

MINUTES OF THE MEETING OF  
HOUSE APPROPRIATIONS SUBCOMMITTEE ON ELECTED OFFICIALS  
MONTANA HOUSE OF REPRESENTATIVES

February 7, 1977  
8:10 a.m.  
Room 428A  
State Capitol Building

The meeting was called to order by Chairman Lynch with all members present, except Representative Gunderson who was excused. The subject of the hearings: Department of Revenue: Overview, Director's Office, Legal Division, Research Division.

William Groff, Director of the Department of Revenue, gave a very brief overview telling that the department has changed a great deal in the last two years.

Director's Office: Mr. Groff stated that the department requests at least \$16,000 back in this budget; this would be approximately \$11,000 for 1978 and \$5,000 for 1979 which would be under the operating expenses of this budget and would be used for contracted services for attorneys' fees. He feels they are not able to use the services of the lawyers on their staff for some cases because they just do not have enough experience to do the job they need. One such case is the bank case which they just lost at the district court level; they will appeal it to the supreme court. This is a case that was instigated over the changing of federal statutes pertaining to taxes to be paid on government bonds. It is a "narrow margin case", he reported and feels they have a 40/60 chance against them of it being overturned by the supreme court. If the funds are earmarked for attorneys or legal fees, they will hire attorneys or as the funds are stipulated. But they would like to be able to contract for services in this area.

Mr. Groff would like the budget to be funded in such a manner to meet their needs or to enable them to shift money to the areas where it is required. He requests that \$69,000 be taken from the legal division; that \$30,000 each year be added to the research division; and that \$16,000 be added to the director's office. The funding would be at about the same level as the LFA has recommended, just different allocations. They recommend the budget proposed by the executive office for the legal division for each year. Mr. Gosnell indicated that he recommended funding at the same level as last year.

Legal Division: Mr. Groff requests funding at the recommendation of the executive budget. In response to a question by Mr. Ed Eaton of the Budget Office, Mr. Gosnell explained that some expenditures have been funded under the general services budget, and have been allocated under that division.

Mr. Groff reported that the division presently has 90 active cases, with an average of 35-40 cases per attorney. They have about 600

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potential welfare cases. Senator Regan suggested, as she had at another committee hearing, that they consider putting a statement on the back of the welfare checks which the recipient would have to sign certifying that the individual is eligible for the monies he/she is receiving. Once the signature has been given declaring the person's certification, if there is a case of fraud that person could be caught. Mr. Groff responded that that is a good suggestion and will be considered; however, it would be up to the welfare system to take actions to implement this. The problems of the department are not as much with the convictions as they are with the fact that nothing happens after the convictions are made.

Mr. Groff stated that the caseload in the division has dropped significantly. Bob Corcoran, Administrator of the Legal Division, explained that they had asked for four additional attorneys and the LFA gave them four, but the executive budget gave them two. He said they would prefer to go with the executive budget and two FTEs and reallocate the funds; but if they cannot reallocate, they do want the four attorneys as initially requested.

Research Division: This division, Mr. Groff explained, estimates the revenue and taxes for the state; from these estimations, economic projections for the state can be made. This process takes a great deal of research as they must construct economic models by which to evaluate the information. John Clarke, Administrator of the Research Division, explained that they mathematically simulate what is going on in the economy and use models for simulation and projection.

Mr. Groff said that the Budget Office does not do any revenue estimating beyond keeping a running record of what is going on. He advised the committee not to let the revenue estimating function go to the Budget Office.

It was pointed out by Chairman Lynch that after the \$30,000 for each year is restored, if that is what is done, the budget would be only \$21,000 off; he asked if this budget would be adequate. Mr. Groff responded that it would depend on what the legislature wants the department to do. He feels that research is probably the most valuable tool in the government and that it is essential for this area to obtain sufficient funding. He outlined some plans the division has, such as developing an education program whereby they could educate the public and the taxpayers about matters relating to their taxes.

There are many areas of the country that are interested in the techniques used by the division, Mr. Clarke said. He feels the division has a very good staff and that they are fortunate to be able to get graduate students to do some of their work either on contracted services or as a staff member. He distributed a sheet exhibiting the staffing situation within the division. The solid lines show that the position was filled; broken lines show vacancies; dotted lines indicate periods of reclassification. Often reclassifying a position can take months, during which time the position cannot be filled.

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One reason for their turnover rate among statisticians and economists is salary. A statistician I is a grade 11 and gets paid \$11,000; statistician II, \$12,000; statistician IV, \$14,500; economist IV, \$15,000. These may sound like high paying positions, Mr. Clarke said, but he told of one of his economists who has received offers from the state of Texas that would pay up to \$29,000 per year. So far this employee has chosen to stay in Montana, but this won't continue forever. Upon leaving this department, Mr. Clarke reported that many of these people can get jobs in other states or with the federal government. There are not very many statisticians within the state of Montana.

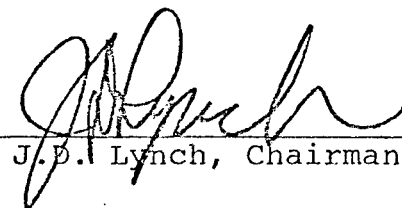
If the employee requested is cut from the budget, it would be a statistician II; this position is needed for continuity in the division and to meet the demands of their workload.

Senator Regan asked about the large sum of money that was transferred into the department. Mr. Groff explained that he took the money for the department's use as he does not feel divisions should receive supplemental funds but that they should be able to and should have to stay within the funds appropriated for them.

The LFA budget was based on the 1976 base and at the time the budget was submitted they were still at a relatively low level. Mr. Clarke explained that several billings had not come through and that he expected that the division would spend \$150,000 this year as they have already spent about 47% of their funds. Mr. Gosnell reported that this is slightly higher than his predictions.

Research is vital, was the theme emphasized by Mr. Groff. Senator Regan commented that she had always been willing to fund research and felt it was important, but hasn't seen the results come from the researching. Mr. Groff felt that generally speaking she was right. But he explained the reason for this was that researchers were not hired to do the research work and, therefore, did not have a good job done on the studies. The research done by his department is all factual and practical, not theoretical.

There being no further questions or discussions on these budgets, the meeting was adjourned at 9:00 a.m.



J.P. Lynch, Chairman

jlm

Attached to the minutes for this date are the Subcommittee Action Forms for all budget requests that the committee has taken action on up to this date. A copy has been made available to all committee members.