

MINUTES OF THE
LEGISLATIVE, JUDICIAL AND ADMINISTRATIVE SUBCOMMITTEE

February 15, 1979

7:45 a.m.

Room 132

State Capitol Building

Tape Data: 7:1-3:170-end

7:2-2:0-41

Subject: Dept. of Revenue

The meeting was called to order at 7:45 a.m. by Chairman Menahan with all members present except Senator Thiessen who was excused. Fiscal Analyst JanDee May was also present.

The hearings for the day were Department of Revenue: Director's Office, Audit and Accounting Division, Research and Information Division and Legal Division.

DEPARTMENT OF REVENUE
Overview of Department

Bill Groff, Special Assistant for the Department, gave an overview of the Department before the budget presentation for each program.

In Mr. Groff's presentation, he brought out the estimated revenue for Fiscal Year 1980 is \$352.3 million and their operating costs would be 3.00% and for Fiscal Year 1981 \$380.3 million with operating costs of 2.81%. The Department of Revenue has requested \$4,444,907 for 1980 and \$4,801,353 for 1981. With reductions the figures have dropped to \$3,163,813 for 1980 and \$3,267,009 for 1981.

Mr. Groff stated that the Department of Revenue affects all of state government.

Laury Lewis, Acting Director, stated that the FA went back to 1978 expenditures and took out one time expenditures and from that base applied 6% inflation factors. Mr. Lewis went over the requests for the Liquor Division, Property Valuation, Tax Divisions and he reviewed the Budget Office and FA reductions for these divisions. Mr. Lewis said the cuts were substantial ones and they would not be able to absorb them and still contribute funds from revenue as they have in the past to other areas of state government.

Director's Office

The Director's Office is requesting \$191,689 for 1980 and \$196,746 for 1981 with 4 FTE.

The Executive applied vacancy savings and in the operating expenses made reductions in travel. The FA has recommended a reduction of

approximately \$8,000 which includes a 5% vacancy savings.

Mr. Lewis stated that the program with 4 FTE trying to absorb the \$8,000 in personal services could not be done without eliminating an employee.

Mr. Lewis stated the directors in the past have not subscribed to PERS but possibly the new director could and there was also a position that was not filled for quite some time. These factors could be part of the reduction for vacancy savings the FA applied.

The agency is requesting \$93,939 for 1980 and \$99,005 for 1981 in operating expenses. Mr. Lewis stated in this area if part of the reductions are based on insurance rates being lowered or the cost of paying insurance from their budget no longer being the case then there is no problem with the reduction. Mr. Lewis stated he was assuming this.

The legal expenses for the Department of Revenue are included in the Director's Office budget instead of the separate programs. Mr. Lewis sighted various cases involving different programs where the savings to the state were substantially more than the legal fees. Mr. Lewis stated that the state government is more active in pursuing conscientious objectors than the Federal government and the Department of Revenue has been very active the last 18 months trying to get people to pay their taxes. The reappraisal of property has caused many lawsuits. Mr. Lewis stated they do not know what will be needed for litigation and asked that they be allowed to set up a revolving account for litigation expenses.

Under supplies and materials, Mr. Lewis commented that they spent more in 1978 than the FA is recommending. The FA went off the 1978 base but took out one time expenses. Mr. Lewis stated it is false to assume that one time expenditures will not occur. There will always be expenses not planned or budgeted for, therefore, the program will need to find the funds somewhere else in the budget.

There were reductions for consulting fees which Mr. Lewis stated were fees for bringing consultants in to train personnel. In other expenses, their request was reduced \$1,000 each year.

In summary, Mr. Lewis asked the committee to consider the Budget Office's recommendation for the Director's Office less the insurance expense if they are not to be billed by the Department of Administration.

The FA stated the figures of \$7,600 and \$7,500 in personal services were based on their original request for salaries which included pay increases. The FA and the Budget Office did not include pay raises in their recommendations.

For the remainder of the difference, the FA commented that a 4%

vacancy savings was applied but the Department of Revenue shows in their budget request that they are taking a 4% vacancy in their program for 1979. The FA pointed out that in Fiscal 1978 they had a 2.6 vacancy savings.

Within operating expenses, the FA addressed the training. She stated that if the training was for auditors the cost should be within the program (Auditing and Accounting) where the training is being done and not in the Director's Office.

Insurance costs were kept at the 1978 level. The FA said in this area either the Insurance Department will be given a lump sum to pay the expenses or the insurance figures will be added back into the individual budgets.

Last session, the Legal Division was increased mainly to cut back on private legal costs, therefore, the FA policy was not to increase legal costs within the programs. She said if the committee decides to go along with the increase in legal fees it could be line itemed.

In the area of other expenses, it was office policy for the FA to maintain 1978 level. The FA reduced the 1978 amount by \$90 which was for the Great Falls Tribune.

Mr. Lewis stated that one attorney position was placed in the Director's position and the hiring freeze prevented them from putting this attorney position back. Mr. Lewis also responded to the FA comments on the vacancy savings.

The FA stated \$314,000 was moved down into operating expenses from vacancy savings last year and to this amount they applied a 6% inflationary increase.

