination of a .75 FTE supported by the General Fund.
6101	Personnel	Pursue major initiative to contain health care costs. This is the State's highest cost employee benefit and program (Medicaid).

Other Proposed Actions

<u>Recommended Action</u>	<u>Related Fiscal Impact</u>	<u>Consequences</u>
1) Implement a State Special Revenue Fund Cost Allocation Plan as provided for by Section 17-6-201 8(a), MCA.	92 \$192,000 93 \$192,000	Generate additional funds for the General Fund by charging interest earning State Special Revenue Fund accts. for services provided by General Fund supported departments.
2) Delay bonded LRBP projects or structure debt to defer payments.	93 (\$800,000)	This could create housing problems in the correctional institutions or classroom inadequacies at the Universities. Deferring bond payments may increase related costs.
3) Eliminate General Fund support for the MSU Engineering Complex project.	Biennial (\$500,000)	A smaller scale MSU project or need for additional private funds.
4) Delay or forgo new system development projects in State government. Such projects include Family Services MIS & SRS SEARCHS Project.		Agencies affected need to address the consequences.

There are several other budget related issues we would like to bring to your attention. They are as follows:

OFFICE OF BUDGET AND PROGRAM PLANNING  
BUDGET REDUCTION WORKSHEET

	FY 92		FY 93	
	TOTAL GENERAL FUND	TARGET REDUCTION (a 8%)	TOTAL GENERAL FUND	TARGET REDUCTION (a 8%)
	*****	*****	*****	*****
		PROPOSED REDUCTION		PROPOSED REDUCTION
		*****		*****
DEPARTMENT OF ADMINISTRATION				
DIRECTOR'S OFFICE				
General Fund	240,949	19,276	244,875	19,590
ACCOUNTING PROGRAM				
General Fund	1,098,275	87,862	1,076,482	86,119
ARCH & ENGINEERING PGM				
General Fund	3,000,000	240,000		
PROCUREMENT & PRINTING DIV.				
General Fund	440,378	35,230	455,030	36,466
INFORMATION SERVICES DIVISION				
General Fund	300,000	24,000	300,000	24,000
GENERAL SERVICES PROGRAM				
General Fund	384,917	30,793	399,961	31,997
STATE PERSONNEL DIVISION				
General Fund	969,869	77,590	1,002,650	80,212
STATE TAX APPEAL BOARD				
General Fund	441,870	35,350	435,735	34,859
Total		550,101	313,243	150,212
		785,514		

Biennium - Target \$863,344  
Proposed \$935,726

Steve Yeakel  
August 21, 1991  
Page 6

EXHIBIT 12  
DATE 1-3-92  
HB Education Gen  
Gov + Trans  
Special Session

- 1) New construction projects authorized in the LRBP may result in significant operating cost increases once completed and operational.
- 2) Water conservation measures (new well water supply) on the Capitol Complex should result in cost savings. These savings could be passed along to agencies through Grounds Maintenance rate reductions implemented by Fish, Wildlife and Parks.
- 3) Data processing (5%) and long-distance telephone rate (1%) reductions implemented in FY 92 by the Information Services Division should generate General Fund cost savings of approximately \$100,000 in FY 92.

We feel we have developed some very viable recommendations and look forward to discussing them with you and your staff.

Attachment



DATE 1-3-92

HB DublCon Gen  
Gov + Trans  
Special Session

DEPARTMENT OF ADMINISTRATION  
General Fund Expenditures

EXPENDITURE CATEGORY	FY90 ACTUAL	FY91 ACTUAL	BIENNIUM TOTALS	FY92 APPROP	FY93 APPROP	BIENNIUM TOTALS	% CHANGE FY92-93 APPROP
Personal Services	1,989,106	2,126,040	4,115,146	2,504,920	2,583,938	5,088,858	23.66%
Operations	1,001,645	982,668	1,984,313	1,051,696	1,026,470	2,078,166	4.73%
Equipment	30,805	100,815	131,620	19,642	5,125	24,767	-81.18%
Debt Service	0	2,649	2,649	0	0	0	-100.00%
<b>Operational Totals</b>	<b>3,021,556</b>	<b>3,212,172</b>	<b>6,233,728</b>	<b>3,576,258</b>	<b>3,615,533</b>	<b>7,191,791</b>	<b>15.37%</b>
HB268	0	0	0	100,000	100,000	200,000	
Telecom Project	199,500	300,000	499,500	300,000	300,000	600,000	
RERS Project	197,912	341,133	539,045				
Bond Debt Service	11,825,043	11,672,354	23,497,397	12,445,357	13,152,240	25,597,597	8.94%
Worker's Comp Transfer	20,000,000	0	20,000,000	0	0	0	
TRANS	0	0	0	2,548,000	5,313,000	7,861,000	
<b>GENERAL FUND</b>	<b>35,244,011</b>	<b>15,525,659</b>	<b>50,769,670</b>	<b>18,969,615</b>	<b>22,480,773</b>	<b>41,450,388</b>	<b>-18.36%</b>

