

MINUTES OF THE
LEGISLATIVE, JUDICIAL AND ADMINISTRATIVE SUBCOMMITTEE

February 19, 1979
7:45 a.m.
Room 132
State Capitol Building
Tape Data: 8:1-1:220-1,156
Subject: Dept. of Revenue
Work Session

The meeting was called to order by Senator Lockrem, Acting Chairman at 7:45 a.m. Those present were Representative Wood, Senator Thiessen and Representative Hand who attended the latter part of the hearings. Chairman Menahan took charge of the meeting at 8:00 a.m. Fiscal Analyst JanDee May was also present.

The hearings for the day were Department of Revenue: Inheritance Tax Division and Property Valuation Division. Following the hearings, the committee held a work session for making decisions on the Department of Revenue program budgets.

DEPARTMENT OF REVENUE
Inheritance Tax Division

Ron Smith explained the functions of the Division. They administer, determine and collect inheritance taxes and administer the unclaimed and escheated property.

The revenues are estimated to increase 8.0% from 1978 to Fiscal Year 1981. Workload indicators show an increase of 15.5% in returns processed, 14.7% in unclaimed property items and 26.3% in escheated estates items.

The committee discussed the duplication with Escheated Estates being within two departments: the Attorney General's Office and the Department of Revenue. Mr. Smith stated that the Attorney General handles the legal part of escheated estates and the Department of Revenue handles the processing and accounting. In 1980, they are requesting \$125,339 and in 1981, \$127,124 for general funding. In other funding they are requesting \$29,976 in 1980 and \$30,383 in 1981.

Tom Stoll, Administrator, commented that the average employee years in the program is 10 1/2 years. They have 86 years for 8 people and he cannot foresee any vacancy savings. Last year, they did have a vacancy in a position held open for a person. Mr. Stoll does not feel the position should be reduced 1/2 time because the work is backlogged for the position.

In operating expenses, the FA has recommended \$16,150 be reduced in 1980. Included in her figure is a rent item of \$4,600 which if removed from the \$16,150 would leave \$11,474. The \$11,474 is

approximately \$200 higher than what was spent in 1978 or approximately a 4% increase per year.

In 1981, the FA recommended \$17,033 of which \$5,132 is rent which would leave \$11,901 which is less than a 4% increase for inflation costs.

Mr. Stoll felt that they could not get by with 8 1/2 FTE even with the inflation rate reflected in the budget.

Mr. Stoll stated that every other year they microfilm two years of records. They are in the process of doing this in 1978 and will have to do it in 1981. There is no provision in the budget for the microfilming.

Also by statute, the program is required to contact every business in the state on a 3 year basis except those businesses contacted annually. They estimate for calendar year 1979 approximately 18,000 firms. Mr. Stoll stated they have estimated the cost of mailing at approximately \$5,000. This cost is reflected in the budget request.

Mr. Stoll closed by saying if their request was not approved they could get by with the Budget Office recommendation.

The FA responded within personal services a position was vacant 50% of the time last year. The FA recommended this position go to a .5 FTE rather than a fulltime FTE.

In operating expenses, the FA stated her increases without rent and with going back to the 1978 base show a 10.3% increase and a 16.3% increase. The FA pointed out that in 1977, \$11,700 was spent and in 1978 \$10,600 was spent which was only a \$1,000 difference for the extra expenses incurred in the odd year. The program is requesting without rent figures increases of 110% overall and 123% overall.

In the area of supplies and materials, they are requesting 160% increase the first year and 131% the second year; in communications a 151% increase the first year and 121% the second year.

The microfilm cost was not included by the FA. Mr. Stoll stated the 1977 microfilm cost included the film and developing and they had their own camera. Mr. Stoll commented he was not sure the camera would handle the project this time and it could be possible that the Department of Administration would have to do the filming. If this happens the expense could jump to \$5,000.

Laury Lewis asked the committee to reconsider in the area of the .5 FTE recommended instead the fulltime FTE and the vacancy savings.

Property Valuation

Dennis Burr, Administrator, stated that the Division is responsible

since 1972 with the new constitution, for all areas of property assessed within the state. All county assessors and their staff are paid by the State Department of Revenue. All their operating expenses are paid by the Property Valuation Division.

The program's current year budget is approximately \$6.8 million. The Budget Office has recommended for the next year approximately \$7.3 million.