Auditing and Accounting

Don Bentson, Administrator, stated the Auditing and Accounting is a support division except for one function which is to collect bad debts.

They request 29.5 FTE or an 11% increase for Fiscal Year 1980 and 1981. The Executive reduced their request by \$21,000 and \$23,000. The Executive recommended a 4% decrease in personal services and a 1% in benefits and overtime.

In operating, the Executive reduced the travel.

Mr. Bentson stated there was no vacancy savings and the reduction was a general reduction from the budget.

In a modification request, the program is requesting one bad debt position. The Executive allowed the position but the FA eliminate it.

In personal services the costs exceeded their budget by \$3,454 for

1978 which would be a negative vacancy savings. In 1979, based on 6 months actual expense, the anticipated vacancy savings is less than 1%. The FA is applying a 6.5% vacancy savings.

The FA position for program transfers was that the transfer is not allowed. Mr. Lewis commented on the program transfers. He said they need the flexibility to make decisions to transfer positions within the programs where workloads fluctuate.

In travel, reductions were recommended by the Budget Office and the FA. Mr. Bentson stated if the reductions were absorbed it will mean poor auditing.

Contracted services was kept at the 1978 level with 6% inflation increase applied by the FA.

The Auditing and Accounting operates 5 automated systems worth approximately \$200,000. The funding request is for production runs and minor reprogramming.

Mr. Bentson stated in the equipment area the only response he had was that they very much needed the equipment requested.

Mr. Bentson commented on the bad debt collection position being requested under the modified. He stated if they had the position they could work the case load. If the position is filled the projection of additional revenue would be approximately \$30,000 to \$40,000.

The FA responded to the program transfers and said the main concern was the FTE transfers from the Liquor Division. She commented that when a store is converted to an agency store the FTE are transferred to other programs. The FA felt these positions should be reduced. The FA stated that recently 35 FTE from the conversion of agency stores for the past few years were deleted by the Department. The FA felt they should have been doing this all along.

The FA and Mr. Bentson were to meet together to go over the vacancy savings in case of error. Mr. Bentson stated they had no vacancy savings.

Last year within the Fiscal Analyst report it stated that several new systems that were being requested would free up 1.5 FTE for the Bad Debt Collection Program. Auditing and Accounting's appropriations were increased for the systems.

In operating costs there was a difference between the Budget Office and the FA by approximately \$5,600 the first year and \$6,500 the second year in the area of contracted services. The FA stated the major increase was in the area of data processing. She stated according to Mike Trevor, data processing costs should decrease and not increase in 1981.

Travel was also kept at 1978 level following the FA's office policy.

Research and Information

John Clark, Administrator, stated the program was also a support division. He responded to the comment of Mike Trevor about data processing costs going down and stated that certain factors cause data processing costs to go up. The Legislature with added workload caused data processing costs to go up.

Mr. Clark said one position in the information office did terminate and before the position was filled it was deleted through the hiring freeze. The Executive eliminated one other position which left the program with 5 FTE. The position eliminated was the Bureau Chief. In the data processing area the hiring freeze eliminated 2 positions.

The program requests 47.5 FTE. The Executive recommends 46.5 and the FA recommends 43. Mr. Clark stated the adoption of the FA proposal will leave personal services under funded.

One position deleted by the FA was transferred to data processing from Mass Appraisals. Within the data processing program the FA is eliminating 2.5 FTE. The FA stated that in the area of personal services they did not recognize the positions cut by the hiring freeze. She said the positions eliminated were vacant year round.

Mr. Eaton stated these positions being referred to were revolving fund positions based on the Income Tax Division. He said Mr. Clark needs the flexibility through the revolving fund for staffing to be able to meet the needs of the workload.

Mr. Eaton stated the one position eliminated by the Budget Office was vacant at the time of the freeze and the greatest need for the position is during the Legislature. The other position was eliminated because the Budget Office did not feel two chiefs were needed.

The FA stated that with the merger of the two programs into the Research and Information Division they recommended only one chief. The FA also stated that last year the Legislature appropriated 34.5 FTE and throughout the year the FTE was increased to more than 43.5. The FA said these people were transferred into the program and are not current level and should be rejustified as a modification. Four positions were transferred from the Homestead Property Tax Relief Program. There has been no funding for the Homestead Property Tax Relief Program to be continued and the FA has deleted these positions from the budget.

Mr. Clark explained some of the functions of the equipment they use. The programs equipment rental is \$108,971. They are requesting funds to purchase some pieces of equipment. Mr. Clark stated in repairs and maintenance they requested \$1,338 short of what they need.

In relation to data entry people, there was a 1.5 vacancy last year. The FA commented that the Department of Administration

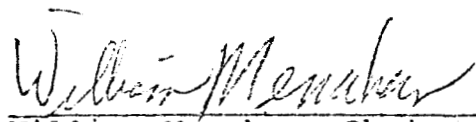
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does work for various tax programs and a possibility could be to transfer some of the work to the Department of Administration.

The Mass Appraisal and Reappraisal was discussed. Mass Appraisal is a small part of this program and the major portion is funded through Property Appraisal.

The meeting was adjourned at 10:50 a.m.

Respectfully submitted.



William Menahan, Chairman

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