MINUTES

MONTANA HOUSE OF REPRESENTATIVES
52nd LEGISLATURE - 2nd SPECIAL SESSION

SUBCOMMITTEE ON GENERAL GOVERNMENT & HIGHWAYS

Call to Order: By **JOE QUILICI, CHAIR**, on July 8, 1992, at 9:00 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)
John Patrick, Budget Analyst (OBPP)
Lois O'Connor, Secretary

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

HEARING - DEPARTMENT OF REVENUE

Clayton Schenck, Senior Fiscal Analyst, LFA, provided an LFA budget worksheet which showed that the executive budget reduction recommendation for the Department of Revenue was $706,947. **(EXHIBIT #1)** He also provided a letter from the Department that implicated the impacts of any reductions proposed in Special Session 2 upon the revenue estimates that were added in House Joint Resolution No. 1 in Special Session 1. **(EXHIBIT #2)** The Subcommittee requested and was provided a prioritized listing of programs for reductions **(EXHIBIT #3)**, and information on the supplemental request for an appropriations transfer that was provided to the Legislative Finance Committee. A supplemental was approved for the Property Assessment Division in the amount of $1.5 million for the 1993 biennium. **(EXHIBIT #4)**

Mr. Schenck added that there may be a language request that the budget office would raise in regard to line-item language in the CAMAS appropriation proposed in House Bill No. 2. There are also liquor proposal changes in the executive budget.

Jack Ellery, Deputy Director, Department of Revenue, explained where the department would take the proposed executive budget reductions. **(See Exhibit #3)**

QUESTIONS FROM THE SUBCOMMITTEE

REP. QUILICI said that local governments are in a severe money crunch. He asked **Mr. Ellery** to explain the reduction of $73,000 in the Property Assessment Division. **Mr. Ellery** referred the question to **Ken Morrison, Administrator, Property Assessment Division. Mr. Morrison** said that the state is responsible for 70 percent of the assessors' and deputies' salaries. The county is responsible for 30 percent. When an assessor's position is vacant, there is a move in the county to appoint a new assessor as rapidly as possible. The Department's legal staff has reviewed what authority or options the Department had in getting the county to not make the appointments immediately, but to wait 60 to 90 days so that vacancy savings could be realized. If the Department has no option, it would rely on the local governments to cooperate with the Department to realize the 4 percent vacancy savings. The other option would be to reduce the amount the Department pays, from 70 percent to 66 percent which presents hardships on the local governments.

REP. PETERSON asked if the state could arbitrarily drop the percentage to 66 percent and not be in violation of a contract with the counties. **Mr. Morrison** said in some cases, the Department does enter into contracts. However, there is nothing in statute that specifically states that the Department will pay 70 percent and counties will pay 30 percent. This comes from House Bill No. 2.

REP. PETERSON asked if there is an assessor in every county or are there counties that have combined the office. **Mr. Morrison** said there are 7 counties that have combined offices. These counties do not have an elected assessor and no appointed deputy. All employees working on property taxes within the 7 counties report to the Department of Revenue.

Dan Gengler, OBPP, referred to Exhibit #4. He said that the Department was going to request a supplemental of $525,000 for FY 1993. This is no longer the case according to the OBPP's latest projections. It does not anticipate any supplemental for FY 1993. The DOR did receive an appropriation transfer of $850,000 for FY 1992. If the University System is excluded from the proposed reductions, what remains is about $2.1 million. The DOR represent about one-third of those remaining reductions. Out of the $700,000 in cuts, only about $140,000 would have potential to directly affect revenues. The remaining $540,000 would not directly affect revenues but would affect services.

Mr. Gengler added that the OBPP has recommended striking certain language in HB 2. The language restricts the Department from using a certain amount of money only for the CAMAS System. OBPP would like to strike the line-item language to give DOR the additional flexibility. If it turns out that the cost for CAMAS is less than what is expected, DOR must have the flexibility to be able to move the funds to where they are most needed.

Mr. Morrison said that there is proposed legislation for the 1993 Regular Session that has the potential to minimizes some of the Department's workload. The Department's legal staff is drafting 2 pieces of legislation that may simplify the process of reappraisal and will help the Department because of the shortage of staff. One bill would clear up some concerns the Department has regarding appeals and how the appeal process is handled. The second bill is much more significant. It would require that DOR add all the reappraised values on in 1993 and use them for tax purposes in 1994. Current law suggests that there is a 1-year delay between giving property owners their values on reappraisal and when they are used for tax purposes.

REP. QUILICI asked if the $440,000 reduction in Property Assessment would be contingent upon the passage of the proposed legislation. **Mr. Morrison** said he did not think that was the case.

REP. QUILICI asked for an explanation of why a supplemental was requested in April. **Mr. Gengler** said OBPP was trying to estimate every possible supplemental that had a reasonable chance of occurring in FY 1993. It was including things that it was not sure about, but decided to include them in their estimates to make sure that all bases were covered. It was not a conservative estimate.

EXECUTIVE ACTION - DEPARTMENT OF REVENUE

Tape 1 - A, 42.9

Motion/Motion **SEN. FRITZ** moved to accept the executive budget reduction recommendation of $706,947 from the Department of Revenue under the stipulation that the 4 percent reduction in assessor's salaries be reviewed by the House Appropriations Committee. **MOTION CARRIED UNANIMOUSLY**

EXECUTIVE ACTION - DEPARTMENT OF ADMINISTRATION

Tape 1 - A 46.2

Motion/Vote **SEN. FRITZ** moved that no further reduction be taken from the Department of Administration, at this time.

QUESTIONS FROM THE SUBCOMMITTEE

Pat McKelvey, State Tax Appeal Board, said as one shoe falls on revenue, the next one will be on the State Tax Appeal Board, such as the elimination of the information brochures on how to explain tax assessments. People appear before the Board who have no concept of what it is that they have received in the mail and how to read it. Elimination of money for the brochure will cause the Board's budget at the local level to be increased. At a time when taxpayers are faced with not understanding their taxes and an increase from every side of their pocketbook, it is a time when they need to have the local person there to talk to. When the appraisal cycle begins, the Board will have an increase in appeals.

SEN. STIMATZ asked how many appeals in a fiscal year are upheld or denied. **Mr. McKelvey** said the Board does not keep score of winners and losers. He cannot give a number. However, the Board treats the DOR as the professionals in the hearing. They have come to defend their work; and in most cases, they have done a very good job. **Mr. McKelvey** said the DOR is upheld more than the taxpayer.

SEN. STIMATZ asked if the DOR had the information. He felt that the Subcommittee needed it for review. **Mr. McKelvey** said DOR would have the figures. The Board could also do a rough calculation.

EXECUTIVE ACTION - DEPARTMENT OF MILITARY AFFAIRS

Tape No. 1 - A, 79.1

Mr. Schenck provided an LFA budget worksheet showing the executive budget reduction recommendation of $30,893 for the Department of Military Affairs. **(EXHIBIT #5)**

QUESTIONS FROM THE SUBCOMMITTEE

SEN. TVEIT asked if the Department had the ability to move the various funds throughout their divisions. **Gary Blair, Adjutant General**, said yes. They have had the flexibility to do that.

REP. QUILICI said the cut to the Veterans' Affairs program is the one that bothers him. He realized how much its budget has been cut back over the years. It seems that everyone is forgetting the veterans.

SEN. TVEIT asked where the revenues received from the license plates go. **General Blair** said statutes states that the license plate fee will be used for construction, maintenance, and operating of the state cemetery.

REP. PETERSON asked if the Subcommittee's language of flexibility would take care of the language that the Department could take from the cemetery fund and put it into the veterans' fund. **REP. QUILICI** said the current statute would have to be repealed. **General Blair** clarified that there are 2 statutes in place at present. One statute appropriated $22,795 for the maintenance, repair, and construction of the state cemetery. The Veterans agreed that they would like to take care of the cemetery through a license fee process to relieve the state of the responsibility. That amount will be approximately $39,000 in FY 1993. If the Department has the flexibility to use that money in the operation of Veterans Affairs, it would keep the program going.

SEN. TVEIT said that there was a cut in Special Session 1 and now there is another one proposed. He asked how the proposed cut would relate to lost federal dollars in the Army and Air. **General Blair** said the Department loses $56 federal dollar for every state dollar.

REP. ZOOK said that some of the money is taken from personal services so that money could then be moved into operating expenses. **REP. QUILICI** said that if the language is not changed, an agency cannot take from personal services to use for operating expenses.

<u>**Motion**</u> **SEN. TVEIT** moved that the Department of Military affairs budget be reduced by $15,000 instead of the $30,893 proposed by the executive budget recommendations.

SEN. FRITZ said the Department does have a source of revenue, namely selling the license plates. Even if the sale continues for the next 6 months at the same rate as it has been going, it will make $15,000. If the Department is given the flexibility to shift some of the statutory allocated money into the other divisions, the Department can manage the governor's cut. **REP. ZOOK** agreed.

REP. QUILICI said there was never a time when he wouldn't vote to put money into Military Affairs. He is afraid if the Subcommittee recommended anything less than what was requested by the Governor, the full Appropriations Committee will go after that much money and more.

SEN. TVEIT said he was not a veteran and he lives in a rural community. He knows where the services are going to get cut and he knows the problems the state has. Those are the reasons for his motion. He feels very strongly toward veterans and that people are turning their backs on them. **REP. QUILICI** appreciated the motion.

<u>**Motion/Vote**</u> **REP. PETERSON** made a substitute motion to accept the executive budget reduction recommendation of $30,893. **MOTION CARRIED 5 TO 1 WITH SEN. TVEIT VOTING NO.**

Mr. Schenck said that he is unclear as to what the vehicle will be to provide the Department with the flexibility to move the funds around. He said that he would work with OBPP and make sure that the flexibility can be approved.