EXHIBIT 15

DATE 1-3-92

HB Sub Com Item  
Gov. + Grand  
Special Session

DEPARTMENT OF MILITARY AFFAIRS		1993 Biennium Adjustments											
67014000000.LBP		Executive Budget Proposal				Legislative Budget Action				Difference (Leg. - Exec.)			
Description	Pgm	Fiscal 1992		Fiscal 1993		Fiscal 1992		Fiscal 1993		Fiscal 1992		Fiscal 1993	
		General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds		
use Bill 2													
Director's Office Reduction	01												
Army Guard Program Reductions	12	(19,268)	5,100	(85,000)	12,600								
Funding Switch	12			(17,700)						10,200			
Reduce Repair and Maintenance	12	(57,425)		(40,000)	40,000					57,425			(40,000)
Fund Balance Transfer	WA		(183,431)								183,431		40,000
Totals		(\$67,625)	(\$183,431)	(\$62,700)	\$0	\$0	\$0	\$0	\$0	\$67,625	\$183,431	\$62,700	\$0

EXHIBIT 16

DATE 1-3-92

HB Sub Com Gen  
Govn + trans  
Special Session

**DEPARTMENT OF MILITARY AFFAIRS  
General Fund Reduction**

	FY-92	FY-93
General Fund Reduction (8%)	183,431	170,325

\*\*\*\*\*

Cash Deposit to General Fund	183,431	
Cash Deposit to General Fund	20,000	20,000
Administrative Reductions		(5,000)
Army Guard Reductions:		
Communications		(40,000)
Clothing Allowance	(5,100)	(5,100)
Awards		(2,000)
Travel		(3,500)
Printing		(2,000)
Repair and Maintenance	(67,625)	

\*\*\*\*\*

FY 92 Cash Deposit to General Fund	203,431
FY 93 Cash Deposit to General Fund	20,000
Total Cash Deposit to General Fund	223,431

General Fund Reductions FY 92	72,725
General Fund Reductions FY 93	57,600
Total General Fund Reductions	130,325

\*\*\*\*\*

Cash Deposit to General Fund FY 92-93	223,431
Total General Fund Reductions FY 92-93	(130,325)
Total General Fund Increase FY 92-93	353,756



STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL  
HELENA, MONTANA 59620  
406/444-2986

EXHIBIT 17

DATE 1-3-92

HB Sub Com Gen  
Gov + trans  
Special Session

TERESA OLCOTT COHEA  
LEGISLATIVE FISCAL ANALYST

January 3, 1992

TO: Legislative Finance Committee

FROM: Teresa Olcott Cohea  
Legislative Fiscal Analyst

RE: LFA Budget Information

Following is the information concerning the Legislative Fiscal Analyst Office budget that the committee requested at yesterday's meeting.

**Percentage Reductions**

The following table shows the 1993 biennium appropriations to the Office of Budget and Program Planning (OBPP) and the Office of the Legislative Fiscal Analyst (LFA) and the Executive Budget recommendation for each office. The Executive Budget proposes a larger budget reduction for the LFA in each year of the biennium.

TABLE I Comparison of Executive Budget Recommendations, Total Agency Budget						
	FY1992			FY1993		
	Approp.*	Ex. Reduction	%	Approp.*	Ex. Reduction	%
OBPP	\$856,326	(\$31,254)	(3.6)	\$888,966	(\$63,718)	(7.1)
LFA	894,003	(48,364)	(5.4)	922,603	(73,808)	(8.0)

\*HB2 and HB 509

## Comparison of Budget Functions

Attachment A compares the appropriation to each office for its budget development/analysis functions for fiscal 1993. (Since the Executive Budget accepts the Legislative Finance Committee's recommendation for fiscal 1992, I have not included it in the following discussion.)

