

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

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

The meeting was called to order by Vice-Chairman Regan with all members present and Chairman Lynch arriving after another meeting. The subject of the hearing: Department of Revenue: Property Assessment Division.

There are three major areas of difference in the budgets according to Mr. Gosnell. The LFA recommendation did not include funding for mass appraisal program for 1978 and 1979 (amounting to \$800,000 for 1978 and \$900,000 for 1979 not included), or for escalation of the program, or for funding for the Homestead Tax Relief Act.

This is the priority budget in the department and it needs funding or there could be serious problems, Mr. Bill Groff, Director of the Department, stated. The Governor's recommendation to accelerate the program has already been put in to effect.

Mr. Dennis Burr, Administrator of the Property Assessment Division, gave each committee member a report answering many of the questions raised by the legislative fiscal analyst in his report and explaining some of the operations of the division. Each member also received two samples of the appraisal information sheets used by the appraisers under the new system.

Eventually, Mr. Burr explained, every parcel of property in the state will be under the new appraisal system. Presently they are concentrating on industrial and residential properties. They are not far behind on the commercial property so they haven't done too much in that area yet.

There was a long discussion on the use and applicability of depreciation charts and the manner in which equipment is assessed and taxed. Mr. Burr explained that they depreciate on the value of the replacement cost for a piece of equipment. There are four different tables used for depreciating values depending on the life of the equipment. There are also a number of nationally recognized industrial depreciation and appreciation schedules that they follow. Mr. Groff pointed out that they appraise the value, not the money; the courts say the appraisal is to be on the real and true value of the property. Mr. Raymond Dore, who will be the director effective May 1, 1977, added that the accepted national appraisal method is to depreciate the replacement cost as they are doing.

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To supplement the information given on page 10, paragraph 1 of the report, Mr. Burr compared the average salary range among various departments: Community affairs' average is \$16,500; Revenue's average is \$12,400; Property Assessment Division's average is \$10,500. He also stated that there are a number of lawsuits coming up over the salaries within their department.

Mr. Gosnell asked if \$800,000 is actually the amount they will need as they are not spending as quickly as expected. He asked if they are at the level they should be in order to finish by the scheduled time. Mr. Burr responded that they were on schedule and that they spent \$108,000 in January and \$193,000 this year. Planning on an average of \$105,000 for expenses each month, the \$800,000 would be the amount needed. If the completion date is set by the legislature for 1979, funding will have to be requested as it is not included for that year in this budget.

The division intends to use the mass appraisal data base on the Homestead Tax Relief Act program also. However, they would like to send the applications for this relief rather than have the people pick up the applications at the courthouse. These probably could not be mailed with the taxes, as the timing would not work out well. He said that H.B. 141 would have applications due by April 1. In response to a request for a description of the procedure, Mr. Burr told how the division must figure the taxes and that they have to figure out the amount the state will pay, the amount the home owner will pay and the amount due to the county. The applications must be processed prior to the tax billing date.

Mr. Gosnell indicated that if the bill passes, there is no dispute over the need for the funds in the budget.

Representative Wood asked what the effect would be on the county treasurers by the tax relief act. Mr. Burr felt that there would be very little increase in work or expenses by the county treasurers or the county assessors.

Under the accelerated plan, the mass appraisal system would be completed within 18 months. This system is being and will be used for things other than property appraisals. The information can be used in applying for grants and in lawsuits, among other things.

Ed Eaton of the Budget Office made some corrections to their budget worksheet as follows: FTEs: Estimated FY 1977: 457.83; 1978 current level services: 513.83; 1978 total: 717.83; 1979 current level services: 513.83; 1979 total: 542.83. He also indicated that the executive budget was a "bare bones" budget; they only could allocate to a certain degree with the funds they had but felt the division would need more than they could allocate.

The committee will conclude the hearings for this department tomorrow, take executive action on February 14 at 8 a.m., and meet with the Attorney General regarding the workmen's comp. budget at 3:30 p.m. or upon adjournment on February 14. The meeting was adjourned at 9:20.