EXECUTIVE ACTION - LEGISLATIVE AUDITORS OFFICE

Tape 1 - B, 7.2

Mr. Schenck provided an LFA budget worksheet showing that the executive budget reduction recommendation for the Legislative Auditors Office is $95,704. **(EXHIBIT # 6)**

Terri Perrigo, Associate Analyst, LFA, provided information regarding legislative agency pay increases for FY 1993. **(EXHIBIT #7)**

Scot Seacat, Legislative Auditor, said that the executive recommendation does not include underfunding of the pay plan. The pay plan funding in the Auditor's Office is whatever is adopted by the Legislature for state employees. If his office is treated similarly to how the budget office calculated the reductions, the $95,704 should be $39,428. The cuts will be taken in personal services.

QUESTIONS FROM THE SUBCOMMITTEE

SEN. TVEIT asked how the Auditor's Office would get the audits done if there is a reduction. **Mr. Seacat** said that his staff must work overtime. By federal law, every financial audit that is done must be done within 1 year of the close of the fiscal year. The Office is currently operating under an exemption under the Federal Single Audit Act where his office is operating on a biennial basis.

SEN. TVEIT asked where the Governor's office came up with a figure of $95,704. **John Patrick, OBPP**, said the approach OBPP took in calculating the underfunded pay plan of the Legislative agencies was to use the pay plan policy in House Bill No. 509. He understood that the Legislative branches were exempt positions for the pay plan policy.

REP. QUILICI asked if there were other agencies who had underfunded pay plans. **Mr. Patrick** said the classified positions across the board in all agencies were underfunded 12 to 13 percent general fund.

Terry Perrigo, LFA, said the Legislative agencies did receive pay plan appropriation in HB 509; but it did not include any money for the market based adjustment which was included in the pay plan for all the executive branch agencies. Instead of the market based adjustment, the Legislative agencies received 2 different things. The Legislative Auditors Office was exempted from the 4 percent vacancy savings so that it could make the market base adjustment for its staff. The agencies not exempted from the 4 percent received small appropriations in HB 2 in personal services to pay for the increase.

SEN. FRITZ moved to reduce the Legislative Auditors budget by $39,428. **MOTION CARRIED 4 TO 2 WITH REP. PETERSON AND REP. QUILICI VOTING NO.**

EXECUTIVE ACTION - LEGISLATIVE COUNCIL

Tape 1 - B, 10.4

Mr. Schenck provided an LFA budget worksheet showing the executive budget reduction recommendation of $56,100 to the Legislative Council. **(EXHIBIT #8)**

Bob Person, Director, Legislative Council, said the Council will do its best to provide the services that the Legislature needs with the funding that it has.

QUESTIONS FROM THE SUBCOMMITTEE

REP. QUILICI asked if the Council had an underfunded pay plan. **Mr. Person** said yes. **REP. QUILICI** asked how the Council would work the underfunding from the general fund portion of the $56,100. **Mr. Person** said with the combination of vacancy savings and staff turnover, he has not projected the entire budgetary affect. In addition, the Council has flexibility in terms of the fact that it is appropriated money for session temporaries where adjustments can be made.

REP. ZOOK moved to accept the executive budget reduction recommendation of $56,100 from the Legislative Council from personal services. **MOTION CARRIED 4 TO 2 WITH SEN. FRITZ AND REP. QUILICI VOTING NO.**

EXECUTIVE ACTION - ENVIRONMENTAL QUALITY COUNCIL (EQC)

Tape 1 - B, 12.0

Mr. Schenck provided the Subcommittee with an LFA budget worksheet showing the executive budget reduction proposal of $15,473 to EQC.

Ms. Perrigo said in order for the EQC to meet the Governor's proposed reduction amount, it will leave a one-half time FTE vacant.

<u>**Motion**</u> **SEN. TVEIT** moved to accept the executive budget reduction proposal of $15,473 from the budget of the EQC.

<u>**Motion/Vote**</u> **SEN. STIMATZ** made a substitution motion that no reductions be made to the EQC budget. **MOTION FAILED 2 TO 4 WITH SEN. FRITZ, SEN. TVEIT, REP. ZOOK, AND REP. PETERSON, VOTING NO.**

<u>**Vote**</u> **ORIGINAL MOTION BY SEN. TVEIT CARRIED 4 TO 2 WITH SEN. STIMATZ AND REP. QUILICI VOTING NO.**

EXECUTIVE ACTION - DEPARTMENT OF TRANSPORTATION

Tape 1 - B, 13.9

Mr. Schenck informed the Subcommittee that in **Director Rothwell's** testimony, he stated that while there were no recommended cuts to the DOT, he offered $60,000 in personal services funds in the Rail and Transit Division. He suggested that the Subcommittee revert the money back to the general fund.

<u>**Motion/Vote**</u> **SEN. FRITZ** moved that $60,000 be reduced from the personal services fund in the Rail and Transit Division of the Department of Transportation. **MOTION CARRIED UNANIMOUSLY**

Mr. Schenck informed the Subcommittee that the DOT does have the McCarty Farms biennial appropriation of $180,000. It was reduced 8 percent in Special Session 1, and there is still a balance of $112,000 in the account that is general fund that could be considered. DOT did not offer this money, but he felt the Subcommittee needed to know this information.

ADJOURNMENT

Adjournment: 11:00 a.m.

Joe Quilici
JOE QUILICI, Chair

Lois Ann O'Connor
LOIS ANN O'CONNOR, Secretary

JQ/lao

HOUSE OF REPRESENTATIVES

GENERAL GOVERNMENT AND HIGHWAYS SUBCOMMITTEE

ROLL CALL DATE 7-8-92

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		

Office of Legislative Fiscal Analyst
Budget Worksheet

Department of Revenue			Executive Budget Proposal			Legislative Budget Action			Difference (Leg. – Exec.)		
			Fiscal 1993			Fiscal 1993			Fiscal 1993		
Description		Pg	General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2											
1	General Budget Reduction'	00	($706,947)		($706,947)	________			706,947	No Change	706,947
	Totals		($706,947)	$0	($706,947)	$0	$0	$0	$706,947	$0	$706,947

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EXHIBIT 1
DATE 7-7-92
HB Special Session 2
Gen. Gov. + Trans.

State of Montana

Stan Stephens, Governor

Department of Revenue
Denis Adams, Director

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

July 7, 1992

EXHIBIT 2
DATE 7-8-92
HB Special Session II
Gen. Gov. + Trans.

Representative Joe Quilici
Montana State Capitol
Capitol Station
Helena, Montana 59620

Dear Representative Quilici:

Ms. Cohea has requested that I write you a letter explaining the Department of Revenue's concerns about corporate tax collections contained in HJR 1. She has heard that the amount contained in HJR 1 for fiscal 1993 may be higher than the Department of Revenue thinks will materialize.

The Department of Revenue was given additional corporate license staff and travel funds to generate more audit revenue. The audit numbers in HJR 1 are $10.155 for fiscal 1992 and $13.257 for fiscal 1993. This is $23.412 for the 1993 biennium. During fiscal 1992 the audit staff collected $15.283 million of the $23.412 required. This was done with the assistance of the new staff, the additional travel funds, and an exceptional effort by the existing auditors. To meet the 1993 biennium commitment made, with the additional staff and travel money, the corporate audit staff will have to generate $8.129 million in fiscal 1993. Due to the tremendous success at the end of fiscal 1992 in collecting audit assessments, the fiscal 1993 audit collections will be less than $13.412 million contained in HJR 1. This timing difference between the actual collections at 1992 fiscal year end rather than the beginning of fiscal 1993, needs to be recognized in the HJR 1 numbers.

In summary, the corporate license tax auditors will generate $23.4 million of audit collections during the 1993 biennium, but the timing between fiscal years is different than reflected in HJR 1. I hope this answers the question so that adjustments are made in HJR 1 to reflect the timing of the audit collections.

You also asked what will happen in fiscal 1993 to audit collections with the budget reductions proposed in the Executive Budget. Based upon historical collection figures, for each audit position we leave vacant, the state would lose approximately $800,000 annually. The proposed vacancy of a natural resource audit position for a

Ex. 2
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Gen. Govt.

portion of the year would equate to roughly $400,000 in lost revenue. Most of this lost revenue in the natural resource bureau is earmarked for county use.

The administrator of the Natural Resource and Corporate Tax Division retired June 30, 1992. Our plan is to hold this position vacant for all of fiscal 1993. The two bureaus currently reporting to the administrator will report directly to the Deputy Director for Tax Policy until a new administrator is appointed in fiscal 1994. The current budget contains approximately $50,000 of vacancy saving which must be generated by leaving vacant a position during the year. This will be very difficult to manage and still produce the target audit collections; but the staff will give their best efforts and expect to produce $8.129 million of corporate license tax audit collections in fiscal 1993.

If I can be of further assistance, please call.

Sincerely,

Denis Adams

Denis Adams
Director

EXHIBIT 3
DATE 7-8-92
~~HB~~ Special Session
Gen. Gov. + Trans

Special Session II

Department of Revenue – 8% General Fund Budget Reductions

		Full Funding Before Session	Vacancy Savings	Under Funding Pay Plan	.005% Reductions	Special Session I		Special Session II	Total Reductions	Net Funding	Total % Reductions
Director's Office	35.50	$922,400	($29,069)	($7,261)	($3,628)	($73,900)		($28,056)	($141,914)	$780,486	−15.39%
Centralized Services	29.27	$889,266	($27,794)	($10,793)	($3,877)	($75,000)		($26,781)	($144,245)	$745,021	−16.22%
Data Processing	49.60	$1,100,493	($35,997)	($9,969)	($4,830)	($90,000)		($33,301)	($174,097)	$926,396	−15.82%
Income Tax	117.65	$3,974,626	($95,568)	($38,305)	($17,781)	($9,834)	*	($132,312)	($293,800)	$3,680,825	−7.39%
NR & CT	35.00	$1,254,421	($33,451)	($11,268)	($5,621)	$114,123	**	($45,740)	$18,043	$1,272,464	1.44%
Assessors	68.60										
Appraisers & Other	256.06										
Administration	72.40										
Total Property	397.06	$13,237,028	($315,401)	($159,629)	($58,458)	$0		($440,800)	($974,288)	$12,262,739	−7.36%
Total	664.08	$21,378,234	($537,280)	($237,226)	($94,195)	($134,611)		($706,989)	($1,710,302)	$19,667,932	−8.00%
	Reductions	% By Category	−2.51%	−1.11%	−0.44%	−0.63%		−3.31%	−8.00%		
OBPP Budget Book		$21,378,234	$537,280	$237,226	$94,195	$134,611					
OBPP Difference	($0)	($0)	$0	($0)	$0	$0					