The top half of the chart shows the impact of vacancy savings and 0.5 percent budget reduction imposed in House Bill 2 for each agency. It then compares the Executive Budget recommendation for each agency's budget analysis function.

In this comparison, fiscal 1993 appropriations that are not related to budget analysis are excluded, in order to make the comparison as useful as possible. In OBPP's budget, two non-budget analysis appropriations are excluded:

1) OBPP currently has one more staff member than the LFA. This position, which is proposed for elimination in the Executive Budget, performs a function unrelated to budget analysis (intergovernmental clearinghouse review).

2) The 1991 legislature appropriated \$5,000 per year for OBPP's costs in organizing the NASBO national convention. The Executive Budget proposed to eliminate this appropriation.

In the LFA budget, legislator's travel and expense were excluded from the comparisons as non-budget analysis expenses.

As the table shows, the fiscal 1993 appropriations for budget development/analysis functions in the two offices are very similar. However, the Executive Budget recommendations for each office are substantially different, as Table 2 shows.

<b>TABLE 2</b>			
<b>Comparison of Executive Budget Recommendations, Budget Function, FY93</b>			
	<b>Appropriation</b>	<b>Executive Budget Reduction</b>	<b>%</b>
<b>OBPP</b>	\$849,966	(\$24,718)	(2.9)
<b>LFA</b>	905,516	(73,808)	(8.2)

Ex. 17  
1-3-92

The bottom half of the chart shows the alternative budget reduction proposal that I presented to the committee. It would reduce the LFA operating budget by \$46,156 or 5.1%. In addition, \$2,650 reductions would be taken in biennial appropriations for total reduction of \$48,806.

### **Percentage Increase**

Attachment B shows the percentage increase from fiscal 1991 to 1993 in each agency's appropriations. The LFA office received a 6.1 percent increase and OBPP a 2.8 percent increase.

I hope this is helpful. Please call me if I can provide any further information.

LFCA:lt:lfc1-3.mem

# ATTACHMENT A

**EXECUTIVE BUDGET RECOMMENDATIONS  
COMPARISON OF LFA AND OBPP REDUCTIONS  
1992 SPECIAL SESSION**

03-Jan-92

	OBPP		LFA		Total
	Psnl Svcs	Op Exp	Psnl Svcs	Op Exp	Eqpt
HB2 Appropriation, FY 1993	\$691,852	\$155,170	\$722,204	\$152,417	\$2,500
Add: Pay Plan (HB 509)	\$58,724		\$49,742		
Less: Vacancy Savings Allocation	(\$31,856)		(\$4,260)		
Final HB 2 and HB 509 Appropriation	\$718,720	\$155,170	\$767,686	\$152,417	\$2,500
Less - Non-Budget Analysis Expenditures:					
IGR Clearinghouse Function (1.0 FTE eliminated, FY 92)	(\$30,000)	(\$4,000)			
NASBO Budget Modification		(\$5,000)			
Legislative Committee Expenses			(\$9,087)	(\$8,000)	
Adjusted FY 93 Appropriation (Budget Devel. and Analysis/Review)	\$688,720	\$146,170	\$758,599	\$144,417	\$2,500
Executive Budget Recommendation (Excluding Non-Budget Analysis, Above)	(\$5,642)	(\$4,000)	(\$61,830)	(\$10,639)	(\$1,339)
Recommended Operating Budget Approp.	\$683,078	\$142,170	\$696,769	\$133,778	\$1,161
Percent Reduction in Operating Budget	0.82%	2.74%	8.15%	7.37%	53.56%
Total Vacancy Savings Computation: Regular Session	-4.60%				
Executive Budget Additional (SS)	-0.82%				
Total Vacancy Savings, Exec. Proposal	-5.42%				

	Total	Total	Total
<b>ALTERNATIVE PROPOSAL, LFA BUDGET</b>			
Adjusted FY 93 Appropriation (Budget Devel. and Analysis/Review) 5% Reduction, LFA, FY 93	\$758,599	\$144,417	\$2,500
Alternative Operation in Operating Budget Approp.	(\$25,062)	(\$19,594)	(\$1,500)
Percent Reduction in Operating Budget	\$733,537	\$124,823	\$1,000
Total Vacancy Savings Computation: Regular Session	3.30%	13.57%	60.00%
Executive Budget Additional (SS)	-0.59%		
Total Vacancy Savings, Alternative Proposal	-3.47%		
	-4.06%		