Mr. Burr commented that even with an increase in workload they have not added any additional FTE and it is getting to the point of work not being done on time. Mr. Burr felt if the program is cut further no better of a job will be done and probably a worse one.

The FA has reduced the contracted services by approximately \$200,000. Mr. Burr stated if this type of reduction was applied last year statutory requirements of purchasing assessment role and assessment notice forms could not have been completed.

Another specific area was utilities which was cut by \$80,000 a year. Mr. Burr stated all funds are committed to pay for these utilities. He also stated that printing costs are generally purchased in the spring and therefore, the cost is not incurred in the first part of the year.

Mr. Burr commented on the Mass Appraisal and Reappraisal programs. Reappraisal was a program funded last biennium. It has had no FTE or funds expended in the program for the last 6 months. The Reappraisal Program was completed and has been eliminated.

The Mass Appraisal is an assistance to the appraisers on the local level. It provides some computer techniques to value property for the appraisers in the counties. It saves time for the appraisers. Mr. Burr said if they were not asking for the computer capabilities they would be requesting additional FTE.

Mr. Lewis wanted the committee to be aware of the problem with Lewis and Clark County which is charging rent for the old federal building for the assessors and appraisers. They have sent a bill for \$20,000 for this rent. Mr. Lewis stated this is setting a precedent for the rest of the state and feels it will end up in litigation.

Robin Harper, Administrator Officer, stated in personal services it is proposed that 46.43 FTE be reduced from the original agency request. This breaks down to approximately 24 that were transferred from the Homestead program, 12.58 FTE that were appropriated by general fund for Mass Appraisal, 11.85 FTE reduced from aggregate positions. The balance would be 2 FTE being requested for additional auditors. The dollar reductions are \$798,000 in 1980 and \$803,000 in 1981.

The cost per FTE would be \$17,000 for each FTE in 1980 and \$17,300 per FTE in 1981. The average salary in the Division is approximately \$11,000.

In contracted services, the FA has recommended the agency request of \$540,000 for 1980 be reduced by \$262,000 and the \$530,000 for 1981 be reduced by \$240,000. For contracted services, approximately 75% is spent for data processing and printing costs.

Supplies and materials has been reduced by \$15,000 in 1980 and \$16,000 in 1981 by the FA. Mr. Harper stated that supplies and materials has gone up drastically.

Mr. Harper stated their concept for establishing the budgets for each was based on a zero base budget. Justification for each and every item is requested and Mr. Harper said this is the approach used for their budget projection.

In communications and transportation, the agency requested \$220,000 for 1980 and \$256,000 for 1981. In 1978, they spent \$180,000.

The FA has recommended a \$31,000 reduction for 1980 and a \$55,000 reduction for 1981. Mr. Harper said this could very seriously jeopardize the telephone and postage services of the Department.

In travel, the FA has recommended that 1980 travel be reduced by \$50,000 and \$65,000 for 1981. Mr. Harper commented that they do not anticipate as much travel for the next biennium, however, he said the field work will be affected by the FA reductions.

The program rents office space in 7 counties where courthouse space is not available. The FA has recommended a \$7,000 reduction from the \$90,000 agency proposal. Mr. Harper stated they have been experiencing increases in rent in every situation and with the reduction in their funding there would be a problem of maintaining the space rented.

Mr. Harper stated it is the program policy to reimburse on a pro-rata square footage share, the cost of heats, water, lights and janitorial supplies to the various counties. The utilities budget request is \$146,000 for 1980 and \$165,000 for 1981. The FA has reduced \$81,000 from 1980 and \$94,000 from 1981. Mr. Harper stated that these cuts would almost mandate them from continuing reimbursing the counties.

Other expenses include subscriptions used by the Division, conferences and fees for training schools and seminars. The agency request is \$50,000 for 1980. It is recommended that this amount be reduced to \$3,000 for each year.

Mr. Burr commented that the reduction in the other expenses would not allow them to purchase the NAD Bluebook which would stop them from appraising or assessing automobiles. Other such books are also under subscriptions which they need to aid their assessing

and appraising.

The FA responded that within personal services the program had an 11.9% vacancy savings in 1978. The 29 property relief positions were pulled out, 24 were transferred to this program and 5 were in data processing. The FA did not recommend the 12.58 for the Mass Appraisal program but felt a hard look should be taken as to whether funding for the program should be continued at the current level. The FA stated that the 12.58 positions administered the Homestead Tax Relief Program and questioned the amount of time spent for administering the Mass Appraisal Program.