* $126,666 added 4 FTE to Collect $1 Million and Netted Against $136,500 in Reductions
** $114,123 added 2 FTE and Operating Costs to Collect $7 Million

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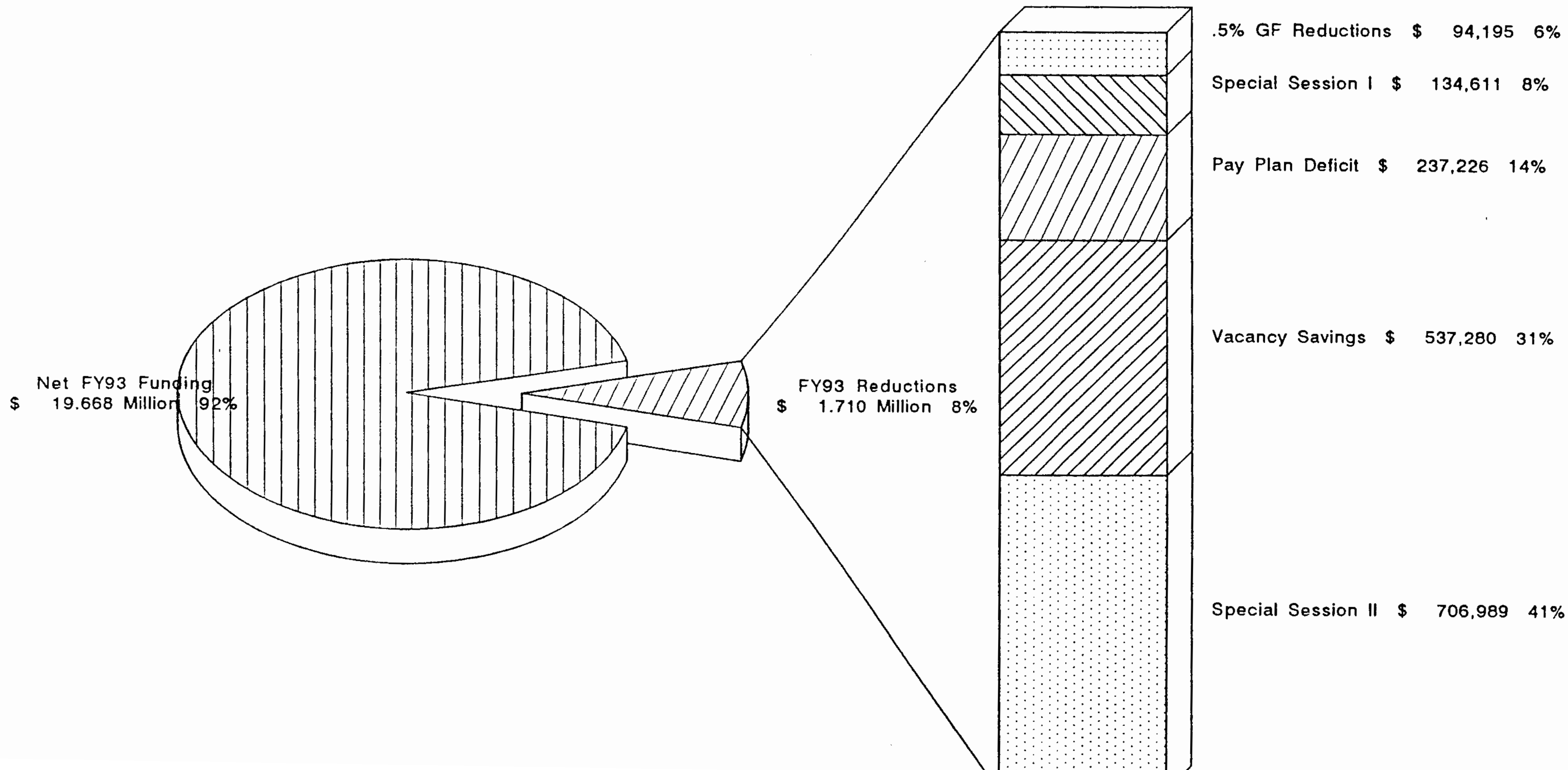
Gen. Govt. Sub.

Department of Revenue FY93 Budget Reductions
Using a Fully Funded General Fund Budget of $21,378,234



the liquor area.

As a result, the primary impact will be to the liquor program. Liquor license applicants will see an increase in the time it will take to complete their application investigations, and certain lower priority activities, such as premises remodeling inspections, assistance to local law enforcement and proactive operations designed to reduce violations such as sale to minors will have to be greatly reduced or eliminated.

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Department of Revenue
:ial Session II - 8% Reductions in FY93

:rvices Division

luction: $27,000

ortfall in FY93 we will work some of our accounting and clerical 1is will save about $16,000 during the fiscal year. The additional by reducing the hiring of part-time help during periods when 1g tax forms arrive in bulk mailings. About $30,000 is used for :uring the year so we will be reducing our service level by about : to offset some of this negative impact by working full-time staff] workloads whenever time from their priority workloads permit.

:t

evere cuts in the Centralized Services program for a number of r with the affect of cuts on each of the workloads. We have the major services with fewer staff than we have currently and y when it was apparent we were getting behind or unable to s. We are currently performing essential services with existing vice objectives with regard to payroll, mail processing and the wever, as a result of these reductions, accounting and other je as accurate as they are now due to a lack of review and we : audit exceptions.

eak period staffing is to get money in the bank as quickly as 1vestment. Past cost/benefit studies have shown that it is worth we put into manpower to process the mail as quickly as ns will result in delays in depositing state funds in the treasury.

Director's Office FY93 Budget Reductions
Using a Fully Funded General Fund Budget of $922,400

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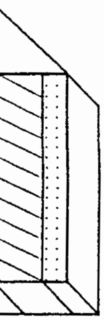
Gen. Govt. Sub.



.5% GF Reductions $ 3,628 3%
Pay Plan Deficit $ 7,261 5%

Centralized Services FY93 Budget Reductions
Using a Fully Funded General Fund Budget of $889,266

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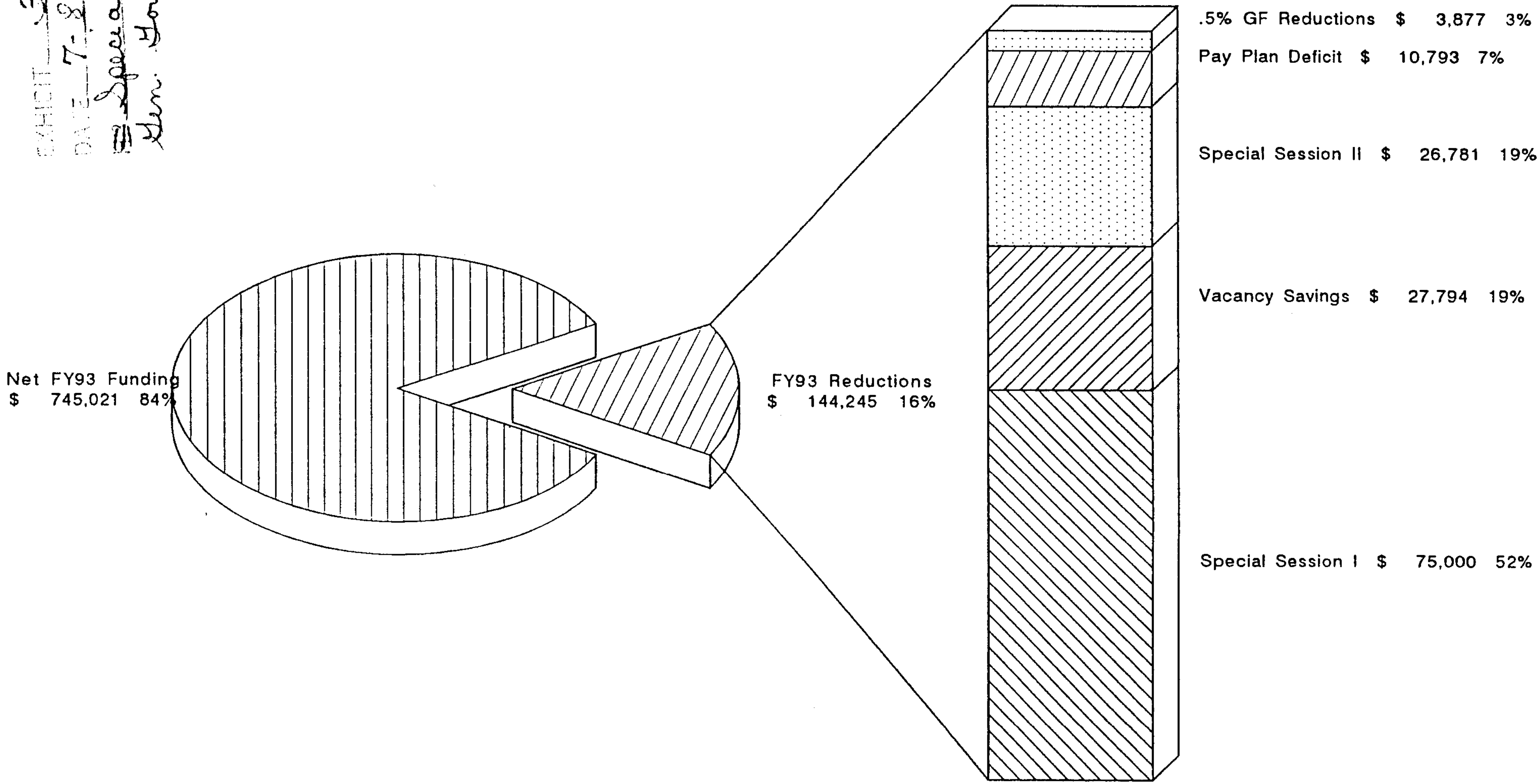
SB Special Session 2
Gen. Gov. + Trans.