**ATTACHMENT B**

EXHIBIT 17  
 DATE 1-3-92  
 HB Sullivan + trans  
*Special Session*

EXECUTIVE BUDGET RECOMMENDATIONS  
 COMPARISON OF LFA AND OBPP APPROPRIATION INCREASES  
 FY 1991 TO FY 1993

LEGISLATIVE FISCAL ANALYST

Category	Appropriated* FY 1991	Appropriated* FY 1993	Percent Increase
Operating Expenses	17.0	17.0	
FTE	17.0	17.0	
Personal Services	\$676,954	\$758,599	12.06%
Operating Expenses	135,199	144,417	6.82%
Equipment	40,297	2,500	-93.80%
Total Operating	\$852,450	\$905,516	6.23%
Committee Expenses			
FTE	1.0	1.0	
Salaries	\$9,087	\$9,087	0.00%
Travel	8,000	8,000	0.00%
Total Committee	\$17,087	\$17,087	0.00%
Total Appropriated	\$869,537	\$922,603	6.10%

OFFICE OF BUDGET AND PROGRAM PLANNING

Category	Appropriated FY 1991	Appropriated FY 1993	Percent Increase
Operating Expenses			
FTE	18.0	18.0	
Personal Services	\$655,488	\$688,720	5.07%
Operating Expenses	159,200	146,170	-8.18%
Equipment	15,736	15,076	-4.19%
Total Operating	\$830,424	\$849,966	2.35%
Clearinghouse/NASBO Mod			
FTE	1.0	1.0	
Personal Services	\$30,000	\$30,000	0.00%
Operating Expense	4,000	9,000	125.00%
Total Non-Operating	\$34,000	\$39,000	14.71%
Total Appropriated	\$864,424	\$888,966	2.84%

16

DATE 1-3-92  
 HB SubCom Gen  
Gov + trans  
Special Session

## ALTERNATIVE PROPOSAL 5 PERCENT REDUCTION IN LFA BUDGET

	BUDGET FY93	FY 1993 Proj. EXPENDITURES	BALANCE REMAINING	%
PERSONAL SERVICES	\$767,686	\$742,624	\$25,062	3.26%
CONTRACT SERVICES	\$82,947	\$84,536	(\$1,589)	
SUPPLIES	\$15,600	\$10,093	\$5,507	
COMMUNICATIONS	\$11,341	\$8,769	\$2,572	
TRAVEL	\$14,000	\$7,306	\$6,694	
RENT	\$10,763	\$10,763	\$0	
REPAIRS	\$11,215	\$8,351	\$2,864	
OTHER	\$6,551	\$3,005	\$3,546	
<b>TOTAL OP EXPENSE</b>	<b>\$152,417</b>	<b>\$132,823</b>	<b>\$19,594</b>	<b>12.86%</b>
EQUIPMENT	\$2,500	\$1,000	\$1,500	60.00%
<b>TOTAL OPERATING</b>	<b>\$922,603</b>	<b>\$876,447</b>	<b>\$46,156</b>	<b>5.00%</b>

### BIENNIUM APPROPRIATION BALANCES

	BUDGET FY93	1993 BIENNIUM EXPENDITURES	BALANCE REMAINING	
Consultant	\$10,000	\$9,500	\$500	
Post-Secondary Education	\$33,000	\$31,350	\$1,650	
Data Processing	\$10,000	\$9,500	\$500	
<b>TOTAL BIENNIAL</b>	<b>\$53,000</b>	<b>\$50,350</b>	<b>\$2,650</b>	<b>5.00%</b>
<b>TOTAL BUDGET</b>	<b>\$975,603</b>	<b>\$926,797</b>	<b>\$48,806</b>	<b>5.00%</b>