Five positions within county offices were vacant and were deleted.

The FA stated there was additional money granted to the program the last biennium for Reappraisal. In 1978, \$7.6 million of general fund was expended. In 1981, the general fund requested would exceed 1978 expenditures of general fund.

The FA arrived at her figures by taking all expenditures from 1978 and removing all federal funds (\$430,000) and Homestead Tax Relief Funds (\$159,000). After deriving the general fund expenditures only, the FA split it between the county offices and administrative programs.

To county offices, the FA applied inflationary costs. Within the administrative programs there were four programs recommended to not be continued. The FA stated that within county offices the agency is requesting 23% and 27% increases; within administrative programs 30% and 34% increases.

For utilities, \$59,000 was expended last year. They are requesting \$164,000 and \$165,000 for the biennium which are increases of 147% and 179%.

The FA's stance in the area of equipment was that the program should justify the equipment needed and not come before the committee with a breakdown of equipment needed and then purchase different equipment than requested. The FA recommended zero funding for equipment.

The FA recommended 2 additional auditors to be funded from an earmarked account. These auditors audit mineral producing counties and it is stated by statute if they bring in a profit to the counties then the counties shall reimburse them.

There was discussion of the expenses in other expenses being charged to different categories from which it was requested in the budget. Mr. Burr commented that the 2 auditors recommended by the FA were recommended without funding. The reimbursement for the auditors from the counties goes back into the general fund not into the program.

The equipment was \$25,000 a year. Mr. Burr stated they need a computer for Mineral County for assessment work to fit with the rest of the counties operations.

WORK SESSION
Property Valuation

The committee discussed the Mass Appraisal and Reappraisal Programs.

The Property Valuation Program spent \$7.6 million in general fund for 1978 and are requesting \$7.5 in 1980 and \$7.7 in 1981. The FA is down \$1.3 million from the Executive recommendation for each year.

The FA commented that the program failed to transfer out of the program and back to Homestead Relief Program \$159,000. This is a misrepresentation of funds.

The committee discussed which budget to work off of.

The FA stated that she would like to recommend data processing costs be reinstated, a reduced FTE level and contracted services be maintained.

Senator Lockrem recommended the auditors be included in the committee's decision but hesitated funding them from the earmarked funds recommended by the FA.

No decision was made.

Inheritance Tax

Senator Thiessen moved to restore the 1 1/2 position and approve the FA budget recommendation.

The FA recommended that \$5,000 be added in for the contacting of business firms.

Senator Thiessen moved to add the \$5,000 for 1980 for contacting these firms.

Those in favor were Senator Thiessen, Representative Wood and Chairman Menahan. The motion passed unanimously. Senator Lockrem was excused at the time of voting.

Corporation Tax

Representative Hand joined the meeting at this time.

Ed Eaton stated that serious consideration of the Budget Office recommendation should be made. Charges for SBAS and central payroll of \$1,500 and \$1,623 would need to be taken out of the Budget Office recommendation and also the rent figure is higher.

The committee decided to include in their recommendation language to allow additional funding for lodging and meals in those cities designated by the Department of Administration as high cost areas.

Senator Thiessen moved to approve the Executive recommendation with the SBAS and central payroll charges removed, adding \$30,000 a year in contracted services (\$25,000 for MTC dues and \$5,000 for legal fees) and adding in additional funding for per diem.

Those in favor were Senator Thiessen, Representative Hand, Representative Wood and Chairman Menahan. The motion passed unanimously with Senator Lockrem excused.

Miscellaneous Tax

One difference between the FA and the Budget Office is in the area of travel. The overall difference is \$14,467 of which \$2,000 is SBAS and payroll charges and rent. The difference would then be approximately \$12,000 the first year and \$10,000 the second year.

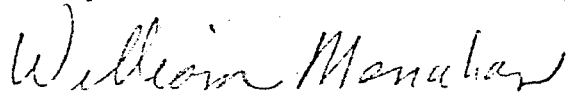
The FA pointed out that the travel request was a 36% and 44% increase over 1978. Mr. Eaton stated that because of having a new position on board and an auditor training him the two positions could not get out to travel.

Representative Wood made a motion to approve the Executive budget recommendation.

Those in favor were Representative Wood, Representative Hand and Chairman Menahan. The motion passed with Senator Lockrem and Senator Thiessen excused at the time of voting.

The meeting adjourned at 11:05 a.m.

Respectfully submitted.


William Menahan, Chairman