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Gen. Govt. Sub.

Department of Revenue
Special Session II - 8% Reductions in FY93

Division: Data Processing Division

FY93 General Fund Reduction: $33,300

Proposed Reductions

1. **Reduce Contracted Services $11,500**

   An over allocation of network services fees was realized for the next fiscal year due to the initial inclusion of the 24 data entry workstations in the original count of equipment provided to ISD. Upon implementation of the ISD network policy, it was determined that this class of equipment did not fall within classification of "networked workstations". As a result, we have excess funding for network services.

2. **Forced Vacancy Savings in Data Entry $16,900**

3. **Reduce Equipment Expenditures $900**

   The equipment budget was intended to procure one PC workstations in FY93. Recent price reductions for this equipment will result in a savings of $900.

4. **Reduce Repair and Maintenance Expenditures $4,000**

   The repair and maintenance budget for the Data Processing Division had a surplus of over $8,000 in FY92. Although FY92 was a light year for equipment failures, it is expected that $4,000 could reasonably be expected to be reduced from this expenditure category.

Program/Agency Impact

Reduction of data entry resources will result in further erosion of our ability to complete Income Tax returns prior to the filing of the next year's returns and will further delay the completion of refunds in calendar 1993.

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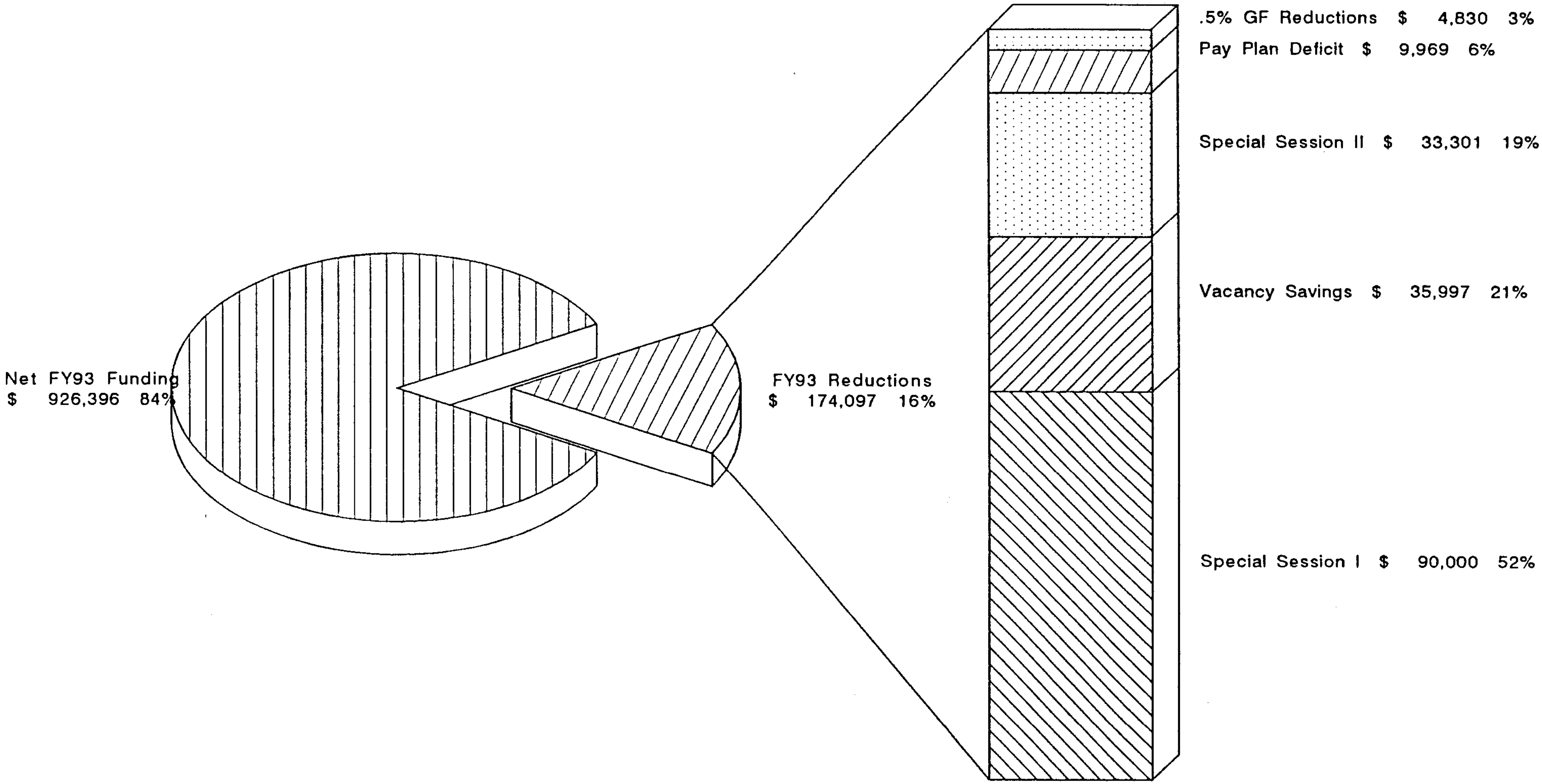
Gen. Govt. Sub.

Data Processing FY93 Budget Reductions
Using a Fully Funded General Fund Budget of $1,100,493



Ex. 3 7/8/92
Gen. Govt. Sub.

Department of Revenue
Special Session II - 8% Reductions in FY93

Division: Income and Miscellaneous Tax

FY93 General Fund Reduction: $132,300

Proposed Reductions

1. **Revert the 4 FTE and operating expenses added to the program's appropriation during Special Session I $126,760**

2. **Revert funds appropriated for Utilities $2,320**

3. **Additional forced Vacancy Savings $3,220**

Program / Agency Impact

Excluding vacancy savings, the under funded pay plan and the .005 reduction in General Fund, there are two significant components of these targeted budget reductions which must be recognized and considered. They are the Special Session I budget reductions already in place and Special Session II proposed expenditure reductions and revenue loss.

Special Session I - FY 93 Budget Reductions $136,595

Expected system processing savings	$41,000
Elimination of Toll Free Telephone Service	10,000
Eliminate Return Envelopes from tax packet	3,400
Restricted Travel - audit only	15,000
Eliminate Staff Training	6,000
Suspended Taxpayer Assistance (ABC Clinics tax season assistants in major cities)	28,750
Additional forced vacancy savings	32,445
Total Special Session I Reductions	**$136,595**

The above reductions do not address the projected shortfalls in our contracted services and communications budget for FY93. In FY92 we were **over expended** in these two categories by $100,000 which required program transfers from other programs to cover the shortfall.

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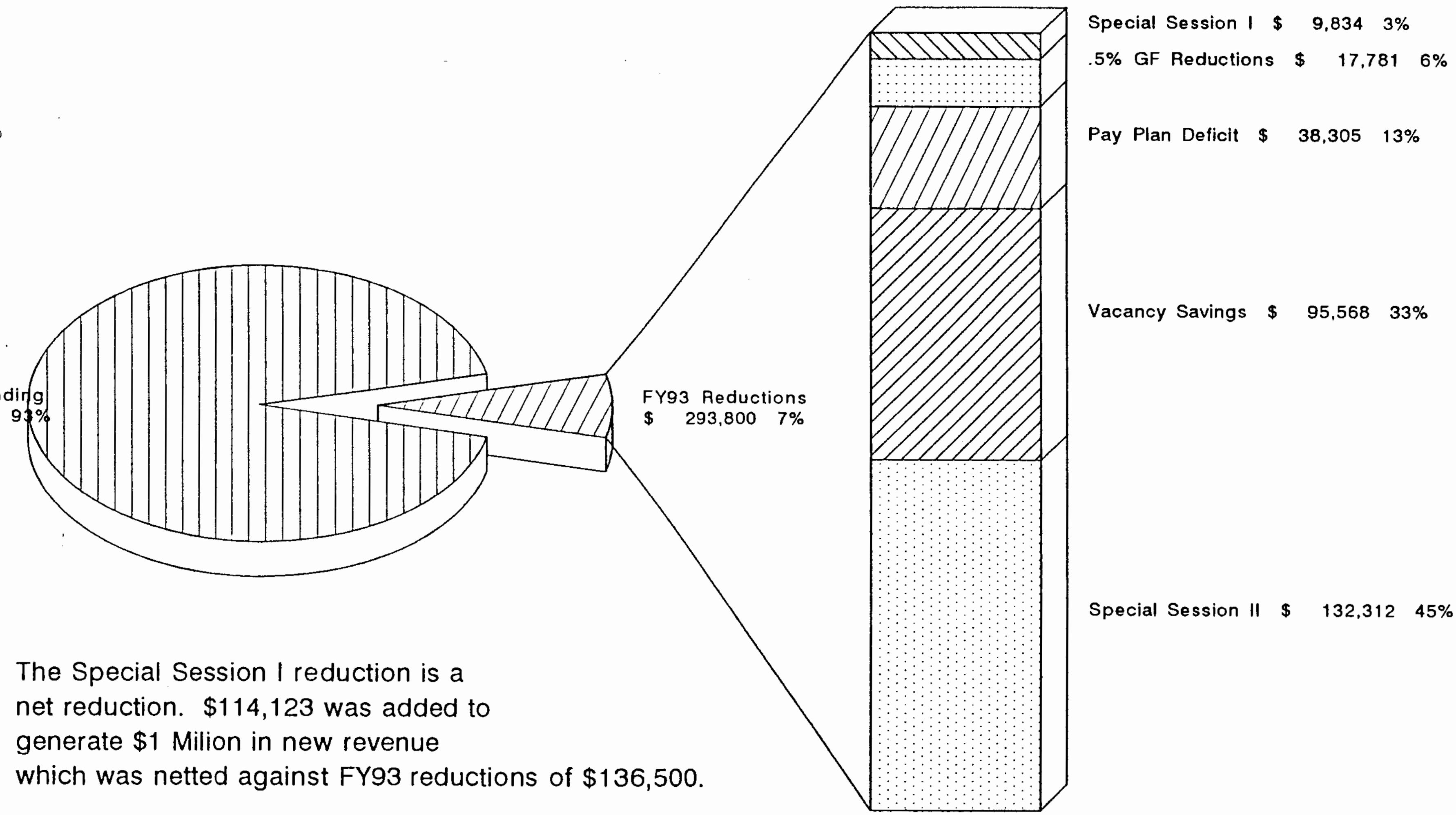
Income Tax FY93 Budget Reductions
Using a Fully Funded General Fund Budget of $3,974,626



The Special Session I reduction is a net reduction. $114,123 was added to generate $1 Milion in new revenue which was netted against FY93 reductions of $136,500.