### FUNDING:

HB 2 OPERATING	\$872,861
HB 2 BIENNIAL (1/2 Year)	20,000
HB 509	49,742
HB 142	33,000
	<b>\$975,603</b>

**TABLE 1**  
**General Fund Operational Budget Reductions by Percent**

<u>Agency*</u>	<u>% Cut</u> <u>FY 1992</u>	<u>% Cut</u> <u>FY 1993</u>	<u>% Cut</u> <u>Biennium</u>
Department of Labor & Industry	10.87%	10.78%	10.82%
Office of Public Instruction	10.18%	10.25%	10.22%
Department of Agriculture	8.00%	8.00%	8.00%
Department of Transportation	8.00%	8.00%	8.00%
Department of Fish, Wildlife & Parks	8.00%	8.00%	8.00%
Library Commission	7.74%	8.00%	7.87%
Legislative Council	6.43%	8.00%	7.22%
Legislative Fiscal Analyst	5.71%	8.00%	6.87%
Legislative Auditor	4.51%	7.46%	6.00%
Higher Education	1.48%**	10.42%	5.97%**
Commissioner of Political Practices	9.80%	0.00%	5.77%
Crime Control Division	8.00%	2.49%	5.17%
Department of Health & Environmental Sciences	4.22%	3.58%	3.89%
Department of Family Services	3.73%	3.91%	3.82%
Montana Arts Council	2.43%	5.08%	3.68%
Department of Natural Resources & Conservation	4.00%	3.31%	3.65%
State Auditor's Office	2.87%	4.17%	3.50%
Department of State Lands	3.65%	3.22%	3.43%
Secretary of State	6.58%	0.00%	3.37%
Judiciary	3.23%	3.13%	3.18%
Office of the Governor	2.35%	3.91%	3.11%
Department of Administration	2.95%	2.89%	2.92%
Historical Society	3.57%	2.12%	2.85%
Department of Social & Rehabilitation Services	2.75%	2.17%	2.46%
Environmental Quality Council	2.32%	2.45%	2.39%
Department of Justice	3.55%	0.70%	2.11%
Department of Military Affairs	2.98%	1.08%	2.06%
Department of Revenue	1.31%	1.83%	1.57%
School For Deaf & Blind	1.34%	1.66%	1.50%
Board of Public Education	2.67%	0.00%	1.35%
Department of Corrections & Human Services	1.30%	1.17%	1.23%
Public Service Commission	0.00%	0.00%	0.00%
Department of Livestock	0.00%	0.00%	0.00%
Department of Commerce	0.00%	0.00%	0.00%
Highway Traffic Safety	0.00%	0.00%	0.00%

\*Includes HB 2 and HB 509 appropriations

\*\*Will increase to 4.5 percent in fiscal 1992 and 8 percent for the biennium if the executive liquor store proposal is not passed.

EXHIBIT 19

DATE 1-3-92

HB SubCommittee Gov + Trans Special Session

LFA-

Description	Executive Budget Proposal			1993 Biennium Adjustments Legislative Budget Action			Difference (Leg. - Exec.)		
	Fiscal 1992 General Fund	Fiscal 1992 Other Funds	Fiscal 1993 General Fund	Fiscal 1992 General Fund	Fiscal 1992 Other Funds	Fiscal 1993 General Fund	Fiscal 1992 General Fund	Fiscal 1992 Other Funds	Fiscal 1993 General Fund
Operational Reductions	NA	(\$46,764)	(\$73,808)				46,764	0	73,808
Legislative Contingencies	NA	(800)	0				800	0	0
Legislative Requests	NA	(800)	0				800	0	0
Appropriation Bills									
142 - Postsecondary Ed.	NA	(2,640)	0				2,640	0	0
Totals		(\$51,004)	(\$73,808)	\$0	\$0	\$0	\$51,004	\$0	\$73,808