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Department of Revenue
Special Session II - 8% Reductions in FY93

Division: Natural Resource and Corporation Tax

FY93 General Fund Reduction: $46,000

Proposed Reduction

1. **Transfer a General Funded Natural Resource Tax Auditor to a State Special Funded State Lands Auditor position that is currently vacant and leave the Natural Resource Auditor position vacant for 5 months $10,200**

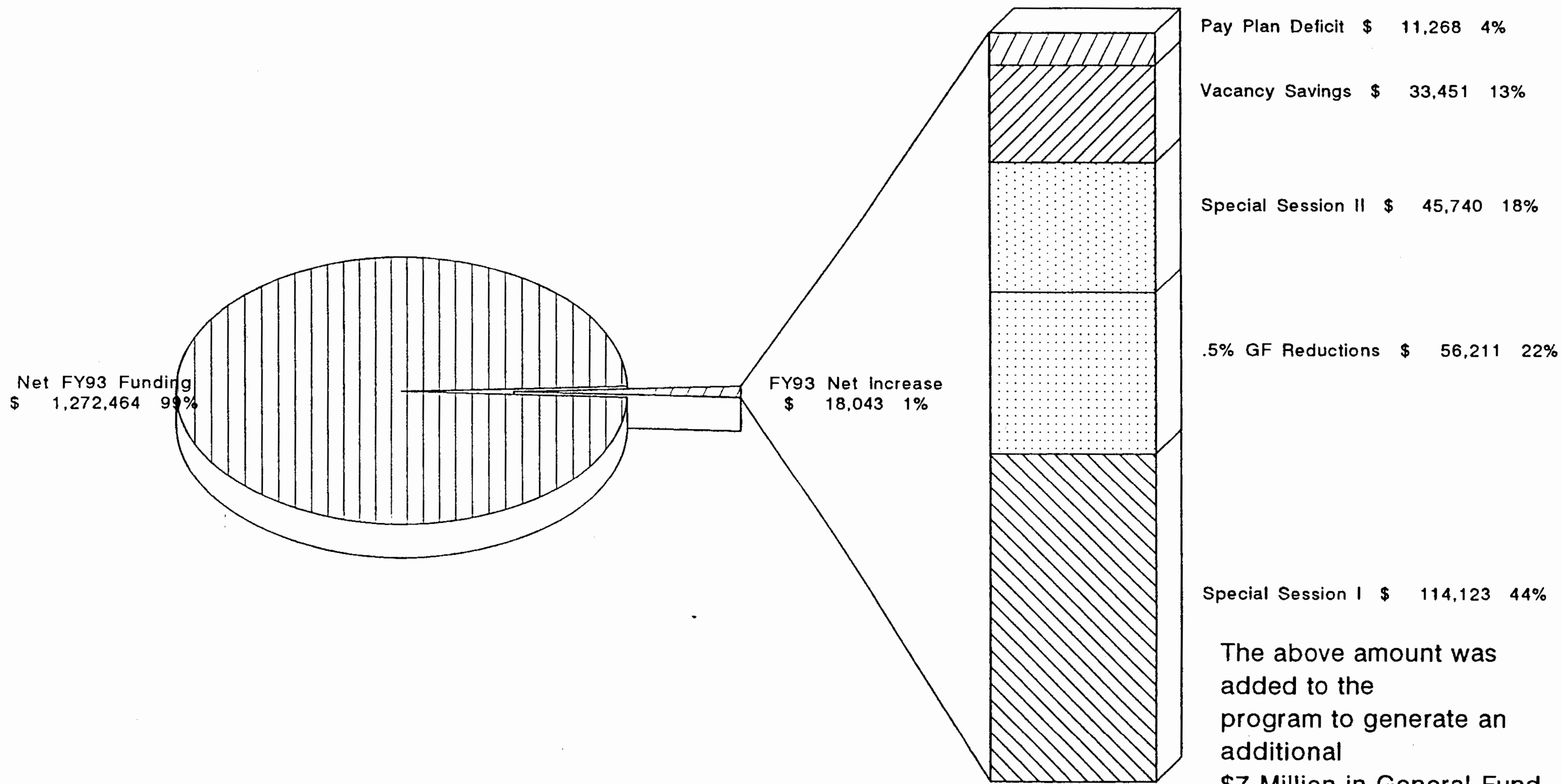
2. **Leave the Natural Resource and Corporation Tax Division Administrator position vacant for the entire fiscal year $35,800**

Program/Agency Impact

The administrator of this division retired June 30, 1992. Our plan is to hold his position vacant for all of FY93. The two bureaus currently reporting to the administrator will report directly to the Deputy Director for Tax Policy until a new administrator is appointed in FY94.

Ex. 3 7/8/92
Gen. Govt. Sub.

Corporation Tax FY93 Budget Reductions
Using a Fully Funded General Fund Budget of $1,254,421



The above amount was added to the program to generate an additional $7 Million in General Fund Revenue.

Department of Revenue
Special Session II - 8% Reductions in FY93

Division: Property Assessment

FY93 General Fund Reduction: $440,800

Proposed Reductions

1. **Refinance and Defer Installment Payments in FY93 . . . . $268,572**

   A portion of the Computer Assisted Mass Appraisal System costs were financed with an installment purchase plan. The plan calls for an annual payment of $268,572. Delaying repayment of the purchases by one year may increase total interest paid by the state.

2. **Elimination of the Printing of Informational Brochures $65,500**

   The Department is funded to print reappraisal informational brochures to be sent along with the 1993 property assessments. Without these brochures more employee time will be spent answering questions from property owners.

3. **Apply 4% Vacancy Savings on Assessor & Deputy Salaries $73,300**

   Elected assessors and their deputies' salaries are fully funded for FY93. The standard 4 percent vacancy savings wasn't applied because these are elected and appointed positions. Options for this savings are to reduce the state contribution to the counties for paying assessor and deputy salaries or request that counties delay appointing assessors and deputies when vacancies occur. This could reduce the work performed by assessor offices.

4. **Reduce Staff Training $33,428**

   This reduction will limit the Division's training to that mandated by law. Employee performance and knowledge is affected by a reduction in training.

EXHIBIT 3
DATE 7-8-92
Special Session 2
Gen. Gov. + Trans.

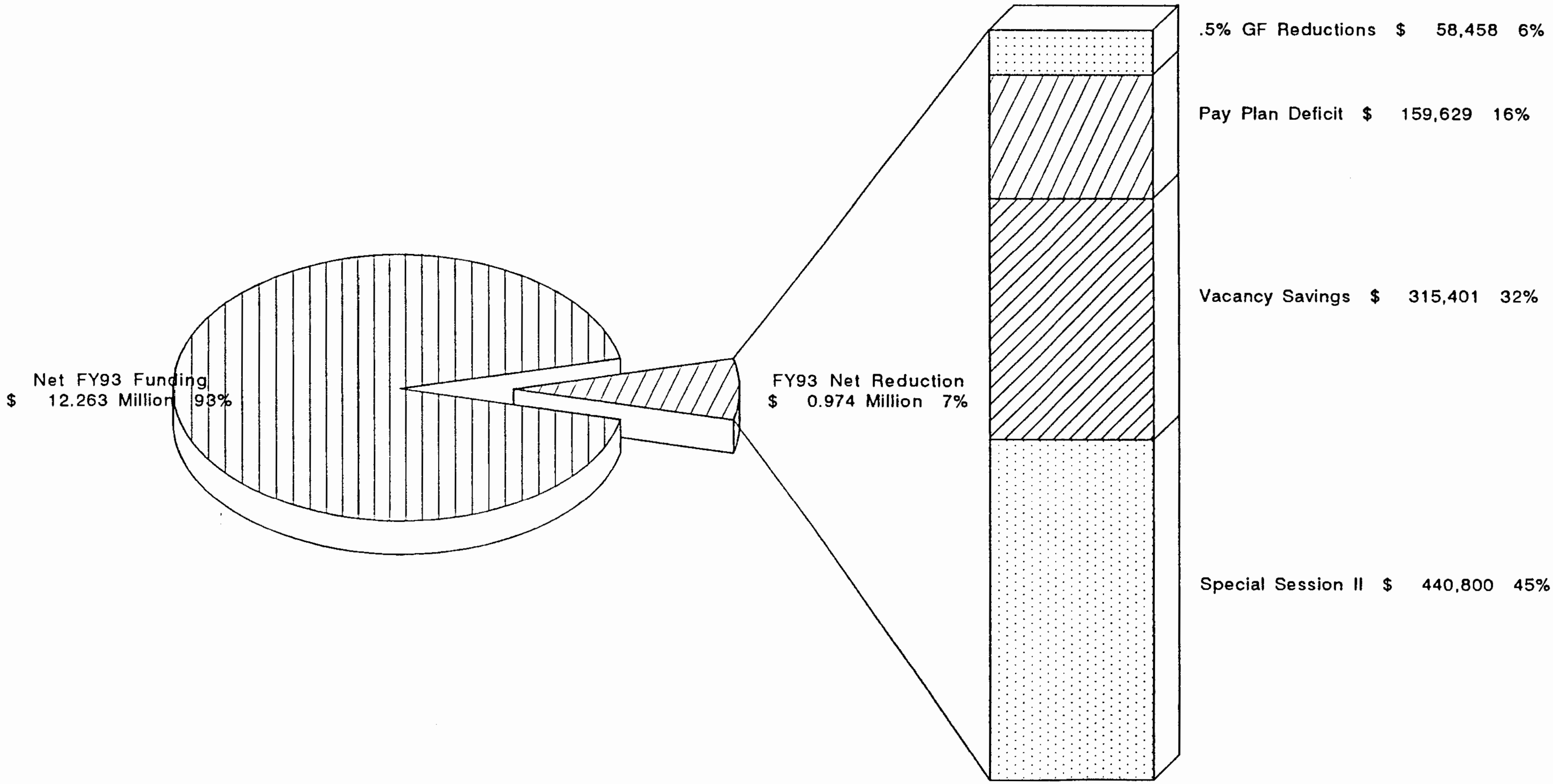
Program/Agency Impact

The Property Assessment Division is currently required to reduce its FY93 expenditures by over one half million dollars. Clearly, this significantly impacts our work, particularly reappraisal. A further reduction of $440,800 being considered by the second special session of the legislature adds to the impact.

Our proposal to apply this added reduction attempts to minimize the impact on reappraisal which is scheduled to be completed in FY93.

Ex. 3 7/8/92
Gen. Govt. Sub.

Property Assessment FY93 Budget Reductions Using a Fully Funded General Fund Budget of $13,237,234



ATTACHMENT A

STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/444-2986

TERESA OLCOTT COHEA
LEGISLATIVE FISCAL ANALYST

EXHIBIT 4
DATE 7-?-92
~~HB~~ Special Session
Gen. Gov. + Trans

April 1, 1992

TO: Legislative Finance Committee

FROM: Lois Steinbeck
Associate Fiscal Analyst

RE: Department of Revenue Request for an Appropriation Transfer

The Department of Revenue (DOR) has submitted a request to transfer up to $975,000 general fund from fiscal 1993 to fiscal 1992. DOR anticipates requesting the appropriation transfer in increments, and will request transfer of no more than the $975,000 total. DOR states that the appropriation transfer is necessary because the Property Assessment Division (PAD) has not realized anticipated vacancy savings and has hired additional, temporary staff to complete the reappraisal cycle by December 31, 1992. The request is being submitted for review at the April Legislative Finance Committee meeting because DOR expects the PAD appropriation to be overspent by early June.

DOR states that cost overruns are due to: 1) additional staff needed to compensate for the loss of experienced staff and additional workload; 2) unrealized vacancy savings in PAD; and 3) delays in implementation of the Computer-Assisted Mass Appraisal System (CAMAS) which is being used for the first time to reappraise property in Montana. DOR will request up to $975,000 in increasing amounts as needed. DOR anticipates that it will not able to absorb the fiscal 1992 transfer in fiscal 1993 and will request another $525,000 ($1.5 million total) supplemental appropriation from the 1993 legislature. This memorandum will address the following points and questions:

1) An overview of the PAD budget.

2) The basis for the amount requested.

2) Can DOR absorb any portion of the additional cost in its current budget?

3) Does the request meet statutory criteria?

4) Other considerations.

OVERVIEW

The current reappraisal cycle is statutorily required to be completed December 31, 1992. The 1989 legislature extended the current cycle to seven years to allow implementation of CAMAS. Senate Bill 412, introduced at the request of DOR and passed by the 1991 legislature, shortened future reappraisal cycles to three years (section 15-7-111(1), MCA). DOR believes that CAMAS will facilitate more frequent cycles.

DOR has requested two other additional general fund appropriations related to CAMAS. PAD received a supplemental appropriation of $270,320 in fiscal 1991 and a budget modification of $609,562 for the 1993 biennium for unanticipated CAMAS costs.

The 1991 legislature imposed $315,535 vacancy savings on 2 of 3 PAD programs. It exempted the Elected and Deputy Assessors program from vacancy savings ($65,985). DOR testified during the 1991 legislature that completion of reappraisal would be seriously jeopardized if vacancy savings were applied to PAD.

The supplemental request is 8.1 percent above the House Bill 2 appropriation for PAD, including pay plan allocation. The supplemental request is 4.9 percent of the total department general fund appropriation in fiscal 1992, including pay plan.

The 1992 special session made no reductions in the PAD budget. While the Executive Budget did not request a supplemental for this program during the special session, the Office of Budget and Program Planning (OBPP) included $750,000 for PAD in the $8.5 million estimate it asked the special session to set aside for additional agency supplemental appropriations.

BASIS OF REQUESTED AMOUNT

DOR has certified in a letter to OBPP that it is unable to complete reappraisal without an appropriation transfer of up to $975,000 for three reasons: 1) loss of experienced staff; 2) delays in CAMAS; and 3) unrealized vacancy savings.

Loss of Experienced Staff

DOR estimated that during fiscal 1990, PAD experienced a 29 percent turnover in staff. Fiscal 1991 turnover was about 19 percent and year-to-date fiscal 1992 turnover has been about 16 percent. PAD tries to fill positions quickly, yet some vacancy savings is generated by the turnover.

EXHIBIT 7
DATE 7-8-92
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Special Session 2

Delays in CAMAS

Consultant performance delayed implementation of CAMAS by nearly one year. An LFA staff report presented to the Legislative Finance Committee in October 1990 questioned whether delays in CAMAS would impact the reappraisal cycle. At that time, DOR believed that CAMAS would be fully implemented in time to facilitate timely completion of the reappraisal cycle and that delays would not impact completion.

Delay in system implementation impacted several areas of reappraisal workload: 1) update of parcel records; 2) sales data compilation; and 3) establishing and testing market program models. A more detailed discussion of the potential impacts on the reappraisal workload due to CAMAS is described in the LFA "Budget Analysis 1993 Biennium" (pp. A-100 through A-107).

Unrealized Vacancy Savings

PAD staff emphasize that unrealized vacancy savings is the most significant reason that an appropriation transfer is needed. In order to complete reappraisal, PAD began hiring additional temporary FTE as early as February 1991. High turnover rates and delays in CAMAS left PAD with increased workload and less experienced staff to complete the work.

In order to complete reappraisal, PAD has hired additional, temporary FTE above the level authorized by House Bill 2 (397.06 FTE). Most of the temporary FTE are clerical staff to input data in CAMAS, although a few of the FTE are appraisers assigned basic appraisal duties such as verification of property characteristics.

PAD would have needed to leave about 15 FTE vacant in fiscal 1992 to generate: 1) $315,535 in vacancy savings imposed by the 1991 legislature and 2) about $58,000 for the one-half of one percent general fund reduction imposed in House Bill 2. The estimated PAD personal services shortfall is sufficient to fund about 39 FTE at the fiscal 1992 average FTE salary. PAD has hired 24 FTE above the level authorized by House Bill 2. Adding 24 temporary FTE is equivalent to an increase of six percent more FTE than authorized by the legislature.

By comparison, the LFA "1987 Biennium Appropriations Report" states that the 1985 legislature authorized 24.0 temporary FTE--20 clerical and 4 keypunch positions--in fiscal 1986 to assist 441.40 current level FTE in completing the previous reappraisal cycle. DOR, in testimony before the 1989 legislature, stated that CAMAS would yield efficiencies sufficient to forego hiring temporary FTE needed during the final year of a manual appraisal cycle.

Ex. 4 7/8/92
Gen. Govt. Sub.

ABSORPTION OF COST

DOR estimated that the total PAD personal services shortfall in fiscal 1992 will be $1,058,605 and that about $78,000 of the shortage can be funded from savings in PAD operating expenditures. Other DOR programs are facing projected shortfalls (the Director's Office--$60,070 and Income Tax--$13,319) that will be offset by surpluses in other programs (Data Processing--$60,212 and Corporation Tax--$16,319). A DOR projection dated March 15, 1992 shows an estimated total department general fund shortfall of $917,088 in fiscal 1992 if all programs and all sources of funds are aggregated. If that projection is accurate, DOR would need about $58,000 less than the $975,000 appropriation transfer "ceiling" requested.

DOR allocated pay plan funds to equalize vacancy savings across all divisions. During the allocation, DOR underestimated PAD personal services funding requirements. DOR estimates that at least $149,200 of pay plan authority that should have gone to PAD (about 15 percent of the appropriation transfer) was reallocated to other programs to offset their vacancy savings costs. The DOR personal services cost estimation mistake and subsequent pay plan allocation increased the vacancy savings rate for PAD about 30 percent.

STATUTORY CRITERIA

Section 17-7-310, MCA, states that the transfer of expenditure authority from the second year to the first year of the biennium may be authorized due to "...an unforeseen and unanticipated emergency..." While PAD requested additional FTE for the final year of the reappraisal cycle during the Executive Planning Process, this request was not approved for presentation to the OBPP. Although PAD staff testified that the division had experienced significant staff turnover, the need for additional, temporary FTE was not presented to the 1991 legislature. However, PAD began double filling positions and hiring temporary FTE during the 1991 legislative session suggesting that DOR could have presented this issue to the 1991 legislature. By the January 1992, PAD estimated its fiscal 1992 shortfall to be at least $750,000 to $950,000, but the Executive Budget presented to the special session did not include a supplemental request for PAD.

DOR allocated pay plan funds to equalize vacancy savings across all department programs. According to DOR staff, the pay plan allocation to PAD was reduced by about $149,200 in this allocation (15 percent of the appropriation transfer).

LS3:lt:lfc3-31.mem

State of Montana

Stan Stephens, Governor

Department of Revenue
Denis Adams, Director

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

April 7, 1992

EXHIBIT 4
DATE 7-8-92
~~HB~~ Special Session 2
Gen. Gov. + Trans

TO: Legislative Finance Committee

FROM: Department of Revenue

SUBJECT: Appropriation Transfer Request (Supplemental) - Up to $975,000

REQUEST

The Department of Revenue is requesting a general fund appropriation transfer of up to $975,000 from fiscal 1993 to fiscal 1992. Based upon March expenditure projections, a year end personal services shortfall of $1,058,605 is anticipated in the Property Assessment Division. Savings in operating expenses and equipment will be used to offset part of the personal services shortfall.

Every effort will be made to reduce discretionary expenditures in all of the Department's programs. Savings generated by other Divisions will be moved to the Property Assessment Division to reduce the transfer amount. Therefore, in requesting up to $975,000 in transfer authority, multiple transfers may be necessary in closing out the fiscal year. This flexibility will minimize the amount of the transfer(s) required by allowing us to apply any savings from other operating costs or Department programs to the Property Assessment Division.