EXHIBIT 20

DATE 1-3-92

HE Subless Item  
Gov + Trans  
Special Session

State Auditor  
P:3401\0000000.LBP

1993 Biennium Adjustments  
Legislative Budget Action

Description	Pgm	Executive Budget Proposal			1993 Biennium Adjustments Legislative Budget Action			Difference (Leg. - Exec.)		
		Fiscal 1992	Fiscal 1993	Other Funds	Fiscal 1992	Fiscal 1993	Other Funds	Fiscal 1992	Fiscal 1993	Other Funds
		General Fund	General Fund	Other Funds	General Fund	General Fund	Other Funds	General Fund	General Fund	Other Funds
1 Central Mgt.-Vacancy Savings	01	(\$645)	(\$10,253)					645	10,253	
2 Computer System Replacement	01		(10,414)						10,414	
3 State Payroll-Vacancy Savings	02	(4,254)	(8,000)					4,254	8,000	
4 Insurance-Vacancy Savings	03	(46,217)	(52,604)					46,217	52,604	
5 Office Equipment-Insurance	03	(4,422)						4,422		
6 Securities-Vacancy Savings	04	(4,500)	(6,729)					4,500	6,729	
7 Office Equipment-Securities	04	(4,160)						4,160		
8 Fiscal Control-Vacancy Svgs.	10	(4,802)	(8,000)					4,802	8,000	
Totals		(\$69,000)	(\$96,000)	\$0	\$0	\$0	\$0	\$69,000	\$96,000	\$0

DATE 1-3-92HE Sub Com Gen  
Govn + trans  
Special  
Session

The State Auditor fully realizes the difficult task of the legislature in trying to balance the state's budget; however, further reductions of General Fund support as proposed by the Governor's office will result in a loss of services to the people of Montana.

Last biennium this office was underfunded by \$334,000 for warrant and state payroll processing charges. A supplemental appropriations was required to pay DOA, ISD, charges that were 8 months behind. These charges are for the computer system support that keeps these systems running.

For the current biennium, personnel services funding was reduced by \$283,000 below current level. This includes legislative reductions, reduced pay plan funding, and the proposed Governor's reductions which have already been reverted in fiscal year 1992.

During the current fiscal year, 4 permanent, full-time positions have been vacant and we have finalized plans for a reduction in force of 4 to 10 additional staff. This means that, during fiscal years 1992 and 1993, 12 to 22% of the office positions will be vacant. A reduction in force would not be necessary for fiscal year 1992 if the Governor's level of General Fund reductions had not been implemented. Currently, we are \$50,000 short of meeting salaries for the remainder of the fiscal year.

Public services will be further curtailed by a reduction in force. Vacancies have already forced employees to take on additional duties resulting in consumer complaint and licensing backlogs. Services for insurance information, insurance and securities investigations, pension payment support, and payroll processing will be reduced.

NOTE:	1992	69,000	1993	96,000	165,000
		- <u>25,000</u>		- <u>60,000</u>	<u>85,000</u>
		44,000		36,000	80,000

To put the significance of General Fund support reduction in perspective, please consider the following: Even with 4 positions vacant, each employee of the office would have to take 65 hours of leave-without-pay between February and June of 1992 to make up the reductions. The Governor's office has proposed 2 days of leave-without-pay for employees and no layoffs.

During the 1991 legislative session, this office reduced General Fund support by over \$200,000 compared to the previous biennium. For the 1995 biennium, the office has been directed to reduce General Fund support by \$872,000 by restructuring the funding of the warrant writing system. Also, we will propose a funding structure similar to the warrant writing system for the

State Payroll Department. This would reduce General Fund direct support by an additional \$433,000. The net effect is that the State Auditor's Office will reduce General Fund support by over 1 million dollars in two bienniums which is 1/4 of the total General Fund support.

Again this year, we anticipate that an increase in warrant production will result in a \$35,000 deficit in the warrant mailing area. At the beginning of fiscal year 1992, the State Auditor transferred our mailing program from this office to State General Services. Through October of this year, we have mailed 21,168 more warrants than were mailed in the previous corresponding annual period. This trend has been constant and documented. We also predict that DOA, ISD, will charge more than we are appropriated for payroll processing. Please note that system enhancements and changes have not been approved or allowed in this biennium.

It does not seem equitable that this office staff will be reduced by 8 to 14 people resulting in a frustrated public requiring services when other state government programs can absorb reductions without losing significant General Fund support or people. Our operations are at a bare minimum. We have proposed reverting special appropriation funding from the 1991 regular session including new equipment and personnel that are much needed. We can operate without new equipment, but the next level of cuts is always personnel, which we cannot operate without.

As mentioned previously, the State Auditor recognizes the problems with balancing the budget. But, based on the Governor's proposed budget and legislative intent, everyone wants to maintain a professional quality and level of public services. At this point, the Governor is suggesting the State Auditor's Office revert \$165,000 in General Fund this biennium. By reducing this reversion to \$85,000 including \$25,000 in fiscal year 1992 and \$60,000 in fiscal year 1993, we could maintain a basic level of public service. This would reduce the required reduction in force by at least 4 in fiscal years 1992 and 1993.