BASIS FOR APPROPRIATION TRANSFER

The Department indicated in a letter to the Budget Office that it would not be able to complete reappraisal without an appropriation transfer of up to $975,000. This appropriation request is for three reasons: 1) workload; 2) loss of experienced staff; and 3) vacancy savings.

Ex. 4 7/8/92
Gen. Govt. Sub.

Workload

In addition to reappraisal, the Department has been faced with several issues that have required staff attention during this biennium. The Agricultural Advisory Committee, Forest Land Productivity, Sales Ratio Study, Selective Reappraisal and CAMAS implementation have all required a considerable amount of attention.

Agricultural Advisory Committee

The Division staff has provided extensive support to the Advisory Committee preparing new schedules for the valuation of agricultural land. The Division has provided the Committee with historic information on agricultural land values and assisted in providing current information on agricultural land and income. Development of new schedules has been a difficult and time consuming task.

Forest Land Productivity

The Division has been actively working on implementation of a new method for taxing forest lands based on productive capacity. This work has included preparation and negotiation of a contract with the University of Montana for determining the productive capacity of all private forest lands in Montana. The Division is also preparing procedures and administrative rules to be used in valuing forest lands under the new method.

Sales Ratio Study

The Sales Ratio Study continues to require the attention of Division staff. Physical inspections must be made of properties that sell during the year to verify property characteristics and validate sales.

Selective Reappraisal

Selective Reappraisals have impacted workloads but also provided many positive results for the Property Assessment Division. Selective reappraisals have provided field staff the opportunity to use CAMAS in advance of statewide reappraisal. Through these selective reappraisals the staff discovered problems associated with an automated reappraisal in advance of statewide reappraisal. This has proved beneficial for using and understanding an automated appraisal system. The Department has corrected unexpected system problems that would have affected statewide reappraisal efforts. These advance discoveries help ensure a successful statewide reappraisal.

Ex. 4 7/8/92
Gen. Govt. Sub.

CAMAS Implementation

The Department is completing this reappraisal cycle with fewer employees than any previous cycle. This is attributable to the Department's new Computer Assisted Mass Appraisal System (CAMAS). The Department, however, experienced some difficulties in implementing the system.

Total automation of agricultural and timber lands is occurring for the first time. A substantial amount of time has been spent cleaning up incorrect data that was contained in the old computer system and transferred to CAMAS through conversion. Incorrect residential and agricultural land data has been replaced to reflect accurate up-to-date characteristics for these property types. Fixing the incorrect data and adding additional information means that future reappraisals will produce uniform, accurate residential and agricultural land property values statewide.

Commercial and agricultural improvement data is being computerized for the first time. This information is being physically entered into CAMAS to produce accurate property values. The state has approximately 64,056 commercially improved parcels and 54,556 agriculturally improved parcels. Computerizing information on these properties enables the department to maintain correct information and produce accurate valuations. In addition, statistical information on these properties is available for responding to legislative and administrative requests.

The CAMA system will enable the Division to improve the quality and equity of property values statewide. In order to do so, a substantial amount of time must be spent entering and updating data in the system. CAMAS has several new data elements that were not present on the Department's old CAAS system. These data elements such as neighborhood, style, CDU and location are all essential to CAMAS and its valuation program. These new elements had to be obtained and old data had to be verified.

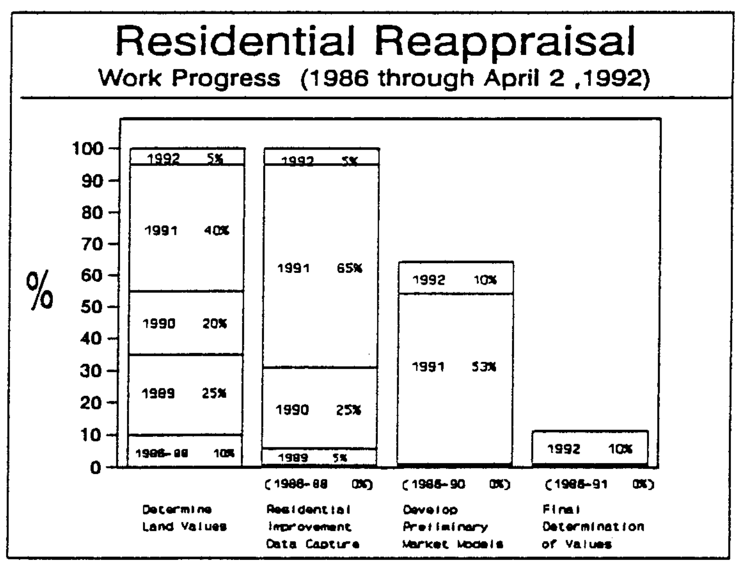

Figure 1

Computer assisted appraisal systems are highly dependent on accurate data elements. The CAMA system will also enhance the quality of information used for valuation and assessment and provide the Department with a better means to maintain uniformity and consistency of appraisal applications and information statewide. Figure 1 illustrates the progress made since the implementation of CAMAS.

Although it has been more difficult to implement CAMAS than anticipated, the Department has a fully automated real property valuation system that will produce accurate, uniform and equitable property values, and support reappraisals on a more frequent basis. The legislature was confident enough in the CAMA system that it enacted legislation during the 1991 session decreasing historical appraisal cycles from 7 years to 3 years beginning in 1994.

Loss of Experienced Staff

The Department of Revenue is statutorily mandated to complete the current reappraisal cycle by January 1, 1993. Historically, the Legislature has substantially increased the Department's staff during the last year of each cycle in order to complete reappraisal. In the last year of the Department's 1978 reappraisal cycle, the Property Assessment Division employed 784 FTE. During the last year of the 1986 reappraisal cycle, the Division employed 465 FTE.

The Division was authorized 397 FTE to complete the current reappraisal cycle. As represented to the legislature, this reappraisal is being completed with less FTE than any previous reappraisal cycle. Figure 2 illustrates the steady decline in FTE required to complete statewide property reappraisal.

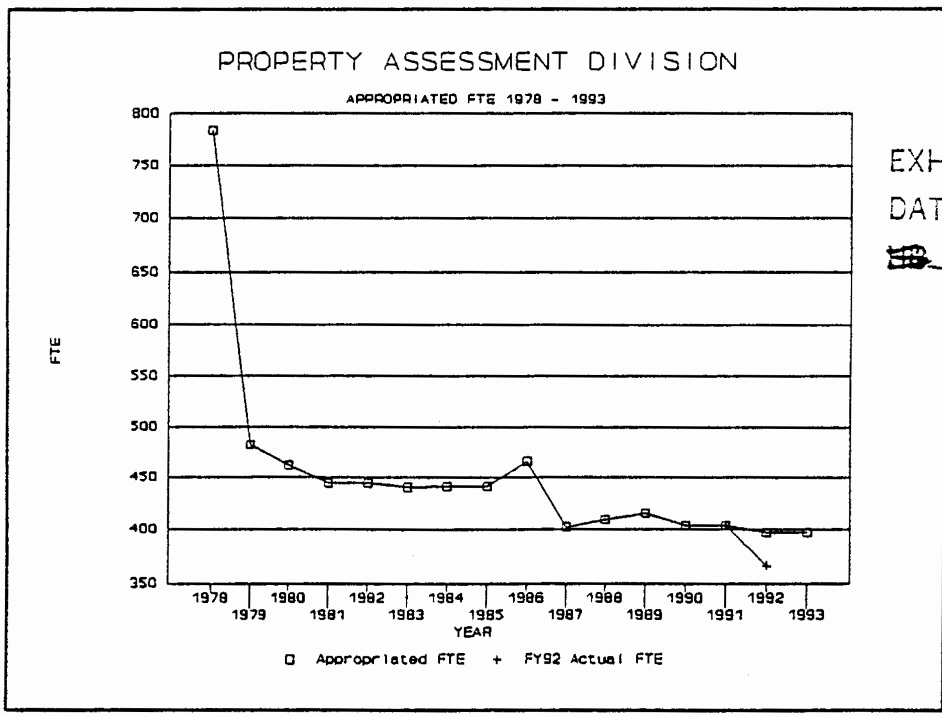

Figure 2

EXHIBIT 4
DATE 7-8-92
~~SB~~ Gen. Gov + Tr
Special Session

The Property Assessment Division experienced a 29 percent turnover rate during fiscal 1990. During fiscal 1991 turnover was about 19 percent. These extremely high turnover rates resulted in loss of experienced staff and required remaining staff to train inexperienced replacements.

Staff turnover and the resulting vacant positions was becoming a very serious problem in fiscal 1991. The Division began hiring temporary and emergency hire positions in February of 1991. From January to July of 1991, the last 6 months of fiscal 1991, the Division had 43 vacancies. During this period, there were 31 temporary positions hired. Even with the hiring of these temporary positions, the Division had a surplus personal services balance of $72,524 in fiscal 1991.

In fiscal 1992, there were 48 FTE position vacancies in the first 9 months. The Division hired 21 temporary positions during this same time period. The Division hired these temporary people to offset the loss of experienced staff and make up for the 1 to 1½ months it takes to fill vacated FTE positions through the state's hiring process. Had the Division not hired these temporary personnel, reappraisal would be well behind schedule.

The Division was authorized 397.06 FTE to complete the current reappraisal cycle and to start the fourth reappraisal cycle. However, the division only received funding for 371.56 FTE based on fiscal 1992 average FTE cost.

Table 1
Fiscal 1992 FTE Funding
Property Assessment Division

Total Requirement for Full Funding	$10,351,443
FTE Authorized	397.06
Fiscal 1992 Average Cost Per FTE	$26,070
Appropriated Personal Services	$ 9,686,765
Authorized Fiscal 1992 FTE	371.56

The requested transfer of personal services funding of $975,000 from fiscal 1993 to fiscal 1992 is equivalent to 39 FTE. Adding these FTE to the 371.56 funded, the total number of FTE employed by the Division to complete reappraisal is 410.56. This represents an addition of $351,945, or using the fiscal 1992 average FTE cost, 13.5 FTE which is 3 percent above the authorized FTE level.

Vacancy Savings

Of the appropriation transfer being requested, approximately $623,000 is attributable to vacancy savings. This short fall equates to 25.50 FTE based on FY92 average FTE cost of $26,070. This is the most significant reason why an appropriation transfer is needed by the Department. Several unsuccessful attempts by the Department to exempt the Property Assessment Division from vacancy savings, augmented with the loss of experienced staff and additional workload, has made it necessary for the Department to hire temporary staff in order to complete reappraisal by January 1, 1993.

PREVIOUS NOTIFICATIONS OF REQUEST

The Department realized prior to the 1991 Legislative Session that full funding of personal services would be needed in the final years of the reappraisal cycle. Throughout the 1991 session the Department told committee members that if the Property Assessment Division wasn't exempt from vacancy savings for the biennium that they would run a serious risk of not completing reappraisal on schedule. An exception was granted to the Department for exempting the Property Assessment Division, but was removed in the waning moments of the session.

The Department advised the Senate Majority Leader on April 23, 1991 of our need to be exempt from vacancy savings in the 1993 biennium. We also indicated that we would be starting the next reappraisal cycle during the 1993 biennium. This cycle was reduced from 7 years to 3 years by the Legislature and must be immediately started upon completion of the current reappraisal cycle.

The Budget Office notified the legislature in January of 1992 that the Property Assessment Division would require an appropriation transfer in fiscal 1992. In the 1992 Special Session, the Governor's budget reserved funds for supplementals which were needed, but not yet accurately determined. The Property Assessment Division supplemental request was included in that general supplemental reserve since the specific amount of additional funding hadn't been established. The Legislative Fiscal Analyst was also aware in early January of 1992 that the Division required additional funds to complete reappraisal on time and advised legislators of that need.

SUMMARY

The Department is requesting a general fund appropriation transfer of up to $975,000 from fiscal 1993 to fiscal 1992. The funding problem caused by vacancy savings was presented at the 1991 regular session and both the Governor's budget and reports from the Legislative Fiscal Analyst for special session indicated the need for additional funding. This added funding request is due to workload increases this biennium and loss of experienced staff.

The result of the increased work will be: a substantially improved reappraisal system; computerization of all property data except for personal property; consistency and uniformity among appraised properties; and shortened reappraisal cycles for the future.

Office of Legislative Fiscal Analyst
Budget Worksheet

Military Affairs		Executive Budget Proposal			Legislative Budget Action			Difference (Leg. – Exec.)		
		Fiscal 1993			Fiscal 1993			Fiscal 1993		
Description	Pg	General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2										
1 General Budget Reduction	00	($30,893)		($30,893)	______			30,893	No Change	30,893
Totals		($30,893)	$0	($30,893)	$0	$0	$0	$30,893	$0	$30,893

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EXHIBIT 5
DATE 7-8-92
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Gen. Gov. + Trans

Office of Legislative Fiscal Analyst
Budget Worksheet

Legislative Auditor		Executive Budget Proposal			Legislative Budget Action			Difference (Leg. – Exec.)		
		Fiscal 1993			Fiscal 1993			Fiscal 1993		
Description	Pg	General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2										
1 General Budget Reduction	00	($95,704)		($95,704)	________			95,704	No Change	95,704
Totals		($95,704)	$0	($95,704)	$0	$0	$0	$95,704	$0	$95,704

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EXHIBIT 6
DATE 7-8-92
~~#~~ Special Session 2
Gen. Gov. + Trans.

STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/444-2986

TERESA OLCOTT COHEA
LEGISLATIVE FISCAL ANALYST

EXHIBIT 7
DATE 7-8-92
Special Session
Gen. Gov. + Tran

July 8, 1992

TO: Management Advisory Subcommittee

FROM: Teresa Olcott Cohea
Legislative Fiscal Analyst

RE: Fiscal 1993 Staff Pay Increases

While Section 5-12-304, MCA, provides that the Legislative Fiscal Analyst sets the salaries of staff in the office, I want the committee to be aware of my plans before they are finalized.

I propose to give LFA staff an average 2.9 percent increase during fiscal 1993. This proposed pay increase uses all funds appropriated in House Bill 2 and House Bill 509 for staff personal services, minus a 2.6 percent reserve for unexpected termination costs. This pay raise would not go into effect until after the July special session has completed its action. I will, obviously, revise these plans if the legislature removes the funding for the fiscal 1993 pay increases or freezes all state employees' raises.

This proposed pay LFA increase is less than the average rate for classified state employees (5.2 percent) provided in House Bill 509 and below the average percentage increase that has been approved for staff in two other legislative agencies (Legislative Council--3.5 percent; Legislative Auditor--4.1 percent) and proposed for the Environmental Quality Council - 4.0 percent. The higher level of pay increases in the Legislative Auditor and Legislative Council offices will be funded by leaving positions vacant and using operating funds, if necessary.

Structure of Proposed Increase

House Bill 509 provides two raises in fiscal 1993 for employees on the general pay matrix: 1) 25 cents per hour beginning July 13, plus a market adjustment; and 2) an additional 20 cents per hour beginning January 4, 1993. The Department of Administration has calculated that the average pay increase for employees on the general pay matrix will be 5.2 percent (comparing the final fiscal 1993 salary to the fiscal 1992 salary)[1].

The pay raise for LFA staff would be structured in the same manner as in House Bill 509: a minimum increase of 25 cents per hour on July 13[2] and an additional increase of 20 cents per hour on January 4. If this calculation provides less than a 2.9 percent raise, the additional amount is provided as a "market adjustment" in the July 13 pay increase.

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[1] The market adjustment is larger for employees new to state government. So agencies with higher turnover will have a higher average pay increase than agencies (like the LFA) with lower turnover. OBPP has also calculated that agencies will not receive full funding for the average pay increase.

[2] Or as soon as the legislature has completed special session action.

EXHIBIT 7
DATE 7-8-92
Special Session
Gen. Gov. + Tra

Comparison with Other Legislative Agencies

The Consumer Counsel has not yet discussed fiscal 1993 pay increases.

At the July meeting of the Environmental Quality Council, the director will propose a $1,025 per year pay increase for EQC staff. This results in pay increases ranging from 2.1 percent to 7.2 percent, for an average of 4.0 percent).

In May, the Legislative Audit Committee approved a budget for fiscal 1993 that contained an average 4.1 percent increase for staff (final fiscal 1993 increase compared to fiscal 1992). This will occur in two increments (the second increment of 20 cents per hour effective January 4, 1993). In order to fund the pay plan increase, OLA plans to leave three positions vacant in fiscal 1993 and may have to use approximately $50,000 of its general fund operating budget.

On June 13, the Legislative Council approved continued use of the classification system it adopted last biennium. Implementation of this system produces fiscal 1993 pay increases averaging 3.5 percent. In order to fund the pay increase, the Council will leave several positions vacant and may have to use some operating funds.

I do <u>not</u> propose to hold positions vacant or use the operating budget to fund pay increases for the following reasons:

1) <u>staff shortage</u>. Historically, this office has had three secretaries during the budget analysis/legislative session year. This budget analysis season, we will have only one secretary. During the January special session, funding for 1.0 FTE secretarial position in fiscal 1993 was eliminated. One of the two remaining secretaries will be on maternity leave from mid-October through mid-December.

All analyst positions are currently filled. Analysts worked 7,539 hours of extra time in preparation for and during the 1991 regular session.

Clearly, I cannot hold any position vacant in order to fund additional pay increases.

2) "tight" operating budget. During the January special session, the office's fiscal 1993 operating budget was cut 12.9 percent. The office's operating budget for fiscal 1993 (a session year) is $19,594 less than was appropriated in fiscal 1991.

I do not plan to give promotions to any staff members during fiscal 1993. If the committee does not change the 170-hour compensatory time rule, the new analyst who was hired in March 1992 will be entitled to a two-step increase under current committee policy.

Director's Salary

Section 5-12-205, MCA, provides that the Legislative Finance Committee sets the salary of the Legislative Fiscal Analyst. Following is some salary information that may be helpful.

I recommend that my salary be frozen for fiscal 1992. The salaries of the executive branch agency directors (including OBPP's director) are frozen at $54,035 in fiscal 1993.

Two legislative committees have already approved fiscal 1993 increases for director's of those agencies. The EQC director's increase has been proposed but not yet considered by the committee. The Consumer Counsel Committee has not yet discussed salary increases.

Ex. 1
7-8-92
Gen. Govt. Sub.

	Fiscal 1992*	Fiscal 1993**	% Increases**	Status
Legislative Auditor	$63,799	65,730	3.0	Approved
Legislative Council	56,372	57,867	2.7	Approved
LFA	56,994	56,994	0	Proposed
Consumer Counsel	54,596	NA	NA	
EQC	48,540	49,565	2.1	Proposed

*Base salary prior to longevity
**At end of fiscal 1993

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Office of Legislative Fiscal Analyst
Budget Worksheet

Legislative Council		Executive Budget Proposal			Legislative Budget Action			Difference (Leg. – Exec.)		
		Fiscal 1993			Fiscal 1993			Fiscal 1993		
Description	Pg	General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2										
1 General Budget Reduction	00	($56,100)		($56,100)				56,100	No Change	56,100
Totals		($56,100)	$0	($56,100)	$0	$0	$0	$56,100	$0	$56,100

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EXHIBIT 8
DATE 7-8-92
SB Special Session 2
Gen. Gov. + Trans

Office of Legislative Fiscal Analyst
Budget Worksheet

Environmental Quality Council		Executive Budget Proposal			Legislative Budget Action			Difference (Leg. – Exec.)		
		Fiscal 1993			Fiscal 1993			Fiscal 1993		
Description	Pg	General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2										
1 General Budget Reduction	00	($15,473)		($15,473)	________			15,473	No Change	15,473
Totals		($15,473)	$0	($15,473)	$0	$0	$0	$15,473	$0	$15,473

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EXHIBIT 9
DATE 7-8-92
HB Special Session 2
Gen. Gov. + Trans