We are asking the legislature (committee) to consider the impact on the public and people by the Governor's proposed budget.

JDS/vhp(5)

# STATE AUDITOR'S OFFICE

## Vacancy Savings and Reduction in Force

EXHIBIT 22  
DATE 1-3-92  
~~HB Sub Com Gen Gov~~  
+ Trans  
Special  
Session

### Positions left vacant

- #59 Compliance Specialist II, Grade 12, open 4 months.  
Has resulted in a backlog for insurance licensing; may cause problems for companies doing business in Montana.
- #60 Accounting Specialist II, Grade 12, open 3 1/2 months.  
Reduced the review of pension payments for police and firefighters. Will eliminate review of county audits for forest reserve payments. Will reduce internal controls and accounting and financial management.
- #14 Accounting Clerk III, Grade 8, open 2 1/2 months.  
Required consolidation of state payee function file coordination to other positions. May reduce state warrant processing and bad debt collection.
- #72 File Clerk, Grade 6, open 2 1/2 months.  
Has eliminated the central file consolidation project for the office. Public requests for information will take longer to process.

### Reduction in Force (RIF), Phase I

- #91 Medicare Specialist, Grade 12  
This position was approved by the last two legislative sessions and is now permanent. The person in the position will be terminated from February through June resulting in very little processing of Medicare complaints by the citizens of Montana, particularly senior citizens.
- #25 Payroll Clerk, Grade 8, Central Payroll  
Employee will be terminated in February through June, resulting in reduced payroll services to State employees.
- #69 Insurance Investigator, Grade 15  
Employee will be terminated from February through June. The investigation of insurance scams and thefts committed on Montana consumers is already backlogged. Expect this process to be further crippled by the loss of 1/3 of the investigations staff.
- #49 Investment Examiner II, Grade 15, Securities  
Employee will be terminated February through June. One-third of the securities investigation capability will be lost. This will mean that good cases will not

be handled, also, that more Montana people will be exposed to securities fraud and scams.

This RIF will make up most of the \$50,000 budget shortage for FY 1992. In FY 1993, an even greater shortage will occur if employees that are terminated in FY 1992 choose to cash out or other employees cash out, then Phase II of the RIF Plan will have to be implemented. Phase II could affect up to 6 more positions including the following for up to 2 months.

- 5 - Compliance Specialist--Insurance
- 6 - Payroll Technician--State Payroll
- 7 - Attorney--Central Administration
- 8 - Administrative Clerk III--Fiscal Control
- 9 - File Clerk--Insurance
- 10 - Investment Investigator--Securities

The State Auditor's Office is expected to absorb an exceptional amount of the Governor's proposed reversion. Small agencies with no slack in their budget are actually punished as indicated in the LFA Budget Analysis. A more equitable system must be implemented to reduce the impact on Montana people. The long-term effect on this office is that we could permanently lose good employees with a significant amount of expensive training.

JDS/amp(10)

Legislative Auditor  
 Target Reversions - FY 92 and 93  
 January 1992

BUDGET 23  
 DATE 1-3-92  
 HE SubCom Sen  
Gov + trans  
Special Session

	FY92	FY93
	<u>          </u>	<u>          </u>
OPERATING PLAN:		
Operating Budget Reduction	\$ 59,969	\$ 3,211
FY 92 Operating Budget Reduction Over 5%	<u>          </u>	<u>18,512</u>
TOTAL REDUCTION	59,969	21,723
MANAGEMENT PROPOSALS:		
1. SRF Cash Transfer (Fund Balance)	22,159	
2. Non Budgeted Revenue		10,200
3. Bond Assessment (\$.30/1000)	<u>          </u>	<u>33,140*</u>
Subtotal	22,159	43,340
TOTAL PROJECTED	<u>\$ 82,128</u>	<u>\$ 65,063</u>
TARGET REVERSION (5% of GF Appropriation)	\$ 63,616	\$ 65,063

\* In addition, the Office is seeking an Attorney General's Opinion regarding the Bond Assessment Fee charged to the Montana Higher Education Student Assistance Corporation. The amount in question is \$30,600, which would be deposited to the General Fund.

